



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

July 1, 2011

The Honorable Jeff Atwater
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Atwater:

Pursuant to Section 20.055 (5) (h), Florida Statutes, the enclosed response provides a six-month follow-up on the status of corrective actions taken by the Department regarding the findings and recommendations included in the Auditor General's Report No. 2011-069, Payroll and Personnel Administrative Processes at Selected State Agencies.

If you have any questions or would like to discuss the matter further, please contact me.

Sincerely,

Ned Luczynski

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Attachment

cc: Sherrill F. Norman, Audit Manager, Office of the Auditor General
✓Kathy DuBose, Staff Director, Joint Legislative Auditing Committee

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Florida Department of Financial Services
Payroll and Personnel Administrative Processes at Selected State Agencies
Operational Audit No. 2011-069
Six-Month Audit Response

Finding No. 1: Time Record Submittal, Review, and Approval

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.

Division of Administration Response: Because there is no statewide standard for timesheet submission, the Department will continue to enforce its current timesheet submission standard of 5 days after the payroll period ends. In addition, the Department will continue to review the monthly missing timesheet report and process accordingly. This review process includes identifying and notifying employees whose time records require corrective actions, are repeatedly missing, or are not timely approved.

Six-Month Status: The Division has reviewed and modified its missing timesheet report process. The report is monitored on a monthly basis.

Finding No. 2: Compensatory Leave Credits

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.

Division of Accounting and Auditing – Bureau of State Payrolls Response: Pursuant to Section 110.1055, Florida Statutes, the Department of Management Services is charged with the responsibility for establishing detailed comprehensive guidance related to leave payouts and maximum accumulation limits for all agencies in the State Personnel System. The Bureau of State Payrolls will coordinate with DMS to ensure their guidance addresses the proper uses of FLAIR compensatory leave codes. The Bureau of State Payrolls Payroll Preparation Manual already instructs agencies to make compensatory leave payments in accordance with current DMS rules/policies/state laws. We will update our Payroll Preparation Manual as needed whenever new guidance is issued by DMS.

Six-Month Status:

Division of Accounting and Auditing Response: DMS has not issued any new guidance in the past six months regarding compensatory leave credits, so there has been no need to update the Payroll Preparation Manual.

Finding No. 4: Dual-Employment Rules and Guidelines

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.

Division of Administration Response: We concur. Currently the Department's Dual-Employment policy requires approval during each fiscal year by any employee seeking employment at, or compensation from, more than one State agency. In addition, the current Dual-Employment policy clearly addresses 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. The Department will update the policy to include definitions for "State Agency," "SPS Agency" and "Non-SPS Agency."

Six-Month Status:

Currently the Department's Dual-Employment policy requires approval during each fiscal year by any employee seeking employment at, or compensation from, more than one State agency; we are currently in the process of dual employment renewals. The current Dual-Employment policy clearly addresses 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. The Department will update the policy to include definitions for "State Agency," "SPS Agency" and "Non-SPS Agency."

Finding No. 5: Dual-Employment Approvals and Management of Dual Employment Activities

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.

Division of Administration Response: We concur. The Department will implement steps to ensure that dual-employment requests include the proper approval signatures.

Division of Accounting and Auditing – Bureau of State Payrolls Response: There are two existing FLAIR reports that identify employees who receive multiple compensation from one agency or more than one agency. These reports are sent to the Bureau of State Payrolls. The first report contains employees who have more than one salary and/or OPS wage payment on a single payroll only. That report is split out by the Bureau's Payroll Processing Section and sent out to each affected agency for their review. The second report contains employees who have salary and/or OPS wage payments on more than one regular payroll within any particular month. This report is not currently split out or sent to agencies. The Bureau of State Payrolls will take steps to distribute the data from the second report to all affected agencies.

Six-Month Status:

Division of Administration Response: Steps are in place to ensure that dual-employment requests include the proper approval signatures.

Division of Accounting and Auditing Response: On January 24, 2011, the Bureau of State Payrolls submitted a request for the creation of a report that would detail employees who have salary and/or

OPS wage payments on more than one regular payroll within any given month. This request has been given a low priority due to legislative changes that must be implemented this year.

Finding No. 6: Salary Payment Calculations

Some salary payment calculations were incorrect.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Division of Administration Response: The Department will explore additional mechanisms to ensure accurate payments.

Six-Month Status: The Division is monitoring payments to ensure accurate payment. This monitoring includes a supervisory review of all payroll actions.

Finding No. 8: Salary Payment Cancellations

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). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

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.

Division of Accounting and Auditing – Bureau of State Payrolls Response: The Payroll Preparation Manual already contains specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. The instructions are located in Volume V, Section 4, F, 1, d (Recovery of Employee’s Miscellaneous Deduction Funds) and Volume V, Section 4, G (Refund from Vendor of Miscellaneous Deductions). We will review the existing instructions to determine if further enhancements are needed.

Six-Month Status:

Division of Accounting and Auditing Response: After reviewing the Payroll Preparation Manual, it was determined that the existing instructions were sufficient.