

**OFFICE OF THE CITY CONTROLLER**



**HUMAN RESOURCES DEPARTMENT (HR)**

**TEMPORARY PERSONNEL SERVICES  
PERFORMANCE AUDIT**

**Chris B. Brown, City Controller**

**Courtney E. Smith, City Auditor**

**Report No. 2019-08**



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS B. BROWN**

January 17, 2019

The Honorable Sylvester Turner, Mayor  
City of Houston, Texas

**SUBJECT: REPORT #2019-08 HUMAN RESOURCES DEPARTMENT - TEMPORARY PERSONNEL SERVICES PERFORMANCE AUDIT**

Mayor Turner:

The Office of the City Controller's Audit Division has completed a Performance Audit of the Human Resources (HR) Department's temporary personnel services. The Human Resources Department's Contingent Workforce Services program administers the temporary staffing that is utilized by all City departments and is a vital component of staffing strategies for peak loads, pilot programs, grants, City-wide events, and special needs. The City uses 300-500 temporary employees at any given time in diverse classifications, including professional/technical, information technology (IT), administrative, and service/maintenance positions. Through a competitive process, the City contracted with nine temporary personnel services vendors, who provides temporary employees qualified in information technology, administrative, and industrial fields.

Human Resources uses a cloud based software from Genesis Networks Enterprises for the City's contingent workforce. This system allows HR to capture temporary staff hours worked, pay rates, and each agency's mark-ups for services, as outlined in the applicable contracts with one of the nine temporary personnel services vendors with which the City has contracted.

Our objective was broadly defined to encompass internal controls and processes related to:

- Contract compliance with contract rates and terms
- Billing accuracy, and
- Change order processes.

The audit scope included policies, procedures, transactions, and other relevant activities that occurred during FY2017 and FY2018.

We determined that HR's management of the Contingent Workforce Services program has developed and implemented functional process flowcharts, policies, and procedures that are very effective in ensuring appropriate internal controls related to the management of temporary personnel services. Their procedures include processes to facilitate monitoring and oversight of contract compliance. HR's oversight of the process of internal controls, monthly reporting, and account reconciliations are also functioning at a very high level.

During the audit, we noted that internal controls should be strengthened in the following areas:

- The temporary staff termination process
- The temporary personnel agency random drug testing program for safety impact positions



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TEXAS**

**CHRIS B. BROWN**

We would like to express our appreciation to the management and staff of Human Resources for their time and effort, exceptional responsiveness, and consistent cooperation during this audit.

Respectfully submitted,

Chris B. Brown  
City Controller

xc: City Council Members  
Jane Cheeks, Director, Human Resources Department  
Marvalette Hunter, Chief of Staff, Mayor's Office  
Harry Hayes, Chief Operations Officer, Mayor's Office  
Modeane Walker, Deputy Director, Human Resources Department  
Shannan Nobles, Chief Deputy City Controller, Office of the City Controller  
Courtney Smith, City Auditor, Office of the City Controller

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## *EXECUTIVE SUMMARY*

### *INTRODUCTION*

The Office of the City Controller's Audit Division (AD) has completed a Performance Audit of the Human Resources (HR) Department's temporary personnel services. The audit considered compliance with City of Houston's temporary personnel services contracts, policies and the efficiency and effectiveness of internal controls. The audit was included in the Fiscal Year 2019 (FY2019) Audit Plan and was a result of our Enterprise Risk Assessment process.

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### *BACKGROUND*

The City of Houston (City), like many corporations today is utilizing temporary personnel services companies for its part-time staffing needs. Industry analysis have shown that by using these temporary personnel services companies, there are noted cost savings. Additionally, by bringing in temporary staff to handle the extra workload, full-time employees can continue to focus on their main job tasks, while maintaining productivity. The use of temporary employees gives the City a chance to "try-out" employees before making a permanent offer of employment. It also provides time to identify any weaknesses that may not be identified in the interview process.

The Human Resources Department's Contingent Workforce Services program administers the temporary staffing that is utilized by all City departments and is a vital component of staffing strategies for peak loads, pilot programs, grants, City-wide events, and special needs. The City uses 300-500 temporary employees at any given time in diverse classifications, including professional/technical, information technology (IT), administrative, and service/maintenance positions. Through a competitive process, the City contracted with nine temporary personnel services vendors, which provide temporary employees qualified in information technology, administrative, and industrial fields<sup>1</sup>. Temporary employees may also be hired through a Payrolling process, where the City refers personnel to the Agency for placement in temporary job assignments within City departments. The agency charges the City a reduced rate for Payrolling personnel. With the use of the Payrolling process, the City saved over \$750,000 in temporary personnel expenditures in FY2018.

Human Resources uses a cloud-based software from Genesis Networks Enterprises for the City's contingent workforce. This system allows HR to capture temporary staff hours worked, pay rates, and each agency's mark-ups for services, as outlined in the applicable contracts.

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<sup>1</sup> Human Resources 2017 Department Overview



Office of the City Controller

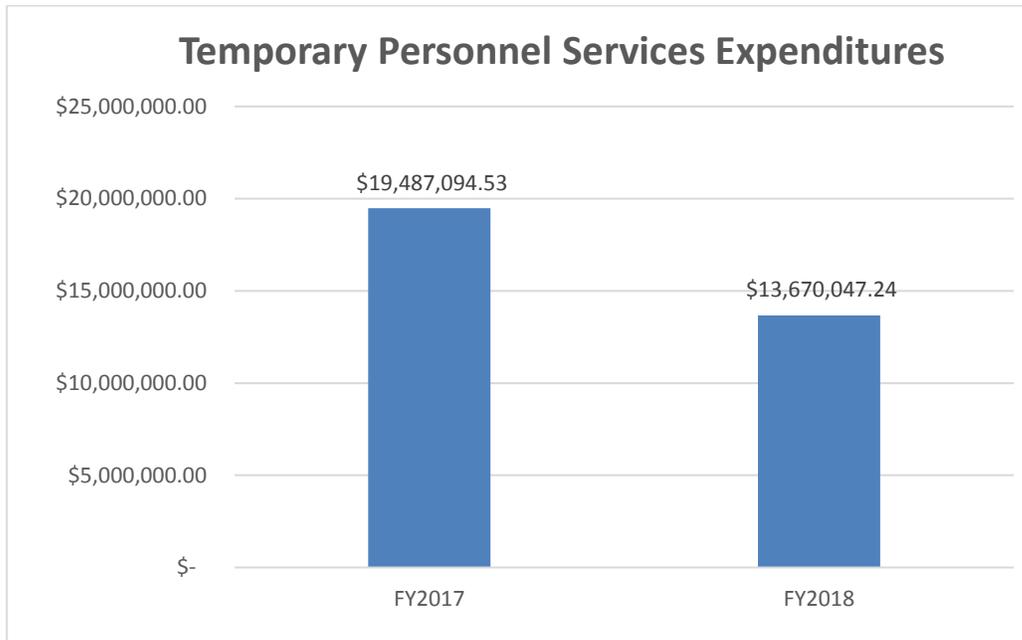
Audit Division

The system also creates invoices on behalf of each agency, and updates the City’s accounts payables and general ledger automatically in SAP.

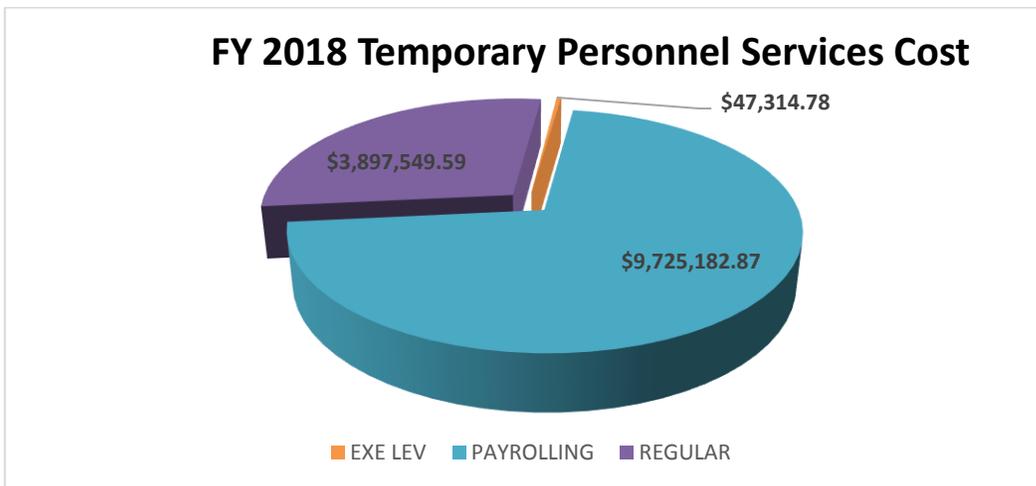
**Fiscal Years (FY) 2017 and 2018 Temporary Personnel Services Data**

The City spent over \$19.4 million dollars in FY2017 and over \$13.6 million in FY2018 for temporary staff with the nine contracted agencies. See Table 1 below.

**TABLE 1**



**TABLE 2**



### ***AUDIT SCOPE AND OBJECTIVES***

Our original objective was broadly defined to encompass internal controls and processes related to contract compliance with contract rates and terms, billing accuracy, and change order processes. After conducting our initial research based on ordinances, policies, and discussions with key personnel to gain an understanding of the processes under review, we did not refine our audit objective further. The audit scope included policies, procedures, transactions, and other relevant activities that occurred during FY2017 and FY2018.

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### ***PROCEDURES PERFORMED***

To obtain sufficient evidence to achieve audit objectives and support our conclusions, we performed the following:

- Communicated with HR division management, staff, and finance personnel;
  - Conducted initial interviews to determine roles and responsibilities;
  - Obtained and reviewed applicable City ordinances, administrative policies, and vendor contracts;
  - Performed site visits at a sample of temporary personnel services agencies;
  - Performed a risk assessment and reviewed process control flowcharts;
  - Developed an audit work program;
  - Obtained and reviewed transaction data from the Fieldglass software system;
  - Reviewed payroll data at three agency sites; and
  - Performed substantive testing and documented the results of invoices for temporary personnel hired by the City.
- 

### ***AUDIT METHODOLOGY***

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. 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.

The scope of our work did not constitute an evaluation of the overall internal control structure of HR. Management is responsible for establishing and maintaining a system of internal controls to ensure that City assets are safeguarded; financial activity is accurately reported and reliable; and management and employees are in compliance with laws, regulations, and policies and procedures. The objectives are to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

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### ***CONCLUSIONS AND SIGNIFICANT ISSUES***

We believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards. Each conclusion is aligned with the related Audit Objective for consistency and reference. For detailed findings, recommendations, management responses, comments and assessment of responses see the “Detailed Findings, Recommendations, Management Responses, and Assessment of Responses” section of this report.

The Audit Division recognizes that HR’s department management has already corrected and/or implemented processes that address the audit findings, as noted in their Management Responses.

#### **CONCLUSION 1 – (AUDIT OBJECTIVE #1)**

Based on audit procedures performed, we determined that HR’s management of the Contingent Workforce Services program has developed and implemented functional process flowcharts, policies, and procedures that are very effective in ensuring appropriate internal controls related to the management of temporary personnel services. The assigned management is exceptional and their oversight of the process of internal controls, monthly reporting, and account reconciliations are also functioning at a very high standard. However, we noted a need to strengthen internal controls over the temporary staff termination process. (See Finding #2)

#### **CONCLUSION 2 – (AUDIT OBJECTIVE #2)**

Based on audit procedures performed, we determined that HR’s management of the Contingent Workforce Services program has implemented processes to facilitate monitoring and oversight of contract compliance with personnel agencies providing temporary staff to the City. However, there is a need to strengthen controls over the temporary personnel agencies’ random drug testing program for safety impact positions to ensure compliance with established contracts and City executive orders. (See Finding #1)

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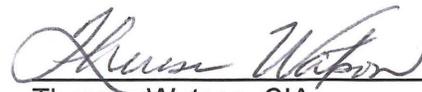


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**ACKNOWLEDGMENT AND SIGNATURES**

The Audit Team would like to thank the management and staff of HR for their cooperation, time, and efforts throughout the course of the engagement. We would also like to thank HR management for their proactive approach to risk management, and timely remediation of audit findings by correcting issues once identified.

  
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David Baszile  
Assistant City Auditor III

  
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Theresa Watson, CIA  
Audit Manager

  
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Courtney E. Smith, CPA, CIA, CFE  
City Auditor

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***DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, AND ASSESSMENT OF RESPONSES***

**FINDING #1 – RANDOM DRUG TESTING OF SAFETY IMPACT POSITIONS NOT PERFORMED  
(RISK RATING = MED)**

**BACKGROUND:**

The “Mayor’s Drug Detection and Deterrence Procedures for Contractors”, Executive Order 1-31, section 7.1.1, requires that all City contractors implement an ongoing employee random selection testing program for safety impact positions, ensuring to include at least 25% of applicable employees each year. “These procedures are based on the City’s commitment to maintain a safe, healthful and productive work environment for all employees and contractors, and to ensure the safe and efficient delivery of contracted services to citizens of the City of Houston.”<sup>2</sup> One of the main objectives of this policy is to implement procedures to facilitate a drug-free work environment at the City.

**FINDING:**

We reviewed three (3) of the nine (9) temporary personnel services contractors and found that random drug testing on current temporary employees working with the City in safety impact positions were not being performed. In addition, the Drug Policy Compliance Declaration forms were not being submitted semi-annually, as required by *Executive Order 1-31*, section 8.5.1.

**RECOMMENDATION:**

We recommend that The Human Resources Department’s Contingent Workforce Services program’s contract compliance staff develop procedures to facilitate monitoring of temporary personnel agencies’ compliance with Executive Order 1-31.

**HR’S MANAGEMENT RESPONSE:**

The Human Resources Department has defined an internal procedure for maintaining compliance in random drug testing of employees in safety impact positions. The written procedure is on file in the Human Resources Department.

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<sup>2</sup> City of Houston Executive Order 1-31 Revised, approved March 1, 1995, “Mayor’s Drug Detection and Deterrence Procedures for Contractors.”

**RESPONSIBLE PARTY:**

Administrative Coordinator, as HR contact.  
Monitoring and maintenance of records will be handled by the Drug Testing section of the Risk Management Division.

**ESTIMATED DATE OF COMPLETION:**

Current vendors have been asked to submit declarations for drug compliance or certification of no safety impact positions for 2014, 2015, 2016, and 2017. Moving forward, vendors must submit a declaration or certification on or by January 1<sup>st</sup> and July 1<sup>st</sup> of each year.

**ASSESSMENT OF RESPONSE:**

Management response, as presented sufficiently addresses issues identified and corrective actions are appropriate.

**FINDING #2 – NO DOCUMENTATION THAT TERMINATED TEMPORARY PERSONNEL ACCESS BADGES WERE RETRIEVED  
(RISK RATING = HIGH)**

**BACKGROUND:**

The City of Houston issues ID badges to employees and temporary personnel for employee identification, building access, and overall staff safety. Depending on the location and the type of assignment, some temporary personnel are assigned ID badges, which grant building access and/or City software logon access in various departments. Once the assignment is completed or if the temporary personnel decides to terminate early, their access badge should be collected and their software access terminated. In many cases, the hiring City manager is responsible for retrieving ID badges and notifying the Houston Information Technology Services department (HITS) staff, when the assignment is complete, or if the personnel terminates early on their own accord, the temporary personnel service agency is expected to retrieve the ID badge and notify the applicable hiring manager to ensure that access is terminated to City buildings and software systems.

**FINDING:**

We reviewed three (3) of the nine (9) temporary personnel services contractors and found that there was no documented evidence that terminated personnel ID badges were retrieved by the applicable temporary personnel services agency or the City of Houston hiring managers.

**RECOMMENDATION:**

We recommend that The Human Resources Department's Contingent Workforce Services program management work with the Genesis Software company to develop a way for department managers to document both badge retrievals and system software access termination.

**HR'S MANAGEMENT RESPONSE:**

With the implementation of Fieldglass, an offboarding activity for badge collection was configured. The original configuration required managers to acknowledge the collection of each offboarding item separately which included badges. Due to the volume of email notifications managers received, the process was refined to group all offboarding activities into a single checklist. On February 14, 2018; approximately one year after go-live; the checklist was disabled altogether due to managers being non-responsive.

**RESPONSIBLE PARTY:**

Monitoring and maintenance of records will be handled by the Program Manager of Contingent Workforce Services.

**ESTIMATED DATE OF COMPLETION:**

On December 27<sup>th</sup>, the Program Manager engaged the vendor and requested the checklist to be reenabled. The original checklist includes the following:

1. Assets/equipment
2. Badge
3. Parking pass
4. Wipe computer
5. Reset voicemail
6. Terminate system access

**ASSESSMENT OF RESPONSE:**

Management response, as presented sufficiently addresses issues identified and corrective actions are appropriate.

**EXHIBIT 1**

**ACKNOWLEDGEMENT STATEMENT**

**HUMAN RESOURCES DEPARTMENT**

# Acknowledgement Statement

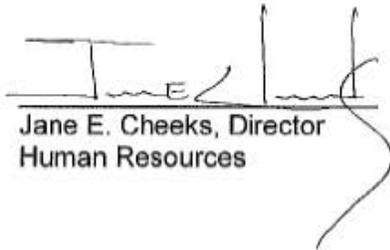
December 31, 2018

Chris B. Brown  
City Controller  
Office of the City Controller

**SUBJECT: 2019-01 – Human Resources Department (HR) –  
Temporary Personnel Services**

I acknowledge that the management responses contained in the above referenced report are those of the Human Resources Department. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,



Jane E. Cheeks, Director  
Human Resources

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