

HUMAN RESOURCES DEPARTMENT



FY2024 Follow-Up Audit
Report

Report# 2024-09

OFFICE OF THE HOUSTON CITY CONTROLLER

CHRIS HOLLINS
CITY CONTROLLER

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CITY AUDITOR



OFFICE OF THE CITY CONTROLLER
CHRIS HOLLINS, CITY CONTROLLER

May 15, 2024

The Honorable John Whitmire, Mayor

SUBJECT: REPORT #2024-09
HUMAN RESOURCES DEPARTMENT (HR) – FOLLOW-UP AUDIT REPORT

Mayor Whitmire:

As part of providing independent and objective assurance services related to efficient and effective performance¹, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.² We have completed follow-up procedures on remediation efforts performed by HR management relating to:

Report Number	Report Title
2014-02	Human Resources Department, Health Benefit Claims – Performance Audit
2019-08	Human Resources Department – Temporary Personnel Services Performance Audit

A total of three open findings were related to these reports.

Our follow-up audit process uses a risk-based approach, which contains two primary components:

- Management Status Updates; and
- Audit Testing/Verification

The efforts of management and the procedures performed towards the remediation of the issues from previous audits are assessed under the four criteria below:

- Not Implemented:** No formal policy and/or no documented effort to address the audit finding.
- Incomplete/Ongoing:** Ongoing development of a process and/or effort toward a policy to address the audit finding.
- Substantially Implemented:** Significant effort directed toward remediation of the audit finding.

¹ GAGAS 1.21, 6.11, 7.13, 8.30, and 9.08

² IIA Standard 2500 Implementation Guidance – stresses the importance of having a process that “... captures the relevant observations, agreed corrective action and current status.”



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(d) **Fully implemented:** Successful implementation of measures to address the audit finding.

Based on the procedures performed above, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.³ Our conclusions are as follows:

Report #2014-02:

One open finding: Based on our procedures, we conclude that this finding has a status of “**Fully Implemented**” and is considered closed.

Report #2019-08:

Two open findings: Based on our procedures, we conclude that both findings have a status of “**Fully Implemented**” and are considered closed.

Details of remediation activities are contained in Exhibit 1 of the accompanying report.

We would like to thank HR for their cooperation during the follow-up audit process.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "C. Hollins", is written over a light blue horizontal line.

Christopher G. Hollins
City Controller

xc: City Council Members
Jane Cheeks, Director, Human Resources Department
Carla Coleman, Assistant Director, Human Resources Department
Chris Newport, Chief of Staff, Mayor's Office
Courtney Smith, City Auditor, Office of the City Controller

³ See Exhibit 1 for the Detailed Remediation Assessment

TABLE OF CONTENTS

	Page
Transmittal Letter	i
Table of Contents	iii
Report Sections	
Background	1
Audit Scope and Objectives	2
Procedures Performed	2
Follow-Up Approach	2
Conclusions	3
Audit Standards	4
Acknowledgment	4
Exhibits	
Exhibit 1 - Detailed Remediation Assessment	5

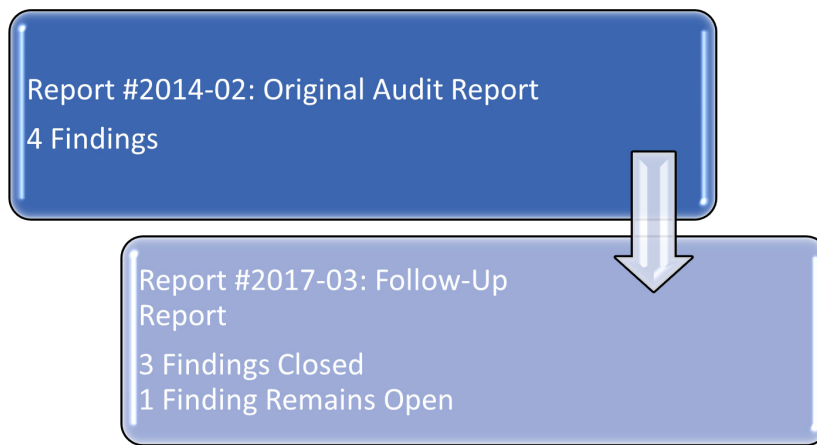
Background

As part of providing independent and objective assurance services related to efficient and effective performance¹, compliance, and safeguarding of assets, we perform follow-up audit procedures to ensure that corrective actions are taken related to issues reported from previous audits.²

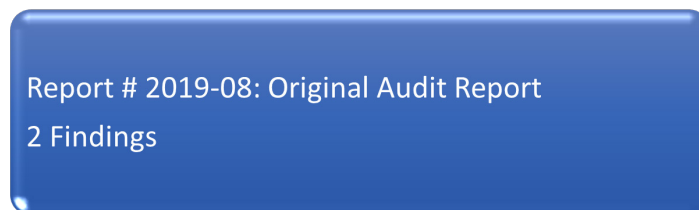
We have completed our follow-up procedures related to remediation efforts performed by management of the Human Resources Department (HR), as they relate to findings contained in Audit Report #2014-02, *“Human Resources Department, Health Benefit Claims – Performance Audit”*; and Report #2019-08, *“Human Resources Department – Temporary Personnel Services Performance Audit”*.

A total of four findings were issued under Audit Report 2014-02 and two were issued under Audit Report 2019-08. The result of prior follow-up audits is shown in the graphics below.

AUDIT REPORT 2014-02



AUDIT REPORT 2019-08



¹ GAGAS 1.21, 6.11, 7.13, 8.30, and 9.08

² IIA Standard 2500 Implementation Guidance - stresses the importance of having a process that "... captures the relevant observations, agreed corrective action, and current status."

Audit Scope and Objectives

The audit procedures described in this report are based on remediation efforts for the three open findings.

The objectives of our follow-up audit were to determine:

1. The status of each open item; and
2. The adequacy of the department's remediation process to resolve open findings.

Procedures Performed

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained, reviewed, and assessed management's status updates to open findings;
- Determined the findings for which management's status updates indicated remediation;
- Determined and requested documentation necessary to support the finding status reported by management; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

Follow-up Approach

Our follow-up audit process utilizes a risk-based approach, which contains two primary components:

- Management Status Updates; and
- Audit Testing/Verification

MANAGEMENT STATUS UPDATES:

Our follow-up audit process includes sending requests for status updates on management's progress toward the remediation of open findings. Management provides status updates through an online portal. This information is then assessed by the follow-up auditor who considers (1) responsiveness to the original issue and (2) remediation of the issue.

AUDIT/TESTING VERIFICATION:

A management status update indicating that a finding has been

remediated is then tested/verified by the follow-up auditor prior to being closed.

The information received through management status updates is used as a basis for follow-up testing. If necessary, additional supporting information is gathered by the follow-up auditor to provide sufficient and appropriate evidence to achieve our objectives. Once the testing/verification of a department's findings has been completed, the department's remediation process is then assessed as one of the following four categories:

- **Not Implemented** - No formal policy and/or no documented effort to address the audit finding.
- **Incomplete/Ongoing** - Ongoing development of a process or efforts towards a policy to address the audit finding.
- **Substantially Implemented** - Significant efforts directed towards the implementation of the audit finding.
- **Fully Implemented** - Successful implementation of the finding remediation.

Conclusions

Based on the procedures performed, we believe we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.

CONCLUSION 1 - (AUDIT OBJECTIVE 1)

Our conclusions for the audit objective in connection with the status for each open item are as follows:

- Audit Report #2014-02: The open finding from this audit is considered closed.
- Audit Report #2019-08: Both open findings from this audit are considered closed.

Please see Exhibit 1 for the Detailed Remediation Assessment.

CONCLUSION 2 - (AUDIT OBJECTIVE 2)

Based on audit procedures performed, our conclusions on management efforts to remediate findings are as follows.

Audit Report 2014-02:

Procedures performed revealed that management has instituted controls to address the finding. This control was tested and found to be effective. Based on this, the auditors noted that management efforts at remediation were found to be satisfactory, as a result we

consider the finding status as “**Fully Implemented.**”

Audit Report 2019-08:

- Procedures performed revealed that management has established internal policies designed to remediate the findings. Some of the policies established but not limited to the following:
- Establishment and maintenance of an internal procedure to ensure compliance with the random testing of employees in safety impact positions.
- Establishment of an offboarding facility to ensure badge collection from former employees upon discharge from employment.

We conclude that the remediation efforts identified above are satisfactory and the status of the findings are considered “**Fully Implemented**” and closed.

Audit Standards

We conducted follow-up audit procedures in accordance with Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Acknowledgment

We would like to thank the management and staff of HR for their remediation efforts and their cooperation during the follow-up audit process.

City of Houston
Office of the City Controller - Audit Division
Project: Follow-Up Procedures - Human Resources
Department's Prior-Year Open Recommendations

Exhibit 1 - Detailed Remediation Assessment, FY2024 Audit Follow-Up Procedures

Audit Report #	Original Audit Finding Title	Original Audit Finding	Management's Status Update	Procedures Performed	Status
2014-02	Inconsistent Application of Smoker Penalty and Lack of Penalty for Employees Who Violate the City's Eligibility Policy	<p>1. The smoker surcharge/penalty is not being applied consistently to all employees that check the smoker box on their insurance application.</p> <p>Four employees who marked that they were smokers were not charged the penalty and one employee who marked they were not a smoker but was charged the penalty. Because I-enroller (one of two electronic systems to store employee's records for insurance selections, I-enroller was used for Plan Year 1 May 1, 2011 – April 30, 2012) was not able to run reports it was impossible to determine the total population of employees that had marked they were smokers but were not charged and vice versa.</p> <p>2. Employees are not penalized when they violate City policy on spouse/dependent eligibility. Two of 45 (4%) employees were discovered to be covering ineligible spouse/dependents. Other than dropping coverage on the ineligible individuals the employees were not penalized.</p>	<p>Management's Updated Response (As of November 9, 2023)</p> <p>A. Employees' election or declination of the tobacco surcharge is a combination of paper and two online enrollment systems, rendering an attempt at reconciliation ineffective and cost-prohibitive. In addition, Employees' adherence to paying the tobacco surcharge is voluntary, allowing employees to have voluntarily stopped paying it during an annual enrollment.</p> <p>B. Benefits exercises strict adherence to rules for adding a dependent. However, the Human Resources Director may recommend implementing an Administrative Procedure that commits penalties, including termination of dependents' coverage and termination of employees' employment, if active employees and retirees do not provide relationship documents. The Administrative Procedure will be especially punitive to employees (some now retired) hired before Human Resources executed stricter rules (1999-2000) for covering dependents.</p> <p>C. Benefits now communicates eligibility rules to employees and retirees. Any Administrative Procedure, that establishes punitive measures to employees and retirees that cover dependents whose relationship is not documented, will be comprehensively communicated. The Administrative Procedure will be especially punitive to employees (some now retired) hired before Human Resources executed stricter rules (1999-2000) for covering dependents.</p>	<p>Auditors verified that the smoker charge was not being automatically attached to the employee plan rate as they (employees) selected the "smoker box." Auditors also reviewed an example of HR financial team's audits, which they conducted to ensure that charges aligned with the enrollment selection in the HR system.</p> <p>The auditors also verified that HR's current process in <i>HROne</i> (employee self-service portal) did not allow for violations as the system had a "hard stop" (user was either prevented from taking an action altogether or allowed to proceed only with the external override of a third party) if documents that support eligibility were not submitted.</p>	Fully Implemented
2019-08	Random Drug Testing of Safety Impact Positions Not Performed	<p>We reviewed three (3) of the nine (9) temporary personnel services contractors and found that random drug testing on current temporary employees working with the City in safety impact positions were not being performed. In addition, the Drug Policy Compliance Declaration forms were not being submitted semi-annually, as required by Executive Order 1-31, section 8.5.1.</p>	<p>Management's Updated Response (As of November 9, 2023)</p> <p>The Human Resources Department has defined an internal procedure for maintaining compliance in random drug testing of employees in safety impact positions. The written procedure is on file in the Human Resources Department.</p>	<p>Auditors reviewed HR's internal procedure relative to random drug testing of employees in safety impact positions. The review – examples of HR's offboarding activity – indicated that the department appears to have developed a process to collect ID badges from temporary or terminated personnel in a timely manner. As such, management's actions fully address the audit recommendation, and no further action is required.</p>	Fully Implemented

City of Houston
Office of the City Controller - Audit Division
Project: 2021-05: FY2021 Follow-Up HFD
Houston Fire Department - FY2021 Follow-Up Procedures

Audit Report #	Original Audit Finding Title	Original Audit Finding	Management's Status Update	Procedures Performed	Status
2019-08	No Documentation that Terminated Temporary Personnel Access Badges Were Retrieved	We reviewed three (3) of the nine (9) temporary personnel services contractors and found that there was no documented evidence that terminated personnel ID badges were retrieved by the applicable temporary personnel services agency or the City of Houston hiring managers.	Management's Updated Response (As of November 9, 2023) With the implementation of Fieldglass, an offboarding activity for badge collection was configured. The original configuration required managers to acknowledge the collection of each offboarding item separately which included badges. Due to the volume of email notifications managers received, the process was refined to group all offboarding activities into a single checklist. On February 14, 2018; approximately one year after go-live; the checklist was disabled altogether due to managers being nonresponsive.	Auditors reviewed HR's process for timely receiving City's badges from terminated employees. The review – examples of badge retrieval process – indicated that the department appears to have developed a process to collect ID badges from temporary or terminated personnel in a timely manner. As such, management's actions fully address the audit recommendation, and no further action is required.	Fully Implemented

Audit Team

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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>