



Internal Audit  
Department

301 W Jefferson  
Suite 660  
Phoenix, AZ 85003

[maricopa.gov/  
internalaudit](http://maricopa.gov/internalaudit)  
602.506.1585

**Ross L. Tate**  
County Auditor

---

# Human Resources Department

## Compliance Review of Key Human Resource Laws, Policies, and Procedures

July 2015

*Internal Audit Report Authorized by the  
Maricopa County Board of Supervisors*

---

<b>Report Highlights</b>	<b>Page</b>
Human Resources Department (HR) has implemented policies and procedures to comply with key laws.	1
HR will strengthen agency compliance with laws and policies.	2
HR will enhance internal controls over confidential information.	13
HR controls over most manual payroll processes are strong; tuition repayment procedures will be improved.	17
HR will work with agencies to strengthen controls over the recruitment software.	19

---

**Objectives**

To determine that:

- Controls are sufficient to ensure compliance with key Federal and State laws and regulations, and with County and HR policies and procedures.
- Controls over HR records are sufficient to ensure confidentiality, security, and compliance with applicable requirements.
- Controls over select manual payroll procedures are sufficient to accurately account for garnishments, pay adjustments, benefit repayments, and employee reimbursements.
- Select areas of the recruitment process are performed in accordance with applicable requirements.
- Controls over hiring software access, interfaces, and reports are sufficient to ensure the accuracy and completeness of data.

---

**Scope**

This audit focused on compliance with key HR related laws, confidentiality of records, manual payroll processes, and hiring processes. We did not test all payroll processes, as the Arizona State Auditor General annually audits payroll as part of the County's Comprehensive Annual Financial Report audit. The testing period was fiscal year (FY) 2012 to FY 2015. To perform this audit we interviewed HR personnel, observed processes, and reviewed documentation at HR and at five County agencies. We also reviewed relevant information, including the following:

- Federal and State laws
- County policies and procedures
- Recruitment, hiring, and payroll records
- Merit System records

---

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

We have reviewed this information with Human Resources Department management. The Action Plan was approved by MaryEllen Sheppard, Assistant County Manager, on July 16, 2015.

If you have any questions about this report, please contact Stella Fusaro, Audit Manager, at 602-506-1777.

## Audit Results

### Issue #1: Compliance with Federal, State, and County Requirements

**Observation:** We reviewed 8 key County HR policies and procedures that corresponded to 13 Federal and State human resources laws to determine if the policies' content and language are sufficient to ensure compliance with State and/or Federal laws. We found no exceptions.

In addition, we found that although HR has drafted an Americans with Disabilities Act (ADA) Reasonable Accommodation policy, the draft policy has not yet been presented to the Board of Supervisors for formal adoption. We reviewed the draft policy for structure and content and found that the policy is well documented and includes key requirements for the administration of applicant and employee accommodation requests. We noted that improvements could be made by clarifying procedures.

<b>Conclusion #1A:</b> The content and language of County HR policies and procedures are sufficient to ensure compliance with key laws.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #1B:</b> HR's ADA policy is in draft format and has not been presented to the Board of Supervisors for formal adoption.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>1B-1</b> Add the following enhancements to the ADA policy before it is presented for formal adoption: <ul style="list-style-type: none"><li>a. Clarify, in the procedures section, the steps an applicant should follow and which forms are applicable.</li><li>b. Use a form for healthcare providers so that only required information is collected.</li></ul>	Concur – in process ADA policy draft includes procedures for applicants that are clearly distinguished from procedures for employees including information on accessing applicable forms. A form will be created to accompany the draft policy for use by agencies when communicating with healthcare providers to ensure that only required information is collected. Target Date: December 31, 2015

Recommendations	HR Action Plan
<p><b>1B-2</b> Obtain Board of Supervisor approval for the ADA policy.</p>	<p>Concur – in process</p> <p>Consistent with current practice for policy adoption or change, the ADA policy will be circulated for appropriate feedback prior to requesting Board of Supervisor approval.</p> <p>Target Date: December 31, 2015</p>

**Issue #2: Compliance with Fair Labor Standards Act (FLSA)**

**Observation:** We reviewed 50 County employee timecards and paychecks for compliance with FLSA overtime requirements. For all 50 employee timecards tested, we found: (1) employee non-exempt status was correct in the payroll system, (2) overtime payments were calculated accurately and in compliance with County policy, and (3) overtime hours reported on the employee timecard agreed to the paycheck. We also reviewed the Minimum Wage Exception Report to determine compliance with FLSA minimum wage requirements. We found no exceptions.

While reviewing timecards for this test, we noted that for 10 of the 50 timecards, agency employees and supervisors did not approve timecards in accordance with HR policy. Six instances were because either the employee or supervisor (or both) approved the timecard before the employee’s last shift was completed. In addition, there were four instances in which the employee did not approve his or her timecard. We noted that 6 of the 10 exceptions took place in 2012, and that compliance with the policy appears to have improved since then.

We also selected 35 Employee Acknowledgement of Hours Worked forms to determine if employees had completed and signed the form acknowledging that they understood the County FLSA-related policies. We found 6 of 35 selected employee acknowledgement forms were outdated and did not include the FLSA policies acknowledgement. When the form was revised to add acknowledgement of the FLSA policies, HR requested that all agencies have employees sign the updated version and provide a copy to Employee Records. Based on our sample it does not appear that all agencies have complied.

<p><b>Conclusion #2A:</b> Overtime is calculated accurately and in compliance with County policy.</p>	
Recommendations	HR Action Plan
None	N/A
<p><b>Conclusion #2B:</b> We found no exceptions with FLSA minimum wage requirements.</p>	

Recommendations	HR Action Plan
None	N/A
<p><b>Conclusion #2C:</b> In some instances, employee timecards in County agencies were not approved in accordance with the County policy.</p>	
Recommendations	HR Action Plan
<p><b>2C-1</b> Periodically monitor County agencies to promote compliance with policy requirements.</p>	<p>Concur – in process</p> <p>Payroll will incorporate a review of employee timecards to ensure compliance with County policy as part of their established periodic audit of a sampling of agencies with results reporting to the applicable Appointing Authority. Payroll will evaluate communication strategies for effectiveness.</p> <p>Target Date: March 31, 2016</p>
<p><b>Conclusion #2D:</b> Some Employee Acknowledgement Forms were outdated and did not include FLSA acknowledgement.</p>	
Recommendations	HR Action Plan
<p><b>2D-1</b> Require that all non-exempt employees, who have not already done so, sign the most current HR Employee Acknowledgment form and return a copy to Employee Records.</p>	<p>Concur – will implement with modifications</p> <p>If a new Learning Management System (LMS) is fully funded, HR will establish a process for employees to review and electronically acknowledge their understanding of new or revised critical human resources policies. Tools will be developed for agency HR liaisons to monitor and ensure compliance.</p> <p>If a new LMS is not fully funded, and a decision is made to keep the current system (Pathlore), HR will utilize this tool to achieve the desired outcomes; however, functionality and resources are limited for agency HR liaisons to monitor and ensure compliance, which will increase the demand on HR and OET for support. HR will seek approval to, at a minimum, make online employee acknowledgement of critical HR forms mandatory.</p> <p>Target Date: June 30, 2016</p>

### Issue #3: Compliance with the Family Medical Leave Act (FMLA)

**Observation:** We selected 35 FMLA files at three County agencies to review for compliance with Federal laws and County policy. Four files were not reviewed. One FMLA case had no documentation on file at the agency. According to agency personnel, three were not actually FMLA cases; they were coded incorrectly as FMLA in the payroll system.

We reviewed 31 FMLA files and found documentation showing that employees taking FMLA leave met qualifying criteria and were recertified if intermittent leave lasted more than 12 months. In addition, required eligibility notifications were sent to all 31 qualifying employees. However, one was sent after the required timeframe. Thirty of 31 files had the supporting evidence from a medical professional to take the leave and to return to work. Five supporting evidence forms did not have a received date so we could not determine if they were received according to the required timeframes. We also noted that seven designation notices were sent after the required timeframe and one was not sent at all.

We compared FMLA participation for the three County agencies with national averages reported in a study conducted by Abt Associates for the Department of Labor. We noted that approximately 16% of agency employees took FMLA leave in FY 2013 and FY 2014, which is on par with national averages.

<b>Conclusion #3A:</b> The FMLA files reviewed contained eligibility notifications and documentation for the qualifying event.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #3B:</b> Documentation and timeliness of employee FMLA notifications needs improvement.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>3B-1</b> Monitor HR personnel throughout the County and raise awareness of the various documentation and timeframes required by County Policy and Federal law.	Concur – will implement with modification HR liaisons are routinely reminded of their obligations under the FMLA through regular liaison meetings and annual employment law training.  If a new LMS is fully funded, HR will offer applicable courses and establish a process to monitor supervisors, managers and HR liaison training on critical human resources policies and laws, including FMLA compliance.

	<p>If a new LMS is not fully funded, and a decision is made to keep the current system (Pathlore), HR will utilize this tool to achieve the desired outcomes; however, functionality and resources are limited for HR liaisons to monitor and ensure compliance, which will increase the demand on HR and OET for support.</p> <p>FMLA compliance is a complex, onerous employer requirement and minimizing errors requires executive level support to mandate that supervisors, managers and HR liaisons are required to complete periodic training on critical human resources policies and laws. HR will seek approval to, at a minimum, make online training mandatory.</p> <p>Target Date: June 30, 2016</p>
<p><b>3B-2</b> Consider reviewing the timeliness of FMLA employer notices.</p>	<p>Concur – in process</p> <p>To help ensure compliance is achieved in departments, Human Resource’s Employment Services and Employee Relations Divisions will partner to implement a periodic review of a sampling of departments’ FMLA compliance with results reporting to the applicable Appointing Authority.</p> <p>Target Date: June 30, 2016</p>
<p><b>Conclusion #3C:</b> FMLA participation appears to be on par with national averages</p>	
<p><b>Recommendations</b></p>	<p><b>HR Action Plan</b></p>
<p>None</p>	<p>N/A</p>
<p><b>Conclusion #3D:</b> FMLA coding in the payroll system needs improvement</p>	
<p><b>Recommendations</b></p>	<p><b>HR Action Plan</b></p>
<p><b>3D-1</b> Train/remind managers, supervisors, and payroll personnel to look for common FMLA coding errors when reviewing and approving agency timecards.</p>	<p>Concur – will implement with modification</p> <p>Payroll Liaisons, Timekeepers, and HR Liaisons are reminded of their obligations under the FMLA through e-mail notifications, periodic training courses, meetings and seminars. Liaisons and Timekeepers are advised to share necessary information with supervisors and managers within their respective agencies. Supervisors and</p>

managers voluntarily attend Leadership Foundations where they receive training on their FMLA responsibilities. Human Resource's single ADA/FMLA Compliance Analyst provides training to department supervisors, managers and liaisons upon request.

The new FMLA Resource Guide includes instructions to notify employees in writing when their FMLA leave is exhausted. Should a coding error have occurred, this notification gives the employee an opportunity to respond. Additionally, HR will include instructions in the Guide, which requires a review of the usage to ensure time has been coded accurately before any action is taken with respect to continued employment.

Consistent with current practice, once the FMLA leave has exhausted, an employee's rights under the ADA are evaluated if this review has not already taken place.

Overall, however, FMLA compliance is a complex employer mandate that requires an ongoing commitment of supervisor training and resources to ensure reliable absence management organization wide. Minimizing errors requires executive level support to mandate that supervisors, managers and agency HR personnel are required to complete periodic training on critical human resources policies and laws, including FMLA compliance.

If a new LMS system is fully funded, HR will offer applicable courses and establish a process to monitor supervisors, managers and HR liaison training on critical human resources policies and laws, including timecard coding.

If a new LMS is not fully funded, and a decision is made to keep the current system (Pathlore), HR will utilize this tool to achieve the desired outcomes; however, functionality and resources are limited for HR liaisons to monitor and ensure compliance, which will increase the demand on HR and OET for support. HR will seek approval to, at a minimum, make online training mandatory.

Target Date: June 30, 2016

#### Issue #4: Training on Key Human Resource Laws and Policies

**Observation:** HR has implemented training on HR-related laws for managers and supervisors as part of its leadership training courses. We reviewed the FLSA and ADA course material to determine if the content and language is consistent with FLSA and ADA laws and regulations. We found no exceptions.

We also reviewed manager and supervisor attendance of the Leadership training and found that only 7 of 50 (14%) managers and supervisors in our sample had completed the course. Course attendance is recommended but not mandatory.

<b>Conclusion #4A:</b> HR offers a leadership training class that includes sections on FLSA and ADA compliance and other key laws.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #4B:</b> Leadership training course content is consistent with FLSA and ADA laws.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #4C:</b> Leadership training attendance could be improved.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>4C-1</b> Take additional steps to encourage and promote manager and supervisor training. Consider offering alternative methods of presenting the material to increase attendance (web based).	<p>Concur – in process</p> <p>Human Resource's Employee Development Division is currently in the review process to acquire a new Learning Management System (LMS) which is expected to improve the ability to offer alternative methods of instruction and include methods for validated participant competence in the subject matter as a result of completing the training.</p> <p>If a new LMS system is fully funded, HR will offer applicable courses (web-based) and establish a process to monitor supervisor and manager training on critical human resources policies and laws. Tools will also be developed for HR liaisons to monitor and ensure attendance.</p>

	<p>If a new LMS is not fully funded, and a decision is made to keep the current system (Pathlore), HR will utilize this tool to achieve the desired outcomes; however, functionality and resources are limited for HR liaisons to monitor and ensure compliance, which will increase the demand on HR and OET for support. At a minimum, HR will increase the number of online offerings.</p> <p>Target Date: June 30, 2016</p>
<p><b>4C-2</b> Monitor attendance of recommended and mandatory classes. Send periodic reminders to those that have not attended.</p>	<p>Concur – in process</p> <p>If a new LMS system is fully funded, HR, in partnership with HR liaisons, will offer applicable courses (web-based) and deliver training content based on employee role/responsibilities, remind employees to complete required training and track completion/success.</p> <p>If a new LMS is not fully funded, and a decision is made to keep the current system (Pathlore), HR will utilize this tool to achieve the desired outcomes; however, functionality and resources are limited for HR liaisons to monitor and ensure compliance, which will increase the demand on HR and OET for support.</p> <p>Target Date: June 30, 2016</p>
<p><b>4C-3</b> Consider recommending executive leadership adopt a policy that requires managers and supervisors to attend training and refresher courses on HR-related laws if other measures to increase attendance are not successful.</p>	<p>Concur – HR will evaluate</p> <p>Target Date: June 30, 2016</p>

**Issue #5: Compliance with Other Laws and Policies**

**Observation:** We reviewed central HR documentation (job postings, candidate referral lists, and hire forms) for 50 recruitments for compliance with Federal and State laws, Merit System rules, and County policies. We found no exceptions.

We also selected an additional 30 recruitments and reviewed documentation at 3 County agencies to determine compliance with certain Federal and State laws, Merit System rules, County policy, and State records retention requirements.

We found no exceptions with the 30 Federal I-9 forms and E-Verify reports reviewed. Federal law requires employers to verify a new employee’s identity and employment eligibility and immigration status using an I-9 form. State law prohibits employers from knowingly hiring an individual who cannot legally work in the country. Employers must verify employment eligibility using the E-Verify system.

For five of the 30 (17%) recruitment files selected, the entire recruitment file, including interview questions and notes, was not retained for 30 months as required by the State records retention schedule.

Of the 30 recruitments, 21 were subject to Merit System rules. We reviewed the 21 Merit System recruitments to verify that interviewed applicants who were not hired received rejection notifications as required per Merit System rules. We found that for 9 of 21 (43%) recruitments, rejection notifications were not sent.

We reviewed a sample of nine sets of interview questions and notes to determine compliance with Federal discrimination laws and County policy. We found no discriminatory language in the interview questions and notes.

For the three County agencies visited, we verified that Federally required FLSA, ADA, and FMLA posters were displayed properly. We found no exceptions.

<b>Conclusion #5A:</b> We found no exceptions to Federal, State, and County requirements for job postings, referral lists, and employment forms on file at Central HR.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #5B:</b> We found no exceptions with I-9 form and E-Verify report documentation.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #5C:</b> Rejection notices were not sent to all interviewed applicants, as required by Merit System rules.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>5C-1</b> Periodically remind HR	Concur – will implement with modification

<p>liaisons and hiring managers of rejection notification requirements. Consider providing additional guidance such as templates and forms to use, and emphasizing documentation requirements.</p>	<p>It is an ongoing practice for each classified position recruitment referral list to be accompanied by a reminder to the agency of their obligation to notify eligibles contacted for interview of the results. In addition, a Staffing Guide published by Human Resource's Employment Services Division in September 2014 serves as an ongoing reminder to agencies of the notification requirements. If changes occur, the Staffing Guide is updated and notice to HR liaisons provided. The Staffing Guide includes a sample notification letter. To ensure requirements are being acted upon by agencies, Human Resource's Employment Services and Employee Relations Divisions will partner to implement a periodic review of a sampling of agencies to validate compliance with notification requirements and will report results to the applicable Appointing Authority.</p> <p>Target Date: June 30, 2016</p>
--	---

**Conclusion #5D:** Some recruitment files were not retained according to State record retention requirements.

<b>Recommendations</b>	<b>HR Action Plan</b>
<p><b>5D-1</b> Periodically remind HR specialists, managers, and supervisors throughout the County of key HR records retention requirements.</p>	<p>Concur – will implement with modification</p> <p>It is an ongoing practice for every recruitment referral list issued by Human Resource's Employment Services Division to include a statement regarding recruiting and selection record retention requirements. If a change occurs, an update is distributed. To ensure requirements are being acted upon by agencies, Human Resource's Employment Services and Employee Relations Divisions will partner to implement a periodic review of a sampling of agencies to validate compliance with recruiting and selection records retention requirements and will report results to the applicable Appointing Authority.</p> <p>Target Date: June 30, 2016</p>

<b>Conclusion #5E:</b> We found no discriminatory language with applicant interview questions and notes.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #5F:</b> Required HR posters were properly displayed at the agencies tested.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A

**Issue #6: Compliance with Merit Commission Requirements**

**Observation:** We reviewed Merit Commission member documentation, Merit Commission meeting documentation (Calendar years 2012 through 2014), and 28 employee appeal case files, to determine compliance with Arizona law, various Merit System rules, and State records retention schedules. Merit System rules provide a uniform system of personnel administration. There are multiple Merit Systems at the County including the Employee Merit System (EMS), the Law Enforcement Officer Merit System (LEOMS), and the Judicial Merit System (JMS). Most County employees are covered by one of these systems.

We found that the Merit Commission met requirements for meeting at least four times a year, and for having a quorum at each meeting. No member missed more than two consecutive meetings. No members were County employees and no more than three members were from the same political party. In addition, meeting minutes were made available and were retained permanently, as required. The public notice and agenda for one CY15 Commission meeting tested was made public at least 24 hours in advance of meetings. However, HR has not retained public notices of Merit Commission meetings. Therefore we could not verify prior-year postings. We also found that one Commission member holds several public positions, which is not allowed by the merit rules. HR is maintaining the required master set of LEOMS class/job specifications.

Timeframes for submitting appeals and scheduling hearings were met for all 28 appeal cases sampled. Appeal hearing minutes were recorded and retained for 18 of 18 (100%) hearings. The other 10 appeals cases were withdrawn or canceled. However, we noted 6 of 18 (33%) hearing officer reports were submitted late, including 4 LEOMS and 2 EMS case reports. In addition, HR does not verify that agencies are complying with upheld appeal decisions.

<b>Conclusion #6A:</b> Merit Commission meeting requirements for number of meetings, quorum, agendas, and meeting minutes were met.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #6B:</b> Appeal requests were submitted and hearings were scheduled according to required timelines. Hearing minutes were retained as required.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #6C:</b> HR has not retained Merit Commission public meeting notices, in the department, for two years.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>6C-1</b> Retain public notices of Commission meetings for two years after the calendar year in which a meeting is held.	<p>Concur – in process</p> <p>Notice of Public Meetings is published on the Merit Systems Commission website and includes a list of expected meeting dates for the calendar year. When meeting dates are modified during the year, an update is published and a record of the modified schedule is retained by the Merit Systems Commission Coordinator in HR. A record of two years of meeting dates will be retained on the public website.</p> <p>Target Date: August 31, 2015</p>
<b>Conclusion #6D:</b> Hearing officers did not complete appeal hearing reports on time.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>6D-1</b> Enforce the requirement that hearing officers submit hearing reports according to the timeframes required by the Merit Rules. Revise Merit Rule timelines or hearing officer contract provisions in order to hold hearing officers accountable for deadlines.	<p>Concur – completed</p> <p>Merit Systems Commission Coordinator procedures include: 1) a notice to hearing officer communicating applicable deadline at the time of assignment, 2) a reminder to hearing officer five (5) days prior to deadline, 3) notice of late reports to Merit Commission for appropriate action and 4) notice to Procurement for consideration in advance of next contract renewal.</p> <p>Target Date: N/A</p>

<b>Conclusion #6E:</b> HR is not monitoring agency compliance with Merit System appeal decisions.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>6E-1</b> Establish a procedure to verify that agencies are complying with upheld appeal decisions.	Concur – completed Merit Systems Commission Coordinator procedures include step requiring inquiry to appropriate agency to verify compliance with upheld decisions after deadline for administrative review with court has passed. Target Date: N/A
<b>Conclusion #6F:</b> One Merit Commission member does not meet member eligibility requirements.	
<b>Recommendations</b>	<b>Clerk of the Board Action Plan</b>
<b>6F-1</b> Develop formal procedures to ensure that appointees meet all of the qualifications for appointment to the Merit Commission at the time of appointment or re-appointment.	Concur – completed Completed procedures to verify member qualifications at the time of appointment or re-appointment to the Merit Commission and provided the procedures to Internal Audit. Target Date: Effective July 15, 2015

**Issue #7: Confidentiality Policies and Procedures**

**Observation:** County policy prohibits all employees from disclosing confidential information. HR requires its employees to sign a Confidentiality Agreement and has implemented several internal procedures that address the treatment of confidential information. In addition, the County Office of Policy and Compliance is developing a series of Countywide policies covering confidential information. These policies have been drafted to incorporate State and Federal laws that protect personally identifiable information and personal medical information.

<b>Conclusion #7A:</b> HR has implemented several procedures to protect confidential information.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A

**Issue #8: Access to Confidential Records**

**Observation:** We reviewed all HR users for access permissions to confidential information that HR stores in: (1) OnBase, an electronic content management tool, (2) certain shared drives of the County network, and (3) hard copy forms in file cabinets. We found that access was consistent with job functions in the each of these areas. Although HR maintains formal procedure to annually review access to confidential information stored in OnBase, it does not have a similar procedure for shared drive access.

<b>Conclusion #8A:</b> User access permissions to confidential information are restricted properly.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #8B:</b> Some procedures over reviewing electronic access to confidential information could be improved.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>8B-1</b> Incorporate a review of shared drive access with the current OnBase access review, to ensure that access to confidential information in shared files is appropriate.	Concur – completed Procedures to annually review OnBase access also includes review of shared drive permissions. Target Date: N/A

**Issue #9: Data Storage and Transmission of Confidential Records**

**Observation:** We tested 14 data storage and transmission controls for 10 County areas (7 HR divisions and 3 County agencies) to determine if appropriate controls are in place to keep electronic and hardcopy confidential information safe. We found that records containing confidential information were not present on HR laptop hard drives tested. We observed that sampled computers linked to confidential information systems were locked when employees left the workstations. We also found confidential information was encrypted when transmitted electronically out of the network. All of the sampled records that were transmitted to external parties were logged.

We also found that some controls could be improved. One of 10 areas tested did not consistently log records coming into the area. Two areas did not ensure that outgoing documents were sent or communicated to the proper party in a secure manner. For two areas, fax machines used to send confidential records were not pre-programmed with phone numbers to prevent accidental misdials. In one area, external storage devices

(flash drives) were not encrypted when used to transfer confidential information. None of the 10 areas tested had a policy governing the transport of confidential records between physical locations. Due to software limitations, agencies conducting larger recruitments rely on HR to print out a large number of employment applications for panel recruitments. We also noted that few formal controls existed to ensure that paper copies of applications are properly disposed of after interviews.

We also tested 20 personnel files to determine if controls over confidential information contained in those files are working. We found that 1 of the 20 files had personally identifiable information (social security number) included in the HR General file (HR records that could be publicly released). Employee Records uses a manual process to redact this information before it is made available for a personnel file request. Employee Records does not track which personnel files have redacted employment applications in them, nor does it index separately redacted employment applications. Consequently, we could not determine how consistently Employee Records performs this process.

<b>Conclusion #9A:</b> Computer hard drives tested did not contain confidential records and workstations were locked when unattended.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #9B:</b> Confidential information sent outside the network was encrypted and tracked.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #9C:</b> Some controls over confidential information could be improved.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>9C-1</b> Ensure that all incoming documents containing confidential information are tracked for processing and storage. Ensure outgoing documents are sent or communicated to the proper party in a secure manner.	Concur – in process HR will establish procedures for all divisions to ensure that all incoming documents containing confidential information are tracked for processing and storage. Procedures will also ensure that outgoing documents are sent or communicated in a secure manner to the proper party.  Target Date: December 31, 2015

Recommendations	HR Action Plan
<p><b>9C-2</b> As an alternative to fax machines, consider implementing fax software that would keep documents more secure. Consult with the Office of Enterprise Technology (OET) on appropriate options.</p>	<p>Concur – in process</p> <p>Request has been submitted to OET to implement Faxination functionality to replace fax machines.</p> <p>Target Date: August 31, 2015</p>
<p><b>9C-3</b> Develop and implement a policy for physically transporting records containing confidential information. This policy should address using encryption for external storage devices and safeguarding paper documents.</p>	<p>Concur – in process</p> <p>Draft procedures have been developed to govern physical transportation of records that contain confidential information and are currently under review. A request has been made to OET to have data encryption software installed on HR computers that will allow all HR personnel to encrypt documents as needed.</p> <p>Target Date: August 31, 2015</p>
<p><b>9C-4</b> Request that the recruitment software vendor make changes that would allow a larger numbers of employment applications to be printed at one time or would allow recruitment panels to remotely access a large number of online applications.</p>	<p>Concur – completed</p> <p>Vendor has been asked to improve department user access to batch printing/downloading functionality.</p> <p>Target Date: N/A</p>
<p><b>9C-5</b> Review employment application questions to determine whether fields such as driver's license can be removed to better protect applicants' confidential information. Consider using HR Liaison focus groups to determine which information is required.</p>	<p>Concur – in process</p> <p>To improve confidentiality, driver's license issuing State, number and expiration date fields removed from the default application template. HR liaisons advised to note need for information at time of application when submitting requisition to recruit so a suitable supplemental question can be included as part of the job announcement. Feedback will be solicited from HR Advisory Council to determine if there are any other data which should/could be removed from the employment application.</p> <p>Target Date: August 31, 2015</p>

## Issue #10: Manual Payroll Processing

**Observation:** We tested the following key manual pay adjustments: 40 benefit repayments, 4 severance payments, 49 pay for performance payments, and 4 moving reimbursements. We also tested the following manual deductions: 50 garnishments, 20 deferred compensation payments, 20 charitable contributions, 20 bus pass deductions, and 5 union dues payments. We found adjustments and deductions were authorized and reconciled, and complied with HR policies and procedures.

We also tested 46 employees' tuition reimbursements for compliance with County and HR policies and procedures. We found that all 46 reimbursements were authorized and reconciled.

We then tested 37 terminated employees who had received tuition reimbursements in the last 12 months, to determine if repayments were made according to policy. We found the County did not recover tuition reimbursements totaling \$103,463 from 35 of 37 terminated employees. Policy requires that an employee who voluntarily terminates should pay back tuition reimbursements received within the prior 12 months. Terms of repayment are to be worked out with HR prior to the employee's last day of employment. We noted that, during our audit, Payroll updated the Terminations Personnel Action Form to remind agencies about tuition reimbursement recoveries.

<b>Conclusion #10A:</b> We found no significant exceptions related to the following manual payroll adjustments and deductions: benefit repayments, severance pay, pay for performance, moving reimbursements, garnishments, deferred compensation, charitable contributions, bus passes, and union dues.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #10B:</b> Tuition reimbursements were authorized and reconciled properly.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #10C:</b> Controls over tuition repayments could be improved.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>10C-1</b> Ensure that agency personnel use the updated Termination Personnel Action Form (PAF) and that employees are aware they should work with	Concur – completed Termination PAF revised to include a checkbox to identify employees who received tuition reimbursement within the 12 months preceding separation. Communication sent to HR liaisons

Payroll to establish a repayment plan.	with how to access the revised PAF and instructions. Tuition Reimbursement (TR) system requires employees to acknowledge they must repay any TR payments received in the 12 months preceding separation from the County. Target Date: N/A
<b>10C-2</b> Upon receiving the Termination PAF from agencies (prior to employees' last day), notify the employee that tuition repayments are required.	Concur – implementation not currently possible Payroll routinely works with employees when repayment is required. If known by Payroll via the above process, employees are notified. Otherwise there is currently no automated means to connect the termination processing with the Tuition Reimbursement system. A request has been made to OET for a possible solution. Target Date: N/A
<b>10C-3</b> Consider a repayment plan for employees whose last paycheck does not cover the amount to be repaid or for employees where need for tuition repayment was discovered after separation.	Concur – completed Payroll routinely works with employees when repayment plans are needed. A report is run monthly to identify employees not identified by the termination PAF process. Notifications are sent to employee(s) and repayment plans are established. Target Date: N/A

### Issue #11: Agency Payroll Reviews

**Observation:** HR has instituted internal procedures for the Payroll Department to conduct department payroll audits. These reviews help ensure agencies are in compliance with County policies and procedures, and provide an opportunity for Payroll to interact with and educate County employees on payroll-related matters. We reviewed documentation for 10 of 48 CY 2013 payroll audits and determined that the audits were performed in accordance with HR internal procedures. We did not review 2014 Department Payroll Audits as the Payroll Department was in process of conducting these reviews at the time of our testing.

<b>Conclusion #11A:</b> The Payroll Department conducts annual agency payroll reviews.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A

## Issue #12: Recruitment Software – Completeness and Accuracy

**Observation:** We tested four of the five NEOGOV interfaces with the payroll system for completeness and accuracy. We found no exceptions. One interface could not be tested due to the lack of data transfers in the past year.

To confirm NEOGOV report completeness, we reviewed inputs and outputs for five reports generated by NEOGOV. To verify report accuracy, we reviewed one record from each of the five reports and reconciled the data back to the NEOGOV system. We did not find any exceptions with report accuracy or completeness.

NEOGOVS is a hosted software application<sup>1</sup>, that automates HR recruitment (i.e., posting jobs, accepting online job applications, and tracking applicants). NEOGOVS has two modules, Insight and Online Hiring Center (OHC). Central HR uses the NEOGOVS Insight module to create the job announcement, screen and track applicants, and to manage eligibility and referral lists. County agency HR liaisons, approvers, and hiring authorities use the NEOGOVS OHC module to create/approve job requisitions and select and hire candidates.

<b>Conclusion #12A:</b> We found no exceptions with NEOGOVS's interfaces.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A
<b>Conclusion #12B:</b> We found no exceptions with the accuracy or completeness of reports generated by NEOGOVS.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A

## Issue #13: Recruitment Software – User Access

**Observation:** Administrative access is limited to three user accounts and one generic vendor system account. These accounts have the highest level of privileges or access. We reviewed the County's current contract and Service Level Agreement and found that it does not contain any stipulations restricting the vendor from accessing County-assigned administrative accounts. Also, the latest Service Organization Control audit did not include an examination of controls over user access. A Service Organization Control audit is a system review by an external auditor that assesses a vendor's internal controls. In addition, one County administrative user stated that the vendor occasionally logs into

<sup>1</sup> Hosted applications are not maintained onsite by the County Office of Enterprise Technology, instead the County has a contract with a vendor to maintain the application and provide access over the Internet.

administrative user accounts designated to Maricopa County personnel and performs administrative functions, instead of temporarily creating a duplicate profile. This makes user activity logs ineffective in tracking user actions within the application.

We reviewed 719 OHC user accounts and found that 15 users (2%) still had active access after they terminated from County employment. Termination dates for these users ranged from 2012 through early 2015. One of the 15 users had elevated privileges, and could grant and revoke access to other users. This terminated user's access was removed during the audit. We also reviewed all 13 Insight users and confirmed that they were current employees. According to OET, terminated user access reviews are done weekly but OET does not maintain evidence of these reviews. OET does not perform access reviews of users who may have moved out of HR roles. In addition, there are no policies and procedures that require user access reviews be done, or require that documentation of the reviews be maintained.

We also confirmed that 4 of 4 sampled Insight users were formally authorized prior to access being granted. However, according to the NEOGOV Business Analyst, documented authorization is not required for OHC users. Instead, agency-level HR Liaisons are responsible to assign access within their individual agencies.

<b>Conclusion #13A:</b> Agreements with the software vendor do not restrict the vendor from accessing user administrative accounts.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>13A-1</b> Work with the Office of Procurement Services (OPS) during contract renewal to direct the NEOGOV vendor to include an independent review of its user access controls as part of its SOC report to mitigate the risk of inappropriate access to administrative user accounts.	Concur – completed Procurement provided with language for use in Service Level Agreement during future contract negotiation. Target Date: N/A
<b>13A-2</b> During contract renewals, work with OPS to stipulate that the vendor must only access the system using a vendor- assigned application account, and that the vendor's account activity log should be available to the County.	Concur – completed Procurement provided with language for use in Service Level Agreement during future contract negotiation. Target Date: N/A

<b>Conclusion #13B:</b> Some terminated employees still had access to NEOGOV.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>13B-1</b> Request that the NEOGOV vendor include an employee identification field in the user access tables to more easily identify terminated employees.	<p>Concur – completed</p> <p>Vendor has been asked whether it can include an employee identification field in the user tables to more easily identify terminated employees. Procurement provided with language for use in Service Level Agreement during future contract negotiation.</p> <p>Target Date: N/A</p>
<b>13B-2</b> Work with agencies to ensure that all NEOGOV accounts are disabled within 24 hours of an employee's separation.	<p>Concur – completed</p> <p>NEOGOVS Roles and Managing Department Users reference guides created by HR reflect expectations and requirements. Reminder regarding management of user accounts distributed to HR Liaisons. Process for redundancy established with OET to inactivate HR Liaison user accounts within one business day of separation or user role change, if not already acted upon by another department HR Liaison, with notice to Employment Services Division.</p> <p>Target Date: N/A</p>
<b>Conclusion #13C:</b> There is no formal user access review process.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>13C-1</b> Ensure that authorized Insight and OHC user permissions are consistent with current job roles by periodically reviewing and documenting user access. Formally document this process.	<p>Concur – completed</p> <p>NEOGOVS Roles and Managing Department Users reference guides created by HR reflect expectations and requirements. Reminder regarding NEOGOV roles, security and confidentiality forms, and management of user accounts distributed to HR Liaisons. Periodic user access reviews conducted to monitor compliance.</p> <p>Target Date: N/A</p>

<b>Conclusion #13D:</b> HR is unable, due to system limitations, to require all new agency users to be authorized formally prior to granting access.	
<b>Recommendations</b>	<b>HR Action Plan</b>
<b>13D-1</b> Formalize the OHC access authorization process for elevated roles (such as HR Liaison) by reminding agencies of the requirements and including periodic monitoring to promote compliance.	Concur – completed NEOGOV Roles and Managing Department Users reference guides created by HR reflect expectations and requirements. Reminder regarding NEOGOV roles, security and confidentiality forms, and management of user accounts distributed to HR Liaisons. Periodic user access reviews conducted to monitor compliance.  Target Date: N/A

#### Issue #14: Employee Credentials

**Observation:** We reviewed 151 current employee licenses or certificates to determine if the license or certificate required in the job description was current. We found that 150 of 151 (99.3%) were current. HR management stated that the draft pre-hire background screening policy contains a step for verification of credentials, licenses, and certifications.

<b>Conclusion #14A:</b> Employees have maintained licenses or certificates required by their job descriptions.	
<b>Recommendations</b>	<b>HR Action Plan</b>
None	N/A

---

**Standards**

This audit was approved by the Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.

---

**Auditors**

Eve Murillo, Deputy County Auditor, CPA, MBA, CFE, ITIL  
Stella Fusaro, Audit Manager, CIA, CGAP, CRMA, CFE  
Patra Carroll, IT Audit Supervisor, CPA, MSIM, CIA, CISA  
Christina Black, Audit Supervisor, CIA, CGAP, CRMA  
Jenny Chan, Senior Auditor, CIA, CGAP  
Dan Ng, Senior Auditor, MPA  
Michael Ritzler, Associate Auditor, MSA  
KPMG LLP

---