


<p>Date: June 15, 2018</p> <p>To: Natasha Banks, Executive Director of Human Resources, Office of Talent Management</p> <p>From: Joseph Caruso, CPA, Deputy Chief Auditor</p> <p>Tele: (860) 757-9955</p>		<p>Hartford Public Schools Office of Talent Management and Labor Relations Accounts and Operations Audit Report 1818</p>
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I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2018, we completed an audit in May 2018 of the Accounts and Operations of the Hartford Public Schools Office of Talent Management and Labor Relations. The purpose of the examination was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with N. Banks, Executive Director of Human Resources, Office of Talent Management; and, other responsible members of operating management. The summary which follows includes only exceptions disclosed and recommended operating improvements. Included are management's actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. We thank the management and staff of the Office of Talent Management and Labor Relations for their cooperation and courtesies extended to us during our audit.

We noted the Office of Talent Management and Labor Relations (OTM) operations were found to be generally satisfactory. We believe the hiring and termination processes could be improved if OTM looked into automating these HR functions and eliminated the paper-based processes that currently exists. Recordkeeping and procedures relating to tuition reimbursement can be improved. We also noted some overpayments relating to unemployment compensation that OTM should seek reimbursement from the State of Connecticut Department of Labor.

Background

The OTM is responsible for providing human resource management, compliance training, benefits administration and performance management services to all Hartford Public Schools (HPS) departments in order to provide a productive and responsive workforce to meet the needs of the community and HPS employees. OTM is also responsible for recruiting talented and qualified candidates for all HPS departments. OTM uses the MUNIS Financial Management System Human Resources Management/Payroll module to process most transactions and activity. To improve operational efficiency and enhance information governance, HPS recently converted hardcopy active personnel files to electronic format. OTM is also responsible for providing labor services to the HPS. This includes negotiating labor agreements and resolving grievance, arbitration, prohibitive practices cases and other employee and labor related matters in conjunction with City Corporation Counsel. In addition, the labor section of OTM is responsible for the oversight of the Unemployment Compensation program that is administered by Corporate Cost Control, Inc. (CCC), an external third party service provider. During the fiscal year ended June 30, 2017, HPS paid more than \$993,905 in Unemployment Compensation. According to the HPS adopted budget for

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the fiscal year ending June 30, 2018, OTM has 23 full-time equivalent employees and budgeted expenses totaling approximately \$3.1 million. It should be noted that there were further reductions to OTM's budget prior to the beginning of the 2017-2018 fiscal year, which resulted in only 21 full-time employees. Another reduction of a Benefit Associate in November 2017 brought that count down to 20 full-time employees.

Scope

The scope of our audit included various reviews and tests of transactions recorded during the period from July 1, 2016 through January 31, 2018. The audit procedures performed included, but were not limited to, the following:

- Reviews of operating policies, procedures and controls;
- Reviews and tests of the employee hiring and termination processes;
- Tests of tuition reimbursements;
- Reviews and tests of unemployment compensation payments made to former employees;
- Reviews and tests of the payments made to and OTM's administration and oversight of CCC and the Unemployment Compensation program;
- Reviews of the agreement/contract between HPS and CCC and the related fees paid for the services provided; and
- Reviews and tests of life insurance premium payments, eligibility and paid claims.

II. Results of the Audit

Procedures and Controls

Procedures and controls related to key operations and functions including, but not limited to, processing compensation changes, the hiring and termination of employees and the collection of and accounting for employee job application fees were documented with processes and procedures that could benefit from a review to strengthen. Documenting distinctly clear process flows, procedures and controls related to key operations and functions is a basis for a sound internal control environment and provides management with a baseline for evaluating operational activities and employee performance. We recommend that OTM management review and strengthen procedures and controls for processing compensation changes and the hiring and termination of employees.

Management Action Plan

Completion Date: September 30, 2018

Responsible Person: Natasha Banks, Executive Director of Human Resources, Office of Talent Management

We will take action as recommended to review and strengthen procedures and control for the processing of compensation changes and the hiring and termination of employees.

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Hiring Process

Various tests of the process for and the documentation to support 20 recently hired employees and reviews of related procedures and controls disclosed the following:

1. HPS utilizes four different new hire checklists (New Hire Certified, New Hire Non-Certified, New Hire Part-Time, and Internal Movement), along with a pre-employment packet, when hiring an employee. Based on our review of the employee files, we noted that more documentation of each item verified is needed. We recommend OTM management look to improve their checklists by including sign-offs and dates for when each item is performed and/or received. OTM should look into automating this process either in MUNIS or another Human Resource software application to avoid numerous hard copy HR files, thereby eliminating the risk of lost files and creating a better workflow process when hiring a new employee.
2. OSHA/Center of Disease Control (CDC) requires the Hepatitis B vaccination to be made available to all employees who are deemed at risk for an occupational exposure to blood borne pathogens. HPS gives newly hired employees this option which is documented on the “Hepatitis B Vaccine Declination” form. According to policy, this option to employees is mandatory. We received the Hepatitis B process outline and noted that this requirement, form and process are documented in OTM procedures, but not in the HPS Employee Handbook. Further reviews disclosed the following:
 - a. The procedure for Hepatitis B outlines that OTM has not historically been asked to track the Hepatitis B vaccination as Health Services performs this function. As a result, Health Services was consulted and provided three-ring binders containing the Hepatitis B forms for the past two years. Upon review, we could not locate Hepatitis B Vaccine Declination forms for 11 employees. OTM management informed us that seven of the noted 11 forms were employees who changed positions and could not locate their forms from their initial employment date. The other four could not be located, however, OTM management informed us that they did receive them and that they were noted as received in their tracking spreadsheet. As discussed, Health Services has always maintained the Hepatitis B forms and they were not scanning them into Laserfische. We recommend OTM and/or Health Services scan all Hepatitis B forms into Laserfische.
3. OTM has a procedure for documenting criminal background checks and fingerprinting. OTM also tracks the dates the fingerprints were taken in a spreadsheet for all new hires. Criminal background checks are performed as part of the hiring process for all new employees. Background checks for each new employee are supplied by the Connecticut State Police, the Federal Bureau of Investigation and the State of Connecticut Department of Children and Families (DCF). During the audit, we were not provided supporting documentation for 5 background checks (4 DCF and 1 Connecticut State Police) of newly hired employees tested with the Connecticut State Police and with the DCF due to Laserfische being inaccessible during our audit as a result of a server relocation. OTM management will provide us with the documentation when Laserfische is once again accessible.

We recommend that OTM management take the steps necessary to improve their new hire checklist and require signoffs and dates for when each item is completed. OTM management should look into automating the new hire process using MUNIS or another Human Resource software application to eliminate hard copy employee files. All documentation (i.e. Hepatitis B forms) should be scanned into each employee’s electronic Laserfische personnel file and properly documented in the HPS Employee Handbook. Procedures and controls relating to the process of collecting and accounting for fingerprinting fees should be developed, documented and implemented.

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We have taken immediate action to strengthen our hiring process by revising the pre-employment checklist (see attached) to include a check off, signature and date for each item. OTM has attempted automated onboarding programs (Frontline, TalentEd, and Chalk Schools). Unfortunately, none were successful for several important reasons, including (but not limited to): documents could not be adequately separated for individual sign-off, a significant portion of our new hires did not have access to the technology required to complete the online packet, and several forms (e.g, DCF) do not accept electronic signatures and submission. We will begin to engage in a review of other automated onboarding systems (including checking into the City's usage of MUNIS Form A) to assist in the elimination of numerous hard copy HR files and to create a better workflow process for hiring

Termination Process

Various tests of 20 recently terminated employees and reviews of related policies, procedures and controls disclosed the following:

1. Procedures relating to the process for terminating employees could be better documented.
2. As part of the termination procedures, a terminated employee checklist does exist; however, the process by which the document is utilized comes directly from the point of employee's location and/or department. As such, the confirmation of materials, equipment and access to building, etc. is not a function of OTM. However, there is an automated file that OTM provides at the time of termination to the MHIS department to ensure all steps to deactivate employees are taken. In addition, this checklist should be updated to reflect OTM's current termination procedures and should include reviewing the following additional areas:
 - a. Procurement cards provided to employee, if applicable.
 - b. Removal of terminated employee from Anthem healthcare records.

We recommend that OTM management take action to ensure that policies, procedures and controls relating to the termination process are documented. This should include updating and implementing an employee termination checklist with required sign-offs and dates indicating each item has been performed. Where practical, OTM should look into automating this process within MUNIS or another Human Resource software application to avoid hard copy employee files.

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We will take immediate action to develop a system that utilizes the checklist to support the documentation of each item when terminating an employee. Again, looking into the City's usage of MUNIS system (Form B) will be a first step. As a backup, we will explore adding to our automated process of requesting resignation and retirements as well as exit interviews, an additional link that allows the supervisor to document the returned items could be a way to avoid hard copies. However, OTM cannot be held responsible for equipment and hardware (e.g., computers, phones, security fobs) that it does not distribute or otherwise manage.

Unemployment Compensation Program Management and Administration

Various tests of the unemployment compensation payments totaling \$117,698 made to 62 former employees from July 31, 2016 to October 30, 2017 and reviews of the related procedures of OTM and CCC disclosed the following.

1. OTM relies on CCC to determine if former/current employees are eligible to receive unemployment compensation. We noted, however, that 15 of the 62 former/current employees we selected for testing received both unemployment compensation and payroll related payments during the same week ending dates. Based on further reviews of available documentation and our interpretation of unemployment compensation laws and regulations, it was not clear that these former employees should have received unemployment compensation and payroll related activities during the same period. A detail description of the payroll related activities are as follows:
 - a. We noted one employee was overpaid unemployment compensation totaling \$1,018 from a payment made back in December 2016. We recommend OTM management determine whether to seek reimbursement from the Connecticut Department of Labor for these monies.
 - b. In 16 instances, 14 individuals received both regular pay and unemployment compensation totaling \$9,742 during the same week ending dates. Based on the information received, there is a differing opinion as to whether these former employees were overpaid or not. OTM management believes that all payments are paid through the last day worked; however, the letters sent out to the former employees clearly state that they are to be paid through June 30th, or the end of the fiscal year. We recommend OTM management seek an outside legal opinion to determine if these employees should be waiting until July 1st to start collecting unemployment compensation benefits. In addition, OTM management should look to revise its termination letters to avoid this confusion.

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We will take immediate action by consulting with CCC regarding their practices of documenting our unique payroll and work year schedules for 10 and 11 month employees. We will also seek legal counsel regarding employment contracts following a fiscal year July 1st – June 30th, but only working a number of required days during that time. For example: Schedules are created around the fiscal calendar to support the 187 work days for 10-month teachers. The last work day on the 2017-2018 school calendar is June 7th the actual last day of work for teachers is June 18th (subject to snow days,

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which extends the school year schedule by the make-up days). OTM will immediately revise the letters to include the last work day of the calendar year and in parentheses indicate this is subject to change based on snow days

Employee Tuition Reimbursement

Qualified tuition paid by employees is subject to partial reimbursement in accordance with HPS policies and the terms and conditions of applicable labor agreements. We tested 13 employee tuition reimbursements totaling \$44,000 and found one employee had the same tuition reimbursement form documentation for two different courses taken in Fall 2016. When we questioned the Staffing Associate about the duplication, she subsequently altered one of the tuition reimbursement forms with a different course title and gave it to us as supporting documentation for the payment. We referred this matter to OTM management and the employee was placed on paid administrative leave pending an investigation. We investigated this matter and found that:

- a. The employee that was selected for testing initially submitted 2 separate “Blue Cards” (request to take course) for 2 different courses that were taken during the Fall 2016 semester, however one of the courses was cancelled. A subsequent 3rd “Blue Card” was submitted in place of the cancelled course.
- b. We reviewed an email between the Staffing Associate and the employee taking the course and noted that the employee offered to send a new tuition reimbursement request form to the Staffing Associate, but was told that it was not necessary.
- c. The employee provided us the signed copy of the tuition reimbursement form for the 2nd Fall 2016 course, along with the pre-approved “Blue Card.”

As a result of our investigation, it was apparent that the employee did take two courses during the Fall 2016 semester and provided Internal Audit with copies of the respective “Blue Cards” and Tuition Reimbursement Request forms. This employee was not overpaid. We recommend OTM management obtain all necessary Tuition Reimbursement Request forms and take steps to ensure that forms are submitted and approved. We also recommend OTM management strengthen its procedures over the tuition reimbursement process to clearly state that the Staffing Associate vet all requests to ensure there are no duplicate requests and all necessary information has been provided by the employees prior to reimbursement. In addition, OTM management should determine the extent of progressive discipline deemed necessary for the Staffing Associate who altered the copied Tuition Reimbursement Request form.

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We took immediate action to revise the Course Reimbursement Process (see attached) to include a step as follows: “Check in Access to verify that the course(s) name and number(s) have not already been processed and reimbursed.” This will avoid any duplication in the processing of courses for reimbursement. We also engaged in a thorough investigation into the actions taken by the employee to alter the course reimbursement request document and issued appropriate disciplinary action

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