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INTERNAL AUDIT REPORT NO. 2018-017

OFFICE OF INSPECTOR GENERAL



Audit of the Employee Termination and Transfer Processes

September 20, 2018

EXECUTIVE SUMMARY

Timely, consistent, complete, and accurate processing of terminated and transferred employees is critical to ensuring that all assets and access granted to employees during their employment are appropriately returned and updated, respectively. The Office of Human Resources (OHR) is usually the process owner. However, management in all areas of the organization play an important role. Relying on input and cooperation of other areas within the organization can make controlling the processes for terminating and transferring employees challenging.

Our audit disclosed that the department has policies and procedures for processing employee terminations and that they outline the roles and responsibilities for OHR, supervisors, HR liaisons, and the Office of Information Technology. Also, the policies and procedures require the use of a designated email to notify property, equipment, and access administrators of employee terminations.

However, our audit noted that the department's processing of terminated and transferred employees would be improved by making the following changes and updates:

- **Policies and Procedures** – Update the policies and procedures to include specific steps for notifying OHR and providing written documentation of employee separation, ensuring more timely notification to the building access administrator, requiring supervisors to determine and communicate the assets and access required by employees during their last days at work, and providing a timeline for submission of the completed Employee Exit Checklist.
- **Documentation and Forms** –
 - Implement monitoring procedures to help ensure that policies, procedures, and forms are kept current.
 - Review and update the form used by the Division of Retirement to ensure consistency with the department policy. Also, management should consider adding the following requirements to the department policy:
 - ✓ Supervisors and the division access administrators to document the destruction of purchasing cards and department ID badges, the return of assets and the appropriate update of access privileges; and
 - ✓ HR liaisons to certify the receipt and completion of the checklist.
- **Inventory of Assigned Property, Authorizations, and Department Resources** – Implement procedures to maintain a centralized inventory of property, authorizations, and other department resources assigned to employees so that access granted can be removed or changed, as appropriate, when employees terminate or transfer.
- **Termination Process** – Develop and implement monitoring procedures to ensure timely compliance with the policies and procedures. Also, include verifying completeness of the HR 103-F2 checklist and notifying the directors of the divisions and offices when their units are noncompliant. Ensure the HR liaisons, as well as the supervisors, understand the policies and procedures.

Transfer Process – Develop and implement policies and procedures for processing transferring employees which ensure that property, equipment, authorization, and access remain appropriate after an employee has transferred to a new position.

BACKGROUND

During the course of employment, the department grants employees the use of a variety of assets and privileges, such as:

- Email and other user accounts in key applications;
- Key fobs and other access cards;
- Buildings, offices, and file cabinet keys;
- Laptops, electronic tablets, other handheld wireless devices, and accessories; and
- Purchasing and other credit cards.

One of the most significant areas of risk for any organization is its employees, both former and current. The need to protect assets when an employee leaves an organization or transfers within an organization is sometimes overlooked. An effective and timely termination and transfer process is important to ensuring the following:

- A smooth exit for terminating employees and a seamless transition for transferring employees;
- Notification to all pertinent parties of the employee's departure or transfer; and
- Proper removal and update of access to information technology, phones, bank accounts, purchasing cards and other equipment.

For the purpose of this audit, a terminating employee is defined as an employee who separates from the department through resignation, retirement, death, or dismissal. Also, a transferring employee is defined as an employee who relocates permanently within the department, as a result of a change in position.

Our audit work focused on the following applications.

- Florida Accounting Information Resource (FLAIR) is a general ledger accounting system, which is utilized to perform the State's accounting and financial management functions.
- MyFloridaMarketPlace (MFMP) is the State's eProcurement system. The system is a source for centralized procurement activities, streamlining interactions between vendors and state government entities, and providing tools to support innovative procurement for the State of Florida.
- IBM TRIRIGA (TRIRIGA) is a database management system that allows the department to handle facilities management and communicate with the lease liaisons from sister agencies.
- Procurement Administration and Contract Tracking System (PACTS) was a web-based system used to track contracts from their submittal to Department Purchasing through contract award.
- Integrated Retirement Information System (IRIS) is used by the department to support the business processes related to the Florida Retirement System (FRS).

- FRS Online application is an extension of IRIS and uses internet technology to provide information and services to members, employers, and retirees.

Well defined and specific policies and procedures help to ensure the process and the associated activities are performed timely, consistently, completely, and accurately. Successful execution of these procedures requires cooperation and collaboration of the following individuals.

- Human resources staff and management
- Human resources liaisons
- Program supervisors and management
- Resource custodians and administrators

Each individual's role and responsibility is important to adequately controlling the process and compliance with policies and procedures is paramount. OHR established the Employee Separation from Employment Policy (HR 08-103) to help ensure effective and timely separation of employees. The policy also requires the use of the following:

- Employee Exit Checklist (HR 103-F2) and
- Service Request Form for a Separating Employee (HR 103-F3).¹

AUDIT OBJECTIVE

The objective of this audit was to evaluate the processes and procedural controls used for processing employee terminations and transfers to ensure appropriate access security for the department.

SCOPE AND METHODOLOGY

The fiscal year 2017-18 Annual Internal Audit Risk Assessment noted risks associated with the termination and transfer procedures and controls. As a result, an audit project was included in the audit plan to examine the procedures for terminating and transferring employees. The termination and transfer activity reviewed in this audit were from the period July 1, 2017, through March 27, 2018.

The audit objective was accomplished using the following audit procedures:

- Interviewed OHR personnel, HR liaisons, and the Division of Retirement's Chief of Administrative Services regarding procedures and controls related to employee terminations and transfers;
- Reviewed the following policies and procedures;
 - Hiring Processes and New Employee Orientation (NEO), Policy Number 08-102 (HR 08-102)
 - Hiring Process Guide, Form Number 102-F1 (HR 102-F1)

¹ The Division of Retirement uses the Employee Notification Form (ENF) for the same purpose as HR 103-F2 and HR 103-F3.

- New Employee Checklist Supervisor, Form Number 102-F9 (HR 102-F9)
- New Employee Service Request, Form Number 102-F11 (HR 102-F11)
- Employee Separation from Employment, Policy Number 08-103 (HR 08-103)
- Employee Exit Checklist, Form Number 103-F2 (HR 103-F2)
- Service Request Form for a Separating Employee, Form Number 103-F3 (HR 103-F3)
- Employee Notification Form (ENF) Routing Instructions and Form
- Reviewed other governmental (federal and state) industry best practices;
- Evaluated the department's policies and procedures for compliance and consistency with best practices; and
- Tested a random sample of employees who terminated from and transferred within the department.

The audit also focused on the following components important to an effective internal control framework:

- 1) **Control Environment** – assignment of authority and responsibility along with internal policies;
- 2) **Risk Assessment** – assess potential risks or gaps in existing internal controls, policies, and processes to achieve organization-wide objectives and manage change;
- 3) **Control Activities** – the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system;
- 4) **Information and Communication** – the quality of information and effective communication; and
- 5) **Monitoring** – activities management establishes and operates to assess the quality of performance over time and to promptly resolve identified deficiencies.

SUMMARY OF FINDINGS

Finding 1 Policies and Procedures

During the audit, we reviewed the Employee Separation from Employment Policy (No. HR 08-103) and noted that the policy does not address adequately the tasks below. Interviews with OHR and HR liaisons noted that some of the procedures have been communicated orally to the HR liaisons.

- Specific procedures for notifying OHR and providing written documentation of employee separation;
- Procedures to ensure more timely notification to the building access administrator;
- Procedures requiring supervisors to determine the assets and access required by employees during their last days at work; and
- Timeline for submission of the completed Employee Exit Checklist.

Additionally, the policy states that supervisors should notify the Office of Information Technology (IT) and the business application owners one week prior to an employee's separation date.

However, many employees' separation dates are much later than their last day of work or the last day that they require use of assets and access granted them to perform their jobs.

The Society for Human Resource Management outlines that a policy should include specific details regarding requirements. Without specific procedures related to these tasks, supervisors' actions may be inconsistent, incomplete and not performed timely.

We recommend that management update the policies and procedures to include specific procedures for the following.

- Notifying OHR and providing written documentation of employee separation;
- Ensuring more timely notification to the building access administrator;
- Requiring supervisors to determine and communicate the assets and access required by employees during their last days at work; and
- Timeline for submission of the completed Employee Exit Checklist.

Management Response:

Concur: DMS concurs with the above recommendations and is updating its policies and procedures to incorporate tighter internal controls and more specific guidelines to implement said recommendations. Dissemination of updated policies and procedures will occur through email communications, as well as, training of personnel with assigned responsibility pursuant to said policies and procedures will be provided. Additionally, DMS has already implemented a security badge electronic building access form which is electronically routed with required signatures and submitted electronically directly to the building access administrator ensuring timely notification and tighter controls.

<p style="text-align: center;">Finding 2 Updating Documents and Forms</p>

During the audit, OHR provided the following documents and forms used in the employee termination and transfer processes electronically:

- Employee Separation from Employment Policy (No. HR 08-103),
- Service Request Form for a Separating Employee (HR 103-F3), and
- Employee Exit Checklist (HR 103-F2).

Our review of the form and checklist noted that the version embedded within the policy did not agree with those provided by OHR. Our review noted the following exceptions:

- The embedded HR 103-F3 form stated the request did not facilitate removing the employee's access to business systems such as FLAIR, MFMP, etc., and that the systems administrator should be contacted for access removal to business systems, while the form OHR provided stated that the routing does facilitate removal.
- The embedded HR 103-F2 checklist listed two former employees as the administrator for wireless devices even though the checklist OHR provided noted the correct employee.
- Also, we noted that the checklist referenced an assigned property repository in People First that had been disabled.

- In addition, both checklists contained outdated information regarding OHR employees and department applications.

Ensuring that policies, procedures, and forms related to processes include accurate information helps prevent confusion for parties involved. During the audit, OHR updated the HR103-F2 checklist to include current OHR employees.

We recommend that OHR management implement monitoring procedures to help ensure that policies, procedures, and forms are kept current.

Management Response:

Concur: DMS concurs with the above recommendations and has updated its procedures to implement said recommendations.

<p style="text-align: center;">Finding 3 Consistency of Documentation and Forms</p>

During the audit, we compared the ENF used by the Division of Retirement in the employee termination and transfer processes with the form and checklist referenced by Policy No. HR 08-103 and noted the following exceptions with the department policy.

- The ENF did not include a task documenting the notification to the DMS.TerminatingEmployeeList@dms.myflorida.com for terminating employees.
- The ENF did not document the last day an employee needs the resources and access that have been assigned to them.

However, we noted that the ENF records some information that the department policy does not require. Our comparison noted that the ENF documents:

- The destruction of purchasing cards and identification badges, repossession of any other department assets, and the removal of access to key applications.
- The certification of the completion of the assigned tasks by the bureau chiefs, IT administrators, and the HR liaison.

Ensuring consistency of the information documented helps ensure compliance with department policy and that the change in assets and access, required as a result of an employee's termination or transfer, is timely and accurately completed.

We recommend that management review and update the ENF to ensure consistency with the department policy. Also, **we recommend** that management consider adding the following requirements to the department policy:

- Supervisors and the division access administrators to document the destruction of purchasing cards and department ID badges, the return of assets and the appropriate update of access privileges; and
- HR liaisons to certify the receipt and completion of the checklist.

Management Response:

Concur: DMS concurs with the above recommendation and is updating its policies and procedures to implement said recommendations. Dissemination of updated policies and procedures will occur through email communications, as well as, training of personnel with assigned responsibility pursuant to said policies and procedures will be provided.

<p style="text-align: center;">Finding 4 Inventory of Assigned Property, Authorizations, and Department Resources</p>

During the audit, we reviewed policies and procedures as well as interviewed OHR personnel and HR liaisons and noted that the department does not maintain an inventory of property, authorizations, and department resources that are assigned to employees during their employment. For example, the issuance of the office and cabinet keys, purchasing cards, laptops, and cell phones are not documented in a central place. Also, building, MFMP, FLAIR, IRIS, and FRS Online access information is maintained separately by each system administrator.

However, we noted that the Division of Retirement uses the ENF to document the property, authorizations, and other department resources that are assigned to the employees. Without an inventory of property, authorizations, and department resources assigned to employees during their employment, the department risks the loss of these items when employees terminate or transfer. Also, the department could risk unauthorized access to data and resources as a result of changes not made when employees terminate or transfer.

We recommend that management implement procedures to maintain a centralized inventory of property, authorizations, and other department resources assigned to employees. Also, procedures should be implemented to track all access granted to employees so that it can be removed or changed, as appropriate, when employees terminate or transfer.

Management Response:

Concur: DMS concurs with the above recommendations and is updating its policies and procedures to incorporate tighter internal controls and more specific guidelines to implement said recommendations. Dissemination of updated policies and procedures will occur through email communications, as well as, training of personnel with assigned responsibility pursuant to said policies and procedures will be provided. Additionally, DMS has already implemented a security badge electronic building access form which is electronically routed with required signatures and submitted electronically directly to the building access administrator ensuring timely notification and tighter controls for removal or completion of changes, as appropriate, when employees terminate or transfer.

Finding 5

Termination Process

As a part of the audit, we reviewed documentation for a sample of 15 terminated employees to verify that the documentation was submitted in compliance with the department's policy and procedures. Policy No. HR 08-103 states its purpose is to:

- Enable and support an effective, timely termination process;
- Notify all pertinent parties of the employee's departure; and
- Ensure proper close-out of access to information technology, phones, bank accounts, purchasing cards, and equipment.

According to the policy, the HR 103-F2 checklist helps ensure all aspects of the termination process are addressed, and it is a tracking mechanism for the activities listed in policy that must be performed. Additionally, the policy requires the supervisors to submit the HR 103-F3 form and the checklist to OHR for inclusion in the employee's personnel file.

We noted the following:

- The HR 103-F3 form was not available for one (7%) employee. In addition, for the remaining 14 employees, we noted for seven (50%) employees the forms submitted to DMS.TerminatingEmployeeList@dms.myflorida.com exceeded the required timeline; and
- The HR 103-F2 checklist was not available for six employees (40%). In addition, for the remaining nine employees, we noted for four (44%) employees the checklists were incomplete. Therefore, we were unable to determine if all the assets were obtained and access was canceled.

Discussion with the HR liaisons noted that not all of the department's supervisors and HR liaisons were clear as to when the checklist should be completed. Additionally, management has not established any monitoring procedures to ensure compliance with policies and procedures, including sufficient documentation. Noncompliance with the policy and procedures places the department at risk for the loss of property and equipment. In addition, inappropriate access could exist.

We recommend that OHR develop and implement monitoring procedures to ensure timely compliance with the policies and procedures. At a minimum the monitoring procedures should include:

- Verifying completeness of the HR 103-F2 checklist, and
- Notifying the directors of the divisions and offices when their units are noncompliant.

Also, **we recommend** that OHR ensure during the quarterly meetings with the HR liaisons that the HR liaisons, as well as the supervisors, understand the policies and procedures.

Management Response:

Concur: DMS concurs with the above recommendation and is updating its policies and procedures to implement said recommendations. Dissemination of updated policies and procedures will occur through email communications, as well as, training of personnel with assigned responsibility pursuant to said policies and procedures will be provided.

**Finding 6
Transfer Process**

The department does not have a written policy to specifically address the processing of employees transferring from one position to another. We interviewed the Director of Human Resources, and she explained that she considers a transfer to represent an internal termination of an employee from one area and a new hire in another area.

During the audit, we selected a sample of 14 transferred employees to assist in our evaluation of the internal termination practices. We noted that the documentation completed for these employees was not consistent. In particular, our sample of 14 transferred employees noted the following:

- The HR 103-F3 form was not provided for eight of the 14 (57%) employees, and
- The HR 103-F2 checklist was not provided for 11 of the 14 (79%) employees.

Additionally, since the department does not have a written policy, there is no guidance regarding the necessary changes to the property, equipment, authorization, and access of a transferring employee. Therefore, the department's property, equipment, authorization, and access previously granted to the employee may be inappropriate for the employee in the new position.

We recommend that management develop and implement policies and procedures for processing transferring employees which ensure that property, equipment, authorization, and access remain appropriate after an employee has transferred to a new position.

Management Response:

Concur: DMS concurs with the above recommendations and is updating its policies and procedures to implement said recommendations. Dissemination of updated policies and procedures will occur through email communications, as well as, training of personnel with assigned responsibility pursuant to said policies and procedures will be provided. Additionally, DMS has already implemented a security badge electronic building access form which is electronically routed with required signatures and submitted electronically directly to the building access administrator ensuring timely notification and tighter controls for removal or completion of changes, as appropriate, when employees transfer.

ACKNOWLEDGEMENTS

This audit required significant assistance from department management and staff during a very busy time of the year. The Office of Inspector General would like to thank department management and staff for their cooperation and assistance during this audit.

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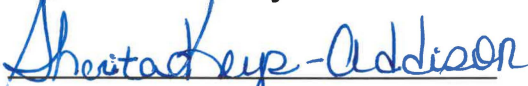
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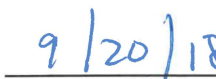
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