

# Social Development Commission

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## *Human Resources Internal Audit Report*

**JULY 2010**  
JEFFERSON WELLS  
WISCONSIN OFFICE

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## **EXECUTIVE SUMMARY**

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### **Background**

Jefferson Wells was contracted by the Social Development Commission (“SDC”) to provide an independent internal audit of the Human Resources (“HR”) department and related processes.

### **Scope & Objectives**

Jefferson Wells reviewed the primary functions within the HR department to ensure they are operating as management has intended and to ensure adequate controls are in place to mitigate inherent risks within the processes.

The specific processes reviewed included:

- Policies and Procedures
- Compensation and Salary
- Employment and Recruiting
- Training and Development
- Communication
- Records and Retention

### **Conclusion**

This report reflects the results of the Jefferson Wells engagement. The analysis and assessment techniques used to identify these issues included interviews, observations, and review of documentation. Based on the results of this audit, SDC is deficient in complying with multiple federal and state mandates, and has deviated from its standard HR procedures. To remediate these issues, SDC should enhance its internal control environment by documenting its processes to establish standard procedures and responsibilities that will fulfill its federal and state obligations, communicating responsibilities across the organization, and implementing management review controls to ensure all requirements are fulfilled accurately and completely. These observations and recommendations are outlined in greater detail later in this report.

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## **PROCEDURES PERFORMED**

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Jefferson Wells performed the audit of the HR function according to the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*. During the audit, Jefferson Wells obtained a thorough understanding of the key HR processes via observation and discussion with management and documented this understanding via a process narrative. From the narrative, Jefferson Wells identified key process controls, which were then reviewed and validated through detailed test procedures. All issues and observations were reviewed and confirmed with management.

Jefferson Wells performed the following detailed testing procedures during the HR audit.

- Ensured job descriptions have an approved and supported salary level.
- Ensured job postings are approved and applicant tracking logs are complete.
- Ensured new hires are approved and accurately processed and the appropriate background and verification checks occurred.
- Ensured salary level and pay rate are accurately reflected in payroll system.
- Performed an analysis of employee payroll data.
- Ensured that Personnel Action Forms (used to record new hires, changes/transfers, and terminations) are processed timely.
- Ensured terminated employees are processed accurately and approved.
- Ensured employee transfers/changes are processed accurately and approved and that all positions were posted for.
- Ensured that pay increases were processed accurately and approved.
- Verified agency's compliance with Affirmative Action and Limited English Proficiency Plans.
- Verified agency's compliance with job posting requirements for ARRA.

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## **OBSERVATIONS & RECOMMENDATIONS**

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### **1. Affirmative Action Plan**

SDC does not have a current Affirmative Action Plan (AAP). The most recent AAP the agency could provide was from 2003. The Office of Federal Contract Compliance Programs (OFCCP) requires companies that hold Government Contracts of \$50,000 or more and employ at least 50 people to complete an annual written AAP. (This law is administered and monitored by the OFCCP which is an agency within the Department of Labor.) SDC is required to complete an annual written plan based on the terms outlined by the OFCCP. The agency's non-compliance with this requirement could adversely affect its ability to obtain government funding.

#### **Recommendation:**

SDC should develop and maintain a current AAP. The Society of Human Resources lists the best practices for AAP's as follows: "The contractor must develop an AAP within 120 days from the commencement of the contract. The government also expects a new plan will have been developed and in effect on the date that the old AAP expires. This is because affirmative action is an ongoing management tool for self-analysis and not just an annual exercise to stay in compliance."

#### **Management Response:**

Final pieces of the plan are being put into effect to be completed by year end. Training has been developed and a plan to maintain requirements and reporting data has been identified to remain in effect continuously.

*Estimated Completion Date:* December, 2010

*Responsible Party:* Barbara Henry (H.R. Manager)

### **2. Job Applicant Logs**

As a government contractor, SDC is required to maintain complete applicant flow logs in order to provide support that the agency is not discriminatory in its hiring process. The information accumulated in the applicant tracking log is also used to complete the agency's Affirmative Action Plan. It is the responsibility of the hiring manager/supervisor to complete the Job Applicant log and forward it on to the HR Assistant for filing.

Six of ten Job Applicant Logs requested for the new hire testing were incorrectly completed or missing. One of six logs was completed by the HR Assistant instead of the hiring manager/supervisor. Five of six applicant logs requested for testing were not provided. In addition, the agency is not updating its master applicant log with required data. SDC has a process for completing and tracking Job Applicant Logs; however, this process is not documented.

The agency's non-compliance with this requirement could adversely affect its ability to obtain government funding.

**Recommendation:**

SDC's process for tracking and completing Job Applicant Logs should be documented. The HR Director and/or HR Manager should establish and execute a review process to ensure the accuracy and completion of the Job Applicant Logs and the master applicant log.

**Management Response:**

The process elements have been in effect, however the filing system for them has not been consistent. The entire process is being re-designed and will be in effect immediately. The process includes that hiring cannot take place until all of the processes have been completed (also see #4).

*Estimated Completion Date:* September, 2010

*Responsible Party:* Barbara Henry,(H.R. Manager)/Michelle Hernandez (H.R. Assistant)

**3. Job Posting**

SDC has not been using the JobCenterOfWisconsin.com website to post job openings. The agency's agreement for the Community Services Block Grant (CSBG) under the American Recovery and Reinvestment Act (ARRA) contract states "The recipient shall post all Wisconsin job openings created by ARRA-funded state contracts on the JobCenterOfWisconsin.com website". The position of Project Coordinator CSBG/ARRA should have been posted to this website and was not. The agency's non-compliance with this requirement could adversely affect its ability to obtain government funding.

**Recommendation:**

SDC should post job openings created by ARRA-funded state contracts on the JobCenterOfWisconsin.com website to maintain compliance with its contractual obligations. Compliance with this requirement should be monitored by the HR Director and/or HR Manager.

**Management Response:**

Job Center has been added to the posting requests for all SDC jobs.

*Estimated Completion Date:* In effect

*Responsible Party:* Michelle Hernandez (H.R. Assistant)

#### **4. New Hire Testing**

In reviewing and testing ten new hires, the following was noted:

- One instance of job posting missing
- Three instances of Request for Job Posting missing
- Six instances of Job Applicant Logs missing (this is addressed in Job Applicant Log issue above)
- Three instances of Position Level Rating Worksheet missing
- Four instances of Verification of Employment missing

Based on the testing results from the ten new hires sampled between 2009 and 2010, an additional five new hires from 2008 were tested for compliance with its process for new hires. The results of the additional testing are as follows:

- One employee file could not be located
- Two instances of Job Applicant Logs missing
- Two instances of Job Applicant Logs not completed properly
- Five instances of Request for Job Posting missing
- Two instances of Verification of Employment missing

These findings indicate a deviation from SDC's standard HR procedures. The quantity of missing and incomplete documentation indicates there is a material weakness in the controls for the New Hires process.

#### **Recommendation:**

The HR department's internal control process for New Hires should be documented. The documented process should list all required paperwork required to complete the hiring of an employee, who is responsible for completing and compiling the paperwork, and who is responsible for reviewing the paperwork for accuracy and completeness. The HR Director and/or HR Manager should establish a control to review and follow up on compliance with the documented process.

The agency's internal audit department may want to consider periodic testing of adherence to these procedures in 2010.

#### **Management Response:**

The complete process being re-written to ensure control (Also see #2).

*Estimated Completion Date:* September 2010

*Responsible Party:* Barbara Henry (H.R. Manager)/ Michelle Hernandez (H.R. Assistant)

## **5. Limited English Proficiency Plan (LEP)**

As part of the agency's Civil Rights Compliance Plan, SDC is required to have an LEP plan. SDC does not currently execute its LEP plan, which covers the period of January 1, 2010 to December 31, 2013. Specifically, SDC does not comply with LEP plan requirements relating to client communication and the provision of awareness training. The agency's non-compliance with this requirement could adversely affect its ability to obtain government funding.

An action plan has been developed by SDC. It appears sufficient to meet LEP plan requirements.

### **Recommendation:**

HR Management should ensure that SDC fully executes its action plan developed for the agency's compliance with its LEP plan requirements.

### **Management Response:**

Plan being developed by the H.R. Manager.

*Estimated Completion Date:* December, 2010

*Responsible Party:* Barbara Henry (H.R. Manager)

## **6. Confidential Employee Information**

On May 27, 2010, SDC posted its Board Minutes on the agency website, including its Human Resources Committee minutes. The committee meeting minutes posted included confidential employee information, such as employee name and pay rate. In addition, the agency's Executive Committee minutes on the website included a monthly report showing terminated employees names and the reason for termination.

### **Recommendation:**

All Board and committee meeting minutes containing confidential employee information should be removed from the agency website. Providing access to confidential employee information on the agency website may subject the agency to potential lawsuits for defamation or violation of employees' privacy.

As of this report writing, the meeting minutes have been removed from the website. The meeting minutes referenced in this observation include:

### **HR Committee Minutes**

November 2009

## **Executive Committee Minutes**

December 2009

May 2010

January 2010

### **Management Response:**

All documents containing confidential employee information have been removed from the web site and will not be placed there in the future.

*Estimated Completion Date:* Done

*Responsible Party:* Mike Hammack (H.R. Director) / Marilyn Anderson (Executive Assistant)

### **7. Documentation of Human Resources Processes**

The HR department does not maintain up-to-date and comprehensive desktop procedures for all of its HR processes. The lack of such procedures poses the risk that the processes are performed inconsistently, which can result in undesirable outcomes. Moreover, user procedures will greatly facilitate cross training in the event of unexpected turnover or absences.

### **Recommendation:**

The HR Department should create end user desktop procedures for all of its HR processes. Documenting these procedures and related control activities will provide greater assurance that the HR processes are performed consistently in compliance with the agency's internal policies, grant and contractual agreements, and applicable regulations. The procedures should be updated as needed for any changes in the process, organization, systems, agreements, and regulatory guidelines, and should be communicated to all HR department employees, along with each employee's responsibilities in complying with the procedures.

### **Management Response:**

The Human Resources Procedures Manual is in the process of being updated to include all processes.

*Estimated Completion Date:* December, 2010.

*Responsible Party:* Barbara Henry (H.R. Manager) / H.R. Staff