



Department of Education

Internal Audit

Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review

Issue Date: November 2012

Report Number: 2012-02

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Executive Summary

REVIEW OF: Casual Hire Personnel Recruitment, Hiring & Payroll Processes	DATE: Fieldwork performed July 2012 – October 2012	REVIEW RATING: Acceptable [] Marginal [] Unacceptable [X]
---	---	---

BACKGROUND:

In connection with the Department of Education’s (DOE) Approved Risk Assessment & Audit Plan dated April 17, 2012, Internal Audit (IA) performed a “*Casual Hire Recruitment & Hiring Review.*” The purpose of this project was to review, evaluate and test the design and operating effectiveness of the Department’s recruiting and hiring process for casual hire personnel and to provide recommendations based on leading practices to improve the efficiency and effectiveness of the processes. On September 4, 2012, the Audit committee approved the inclusion of the casual payroll portion to the review. This review is now referred to as the *Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*

Casual hire personnel are part-time, non-salaried employees compensated based on a daily or hourly rate for the work performed. There were approximately 22,000 casual hire personnel working for the DOE between July 1, 2011 – June 30, 2012.

There are a variety of casual hire personnel:

- **Classified Casual Personnel**
 - Substitutes
 - Adult Supervisors
 - Classroom Cleaners
 - Meal Count Assistants
 - Para-Professional Tutors
 - Student Helpers
- **Certificated Casual Personnel**
 - Part-Time Teachers
 - Substitute EO
- **Athletics**
 - High School Coaches
 - Intramural Supervisors
- **Temporary Contract Employees**
- **Substitute Teachers**
- **89-day Hires**

Policies and procedures are kept on DOE Office of Human Resources (OHR) forms and on the Information System Services Branch (ISSB) website for Casual Personnel and Casual Payroll. Updates to these guidelines are communicated via DOE Memos and Notices Database on Lotus Notes. Through research and discussion with Management, IA identified Chapter 7 of Title 8, Hawaii Administrative Rules (HAR), entitled “*Public School Personnel: Criminal History Record, Employment History, and Background Checks*”, as well as federal and state laws governing hiring practices (such as federal laws prohibiting discriminatory employment practices with respect to race, color, religion, sex, or national origin), and employment requirements (such as the Hawaii Revised Statutes (HRS) 78-1c, which requires that all public employees become residents of the State of Hawaii within thirty (30) days after beginning their employment) as the main regulatory guidance.

The Personnel Management Branch (PMB) is one of three branches within OHR. This branch handles the recruitment and hiring of the Department of Education employees, including the classification of each employee, background checks, and HQ status. Kerry Tom is the Acting Director of the PMB and a Personnel Specialist for the Recruitment and Employment Section.

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Executive Summary

Casual hire personnel are recruited and hired at the school/office level. The Principal or Administrator is the authority responsible for the hiring, employment and reporting of the casual hire employees under their authority. The Principal or Administrator can appoint a designee, which is usually the School Administrative Services Assistant (SASA), Clerk or Secretary to enter the casual hire employees into the Casual Personnel System and maintain and submit the required personnel documents to OHR. The casual hire employee is not allowed to start work until the employee background check (EBC) process is completed and the individual is cleared for employment by OHR. All new employees to the DOE must supply a fingerprint to initiate the EBC process which can take a minimum of two (2) days to two (2) months to complete.

Once an employee has received clearance by OHR, their information is transferred to the Casual Payroll System. After the casual hire employee starts work, the designee appointed by the Principal or Administrator records the casual hire employee's hours in the Casual Payroll System by pay period for payment. The designee prints out a "Principal's Report" after each pay period to review the employees and hours entered and the Principal or Administrator reviews and signs the report to authorize the payment.

Casual hire employees are all terminated at the end of each fiscal year and if they are rehired for the next school year, their records must be reentered by the school/office.

SCOPE and OBJECTIVES:

The scope of our review included an examination of OHR's recruitment and hiring process for casual hires. We reviewed the design and operating effectiveness of the existing control procedures in place for the hiring process of casual hire personnel and casual payroll. The scope of our review specifically focused on the processes related to the following subcategories:

1. Classified Casual Hire Personnel
2. Certificated Casual Hire Personnel
3. Temporary Contract Employees
4. Athletic Coaches

This review excluded Substitute Teachers and 89-day hires because they are not a part of the Casual Hire Personnel System.

Data for casual hire testing was obtained from the Casual Payroll System and consisted of casual payroll payments between July 1, 2011 – June 30, 2012, totaling \$90,672,284.50. This excluded stipends, 89-day hires and charter school casual payroll payments.

The primary objective of this engagement were:

1. To review, evaluate and test the design and operating effectiveness of the Department's recruiting and hiring process for casual hire personnel and the casual payroll process based on leading practices.
2. To ensure that the Department's Casual Hire Personnel and Casual Payroll policies and procedures have been updated and communicated to the field.
3. To ensure that the schools/offices are in compliance with the Department's Casual Hire Personnel and Casual Payroll policies and procedures:
 - a. Necessary paperwork has been collected from the employee
 - b. Employee's information is valid and has been inputted correctly in to the Casual Hire Personnel system

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Executive Summary

- c. Employee has had the proper background check/fingerprinting prior to start date
- d. Employee has met minimum qualifications for position prior to start date, if applicable to position (this would ensure that the proper pay rate/title are correct)
- 4. To ensure that schools/offices are in compliance with the Department's Casual Payroll policies and procedures:
 - a. Timesheets were being completed
 - b. Employee's hours and pay rate were correctly stated in the Casual Payroll system
 - c. Employees did not exceed the maximum number of hours worked per week for a casual employee
 - d. Principal or Administrator has thoroughly reviewed the employees and hours entered in to the Casual Payroll system before approving/authorizing payment
- 5. To provide recommendations to improve and enhance the effectiveness and efficiency of the casual hire personnel recruitment, hiring and payroll processes.

OBSERVATIONS:

Based upon our review, we found the DOE's controls related to the Casual Hire and Casual Payroll operations are functioning at an "unacceptable" level. An unacceptable rating indicates that significant deficiencies exist which could lead to material financial loss to the auditable area and potentially to the DOE. Corrective action should be a high priority of management and may require significant amounts of time and resources to implement.

Please refer to the Risk Ratings section of this report for a complete definition of the ratings used by IA and the Observations and Recommendations section for a detailed description of our findings.

We discussed our preliminary findings and recommendations with management and they were receptive to our findings and agreed to consider our recommendations for implementation. In addition, we provided management with some leading practice recommendations that could help to improve efficiencies and strengthen processes.

Each observation presented in this report is followed by specific recommendations that will help to ensure that control gaps are addressed and, if enforced and monitored, will mitigate the control weaknesses. In summary, our audit observations are as follows:

- 1. Lack of current and accessible casual hire personnel and casual payroll policies and procedures.
- 2. Lack of oversight, monitoring and accountability at the school/office level
- 3. Lack of oversight, monitoring and accountability of the casual hire process
- 4. Insufficient controls in the casual payroll system
- 5. Proper casual hire employee applications and supporting documents are not always submitted or retained.

PLANNED FOLLOW UP BY MANAGEMENT AND INTERNAL AUDIT:

IA will follow up with management on their progress of completion for their action plans, and report accordingly through the audit committee quarterly updates.

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Rating Scale Definitions

OVERALL RATING SCALE	
<i>Acceptable</i>	No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department.
<i>Marginal</i>	Potential for loss to the auditable unit/department and ultimately to the DOE. Indicates a number of observations, more serious in nature related to the control environment. Some improvement is needed to bring the unit to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status.
<i>Unacceptable</i>	Significant deficiencies exist which could lead to material financial loss to the auditable unit/department and potentially to the DOE. Corrective action should be a high priority of management and may require significant amounts of time and resources to implement.

OBSERVATION RATING SCALE	
<i>High (1)</i>	<p>1 - The impact of the finding is <i>material</i>¹ and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"> ➤ A material misstatement of the DOE’s financial statements could occur; ➤ The DOE’s business objectives, processes, financial results or image could be materially impaired; ➤ The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are material to the DOE’s financial performance, operations or image. <p><i>Immediate action is recommended to mitigate the DOE’s exposure</i></p>
<i>Moderate (2)</i>	<p>2 - The impact of the finding is <i>significant</i>¹ and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"> ➤ A significant misstatement of the DOE’s financial statements could occur; ➤ The DOE’s business objectives, processes, financial performance or image could be notably impaired; ➤ The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are significant to the DOE’s financial performance, operations or image. <p><i>Corrective action by management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p>
<i>Low (3)</i>	<p>3 – The impact of the finding is moderate and the probability of an event resulting in loss is possible.</p> <p><i>Action is recommended to limit further deterioration of controls.</i></p>

¹ The applications of these terms are consistent with the guidelines provided by the Institute of Internal Auditors.

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

The detailed observations noted herein were based on work performed by IA through the last date of fieldwork and are generally focused on internal controls and enhancing the effectiveness of processes for future organizational benefit.

Obs. No.	Description	Page #
1	Lack of current and accessible casual hire personnel and casual payroll policies and procedures	6-7
2	Lack of oversight, monitoring and accountability at the school/office level	8-9
3	Lack of oversight, monitoring and accountability of the casual hire process	10-12
4	Insufficient controls in the casual payroll system	13-14
5	Proper casual hire employee applications and supporting documents are not always submitted or retained	15-16

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Observation Number: 1	
Observation: Lack of current and accessible casual hire personnel and casual payroll policies and procedures	Rating: Moderate
<p>Casual hire personnel and casual payroll policies for classified and certificated employees are documented in user manuals provided online at http://www.issb.k12.hi.us and provide technical assistance in using the systems.</p> <p>The policies and procedures that govern the hiring and payroll processes for the various casual hire positions are also provided online but are unclear, as not all of them have been updated. In addition, any changes or updates to these policies and procedures are communicated to staff through interoffice memos via email or Lotus Notes. These various forms of communicating the guidance to the field make it difficult to obtain clear and updated information in one centralized area.</p> <p>The following are internal control issues related to the current process:</p> <ul style="list-style-type: none"> • Policies and procedures are not updated to reflect current procedures and current forms created and required by the Office of Human Resources (OHR). • There is no centralized location for the policies and procedures as new memos and forms are not always posted on the ISSB website. • There is no policy or procedure governing the recruitment process of casual hire personnel. Therefore, schools and offices can hire a casual hire employee without justification and with less regulation than hiring a salaried employee. • Schools and offices are not being trained on new policies and procedures. IA sent out a questionnaire regarding internal controls related to casual hire employees and casual payroll to approximately 130 schools/offices and 121 schools/offices responded. The results indicated that many schools/offices were inconsistent in their process of hiring and payroll processing of casual hire employees. Also, 37% of schools/offices felt they are not provided with adequate policies and procedures related to the hiring and payroll processing of casual hire employees. 	
Impact	
<p>The lack of accessibility to current casual personnel and casual payroll policies and procedures may lead to:</p> <ul style="list-style-type: none"> ➤ Possible unqualified casual hire employee in a position. ➤ Excessive number of casual employees being hired instead of filling salaried positions. ➤ Lack of proper documentation for casual employees. ➤ Possible employees without a proper background check working for the DOE. ➤ Possible violation of Federal and State employment laws. ➤ Possible unauthorized hiring of a casual hire employee. 	
Recommendation	
<p>Recommendations for the lack of current and accessible casual personnel and casual payroll policies and procedures include:</p> <ul style="list-style-type: none"> ➤ Management should create new standardized policies, procedures and forms and place them in a centrally located area for schools and offices to access. <ul style="list-style-type: none"> ○ This should include creating new standardized applications that incorporate authorization of hiring by the administrator/supervisor and justification for hiring of a casual employee. ○ Policies and procedures should also address recruitment processes. The procedures 	

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

should be detailed for the different types of casual employees (classified, certificated, temporary contract employees, etc.) and should clearly define position requirements, if required.

- The manual should also include flowcharts, checklists and deadlines as quick references to the field.
- Training should be given to the field on the procedures and policies.
- Management should also continuously revisit these policies and procedures for any changes or updates.
- Management may consider creating regular salaried positions to eliminate excessive hiring of casual hire positions.
- Management may consider consolidating various casual hire positions and combining job descriptions.
- An official “Change of Personnel Information Form” should be used for any requests to change name, address, org ID, program ID, etc. for the casual employee. This form should be approved by the Administrator and should be filed with OHR.

Management Plan

The Office of Human Resources (OHR) is doing a comprehensive review of the casual hire process, which will be completed by the end of November 2012. By December 31, 2012, updated procedures will be in place.

Contact Person: Kerry Tom, Acting Director, Personnel Management Branch

Anticipated Completion Date: December 31, 2012

Responsible Office

OHR

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Observation Number: 2		
Observation: Lack of oversight, monitoring and accountability at the school/office level		Rating: High
<p>The following are internal control design issues related to the processing and monitoring of casual employees at the school/office level:</p>		
<p>1. Lack of segregation of duties</p> <p>Proper segregation of duties is a key control point in order to prevent fraud and abuse from the actions of one person. Recruitment, hiring and payroll processing for casual hire employees is at the school/office level; therefore, it is very important that proper segregation of duties is enforced.</p> <p>IA reviewed 121 questionnaires throughout the field regarding internal controls related to casual hire and casual payroll and noted that 74% of schools/offices questioned did not have segregation between the employee who enters the casual hire employee into the Casual Personnel System, the employee who enters the hours worked into the Casual Payroll System and the employee who distributes the paychecks. IA noted that 50% of the schools/offices that did not have segregation of duties were elementary schools and offices who do not always have a clerk to assist the Secretary or SASA. IA also noted that 38% of the schools/offices questioned did not have a paycheck “sign-off” sheet to indicate that the employee received their paycheck.</p>		
<p>2. Lack of monitoring of casual hire personnel and payroll processes</p> <p>Due to the lack of segregation of duties at the school/office level, it is very important that the Principal/Administrator properly review and monitor the casual hire employee and casual payroll documents. The Principal or Administrator is the authority responsible for the hiring, employment and reporting of the casual hire employees under their authority. IA has noted that the casual payroll procedures do not address timesheet requirements and that the DOE does not have a standardized timesheet for employees to use.</p> <p>IA selected a sample size of 213 casual hire employees which included 271 various casual hire positions (one employee can have multiple casual hire positions), 387 pay periods and 2,942 work days tested. IA collected casual hire personnel documents as well as casual hire employee payroll documents for the selected employees from the schools/offices. IA noted the following exceptions:</p>		
Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size
Application not approved by Principal/Administrator	9/271	3.3%
“Principal’s Report” not approved by Principal/Administrator	19/387	4.9%
Form I-9 not approved by Administrator or Designee	5/271	1.8%
Employee did not have a timesheet for a pay period worked.	15/387	3.9%
Employee did not have a “Principal’s Report” for a pay period worked.	23/387	5.9%

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Instances of hours recorded in the Casual Payroll System were different from hours recorded on the respective timesheet. This resulted in an overpayment of 54.75 hours.	50/2,942	1.7%
Instances of hours recorded in the Casual Payroll System were entered on a different date compared to the respective timesheet.	21/2,942	0.7%

Impact

- The lack of oversight, monitoring and accountability at the school/office level may lead to:
- Possible unauthorized hiring of a casual hire employee.
 - Possible fictitious creation of a casual hire employee.
 - Possible fictitious hours being paid to a casual hire employee.
 - Possible loss of funds by the DOE due to overpayment of hours.
 - Possible fictitious hours being entered into the Casual Payroll System so employees can work over their maximum weekly hour limit and deferring their hours to the next pay period, thus requiring the DOE to pay them benefits.
 - Possible violation of Federal employment laws.

Recommendation

- Recommendations for the lack of oversight, monitoring and accountability at the school/office level include:
- Management may consider recentralizing the Casual Hire function and having the schools/offices only perform the Casual payroll function.
 - Management may also want to consider requiring all casual hire employees to participate in the direct deposit program.
 - Management should create standardized timesheets that require approval by supervisors. The DOE should also continue consideration of implementing the time clock project.
 - The “Principal’s Report” should also be updated to be easier to read by the administrator and an electronic format to obtain an electronic signature after review should be considered.
 - The Principal/Administrator should also periodically compare timesheets to the “Principal’s Report” as part of their review process before signing.
 - Complex Area Business Managers may consider periodically monitoring and testing the casual hiring and personnel forms for approvals at least once a year.

Management Plan

The Office of Human Resources plans to address the casual personnel documentation issues in the next iteration of procedures, which shall be completed at the end of December 2012. The Office of Human Resources (OHR) in conjunction with the Office of Information Technology (OITS) plan to have meetings to review what would be required to put further restrictions on the casual payroll system. Current options available in this effort are to maximize the current capabilities of legacy technical systems while simultaneously exploring using eHR for future casual personnel transactions. Initial meetings with OITS will occur in November and December 2012.

Contact Person: Kerry Tom, Acting Director, Personnel Management Branch
 Edwin Koyama, Accounting Director, Accounting Services Branch

Anticipated Completion Date: December 31, 2012

Responsible Offices

OHR/OFS

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Observation Number: 3

Observation: Lack of oversight, monitoring and accountability of the casual hire process **Rating: High**

The following are internal control design issues related to the oversight, monitoring and accountability of the casual hire process:

1. Lack of oversight and monitoring over verification process

All casual hire employees that are entered directly in to the Casual Personnel System, except for Temporary Contract Employees must be verified by OHR. The verification process includes reviewing whether a prospective casual hire employee is qualified for the position (such as PTTs) and has cleared a background check by the Employee Background Check Unit (EBC Unit). This process can take a minimum of two (2) days to two (2) months to complete. The individual should not be allowed to start work until the employee background check process is completed and the employee is verified by OHR. However, IA noted that there is no consequence to the school/office who allows an employee to start work prior to their verification clearance.

For new casual hire employees to the DOE, supplying a fingerprint to test initiates the background check process, but does not clear an individual for employment. The EBC Unit Specialist noted that the background check of an employee includes reviewing criminal history in the State and Federal databases.

Employees exempt from the background check process include:

- Persons who have been employed continuously by the DOE on a salaried basis prior to July 1, 1990.
- Current and previously hired employees hired after July 1, 1990 who have had a background check at their initial time of hire and have not had a break in service of six (6) months or more.
- Minors under the age of 18.

IA noted, currently there are no alerts to the DOE for any changes in an employee’s criminal history status by the State and Federal databases.

IA selected a sample size of 213 casual hire employees which included 271 various casual hire positions tested. IA noted the following exceptions:

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size
School allowed employee to start working prior to their indicated hire date ¹ in the Casual Personnel System.	17/271	6.3%
School allowed employee to start working prior to OHR’s verification clearance.	101/271	37.2%

¹-Hire date is entered by the school/office when entering employee in the Casual Personnel System.

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

2. Highly Qualified Paraprofessional Requirements are not always verified

Each school/office must identify a function code for part-time teachers (PTTs) and paraprofessional tutors (PPTs) that provide “direct instruction,” “direct instructional support,” “non-core instructional duties” or “non-instructional duties” in a program. The PTTs that provide “direct instruction” must meet “No Child Left Behind” (NCLB) Highly Qualified Teacher (HQT) Status if they are teaching NCLB core subject areas. PTTs or PPTs that provide “direct instructional support” must meet NCLB – Highly Qualified (HQ) paraprofessional requirements. These function codes should be entered into the Casual Personnel System for each PTT or PPT.

IA noted that OHR does not always verify whether a PTT or PPT meets their respective HQ paraprofessional requirements for “direct instructional support” and relies on the schools/offices to check. For 4 PTTs and 20 PPTs that provided “direct instructional support,” IA was unable to determine if the employees met HQ paraprofessional requirements in their position as OHR or the school was unable to provide IA with the requested information.

Impact

The lack of oversight, monitoring and accountability of the casual hire process may lead to:

- Possible employees with criminal histories working for the DOE.
- Possible reputational exposure for DOE.
- Possible overpayment of payroll funds by hiring unqualified casual hire employees at a higher rate of pay.
- Possible loss of federal or grant funding due to the hiring of unqualified PTT/PPT type casual hire employees who do not meet the HQ requirements.

Recommendation

Recommendations for the lack of oversight, monitoring and accountability of the casual hire process include:

- OHR needs to provide stronger guidelines and better instruction to the field regarding deadlines for entering casual hires in the Casual Personnel System to allow OHR enough time to verify a casual hire employee before first day of employment.
- Schools/Offices must follow OHR’s guidelines regarding the hiring of casual hires after they are verified by OHR. Schools/offices should plan ahead to give OHR enough time to verify the casual hire employee prior to their first day of employment.
- An exception listing should be generated and reviewed by management for schools/offices that allow employees to start work prior to verification by OHR. The school/office should face consequences as determined by the Department.
- Increase in resources to the Employee Background Check Section to expedite and improve the screening of new and existing employees by having the databases check on employees electronically.
- The Department should look into an automated process which periodically compares OHR’s database of employees to the State and Federal criminal databases to get alerts for any updates in any employee’s criminal history status.
- The Department should assess the risk exposure of retaining practice of forgoing periodic updates of criminal background checks of those employed before July 1, 1990, as stipulated in HAR 8-7-4. Findings may indicate a need to pursue revision to HAR 8-7-4 and improve ability to uphold that intended, as stated in §8-7-2.
- OHR should monitor whether PTTs and PPTs who have “direct instructional support” meet their

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

HQ paraprofessional requirements. OHR should also re-train schools/offices on the reporting of different function codes and what documents are required for HQ requirements.

Management Plan

The Office of Human Resources (OHR) is currently reviewing the employee background check (EBC) process as it relates to casual employees. OHR will be testing a tracking and review process within the eHR system in December 2012, with a rollout projected to happen in January 2013. We anticipate processes will be further streamlined and timelines shortened in the casual employee verification process.

Contact Person: Kerry Tom, Acting Director, Personnel Management Branch

Anticipated Completion Date: January 2013

Responsible Office

OHR

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Observation Number: 4	
Observation: Insufficient controls in the Casual Payroll system	Rating: Moderate
<p>The Casual Payroll System is the information system that tracks casual hire employees' time worked when the data from each employee's timesheet is entered. The data is entered by the school/office that hires the casual hire employee.</p> <p>IA noted that the Casual Payroll System does not allow the user to make changes other than the following:</p> <ul style="list-style-type: none"> • Program ID changes for stipends • Old/Historical payments – allows the user to enter historical hours on prior pay periods as far back as 1996 for some casual employees. (for timesheets not previously paid) • Differential adjustments - allows the user to enter differential amounts for changes in position types and for adding more hours for a timesheet that has already been paid. <p>IA also noted that the Casual Payroll System does not block the user from entering over the maximum hours worked per week, especially if the employee is working multiple positions or if the week falls between two pay periods. In the Summer, certain exempt programs allow PTTs to work over their maximum 17 hours per week up till 35 hours. IA noted two (2) employees out of the 213 casual hire employees tested exceeded the maximum number of hours worked per week. One PTT who was not in an exempt summer school program worked over 17 hours during the Summer and the other PTT worked over their maximum 17 hours because the week fell into two pay periods.</p>	
Impact	
<p>Insufficient controls in the Casual Payroll System may lead to:</p> <ul style="list-style-type: none"> ➤ Possible fictitious hours being paid to a casual hire employee. ➤ Possible violation of Federal and State labor laws if an employee exceeds the maximum hours worked per week. 	
Recommendation	
<p>Recommendations for insufficient controls in the Casual Payroll System include:</p> <ul style="list-style-type: none"> ➤ The Casual Payroll System should require additional approvals for historical edits and for entering differentials. ➤ Management should enforce a shorter time limit for entering historical edits. ➤ The Casual Payroll System should be able to combine multiple positions for an employee and block the user from entering hours greater than the maximum weekly allowance. ➤ The Casual Payroll System should also be able to enforce maximum weekly hours even if the week falls between two pay periods. ➤ Management may consider restricting access controls to limit who can make historical edits or differentials. ➤ An exception listing of employees who work over their maximum weekly hours should be generated and reported to Management. ➤ Management may consider enforcing consequences to supervisors who allow their employees to work over the maximum hours. 	

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Management Plan

The Office of Human Resources (OHR) in conjunction with the Office of Information Technology (OITS) and the Office of Fiscal Services (OFS) plan to have meetings to review what would be required to put further restrictions on the casual payroll system. Current options available in this effort are to maximize the current capabilities of legacy technical systems while simultaneously exploring using eHR for future casual personnel transactions. Initial meetings with OITS and OFS will occur in November and December 2012.

Contact Person: Kerry Tom, Acting Director, Personnel Management Branch
Lori Chun, DP Systems Analyst, Information System Services Branch
Edwin Koyama, Accounting Director, Accounting Services Branch

Anticipated Completion Date: December 31, 2012

Responsible Offices

OHR/OITS/OFS

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Observation Number: 5

Observation: Proper casual hire employee applications and supporting documents are not always submitted or retained **Rating: High**

IA selected a sample size of 213 casual hire employees which included 271 various casual hire positions, 387 pay periods and 2,942 work days tested. IA collected casual hire personnel documents as well as casual payroll documents for the selected employees from the schools/offices. IA noted the following exceptions:

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size
Various employees' personnel forms (application, Form 90/DOE OHR 600-001, Form I-9, copy of ID and/or Social Security card and Form RSCE/DOE OHR 600-005) cannot be located at the school/office or through OHR.	107/271	39.5%
Incorrect application submitted	99/271	36.5%
Job Title on application is different from Job Title entered in the Casual Personnel System	12/271	4.4%
Form I-9 was older than three (3) years from the date hired.	18/271	6.6%
Form I-9 was not dated when signed by the employee and employer.	2/271	0.7%
Form I-9 was not signed by the employee.	1/271	0.4%

Impact

The lack of proper casual hire employee applications and supporting documents not always submitted or retained may lead to:

- Incomplete personnel information collected or retained.
- Possible violation of Federal and State employment laws.
- Possible unqualified casual hire employee in a position.
- Inability to resolve unforeseen issues with no documents to refer back to.

Department of Education
 Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Observations

Recommendation
<p>Recommendations for the lack of proper casual hire applications and supporting documents not always submitted or retained include:</p> <ul style="list-style-type: none"> ➤ Management should create new standardized policies, procedures and forms and place them in a centrally located area for schools and offices to access. <ul style="list-style-type: none"> ○ This should include creating new standardized applications that include authorization of hiring by the administrator/supervisor. ○ Procedures should also address record retention of personnel documents for casual hire employees. This should include a list of documents that the school/office should retain for each casual hire employee and how long the documents should be retained. ○ The procedures should be detailed for the different types of casual employees (classified, certificated, temporary contract employees, etc.). ○ The manual should also include flowcharts, checklists, reference matrices and deadlines as quick references to the field. ➤ Training should be given to the field on the procedures and policies. ➤ Management should also continuously revisit these policies and procedures for any changes or updates. ➤ Schools, offices and OHR should ensure that Form I-9 is fully completed and is dated within three (3) years from the date hired prior to the start date of a casual hire employee.
Management Plan
<p>The Office of Human Resources plans to address the casual personnel documentation issues in the next iteration of procedures, which shall be completed at the end of December 2012.</p> <p>Contact Person: Kerry Tom, Acting Director, Personnel Management Branch</p> <p>Anticipated Completion Date: December 31, 2012</p>
Responsible Office
OHR

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Acknowledgements

We wish to express our appreciation for the cooperation and assistance afforded to the review team by management and staff during the course of this review.

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Appendix

Forms and Documents Referred to in this Report:

<u>Form/Document No.</u>	<u>Form/Document Name</u>
Form HRD 278 (Rev 6/2004)	Application for Exempt Employment
Form 150 (Rev 1/2005)	Application for Part-Time Teacher Position
Form 435	Application for High School Coaching Allotments
Form 435B	Request for Replacement, Deletion, or Addition of Coaches and/or Addition to Other List of Services Related to the Athletic Program
Form 15Z/DOE OHR 200-007	Temporary Contract Employee Contract
Form RSCE/DOE OHR 600-005	Retired State/County Employee Application
Form 90/DOE OHR 600-001	Employment Suitability Check for DOE Employees and Institute of Higher Education Trainees
Form I-9	Employment Eligibility Verification

Hawaii Statutes and Administrative Rules Referred to in this Report:

<u>Statute/Admin Rule No.</u>	<u>Statute/Administrative Rule</u>
HAR 8-7-2	<p>General rule.</p> <p>(a) Employees and applicants who work in close proximity to children shall be of reputable and responsible character. (b) The department may refuse to employ, may refuse to issue a teaching certificate to, may terminate the employment of, or may revoke the teaching certificate of any employee or applicant who has a criminal history record, employment history, or background involving violence, alcohol or drug abuse, sex offense, offense involving children or any other circumstance which indicates that the applicant or employee may pose a risk to the health, safety, or well-being of children.</p>
HAR 8-7-3	<p>Applicant or employee duty to provide information.</p> <p>(a) Except as otherwise specified or exempted from criminal history record check requirements, any person who is employed or seeks employment with the department in a position which places that person in close proximity to children is required to provide to the department:</p> <p>(1) An accurately and fully completed employment application with all requested information and documents including employment references;</p> <p>(2) A sworn statement indicating:</p> <p>(A) Whether the person ever had a teaching certificate or other professional license revoked or not renewed;</p> <p>(B) Whether the person within the past ten years was suspended, fired, asked to resign from employment, or separated from military service under conditions other than honorable;</p> <p>(C) Whether the person had been convicted of a crime, other than a minor traffic</p>

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review
Appendix

	<p>offense involving a fine of \$50 or less;</p> <p>(D) Whether the person had been diagnosed as having a mental or emotional condition which may affect the person's ability to responsibly manage, supervise, control and interact with children; and</p> <p>(E) A detailed explanation for each of the above when applicable.</p> <p>(3) A written consent for the department to conduct a criminal history record check;</p> <p>(4) A written consent for the department to obtain information from current and past employers and references; and</p> <p>(5) Written permission to be fingerprinted.</p> <p>(b) Employees and applicants shall cooperate fully and make every reasonable effort to provide information and comply with fingerprinting and other related requirements when so notified and instructed by the department or its representative agents. The department may refuse to hire or terminate any person who willfully fails to cooperate or fails to provide the requested information.</p>
HAR 8-7-4	<p>Fingerprinting requirement. Persons who have been employed continuously by the department on a salaried basis prior to July 1, 1990, shall not be required to undergo criminal history record checks. The department shall require all other employees and may require applicants to undergo fingerprinting to conduct criminal history record checks as may be accommodated by the Hawaii criminal justice data center. Fingerprinting and criminal history record checks shall be conducted without charge to employees and applicants. Employees and applicants shall cooperate fully and make every reasonable effort to comply with fingerprinting and other requirements when so notified and instructed by the department or its representative agents. The department may refuse to hire and may terminate any person who willfully fails to comply or cooperate fully fingerprinting requirements.</p>
HRS §78-1	<p>Citizenship and residence; exceptions.</p> <p>(c) All persons seeking employment with the government of the State or in the service of any county shall be citizens, nationals, or permanent resident aliens of the United States, or eligible under federal law for unrestricted employment in the United States, and shall become residents of the State within thirty days after beginning their employment and as a condition of eligibility for continued employment.</p> <p>"Resident" means a person who is physically present in the State at the time the person claims to have established the person's domicile in the State and shows the person's intent is to make Hawaii the person's primary residence.</p>