



COUNTIES OF ILLINOIS RISK MANAGEMENT AGENCY
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HR Audit Final Report

For Jackson County

A. Specific Audit Objectives

1. To determine the effectiveness of the Human Resources function as it relates to Jackson County compliance with state and federal employment regulations.
2. To analyze human resource indicators and identify any “restraining forces” that affects the county’s ability to operate effectively.
3. To identify any potential compliance issues that allows the county to defend its employment practices and policies, if challenged by any individual or agency.

B. Completed Tasks

On Thursday, October 16, 2014, Donna Rogers met in the Jackson County conference room and various other county locations from approximately 8:45-3:30 p.m. to discuss all aspects of Human Resources Management. This included a tour of the county court house as well as the highway and healthcare facilities. Forms and personnel files as well as other relevant HR documents were reviewed. Accounting Coordinator, Michelle Tweedy, answered questions and discussed county concerns throughout the day. Also, interviews were conducted with the following:

- Administrative Assistant to the Sherriff, Suzie
- Board Member, William “Bill” Alstat,
- Assistant State’s Attorney, Daniel Brenner
- Health Department, Tracy Hartung, HR Manager
- Highway Engineer, Grant Guthman

The following is a short summary to describe how HR processes and documents are maintained to include necessary processes, which seem to be in compliance.

The Health Department who has their own HR Manager seems to have the least amount of risk. Her knowledge base and depth of proactive processes are far above all other departments. Regulatory activities are not centralized for the most part, as each elected officials department

independently handles them. The county board is unsure about the department's status as it relates to compliance with state and federal employment related regulations, which affect documentation and processes.

In addition, the county is partially self-funded using a third party administrator named Consociate & Dansig from Decatur. They also have a reinsurance carrier. Therefore, COBRA Administration is not handled in-house. The FMLA administration is handled within the departments along with the assistances of the State's Attorney's office. All workers compensation leaves are handled by IPMG & CCSI third party administrators with assistance of a former employee hired as an independent contractor and paid on a per diem basis via 1099. The county board office is responsible for all payroll deductions to include benefits and retirement. Therefore, all related documentation is kept in the county board office under lock and key at all times. Open enrollment is in the month of November. Enrollment is also managed by the County board office and the benefits calendar begins December 1st of each year. The county clerk's office handles all the payroll and IMRF paperwork. Finally, investigation files are kept separate from all other documents in the county board office.

Responsibilities of Contractor

- **Review of Materials and Relevant Reports** to include HR documents such as employee handbook, and asked HR related questions about recruitment success, turnover, legal complaints, employee complaints, diversity, training & development, etc.
- **Interview some Board and Staff Members** to follow-up on questions derived from a review of the written materials.
- **Conduct on-site Inspection** to walk through various offices in three different buildings, random review of personnel files.
- **Conduct on-site Review of Findings during the audit** to communicate with Board Personnel Committee representative preliminary findings.
- **Writing of the report, based upon the findings.**
- **Submit and/or present final report to Client on or before agreed upon completion date.**

In general, the Human Resources audit entailed a review and evaluation of the following areas:

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| • Benefits administration | • Files, record maintenance and technology |
| • Communications | • Performance management |
| • Compensation/wage administration | • Promotion practices and trends |
| • Employee relations | • Recruitment, hiring and selection |
| • Employee training and development | • Staffing and organizational structure |
| • Employment policies, practices and procedures | |

When available, the following documents or records were reviewed. In certain cases, relevant documents pertaining to the function listed were requested. Generally, only a random sampling from each category was reviewed when applicable and available for review. A letter was sent in advance of what documents could be pulled for review.

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| • Benefit plans | • Employee files |
| • Compensation/incentive plans | • Employee training |
| • Employee communications | • Employment postings |
| • Employee complaints/grievances | • Exit interviews and turnover stats |
| • Employee disciplinary reports | • Interviewing and selection process |

- Job descriptions
- New hire packet
- Organizational chart
- Pay classifications
- Performance evaluations
- Policy manual/handbook
- Recruitment ads
- Time worked /overtime
- Workers compensation claims
- Workplace accident/injury investigation

Responsibilities of Client

- **Provide all relevant data and information.**
- **Provide the required access to all necessary documentation or staff member.**
- **Provide available working space** at the Client's office when space was needed to review sensitive information and to conduct staff interviews.

C. Introduction and Definition of Findings Categories

An HR audit measures HR effectiveness and efficiency and demonstrates the value of HR in helping an organization meet its strategic goals. Overall, intent among county board members and department heads to do the "right things" within the organization is commendable. Special emphasis is being placed on improving policies and procedures to make certain they comply with state and federal requirements, as well as being consistent and manageable. Many changes are suggested to improve processes and procedures as well as:

- Instill a sense of confidence in the county board and department heads that the human resources functions are well managed and prepared to meet potential challenges.
- Maintain or enhance your county's reputation in the community.
- Establish a benchmark from which to measure ongoing improvements.

The following report outlines findings and recommendations in the various aspects of the HR practices within the county. Many of these recommendations may appear to be blue-sky ideas without the budget to support them while others are very quick fixes and necessary to improve the overall effectiveness and efficiency of the HR operations. Most importantly, they maintain compliance to eliminate the possibility of severe fines or ugly time-consuming laws suits. Some are major findings and some are minor. The definitions of each are below:

A **major** finding is one that puts any one or all of the following at risk based on safety, employment law compliance, and potential complaints by employees to official offices or attorneys. Those who have a potential to be at risk are employees, county board, department heads, and the entire county. This risk could involve personal and professional damages. A major finding also includes all or most elements of a minor finding as described below.

A **minor** finding is one that would improve HR operations of the county. They are considered to be best practice in the HR field and they help maintain positive employee morale and good public service. However, there are not significant compliance concerns on the surface of the findings. Bottom line they are simply good business practice suggestions.

D. Findings and Related Recommendations

Hiring & Employment

Major Findings

1. Based on discussions, it does not appear that candidates are being notified of their rights nor signing off that the hiring managers allowing permission to contact past employers and references. Background Check form-rights under Federal Credit Reporting Act (FCRA) must be on a separate page from the authorization signature page. All new applicants as Jackson County moves forward should complete this form.
2. An Affirmative Action Plan is required for entities, which receive federal funds. Jackson County does not have such a plan.
3. Medical documentation was found in various departments' personnel files such as notes from doctors containing diagnoses, health insurance forms, and workers compensation forms. Private Health Information of an employee is protected information and should be maintained in a separate file rather than with all other personnel and hiring documentation.
4. There was an in-depth discussion about nepotism and romance in the workplace. Department heads are notorious for hiring family or friends of family and there is speculation among some county workers that fair and equitable treatment may be in jeopardy. This is not uncommon in political offices across the country. It is advisable to consider a policy whereas employees with a close family or romantic relationship should not be making employment related decisions such as pay, promotion, transfer, etc. The reason this is a major concern is when decisions are made in favor of a candidate or employee that is a family member or one with a romantic relationship that is to the detriment of a more qualified person a discrimination claim might come to light. The other issue with romance in the workplace is the potential for a disgruntled relationship post a consensual one that becomes a sexual harassment claim.
5. The only department that appeared to be doing pre-employment drug testing was the Health Department. All other county departments who are not conducting same is at risk for safety and security concerns as it relates to employees who come to work impaired. The community is typically aware of what employer's drug test and which do not. Those who do not typically have a higher percentage of employees who are addicts thus leaving the county open to risk.
6. Employment applications do not appear to contain the most up-to-date language related to "expunged" records for persons with criminal convictions. *"Have you ever been convicted of a felony, or a misdemeanor involving any violent act, use or possession of a weapon or act of dishonesty for which the record has not been sealed or expunged?"* In addition, the date of birth is requested as well as the date of diplomas and degrees earned which could give candidate age away. This practice leaves the county open for Age Discrimination in Employment (ADEA) complaints.

Minor Findings

From an observational standpoint, it may be difficult to hire and retain employees of the younger generation due to lack of technological support of processes and procedures in most areas. Employment-related processes at a minimum seem to be very manual which will be difficult for the "always on" millennial generation who is expected to make up 75% of the workforce by the year 2025.

Compensation and Benefits

Major Findings

1. All positions appear to lack job grades, ranking system and salary ranges. For example (but not limited to), a clerical position in one department may make something completely different from another. This could lead to potential discrimination complaints among employees throughout the county who essentially do the same thing in various departments. Due to this, a cursory exemption, gender, and protected class audit was not possible. I recommend a thorough investigation in this area to determine potential for equal pay and pay discrimination risk. A market comparison can be performed to establish job grades and salary ranges.
2. Summary Plan Description's (SPD) do not appear to be posted annually nor did some personnel know what that was or who is responsible for communicating with the employee.
3. Based on a preliminary discussion about exemption status is determined for each position to be in compliance with the Fair Labor Standards Act overtime provision, it is unsure that all positions are appropriately coded. If there are any exempt (referred to as salaried) personnel incorrectly classified this could leave the county and departments open for department of labor back pay fines for employees who are not being compensated in compensation time or overtime pay appropriately. I recommend a complete exemption status audit be performed to minimize risk.

Minor Findings

Based on discussions, performance reviews are not conducted. Develop a standard for conducting performance reviews to improve timeliness and develop a process to ensure these standards are being met. The same "always on" generation mentioned above who will make up 75% of the workforce in just 11 years is also 50% more needy of management feedback than any other generation.

Job Descriptions

No Major or Minor Findings in this section

Workers Compensation Program

Major Findings

Although it was initially reported that all Workers Compensation files were kept in the board office for all county employees, something different was discovered in one of the departments. Within the highway department, workers compensation documentation as well as general medical documents were maintained within the main personnel file. Essentially, there is one file per employee and everything is maintained there whereas workers compensation should be kept separate.

Personnel File Review

Major Findings

1. Immigration form I-9 is completed in the various departments and sent to the county clerk's office. However, through conversation, it was discovered that the forms are within the personnel files, but should be filed by themselves. In addition, the county is not signing off as verifying the documents proving legal right to work in the United States are legitimate. As a result, all current I-9s will need to be shredded and new I-9s will need to be completed by all employees and employer and refiled.
2. The personnel files at the Highway Department facility are left unlocked. This is of major concern due to numerous facilities having been robbed of such documentation for sale on the black market for identity theft purposes. The department was amenable to changing.

3. We discussed the retention schedule for active versus terminated personnel files which may be kept together and should be separated for ease of purging based on federal and government records regulations.
4. Some documents still have Social Security numbers on them and when asked how they were used, the response did not provide me with solid feeling of a real need for the information. Identity theft within organizations are at an all-time high and employers risk file management negligence if an employee or past employee's protected information is obtained from the company with no real job related reason to maintain.

No Minor Findings in this section

HR Administration

Major Findings

1. Family Medical Leave Act (FMLA) time is not administered or tracked using appropriate department of labor documentation. Basically, department heads have not been trained on how to manage the process and since all departments handle absence management separately there is less chance for consistency. Department heads should be trained on how to identify all types of time that could be counted as FMLA (both consecutive and intermittent). The HRIS (payroll system) should set up with codes to identify all types of time off. This will allow the company to be more proactive, if employees tend to take more time off in a year than required to allow.
2. Posters in some buildings are not up-to-date and completely thorough. I noticed some as old as 2007 and there have been several state and federal changes since then. The federal and state posters page should be consulted on a regular basis to ensure every required poster is up at all times for all employees to see in every building. There are some posters requiring specialized contact information which were blank. These need to be kept up-to-date as well. The blanks are there for a reason.

No Minor Findings in this section

Policies and Procedures

Major Findings

1. A cursory review of the County Board Employee handbook shows a need for updating. The Legislative committee is considering implementing a unified employee handbook should the departments agree to support. There were a few policies I recommended to be expanded upon as well as some that were missing. Specifically, remove the word "probationary" throughout the document and replace it with "introductory" which minimized the promise of pay if released early. Add Gun, Pregnancy, and Lactation room policies related to new state and federal regulation requirements.
2. The most troubling concern is that nearly every department has their own set of "policies and procedures" which were not up-to-date (less than 3 years old is recommended) and like the County Board draft mentioned above, they were not in compliance with state and federal regulations. This not only can be a compliance issue, but it can lead to low morale and appearance of unfair treatment across the county.

No Minor Findings in this section

E. Resources

<http://www.osha.gov/>
<http://www.dol.gov/>
<http://www.dol.gov/elaws/posters.htm>

<http://www.state.il.us/Agency/idol/>
<http://www.state.il.us/agency/idol/Posters/poster.htm>
<http://www.shrm.org/templatestools/hrqa/pages/whatshouldiexpectfromadolaudit.aspx>
<http://www.shrm.org/templatestools/toolkits/pages/humanresourceaudits.aspx>

F. Overall Recommendations

As suggested, each finding and recommendation in section “D” above should be followed through on in order to bring each major item into compliance. The board should review each minor finding to determine if they agree to the recommendation. Department heads can and should take each of the findings seriously, as it relates to how they are operating their own departments. To summarize findings and recommendations mentioned above briefly, the following should be a high priority as they are listed as major findings:

1. Incorporate Fair Credit Reporting Act forms and procedures into the hiring process as it relates to any and all types of background checks (not just those related to credit).
2. Develop and maintain an Affirmative Action Plan.
3. Remove medical documentation from all personnel files.
4. Conduct a cross county job and pay audit to include discrimination risk as it relates to Equal Pay Act and Fair Labor Standards Act.
5. Pull I-9 Forms out of all personnel files and ensure every employee has completed and the county has signed off on having personally reviewed original required documentation.
6. Lock and limit access to all personnel files (active and terminated) at all times and in all locations.
7. Train appropriate personnel on how to administer and track Family Medical Leave Act time off using required department of labor forms.
8. Ensure all required state and federal employment posters in every building are up-to-date and maintained in a location that all employees visit frequently. When employees are on the road, copies of these documents should be kept in county vehicles or on county worksites.
9. Update and maintain all employment policies to comply with all state and federal regulations.

Overall, HR policies and functions for all departments should be consolidated under the county board since the county board is who faces the liability if their county is not in compliance with state and federal regulations. It is common for employees and their representatives to name both the county board in the complaint and the department heads and co-workers. Thus, compliance with this recommendation is imperative to minimize risk for all who are involved in employment related decisions across the county.

In addition, I recommend a more in-depth audit of some areas where findings were not found or were minimal findings were noted due to limited time to review everything employment related all in one day.

Finally, the Society of Human Resources Management recommends employers are proactive to be fully prepared for an agency audit by following the steps below:

To be proactive, employers should consider routine self-audits, which consists of the following steps:

- Review job descriptions.
- Understand the differences, fines, and legal criminal and financial risks related to federal and state laws and ensure that the laws are correctly applied to employees. County board and department heads could benefit from some training in this area.
- Ensure that FLSA classifications are correct.
- Keep accurate payroll records.

- Apply policies consistently.
- Make sure all records are complete and work to resolve any inconsistencies.
- Determine how to address any areas of concern identified via the self-audit.
- Foster a climate of continuous improvement

At the conclusion of the audit, county leaders must engage in constant observation and continuous improvement of the county's policies, procedures and practices so that the county keeps improving. One way to do this is to actively monitor HR systems to ensure that they are up-to-date and to have follow-up mechanisms built into each one of them.

One approach is to designate someone on staff to monitor legal developments to ensure that HR policies and practices are kept current. Likewise, departments and the county board should keep track of the audit findings and changes made, turnover, complaints filed, hotline issues, and employee survey results to identify trends in the county's employment-related issues. Identifying problematic issues, growth areas or declining problem spots can help in the decision of where to allocate time, money and preventive training resources in the future.