CITY AUDITOR'S OFFICE

HUMAN RESOURCES – PERSONNEL SERVICES EMPLOYEE RECORDS AUDIT

Report No. CAO 0501-0708-07

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CITY AUDITOR

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BACKGROUND

Personnel Services, a division of Human Resources (Personnel Services), offers support to City of Las Vegas (City) departments. The services provided by Personnel Services that relate to the audit objectives consist of:

- ***Recruiting candidates for open positions.*** Recruitment efforts include advertising open positions; processing and reviewing applications; developing, and conducting performance examinations; and tracking the status of all applicants.
- ***Processing selected candidates into city employment.*** Processing candidates includes pre-employment drug screening and medical screening; background checks; fingerprinting; issuing identification badges; completing criminal background checks; completing suitability screening; and creating employee personnel records.
- ***Maintaining employee records.*** Responsibilities include maintaining and securing personnel records of approximately 3,000 City employees.
- ***Maintaining Human Resources information systems.*** Responsibilities include providing oversight for Human Resource computer application access; creating and testing computer reports; and assisting with computer system upgrades.

OBJECTIVES

The audit objectives were to ensure that:

- Management controls over employee personnel records were appropriate.
- Employee records were maintained in accordance with applicable laws and regulations.

SCOPE AND METHODOLOGY

The scope of the audit was limited to calendar year 2007 activity and employee personnel records of employees that separated employment in 2002.

The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit. Our last fieldwork date was April 30, 2008.

Our audit methodology included:
- Research of applicable guidelines,
- Interviews of City personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

We identified the following issues during the Human Resources – Personnel Services: Employee Records Audit:
- Management controls over employee personnel records were generally considered to be appropriate. Exceptions were noted in the following areas:
    - ***Reports that Include Social Security Numbers (Finding #1):*** Users of 22 Oracle reports that include employee Social Security numbers have indicated that employee Social Security numbers are not always needed.
    - ***Separated Employee Time Card Reconciliation (Finding #2):*** Reconciliations of the employee final pay check effective date to the final time card is not always included in separated employee personnel records.
    - ***Computer Network Access (Finding #3):*** Two employees shared their computer network access passwords.
    - ***Independent Consultant Oracle Access (Finding #4):*** Oracle access was not removed for an independent consultant at the completion of her assignment.
- Employee records were generally maintained in accordance with applicable laws and regulations. Exceptions were noted in the following areas:
    - ***Human Resources Record Retention Schedule (Finding #5):*** Personnel Services draft record retention schedule does not conform to the Local Government Records Retention Schedule.
    - ***Education and Employment Verification (Finding #6):*** The education and employment verification documentation for 3 of 25 employees hired in calendar year 2007 could not be located.

Further information is contained in the sections below.

1. Reports That Include Social Security Numbers

Criteria

The Social Security number (SSN) has evolved beyond its intended purpose and is used by public and private sector entities for a myriad of purposes. The SSN is one of the key pieces of personal information used to create false identities for financial misuse or to assume another individual's identity. The Federal Trade Commission estimates that over a one year period, nearly 10 million people discovered they were victims of identity theft. This translates into estimated losses of billions of dollars. In light of these concerns, employee SSNs should only be included in reports when absolutely necessary.

Condition

Personnel Services determined that 22 Oracle reports include employee SSNs as an element of the report. The City's Information Technology Department determined that as of April 15, 2008, all 22 reports were created during the previous 70 days.

Audit procedures included identifying employees who were assigned Oracle responsibilities that allow them to create and run these reports. Interviews were conducted with these employees to ascertain which reports they create, how the reports are used, and if they have a valid need for requiring SSNs in reports. The following information was noted relating to these interviews:

- For 6 reports, users indicated that the employee identification number could be used instead of the SSN.
- For 4 reports, users indicated that it was not necessary to include the SSN in the reports.
- For 2 reports, users indicated that they no longer use the reports.
- For 2 reports, users indicated that it was not necessary to include the SSNs in the report; however, other users indicated they required the SSNs in the report.

Cause

- SSNs were the primary employee identifier for many years.
- Changes in user requirements over a period of time.

Effect

Potential that once reports are printed, individuals without a need will have access to employee SSNs.

Recommendation

Human Resource management should:

- evaluate where a continuing need exists to include employee Social Security Numbers in reports,
- exclude employee Social Security numbers on reports where the need no longer exists, and
- determine if users could be provided the option of running reports with or without employee Social Security numbers.

2. Separated Employee Time Card Reconciliation

Criteria

A reconciliation of the final pay check effective date to the final time card should be completed for all employees that separate from employment with the City to ensure that employees are only paid for actual work performed.

Condition

During calendar year 2007, 545 employees separated from employment with the City. The Personnel Services separation process includes verifying that the final pay check effective date agrees with the time card last day worked. The time card is then filed in the employees' personnel record. Audit fieldwork included reviewing the personnel files for 25 employees that separated from employment with the City in calendar year 2007. Procedures included verifying that the final pay check and final time card dates agreed and a copy of the employees' final time card were included in the employees' personnel record. This reconciliation process for separated employees was not included in the following employee personnel records:

- 3 of 5 (60 percent) hourly employees
- 4 of 4 (100 percent) substitute employees

Cause

Lack of proper oversight.

Effect

Potential that employees are paid for work not completed.

Recommendation

Personnel Services management should determine why the separated employee time card reconciliations were not included in the above mentioned employee personnel records and implement procedures to ensure the procedure is always completed.

3. Computer Network Access

Criteria

Information Security Procedure (IT134a.1)
The user is responsible for:
- *Ensuring their system and applications accounts **are not used by any other individual**; (item f)*
- *Selecting a secure password for their accounts and keep that password secret at all times; (item g)*

Condition

Employee Position Request forms (EPR) are an integral element of the recruitment process for documenting specific approvals and the associated fiscal impact. EPRs are automatically routed through one Human Resource staff members' e-mail account. Another employee who has been assigned as the backup for this function monitors the process in this staff members' absence. To access each others' e-mail accounts, these two employees know each others' computer network passwords. Per City policy, computer network access passwords should not be shared with others.

Cause

EPR's are routed through one staff members' e-mail account to maintain continuity of the process and to enable Personnel Services to monitor the EPR routing status.

Effect

- Noncompliance with the City's Information System Procedure.
- Employees have ability to view another employee's e-mail account.

Recommendation

Personnel Services should work with the City's Information Technology Department to establish a separate e-mail account through which EPRs are routed that can be accessed by more than one employee.

4. Independent Consultant Oracle Access

Criteria

Information Security Procedure (IT134a.1): Responsibilities and Authority
The Data Owner is responsible for:

- *Ensuring that **only those individuals who have an operational need can access data**. Each data owner must work closely with IT to manage systems and applications. The data owner will be responsible for the following:*
    *Ensuring any user provided with super user access to any application has that access validated at least biannually and that **accesses is removed when no longer needed**. This review must be documented and maintained by the reviewer for at least two fiscal years; (item b)*

Condition

The Oracle access for an independent consultant was not removed upon the completion of her assignment. Human Resources did not notify the City's Information Technology Department of the need to remove her Oracle access. The risk of this unauthorized access was minimized due to her network access having been appropriately removed.

Cause

Lack of proper oversight.

Effect

Non-compliance with the Information Technology Procedure designed to control access to City's computer systems.

Recommendation

Personnel Services management should establish procedures to ensure that independent consultant access is removed upon completion of assignments.

5. Personnel Services Record Retention Schedule

Criteria

In accordance with Nevada Revised Statute (NRS) 239.125, the Administrator of the Nevada State Library and Archives shall approve minimum periods of retention for records of local governments. On June 26, 2007, the Local Government Records

Retention Schedules were approved and adopted. These schedules were intended for use by all local governments in Nevada, as defined in NRS 239.121 (3).

Condition

Personnel Services staff created a draft records retention schedule (draft) to conform to the approved Local Government Records Retention Schedules. The draft was submitted to the City's Records Administrator for review during the summer of 2007 and the draft is currently being used. As of April 2, 2008, the Records Administrator has not provided Personnel Services with a response to the submitted draft. Audit fieldwork included comparing the Personnel Services draft to the applicable sections of the Local Government Records Retention Schedules. A summary of concerns with the Personnel Services draft are as follows:

- 6 instances were noted where the draft referred to a computer application instead of a retention period.
- 8 instances were noted where the retention period did not consider specific requirements indicated in the Local Government Records Retention Schedules.
- 5 instances were noted where the draft did not state the retention period.
- 2 instances were noted where the draft referred to a Nevada Administrative Code that was repealed in 2006.

Cause

The Record Administrator has not yet provided Personnel Services with feedback on the submitted draft.

Effect

Unless specific retention periods are indicated, the potential exists that records may be destroyed prematurely.

Recommendation

Personnel Services management should work with the City's Records Administrator to update the record retention schedule to ensure that it conforms to the Local Government Records Retention Schedule.

6. Education and Employment Verifications

Criteria

Local Government Records Management Program Manual 2007
LRDA Number 2007:304
Background Surveys of Personnel

Description:
*This record series documents the **background** of new or potential employees and may contain, but is not limited to, **employment reference information**, background survey questionnaires, copies of fingerprint cards, information gathered from criminal background checks, correspondence and related documents.*

Minimum Retention Period:
Three (3) calendar years from the date survey is completed.

Condition

Personnel Services completes education and employment verifications to substantiate the background of new employees. Detail testing included verifying that the education and employment verification was completed on 25 employees hired during calendar year 2007. The education and employment verification documentation could not be located for 3 of 25 or 12 percent of employees tested.

Cause

Lack of proper oversight.

Effect

- Non-compliance with the Local Government Records Retention Schedules.
- Potential that employee personnel records are destroyed prematurely.

Recommendation

Personnel Services should evaluate their education and employment verification documentation retention process and implement procedures to ensure that the documentation is retained in accordance with the Local Government Records Retention Schedules.

Management Response

1. Reports That Include Social Security Numbers

Recommendation:

Human Resource management should:

- evaluate where a continuing need exists to include employee Social Security Numbers in reports,
- exclude employee Social Security numbers on reports where the need no longer exists, and
- determine if users could be provided the option of running reports with or without employee Social Security numbers.

Management Action Plan:

Human Resources has evaluated all its generated reports to establish the necessity of including employee social security numbers. As Nancy had determined, the majority of these reports no longer need to include the social security number in order for employees to complete their work. The original number of reports containing the social security numbers was 22; 8 have been modified to use employee ID numbers in place of social security numbers, and the remaining 14 reports are going to users whose work is dependent on having the numbers readily available. If there should be an occasional need for a report normally run without the social security number to be run with the number, a request may be made to our HRIS Coordinator and will be subject to manager approval.

Estimated Date of Completion: COMPLETED

2. Separated Employee Time Card Reconciliation

Recommendation:

Personnel Services management should determine why the separated employee time card reconciliations were not included in the above mentioned employee personnel records and implement procedures to ensure the procedure is always completed.

Management Action Plan:

A process has been put into place to ensure the last day of paid status is the same on both the Separation Clearance Form and the time card for all employees, whether they are in regular, temporary, hourly or substitute status. That process includes running a "Zero

Hours Report", which lists all employees without hours reported for three consecutive pay periods. For hourly employees, the department is notified and generates a Separation Clearance Form with a time card indicating last day worked. Human Resources then verifies the match between last day paid (worked) and the clearance form. This is now a consistent process for all employees separating from the city.

Estimated Date of Completion: COMPLETED

3. Computer Network Access

Recommendation:

Personnel Services should work with the City's Information Technology Department to establish a separate e-mail account through which EPRs are routed that can be accessed by more than one employee.

Management Action Plan:

Personnel Services and IT have created an e-mail address called "EPR" (a public folder with restricted access) into which the departments will submit their Employee Position Request (EPR) forms. Those individuals with access will now be able to process EPRs using his/her own password, eliminating the need to share a password.

Estimated Date of Completion: COMPLETED

4. Independent Consultant Oracle Access

Recommendation:

Personnel Services management should establish procedures to ensure that independent consultant access is removed upon completion of assignments.

Management Action Plan:

It was noted during this audit that a consultant was still listed as currently having the LV 2005 HRMS responsibility in Oracle. Human Resources worked with IT, whose responsibility it is to grant and remove access for contracted consulting work with the city, to ensure the access noted was discontinued effective 4/1/08. We will continue to work with IT to see that access is both given and discontinued as we utilize independent consultants.

Estimated Date of Completion: COMPLETED

5. Personnel Services Record Retention Schedule

Recommendation:

Personnel Services management should work with the City's Records Administrator to update the record retention schedule to ensure that it conforms to the Local Government Records Retention Schedule.

Management Action Plan:

The city's Records Administrator has now provided the finalized Records Retention Schedule for the Personnel Services Division. Prior to receipt of the division schedule, Personnel Services met with the Records Administrator to both settle unresolved issues we had attempted to resolve earlier and to make necessary revisions to ensure compliance with the state mandated records retention requirements. However, because the entire department has not completed its assessment and review with the Records Administration, this audit finding will not be indentified as complete until all divisions have gone through the process.

Estimated Date of Completion: The final adoption of the complete HR schedule is subject to review and sign off by department director. Approximate completion date for the entire schedule: September 30, 2008.

6. Education and Employment Verification

Recommendation:

Personnel Services should evaluate their education and employment verification documentation retention process and implement procedures to ensure that the documentation is retained in accordance with the Local Government Records Retention Schedules.

Management Action Plan:

Lynn Barboza has created a New Employee Tracking Sheet to ensure application copies for all new hires are received in order to request Education and Employment Verification reports through our outside background agency. We are and have been in compliance with the Records Retention Schedule; the missing reports were a result of application copies not being provided to Lynn upon completion of the new hire processing in. The new tracking sheet will resolve this issue.

Estimated Date of Completion: COMPLETED