

**Follow-Up of the Audit of the
Orange County Clerk of the
Circuit and County Courts –
Personnel and Payroll**

**Report by the
Office of County Comptroller**

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April 7, 2004

Lydia Gardner, Clerk of the Circuit and County Courts

We have conducted a follow-up of the audit of the Orange County Clerk of the Circuit and County Courts – Personnel and Payroll. Our original audit included the period of October 1, 1997 to December 31, 1998. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2002 through January 31, 2003. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

During our review, we noted that all of the 16 applicable Recommendations for Improvement were fully or partially implemented. **We commend** the Clerk's Office for their efforts. We appreciate the cooperation of the personnel of your office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Orange County Board of County Commissioners

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

Follow-Up of the Audit of the Orange County Clerk of the Circuit and County Courts – Personnel and Payroll
Status of the Previous Recommendations for Improvement

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Clerk's Office ensures the following:				
A)	Management complies with their own written salary guidelines; and	✓			
B)	Management adequately documents reasons for granting salary increases that deviate from these written guidelines.				✓
2.	We recommend the Clerk's Office ensures the following:				
A)	Written performance evaluations are completed for management employees and administrative aides; and	✓			
B)	Promotions are adequately documented.	✓			
3.	We recommend the Clerk's Office revises personnel policy and procedures to require exit interviews for terminated employees. If a terminated employee refuses to participate, a notation to this effect should be made in the employee's file.	✓			
4.	We recommend the Clerk's Office ensures prior written authorization is obtained for overtime.		✓		
5.	We recommend the Clerk's Office ensures the following:				
A)	Employees comply with written guidelines requiring prior approval for vacation leave; and		✓		
B)	A standard form is instituted to report and document sick leave.		✓		

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Status of the Previous Recommendations for Improvement

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
6.	We recommend the Clerk's Office develops and maintains a complete employee salary history in each employee's personnel file.	✓			
7.	We recommend the Clerk's Office institutes a payroll check receipt log for individuals receiving payroll checks.	✓			
8.	We recommend the Clerk's Office documents the annual compensation and employment policy review whether or not any discrepancies are found.	✓			
9.	We recommend the Clerk's Office ensures the following:				
A)	Actual advertisements are reviewed and copies are retained as evidence that the advertisements were correctly printed;	✓			
B)	Verification of information contained in employee candidate applications is adequately documented;	✓			
C)	Applicants sign employment applications; and	✓			
D)	Form I-9s are properly completed.	✓			
10.	We recommend the Clerk's Office considers the following:				
A)	Adequately segregating the duties between the payroll recording and review functions; and	✓			
B)	Modifying the payroll software to eliminate the ability to make changes in the overtime rate.	✓			

INTRODUCTION

INTRODUCTION



Follow-Up of the Audit of the Orange County
Clerk of the Courts – Personnel and Payroll

Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the original audit entitled “Audit of the Orange County Clerk of the Circuit and County Courts – Personnel and Payroll,” dated May 2000. Testing of the status of the previous recommendations was performed for the period of October 1, 2002 through January 31, 2003.

To ascertain the status of the recommendations, we met with the Director of Financial Services and Director of Human Resources. To determine whether management was complying with written guidelines, we selected a sample of ten employees. We reviewed their personnel files and confirmed that salary increases followed written guidelines or were otherwise documented. We also verified salary histories were maintained in employee’s personnel files by reviewing a sample of files.

To determine whether performance evaluations were completed for the last review period, we examined personnel files for a sample of five management employees and five administrative aides. To determine whether promotions were adequately documented, we reviewed personnel files for five recently promoted employees. To determine whether exit interviews were required for terminating employees, we reviewed the personnel policy and procedures for the inclusion of this requirement. In addition, we reviewed personnel files for a sample of ten employees terminated during our audit period for documentation of this interview or an attempt to interview.

To verify prior written authorization was obtained for overtime worked, we requested documentation for a sample of ten employees who worked overtime during the audit period. To confirm whether prior approval was obtained for vacation leave, we verified such approval was on file for a sample of ten employees who used vacation leave during the audit period. We confirmed a standard reporting form was used for employees using sick leave by requesting documentation from a sample of ten employees who used sick leave during the audit period.

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To verify whether a payroll check receipt log was used to document the receipt of payroll checks from Financial Services, we examined the log used for check distribution during the audit period. We verified the most recent annual compensation and employment policy review was documented by examining files retained on this review. We determined if copies of advertisements for open employment positions were maintained by selecting a sample of five advertisements placed during the audit period and confirming a copy was on file.

We confirmed new employee files were complete by selecting a sample of ten new hires and examining files for the verification and documentation of information contained in employment applications to include a signed application and a properly completed I-9. To determine if payroll recording and review functions had been segregated, we interviewed employees to review their duties. To verify the ability for employees to make changes in the overtime rates had been revoked in the payroll software, we interviewed employees in both payroll and management functions.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. Management Should Comply With Written Guidelines or Reasons for Deviations Should Be Adequately Documented

A review of employee salary administration revealed that, on occasion, employees were granted salary increases above that permitted by written guidelines without adequate documented explanation.

We Recommend the Clerk's Office ensures the following:

- A) Management complies with their own written salary guidelines; and
- B) Management adequately documents reasons for granting salary increases that deviate from these written guidelines.

Status:

- A) Implemented. We reviewed a sample of employee personnel files to determine whether employee's salaries followed the Clerk's written guidelines. All pay increases were within guidelines established by the Clerk's Office.
- B) Not Applicable. We reviewed a sample of ten employee personnel files to determine whether employee's salaries followed the Clerk's written guidelines. As all pay increases were within guidelines established by the Clerk's Office, no documentation of deviations from written salary guidelines was necessary.

2. Performance Evaluations Should Be Completed for Managerial Employees and Administrative Aides

A review of a sample of thirty personnel files revealed no written performance evaluations were on file for the five

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managerial employees and administrative aides included in the sample. We also noted there was no documentation to support the promotion and corresponding salary increases given to five of seven managers.

We Recommend the Clerk's Office ensures the following:

- A) Written performance evaluations are completed for management employees and administrative aides; and
- B) Promotions are adequately documented.

Status:

- A) Implemented. We reviewed a sample of ten employee personnel files consisting of five management employees and five administrative aides to determine whether written performance evaluations were completed for the most recent review period. All files contained written performance evaluations except for one employee who had only held the position for two months.
- B) Implemented. Although there was only one employee promoted to management during the audit period, a review of the employee's personnel file indicated there was adequate documentation on file to support the promotion.

3. Exit Interviews Should Be Performed for Terminated Employees

A review of a sample of personnel files for fifteen terminated employees revealed that no exit interviews were performed. There was also no evidence that the Clerk's Office attempted to perform them as personnel policies and procedures do not require exit interviews be conducted. Instead, the Clerk's Office only requires the completion of an

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“exit survey” after the employee leaves. None of the fifteen files contained completed exit surveys.

We Recommend the Clerk’s Office revises personnel policy and procedures to require exit interviews for terminated employees. If a terminated employee refuses to participate, a notation to this effect should be made in the employee’s file.

Status:

Implemented. Our testing indicated that exit interviews are being conducted or documented if refused and the employee personnel policy now requires exit interviews be conducted. The policy is in draft form and has not been approved by management.

4. Prior Authorization Should Be Obtained Before Overtime Is Worked

No prior written authorization was on file for overtime worked by four of the six employees paid overtime for the pay period ended December 27, 1998. In addition, we noted that in some instances where prior authorization was obtained, the authorization did not always give an estimated number of hours to be worked or identify the employees involved.

We Recommend the Clerk’s Office ensures prior written authorization is obtained for overtime.

Status:

Partially implemented. During the audit, we found that seven of ten employees did not have prior written authorization to work overtime. One of the three employees authorized to work overtime had received approval via email, but the day and estimated hours to be worked were not noted.

We Again Recommend the Clerk’s Office ensures prior written authorization is obtained for all overtime.



5. Administration of Vacation and Other Leave Benefits Should Be Improved

A review of the administration of vacation and other leave benefits revealed no written evidence that prior authorization was obtained by any of the fifteen employees who took 167 hours of vacation leave during the pay period ended December 27, 1998. In some instances, vacation leave forms were completed by the employees but were not signed by the department manager. In addition, there were no documents to support 23 hours sick leave taken by four employees during the period examined.

We Recommend the Clerk's Office ensures the following:

- A) Employees comply with written guidelines requiring prior approval for vacation leave; and
- B) A standard form is instituted to report and document sick leave.

Status:

- A) Partially Implemented. A review of the documentation for vacation leave requests revealed that of the 52 instances of vacation leave used in our sample of ten employees, documentation was retained for only 12 (23%) of these instances. We were informed that many requests are done via email, but these requests are not always retained.

We Again Recommend the Clerk's Office ensures employees comply with written guidelines requiring prior approval for vacation leave.

Management's Response:

A memo was sent to the Divisions to remind them to do this.

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- B) Partially Implemented. Although a standard form was implemented, a review of the documentation for sick leave requests revealed that of the 31 instances of sick leave used in our sample of ten employees, documentation was retained for only nine (29%) of these instances.

We Recommend all sick leave taken be recorded on the standard Request for Time Off form to record and document sick leave.

Management's Response:

A standard leave request form was created and sent to the Divisions to use.

6. Employees' Salary Histories Should Be Readily Available From Their Personnel Files

Personnel files did not contain an employee salary history. In addition, seven of fifteen employee salary histories reviewed from the note section of the payroll system did not contain complete information on employee salary adjustments. In some cases, the information contained the date of the increase but no percentage or amount; in some cases the date and amount were present but no other information was noted.

We Recommend the Clerk's Office develops and maintains a complete employee salary history in each employee's personnel file.

Status:

Implemented. We reviewed a sample of ten employees' personnel files to determine whether salary histories were maintained in the files. All of the files contained salary histories.



7. A Log Should Be Maintained for Individuals Receiving Payroll Checks From the Payroll Department

The Accounting Department does not maintain a sign-in log for individuals receiving payroll checks. On a bi-weekly basis, division managers or their designees receive the payroll checks from the Accounts Payable Clerk for distribution to employees.

We Recommend the Clerk's Office institutes a payroll check receipt log for individuals receiving payroll checks.

Status:

Implemented. A Payroll Receipt Log is used for acknowledgement of the receipt of payroll checks by the divisions from Financial Services. Both the division representative and an employee from Financial Services must sign the log.

8. The Annual Review of Compensation, Race, and Gender Employment Policies Should Be Documented

There is no written evidence that the Clerk's Office performed an annual review as required by Section 28.34, Florida Statutes. This is a review of compensation, race, and gender employment policies for all persons employed or appointed by the Clerk's Office within the context of comparable positions, skills, experience, and responsibility. According to the Human Resource Manager, the annual review was performed; however, since the review disclosed no discrepancies, no documentation was retained on the review.

We Recommend the Clerk's Office documents the annual compensation and employment policy review whether or not any discrepancies are found.



Status:

Implemented. The annual review of compensation and employment policy as required by Section 28.34, Florida Statutes, was performed and documentation was retained for our review. No discrepancies were found.

9. Documentation in the Personnel Function Should Be Improved

A review of the employee hiring process and other aspects of the personnel function revealed insufficient documentation as follows:

- A) The Human Resource Department did not maintain a copy of the actual job advertisement placed in a local newspaper. According to the Department Manager, only advertisements that are incorrect are kept.
- B) There was no written evidence that information in new employee applications was verified in each of the twenty cases reviewed.
- C) An employment application was not signed in one instance.
- D) In two instances, the identification verification section of the INS I-9 form (“Employment Eligibility Verification”) was not properly completed.

We Recommend the Clerk’s Office ensures the following:

- A) Actual advertisements are reviewed and copies are retained as evidence that the advertisements were correctly printed;
- B) Verification of information contained in employee candidate applications is adequately documented;
- C) Applicants sign employment applications; and,

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D) Form I-9s are properly completed.

Status:

A) Implemented. The Human Resource Director maintains a binder containing copies of all advertisements placed in the newspaper for open employment positions.

B) Implemented. We reviewed a sample of ten employees hired during the audit period and reviewed documentation of verification of information contained in the employee candidate application.

C) Implemented. We reviewed a sample of ten employees hired during the audit period and confirmed employment applications were signed by the applicant.

D) Implemented. We reviewed a sample of ten employees hired during the audit period and verified the Form I-9s were properly completed.

10. Internal Controls in the Payroll Processing Function Should Be Strengthened

During our review of the payroll processing function, we noted that internal controls could be strengthened as follows:

A) The Accounting Manager has access to payroll data and also reviews the exception report, which shows all the changes to the payroll including overtime rates.

B) The computer system allows an employee's overtime rate of pay to be changed by the payroll clerk. Although the field is already automatically calculated at time and one-half, it could be protected against any changes and only show a fixed rate of time and a half of the hourly wages as default. The Clerk's Office has

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had to conduct additional reviews of overtime payments to guard against unauthorized changes in overtime rates.

We Recommend the Clerk's Office considers the following:

- A) Adequately segregating the duties between the payroll recording and review functions; and
- B) Modifying the payroll software to eliminate the ability to make changes in the overtime rate.

Status:

- A) Implemented. The payroll system has been upgraded since our original audit; division managers are now responsible for entering payroll data into the system. The payroll specialist downloads the information and runs a report. An accountant, who cannot access the payroll data, reviews the report, initials it if correct, and prints the payroll checks.
- B) Implemented. Although this change to the payroll system was not implemented, Financial Services contacted the payroll system vendor to determine whether their ability to change the overtime rate could be revoked in the system. The vendor stated that this modification could not be implemented in their payroll system.