SCDOT
Commission

Office of the Chief Internal Auditor

Audit Report

*South Carolina Department of
Transportation Human Resources Department
Findings and Recommendations
CIA-OPN09-002*

June 8, 2009

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Commission of the South Carolina Department of Transportation

The Honorable Lawrence K. Grooms, Chairman
South Carolina Senate Transportation Committee

The Honorable Hugh K. Leatherman, Sr., Chairman
South Carolina Senate Finance Committee

The Honorable Phillip D. Owens, Chairman
South Carolina House Education and Public Works Committee

The Honorable Daniel T. Cooper, Chairman
South Carolina House Ways and Means Committee

Dear Gentlemen:

The Office of the Chief Internal Auditor has completed a performance and compliance audit of the SCDOT Human Resources Department as of June 8, 2009. In accordance with Section 57-1-360, we are transmitting to you the report on this audit.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

Please don't hesitate to contact us if you have any questions or comments.

Respectfully submitted,

Robert W. Wilkes, Jr., CPA
Chief Internal Auditor

Executive Summary

Executive Summary

South Carolina Department of Transportation's Human Resource Department (HR) is responsible for the recruiting, hiring, classification, training and insurance coverage of approximately 5,000 employees. It's the department's responsibility to support the agency's most valuable asset, its human capital. The department has thirty (30) employees separated into seven functions: Employment Office, Classification and Compensation, Benefits, Employee Relations, Training, Records, and Information Services. The entire HR department is responsible for conducting all actions in accordance with agency, state, and federal laws and regulations. The HR Director reports to the Deputy Secretary of Finance and Administration.

Internal Audit's objective is to determine the effectiveness and efficiency of the Human Resource department's operations and also to determine whether it is in compliance with applicable regulations. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, 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. We evaluated the processes, internal controls and efficiency of each function of the HR department. Our objectives were as follows:

1. Evaluate the control environment of the Human Resource function
2. Evaluate the accuracy and timeliness of benefits processing
3. Evaluate the timeliness of the referral process and determine the source of delays in the hiring process
4. Evaluate the accuracy, timeliness, and consistency of agency terminations, suspensions, reprimands, and grievance proceedings to ensure they are handled in accordance with the agency's disciplinary action plan
5. Evaluate the accuracy, timeliness, and equity of new hire salaries, reclassifications, and pay increases to ensure they are handled in accordance with the agency's pay policy
6. Evaluate the security, accuracy, and retention of agency personnel records and their contents
7. Evaluate the efficiency and effectiveness of the Employee Development function and its training content
8. Evaluate the efficiency and necessity of HR's Information Technology Services function

Our preliminary audit procedures included conducting an internal risk assessment and performing a Headquarters survey of the Human Resource Department. We conducted reviews of the processes involved in each of the functional areas, interviewed employees, selected samples, and performed tests of controls. We have developed four (4) recommendations to improve the efficiency of the entire HR function and forty-one (41) recommendations related to the process flows and controls of each functional area.

Audit Findings and Recommendations

Audit Findings and Recommendations

Section I. Entire Human Resource Department

Finding 1:
HR management has performed an outstanding job in equipping the department with both experienced and knowledgeable professionals. The managers of each function are very knowledgeable about their respective area. The department's employees also specialize in a particular function but this limits their potential growth as HR generalists capable of performing all HR core functions: Benefits, Classification and Compensation, Recruitment, and Employee Relations. During the audit, we became aware of the dissatisfaction of some HR employees concerning the lack of cohesiveness within the department and favoritism, whether perceived or founded.

Recommendation 1:
Our first and most comprehensive recommendation is to dissolve the specialization of the department's employees. We recommend that all managers currently supervising the core functions of HR be classified as HR Manager II and serve in HR Expert positions. In an effort to expand the knowledge and proficiencies of the other HR professionals, we recommend that nine of the professionals who currently work in these areas as HR Managers retain this classification (the benefits employees should be reclassified in the HR Manager series) but operate in an HR generalist role. Each of the nine employees along with the HR manager currently assigned to training and the one responsible for Extended Leave would be placed in a pool, assigned a particular district and perform all of the work related to each functional area for that assigned district. Each generalist would administratively report to one of the Experts as needed.

Finding 2:
The HR department has no formal or written succession plan, which makes it difficult to adequately prepare the current workforce for future changes. The department has designated an HR Manager II position to act as their work force and succession planning specialist. However, the person acting in this capacity has other duties that don't afford her the opportunity to make this type of planning her most important priority.

Recommendation 2:
We recommend that HR's Director take responsibility for the vital duty of succession planning. Only someone with her level of authority can create and sustain such a program.

Finding 3:
The current Human Resource department structure consists of three levels of management.

Recommendation 3:
As a part of expanding the knowledge and proficiencies of her workforce and giving them opportunities for advancement, the HR Director should remove the layer of management that exists between her and the managers that represent each functional area. This would flatten the organizational structure and enhance the lines of communication between the Director and her staff.

Finding 4:
Human Resource Regulations are listed on SCDOT's intranet. However, some of the information included is inaccurate, as the majority of it has not been updated since July 1, 2001.

Recommendation 4:
We recommend that the Human Resource Regulations be reviewed and updated periodically to ensure that only accurate and current information is available to agency employees.

In addition to developing recommendations for the entire HR department, we analyzed each functional area separately and made recommendations where appropriate. We would strongly encourage each manager to commit to consistent monitoring of their respective processes to ensure that only procedures that add value and promote the area's, department's, and agency's overall objectives are being performed. In some areas, there seems to be a culture of only doing the status quo which should be replaced with process ingenuity and efficiency whenever possible. The findings and recommendations associated with each function will be discussed in the following section.

Section II. HR Functional Areas

A. **Benefits**

We began our audit in the Benefits section and reviewed the current processes and controls in place. The Benefits office is responsible for administering and processing the State's Benefit Program, which includes health, dental, life, vision, disability, and retirement. This area also prides itself in providing comprehensive and confidential counseling to the SCDOT's employees concerning their state benefit package. There are five (5) full-time employees in this area to include the Benefits Manager, three (3) Benefits Counselors, and one (1) Administrative

Specialist. This area must process all benefit related paperwork for all new hires and all revisions made by the agency's workforce. The office interacts on a consistent basis with the State Employee Insurance Program (EIP) as well as third party benefit vendors.

Finding 1:
Before the audit began, internal audit was informed of complaints concerning the quality of customer service displayed by some Benefits employees. However, when we conducted the Survey of the Office of Human Resources, results showed that some employees were very pleased with the quality of customer service received. Therefore, our results are inclusive about the consistent nature of service provided.

Recommendation 1:
We recommend that each employee in the office recommit themselves to the underlying principle of quality customer service and then utilize it in all areas of their processes and interactions.

Finding 2:
After the Benefits office processes employee insurance forms, most of them must be sent to the Employee Insurance Program (EIP) for processing and final approval. An opportunity exists within this process for certain employee errors to be characterized as administrative errors in order for the EIP to approve changes or additions to an employee's coverage. EIP holds employees accountable for their benefits choices and levels of coverage and will make changes only if it is an administrative error.

Recommendation 2:
We recommend that extreme care be taken to ensure that only true administrative errors be characterized as such.

Finding 3:
When an employee starts work during the first working day of the month, he or she has the option of having insurance coverage provided for the first month of his or her employment or waiting until the beginning of the next month to obtain coverage. If an employee decided to immediately have insurance coverage, he or she must not only pay premiums for the first month of coverage but also pay a premium for the first half of the second month's coverage out of his first pay check. In an effort to prevent the employee from experiencing any undue economic hardship, Benefits splits these premiums over multiple pay periods.

However in some of the files tested, documentation was not provided by the employee to authorize such action being taken.

Recommendation 3:
We recommend that Benefits personnel not initiate any action to divide these payments between pay periods without the expressed documented or written permission of the employee.

Finding 4:
During our audit we found that Benefits lacked accountability. The office does not maintain a tracking system of any sort that logs in Notices of Elections or any other benefit related form. We found no system that tracked the date that pertinent information was sent to EIP or any other third party vendor of benefits.

Recommendation 4:
We recommend that Benefits institute a tracking system that records the date information was received, who it was assigned to, the date it left the office, and to whom the information was forwarded. We also recommend that the office utilize sign-in sheets and call logs to track all of their encounters with SCDOT employees. This type of system would allow Benefits personnel to determine where most of their time is being spent and to successfully track the amount of time they take to settle employee issues. The results of this type of system can be monitored to determine if certain items related to benefits are confusing and require more explanation.

Finding 5:
SCDOT's Human Resource system generates a report twice a month that lists all of the deductions and changes made in the system by SCDOT employee, amount, and the counselor who performed the action. While this report can be printed after every payroll period, we found that sometimes this report is not printed and if printed, it is not retained and filed for a reasonable amount of time.

Recommendation 5:
We recommend that the reports be printed at the end of every payroll, reviewed by the manager, filed, and kept for a period of time consistent with an internal area retention schedule. This report is capable of serving as a quality management and accountability tool. It will allow errors to be detected potentially before employees discover them. It will monitor accountability both at a department level as well as an individual employee level by showing the quantity of work performed.

Finding 6:
The Benefits manager and counselors are very knowledgeable about the states insurance program and all of the options available to employees. However, survey participants and district personnel expressed concerns about the counselors' and the Human Resource Coordinators' (HRCs) consistent ability to express these options in a clear and concise manner. Currently, counselors address requests based upon an alphabetical allocation. However, when needed, the counselors assist any employee despite his or her name.

Recommendation 6:
We recommend that instead of counselors assigning responsibility based upon the employee's name, each counselor be assigned to handle all of the paperwork, calls, and disputes associated with a particular district. This would allow the counselor to determine the education needed by the respective Human Resource Coordinator as well as employees of the assigned district.

Finding 7:
The majority of Benefits personnel have multiple years of experience and are thoroughly familiar with the procedures and processes. However, there is no written manual in place that lists all of the department's responsibilities, processes, controls, and procedures.

Recommendation 7:
We recommend that the area develop a written policy and procedures manual. This would not only assist any new or temporary employee, but it would also allow the area's management to continually evaluate its processes for efficiency and productivity.

Finding 8:
Benefits maintain employee files that include sensitive information such as employee deduction information, medical histories, and social security numbers of both employees and beneficiaries. This information is prohibited by federal regulation from being included in the employee's personnel file. These files are located in file cabinets, some of which are located in a room by themselves. However, the files are not locked and some of them are not in a separate room that can be locked.

Recommendation 8:
We recommend that all files containing sensitive information or any other documents that contain such information be safeguarded by being kept in locked file cabinets at all times when not in use.

Finding 9:

Most actions related to providing insurance to new hires or related to insurance coverage changes revolve around the Notice of Election Form (NOE). After a counselor inputs the contents of the NOE into the Human Resource System, she prints a copy of the deductions, reviews them, sends a copy of the deductions to the employee via inter agency mail, and places a copy in the employees file. Reviewing the list of deductions is the only control mechanism in place to detect misstatements. When testing the process, we found errors that perhaps could have been avoided had another control been in place designed to prevent these misstatements.

Recommendation 9:

We recommend that a preventative control be instituted that would reduce errors and the need to waste additional time correcting misstatements. One method that could be utilized to reduce inefficiencies would be to give NOEs and the SCDOT printed benefit statements to the administrative specialist who would perform a quality check to ensure that the actual NOE from the employee matches what was actually entered into the SCDOT Human Resource System and initial off to ensure that it was reviewed. The initialed NOEs would then go into a pending file and on the day after the NOE is received by EIP (two times per week) the administrative specialist should check EIP's system to see if the actual NOE received by EIP matches what has been entered into their system. If there are any discrepancies, they can be handled before a rejection letter from EIP is sent to Benefits.

Benefits personnel expressed concerns that implementing a scanning system would enable them to improve their efficiency. While such a savings of time is difficult to quantify, we agree that such a system would lessen the amount of time taken to go to a file cabinet and look in a file before being able to answer specific employee questions. Any system that HR considers implementing should have the capabilities of interfacing with EIP's database system. This would allow the counselor electronic access to all of the employees benefit records (those existing both at SCDOT and those at EIP). This type of system could possibly aid the Payroll department when it prepares the monthly insurance reconciliation. To maintain the integrity of the information, care should be taken to ensure that adequate security and backup controls are established and implemented.

B. <u>Employment Office</u>

The Employment office is responsible for the recruiting and referring of potential employees to respective hiring managers. The office also posts vacancy announcements on South Carolina's employment system (NeoGov) for

headquarters positions and monitors underutilizations in specific areas. The Employment Office has two (2) full-time HR managers who report directly to the Employee Relations manager (ER).

Finding 10:
While each of the HR manager's position descriptions has the responsibility of recruiting employees, only one manager participates in the recruitment process. The manager who appears to have been hired to specialize in the recruitment of minorities spends the majority of her time referring applications to the respective hiring managers. This is an inefficiency that results in the underutilization of a manager, decreased employee morale, job dissatisfaction, and a possible lack of candidate diversity.

Recommendation 10:
We recommend that both employees in the Employment Office be fully utilized to actively engage in recruiting to attract the brightest and best talent possible for SCDOT.

Finding 11:
We found that managing the statewide wellness program makes up 10% of one of the HR Manager's position descriptions. While we understand the potential benefits of implementing, managing, and participating in a Wellness program, we are unable to determine the correlation between the Wellness Function and the actual Employment Office responsibilities. The Employment Office emphasis should be on attracting, recruiting, and referring the best potential employees available.

Recommendation 11:
We recommend that managing the Wellness Program be handled by the agency's Nurse and not by the Employment Office. It is fine to have an employee volunteer to coordinate any of the wellness functions when he or she has time, but it should not be listed as a function of one's primary job duties.

Finding 12:
A considerable amount of time is committed to recruiting for positions, especially engineering positions. However, the results of these recruitment efforts do not appear to be recorded by the recruiter. The process lacks an adequate level of accountability.

Recommendation 12:
We recommend that the recruiter(s) create a log that records the names and pertinent information for all potential employees that the recruiter made contact with. It should also record if these potential employees actually applied for a position with SCDOT, were interviewed by a hiring manager, and whether they were hired. This type of tracking allows the recruiter and any member of management to determine the success rate of recruiting efforts.

Finding 13:
The employment office utilizes the NeoGov system to post its vacancy notices, review applications, track Equal Employment Opportunity (EEO) information, and refer applications to the respective hiring managers. Despite the availability of the system, some job seekers send in resumes to HR even when there is no current listing for a potential job on the website. In these cases the employment office files the resumes in the office and then sends an email to the seeker telling him or her that an on-line application needs to be completed to apply for any agency positions.

Recommendation 13:
We recommend that resumes be destroyed and the email to the jobseeker should indicate that the resume will not be kept because SCDOT wants to refrain from any potential liabilities that could possibly be associated with keeping resumes without the intention of actually hiring or referring anybody. These emails should be retained to prove the contact efforts made.

Finding 14:
Once the Employment office receives an HR-19 for a position, an HR Manager prepares a vacancy notice, which is posted on the NeoGov system for at least a five (5) day minimum. Once the position closes, the HR Manager reviews the minimum qualifications of the applicants. The HR Manager then checks the hiring department's utilization of minority groups and notes any underutilization on the HR-19. The referred applications along with a listing of the applicants' gender and race are sent to the hiring authority.

Recommendation 14:
We recommend that the Employment office revamp the current referral process as it relates to the HR-19. While enforcing the EEO program is of upmost importance, the hiring authority should not have access to applicants' race and gender before determining which employees to interview. The hiring authority should be informed of any underutilization present in his or her department before interviewing applicants. The spirit of the EEO program ensures that all qualified applicants, despite race or gender, are considered for employment or advancement. Additionally, the Employment Office should play a stronger role in

the underutilization process. When the hiring authority chooses who he or she wants to interview, the HR Manager should review the EEO information to determine if someone potentially qualified in an underutilized group did not get selected for an interview. If this is the case, the HR manager should have the authority to compel the hiring authority to interview that potentially qualified person. If at that time someone who was in an underutilized position was interviewed but not hired, a justification letter should then be sent to the ER Manager. The justifications should always be addressed to the ER Manager, and the justifications should contain real merit and be of substance. The change in procedure could reduce the opportunity for an applicant to pursue any type of legal action because his demographic information was released without his or her knowledge and possibly led to the denial of an employment opportunity.

Finding 15:
The current utilization of the NeoGov system should aid in improving the referral process and eliminate the need to complete paper applications. However, all SCDOT employees and some potential employees are not proficient in the use of a computer or in the use of some of its applications. Currently, if someone calls with a NeoGov question, the HR manager spends a considerable amount of time on the telephone trying to walk the potential applicant through the process. If someone comes into the office and needs help with the system, an HR manager will have to let the potential applicant watch her complete a fictitious application on her computer and then try to remember the steps followed when he or she actually goes online to complete his or her individual application.

Recommendation 15:
We recommend the installation of a computer kiosk in the Employment office and possibly in each district office to assist those employees who need help completing the online application. The computer access should be secured and controls should be established to ensure that access to agency applications or internet usage, other than to NeoGov, is impossible.

Finding 16:
When a vacancy announcement is prepared and posted on Neogov, it is also sent to several organizations, institutions, and agencies. This is done to increase the awareness of the position and of SCDOT. However, vacancy notices are no longer posted on the wall in Headquarters.

Recommendation 16:
We recommend that all headquarter vacancy notices be posted in a general location at headquarters as well as on Neogov. Some employees may miss career opportunities or opportunities to refer others because they were not actively monitoring the Neogov site.

Finding 17:
HR managers in the employment office should ensure that the initials of the hiring department's manager are on the HR-19 to authorize posting a vacancy announcement. However, out of the twenty-eight (28) HR-19s reviewed, one (1) did not contain a signature authorizing the posting.

Recommendation 17:
We recommend that a secondary control be implemented in the process to ensure that no position will be posted without the proper authorization. Additional lines should be added to the form so that the name, title and signature of the approval authority can be clearly seen on the form.

Finding 18:
We analyzed the entire hiring process for a listing of positions that took longer than seventy (70) days to fill. We computed time by determining the number of days between the closing date of the vacancy notice and the effective date of the selected applicant's employment. From the sample, the Employment office referred the applications to the hiring authority in less than one week. However, in all but one of the positions, it took more than one (1) month for the hiring authority to interview, select a potential employee, and refer the appropriate paperwork back to HR. It then takes additional time for Classification and Compensation to process the HR-1 and for the employee to report to work.

Recommendation 18:
We recommend that the employment office create a timeline and tracking system to monitor the status of all advertised and referred positions. The HR Managers can contact the hiring authority if they are taking longer than expected to interview and select a potential employee. They could inquire of class and comp if they determine that function is taking an abnormal amount of time to process information. These measures should lessen the time for a new employee to report to work.

Recommendation 19:
What happens after the interview varies depending upon the hiring manager. We were informed that some people interviewed but not selected do not get notified of the rejection.

Finding 19:
We recommend that the Employment Office develop and process an acceptance form letter and a rejection form letter to be sent to all applicants. The acceptance letter can then be filed in the employee's official personnel record.

C. <u>Employee Relations</u>

The Employee Relations area is responsible for the agency's affirmative action program, grievance proceedings, conducting complaint investigations , overseeing disciplinary actions, and involuntary terminations. This area is also responsible for administering and reviewing exit interviews. There are two (2) Employee Relations Managers in the area, one of which oversees both the ER office and the Employment Office.

Finding 20:
During an unrelated fraud investigation, we requested the assistance of the Employee Relations department. During the investigation, we were informed that the District's Human Resource Coordinator (HRC) was aware of similar allegations, had previously investigated the matters, and concluded that they were false. However, the HR Employee Relations department was unaware of some of the allegations and of the investigations performed.

Recommendation 20:
We recommend that the Employee Relations department be informed of every investigation that is performed and the actual outcome of each one. The ER department's help with the investigation should be solicited when needed to ensure matters are handled consistently across the state.

Finding 21:
During our audit of the process involved with disciplinary actions, we reviewed an instance in our sample where there was a one (1) month delay of time between the time that the District Engineer Administrator (DEA) signed off on a HR-3 to discipline an employee and the time the ER Manager authorized the action. This further delayed the time of the disciplinary action relative to the actual disciplinary offense. We were also informed of other incidents involving delays in processing information by the ER Manager by both Headquarters and District Personnel.

Recommendation 21:
We recommend that a tracking system that incorporates some sort of timeline be utilized by the ER department to monitor the date that HR-3s are received, the incident, the action taken, the date the form is sent to a Deputy Secretary or designee, and the date the P-17 was prepared and sent to the appropriate departments. This system should be able to record the date that all oral/written reprimands are reviewed even though they are not signed by the ER department. Tracking all of this information will allow the ER department to have a central repository for all actions taken and will enable them to easily monitor the consistency of actions taken by managers. This type of system can also be queried

to see if any potentially new employees were once involuntarily terminated from SCDOT. A similar method should be used to follow and monitor the progress of investigations.

Finding 22:
Our overall audit objective included determining the effectiveness and efficiency of the department's operations which would include examining the grievance and complaint processes. After repeated failed attempts to access these files to determine if the processes and procedures performed by the ER office were appropriate and were all done in a timely manner, we were unable to form a conclusion about the processes.

Recommendation 22:
We are unable to determine the efficiency or effectiveness of the grievance or complaint processes because of the lack of access to vital records.

D. Classification and Compensation

The Classification and Compensation department is responsible for administering the agency's pay policy and its career paths. This function also performs pay equity analysis for new hires, reclassifications, and promotions. This area reviews updated position descriptions to ensure proper classification. The area is also responsible for monitoring dual and outside employment of agency employees. There are four (4) employees in the area: two (2) HR Manager II and two (2) HR Manager I. The two HR Manager I positions are responsible for the seven districts and one (1) HR Manager II is responsible for all headquarters Classification and Compensation transactions.

Finding 23:
When a Bonus Request (HR-5) is received, HR looks at the written justifications and determines whether it is within the agency and state guidelines. Classification and Compensation then forwards the request to the appropriate Deputy Secretary and monitors when the request has been approved. The information is then sent to payroll for processing and later filed in the appropriate employee file. During our testing, we found three (3) Bonus Requests that were disapproved by a Deputy Secretary but the actual HR-5 was not placed in the employee's file.

Recommendation 23:
We recommend that all HR-5s, whether approved or disapproved, be included in the employees official personnel files. We also recommend that Classification and

Compensation notate the date that the actual bonus was paid on the HR-5 before it is placed in the employee's file.

Finding 24:
The current process of setting up a new hire into the agency's mainframe includes the Records department assigning an employee number and then sending Classification and Compensation the employees' HR-1, original application, and an HR-19. Classification and Compensation enters the employee's social security number, address, birth date, etc. to establish the employee in the system. Classification and Compensation also enters the employee's salary into the system and the employment effective date. Any future corrections to information are made by the Records function.

Recommendation 24:
We recommend that further segregation of duties be introduced into the new hire process. We recommend that Records assign the employee number and establish the employee in the agency's mainframe system. Only after the employee has been established should Classification and Compensation be allowed to enter the salary information. We recommend that no single area be allowed to enter employees in the system and control changing the amount that they are paid. Security rights should be entered into the system to reflect the segregation of these duties.

Finding 25:
One HR Manager in Classification and Compensation works closely with the Information Technology Services (ITS) department to develop different screens for the mainframe. She also has the primary authority to grant security access to Entire Connection. Secondary security authorization rights can be granted by HR's Information Resource Consultant (IRC).

Recommendation 25:
We recommend that neither employees in Classification and Compensation nor any other function of HR that inputs information and has the ability to make changes should be responsible for setting up or determining the amount of access anyone or any group should have to the system. Due to the IRC's separation from the everyday processing component of the system, this individual should be the one to have security authorization rights.

Finding 26:
The majority of Classification and Compensation personnel have multiple years of experience with the office and are thoroughly familiar with the procedures and

processes and are very knowledgeable about recent updates to the process. However, there is no written manual in place that lists all of the department's responsibilities, processes and procedures.

Recommendation 26:
We recommend that the department develop a written Policy and Procedures manual that outline the area processes and the controls in place. This would not only assist any new or temporary employees but would also allow management to continually evaluate its processes to determine if there is a more efficient or productive way to get the job done.

Finding 27:
We pulled a sample of HR-1s and HR-2s for testing to ensure that the pay equity analysis was performed as needed and to ensure that pay actions were initiated only after the proper authorization had been received. Out of forty-two (42) HR-1s and HR-2s reviewed, we only found one (1) occurrence where it appears that the signature of the approval authority was retained after the effective date of the pay action.

Recommendation 27:
We recommend that extreme care be exercised to ensure that all pay actions are authorized before they become effective.

Finding 28:
Classification and Compensation also has the responsibility of monitoring outside employment for the agency. This type of information is generally captured on an HR-6 which must be approved by the employee's immediate supervisor, DEA or Division Director, and by the appropriate Deputy Secretary. Concerns were expressed about the actual percentage of forms submitted versus the employees who actually have outside employment.

Recommendation 28:
We recommend that the Employment office be assigned the responsibility of monitoring outside employment. The employment office evaluates the current and prior work history of all potential employees before referring them to be interviewed. They appear to be in a better position to monitor the outside employment of an employee than the current function that is charged with this responsibility.

E. Records

The Records department is responsible for all leave. It also monitors Employee Performance Management System (EPMS) ratings and ensures that official personnel files contain only the legally allowed information. The records department has three (3) employees: Two (2) Human Resource Manager I and one (1) Human Resource Specialist.

Findings 29:
The Records area has the responsibility to ensure that all agency employees have an EPMS rating in the Entire Connection System and that a signed copy of the EPMS is in each employee's file. For EPMS year 2008, we found that EPMS were not properly performed for all HR employees. In many cases where there was no apparent EPMS performed, the employee was given an alternate rating instead of the default rating of "Meets Expectations".

Recommendation 29:
We recommend that Records ensures that EPMS are performed for all employees including HR personnel. Employees are the most valuable asset of any organization and their performance should not go unrecognized. The EPMS process is an essential tool to be used for that purpose.

Findings 30:
As mentioned in an earlier section, the Records function has the responsibility of assigning a new hire an employee number. If no one from Records is available to assign the number, Classification and Compensation has the secondary authority to assign employee numbers.

Recommendation 30:
We recommend that in order to ensure adequate separation of duties, the HR Director should be the only one to authorize the issuance of an employee number in the absence of Records personnel.

Finding 31:
The records function has the primary responsibility of ensuring that employee records are safeguarded. It controls the access to the files and ensures that only legally allowed information is included in the employees official personnel file. The office has a system in place that allows authorized employees to sign-out files for review.

Recommendation 31:
We recommend that Records enhances its custodial function by preventing the removal of any employee file from the Records office. All interested parties should review the file contents in the records office to ensure that no information is inadvertently misplaced.

Finding 32:
Records personnel informed us that they are currently working with the agency's IT department to enhance the department's ability to determine if any employee resigned in lieu of being terminated by adding additional characters to the termination code. Currently a hiring manager may or may not review the personnel file of a prospective employee who previously worked for SCDOT; therefore, the manager may be unaware of the work performance of the prior employee or the circumstances surrounding his or her termination.

Recommendation 32:
We recommend that the official personnel file of a prior SCDOT employee be reviewed, whether it's located at Headquarters or the agency's storage facility, before a new position is extended to that employee in order to gauge the quality of his or her prior work performance.

Finding 33:
During the course of our audit, we inspected hundreds of personnel files to ensure that HR employees were properly following their processes and to determine the design and existence of internal controls. The records function performs an annual inventory of all files to ensure that they exist in the office. Out of all the files we reviewed, we only documented three cases of files containing inappropriate information.

Recommendation 33:
While the overall quality of the condition of the personnel files is very good, we recommend that the office performs a continuous sampling program to ensure that the inventory of files is complete and free of any information that should not exist in the files.

Finding 34:
When an employee is out for five days or more due to illness, the HRC sends an HR-1 to Records indicating that an employee is on Leave of Absence. Records reviews the leave code, ensures that the days with and without pay are calculated correctly, ensures that a doctor's certification is attached and corresponds with the

leave of absence, and then prepares a P-17 for distribution. All of this information is manually tracked by Records.

Recommendation 34:
We recommend that the HR-1 indicating a Leave of Absence be logged into the department's current tracking system. An electronic database should be utilized to capture the effective date of leave for the employee, with pay and without pay dates, leave justification, and the employee's expected date of return. This will enable Records personnel to consistently monitor the employee's period of absence and quickly address areas of concern.

Finding 35:
Employees in certain positions have six months from their date of hire to obtain their Commercial Drivers License (CDL) and must certify their willingness to do so in writing. If they fail to obtain this license, Records receives an HR-1 from the HRC indicating that an employee has failed to meet this requirement and will be terminated. Records then prepares a P-17 and disseminates it to the appropriate departments.

Recommendation 35:
We recommend that Records track the employee's initial acknowledgement of the requirement to obtain the CDL when the employee's new hire information is submitted to Human Resources. This will allow Records to be proactive in determining when an employee's six month period ends to maintain consistency between employees.

Finding 36:
Once South Carolina Retirement System (SCRS) approves an employee for disability retirement, SCRS notifies Benefits of this action. Benefits sends a copy of the notification to the HRC. After receiving notification, the HRC prepares an HR-1 and sends it to Records. Records prepares a P-17 and distributes the document appropriately.

Recommendation 36:
We recommend that Records reviews the need for an HR-1 as it relates to disability retirement. SCRS approves disability retirement which removes SCDOT from the decision making process. Therefore it appears that in this case an HR-1 in unnecessary.

F. <u>Employee Development</u>

The Employee Development function at SCDOT also resides in Human Resources Department. This area is responsible for scheduling and providing soft skills training to SCDOT employees. The area has eight (8) employees: a Director, one (1) HR Manager II, four (4) Instructors, and two (2) administrative coordinators.

Finding 37:
During the course of our audit, Employee Development changed the frequency of its New Employee Orientation training. The area now plans to offer the course to headquarters employees on the 18th of every month. Each district administers its own New Employee Orientation and the frequency and course content by each district may vary.

Recommendation 37:
We recommend that Employee Development utilize the video conferencing technology currently at SCDOT to ensure that every new employee at SCDOT receives the same important information. On the same day of the month that headquarters is conducting training, district employees can view this same training from their respective districts. Each Human Resource Coordinator can add any additional information to help the employee get more acclimated with the specific district but the general information provided to all employees will be consistent.

Finding 38:
Some of the courses that are offered are required because of policy like sexual harassment and work place violence. These courses are typically two hour courses that are offered by Employee Development. Another course, Agency Operations/Organizational policy, is administered by management outside of HR but is similar in content to New Employee Orientation.

Recommendation 38:
We recommend that Employee Development review the course content of each of its courses and combine classes that may be similar. It may be possible to merge Sexual Harassment and Workplace Violence into one course. Combining courses would decrease the amount of time needed to prepare materials for two courses and the amount of time each employee sits in a training classroom.

Finding 39:
Each trainer currently instructs several courses in headquarters and in the districts that are primarily focused on providing managerial soft skills. Aside from the courses that they instruct and the character traits and leadership ability that they provide, the training unit is not fully aware of the training needs of each employee.

Recommendation 39:
We recommend that each trainer be assigned to a district to coordinate all of the training for that district's employees. That trainer would be responsible for conducting a training needs assessment of various positions and employees. This would allow the trainer to discover areas in which on-the-job training is weak or where other inefficiencies may exist. It would also put the trainer in a better position to actually monitor career path training, proficiency, and advancement. We further recommend that Employee Development take a serious look at its role in ensuring that all employees get the technical skills that they need to perform their jobs. Taking a more active role in developing employee technical skills, while at the same time improving employee leadership skills, may increase the overall credibility of this department.

Finding 40:
The Administrative Coordinator II currently reports directly to the Director of Human Resources and she supervises the two administrative coordinators. She is assigned to perform special projects and assist in the department's cost saving measures. During this calendar year she assisted with the mandatory ethics training due to her training and education background.

Recommendation 40:
We recommend that the Administrative Coordinator II be reassigned to the Employee Development area and reclassified as an Instructor. In addition to instructing courses, she would also be responsible for coordinating the training efforts and needs assessment for a district. Because of her background and her performance with the Ethics training, we believe that she would really be successful in Employee Development.

G. Information Resources –HR

The HR department's Information Resource Consultant is responsible for acting as a liaison between HR and Information Technology Services. She maintains the department's webpage, is the system administrator for HR Suite, and maintains the agency's organizational charts.

Finding 41:
The agency's organizational charts upload daily to the agency's mainframe resulting in the organizational charts not being available on the intranet to every agency employee. Instead, each department has to designate someone to download a viewer that will allow them to access their department's organizational chart. The IRC recently obtained a newer version of OrgPlus to assist her in constructing the charts.

Recommendation 41:
We recommend that the department design a way for all employees to have access to the agency's organizational charts without allowing them to access information prematurely. Organizational charts should be a public document and will aid all SCDOT employees as well as the public to determine the agency's and departments' lines of authority.

Management's Response

SCDOT

July 10, 2009

DEPARTMENT'S RESPONSE

Robert W. Wilkes, Jr., CPA
Chief Internal Auditor
South Carolina Department of Transportation
955 Park Street
Columbia, South Carolina 29201

Dear Mr. Wilkes:

The South Carolina Department of Transportation submits the following responses to the Audit Findings and Recommendations included in the performance and compliance audit of the SCDOT Office of Human Resources.

Audit Findings and Recommendations

Section I. Entire Human Resource Department

Finding 1:
HR management has performed an outstanding job in equipping the department with both experienced and knowledgeable professionals. The managers of each function are very knowledgeable about their respective area. The department's employees also specialize in a particular function but this limits their potential growth as HR generalists capable of performing all HR core functions: Benefits, Classification and Compensation, Recruitment, and Employee Relations. During the audit, we became aware of the dissatisfaction of some HR employees concerning the lack of cohesiveness within the department and favoritism, whether perceived or founded.

Recommendation 1:
Our first and most comprehensive recommendation is to dissolve the specialization of the department's employees. We recommend that all managers currently supervising the core functions of HR be classified as HR Manager II and serve in HR Expert positions. In an effort to expand the knowledge and proficiencies of the other HR professionals, we recommend that nine of the professionals who currently work in these areas as HR Managers retain this classification (the benefits employees should be reclassified in the HR Manager series) but operate in an HR generalist role. Each of the nine employees along with the HR manager currently assigned to training and the one responsible for Extended Leave would be placed in a pool, assigned a particular district and perform all of the work related to each functional area for that assigned district. Each generalist would administratively report to one of the Experts as needed.

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Department's Response:
The Department will consult with the State Office of Human Resources (SOHR) concerning the appropriate job classification of employees in the HR Office. SOHR is ultimately responsible for overseeing and approving job classifications.

In order to meet the Department's customers' needs, it would be very difficult to cross-train all of the nine employees assigned to specific areas in HR at the same time. We will accomplish this by consulting with the nine employees to determine which employees are interested in cross training. For those employees who wish to pursue this initiative, we will pilot the program and determine the most appropriate district(s) to work with. For those employees who do not wish to become cross trained, we will utilize them in cross training in their area of speciality. If one of the nine employees separates from the Department and a determination is made that the position is to be filled, we would hire a generalist and pursue any cross training as necessary. We believe this will be a more efficient and effective use of our workforce.

Finding 2:
The HR department has no formal or written succession plan, which makes it difficult to adequately prepare the current workforce for future changes. The department has designated an HR Manager II position to act as their work force and succession planning specialist. However, the person acting in this capacity has other duties that don't afford her the opportunity to make this type of planning her most important priority.

Recommendation 2:
We recommend that HR's Director take responsibility for the vital duty of succession planning. Only someone with her level of authority can create and sustain such a program.

Department's Response:
The HR Director will implement a pilot program of cross training. This will afford employees more opportunity for upward mobility and ensure that all the duties and functions can be handled in the absence or separation of any employee. Cross training will be utilized rather than a formal written, structured succession plan as the plan could create the appearance of pre-selection of management positions.

Finding 3:
The current Human Resource department structure consists of three levels of management.

Recommendation 3:
As a part of expanding the knowledge and proficiencies of her workforce and giving them opportunities for advancement, the HR Director should remove the layer of management that exists between her and the managers that represent each functional area. This would flatten the organizational structure and enhance the lines of communication between the Director and her staff.

Department's Response:
The HR Director will review the reporting structure in the HR office and make a determination of the most effective organization. This review will assist in determining personnel needs in the HR Office.

Monthly team leader and staff meetings will continue to be held to ensure the lines of communication are open.

Finding 4:
Human Resource Regulations are listed on SCDOT's intranet. However, some of the information included is inaccurate, as the majority of it has not been updated since July 1, 2001.

Recommendation 4:
We recommend that the Human Resource Regulations be reviewed and updated periodically to ensure that only accurate and current information is available to agency employees.

Department's Response:
At the time of the audit, HR had started a review of the HR information on the intranet. We will continue this review and ensure all information is updated. We will also develop a schedule for updating the HR portion on the intranet. In addition to developing recommendations for the entire HR department, we analyzed each functional area separately and made recommendations where appropriate. We would strongly encourage each manager to commit to consistent monitoring of their respective processes to ensure that only procedures that add value and promote the area's, department's, and agency's overall objectives are being performed. In some areas, there seems to be a culture of only doing the status quo which should be replaced with process ingenuity and efficiency whenever possible. The findings and recommendations associated with each function will be discussed in the following section.

Section II. HR Functional Areas

A. Benefits

We began our audit in the Benefits section and reviewed the current processes and controls in place. The Benefits office is responsible for administering and processing the State's Benefit Program, which includes health, dental, life, vision, disability, and retirement. This area also prides itself in providing comprehensive and confidential counseling to the SCDOT's employees concerning their state benefit package. There are five (5) full-time employees in this area to include the Benefits Manager, three (3) Benefits Counselors, and one (1) Administrative Specialist. This area must process all benefit related paperwork for all new hires and all revisions made by the agency's workforce. The office interacts on a consistent basis with the State Employee Insurance Program (EIP) as well as third party benefit vendors.

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Finding 1:

Before the audit began, internal audit was informed of complaints concerning the quality of customer service displayed by some Benefits employees. However, when we conducted the Survey of the Office of Human Resources, results showed that some employees were very pleased with the quality of customer service received. Therefore, our results are inclusive about the consistent nature of service provided.

Recommendation 1:

We recommend that each employee in the office recommit themselves to the underlying principle of quality customer service and then utilize it in all areas of their processes and interactions.

Department's Response:

We will continue to strive for excellent customer service throughout HR. We realize the importance of continued customer feedback and will look at options for surveying our customers; possibly developing an on-line survey after any contact with the HR office.

Finding 2:

After the Benefits office processes employee insurance forms, most of them must be sent to the Employee Insurance Program (EIP) for processing and final approval. An opportunity exists within this process for certain employee errors to be characterized as administrative errors in order for the EIP to approve changes or additions to an employee's coverage. EIP holds employees accountable for their benefits choices and levels of coverage and will make changes only if it is an administrative error.

Recommendation 2:

We recommend that extreme care be taken to ensure that only true administrative errors be characterized as such.

Department's Response:

We will review our procedures concerning administrative errors and make any changes, as appropriate.

Finding 3:

When an employee starts work during the first working day of the month, he or she has the option of having insurance coverage provided for the first month of his or her employment or waiting until the beginning of the next month to obtain coverage. If an employee decided to immediately have insurance coverage, he or she must not only pay premiums for the first month of coverage but also pay a premium for the first half of the second month's coverage out of his first pay check. In an effort to prevent the employee from experiencing any undue economic hardship, Benefits splits these premiums over multiple pay periods. However in some of the files tested, documentation was not provided by the employee to authorize such action being taken.

Recommendation 3:
We recommend that Benefits personnel not initiate any action to divide these payments between pay periods without the expressed documented or written permission of the employee.

Department's Response:
Benefits will review their process for dividing insurance payments over multiple pay periods and develop a mechanism for employee approval and acknowledgement.

Finding 4:
During our audit we found that Benefits lacked accountability. The office does not maintain a tracking system of any sort that logs in Notices of Elections or any other benefit related form. We found no system that tracked the date that pertinent information was sent to EIP or any other third party vendor of benefits.

Recommendation 4:
We recommend that Benefits institute a tracking system that records the date information was received, who it was assigned to, the date it left the office, and to whom the information was forwarded. We also recommend that the office utilize sign-in sheets and call logs to track all of their encounters with SCDOT employees. This type of system would allow Benefits personnel to determine where most of their time is being spent and to successfully track the amount of time they take to settle employee issues. The results of this type of system can be monitored to determine if certain items related to benefits are confusing and require more explanation.

Department's Response:
Benefits has access to a tracking system. We will review the current system and make any appropriate additions and/or changes. We agree that call logs would be beneficial.

Finding 5:
SCDOT's Human Resource system generates a report twice a month that lists all of the deductions and changes made in the system by SCDOT employee, amount, and the counselor who performed the action. While this report can be printed after every payroll period, we found that sometimes this report is not printed and if printed, it is not retained and filed for a reasonable amount of time.

Recommendation 5:
We recommend that the reports be printed at the end of every payroll, reviewed by the manager, filed, and kept for a period of time consistent with an internal area retention schedule. This report is capable of serving as a quality management and accountability tool. It will allow errors to be detected potentially before employees discover them. It will monitor accountability both at a department level as well as an individual employee level by showing the quantity of work performed.

Department's Response: Benefits will print and review the deduction change report at the end of every payroll. We will maintain these reports consistent with the record keeping schedule. We believe implementing this quality control measure will also assist in alleviating employee insurance overpayments. SCDOT must initiate paperwork and justification in order for the Comptroller General's Office to process an employee refund. This can be a time consuming process.

Finding 6:

The Benefits manager and counselors are very knowledgeable about the states insurance program and all of the options available to employees. However, survey participants and district personnel expressed concerns about the counselors' and the Human Resource Coordinators' (HRCs) consistent ability to express these options in a clear and concise manner. Currently, counselors address requests based upon an alphabetical allocation. However, when needed, the counselors assist any employee despite his or her name.

Recommendation 6:

We recommend that instead of counselors assigning responsibility based upon the employee's name, each counselor be assigned to handle all of the paperwork, calls, and disputes associated with a particular district. This would allow the counselor to determine the education needed by the respective Human Resource Coordinator as well as employees of the assigned district.

Department's Response:

We will reconfigure the distribution of workload and reassign counselors to specific district(s).

Finding 7:

The majority of Benefits personnel have multiple years of experience and are thoroughly familiar with the procedures and processes. However, there is no written manual in place that lists all of the department's responsibilities, processes, controls, and procedures.

Recommendation 7:

We recommend that the area develop a written policy and procedures manual. This would not only assist any new or temporary employee, but it would also allow the area's management to continually evaluate its processes for efficiency and productivity.

Department's Response:

Benefits will review and update information on hand concerning policies and procedures. This information will be compiled in a written policies and procedures manual to be updated on a regularly scheduled basis.

Finding 8:

Benefits maintain employee files that include sensitive information such as employee deduction information, medical histories, and social security numbers of both employees and beneficiaries. This information is prohibited by federal regulation from being included in the employee's personnel file. These files are located in file cabinets, some of which are located in a room by themselves. However, the files are not locked and some of them are not in a separate room that can be locked.

Recommendation 8:
We recommend that all files containing sensitive information or any other documents that contain such information be safeguarded by being kept in locked file cabinets at all times when not in use.

Department's Response:
Benefits information is currently stored in file cabinets in a separate room in the benefits area. We will have a lock placed on the door to the file room for security purposes. We are also pursuing scanning documents and maintaining computer files; possibly with the assistance of the State Employee Insurance program. If we are able to establish and maintain a scanning system, we will be able to eliminate many of our file cabinets and create more work space.

Finding 9:
Most actions related to providing insurance to new hires or related to insurance coverage changes revolve around the Notice of Election Form (NOE). After a counselor inputs the contents of the NOE into the Human Resource System, she prints a copy of the deductions, reviews them, sends a copy of the deductions to the employee via inter agency mail, and places a copy in the employees file. Reviewing the list of deductions is the only control mechanism in place to detect misstatements. When testing the process, we found errors that perhaps could have been avoided had another control been in place designed to prevent these misstatements.

Recommendation 9:
We recommend that a preventative control be instituted that would reduce errors and the need to waste additional time correcting misstatements. One method that could be utilized to reduce inefficiencies would be to give NOEs and the SCDOT printed benefit statements to the administrative specialist who would perform a quality check to ensure that the actual NOE from the employee matches what was actually entered into the SCDOT Human Resource System and initial off to ensure that it was reviewed. The initialed NOEs would then go into a pending file and on the day after the NOE is received by EIP (two times per week) the administrative specialist should check EIP's system to see if the actual NOE received by EIP matches what has been entered into their system. If there are any discrepancies, they can be handled before a rejection letter from EIP is sent to Benefits. Benefits personnel expressed concerns that implementing a scanning system would enable them to improve their efficiency. While such a savings of time is difficult to quantify, we agree that such a system would lessen the amount of time taken to go to a file cabinet and look in a file before being able to answer specific employee questions. Any system that HR considers implementing should have the capabilities of interfacing with EIP's database system. This would allow the counselor electronic access to all of the employees benefit records (those existing both at SCDOT and those at EIP). This type of system could possibly aid the Payroll department when it prepares the monthly insurance reconciliation. To maintain the integrity of the information, care should be taken to ensure that adequate security and backup controls are established and implemented.

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Department's Response:
Benefits will review their process concerning deductions and notice of elections (NOE's). A quality control measure will be put into place to ensure accuracy of information.

B. Employment Office

The Employment office is responsible for the recruiting and referring of potential employees to respective hiring managers. The office also posts vacancy announcements on South Carolina's employment system (NeoGov) for headquarters positions and monitors underutilizations in specific areas. The Employment Office has two (2) full-time HR managers who report directly to the Employee Relations manager (ER).

Finding 10:
While each of the HR manager's position descriptions has the responsibility of recruiting employees, only one manager participates in the recruitment process. The manager who appears to have been hired to specialize in the recruitment of minorities spends the majority of her time referring applications to the respective hiring managers. This is an inefficiency that results in the underutilization of a manager, decreased employee morale, job dissatisfaction, and a possible lack of candidate diversity.

Recommendation 10:
We recommend that both employees in the Employment Office be fully utilized to actively engage in recruiting to attract the brightest and best talent possible for SCDOT.

Department's Response:
The HR Director will determine the best utilization of employees in considering any changes to the organizational structure.

Finding 11:
We found that managing the statewide wellness program makes up 10% of one of the HR Manager's position descriptions. While we understand the potential benefits of implementing, managing, and participating in a Wellness program, we are unable to determine the correlation between the Wellness Function and the actual Employment Office responsibilities. The Employment Office emphasis should be on attracting, recruiting, and referring the best potential employees available.

Recommendation 11:
We recommend that managing the Wellness Program be handled by the agency's Nurse and not by the Employment Office. It is fine to have an employee volunteer to coordinate any of the wellness functions when he or she has time, but it should not be listed as a function of one's primary job duties.

Department's Response:
The HR Director will work with the supervisor of the Safety Office to develop a listing of the functions being provided by both areas. A plan will be developed to ensure the most efficient and cost effective means to deliver these services.

Finding 12:
A considerable amount of time is committed to recruiting for positions, especially engineering positions. However, the results of these recruitment efforts do not appear to be recorded by the recruiter. The process lacks an adequate level of accountability.

Recommendation 12:
We recommend that the recruiter(s) create a log that records the names and pertinent information for all potential employees that the recruiter made contact with. It should also record if these potential employees actually applied for a position with SCDOT, were interviewed by a hiring manager, and whether they were hired. This type of tracking allows the recruiter and any member of management to determine the success rate of recruiting efforts.

Department's Response:
A contact log will be developed and utilized to assist in measuring the effectiveness of recruiting mechanisms.

Finding 13:
The employment office utilizes the NeoGov system to post its vacancy notices, review applications, track Equal Employment Opportunity (EEO) information, and refer applications to the respective hiring managers. Despite the availability of the system, some job seekers send in resumes to HR even when there is no current listing for a potential job on the website. In these cases the employment office files the resumes in the office and then sends an email to the seeker telling him or her that an on-line application needs to be completed to apply for any agency positions.

Recommendation 13:
We recommend that resumes be destroyed and the email to the jobseeker should indicate that the resume will not be kept because SCDOT wants to refrain from any potential liabilities that could possibly be associated with keeping resumes without the intention of actually hiring or referring anybody. These emails should be retained to prove the contact efforts made.

Department's Response:
Recruiting will develop a means of contact for all employees submitting resumes to the Department to include a tracking mechanism.

Finding 14:
Once the Employment office receives an HR-19 for a position, an HR Manager prepares a vacancy notice, which is posted on the NeoGov system for at least a five (5) day minimum. Once the position closes, the HR Manager reviews the minimum qualifications of the applicants. The HR Manager then checks the hiring department's utilization of minority groups and notes any underutilization on the HR-19. The referred applications along with a listing of the applicants' gender and race are sent to the rocess an employee refund. This can be a time consuming process.

Recommendation 14:
We recommend that the Employment office revamp the current referral process as it relates to the HR-19. While enforcing the EEO program is of upmost importance, the hiring authority should not have access to applicants' race and gender before determining which employees to interview. The hiring authority should be informed of any underutilization present in his or her department before interviewing applicants. The spirit of the EEO program ensures that all qualified applicants, despite race or gender, are considered for employment or advancement. Additionally, the Employment Office should play a stronger role in the underutilization process. When the hiring authority chooses who he or she wants to interview, the HR Manager should review the EEO information to determine if someone potentially qualified in an underutilized group did not get selected for an interview. If this is the case, the HR manager should have the authority to compel the hiring authority to interview that potentially qualified person. If at that time someone who was in an underutilized position was interviewed but not hired, a justification letter should then be sent to the ER Manager. The justifications should always be addressed to the ER Manager, and the justifications should contain real merit and be of substance. The change in procedure could reduce the opportunity for an applicant to pursue any type of legal action because his demographic information was released without his or her knowledge and possibly led to the denial of an employment opportunity.

Department's Response:
We will review the EEO notification process. We have been in consultation with State OHR and the State Human Affairs Office and will continue to seek their recommendations to develop the most effective process considering all factors.

Finding 15:
The current utilization of the NeoGov system should aid in improving the referral process and eliminate the need to complete paper applications. However, all SCDOT employees and some potential employees are not proficient in the use of a computer or in the use of some of its applications. Currently, if someone calls with a NeoGov question, the HR manager spends a considerable amount of time on the telephone trying to walk the potential applicant through the process. If someone comes into the office and needs help with the system, an HR manager will have to let the potential applicant watch her complete a fictitious application on her computer and then try to remember the steps followed when he or she actually goes online to complete his or her individual application.

Recommendation 15:
We recommend the installation of a computer kiosk in the Employment office and possibly in each district office to assist those employees who need help completing the online application. The computer access should be secured and controls should be established to ensure that access to agency applications or internet usage, other than to NeoGov, is impossible.

Department's Response:
The Department's Information Technology Department has been working on installing computer kiosks in the employment office and in District offices for the past year. We will continue to work with IT to ensure this initiative occurs.

Finding 16:
When a vacancy announcement is prepared and posted on Neogov, it is also sent to several organizations, institutions, and agencies. This is done to increase the awareness of the position and of SCDOT. However, vacancy notices are no longer posted on the wall in Headquarters.

Recommendation 16:
We recommend that all headquarter vacancy notices be posted in a general location at headquarters as well as on Neogov. Some employees may miss career opportunities or opportunities to refer others because they were not actively monitoring the Neogov site.

Department's Response:
Prior to Neo-Gov, the Department placed job postings on bulletin boards in the building. We have re-implemented this procedure.

Finding 17:
HR managers in the employment office should ensure that the initials of the hiring department's manager are on the HR-19 to authorize posting a vacancy announcement. However, out of the twenty-eight (28) HR-19s reviewed, one (1) did not contain a signature authorizing the posting.

Recommendation 17:
We recommend that a secondary control be implemented in the process to ensure that no position will be posted without the proper authorization. Additional lines should be added to the form so that the name, title and signature of the approval authority can be clearly seen on the form.

Department's Response:
We will review the HR-19 form and add appropriate signature/approval lines.

Finding 18:
We analyzed the entire hiring process for a listing of positions that took longer than seventy (70) days to fill. We computed time by determining the number of days between the closing date of the vacancy notice and the effective date of the selected applicant's employment. From the sample, the Employment office referred the applications to the hiring authority in less than one week. However, in all but one of the positions, it took more than one (1) month for the hiring authority to interview, select a potential employee, and refer the appropriate paperwork back to HR. It then takes additional time for Classification and Compensation to process the HR-1 and for the employee to report to work.

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Recommendation 18:
We recommend that the employment office create a timeline and tracking system to monitor the status of all advertised and referred positions. The HR Managers can contact the hiring authority if they are taking longer than expected to interview and select a potential employee. They could inquire of class and comp if they determine that function is taking an abnormal amount of time to process information. These measures should lessen the time for a new employee to report to work.

Department's Response:
We currently utilize a data spreadsheet to track the status of vacant positions. We will update this spreadsheet to capture necessary timelines and tracking, if possible. If the use of this spreadsheet is not feasible, we will develop the necessary tracking mechanism.

Recommendation 19:
What happens after the interview varies depending upon the hiring manager. We were informed that some people interviewed but not selected do not get notified of the rejection.

Finding 19:
We recommend that the Employment Office develop and process an acceptance form letter and a rejection form letter to be sent to all applicants. The acceptance letter can then be filed in the employee's official personnel record.

Department's Response:
The Employment Office will utilize the Neo-Gov recruiting system to prepare appropriate acceptance and rejection letters to be sent to all applicants. This will be a more efficient way of preparing necessary correspondence.

HR has developed an acceptance letter; however, it has not been widely used throughout the Department.

C. Employee Relations

The Employee Relations area is responsible for the agency's affirmative action program, grievance proceedings, conducting complaint investigations, overseeing disciplinary actions, and involuntary terminations. This area is also responsible for administering and reviewing exit interviews. There are two (2) Employee Relations Managers in the area, one of which oversees both the ER office and the Employment Office.

Finding 20:
During an unrelated fraud investigation, we requested the assistance of the Employee Relations department. During the investigation, we were informed that the District's Human Resource Coordinator (HRC) was aware of similar allegations, had previously investigated the matters, and concluded that they were false. However, the HR Employee Relations department was unaware of some of the allegations and of the investigations performed.

Recommendation 20:

We recommend that the Employee Relations department be informed of every investigation that is performed and the actual outcome of each one. The ER department's help with the investigation should be solicited when needed to ensure matters are handled consistently across the state.

Department's Response:

We agree that we need to be more informed of all HR issues agency-wide. We will further educate HR Coordinators in Headquarters and in the Districts of the importance of this matter. We will also consider any procedures that could be put in place to assist in the notification process. We believe if HR provides consultation on employee relation(s) issues, we may ultimately be able to reduce the number of grievances, resulting in a tremendous time and cost savings.

Finding 21:

During our audit of the process involved with disciplinary actions, we reviewed an instance in our sample where there was a one (1) month delay of time between the time that the District Engineer Administrator (DEA) signed off on a HR-3 to discipline an employee and the time the ER Manager authorized the action. This further delayed the time of the disciplinary action relative to the actual disciplinary offense. We were also informed of other incidents involving delays in processing information by the ER Manager by both Headquarters and District Personnel.

Recommendation 21:

We recommend that a tracking system that incorporates some sort of timeline be utilized by the ER department to monitor the date that HR-3s are received, the incident, the action taken, the date the form is sent to a Deputy Secretary or designee, and the date the P-17 was prepared and sent to the appropriate departments. This system should be able to record the date that all oral/written reprimands are reviewed even though they are not signed by the ER department. Tracking all of this information will allow the ER department to have a central repository for all actions taken and will enable them to easily monitor the consistency of actions taken by managers. This type of system can also be queried to see if any potentially new employees were once involuntarily terminated from SCDOT. A similar method should be used to follow and monitor the progress of investigations.

Department's Response:

We currently have a tracking system in the ER area. We will review the capabilities of this system to ensure it is effective.

We have worked with IT in developing more specific separation codes for employees terminated under extenuating circumstances. The utilization of these codes is imminent. This will assist supervisors in making more appropriate determinations on whether or not an employee should be allowed to return to employment with SCDOT.

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Finding 22:
Our overall audit objective included determining the effectiveness and efficiency of the department's operations which would include examining the grievance and complaint processes. After repeated failed attempts to access these files to determine if the processes and procedures performed by the ER office were appropriate and were all done in a timely manner, we were unable to form a conclusion about the processes.

Recommendation 22:
We are unable to determine the efficiency or effectiveness of the grievance or complaint processes because of the lack of access to vital records.

Department's Response:
We will perform an analysis of our grievance complaint process to include a review of the tracking log. We will make any appropriate changes to ensure effectiveness and efficiency.

D. Classification and Compensation

The Classification and Compensation department is responsible for administering the agency's pay policy and its career paths. This function also performs pay equity analysis for new hires, reclassifications, and promotions. This area reviews updated position descriptions to ensure proper classification. The area is also responsible for monitoring dual and outside employment of agency employees. There are four (4) employees in the area: two (2) HR Manager II and two (2) HR Manager I. The two HR Manager I positions are responsible for the seven districts and one (1) HR Manager II is responsible for all headquarters Classification and Compensation transactions.

Finding 23:
When a Bonus Request (HR-5) is received, HR looks at the written justifications and determines whether it is within the agency and state guidelines. Classification and Compensation then forwards the request to the appropriate Deputy Secretary and monitors when the request has been approved. The information is then sent to payroll for processing and later filed in the appropriate employee file. During our testing, we found three (3) Bonus Requests that were disapproved by a Deputy Secretary but the actual HR-5 was not placed in the employee's file.

Recommendation 23:
We recommend that all HR-5s, whether approved or disapproved, be included in the employees official personnel files. We also recommend that Classification and Compensation notate the date that the actual bonus was paid on the HR-5 before it is placed in the employee's file.

Department's Response:
We will review the current bonus procedure and make any appropriate changes.

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Finding 24:
The current process of setting up a new hire into the agency's mainframe includes the Records department assigning an employee number and then sending Classification and Compensation the employees' HR-1, original application, and an HR-19. Classification and Compensation enters the employee's social security number, address, birth date, etc. to establish the employee in the system. Classification and Compensation also enters the employee's salary into the system and the employment effective date. Any future corrections to information are made by the Records function.

Recommendation 24:
We recommend that further segregation of duties be introduced into the new hire process. We recommend that Records assign the employee number and establish the employee in the agency's mainframe system. Only after the employee has been established should Classification and Compensation be allowed to enter the salary information. We recommend that no single area be allowed to enter employees in the system and control changing the amount that they are paid. Security rights should be entered into the system to reflect the segregation of these duties.

Department's Response:
We will review our current process and put any mechanisms in place to ensure security control.

Finding 25:
One HR Manager in Classification and Compensation works closely with the Information Technology Services (ITS) department to develop different screens for the mainframe. She also has the primary authority to grant security access to Entire Connection. Secondary security authorization rights can be granted by HR's Information Resource Consultant (IRC).

Recommendation 25:
We recommend that neither employees in Classification and Compensation nor any other function of HR that inputs information and has the ability to make changes should be responsible for setting up or determining the amount of access anyone or any group should have to the system. Due to the IRC's separation from the everyday processing component of the system, this individual should be the one to have security authorization rights.

Department's Response:
The HR IT employee will be responsible for authorization rights with a back-up as needed.

Finding 26:
The majority of Classification and Compensation personnel have multiple years of experience with the office and are thoroughly familiar with the procedures and processes and are very knowledgeable about recent updates to the process. However, there is no written manual in place that lists all of the department's responsibilities, processes and procedures.

Recommendation 26:
We recommend that the department develop a written Policy and Procedures manual that outline the area processes and the controls in place. This would not only assist any new or temporary employees but would also allow management to continually evaluate its processes to determine if there is a more efficient or productive way to get the job done.

Department's Response:
Classification and Compensation will review their current policies and procedures and document them in a written Policy and Procedures Manual to be updated on a regularly scheduled basis.

Finding 27:
We pulled a sample of HR-1s and HR-2s for testing to ensure that the pay equity analysis was performed as needed and to ensure that pay actions were initiated only after the proper authorization had been received. Out of forty-two (42)
HR-1s and HR-2s reviewed, we only found one (1) occurrence where it appears that the signature of the approval authority was retained after the effective date of the pay action.

Recommendation 27:
We recommend that extreme care be exercised to ensure that all pay actions are authorized before they become effective.

Department's Response:
We will work to continue to ensure that we receive approvals prior to making an action effective. State OHR also performs audits of our classification and compensation program.

Finding 28:
Classification and Compensation also has the responsibility of monitoring outside employment for the agency. This type of information is generally captured on an HR-6 which must be approved by the employee's immediate supervisor, DEA or Division Director, and by the appropriate Deputy Secretary. Concerns were expressed about the actual percentage of forms submitted versus the employees who actually have outside employment.

Recommendation 28:
We recommend that the Employment office be assigned the responsibility of monitoring outside employment. The employment office evaluates the current and prior work history of all potential employees before referring them to be interviewed. They appear to be in a better position to monitor the outside employment of an employee than the current function that is charged with this responsibility.

Department's Response:
The Employment Office will be responsible for monitoring Outside Employment.

E. Records

The Records department is responsible for all leave. It also monitors Employee Performance Management System (EPMS) ratings and ensures that official personnel files contain only the legally allowed information. The records department has three (3) employees: Two (2) Human Resource Manager I and one (1) Human Resource Specialist.

Finding 29:
The Records area has the responsibility to ensure that all agency employees have an EPMS rating in the Entire Connection System and that a signed copy of the EPMS is in each employee's file. For EPMS year 2008, we found that EPMS were not properly performed for all HR employees. In many cases where there was no apparent EPMS performed, the employee was given an alternate rating instead of the default rating of "Meets Expectations".

Recommendation 29:
We recommend that Records ensures that EPMS are performed for all employees including HR personnel. Employees are the most valuable asset of any organization and their performance should not go unrecognized. The EPMS process is an essential tool to be used for that purpose.

Department's Response:
The Records Section will document the requests made for EPMS completion. If an EPMS has not been received for an employee within one month of the review date, the Deputy Secretary for the respective area will be notified.

Finding 30:
As mentioned in an earlier section, the Records function has the responsibility of assigning a new hire an employee number. If no one from Records is available to assign the number, Classification and Compensation has the secondary authority to assign employee numbers.

Recommendation 30:
We recommend that in order to ensure adequate separation of duties, the HR Director should be the only one to authorize the issuance of an employee number in the absence of Records personnel.

Department's Response:
In the absence of Records personnel, the HR Director or designee, if the HR Director is unavailable, will authorize the issuance of an employee number. The designee must inform the HR Director of any issuance of an employee number.

Finding 31:
The records function has the primary responsibility of ensuring that employee records are safeguarded. It controls the access to the files and ensures that only legally allowed information is included in the employees official personnel file. The office has a system in place that allows authorized employees to sign-out files for review.

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Recommendation 31:
We recommend that Records enhances its custodial function by preventing the removal of any employee file from the Records office. All interested parties should review the file contents in the records office to ensure that no information is inadvertently misplaced.

Department's Response:
Employee files can only be removed from the file cabinets by Records' personnel. In the event that an HR employee must check the file out of the Records Section, the records personnel must make a "check out" card indicating who has the employee's file and the date it was checked out. We are also exploring the possibility of limiting the file room access.

Finding 32:
Records personnel informed us that they are currently working with the agency's IT department to enhance the department's ability to determine if any employee resigned in lieu of being terminated by adding additional characters to the termination code. Currently a hiring manager may or may not review the personnel file of a prospective employee who previously worked for SCDOT; therefore, the manager may be unaware of the work performance of the prior employee or the circumstances surrounding his or her termination.

Recommendation 32:
We recommend that the official personnel file of a prior SCDOT employee be reviewed, whether it's located at Headquarters or the agency's storage facility, before a new position is extended to that employee in order to gauge the quality of his or her prior work performance.

Department's Response:
Since we are implementing more specific separation codes, we will be reviewing the process for returning SCDOT employees to ensure a hiring supervisor is made aware of an employee's previous employment situation. We will include this in our policy and procedures manual and present at an HR Coordinator's meeting.

Finding 33:
During the course of our audit, we inspected hundreds of personnel files to ensure that HR employees were properly following their processes and to determine the design and existence of internal controls. The records function performs an annual inventory of all files to ensure that they exist in the office. Out of all the files we reviewed, we only documented three cases of files containing inappropriate information.

Recommendation 33:
While the overall quality of the condition of the personnel files is very good, we recommend that the office performs a continuous sampling program to ensure that the inventory of files is complete and free of any information that should not exist in the files.

Department's Response:
Records has already begun a review of all personnel files. They will continue this review and set a regular schedule for file review.

Finding 34:
When an employee is out for five days or more due to illness, the HRC sends an HR-1 to Records indicating that an employee is on Leave of Absence. Records reviews the leave code, ensures that the days with and without pay are calculated correctly, ensures that a doctor's certification is attached and corresponds with the leave of absence, and then prepares a P-17 for distribution. All of this information is manually tracked by Records.

Recommendation 34:
We recommend that the HR-1 indicating a Leave of Absence be logged into the department's current tracking system. An electronic database should be utilized to capture the effective date of leave for the employee, with pay and without pay dates, leave justification, and the employee's expected date of return. This will enable Records personnel to consistently monitor the employee's period of absence and quickly address areas of concern.

Department's Response:
We are in the process of updating the procedures of leaves of absence in excess of five days. This will include developing a tracking system for follow-up of leaves of absence.

Finding 35:
Employees in certain positions have six months from their date of hire to obtain their Commercial Drivers License (CDL) and must certify their willingness to do so in writing. If they fail to obtain this license, Records receives an HR-1 from the HRC indicating that an employee has failed to meet this requirement and will be terminated. Records then prepares a P-17 and disseminates it to the appropriate departments.

Recommendation 35:
We recommend that Records track the employee's initial acknowledgement of the requirement to obtain the CDL when the employee's new hire information is submitted to Human Resources. This will allow Records to be proactive in determining when an employee's six month period ends to maintain consistency between employees.

Department's Response:
We will review our current process for employees acknowledging the CDL requirement and tracking CDL's. We will put any necessary changes in place.

Finding 36:
Once South Carolina Retirement System (SCRS) approves an employee for disability retirement, SCRS notifies Benefits of this action. Benefits sends a copy of the notification to the HRC. After receiving notification, the HRC prepares an HR-1 and sends it to Records. Records prepares a P-17 and distributes the document appropriately.

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Recommendation 36:
We recommend that Records reviews the need for an HR-1 as it relates to disability retirement. SCRS approves disability retirement which removes SCDOT from the decision making process. Therefore it appears that in this case an HR-1 in unnecessary.

Department's Response:
We will review the use of the HR-1 in disability retirement situations.

F. Employee Development

The Employee Development function at SCDOT also resides in Human Resources Department. This area is responsible for scheduling and providing soft skills training to SCDOT employees. The area has eight (8) employees: a Director, one (1) HR Manager II, four (4) Instructors, and two (2) administrative coordinators.

Finding 37:
During the course of our audit, Employee Development changed the frequency of its New Employee Orientation training. The area now plans to offer the course to headquarters employees on the 18th of every month. Each district administers its own New Employee Orientation and the frequency and course content by each district may vary.

Recommendation 37:
We recommend that Employee Development utilize the video conferencing technology currently at SCDOT to ensure that every new employee at SCDOT receives the same important information. On the same day of the month that headquarters is conducting training, district employees can view this same training from their respective districts. Each Human Resource Coordinator can add any additional information to help the employee get more acclimated with the specific district but the general information provided to all employees will be consistent.

Department's Response:
We are reviewing new employee orientation in Headquarters and the Districts. We will review the possibility of utilizing facilitated e-learning curriculum for new employee orientation and implement any procedures as deemed appropriate.

Finding 38:
Some of the courses that are offered are required because of policy like sexual harassment and work place violence. These courses are typically two hour courses that are offered by Employee Development. Another course, Agency Operations/Organizational policy, is administered by management outside of HR but is similar in content to New Employee Orientation.

Recommendation 38:
We recommend that Employee Development review the course content of each of its courses and combine classes that may be similar. It may be possible to merge Sexual Harassment and Workplace Violence into one course. Combining courses would decrease the amount of time needed to prepare materials for two courses and the amount of time each employee sits in a training classroom.

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Department's Response:
Employee Development is looking at options for delivering training in the most efficient manner. We are developing on-line training modules and will incorporate any changes that would be beneficial.

Finding 39:
Each trainer currently instructs several courses in headquarters and in the districts that are primarily focused on providing managerial soft skills. Aside from the courses that they instruct and the character traits and leadership ability that they provide, the training unit is not fully aware of the training needs of each employee.

Recommendation 39:
We recommend that each trainer be assigned to a district to coordinate all of the training for that district's employees. That trainer would be responsible for conducting a training needs assessment of various positions and employees. This would allow the trainer to discover areas in which on-the-job training is weak or where other inefficiencies may exist. It would also put the trainer in a better position to actually monitor career path training, proficiency, and advancement. We further recommend that Employee Development take a serious look at its role in ensuring that all employees get the technical skills that they need to perform their jobs. Taking a more active role in developing employee technical skills, while at the same time improving employee leadership skills, may increase the overall credibility of this department.

Department's Response:
We recognize that HR Development functions primarily as a training arm for Human Resources and soft skills related training and that we are not always aware of trainings being offered throughout the Department. We will assign each District to a trainer for assistance in determining and coordinating training needs.

Finding 40:
The Administrative Coordinator II currently reports directly to the Director of Human Resources and she supervises the two administrative coordinators. She is assigned to perform special projects and assist in the department's cost saving measures. During this calendar year she assisted with the mandatory ethics training due to her training and education background.

Recommendation 40:
We recommend that the Administrative Coordinator II be reassigned to the Employee Development area and reclassified as an Instructor. In addition to instructing courses, she would also be responsible for coordinating the training efforts and needs assessment for a district. Because of her background and her performance with the Ethics training, we believe that she would really be successful in Employee Development.

Department's Response:
The HR Director will make a determination of the best utilization of this employee in the review of the overall organization and reporting structure.

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G. Information Resources –HR

The HR department's Information Resource Consultant is responsible for acting as a liaison between HR and Information Technology Services. She maintains the department's webpage, is the system administrator for HR Suite, and maintains the agency's organizational charts.

Finding 41:
The agency's organizational charts upload daily to the agency's mainframe resulting in the organizational charts not being available on the intranet to every agency employee. Instead, each department has to designate someone to download a viewer that will allow them to access their department's organizational chart. The IRC recently obtained a newer version of OrgPlus to assist her in constructing the charts.

Recommendation 41:
We recommend that the department design a way for all employees to have access to the agency's organizational charts without allowing them to access information prematurely. Organizational charts should be a public document and will aid all SCDOT employees as well as the public to determine the agency's and departments' lines of authority.

Department's Response:
Previously all employees had access to the agency's organizational charts. Due to immediate computer updating capabilities, employees were able to see promotional and hiring information prior to supervisor making formal announcements concerning personnel actions/changes.

We will review our capabilities and ensure that employees have the appropriate access, as needed and work with IT on updating capabilities.

As we implement new processes and procedures in the Human Resources Office and through the agency, we will continue to consider cost efficiencies and job effectiveness.

Respectfully Submitted,

Debra R. Rountree
Deputy Secretary for Finance and Administration

Cc: H. B. Limehouse, Jr., Secretary of Transportation
        Mary Gail Monts-Chamblee, Director of Human Resources