



2015-2016

HUMAN RESOURCES' HIRING PROCESSES AUDIT

We found deficiencies in the design of the internal controls, caused in part by (1) controls that have not been formalized/written and (2) inconsistent policies, procedures, and/or practices.



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ABBREVIATIONS LIST	

CAP	Corrective Action Plan
EPISD	El Paso Independent School District
FY	Fiscal Year
HR	Human Resources
IA	Internal Audit
TS	Technology Services

Final Audit Report (AR001)

Background

This audit is part of the Board approved 2015-2016 Internal Audit Plan and was identified as an area of interest by the Board of Managers.

Objective and Scope

The objective was to assess the adequacy and effectiveness of the hiring processes and related internal controls that would provide reasonable assurance the District employs qualified job applicants while complying with various federal, state, and local policies and regulations.

The scope of the audit included evaluating the hiring process from advertising of the position through compensation determination for the July 1, 2014 to March 31, 2015 period.

Limitations

Some of the evidence, including the parameters used to identify and test processes and controls in place, was based on inquiry due to limited availability of certain written procedures. To lessen the effect of this limitation, we corroborated parameters used in our testwork with more than one employee and asked open-ended questions to allow employees to speak freely, choosing his/her own pace, focus, and detail.

In accordance with the *Institute of Internal Auditors' Practice Advisory 2320-3: Audit Sampling*, "The internal auditor should validate the completeness of the population to ensure that the sample is selected from an appropriate data set." As the objective of this audit did not include testing of Information Technology General Controls over applications that produce the system generated data/reports we used to select our sample selections from, we performed manual completeness and accuracy checks by comparing the information in the population to information independent of the system generated data/reports (i.e. physical and/or imaged documentation).

Although we cannot for certain determine that the populations provided from TEAMS by Technology Services (TS) were 100% complete and accurate, our completeness and accuracy procedures, on a sample basis, gave us sufficient comfort to rely on this data for our testing purposes.

Commendation

We would like to acknowledge Assistant Superintendent Vince Sheffield and his staff in Human Resources (HR) for their unwavering cooperation and positive responsiveness to the report and our recommendations.

Methodology

During the planning phase of our audit, we performed walkthroughs of the hiring processes with the relevant HR process owners to get an understanding of the processes and controls in place. We used this information to perform our controls based testwork. In addition, HR process owners provided us documentation that supplemented our understanding of the hiring processes.

As a result of our risk assessment, our audit also included an assessment to determine if the District has internal controls in place to mitigate possible conflicts of interest or the appearance the hiring process is not fair, etc.

We obtained and analyzed a list of new hires and promotions from Technology Services for the scope period of July 1, 2014 to March 31, 2015. A representative sample was selected in accordance with Internal Audit's (IA) controls sampling guidance for each of the tests performed.

We reviewed and determined whether samples selected for testing purposes were in accordance with federal and state laws, Board policies and local guidance based on supporting documentation provided by HR process owners. Results of our testwork are cited within the findings section of the report.

Findings

1. Sections of Human Resources' (HR) hiring processes and procedures are: (1) outdated, (2) in conflict with one another, and/or (3) lacked concrete proof of its origination and/or approval.
2. We found instances of noncompliance with job posting and/or record retention requirements outlined in federal and state laws, Board policy, and local guidance.
3. We found instances of missing interview committee documentation, and/or documentation on how an applicant was selected. Missing documentation also creates the risk the District may be unable to prove or disprove complaints, and/or charges of unfair or preferential hiring practices.
4. The design of two process level (HR) internal controls, to help mitigate conflicts of interest and the appearance the hiring process is not fair, is marginally effective. The entity level (District) control is limited by the knowledge employees have of its availability.
5. We identified nine (9 of 31) instances where correspondence and other documents' dates are out of sequence with the hiring process. This may give the appearance the selection to hire an applicant is occurring prior to the interview/recommendation. However, based on the dates entered on correspondence/memos to and from HR, campuses, departments, and/or employees, it appears the cause may be due to the manual process of creating confirmation/assignment memos and possible preparation of the memo(s) occurred prior to interviews, etc. in anticipation of a new hire.
6. We found that compensation is calculated differently for internal and external job candidates and among internal job candidates, which may lead to inequities in pay among employees in the same pay grade. This practice creates risks that may prevent the District from meeting the Board's long-term goal to "...attract, hire, and develop dedicated and highly qualified employees."
7. We tested a sample of 52 promotions/transfers for compliance with HR's compensation practices and guidelines. One (1) employee promotion and one (1) employee transfer were not in accordance with practices and guidelines covered in HR's *Processing Promotions Memo, Pay Formula* document, Board policy, and/or departmental practices.

Recommendations

1. Review and revise policies and local guidance, as applicable, to ensure they are up to date, aligned, and consistent. Known exceptions for any processes or procedures should be included.

2. Best practices for hiring should be developed with consistent processes and documentation throughout the District, regardless of the vacancy type or location of a hire, and incorporated into the standard operating procedures.
3. Centralizing processes and procedures in a de-centralized environment will help the HR department maintain better control over its processes and increase transparency as to its practices.
 - a. Local guidance, best practices/standard operating procedures should be readily accessible via the HR external/internal website to all parties.
 - b. Ensure the HR Department maintains control over the applicant/hiring documentation process and adheres to the Texas State Records Retention Schedule requirements.
 - c. Retention language should be added to all relevant correspondence and other HR guidance disseminated to campus and department hiring supervisors/secretaries indicating the retention periods required by the state.
4. The District should ensure information about the Hotline and other reporting options is displayed publicly through the use of posters and/or pamphlets displayed in all District/campus locations and gathering places. Information about the aforementioned should be annually disseminated to all District employees.
5. We recommend the Assistant Superintendent of Human Resources work with District leadership to formalize the compensation determination process to maintain parity between internal and external job candidates and among internal job candidates. This will benefit the District in the hiring of the best qualified candidates and retaining dedicated highly qualified employees.
6. Human Resources should seek advice from legal counsel as to the remediating steps to follow regarding the employees identified under finding 7. Human Resources should look into the possibility of automating the compensation determination process or require an individual outside of Compensation review and verify (compensating control) the salary quotes prepared by Compensation.

Corrective Action Plan

A corrective action plan (CAP) was provided by the data-process owner(s) outlining the activities to be implemented. The CAP appears to be sufficient to address the findings delineated in the report.

Conclusion

Our interviews with HR personnel showed employees are experienced, with institutional knowledge about the details of the processes and procedures they own. However, the processes and procedures they rely on have not been formalized in writing.

We found deficiencies in the design of the internal controls, caused in part by (1) internal controls that have not been formalized/written, and (2) inconsistent policies, procedures, and practices.

The corrective action plan provided should strengthen HR department's internal controls and ensure: (1) compliance with laws and regulations, (2) equitable application of processes, and (3) consistency across the District.

Exhibit 1 (AR002): Criteria Used for the Audit

Criteria

- 1 Administrator's Reference Guide (EPISD Internal Guidance) – Human Resources' section
- 2 Board Long Term Goal states "EPISD will attract, hire, and develop dedicated and highly qualified employees."
- 3 Board Policy DEA (Regulation) *Compensation, Benefits; Wage and Hour Laws*:
 - a. "When an employee is promoted into a job in a pay level higher than the job he or she currently holds, a promotional adjustment will begin with the effective date of the new assignment. Promotional adjustments will be calculated to reward employees for the higher position and to maintain internal equity in the District. Promotional increases will be determined according to the guidelines listed in human resources bulletin 12."
 - b. "...counselor...assistant principal...principal...The division assistant superintendent will forward recommendations to the Superintendent."
 - c. "The District will attempt to maintain parity between the incumbents and new hires."
 - d. "The District's goal in filling vacancies will be to select the best qualified applicant."
 - e. "In order to maintain a competitive compensations structure, job market surveys will be reviewed each year. Pay levels will be reviewed based on current job market data, and appropriate adjustments will be recommended to the Superintendent. Competitive compensation for benchmark jobs will be determined using a combination of appropriate market surveys. The Superintendent will recommend pay structure adjustments to the Board."
 - f. "Effective compensation administration requires that management be guided by equitable policies in appraising the worth of each position relative to all other positions within the District and in compensating employees in accordance with their contributions in the context of the positions they occupy. There are two considerations in the determination of how much an employee is to be paid:
 - i. The relative worth of the position, and
 - ii. The experience of the individual."
 - g. Superintendent will:
 - i. "Review and approve all exceptions to this regulations, as appropriate for all positions.
 - ii. Review all promotional increases that involve compensation adjustments that are not in conformance with the guidelines as outlined in the section EMPLOYEE COMPENSATION REVIEWS AND ADJUSTMENTS
 - iii. Administer, maintain, and revise the compensation program for all positions, as necessary."
- 4 Board Policy DC (Local) *Employment Practices*:

"The Superintendent shall review individual employee compensation for possible adjustment. Individual equity adjustments, promotion increases, reclassifications, and hiring rates for new employees shall be determined by the Superintendent in accordance with the approved budget and the District compensation plan."
- 5 Board Policy DC (Regulation) *Employment Practices*:
 - a. All applicants for principal/assistant principal will be required to complete the Principal Insight Assessment."

Criteria

- b. "The District's goal in filling vacancies will be to select the best qualified applicant. Human Resources personnel will assist supervisory personnel in selecting teachers, administrators, professionals, and support personnel. Formal and informal interviews, structured interviews, oral reference checks, written references, criminal record checks, timed and untimed tests, personnel inventories, and the like may all be used during the selection process."
 - c. "Every attempt should be made to see that the personnel committees referred to in the paragraphs that follow have minority and gender representation."
 - d. "Supervisory personnel will not approve the selection, assignment, or reassignment to positions that are subject to their supervision or of any persons who are related to them (or to another supervisor in the supervisory chain of command who will be responsible for directly supervising, evaluating, or approving payroll payments for the person employed in such position). This restriction applies to spouses (including by common law or informal marriage), parents, children, siblings, grandparents, grandchildren, uncles, aunts, nephews, nieces, cousins, and anyone who has a relationship by marriage (in-laws) or resides within the same household as the supervisor. Any such familial relationships in existence will be reviewed on a case-by-case basis."
 - e. "The District's goal in filling vacancies will be to select the best qualified applicant. Human Resources personnel will assist supervisory personnel in selecting teachers, administrators, professionals, and support personnel. Formal and informal interviews, structured interviews, oral reference checks, written references, criminal record checks, timed and untimed tests, personnel inventories, and the like may all be used during the selection process. Before a supervisory personnel staff member makes a final decision on whom to recommend to fill a vacancy, he or she must review qualifications, certification, references, and background information with the Human Resources professional who conducted the interviews and the employee search."
- 6 Board Policy DPB (Regulation) *Personnel Positions Substitute, Temporary, and Part-Time Positions*:
- a. "Each applicant for substitute teaching shall complete the regular teacher application form and furnish one transcript of college work (if available) and five references."
- 7 Electronic Code of Federal regulations Title 29 Subtitle B Chapter XIV Part 1602 Subpart L §1602.40 Title 29: Labor PART 1602—RECORDKEEPING AND REPORTING REQUIREMENTS UNDER TITLE VII, THE ADA AND GINA Subpart L—Elementary and Secondary School Systems, Districts, and Individual Schools Recordkeeping - §1602.40 Preservation of records made or kept. "Any personnel or employment record made or kept by a school system, district, or individual school (including but not necessarily limited to requests for reasonable accommodation, application forms submitted by applicants and **other records having to do with hiring, promotion, demotion, transfer, layoff, or termination, rates of pay or other terms of compensation**, and selection for training or apprenticeship) shall be preserved by such school system, district, or school, as the case may be, **for a period of 2 years from the date of the making of the record or the personnel action involved, whichever occurs later....**"
- 8 HRs' internal guidance *2015-2016 Supervisor's HR Handbook*
- 9 HRs' internal guidance *Bulletin 12*
- 10 HRs' internal guidance *Campus Principal and Assistant Principal Selection Process*
- 11 HRs' internal guidance *Pay Formula document*
- 12 HRs' internal guidance *Processing Promotions Memo*
- 13 HRs' internal guidance *Promotional Clerical Positions Screening and Recommendation Procedures* February 2012 and September 2014

Criteria

- 14 Inquiry of standard operating procedures used in hiring (HR administrators, Compensation managers, staffing assistants, campus principals and/or secretaries) since written procedures do not exist for all processes.
- 15 Texas Education Code 11.1513(d) & (e)
 - d. The employment policy must provide that not later than the 10th school day before the date on which a district fills a vacant position for which a certificate or license is required as provided by Section 21.003, other than a position that affects the safety and security of students as determined by the board of trustees, the district must provide to each current district employee:
 1. notice of the position by posting the position on:
 - A. a bulletin board at:
 - i. a place convenient to the public in the district's central administrative office; and
 - ii. the central administrative office of each campus in the district during any time the office is open; or
 - B. the district's Internet website, if the district has a website; and
 2. a reasonable opportunity to apply for the position.
 - e. If, during the school year, the district must fill a vacant position held by a teacher, as defined by Section 21.201, in less than 10 school days, the district:
 1. must provide notice of the position in the manner described by Subsection (d)(1) as soon as possible after the vacancy occurs;
 2. is not required to provide the notice for 10 school days before filing the position; and
 3. is not required to comply with Subsection (d)(2).
- 16 Texas State Records Retention Schedule - Local Schedule GR - Retention Schedule for Records Common to All Local Governments
 - a. **GR1050-04 CERTIFICATES AND LICENSES** Certificates, licenses, or permits required of employees to qualify for or remain eligible to hold a position requiring certification or licensing. **US or separation of employee + 5 years. Retention Note:** If the submission of copies of certificates, licenses, or permits is required of all applicants for a position, those of applicants not hired must be retained for 2 years under item number GR1050-14a.
 - b. **GR1050-11 EMPLOYEE SELECTION RECORDS** Notes of interviews with candidates; audio and videotapes of job interviews; applicant rosters; eligibility lists; test; ranking sheets; justification statements for violating eligibility or ranking sequence; and previous injury checks; offers of employment letters; and similar records documenting the filling of a vacant position **2 years from the creation (or receipt) of the record or the personnel action involved, whichever later.** By regulation - 29 CFR 1602.31, 1602.40, and 1602.49. **Retention Note:** See GR1050-36 for background and criminal history.
 - c. **GR1050-13 EMPLOYMENT ADVERTISEMENTS OR ANNOUNCEMENTS** - Advertisements or postings relating to job openings, promotions, training programs, or overtime opportunities, including jobs orders submitted to employment agencies. 2 years. By regulation - 29 CFR 1602.31, 1602.40, and 1602.49.
 - d. **GR1050-14a EMPLOYMENT APPLICATIONS** - Applications, transcripts, letters of reference, and similar documents whose submission by candidates for vacant positions **(both hired and not hired) or for promotion, transfer, or training opportunity (both selected and not selected) is required on the application form, by application procedures, or in the employment advertisement. 2 years from the creation (or receipt) of the record or the personnel action involved, whichever later.** By regulation - 29 CFR 1602.31, 1602.40, and 1602.49.