

**STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS
OFFICE OF THE INSPECTOR GENERAL**

TO: Edwin G. Buss
Secretary

FROM: Terrance W. Edmonson
Inspector General

DATE: June 22, 2011

SUBJECT: FOLLOW-UP AUDIT REPORT # A11018F – THE AUDITOR GENERAL'S,
PAYROLL AND PERSONNEL ADMINISTRATIVE PROCESSES AT
SELECTED STATE AGENCIES OPERATIONAL AUDIT, REPORT NUMBER
2011-069

The Bureau of Internal Audit performed a follow-up audit to the Office of the Auditor General's Payroll and Personnel Administrative Processes at Selected State Agencies Operational Audit, Report Number 2011-069, issued in December 2010. The objectives of this follow-up were to determine the corrective actions taken on reported audit findings and whether actions taken achieved the desired results as intended by management. The scope of our follow-up consisted of obtaining from the Office of Human Resource Management and Office of Health Services a written response of actions taken to correct reported findings. We have evaluated the response to each finding and have assessed that appropriate action has been taken or is being taken to address the issues identified in the report.



Inspector General

TE/PS/kj
Attachment

Daniel G. Ronay, Chief Deputy Secretary
Glory Parton, Director of Human Resource Management
Tom Reimers, Acting Director of Health Services Administration
Kathy DuBose, Director of Joint Legislative Auditing Committee

FLORIDA DEPARTMENT OF CORRECTIONS

***Follow-up of Auditor General's Report #2011-069
Payroll and Personnel Administrative Processes
at Selected State Agencies Operational Audit***

Terrance W. Edmonson, Inspector General

Report #A11018F

Paul R. Strickland, Chief Internal Auditor

June 22, 2011

BACKGROUND

Florida's State Government is the largest employer in Florida with 168,654 established positions at June 30, 2009, and 167,797 established positions at June 30, 2010. State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefit packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 30 State agencies and other entities within the executive branch of State Government. The SPS included a total of 109,476 and 109,020 established positions in the Career Service, Selected Exempt Service, and Senior Management Service pay plans as of June 30, 2009, and June 30, 2010, respectively.

In December 2010, the Office of the Auditor General published a report, Payroll and Personnel Administrative Processes at Selected State Agencies Operational Audit, Operational Audit, and Report #2011-069.

OBJECTIVES

Our follow-up objectives were to determine:

- what corrective actions were taken on reported audit findings, and
- whether actions taken achieved the desired results as intended by management.

SCOPE AND METHODOLOGY

A request was made to the Office of Human Resource Management and Office of Health Services for a written response on the status of corrective actions taken.

RESULTS OF FOLLOW-UP

Finding No. 1: Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time

Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Management's Original Response: *The Department of Corrections concurs with the recommendation that DMS provide guidance and enhanced reporting of missing timesheets. The current missing timesheet report must be run for the entire agency and then converted to an excel file, sorted, saved and routed to the appropriate institution/office for review. It was our understanding that the agency would have the ability to run the missing timesheet report by organizational code which would allow each institution/circuit/bureau to run their respective reports.*

Management's Follow-Up Response: *Missing Timesheets Reports are produced by the respective servicing personnel office and provided to the facilities for review and follow up. An additional feature in the 7/1/10 release of People First now prohibits an employee from submitting a timesheet if the previous timesheet has not been approved. This additional edit has helped to increase awareness to the employee and supervisor to timely submit and approve timesheets.*

Finding No. 2: State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Recommendation: To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.

To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan

Management's Original Response: *To clarify, the only compensatory leave that has a terminal leave value is special compensatory leave. The Security Services Collective Bargaining Agreement states that an employee may reduce their special compensatory leave credits to 240 hours; however, 60L34-0044 states that employees separating from state government shall be paid for all unused special compensatory leave hours. The rule does not indicate a maximum. Prior to Service First and the changes to People First, the Department of Corrections maintained two concurrent balances; one for special compensatory leave credits that could not exceed 240 hours and another for Holiday Compensatory Leave. This was necessary because there was no way to compensate an included employee who worked on the holiday and was at the maximum of special comp hours. When we went live with People First, a decision was made by DMS that the two balances could be combined and included in one leave balance entitled special comp because they were both compensable. The uniqueness of our agency and the requirements for 24/7 coverage has increased this leave liability in this agency. A policy decision will be evaluated to determine if the agency shall compel employees to use special compensatory leave credits prior to using annual leave (could not compel them to use instead of sick leave).*

Management's Follow-Up Response: *A policy decision to compel use of Special Compensatory leave was recommended by the Secretary and a letter was sent to the union for review.*

Finding No. 3: State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Management's Original Response: *The Department of Corrections relies on the guidance provided in the DMS leave rules and the Bureau of State Payrolls Manual. However, based on this recommendation, the agency concurs with your recommendation and will update the agency "Personnel Operating Procedures" to include a procedure on Unused Annual and Sick Leave Payouts. This agency was hopeful that, through the use of People First for leave payment processing and leave audit reports, we could discontinue the manual audit process.*

The system is programmed to pay in accordance with the applicable laws, rules and guidelines. A proposal to screen print the applicable leave balances, hourly rate and leave histories for documentation will hopefully be sufficient to meet this requirement.

Management's Follow-Up Response: *The Department has prepared a Terminal Leave Procedure which is currently under review. Upon approval, this procedure will be released to the field with notice on DC web.*

Finding No. 4: Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Management's Original Response: *The Department of Management Services provides Dual Employment Guidelines for agencies that are included in State Personnel System. The Department of Corrections is an agency that is covered under the definition of the State Personnel System and therefore utilizes these guidelines for dual employment approval. The Department of Corrections is not currently required to complete dual employment forms for agencies outside of the State Personnel System (i.e.; judicial branch, legislative branch, State University System). If DMS were to revise the Dual Employment Guidelines to include these other entities, this agency would change our process accordingly.*

Management's Follow-Up Response: *DMS has recently updated the Dual Employment Guidelines and the Department of Corrections will continue to use these guidelines as our direction for dual employment situations.*

Finding No. 5: Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Management's Original Response: *The Department of Corrections concurs that there is a need for a mechanism (in People First or FLAIR) to identify employees who are simultaneously receiving compensation from more than one State employer. If*

these employees were more easily identified, the agency could ensure that the appropriate forms are completed and approved.

Management's Follow-Up Response: Pending direction from People First team or FLAIR staff.

Finding No. 6: (The Department of Corrections was not required to provide a response to this finding.)

Finding No. 7: The number of overtime hours worked by some DOC employees did not appear reasonable.

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Management's Original Response: The finding has been addressed. On November 2, 2010, Office of Health Services (OHS) institutional staff was notified that overtime hours for nurses have been restricted to no more than 16 hours a week, except in declared emergency situations, when authorization must be sought from the Warden and relevant Regional Personnel. This is being monitored regularly for compliance. In addition, clinical staff (physicians, ARNP's, etc.) who work at the Reception and Medical Center-Emergency Room (the Department's State-licensed 100-bed hospital) have been instructed to not exceed 20 hours a week, unless authorization is given by the Warden and relevant Regional Personnel, again except in declared emergency situations. This is also being monitored regularly for compliance.

Lastly, for more than a year, OHS went through the procurement process to purchase staff scheduling software for nursing to give institutional supervisors a tool to manage staff more effectively and provide better management oversight. The product was purchased this year and is currently in the implementation process.

The Department has begun sending an overtime report (produced by Budget) to Regional Directors and Central Office staff to assist with the monitoring of the overtime hours.

Management's Follow-Up Response: The Department has taken additional actions since December to ensure proper oversight and control of overtime hours. On February 10, 2011, Chief Deputy Secretary Dan Ronay issued further restrictions on the use of overtime. Specifically, Chief Ronay advised the Department's management team that overtime would not be authorized for any facilities with a lapse percentage

lower than 5%. The only exception to this directive is for emergency situations. For the Office of Health Services, this only applies to positions that provide direct patient care.

In addition, the Department implemented bi-weekly reports on overtime expenditures as a management tool to track expenditures. The impact of Chief Ronay's directive was immediate: from February to March, 2011, there was a 53% reduction in health services overtime costs.

Finally, the Office of Health Services has increased recruitment activities in an effort to fill vacant nursing positions. Much of the overtime cited in the Auditor General's report was incurred because of vacancies in critical nursing positions at a small number of institutions that serve large populations of frail and impaired patients. The Department is using targeted recruitment efforts for these institutions in an attempt to fill vacancies.

Finding No. 8: State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs).

Recommendation: We recommend that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Management's Original Response: *The Department of Corrections concurs with the recommendation that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Based on these instructions from DFS, the Department of Corrections will update personnel operating procedures to provide guidance to agency staff for recovery of funds from third parties for any amounts overpaid.*

Management's Follow-Up Response: *Pending further direction from DFS/BOSP*

Finding No. 9: State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

Management's Original Response: *The Department of Correction's Procedure 208.029 Separation Process for Terminated Employees details the process to collect State-owned property and document on the Form DC2-820 "Supervisor Checklist for*

Separating Employees". Supervisors are directed to send the completed form to the servicing personnel office to be filed in the employee's personnel file. During the audit, it was noted that 9 of the employee records tested did not contain a Supervisor checklist or alternative documentation evidencing that the employees returned all assigned State-owned property. Reminders were sent out to the supervisors to complete the forms and send to Personnel upon completion.

Management's Follow-Up Response: *The Separation Process for Terminated Employees Procedure 208.029 was last updated on 7/29/10 and is posted on DC web for all employees. Supervisor shall complete this form and forward to the servicing personnel office. This checklist has also been included on the new Leave Payout checklist form as a reminder.*