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Governor

DEPARTMENT OF MANAGEMENT  
**SERVICES**

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**MEMORANDUM**

**DATE:** June 20, 2011  
**TO:** John P. Miles, Secretary  
**FROM:** Steve Rumph, Inspector General  
**SUBJECT:** Six-Month Status Report to Auditor General Report No. 2011-069

Pursuant to Section 20.055(5)(g), Florida Statutes, the following is our explanation of the six-month status of findings and recommendations included in the Auditor General's Report No. 2011-069, *Payroll And Personnel Administrative Processes At Selected State Agencies*, dated December 30, 2010.

The report contained recommendations for the People First Project Office, Division of Human Resource Management, and Department Human Resources Office. Our response addresses the findings and recommendations in the same order as they appear in the report.

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**Six-Month Response To the Auditor Generals' Audit of  
Payroll and Personnel Administrative Processes at Selected State Agencies**

**Six-Month Status Report**

**Finding No. 1: Time Records**

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 clarification 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.

**Department's Original Response:**

***Division of Human Resource Management:*** State Personnel System Rule 60L-34.002, F.A.C., currently directs each agency to monitor all hours, maintain accurate records, and instruct employees on the proper scheduling, use, and recording of leave and attendance. The rule thus provides the agencies with the appropriate parameters for managing work records in an accurate and timely manner. However, based on their specific operational needs, each agency must then develop its own internal policies and procedures to ensure timesheets are submitted, reviewed, and approved within the prescribed timeline for payroll processing. To help clarify this point and reiterate to the agencies their responsibilities, DMS's Division of Human Resource Management will issue a rule interpretation to this effect.

***People First Project Office:*** Enhancements to the People First system implemented on July 19, 2010 effectively address the Auditor General's concerns regarding the usefulness of the *Missing Timesheet Report*. These enhancements do not permit employees to submit timesheets until all prior (missing) timesheets have been submitted and approved. This feature encourages timely submission of timesheets by employees and more

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accountability from supervisors. The enhancements to the *Missing Timesheet Report* also assist managers in the identification of missing time records. The report is available online for state agencies to access as needed. The data for this report is updated weekly (on Sunday); therefore, timesheet approved prior to the Sunday extract will not appear on the report unless hours for the pay period are missing. Because the "Run Date" is included on the report agencies can calculate the age of each missing time report. In addition, the report includes "Supervisor Name" to assist with identifying timesheet that need supervisory approval.

### **Six-Month Status of Finding and Recommendation:**

***Division of Human Resource Management:*** The Division of Human Resource Management Policy Team issued a Rule Interpretation, titled "Timesheet Submission and Approval Deadlines" for State Personnel System

Agencies on June 10, 2011 to clarify the time record preparation, submission, and approval responsibilities of agencies, supervisors and employees and to address specific time frames for time record submission and approval.

***People First Project Office:*** No response required.

### **Office of Inspector General Position**

***We agree with the actions taken by the Division of Human Resource Management and People First Project Office and recommend this finding and recommendation be closed.***

### **Finding No. 2: Unused Leave Compensation**

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

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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.

**Department's Original Response:**

***Division of Human Resource Management:*** The applicability of and payment for the various forms of compensatory leave is currently addressed in rule. DMS's Division of Human Resource Management has also issued a myriad of supplemental guidance documents to assist the agencies in the proper application of the rule provisions.

Regarding maximum accumulation limits, only Career Service employees are authorized to accrue holiday special compensatory leave when they are precluded from observing a state holiday due to: required work on the day the holiday is observed; required work during the same work period as the holiday thereby offsetting the holiday hours; or when the holiday falls on a workday that is an established day off. Although the rules do not establish a maximum amount that may be accrued or paid, agencies with responsibility for public safety and/or round the clock staffing of institutions persistently report that the underlying cause of excessive accruals is chronic shortages among law

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enforcement, correctional, firefighting, and human services staff. This perpetual understaffing not only results in the same personnel repeatedly covering holidays (and accruing holiday special compensatory leave credits) but also obstructs the agencies' ability to compel use of accrued leave during subsequent work periods.

Furthermore, even if the accrual limits negotiated in the collective bargaining contracts are strictly enforced, the staffing issues would still necessitate holiday coverage. This category of compensatory leave does continue to pose significant fiscal consequences for the state, which either incurs the fiscal liability of paying straight time for the hours in excess of the cap or faces an unfair labor practice charge if the employees are forced to forfeit such hours. Because of the complex ramifications of either outcome and the likelihood that any rule proposal by DMS would lead to collective bargaining impasse with the unions, the final resolution of this issue requires intervention by the legislature. DMS supports this proposal.

**People First Project Office:** On July 19, 2010, the service provider implemented a Leave Payout screen in the People First system to give state agencies the ability to process leave payouts. This screen is designed to make the processing of payments easier (i.e., a "Payout Type" description is available for selection). Further, the leave codes in the People First system are now the same as those used in FLAIR. These enhancements provide the additional guidance needed to process leave payouts. In June 2010, the DMS People First team conducted training sessions for agency HR professionals, which included training specific to the Leave Payout screen.

### **Six-Month Status of Recommendation:**

**Division of Human Resource Management:** The contents of the Department's upcoming 2012 legislative package are currently under discussion. Deletion of Section 110.205(7), Florida Statutes, is under consideration for inclusion. Although the Department may propose changes to the statutes, ultimately it is the Legislature that approves or disapproves of such changes.

**People First:** No response required.

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**OFFICE OF INSPECTOR GENERAL POSITION**

***We agree with the actions taken by the Division of Human Resource Management and People First Project Office. Changes to Florida Statutes are the prerogative of the Legislature. We, therefore recommend that this finding and recommendation be closed.***

**Finding No. 3: Unused Leave compensation**

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 calculation, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

**Department's Original Response:**

***Department Human Resources Office:*** The Department of Management Services' internal policy, HR 09-126, Auditing Employee Leave Balances and HR-126-F1 – Leave Correction Request Affidavit was created on July 16, 2009. This policy and affidavit established guidelines for conducting terminal leave audits within DMS. The examples cited by the Auditor General occurred prior to the establishment of this policy in July 2009.

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**Six-Month Status of Recommendation:**

**Department Human Resources Office:** HR 09-126, Auditing Employee Leave Balances and HR-126-F1 – Leave Correction Request Affidavit is followed for all leave payouts. Human Resources is included on all PAR transactions and two copies of all termination PARs are printed. One copy is kept in the bi-weekly payroll folder and the second copy is used by HR to pull the terminating employee's personnel file. The employee is added to the Leave Payout Tracker with a suspense date for the leave audit and leave payout to be completed. HR provides DMS Budget Office with estimated hours of leave that the terminating employee is entitled to be paid. A leave audit is conducted and an e-mail request is sent to DMS payroll for payment.

The Budget Office's procedures for tracking leave payouts:

- Request the annual leave, sick leave and Regular Comp or Special Comp balances from HR for the individual leaving the department.
- Update the salary projection (showing the anticipated cost) based on the leave balances provided by HR and multiplied for annual leave by the hourly cost and percentage based on the individual's retirement code (DP = 19.90%, HA = 18.42%, HM = 22.22%, PA = 18.42%, PM = 22.22% and QA = 18.42%), and 7.65% for available sick leave hours.
- When the following (next) salary projection is done, the individual has left the department, and the actual payout has occurred, the anticipated cost is removed because the cost is now absorbed in the actual "year to date expended".
- A separate report is obtained from Finance and Accounting that shows the year-to-date expenditures for payouts incurred. This document is also used as a cross check that the individual has been out. The cost for payouts incurred is also noted on the bottom of each individual budget entity as an indicator how much has been absorbed in the year-to-date expenditures.

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**OFFICE OF INSPECTOR GENERAL POSITION**

***We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.***

**Finding No. 4: Dual Employment**

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.

**Department's Original Response:**

***Division of Human Resource Management:*** DMS's Division of Human Resource Management will revise the applicable guidelines and procedures to clearly articulate that agency heads are responsible for approving both dual employment and dual compensation actions delineated in Section 216.262(1)(e), F.S.

***Department Human Resources Office:*** Department of Management Services' internal policy, HR 01-112 Dual Employment within the State Personnel System was revised on September 30, 2010 to require dual employment approval each fiscal year. Reminders are sent to all employees the first week of June of each year requiring that all dually employed employees complete and submit to Human Resources form HR 112-F1 Dual Employment and Compensation Request.



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**Six-Month Status of Recommendation:**

***Division of Human Resource Management:*** The Division of Human Resource Management Policy Team revised and reissued the Dual Employment and Dual Compensation Guidelines and Procedures for the State Personnel System Agencies in May 2011 to clearly articulate that agency heads are responsible for approving both dual employment and dual compensation actions delineated in Section 216.262(1)(e), F.S.

***Department Human Resources Office:*** Department of Management Services' internal policy, HR 01-112 Dual Employment within the State Personnel System was revised on September 30, 2010 to require dual employment approval each fiscal year. An e-mail message was sent to all DMS employees on June 1, 2011, advising that employees must obtain approval for dual employment (work with more than one State employer) by submitting form HR 112-F1. In addition, the e-mail advised that employees seeking employment outside of state government must also obtain approval for such employment by submitting form HR 111-F.

**Office of Inspector General Position**

***We agree with the actions taken by the Division of Human Resource Management and Department Human Resources Office and recommend this finding and recommendation be closed.***

**Finding No. 5: Dual Employment**

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.

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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.

**Department's Original Response:**

**Department Human Resources Office:** In addition to the department's internal policy, HR 01-112 Dual Employment within the State Personnel System, the department's form HR 112-F1 Dual Employment and Compensation Request was created on July 31, 2009 to ensure all employees have documented requests for dual employment. The department's human resource team reviews dual employment data from People First and reviews the DFS report of all DMS employees holding dual employment within the State.

**People First Project Office:** As part of the July 2010 enhancements, the People First system now provides a *Potential Overtime Report* that identifies potential overtime for employees who use the People First timesheet and hold multiple positions. However, state agencies are still responsible for verifying if

overtime has occurred and the rate at which the employee should be compensated. In addition, it is our understanding that DFS maintains dual payment data for all state agencies including those that do not use the People First system. A full verification of dual payments would necessitate a review of both agencies' data.

**Six-Month Status of Recommendation:**

**Department Human Resources Office:** On June 7, 2011, the human resource team reviewed the DFS report of all DMS employees holding dual employment within State government. The data contained in the DFS report was compared with the data contained in People First. This comparison showed there were 11 DMS employees who were employed by two state agencies. The dual employment documentation for each individual is maintained in their respective personnel file.

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*People First Project Office:* No response required.**

**Office of Inspector General Position**

***We agree with the actions taken by the Division of Human Resource Management and People First Project Office and recommend this finding and recommendation be closed.***

**Finding No. 6: Salary Calculations and Overtime Authorizations**

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.

**Department's Original Response:**

***Department Human Resources Office:*** In October 2008, the department's Human Resource team implemented internal operating procedures whereby all salaries contained in PARs are verified by an employee in the department's Office of Planning and Budget. A second review is performed by a Human Resources team member. Each pay period a Human Resources team member reviews the payroll register to verify number of hours worked compared to salary paid.

PARs for new employees, terminations or any position or salary changes are kept in a pay period specific file folder. These documents are then used when the payroll register is reviewed for payment accuracy each pay period.

**Six-Month Status of Recommendation:**

***Department Human Resources Office:*** No response required.

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**Office of Inspector General Position:**

***We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.***

**Finding No. 9: Employee Out Processing**

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.

**Department's Original Response:**

***Department Human Resources Office:*** The department's internal procedures require that when an employee terminates, each division completes form HR 103-F2 Employee Exit Checklist revised on October 26, 2010. Once completed this document is sent to Human Resources where the document is filed in the terminating employee's personnel file. To verify the supervisor has correctly completed the checklist and collected the necessary items from the employee, Human Resources compares the termination PAR to the employee file.

**Six-Month Status of Recommendation:**

***Department Human Resources Office:*** There have been 139 terminations from July 1, 2010 through June 7, 2011. An Exit Checklist, that includes a check off item for returned state property, was completed on each of these employees. Exit checklists are compared with termination PARs to ensure these documents are completed and property returned for all terminated employees by a HR Team member.

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**Office of Inspector General Position:**

***We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.***

cc: ✓ Kathy Dubose, Staff Director, Joint Legislative Auditing Committee  
David W. Martin, Auditor General  
Brett Rayman, Chief of Staff  
David DiSalvo, Director, People First  
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