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DEPARTMENT OF MANAGEMENT SERVICES

AND SELECTED STATE AGENCIES

PEOPLE FIRST

Operational Audit

July 1, 2005, Through January 31, 2006, and

Selected Actions Taken Through September 18, 2006

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on selected operational aspects of the People First system, as tested at the 16 State agencies listed below, for the period July 1, 2005, through January 31, 2006, and selected actions taken through September 18, 2006.

Agency Name	As Used in Report
Department of Children and Family Services	DCFS
Department of Citrus	DC
Department of Corrections	DOC
Department of Education	DOE
Department of Financial Services	DFS
Department of Health	DOH
Department of Highway Safety and Motor Vehicles	DHSMV
Department of Law Enforcement	DLE
Department of Management Services	DMS
Department of Revenue	DOR
Department of State	DOS
Department of Transportation	DOT
Department of Veterans' Affairs	DVA
Executive Office of the Governor	EOG
Fish and Wildlife Conservation Commission	FWCC
Florida School for the Deaf and the Blind	FSDB

People First is a Statewide outsourcing initiative that encompasses a Web-based enterprisewide suite of services designed to support the management of the State's workforce through Human Resource Administration, Benefits Administration, Payroll Administration, and Staffing Administration functions. Our objectives were to obtain an understanding of People First system processes and related internal controls and perform procedures to evaluate the effectiveness of those processes and controls in ensuring that:

➢ People First provided data necessary for the proper processing of agency payrolls and the proper recording of payroll amounts within FLAIR.[1]

➢ People First accurately recorded and reported employee attendance and leave for payroll support, operating purposes (such as charges to Federal awards), and terminal and other leave payments.

➢ People First changes, including those for new hires and terminations, in employee data and payroll amounts (gross pay, deductions, etc.) that impact the payroll information transmitted to the FLAIR payroll component were authorized, complete, accurate, and in compliance with applicable Florida law and DMS guidelines.

➢ Agencies processed payroll transactions in accordance with significant governing laws and rules.

In conducting our audit, we performed tests of approximately 825 payroll transactions, interviewed appropriate agency staff, observed and reviewed agency processes and procedures, conducted surveys, and performed other audit procedures as determined necessary to evaluate controls related to People First and other selected human resource matters. General and application controls are designed and maintained by the People First contractor and subcontractors and are subject to examination by other auditors. The scope of our audit did not include an evaluation of these controls.

Other Auditor General audit reports addressing People First issues include report Nos. 2005-047[2] and 2007-071.[3]

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[1] Florida Accounting Information Resource Subsystem.
[2] Audit report No. 2005-047 focused on People First contracts for the period July 2002 through February 2004, planning actions resulting in the issuance of the Invitation to Negotiate, and other selected actions through August 31, 2004.
[3] Audit report No 2007-071 included follow-up on the findings included in report No. 2005-047.

**DEPARTMENT OF MANAGEMENT SERVICES
AND SELECTED STATE AGENCIES**

PEOPLE FIRST

TABLE OF CONTENTS

SUMMARY OF FINDINGS

The implementation of People First, the State of Florida's Web-based enterprisewide suite of services designed to manage the administration of payroll, benefits, human resources, and staffing, began in May 2003. From the outset, significant problems were experienced by users, including overpayments and underpayments of salaries and wages, missing salary and wage payments, and difficulties with the administration of employee benefits. Consequently, the time required to address these and other operational issues has increased State agency workloads and costs.

According to DFS records, for the 2005-06 fiscal year, nearly $4 billion were paid to State employees via 3.71 million transactions. Recognizing the importance of the People First initiative and its Statewide implications, we performed an audit of selected functionalities of People First at 16 State agencies, focusing on the administration of payroll and human resources, as well as agency use of key system components. As noted under the OBJECTIVES, SCOPE, AND METHODOLOGY heading, our audit included observations and reviews of agency processes and procedures; interviews with, and surveys of, appropriate agency and DMS staff; tests of payroll transactions; and performance of other audit procedures as determined necessary to evaluate controls related to People First and other selected human resource matters.

The success of the People First initiative largely depends upon the commitment of DMS to enhancing system functionalities and of State agencies to increasing effective system utilization. Our audit determined that People First, as currently designed and implemented, has made progress in many operational areas across the system's functionalities. Agencies' knowledge and use of People First continue to grow and, in concert with the implementation of new performance metrics and standards; improvements in project organization, management, and communication; and continued progress in system enhancements, overall operational functionality has improved. However, significant deficiencies remain, both with People First and with agency use of People First. These deficiencies are summarized below:

Finding No. 1:   Self-Approved Time Sheets

As a result of People First errors, electronic time sheets for employees assigned certain People First user role codes were either improperly self-approved or improperly placed in an approved status upon submission.

Finding No. 2:   Incorrect Employee Pay

While the vast majority of tested payroll transactions processed through People First were accurate and supported by adequate documentation, some exceptions were found that indicated payroll processing issues still exist.

Finding No. 3:   Agency Payroll Audits

Agency payroll audit procedures could be enhanced to help ensure the accurate processing of State agency payrolls.

Finding No. 4:   Leave Payout Screen and Leave Payments

A functional People First Leave Payout Screen has not been available to agencies since July 12, 2005, increasing agency personnel time and effort involved in processing and tracking terminal leave benefits and contributing to certain inaccurate and untimely leave payouts noted during our audit. Additionally, DMS has not issued formal guidance to assist agencies in the proper proration and payment of terminal annual leave benefits for Selected Exempt Service and Senior Management Service employees.

Finding No. 5: Leave Balance Overview Screen

Errors existed in People First Leave Balance Overview Screen data.

Finding No. 6: Leave Balance Discrepancies

Differences were disclosed between People First leave balances and agency-audited leave balances.

Finding No. 7: Paper-Based Personnel Action Request Approval Process

A paper-based Personnel Action Request approval process was used at multiple State agencies despite increased efficiencies that may be gained through use of delivered People First functionality.

Finding No. 8: People First Data Warehouse Reliability and Access

Issues regarding the accuracy and reliability of People First Data Warehouse information and standard reports were noted. Also, use of a query tool to obtain data from the Warehouse requires specialized knowledge and training, burdening agencies with additional time, effort, and financial costs.

Finding No. 9: Security Guidelines

Although People First was implemented in phases from May 2003 through January 2005, it was not until March 2006 that a written Statewide security guidelines manual for People First was established to address such issues as the assignment of user role codes, performance of security audits, proper handling and disclosure of sensitive information, and requirements for background checks.

Finding No. 10: Payroll Processing Measures

An examination of DFS payroll measures, such as the number of monthly electronic fund transfer cancellations, demonstrates that problems with the production of State agency payrolls increased dramatically after the implementation of People First. However, while the number of cancellations continued to substantially exceed pre-People First levels, recent data suggests a decreasing need for agencies to cancel erroneous salary and wage payments.

Finding No. 11: Components to be Implemented

While most planned components of People First are currently operational and available for agency use, certain key components have not been fully implemented. Consequently, agencies have been required to use workarounds to supplement the absent People First functionality.

On August 21, 2002, DMS entered into a seven-year, $278.6 million contract with the Convergys Customer Management Group, Inc. (Convergys), to provide a Web-based enterprisewide suite of services to include the administration of payroll, benefits, human resources, and staffing. The initiative, People First, sought to eliminate an aging, labor and paper-intensive State personnel system with an automated Web-based human resource system that would allow the shift of many of the functions historically provided by human resource staff in each State agency, and supported by multiple personnel information systems, to employees and front-line managers.

People First was to automate and streamline many human resource tasks, including recruitment, attendance and leave management, payroll preparation, benefits administration for employees and retirees, and employee records maintenance. Users, including job applicants, State employees, and managers, access People First through a self-service Web site that allows a variety of applicable functions that include applying for job openings, viewing payroll information, completing electronic time sheets, approving pay changes, and managing benefits. The Web site is supported by service centers in Jacksonville and Tallahassee that are staffed with Convergys customer service representatives.

The DMS contract with Convergys has been amended eight times through February 28, 2006, extending the term of the contract from seven to nine years and increasing the overall cost to $349.9 million. Total costs of the contract are allocated among all user agencies and assessed on an annual basis largely through a human resource services assessment. The assessments for People First for the 2005-06 and 2006-07 fiscal years are shown below:

Table 1
People First Assessments

Human Resource Services Assessment	2005-06 Fiscal Year	2006-07 Fiscal Year
FTE (Full-Time Equivalent)	$392.82	$400.80
OPS (Other Personal Services)	$131.22	$132.89
Justice Administrative Commission	$287.14	$289.95
State Court System	$249.07	$251.17
County Health Department	$287.14	$289.95

Source: Section 6, Chapter 2005-70, and Section 6, Chapter 2006-25, Laws of Florida.

Implementation of People First began with the Staffing Administration function in May 2003, followed by staggered agency implementation of the Payroll and Human Resource Administration functions, and concluded with the implementation of the Benefits Administration function in January 2005. However, as noted in Finding No. 11, not all components of the People First Human Resource Administration function have been fully implemented. Additionally, as noted below, not all People First functions met planned go-live dates:

Table 2
People First Go-Live Dates

Deliverable	Planned Enterprise Go-Live Date	Actual Enterprise Go-Live Date
Staffing Administration	May 2003	May 2003
Payroll Administration	June 2003	May - November 2004
Human Resource Administration	June 2003	May - November 2004
Benefits Administration	January 2004	January 2005

Source: People First contract and project team.

Pursuant to Florida law,[4] DMS is the functional owner of the State's Personnel Information Subsystem, People First. DMS is responsible for ensuring that the system is designed, implemented, and operated in accordance with applicable Florida law and is responsible for the management of the People First project. From the outset, significant problems were experienced by users, including overpayments and underpayments of salaries and wages, missing salary and wage payments, and difficulties with the administration of employee benefits. Consequently, the time required to address these and other operational issues increased State agency workloads and costs.

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[4] Section 215.94(5), Florida Statutes.

FINDINGS AND RECOMMENDATIONS

Finding No. 1:   Self-Approved Time Sheets

Florida law[5] requires that, for each career service employee, State agencies "keep an accurate record of all hours of work performed by each employee, as well as a complete and accurate record of all authorized leave which is approved." The maintenance of accurate records of employee attendance and leave usage, properly verified and approved, is also an important control for proper personnel and payroll administration for all employees.

All users of People First are assigned a user role code that is designed to limit an employee's access to information within People First based on the employee's work responsibilities. Agency assignment of user role codes is critical to maintaining proper information security and separation of duties, including those relating to supervisory approval of employee time sheets.

As shown in Table 3 below, during our audit, we identified People First system errors whereby hundreds of employees assigned certain user role codes were, in one or more instances, either allowed to improperly "self-approve" their time sheets or the time sheets were improperly placed in an approved status upon submission for supervisory approval.[6] The number of employees with affected time sheets ranged from 3 employees at DLE and DOS to 195 employees at DOT. At DCFS, we noted over 30,000 hours of time logged by 102 employees that, because of People First system errors, improperly gained self-approved status.

Table 3
Employees with Time Sheets that
Improperly Gained Self-Approved Status

Agency	Number of Employees
Department of Children and Family Services	102
Department of Corrections	45
Department of Education	15
Department of Financial Services	7
Department of Health	133
Department of Highway Safety and Motor Vehicles	19
Department of Law Enforcement	3
Department of Management Services	8
Department of Revenue	18
Department of State	3
Department of Transportation	195
Department of Veterans' Affairs	5
Executive Office of the Governor	5
Fish and Wildlife Conservation Commission	24
Total	**582**

Source: People First Data Warehouse, as confirmed by audit.

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[5] Section 110.219(4), Florida Statutes.
[6] Testing for self-approved time sheets not performed at DC and FSDB.

In response to audit inquiry, DMS staff performed an audit of user role codes and time sheet approval in August 2006. The audit report disclosed over 30,000 days of improperly self-approved time sheets across 27 agencies during the period March 4, 2006, through August 24, 2006, indicating that the following widespread issues continued to persist:

➢ In certain instances, time sheets for "E" (Employee Self-Service Only), "L" (Supervisor), and "M" (Manager) user role codes were improperly forwarded to an approved status by People First.

➢ Employees assigned "A" (Agency HR[7] with Profiler Access), "B" (Both Time Administrator and Requisition Manager), "H" (Agency HR without Profiler Access), and "T" (Time Administrator) user role codes continued to have the capability to approve their own time sheets using nonroutine measures and, in some instances, were actually doing so.

➢ Instances of self-approved time sheets were also noted in the report for "C" (Agency Compliance Access & Applicant Profiler), "G" (Inspector General), and "R" (Requisition Manager) user role codes, the cause of which is unclear.

An independent, supervisory review and approval of time sheets provides additional assurance that errors are timely identified and corrected. The ability of employees to approve their own time sheets introduces a significant unmitigated risk of error.

DMS staff indicated that People First was in the process of ensuring that all self-approval time sheet capabilities are removed and that automatic forwarding of time sheets to approved status is halted. DMS staff also indicated that they anticipated both issues will be corrected with the implementation of a People First enhancement release on October 28, 2006.

Recommendation: DMS should ensure that People First requires that proper supervisory approval of attendance and leave is recorded for all employee time sheets, in accordance with Florida law and best practices.

Finding No. 2:   Incorrect Employee Pay

The State's payroll process encompasses an assortment of tasks performed by State agencies, People First, and the DFS, Bureau of State Payrolls (Bureau). The production of complete and accurate agency payrolls requires a collaborative effort between these entities. Agencies must ensure that employee payroll data is correct and changes to employee payroll data are timely and accurately made. People First must accurately capture employee payroll data and transmit gross payroll data to the Bureau for calculation and payment of employee net salaries. Finally, the Bureau must accurately calculate and distribute net employee pay.

During our audit, we noted that the vast majority of tested payroll transactions processed through People First from July 1, 2005, through January 31, 2006, were accurate, complete, and supported by adequate documentation. However, exceptions were found that indicated payroll processing issues still exist, as discussed below:

➢ Limited edit checks are in place for paper time sheets: At DOC, our audit disclosed one instance where an employee received wage overpayments totaling $3,196 (gross). In this particular instance, the overpayments occurred, due in part, because the employee recorded on multiple paper time sheets, submitted to Convergys for processing, the use of leave in excess of the amount available. Paper time sheets that were scanned into People First by Convergys staff were processed and approved "as is." Because paper time sheets were used, the edit checks available for electronic People First time sheets, including one designed to detect and prevent the improper use of leave by an employee, were not in place. We recognize in this instance, and for all paper time sheets, that agency supervisors are the first

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[7] Human Resource.

line of control to ensure the appropriateness of leave taken. However, where feasible redundant controls can be established, better assurance is provided that attendance and leave recorded is proper. DOC, in the instance cited above, requested repayment from the employee for the amount due.

➢ Apparent People First system errors: At EOG, DOC, DOR, DHSMV, and FWCC, we noted isolated electronic time sheet payroll processing errors apparently attributable to People First that resulted in minimal overpayments and underpayments. In all noted instances, the applicable agency subsequently obtained or pursued correction of the payroll errors.

Recommendation: State agencies should continue efforts to timely detect and prevent employee payroll errors through such measures as the performance of routine payroll audits. Errors detected that appear to be attributable to People First should be brought to the attention of DMS for investigation and possible system enhancements. Further, agencies should continue to ensure that information submitted utilizing paper time sheets is accurate and complete.

DMS should ensure that any necessary system enhancements are made to ensure that People First accurately and timely processes all payroll transactions. Finally, DMS should consider options to ensure suitable edits are in place for optically scanned time sheets.

Finding No. 3:   Agency Payroll Audits

As noted in Finding No. 2 above, the production of State agency payrolls is a multi-tiered process involving People First, State agencies, and the Bureau. People First is responsible for creating a payroll requisition file, the File One, that contains detailed employee payroll data that drives the payment of State employees and for sending the File One to the Bureau to calculate and process each State agency payroll.

Each agency is responsible for ensuring that inaccuracies in the File One are timely corrected so that employees are appropriately and timely paid. One business day before the submission of the File One by People First to the Bureau, a "preliminary" File One is made available to agencies for preaudit through two outlets: (1) the People First Data Warehouse and (2) an on-line tool. Agencies may review the preliminary File One and, if inaccuracies are noted regarding an employee's payroll information, make the changes in People First necessary to correct the File One information (i.e., process a pay rate change, etc.).

After agency payrolls are processed by the Bureau, but before the release of salary payments through electronic funds transfers (EFTs) and paper warrants to employees, the Bureau makes payroll data available to agencies, electronically and through the Bureau's Report Distribution System. The Bureau provides a 48-hour window during which each agency is afforded a second opportunity to prevent an erroneous payment to an employee by canceling any incorrect EFT or paper warrant and processing corrected payments through the Bureau's On-Demand payroll system. However, agencies delaying the audit function until this point in the payroll production process are at greater risk that erroneous payments will not be timely canceled and replaced, if necessary.

As shown in Table 4 below, we noted three areas where agency payroll audit procedures needed improvement: (1) written agency payroll audit procedures were absent or incomplete; (2) routine agency audits were not performed against the preliminary File One and; (3) routine agency audits were not performed against Bureau payroll data.

Table 4
Agency Payroll Audit Procedures Needing Improvement

Agency	Absent / Incomplete Written Payroll Audit Procedures	Routine Audits Not Performed Against Preliminary File One	Routine Audits Not Performed Against Bureau Payroll Data
Department of Children and Family Services	X	X	X
Department of Citrus	X	X	
Department of Corrections	X	X	X
Department of Education	X		
Department of Financial Services	X		
Department of Health	X	X	X
Department of Highway Safety and Motor Vehicles	X		
Department of Management Services	X	X	
Department of State	X	X	
Department of Transportation	X	X	X
Executive Office of the Governor	X	X	
Fish and Wildlife Conservation Commission	X	X	X
Florida School for the Deaf and the Blind		X	

Source: Agency survey, as confirmed by audit.

To ensure the accurate processing of agency payrolls in the current environment, it is incumbent upon agencies to establish written procedures to ensure that the accuracy and completeness of the preliminary File One and Bureau payroll data are tested for each agency payroll. Absent such tests, payroll errors may escape detection.

Recommendation: All State agencies should establish and implement comprehensive written payroll audit procedures to help ensure the accurate processing of State agency payrolls. Such procedures should include provisions for testing samples of the payroll data provided by the Bureau of State Payrolls and, where feasible, testing samples of the data contained in the People First preliminary File One.

Finding No. 4:   Leave Payout Screen and Leave Payments

The calculation and payment of accumulated and unused annual, special compensatory, and sick leave benefits are governed by various State laws and DMS rules. The complexity of the compliance requirements and calculations involved make the automation of terminal[8] and other leave payments highly desirable.

The intent of the People First Leave Payout Screen (Screen) was to allow agencies to process all terminal leave payouts automatically through People First. On July 12, 2005, the screen was disabled by the People First project, requiring agencies to manually process terminal and other leave payouts through one of two workaround[9] payout processes: the Bureau's Personal Computer (PC) Payment System or the On-Demand Payroll System. The Screen was disabled primarily because it did not properly prorate and pay terminal sick leave benefits.

Our audit of terminal and other leave payouts disclosed the following matters:

   ➢   As a result of the disabled Screen, agency personnel time and effort involved in processing terminal leave benefits increased. The use of workaround and manual processes rather than an automated process also likely contributed to the following inaccurate and untimely terminal leave payouts identified during the course of our audit:

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[8] Terminal leave is an employee's unused leave immediately prior to separation.
[9] A workaround is a method implemented in order to overcome a shortcoming of a program or piece of equipment.

- At DFS, for one of seven terminated employees selected for testing, the payment for annual leave was not properly calculated, resulting in a $59 (gross) underpayment to the employee. The agency subsequently corrected the payment on the next supplemental payroll.

- At DOE, for one of six terminated employees selected for testing, the payment for unused leave was not timely made. The employee terminated on December 22, 2005, and the $967 (gross) payment was not disbursed until April 10, 2006.

- At DCFS, for two of six terminated employees selected for testing, the payments for unused leave were not timely made. The employees terminated on November 1, 2005, and January 5, 2006, respectively, and were not paid leave due of $453 (gross) and $695 (gross), respectively, until May 12, 2006, subsequent to audit inquiry.

- At DOH, for two of five terminated employees selected for testing, payments for unused leave were not timely made. In one instance, the employee terminated on August 25, 2005, and was not paid for unused annual leave of $376 (gross) until April 12, 2006, and for unused sick leave of $50 (gross) until May 25, 2006. In the second instance, the employee terminated on November 3, 2005, but was not paid for unused special compensatory leave of $109 (gross) until April 26, 2006.

- At DOC, for one of five terminated employees selected for testing, the payment for annual leave was not properly calculated due to a clerical error, resulting in a $35 (gross) underpayment to the employee.

➢ Florida law[10] restricts the amount of unused leave for which an employee may be compensated over the course of State employment. Presently, agencies must track compliance with statutory maximum leave payout requirements manually, outside of People First, increasing agency workloads and potentially increasing the risk of inappropriate payouts. The Screen, as initially designed and implemented, did not contain the specific business rules necessary to monitor leave payout maximums. In response to audit inquiry, DMS staff indicated that, upon completion of the redesigned Screen, specific business rules will be established to ensure that statutory leave payouts are monitored for compliance with Florida law.

➢ Florida law[11] also requires that, upon termination of employees in the Senior Management Service (SMS), Selected Exempt Service (SES), or positions with comparable benefits, payment for unused annual leave credits accrued on the member's last anniversary date shall be prorated at the rate of one-twelfth (1/12) of the last annual amount credited for each month, or portion thereof, worked subsequent to the member's last anniversary date. We noted during audit field work that outstanding issues existed regarding agencies' prorations of annual leave for certain SES and SMS employees, including part-time SES and SMS employees, and that formal guidance had not been issued by DMS to assist agencies in the proper proration and payment of terminal annual leave benefits. In response to audit inquiry, DMS staff stated that they were aware of the proration issues and were in the process of meeting and discussing the potential issuance of formal guidance to State agencies on these matters.

While it is not certain that a functional Screen would address all of the matters noted above, the elimination of agency use of workaround and manual systems would reduce workload and potentially decrease the likelihood of inaccurate or untimely leave payments. According to DMS staff, a redesigned Screen is a top People First project priority and should be available to agencies in 2007.

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[10] Section 110.122(3), Florida Statutes, restricts the payment of terminal unused sick leave benefits accumulated on or after October 1, 1973, to 480 hours. Section 110.219(7)(b), Florida Statutes, and Chapter 60L-34.0041(6)(a), Florida Administrative Code, restrict the payment of annual leave benefits for permanent career service employees to 240 hours. Chapter 60L-34.0041(6)(b), Florida Administrative Code, restricts the payment of unused annual leave benefits for Senior Management Service and Selected Exempt Service employees to 480 hours.

[11] Section 8.(5), Chapter 2005-70, Laws of Florida.

Recommendation: To reduce the necessity for agency reliance on manual leave and other workaround payout processes, DMS should ensure that appropriate and specific business rules are established in the redesigned People First Leave Payout Screen to ensure compliance with statutory requirements for leave payout maximums. Additionally, to ensure the consistent and accurate proration and payment of terminal annual leave benefits for terminating SES and SMS employees, DMS should issue updated guidance to State agencies regarding the proper proration, ensuring that such guidance is incorporated into the redesign of the People First Leave Payout Screen. Until functionality of the People First Leave Payout Screen is restored, agencies should continue to take all necessary measures to ensure that leave payments are made in an accurate and timely manner.

Finding No. 5:   Leave Balance Overview Screen

Complete and accurate records of employee leave balances are necessary to ensure that leave is granted and used only in those instances where adequate balances exist. Absent such records, employees may be allowed to use leave they have not earned or may be denied the rightful use of accumulated leave benefits. The Leave Balance Overview Screen (Overview Screen) in People First was designed to provide employees with up-to-date leave balance information for each pay period.

The Overview Screen did not always properly display or calculate employees' annual leave balances. In one instance at DOC, an employee's accrued annual leave balance of six hours did not display on the Overview Screen. The employee, in the prior pay period, exhausted all of his available annual leave, which correctly triggered People First to not display the employee's annual leave balance column. However, in subsequent pay periods, after the employee earned annual leave, the annual leave balance column was not restored to the Overview Screen to display the proper accrual of leave. In another instance, also at DOC, the Overview Screen did not properly calculate and total the employee's ending leave balance for the pay period.

In March 2006, multiple People First system enhancements were implemented with release "1B", including upgrades to the Overview Screen. As these enhancements were implemented after the conclusion of our audit period, the updated Overview Screen functionalities may be subject to future audits.

Recommendation: DMS should continue its efforts to ensure that the Overview Screen reflects employee leave balances completely, timely, and accurately.

Finding No. 6:   Leave Balance Discrepancies

Accurate and complete records of employee leave balances are necessary to precisely track leave usage, calculate amounts due to employees for terminal leave benefits, and accurately report the State's liability for compensated absences. To this end, many, but not all, agencies have implemented an audit of leave balances, usually conducted at the time of employee separation. During audit field work, we noted multiple instances where the employee leave balances shown by People First did not agree with leave balances determined by agency audits. In one instance, an employee's annual leave balance, as shown by People First, was 158.5 hours greater than the amount determined by agency audit.

We recognize that there could be many causes and sources for these discrepancies, and some may not necessarily represent errors introduced by People First processing. For example, errors could have been introduced through improper recording of leave balance adjustments or inaccurate leave balance transfers from COPES[12] to People

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[12] Cooperative Personnel Employment Subsystem.

First. The existence of discrepancies does potentially increase the risk for improper use of leave by employees, inappropriate payment of terminal leave benefits, and inaccurate reporting of compensated leave balances.

Recommendation: DMS and agencies should continue to work to ensure that employee leave balances recorded in People First are accurate. To accomplish this, where necessary, supplemental training of agency HR staff should be coordinated between the agency and DMS to ensure the proper handling of leave balance adjustments. Additionally, where applicable, agencies should ensure that procedures are established to perform periodic leave balance audits for a sample of employees and before any payment of terminal leave benefits. Differences disclosed by leave balance audits that are attributable to People First processing should be reported to DMS for its use in addressing system enhancements. DMS should work with State agencies to ensure that any People First-driven leave balance data errors are promptly resolved.

Finding No. 7:   Paper-Based Personnel Action Request Approval Process

One principal concept of the People First initiative was to provide a manager and employee self-service driven administration of some State payroll and personnel matters, whereby efficiencies would be gained by moving away from a centralized, manual and paper-based system of human resource management. Consistent with that concept, a key Web-based process delivered by People First was the Personnel Action Request (PAR) process, which allowed agency line managers the ability to electronically initiate, approve, and act upon various personnel actions.

During audit field work and through our survey of agencies, we noted that 7 of 16 (44 percent) agencies examined (DFS, DOS, DOE, DOT, DOC, DLE, and DHSMV) maintained some form of a paper-based PAR approval process. Generally, at these agencies, the approval for a PAR action was obtained through a manual paper-based process and the approved PAR was then entered into People First and acted upon by agency HR staff.

We recognize that, in some instances, the maintenance of a manual, paper-based PAR approval process may be necessary where access to computers is limited or altogether nonexistent. Additionally, DMS staff have acknowledged the existence of certain limitations with the current Web-based People First PAR process. However, as increased efficiencies may be gained through use of delivered People First functionality, the continuation of manual, paper-based PAR approval processes may not be in the best interests of the State. DMS staff have stated that a redesign of the People First PAR process is currently underway that will promote and provide a more user-friendly approach to the manager and employee self-service concept.

Recommendation: DMS should expedite its redesign of the People First PAR process. Also, given current People First system functionality, applicable State agencies should assess the validity of their decisions to maintain a paper-based PAR approval process and reassess such decisions as future enhancements to electronic PAR approvals are implemented.

Finding No. 8:   People First Data Warehouse Reliability and Access

Effective day-to-day management of agency personnel requires that management have access to reliable information that affords the opportunity for informed personnel decisions. The People First Data Warehouse (Warehouse) was designed to provide State agency management the ability to obtain current and historical personnel data necessary for effective and efficient operational decisions. However, during audit field work, issues concerning the reliability of Warehouse data were disclosed that may have limited management's ability to make sound and informed decisions. For example, we noted:

> ➤ At DOE, the standard report obtained from the Warehouse for new hires contained many inaccuracies and did not contain all new hires during the reported period.

> ➤ At DCFS, for all seven employees included in our tests, the leave (annual, sick, special compensatory, and military training) balances recorded in the Warehouse did not properly accrue, resulting in both overstated and understated leave balances.

Agencies surveyed as part of our audit responded with concerns that People First standard reports derived from the Warehouse were, in many instances, unreliable and inaccurate. DMS staff acknowledged that issues existed regarding the reliability and logic of standard reports. DMS staff also stated that they were in the process of reviewing all reports and removing those reports identified as unreliable and inaccurate from the Warehouse.

As an alternative to standard reports, agencies can obtain data from the Warehouse using a query tool. The query tool supported by DMS is Cognos Impromptu, although agencies may use alternative query tools. As previously reported by the Office of Program Policy Analysis and Government Accountability (OPPAGA),[13] agencies must purchase licenses to use Impromptu as it is not part of the State's contract with Convergys. Use of a query tool to retrieve data from the Warehouse also requires specialized knowledge and training that comes with a cost to the agencies. Effective September 18, 2006, DMS began offering Impromptu training sessions, at a cost of $495 to $595 per agency employee per day.

In December 2005, DMS issued a Data Warehouse User Guide to aid agency users. Also, to address Warehouse data reliability concerns, DMS has begun to develop system reports that will display errors that occur when data is moved into the Warehouse. Convergys and DMS are also in the process of developing a time line to address the data reliability issues. However, as of the close of our audit field work, issues with information accuracy and ease of agency use of the Warehouse continued.

Recommendation: DMS should continue its efforts to improve the People First Data Warehouse, specifically, the accuracy and reliability of Warehouse information and standard reports. Additionally, DMS should continue to provide comprehensive Warehouse query training and resources to Warehouse users to ensure ease of end-user access.

Finding No. 9:   Security Guidelines

The maintenance of secure and confidential system data, free from unauthorized access, modification, destruction, or disclosure, requires that access to information be limited to users based on their job requirements. Best practices dictate that, to enhance and better provide for information security and confidentiality, written procedures be implemented to ensure consistency and correctness in the application of security procedures.

Although People First was implemented in phases from May 2003 through January 2005 (refer to **BACKGROUND**, Table 2), it was not until March 2006 that DMS established a written Statewide security guidelines manual for People First. The manual addresses such issues as the assignment of user role codes, performance of security audits, proper handling and disclosure of sensitive information, and requirements for background checks. The absence of the timely establishment of security guidelines subjected the People First project to the unnecessary risk of inconsistent application of security procedures by State agencies, including the improper assignment of user role codes.

[13] OPPAGA Report No. 06-39, page 6.

In connection with the issuance of the manual, DMS requested that the guidelines be fully implemented by May 1, 2006, with an agency personnel officer attesting to the implementation in writing. Additionally, to enhance People First security, a DMS Data Security Specialist was added to the People First Project Team in March 2006 to, among other things, perform system security audits.

While we recognize that the recent implementation of Statewide security guidelines and security audits, the appointment of a Data Security Specialist, and other measures taken by DMS have increased system security and confidentiality, continued efforts by DMS and State agencies appear necessary to ensure agency security over People First data.

Recommendation: DMS, in conjunction with State agencies, should continue to aggressively pursue performing system security audits to ensure adequate implementation of People First security procedures, including the assignment of user role codes. Based on the results of these audits, DMS should determine whether enhancements to system security, including security training courses and additional guidelines, are necessary to ensure complete and effective People First security.

Finding No. 10: Payroll Processing Measures

DFS, Bureau of State Payrolls (Bureau), maintains data on various payroll measures, such as the number of monthly EFT cancellations. Analysis of the monthly averages of these payroll measures since January 2004 (see Chart 1 below) demonstrates that problems with the production of State agency payrolls increased dramatically after the implementation of People First.[14]
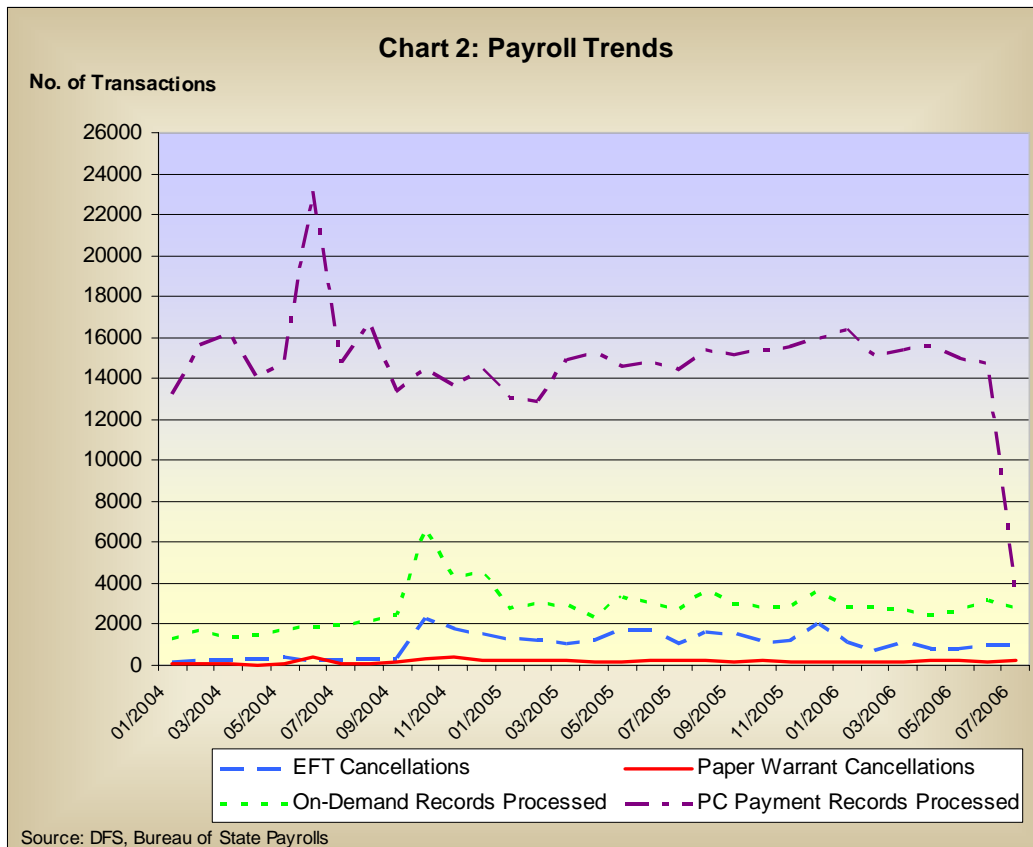

Chart 1: Payroll Measures

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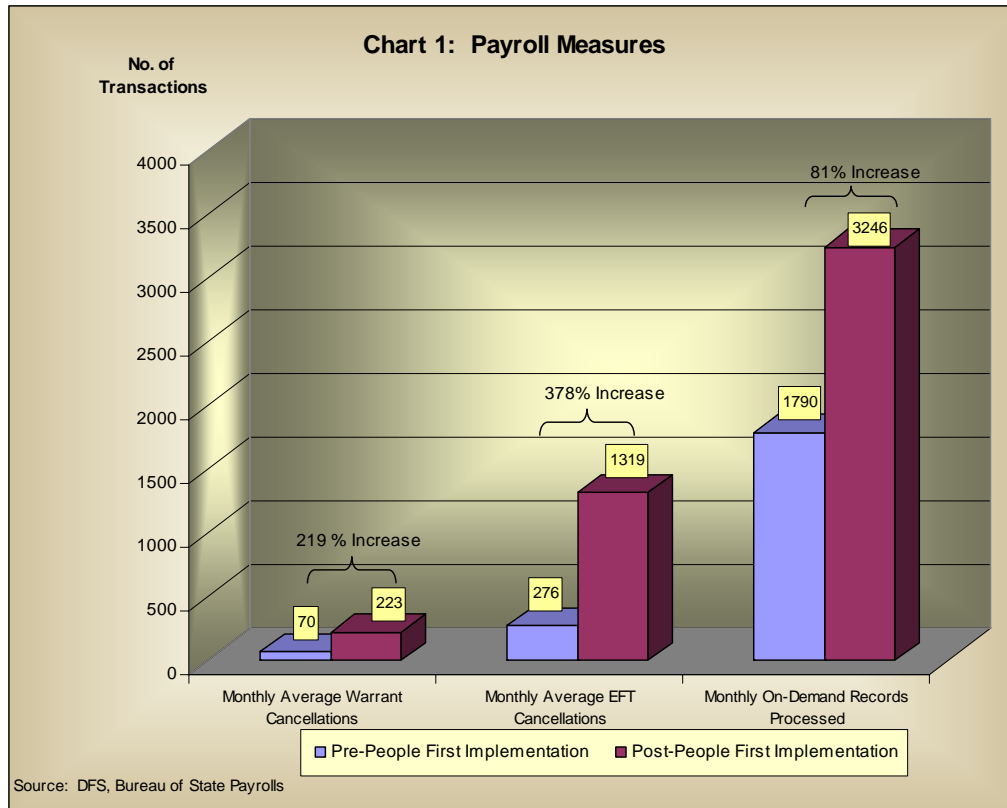
[14] Pre-People First implementation of the payroll administration function is measured from January through September 2004; post-People First implementation is measured from October 2004 through July 2006, as most State agencies went "live" on the payroll administration function by October 2004.

As Chart 1 illustrates:

➢ Paper warrant cancellations[15] have increased 219 percent since the implementation of People First, while EFT cancellations have increased 378 percent. Payments are canceled because of an underpayment or overpayment or because the payment should have never been made.

➢ The use of the Bureau's On-Demand Payroll System increased 81 percent since the implementation of People First. Typically, a salary or wage payment is processed using the Bureau's On-Demand Payroll System when a regular paycheck is not processed or is canceled. Additionally, certain nonrecurring payments, such as terminal leave payouts, must currently be processed through the On-Demand Payroll System as described in Finding No. 4.

The need for agencies to use workaround payroll systems as a result of People First deficiencies, as well as the increased need to cancel payroll transactions, has increased the workload of agency personnel and payroll staff. However, as Chart 2 demonstrates, data from recent months show a decrease in the need for agencies to cancel erroneous salary and wage payments. Six-month data from February 2006 through July 2006 shows an average of 2,784 On-Demand records processed, a nearly 12-percent decrease from a previous six-month average (August 2005 through January 2006) of 3,148. Additionally, six-month data from February 2006 through July 2006 shows an average of 904 EFT cancellations or a nearly 38-percent decrease from the previous six-month average of 1,448. It is important, however, to note that these amounts are still significantly larger than pre-People First implementation amounts.

Chart 2: Payroll Trends

Source: DFS, Bureau of State Payrolls

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[15] Calculation of pre-People First paper warrant cancellations did not include data for June 2004 because of a payroll processing anomaly, which if included, would statistically skew the data.

Our review of the various payroll measures also disclosed that the use of the PC Payment System, a workaround payroll system used to submit nonrecurring payments including Criminal Justice Incentive Program (CJIP) payments, was not initially materially affected by the implementation of People First. However, in July 2006, People First implemented CJIP functionality, drastically decreasing agency reliance on the PC Payment System. As shown on Chart 2 above, the number of transactions processed in the PC Payment System decreased from nearly 15,000 in June 2006 to just over 3,000 in July 2006.

Recommendation: Where feasible, agencies should use People First as the primary production system for all payroll transactions to reduce reliance on workaround systems that increase workload and costs. Additionally, DMS should continue system enhancements and training efforts to allow for the maximization of the payroll functionalities of People First.

Finding No. 11:   Components to be Implemented

While most planned components of People First are currently operational and available for agency use, certain key components are either partially operational or have not been implemented. Consequently, agencies have been required to use workarounds to supplement the absent People First functionality. Specifically, within the People First HR Administration function:

➢ The Performance Management System Module, that was to include a Web-based performance appraisal tracking system to capture supervisor evaluations, peer reviews, and provide 360-degree feedback, had an initial planned implementation date of June 2003. However, the module as presented by Convergys was not accepted by the State as it did not meet the State's operational needs. As of July 1, 2006, an interim module was made available to agencies that allowed limited functionality, including the input of employee evaluation scores. DMS was also in the process of creating the necessary business rules to complete the module, with anticipation of full implementation during or within the next year.

➢ The Learning Management System Module, that was to include a Web-based tool to capture training requests and progress records for employee career paths, as well as distribute e-learning tools, was in development at the end of our audit field work, with an anticipated rollout date for the completed component during or within the next year. However, as of July 1, 2006, an interim module was established to allow agencies to capture and record training data.

➢ The Electronic Records Management Module, that was to provide for the electronic maintenance of active State personnel files in accordance with statutory requirements relating to record retention, first began in test phase in May 2004 at DMS only. The implementation, however, was discontinued within hours because improper records preparation created significant privacy concerns. DMS, in conjunction with the People First Change Review Board,[16] is currently in the process of developing an action plan to deploy the module.

Recommendation: DMS should continue efforts to complete the implementation of planned People First components in the most expeditious time frame possible, ensuring that the delivered functionalities meet the operational needs of State agency users and properly address privacy concerns. Absent the ability to satisfactorily implement all promised functionalities, DMS should pursue the negotiation of appropriate adjustments in contract terms and conditions.

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[16] A cross-functional team comprised of various State agency members, as well as the Legislature, DMS, State universities, and Convergys staff. Its purpose is to help align People First priorities by examining how People First is working at agencies.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

William O. Monroe

William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSES

In accordance with Section 11.45, Florida Statutes, our preliminary and tentative findings were submitted to applicable agencies for response. In letters dated January 5, 2007, through January 22, 2007, the agency heads provided responses to our preliminary and tentative findings. The letters are included in their entirety as **APPENDIX A**.

APPENDIX A
MANAGEMENT RESPONSES

Department of Management Services and, Department of Children and Families

Department of Citrus, Department of Corrections and, Department of Education

Department of Financial Services, Department of Health, Department of Highway Safety and Motor Vehicles and, Department of Law Enforcement

Department of Revenue, Department of State, Department of Transportation and, Department of Veterans' Affairs

Executive Office of the Governor, Fish and Wildlife Conservation Commission and, Florida School for the Deaf and the Blind

Download the full report and response (5.7 MB)