CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL

AUDIT OF PERSONNEL/PAYROLL AND RELATED FINANCIAL TRANSACTIONS – PAYROLL INPUT PROCESSES

AUDIT REPORT NO. 09-007

Prepared By

Office of Independent Auditor General

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Independent Auditor General

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March 31, 2009

Honorable Members of the
City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Audit No. 09-007

Pursuant to the authority set forth in Section 48 of the City of Miami’s Charter, titled “Office of the Independent Auditor General,” and in accordance with the Fiscal Year 2007/2008 Audit Plan, we have conducted an audit of citywide personnel/payroll and related financial transactions and operations. Our current ongoing audit fieldwork of personnel/payroll is being performed in phases and a separate audit report will be issued for each phase. During this phase of the audit we focused on the payroll input processes performed by the Records Maintenance and Classification and Pay sections of the Employee Relations Department over the period October 1, 2005 through September 30, 2007 (and selected transactions prior and subsequent to this period). The calculation of non-continuous merit increases overpayments, as discussed in this report, was updated to November 23, 2008.

The report provides several recommendations we believe will assist the Employee Relations Department (ERD) in strengthening management controls. Our findings and recommendations have been reviewed with the ERD Director as well as other members of his management team and their written responses to our recommendations are included in the report. We would like to acknowledge their professional courtesy and cooperation during our audit and we look forward
to continuing to work together with them as we conduct additional phases of the citywide audit of personnel/payroll and related financial transactions and operations.

Sincerely,

Victor I. Igwe, CPA, CIA
Independent Auditor General
Office of Independent Auditor General

C: The Honorable Mayor Manuel A. Diaz
   Pedro H. Hernandez, Chief Administrator/City Manager
   Members of the Audit Advisory Committee
   Hector Mirable, Director, Employee Relations Department
   William W. Bryson, Fire Chief, Fire-Rescue Department
   Julie O. Bru, City Attorney, City Attorney’s Office
   Priscilla A. Thompson, City Clerk, City Clerk’s Office
   Bill Anido, Assistant City Manager, Office of the City Manager
   Roger Herndstadt, Chief of Staff, City Manager’s Office
   Larry M. Spring, Assistant City Manager/Chief Financial Officer
   Peter W. Korinis, Chief Information Officer, Information Technology Department
   Michael Boudreaux, Director, Budget Department
   Diana M. Gomez, CPA, Director, Finance Department

Audit Documentation File
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INTRODUCTION

The City of Miami (City) employs approximately 4,000 personnel and payroll records indicate that approximately $365 million and $416 million of salaries and fringe benefits (including health and life insurance, worker’s compensation, and pension) were processed and disbursed to employees during the fiscal years ended September 30, 2006 and September 30, 2007, respectively.

According to the Department Description as taken from the Fiscal Year 2009 Adopted Budget Book, “The Department of Employee Relations plans, directs and administers the City’s comprehensive human resources program for civil service, unclassified and temporary employees. The departments’ responsibilities include Employment, Records maintenance, Testing and Validation, Classification and Pay, Equal Employment Opportunity/Diversity Programs, Training and Organization Development, Employee Assistance Programs, Payroll Support Services and Labor Relations. The department manages all personnel activities based on policies and procedures developed in accordance with City Commission mandates, labor agreements, Civil Service Rules and Regulations, federal and state and local legislation.”

During this phase of the audit we tested the payroll input processes performed by the Records Maintenance (Records) and Classification and Pay (C&P) sections of the Employee Relations Department (ERD) over the period October 1, 2005 through September 30, 2007 (and selected transactions prior and subsequent to this period). As such, we were primarily concerned with the functions performed by the Records, C&P, and Payroll sections of ERD.

- Records is responsible for processing personnel actions in the Moore Personnel/Payroll system and maintaining employee personnel files which include applications, medical records, copies of identification (e.g. driver’s license, passport, and social security card), federal forms W-4 and I-9, personnel actions forms (AGs), performance appraisals, and other related documents.

- C&P is responsible for administering the City’s compensation system and performing position management. Some of C&P’s functions include: classification studies (i.e. job audits); evaluating salary adjustment requests for employees working out of classification; evaluating appointment rate requests for prospective employees seeking to
start at a salary higher than the position’s normal appointment rate; evaluating requests to use temporary personnel services provided through temporary employment agencies; coordinating with Testing and Validation to determine seniority points for City employees participating in the recruitment and selection process; and, responding to salary surveys from outside entities.

- Payroll/Support Services is responsible for administering all aspects of the payroll function including maintaining the City’s payroll system (and implementing new time and attendance systems) and processing the City’s bi-weekly payroll and related payroll disbursements.

The Moore System (Moore) was used during the audit period to accumulate and process personnel/payroll transactions. Moore was purchased and implemented in March 1990 and approximately 3 years after the purchase, the City acquired the source code, which provided the City with the ability to modify said application on its own. Over time, however, the Moore system has become antiquated and does not allow for the computerized processing of various complex personnel/payroll transactions. For example, the system is not capable of identifying, accumulating, accounting, and reporting many of the complicated payroll and benefit transactions provided to employees (including firefighters, police officers, general, and sanitation employees), as authorized by the four labor union agreements, the Fair Labor Standards Act (FLSA), the Administrative Policy Manual (APM), and the salary schedules, which among others, determine how personnel are compensated for regular hours worked, overtime and other supplemental payment benefits. As a result, many transactions are manually processed and input into Moore.

Manual processing may result in less consistency in the processing of transactions and greater potential for calculation/other errors. In recognition of these issues, the City is in the process of implementing a new personnel/payroll system – Oracle. The new Oracle Payroll System is scheduled to go live in June 2009. It is anticipated that the Oracle application will go far in supporting the City’s expectation for greater accuracy and efficiency in this important business process.
OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was performed pursuant to the authority set forth in Section 48 of the City’s Charter titled, “Office of Independent Auditor General”, and was conducted in accordance with the Fiscal Year 2007/2008 Audit Plan. Our current ongoing audit fieldwork of citywide personnel/payroll and related financial transactions and operations is being performed in phases and a separate audit report will be issued for each phase. Some of the primary audit objectives of our audit of citywide personnel/payroll are as follows:

- To assess the effectiveness of the internal control system relative to hiring, processing, disbursing, and reporting payroll/fringe benefits citywide.
- To determine whether selected transactions and disbursements were processed in accordance with the Fair Labor Standards Act (FLSA), City Code, Labor Union Agreements, Civil Service Rules and Regulations, Administrative Policy Manual (APM), salary schedule, and other applicable guidelines.
- To determine whether salaries, salary adjustments, and other supplemental payments were properly calculated, authorized, disbursed, and reported.
- To determine whether the Employee Relations Departments has corrected, or is in the process of correcting, any deficiencies noted in prior audits.

During this phase of the audit we focused on the payroll input processes performed by the Records Maintenance and Classification and Pay sections of the Employee Relations Department over the period October 1, 2005 through September 30, 2007 (and selected transactions prior and subsequent to this period). As such, our specific audit objectives included: determining whether Personnel Action Forms (AGs) were properly supported, authorized, and entered in the Moore payroll system; and determining whether appointment rates, salary increases for employees working out of classification, merit increases, and anniversary increases granted to bargaining unit (classified) employees were properly requested, supported, calculated, approved, and disbursed.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence in order to provide a reasonable basis for our findings and
conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Obtained an understanding of internal controls by interviewing appropriate personnel, reviewing applicable written policies and procedures, and making observations to determine whether prescribed controls had been placed in operation.
- Determined the nature, timing and extent of substantive tests necessary and performed the required substantive tests.
- Determined compliance with the City’s Pay Policy (APM 5-78), Civil Service Rules, the Labor Union Agreements, City Code, Fair Labor Standards Act, and other guidelines.
- Performed other audit procedures as deemed appropriate.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained the auditee’s responses and corrective action plans.
CONCLUSIONS AND SUMMARY OF FINDINGS

We assessed internal control policies and procedures relative to the processing of merit increases, personnel action forms, anniversary increases granted to bargaining unit (classified) employees, appointment rates, and salary increases for employees working out of classification to determine whether they were adequate and effective. In addition, we examined selected payroll transactions to determine whether they were processed and disbursed in accordance with the Fair Labor Standards Act (FLSA), City Code, Labor Union Agreements, Civil Service Rules and Regulations, Administrative Policy Manual (APM), and other guidelines. Based upon our test work performed we believe that improved controls are needed to ensure that the payroll input processes performed within the ERD are properly supported, evaluated, and authorized to result in employees being paid the correct amounts. We acknowledge that implementation of the new Oracle Payroll System will probably assist ERD in achieving greater accuracy, efficiency and effectiveness in these processes. The specific audit findings noted were as follows:

Finding #1 - Non-Continuous Merit Increases Were Not Properly Approved & Were Not Timely Discontinued

Merit increases may be granted to employees (as one or more steps above the employee’s existing salary rate) for exceptional service to the City. According to the City’s Pay Policy, said increases “may be authorized on a continuing basis or for temporary periods up to 12 months.” Based on our testing we determined that merit increases were properly supported by memoranda from the requesting Department Director, describing the employee’s exceptional services, and were properly approved by the Employee Relations Department (ERD) Director. However, we also noted that merit increases were not properly approved by the City Manager as required; instead, 90% of the increases tested were approved by the former and current Chief Financial Officers (CFO). Lastly, we noted that non-continuous merit increases were not discontinued at the designated time, thus resulting in overpayments of $171,954 to ten (10) employees.

Refer to detailed audit findings and recommendations on pages 9 through 11.
Finding #2 - Personnel Action Forms Were Not Properly Authorized and Supported

Personnel Action Forms (AG) are required to be prepared, approved, and submitted to the Employee Relations Department (ERD) to record and activate changes in the City’s Moore System relative to employee additions, job classification, rate of pay changes, promotions, anniversary increases, termination pay-outs and other personnel/payroll transactions. For the 132 AGs tested, 90% of the required signatures were either missing or improper; therefore, said AGs were not fully authorized. For example, in some cases AGs were not signed by the requesting Department Director or the Director of ERD, as required. Within the total sample of AGs tested (132), nine (9) AGs involved salary increases and lump sum incentive payments granted to employees through the Pay-for-Performance (PFP) incentive program. Of said 9 PFP AGs, seven (7) or 77.7% were not properly authorized and three (3) or 33.3% were not supported by signed performance appraisals.

Refer to detailed audit findings and recommendations on pages 12 through 19.

Finding #3 - Personnel Files for Sworn Fire-Rescue Department Employees Did Not Contain Performance Evaluations

100% of the sworn fire personnel files tested did not contain performance appraisals as support for Anniversary Increases/Permanent Appointments. In response to our memorandum requesting a written explanation of their current practice for evaluating sworn fire personnel, the Fire-Rescue Department (FD) stated that, “Sworn Fire employees are given raises as outlined in their collective bargaining agreement, and these are not based on performance appraisals.” In addition, the FD provided us with a document (titled Annual Performance Evaluation) from their departmental policy and procedures manual, which indicates that evaluations are performed annually but “if the overall rating is “Satisfactory”, this document will be destroyed in the presence of the employee concerned.” Destroying performance evaluations appears to be a violation of the City Code and the State of Florida Statutes regarding record retention and disposition.

Refer to detailed audit findings and recommendations on pages 20 through 24.
Finding #4 - Anniversary Increases Were Not Granted On the Correct Dates
Pursuant to APM 5-78 City of Miami Pay Policy (K.1.a.), “classified...employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred.” Furthermore, Section K.1.b. of the Pay Policy stipulates that “leaves of absences without pay or suspension of any duration shall delay anniversary increases by the period of time involved unless specified in the appropriate labor agreement.” Of the 88 classified employees tested we noted that the anniversary increases for seven (7) employees were granted on incorrect dates. Six (6) of said employees took leave without pay (LWOP), which was not properly factored into the calculation of the new anniversary dates. As a result, the employees’ anniversary dates were not properly delayed and they started earning higher hourly rates before and after they were due.

Refer to detailed audit findings and recommendations on pages 25 through 27.

Finding #5 - Appointment Rate Requests Were Not Properly Processed
According to APM 5-78 City of Miami Pay Policy (Section I.), “The minimum rate in the pay range for each established classification shall be the normal appointment rate for a new employee assigned to a position of that class. An appointment rate above the minimum rate but not the maximum may be granted if the Department Head submits to the Director of Human Resources an acceptable written justification for the higher rate.” Based upon our testing of 62 appointment rate requests that were submitted during the audit period, we noted that two (2) requests to start prospective employees at higher rates were granted, however they were not justified. We also noted one (1) appointment rate request and two (2) promotional increases (which resulted in employees being paid above the minimum rate in the new range and receiving increases greater than 10% (two pay steps)) were not properly approved. In addition, the evaluation performed by C&P regarding one (1) promotional increase was inconsistent with the Pay Policy guidelines and resulted in the employee receiving a 22% pay increase. Lastly, we noted that the authorized appointment rates for three (3) employees were not properly paid.

Refer to detailed audit findings and recommendations on pages 28 through 34.
Finding #6 – Working Out of Classification & Salary Adjustment Requests Were Not Properly Processed

Employees performing 60% or more of a higher classification’s responsibilities may be eligible to receive a salary adjustment (SA) or working out of classification (WOC) pay. We reviewed 30 WOC and 32 SA requests to determine whether they had been properly submitted, evaluated, and approved prior to salary increases being granted to employees. Based on our testing we noted that three (3) WOC requests were not properly documented, one (1) was not properly evaluated, and one (1) was not properly authorized. In addition, we noted that eight (8) SA requests did not have Evaluation Forms indicating the analysis performed by Classification & Pay and the resulting recommendation for approval/denial. Lastly, we noted that two (2) employees were paid at a higher rate than the authorized WOC rate and that a five percent 5% salary adjustment was not timely deleted.

Refer to detailed audit findings and recommendations on pages 35 through 40.
AUDIT FINDINGS AND RECOMMENDATIONS

FINDING #1 - NON-CONTINUOUS MERIT INCREASES WERE NOT PROPERLY APPROVED & WERE NOT TIMELY DISCONTINUED

APM 5-78 City of Miami Pay Policy (K.3.a.) stipulates that “salary increases for exceptional service may be requested upon recommendation of the Department Head supported by a memorandum detailing the exceptional service. Recommendations for merit increases shall be reviewed by the Director of Human Resources and submitted to the City Manager for his approval.” Section K.3.b. further stipulates that “merit increases may consist of one or more steps above the employee’s existing salary rate. Such increases may be authorized on a continuing basis or for temporary periods up to twelve (12) months.”

We tested all 11 merit increases granted between the years 2005 and 2007 noting that 10 of said 11 increases were not properly approved. Rather than being approved by the City Manager, eight (8) were approved by the former Chief Financial Officer (CFO) and two (2) were approved by the current CFO. Furthermore, all eleven (11) of the merit increases tested were granted on a non-continuous basis (i.e. for a specified period of time). However, we determined that ten (or 90.9%) of said merit increases were not discontinued at the designated time, thus resulting in overpayments as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Employee Classification</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assistant Director, Finance</td>
<td>$922.36</td>
</tr>
<tr>
<td>2</td>
<td>Chief Accountant</td>
<td>550.67</td>
</tr>
<tr>
<td>3</td>
<td>Chief Accountant</td>
<td>24,593.23</td>
</tr>
<tr>
<td>4</td>
<td>Chief Accountant</td>
<td>34,141.75</td>
</tr>
<tr>
<td>5</td>
<td>Assistant Director, Purchasing</td>
<td>34,314.62</td>
</tr>
<tr>
<td>6</td>
<td>Employee Relations Manager</td>
<td>35,857.08</td>
</tr>
<tr>
<td>7</td>
<td>Payroll Supervisor</td>
<td>16,211.68</td>
</tr>
<tr>
<td>8</td>
<td>Assistant Payroll Supervisor</td>
<td>4,790.36</td>
</tr>
<tr>
<td>9</td>
<td>Administrative Assistant II</td>
<td>376.20</td>
</tr>
<tr>
<td>10</td>
<td>Payroll &amp; Support Services Administrator</td>
<td>20,195.70</td>
</tr>
</tbody>
</table>

**171,953.65**
Based on the results of our testing above, we determined that ERD did not have a control mechanism to identify and stop non-continuous merit increases as specified on the approved requests. Therefore, we performed an additional test to determine the extent of non-continuous merit increases not timely discontinued. We noted that 74 merit increases (including the 11 noted above) had been granted since the year 2000, of which 70 (or 94.6%) had not been timely discontinued. The number of pay periods that said merit increases continued to be paid past the approved end date ranged from one (1) to 172 pay periods. As of the end of field work (11/23/08) 37 of the 70 employees are still receiving merit increases.

**RECOMMENDATIONS:**

1.1 We recommend that ERD comply with the Pay Policy by ensuring that all requests for merit increases are approved by the City Manager.

1.2 We recommend that in order for non-continuous merit increases to be extended, re-approval must be obtained from the City Manager.

1.3 We recommend that ERD enhance its internal control procedures to ensure that all merit increases granted on a non-continuous basis are timely discontinued in order to avoid overpayments. For example, it may be possible to build a control into the new Oracle Payroll System to notify ERD when non-continuous merit increases should be stopped.

1.4 With respect to the non-continuous merit increases identified above, which were not timely stopped, and for which 37 employees are still receiving increases, we recommend that ERD investigate why said employees are still receiving said increases, and on a case by case basis either obtain the City Manager’s retroactive approval of the amounts paid or collect the overpayments.
AUDITEE RESPONSE AND ACTION PLAN:

The ERD agreed to the findings and recommendations and provided the following written response (See scanned copy of complete response on pages 42 through 44):

*It is agreed that the City Manager or his/her designee should be the approving authority.*

*It is agreed that ERD should enhance our Internal Control Procedures to ensure that all merits are stopped on time, and that any continuance of merits should be approved by the City Manager (or his/her designee). Additionally, ERD is reviewing current merit increases to assess whether they are valid, and if so, ensuring that the appropriate documentation is on file; and if not, formulating a plan to remove the merits.*
Personnel Action Forms (AG) are required to be prepared, approved, and submitted to the Employee Relations Department (ERD) to record and activate changes in the City’s Moore System relative to employee additions, job classification, rate of pay changes, promotions, anniversary increases, termination pay-outs and other personnel/payroll transactions. During the audit period ERD processed approximately 14,600 AGs.

Based on our interviews with ERD employees we developed the following understanding of the process:

1. Generally, AGs are created by a Department, to request a specific personnel/payroll action, and are signed by the requesting Department Director.
2. The AG is then routed to ERD for a Personnel Assistant/Sr. Personnel Officer to verify its content (e.g. dates, back-up documentation, and initiating department Director/designee signature). The AG is then initialed by the Personnel Assistant/Sr. Personnel Officer as evidence of his/her review.
3. Once reviewed, the AG is forwarded to the ERD Director (or designee) and the City Manager (or designee) for signature approvals.
4. Finally, the Senior Personnel Officer receives the AG after all the signatures have been obtained and he/she enters the approval code, which allows the AG to be processed, in the Moore System.

We tested 132 AGs to determine whether the required review and approval procedures had been observed. 100 of said AGs involved rate of pay changes (e.g. anniversary/longevity increases, additions and deletions of supplemental payments, etc.) whereas the other 32 involved changes to employees’ master files (e.g. changes in location, occupation code, or insurance coverage).

Based on our review we noted the following deficiencies:
MISSING & IMPROPER SIGNATURE AUTHORIZATION

Based on our understanding of the process we determined that each of the three (3) signatures required on the AG serves a different purpose and signifies a different level of approval/authorization as follows:

1. **Requesting Department Director** - Initiation/Department Budget Authorization.
2. **HR Director** - Compliance Review – to certify the personnel action, verify the accuracy of any calculations, and ensure compliance with applicable rules and regulations.
3. **City Manager** – Final authorization.

Signatures on 90% of the AGs tested were either missing or improper; therefore, said AGs were not fully authorized. The specific issues noted with respect to the (1) requesting Department Director, (2) HR Director, and (3) City Manager signatures were as follows:

- 9 (or 6.82%) AGs were not signed by the requesting Department Director or designee.

- 60 (or 45.45%) AGs were signed by parties unauthorized by the City Manager to sign as his designee. The City Manager appointed the former HR Director, as his signature designee for Personnel Actions; however, the former HR Director authorized other parties to sign AGs in her absence. The City Manager did not explicitly authorize anyone other than the former HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) were not properly authorized.

- 15 (or 11.36%) AGs were not signed by the Director of Human Resources or designee (i.e. signature line was left blank).

- 18 (or 13.64%) AGs were signed by the same person for the City Manager, and HR Director as follows:
  
<table>
<thead>
<tr>
<th>Position</th>
<th>Count</th>
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<tbody>
<tr>
<td>Deputy Director, Employee Relations</td>
<td>5</td>
</tr>
<tr>
<td>Employee Relations Manager</td>
<td>4</td>
</tr>
<tr>
<td>Director, Employee Relations</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

13
The Deputy Director and Employee Relations Manager were authorized signature designees for the HR Director, while the HR Director was an authorized signature designee for the City Manager. Therefore, in many cases the Deputy Director/Employee Relations Manager signed for the HR Director and the HR Director signed for the City Manager. However, the above exceptions occurred when in the absence of the HR Director, the Deputy Director/Employee Relations Manager signed as both the HR Director designee and as the City Manager designee. The City Manager did not explicitly authorize anyone other than the HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) were not properly authorized.

- 1 (or 0.76%) AG was signed by the same person for the City Manager, HR Director, and requesting Department Director. This AG was for an employee within the ERD and was signed all three times by the Deputy Director. Since the employee was within the ERD, the requesting Department Director and the HR Director is the same person and in the absence of the HR Director, the Deputy Director assumed both signatures in addition to the HR Director’s role as the City Manager signature designee. No AG should be signed more than once by the same person. Furthermore, as noted above, the City Manager did not explicitly authorize anyone other than the HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) were not properly authorized.

The AGs where we noted that the requesting Department Director and HR Director signatures are missing may have been caused by the fact that ERD processes a large volume of AGs on a daily basis; ERD did not ensure that the required approvals were present; and, ERD does not have an updated policy and procedures manual which articulates the signatures required (or not required) for specific actions. For example, we noted that in all cases the HR Director (or designee) and City Manager (or designee) signatures are required for approval; however, in some cases the Department Director signature is not required (e.g. AGs involving labor union contract implementation, employee insurance benefits, or actions such as minimum wage and living wage increases required by law/ordinance).
The signatures required on each AG provide evidence that the 3 approval/authorization functions were properly performed and that the personnel action is authorized to be processed in the Moore Personnel/Payroll system. Therefore, for example, if signatures are missing or improper on an AG for a salary increase then the increase may not have been granted on the correct effective date, may not have been properly calculated, or may altogether represent an unauthorized expenditure.

**AGS RELATED TO PAY-FOR-PERFORMANCE (PFP) SALARY INCREASES**

Of the 132 AGs tested, nine (9) involved salary increases and lump sum incentive payments granted to employees through the Pay-for-Performance (PFP) incentive program. Of these 9 AGs, seven (7) or 77.7% were not properly authorized - all three (3) signatures were missing/improper (See Nos. 1 through 7 below). Furthermore, three (3) or 33.3% of the 9 PFP AGs were not supported by signed performance appraisals (See Nos. 6 through 8 below).

<table>
<thead>
<tr>
<th>Personnel Action: Incentive Lump Sum Payment</th>
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<tr>
<th>Personnel Action: Pay For Performance</th>
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PFP performance appraisals should be retained in each employee’s personnel file and contain the signatures of the Department Director, Employee Appraiser, and the Employee. Instead, the Special Projects and Compensation Manager provided us with electronic copies of the performance appraisals (which had been emailed to him from each Department). Said electronic copies were not scanned/hard coded and did not contain signatures. Performance appraisal scores
are used to determine an employee’s salary increase (or conversely to justify why an employee may not have received an increase). As such, having the signed performance appraisal on file is important for the official record, for audit purposes, as well as to avoid future disputes.

RECOMMENDATIONS:

2.1 We recommend that ERD update its policy and procedures manual to articulate and clarify the function of each approval signature and to specify those actions where the requesting Department Director signature is not required.

2.2 In order to maintain proper segregation of duties, we recommend that no AG be signed more than once by the same individual. Therefore, in the HR Director’s absence another individual should be authorized by the City Manager as his designee. Furthermore, when AGs involve employees within the ERD they should be signed by an Assistant Director/Deputy Director/Manager (as the requesting Department Director designee), by the HR Director, and by the City Manager (or an authorized designee outside of the ERD).

It is our understanding that the AG authorization process will be performed electronically within the Oracle Payroll System. Therefore, the same principles that would apply to manual processing of AGs should be built into the system to ensure proper review and approval.

2.3 We recommend that ERD enhance its internal control procedures to ensure that PFP performance appraisals be printed, signed by the Department Director, Appraiser, and Employee, and filed in employees’ personnel files as part of the official records.
AUDITEE RESPONSE AND ACTION PLAN:

The ERD partially agreed to the findings and recommendations and provided the following written response (See scanned copy of complete response on pages 45 through 55):

**Missing and Improper Signature Authorization**

*It is agreed that the signatures on the Personnel Action Form (AG) serve different purposes. The signature of the operating department director signifies the intent to execute a given action on a specific employee on date certain, and indicates that said action is within the operating department’s budget, authorized position and is in compliance with any requirements of special funding sources as may be applicable.*

*The HR Director is responsible for certifying that the person named on the Personnel Action Form (AG) holding a position in the classified service has been appointed in accordance with the provisions of the City Charter and of the rules established there under. It should be noted that per Sec. 2-557 of the City Code, the Director of Employee Relations* shall administer the affairs of the department subject to the supervision and control of the City Manager in all matters. Payroll is responsible for ensuring proper calculations; however, the HR Division of Employee Relations is responsible for ensuring that the provisions of the pay policy and the labor agreements are applied.*

*In accordance with Section 16 of the City Charter, the powers and duties of the City Manager shall be to appoint and remove, except as otherwise provided in the Charter, all directors of the departments and all subordinate officers and employees in the departments in both the classified and unclassified service; and to exercise control over all City departments.*

*In light of the above, certain Personnel Action Forms (AGs) would not require signatures from three sources. ...*
Currently, the Department of Employee Relations possesses a memorandum approved by the City Manager expressly authorizing two staff members within the Department of Employee Relations to approve Personnel Action Forms (AGs) on his behalf. More than one delegate was identified to sign for the City Manager and for the HR Director in an effort to reduce the delay in processing personnel actions.

... it should be noted that in a previous audit the Department of Employee Relations established a new signature protocol that ensures that no one individual signs the Personnel Action Form (AG) for the City Manager, HR Director, and the requesting Department Director. Though more cumbersome, the department has instituted a system which would result in no individual signing one Personnel Action Form (AG) more than once.

We appreciate the recommendations made. As we move forward, we will continue to tweak our processes in an effort to improve operations while maintaining efficiency and effectiveness.

PFP Evaluations

As indicated, three of the seven files referenced did not contain the required performance appraisals to support Pay-for-Performance salary increases.

The Department of Employee Relations’ Classification and Pay Section will generate a list of individuals who were granted Pay-for-Performance increases since 2005 along with the corresponding paper evaluation forms for those whose evaluations were not submitted in completed form, the latter of which Classification and Pay will distribute to operating department directors. ... In [a] memorandum, Department Directors will be asked to ensure that proper protocol is followed as it concerns the signatures on the forms. ... Department Directors will be given a deadline that shall not exceed thirty days to return the forms to the Department of Employee Relations Classification and Pay Section. The Classification and Pay Section shall verify that the required signatures are reflected on the evaluation form and that the scores reflected on the form are the same as those recorded for payment. ... Records staff shall stamp and log in the evaluations that have been returned from the operating departments and file the properly signed PFP evaluations in the respective employee’s personnel file. ...
Moving forward, the Director of Employee Relations will prepare a memorandum for the City Manager’s signature requiring all Directors to review PFP evaluations with employees and have the employee and supervisor sign the evaluation. Subsequently, the Director will sign each PFP evaluation form and return it to the designated Classification and Pay staff member in the Department of Employee Relations by an established date. ... In an effort to increase accountability, the Director of Employee Relations will report to the City Manager, which departments have not met the deadline within a reasonable period of time, and shall indicate the number of evaluation forms that are outstanding.
During the fiscal years ended September 30, 2006 and September 30, 2007 approximately $71 million and $95 million, respectively, of salaries and fringe benefits were processed and disbursed to Fire-Rescue Department (FD) employees. APM 5-78 *City of Miami Pay Policy* (K.1.c.) stipulates that “Anniversary increases shall be awarded only on the basis of continued competent service by the employee in the sole discretion of the Department Head. Anniversary increases are not automatic.” Furthermore, Civil Service Rule 13 “Service Ratings”, Section 13.1 “Reports Required”, stipulates that “service ratings relative to the ability and conduct of employees in the classified service shall be made by the Department Director on forms prescribed by the Director of the Human Resources Department.” The “Performance Appraisal Form” (PAF) prescribed provides a template for consistently evaluating all City employees based on the same criteria and scale. Said PAF is signed by the appraiser, employee, and Department Director and is filed, as part of the official record, in each employee’s personnel file as support for the employee’s annual performance rating and pay increase, if warranted.

We tested 132 Personnel Action Forms (AGs) to determine whether they were properly supported by a union agreement/other provisions and whether the applicable back-up documents (e.g. Performance Appraisal Forms (PAF)) were included in the employees’ personnel files. Four (4) of the 132 AGs pertain to anniversary increases/permanent appointments for sworn fire personnel. In another test we specifically examined whether anniversary increases granted to bargaining unit (classified) employees were supported by a PAF and whether the rating on the PAF matched the increase paid to the employee. Of the 88 classified employees tested, nine (9) were sworn fire personnel who were eligible to receive anniversary increases during the audit period. Based on our AG testing and our testing of Anniversary Increases we noted that thirteen (13) or 100% of the eligible sworn fire personnel files tested did not contain the required performance appraisals as support for Anniversary Increases/Permanent Appointments. The increases granted were as follows:
We contacted the Fire-Rescue Department (FD) to determine why PAFs for sworn fire personnel were not sent to the Employee Relations Department (ERD) to be included in their employees’ personnel files, like all other City departments’ employees. In response to our inquiry, a FD Administrative Assistant explained that ‘sworn employees do not need an evaluation for their anniversary increase nor permanent status because it is automatically given to them.’ In response to our memorandum requesting a written explanation of their current practice for evaluating sworn fire personnel, the Fire Chief (FC) stated that, “Sworn Fire employees are given raises as outlined in their collective bargaining agreement, and these are not based on performance appraisals.” In addition, the FC provided us with a document (titled *Annual Performance Evaluation*) from their departmental policy and procedures manual, which indicates that evaluations are performed annually but “if the overall rating is “Satisfactory”, this document will be destroyed in the presence of the employee concerned.”

Since the FD practice has been to ‘destroy’ their employees’ performance evaluations we were unable to confirm whether annual appraisals were actually performed for said employees (including who conducted the appraisals, whether they were acknowledged by the employees, and approved by the Director) and whether the employees’ performance justified the increases granted.
It appears (based on the salary schedule and step raise plan described in the IAFF collective bargaining agreement and referred to by the FC in his written response to our memorandum) that increases granted to sworn fire personnel are “not based on performance appraisals” but are based on the completion of months/years of employment. However, according to the City’s Administrative Pay Policy and the Civil Service Rules, as articulated above, anniversary increases to employees are not automatic – rather they are granted based on continuous competent service to the City as documented and supported by annual performance appraisals.

Furthermore, in accordance with the statutory provisions of Chapter 119 and 257, Florida Statutes, the General Records Schedule (Item #195) for Local Government Agencies, issued by the State of Florida’s Department of State (Division of Library and Information Services, Bureau of Archives and Records Management) provides that all documents that support payroll records are required to be retained for a period of three (3) calendar years. Also, Article III, Section 40-72(b) of the City Code, regarding Personnel records states that “the Director of the Personnel Management Department shall maintain official personnel records of classified employees…, consistent with the provision of the law. The director shall also establish a records management program for the maintenance and disposition of official personnel records consistent with the provisions of state law and local ordinances.” Based on the above provisions, it appears that the destruction of performance evaluations for sworn fire personnel should not occur before the expiration of the 3 year retention period and should be performed pursuant to the City’s records disposition procedures.

**RECOMMENDATION:**

3.1 In consideration of the City’s Administrative Policy, Civil Service Rules, IAFF collective bargaining agreement, the City’s Code of Ordinances, and the Florida Statutes we recommend that ERD and the FD obtain a legal opinion to clarify the purpose and frequency of performance appraisals for sworn fire personnel and also regarding the FD’s current practice of destroying its sworn employees’ performance appraisals.
AUDITEE RESPONSE AND ACTION PLAN:

The Fire-Rescue Department provided the following explanation of its practice for evaluating sworn fire personnel (See scanned copy of complete response on pages 56 through 59):

I would like to point out that the statement in your letter that performance appraisal scores are used to determine an employee’s salary increase is not true in the case of sworn fire employees. Sworn Fire employees are given raises as outlined in their collective bargaining agreement, and these are not based on performance appraisals. However, in answer to your question; the Fire Department’s current practice for evaluating sworn fire personnel, as explained in the attached document Annual Performance Evaluation, has been in place for at least 35 years. It is a long standing past practice that has been codified in department manuals. In addition, when the City attempted to change the policy in the past I believe the Bargaining Unit grieved it and prevailed. The Fire Department is satisfied with the current system, but we are certainly willing to examine ways to improve the process.

In addition, the Employee Relations Department agreed to the findings and recommendations and provided the following written response (See scanned copies of complete responses on pages 45 through 52 and pages 60 through 66):

[It was noted that thirteen (13)] firefighters’ personnel files were found not to contain the required performance appraisal. This practice was due to a resolution to a prior grievance filed by the IAFF in 1994, specifically Grievance Number 11-94 (See Attachment).

As indicated in your work product in which the Fire Department was contacted as part of this audit, the Miami Fire Rescue Operations Procedures Manual reflected that if the overall rating of the employee is “Satisfactory”, the Fire Department’s worksheet would be destroyed in the presence of the employee concerned. In contrast, if the overall rating is unsatisfactory, the Fire Department’s annual evaluation worksheet is to be retained and placed with other documented material to support the decision pending further action. The Fire Department’s manual does not reference placement of the document in the official personnel file, although, that would be the customary location for employees’ records of performance.
As it concerns the destruction of the performance evaluations of sworn fire personnel, a Legal Services Request will be submitted to the Office of the City Attorney to determine whether this practice is in compliance with the Florida Public Records Act, which governs the destruction of public records. In the event that the Legal Services Request is returned indicating that the practice of destroying the aforementioned records is illegal, a memorandum from the City Manager will be drafted to advise the Fire Chief that the practice of destroying performance appraisals without complying with records destruction protocol is unsound and in violation of the Florida Public Records Act. Additionally, moving forward, the issue of performance appraisals for Fire personnel will be considered as an item of collective bargaining should it be determined to be a necessary prerequisite. Appropriate action will be taken once legal advice is provided.
Pursuant to APM 5-78 *City of Miami Pay Policy* (K.1.a.), “classified…employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred.” Furthermore, Section K.1.b. of the *Pay Policy* stipulates that “leaves of absences without pay or suspension of any duration shall delay anniversary increases by the period of time involved unless specified in the appropriate labor agreement.”

Based on our testing of anniversary increases granted to 88 classified employees we noted that one (1) employee’s anniversary increase was granted on April 8, 2007 however, according to the employee’s probationary appointment it should have been granted on April 11, 2007. Therefore, the anniversary increase was granted three (3) days early. In addition we noted that the anniversary dates of six (6) employees who took leave without pay (LWOP) were not properly calculated (i.e. the anniversary dates were not properly delayed). As a result, said employees started earning higher hourly rates before/after they were due. Four (4) received increases before they were due (i.e. their anniversary increases were prematurely granted) while the other two (2) employees’ increases were improperly delayed as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th># Days LWOP</th>
<th>Anniversary Date</th>
<th>Anniversary was granted early (late)</th>
<th>Hourly Rate</th>
<th>Total</th>
<th>Over (Under) Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>If No LWOP</td>
<td>Delayed for LWOP</td>
<td>Actual Date Granted</td>
<td># Days</td>
<td># Pay Periods</td>
</tr>
<tr>
<td>2</td>
<td>7 calendar</td>
<td>4/15/2006</td>
<td>4/22/2006</td>
<td>4/15/2006</td>
<td>7</td>
<td>0.50</td>
</tr>
<tr>
<td>3</td>
<td>0</td>
<td>10/25/2005</td>
<td>NA</td>
<td>10/28/2005</td>
<td>(3)</td>
<td>(0.21)</td>
</tr>
</tbody>
</table>

The anniversary increases may have been granted on the wrong dates for several reasons:

- Input error - the anniversary date was keyed into the system incorrectly.
- Lack of procedures - ERD does not have an updated policy and procedures manual with procedures for checking LWOP prior to generating and processing AGs for anniversary increases and for calculating the delayed anniversary dates.
• Improper calculation - ERD considered the LWOP but did not properly calculate the new anniversary date. For example, one employee’s increase was due on 10/25/05 but was improperly delayed 3 working days to 10/28/05. The improper delay occurred because the employee was suspended for three days (effective 10/26/05) but the suspension should have delayed the 2006 anniversary and not the 2005 anniversary.

• Untimely notification of LWOP – Per discussion with the Employee Relations Manager, in many cases LWOP/suspensions are not received from Labor Relations or the individual departments in a timely manner.

• Lack of timely system input - In one case, the employee's FMLA LWOP was requested and approved in April of 2006; however, it was not entered into the system until January of 2007. Therefore, at the time the anniversary increase was due (4/15/06) the record of the employee's LWOP had not been entered into the Moore system resulting in the anniversary date not being properly delayed.

RECOMMENDATIONS:

4.1 We recommend that ERD update its policy and procedures (P&P) manual to include a procedure for checking any LWOP taken by employees and for calculating the delayed anniversary dates (Note: LWOP also affects other actions such as longevity increases, permanent appointments, probationary periods, and retirement therefore, procedures regarding these types of actions should also be updated/developed).

4.2 We recommend that ERD employees be trained to properly perform the anniversary date/LWOP calculation and that said calculation be documented and reviewed by a supervisor (with evidence of said review included on the calculation sheet). If possible, these calculations should be automated within the Oracle Payroll System to reduce human error.

4.3 We recommend that Labor Relations and all departments be built into the process to immediately notify the Records section of ERD of any approved LWOP/suspensions.
ERD should consider the possibility of building said controls into the Oracle Payroll System that would provide the necessary notifications to Records of any employees who have taken LWOP.

AUDITEE RESPONSE AND ACTION PLAN:

The ERD agreed to the findings and recommendations and provided the following written response (See scanned copy of complete response on pages 60 through 65):

The Senior Personnel Officer has already provided training to the Personnel Assistant responsible for preparing anniversary and longevity increases regarding the proper delay of same due to any time without pay. Moving forward, prior to such personnel actions being forwarded to the department(s) for signature, the Senior Personnel Officer will review to ensure correctness.

As it concerns untimely notification of LWOP, the Department of Employee Relations’ Labor Relations Section, upon granting approval, will notify the department payroll/personnel liaisons to immediately prepare the personnel action form to reflect same. The Records Section will also be copied and upon notification will verify that there are no pending anniversary or longevity increases. If so, when necessary, the actions will be deleted from the system until the proper paperwork is processed reflecting the leave and return of the employee.
FINDING #5 - APPOINTMENT RATE REQUESTS WERE NOT PROPERLY PROCESSED

According to APM 5-78 City of Miami Pay Policy (Section I.), “The minimum rate in the pay range for each established classification shall be the normal appointment rate for a new employee assigned to a position of that class. An appointment rate above the minimum rate but not the maximum may be granted if the Department Head submits to the Director of Human Resources an acceptable written justification for the higher rate. … Justification shall be limited to recognition of exceptional qualifications of a prospective employee or lack of available eligible at the minimum rate.”

Pursuant to ERD procedures and good business practice, appointment rate requests are reviewed by the Classification and Pay (C&P) to determine if the higher appointment rate is warranted – (1) by the prospective employee’s qualifications (education and/or experience) or (2) by lack of qualified candidates at the minimum rate. In addition, C&P considers whether the higher appointment rate would be equitable with respect to other employees in similar classifications. The result of C&P’s evaluation is a recommendation to the ERD Director for approval/denial.

We reviewed the 62 appointment rate requests that were submitted, during the audit period, from department Directors to ERD to determine whether they were justified, evaluated by C&P, approved by the ERD Director, and properly paid in the Moore Payroll System. The normal appointment rates ranged from $15,350 to $95,056 while the approved higher appointment rates ranged from $18,487 to $124,800. The differences between the normal appointment rates and the approved higher appointment rates ranged from $1,544 to $36,456.

APPOINTMENT RATE REQUESTS WERE NOT PROPERLY JUSTIFIED, EVALUATED, AND APPROVED

Based on our testing, we noted internal control deficiencies with respect to the following 5 appointment rate requests:
The issues noted were as follows:

- Two (2) requests to start prospective employees at higher rates were granted, however they were not justified. In both cases, the departments extended offers to the employees at the higher rates prior to seeking ERD authorization. As a result, although there were no convincing justifications for starting the employees at higher rates, ERD was forced to honor the offers that had been made. (See Nos. 1 and 2 in the table above).

- One (1) request was not authorized by the ERD Director as required. Instead, the email ‘authorization’ was from the Compensation & Special Projects Manager. (See No. 3 in the table above).

- Nine (9) of the requests reviewed represented promotions rather than initial appointments; as such, Section “O” of the Pay Policy (“Pay Rates in Transfers, Promotions, or Advancements”) applies. In accordance with section "O" of the Pay Policy, "Employees promoted or advanced to a higher class shall be paid at the minimum rate in the new range, or the rate that most nearly represents an increase of two pay steps or as otherwise determined by the City Manager, above the employee's present salary rate, whichever is greater."

Of the 9 promotion requests, four (4) resulted in the employees being paid above the minimum rate in the new range and receiving increases greater than 10% (two pay steps), thus necessitating City Manager approval. However, two (2) or 50% of said promotion requests requiring approval by the City manager were not properly approved – they were approved by the former ERD Director, who was not authorized by the current City Manager as his signature designee for this purpose. (See Nos. 4 and 5 in the table above).
We noted that the current ERD Director is authorized as the “City Manager signature
designee” for “Executive and non-executive in-hire rates above Step 1” and is therefore
authorized to approve promotion requests that result in employees being paid above the
minimum rate in the new range and receiving an increase greater than 10% (two pay
steps).

- The evaluation performed by C&P regarding one (1) of the promotions noted above was
inconsistent with the Pay Policy guidelines for granting promotional increases. An
employee Working Out of Classification (WOC) incorrectly received two anniversary
increases on top of the WOC pay rate. WOC is a temporary arrangement hence,
anniversary increases should be calculated based on the pay rate of the employee’s actual
classification and recorded for historical purposes only; as a result, when the WOC pay
rate is deleted the employee will revert to his/her former classification and rate of pay as
if the WOC had not occurred. C&P determined that since an administrative error had
resulted in the employee receiving two anniversary increases on top of the WOC pay rate
that the employee should be allowed to keep said increases in lieu of the (10% (two step)
or 1st step in the higher pay range) promotional increase he would have normally
received. We determined, however that if the anniversary increases had been correctly
applied, then the employee would have been making $14.0776 (after the deletion of the
WOC pay rate) and promoted to $15.6081 (the first step of pay range 20A). Instead, the
employee was promoted to a rate of $17.1850 (which represents a 22% increase above
the $14.0776 rate that he should have been making prior to the promotion). (See No. 4 in
the table above).

The deficiencies noted above may have been caused by the fact that there is no standardized
form/process for departments to make appointment rate requests - some requests were made by
memorandum while others were made by email. Furthermore, the content of each request is not
standardized to ensure that all of the pertinent information required to justify a request is present.
In addition, offer letters are sent from department Directors to prospective employees without
being reviewed by the ERD. Lastly, ERD does not have an updated policy and procedures
manual which articulates the evaluation and approval process for initial and promotional
appointment rates. If requests for higher appointment rates are not properly evaluated by C&P
and approved by the ERD Director (or City Manager, as required) then prospective employees whose education/experience does not warrant receipt of a higher appointment rate may be improperly approved.

An employee’s starting salary on the City’s salary schedule should be commensurate with his/her classification, education, experience, and availability of the related skills in the job market; therefore, if employees are not placed on the correct steps in the salary schedule, then over time the salary schedule will become distorted and compressed. Lastly, unjustified appointments of employees at higher than normal pay rates may create inequities with respect to other employees in similar classifications.

**AUTHORIZED APPOINTMENT RATES WERE NOT PROPERLY PAID**

In addition to the internal control deficiencies noted above, we found that the authorized appointment rates for three (3) employees were not properly paid as follows:

- In the first case, the appointment rate requested by the department Director was not consistent with the salary schedule (City of Miami, Salary Schedules, Effective April, 2004). The amount requested was “Step 3 ($10.2840 per hour) of salary range 17U”; however, step 3 of salary range 17U is actually $14.8262. In addition, the employee was hired at $14.1375 (or Step 2 of salary range 17U) which is not consistent with the pay rate nor pay step approved in the memo from the department Director.

- In the second case, the appointment salary requested by the department Director and approved by the ERD Director was $84,200; however, according to the employee’s pay history from the Moore Payroll System, he was appointed at an annual salary of $89,000.

- In the third case, the appointment rate requested by the department Director for the Unclassified Technical Assistant position was “Step 4.” According to the salary schedule step 4 of salary range 25U is $23.0411; however, the employee was paid at $19.9143 (or Step 1 of salary range 25U). In addition, effective approximately 2 weeks later, the
employee's salary was increased to $24,464.3 (Step 98) with the description "Correct In-hire Rate." Neither pay rate was supported by the appointment rate requested by the department Director and approved by the ERD Director.

The exceptions noted above may have been caused by lack of guidelines for the content (e.g. pay rate information) that should be specified in appointment rate requests. For example, in the third case described above, the department Director only specified that she was requesting for the employee to be paid at “Step 4” without any other details such as the pay range or the exact pay rate. Another problem occurred when information contained in the requests from the department Directors was not consistent with the salary schedule but was also not verified by ERD for accuracy prior to being approved. The salary schedules and pay ranges associated with job classifications are periodically updated therefore it is important that the exact pay rate be specified in the request and that C&P perform a thorough evaluation of not only the prospective employees’ qualifications but also of the pay rates.

RECOMMENDATIONS:

5.1  We recommend that ERD enhance its internal control procedures to ensure that all appointment rate requests are approved by the ERD Director; are evaluated (and show evidence of this evaluation) by C&P; and, contain the required justification of the candidate’s “exceptional qualifications.” Those requests that do not contain appropriate justification should be sent back to the department for further elaboration before being evaluated by C&P and approved by the ERD Director.

5.2  We recommend that ERD consider standardizing the form/process whereby departments make appointment rate requests and then communicate said form/process to all department Directors. For example, ERD may consider conducting executive training sessions or providing Directors with information packets containing detailed guidelines about the types of qualifications that meet the standard of “exceptional”, when it is appropriate to conclude that there are a lack of eligible candidates at the minimum rate, and the proper process/format for making appointment rate requests.
5.3 For departments that report to the City Manager, we recommend that offer letters to prospective employees be extended from the City Manager or ERD Director rather than from the department Directors. However, if said departments’ Directors continue to draft and extend offer letters then they should be reviewed by ERD for correctness prior to being sent to prospective employees.

5.4 We recommend that ERD require departments to include the classification name, job code, pay range, pay step, and pay rate in their requests for higher appointment rates.

5.5 We recommend that C&P verify that the appointment rates/salaries requested by department Directors are consistent with the salary schedule. Those requests that do not contain the correct rates/salaries should be sent back to the department for clarification prior to being approved by the ERD Director.

AUDITEE RESPONSE AND ACTION PLAN:

The ERD agreed to the findings and recommendations and provided the following written response (See scanned copy of complete response on pages 67 through 73):

1. ... The Department of Employee Relations (DER) agrees with the recommendation provided in the audit where it is recommended that DER enhance its internal control procedures for the purpose of ensuring that all appointment rate requests contain the required justification of the candidate’s “exceptional qualifications.” DER will develop a standardized form and process to facilitate departments making appointment rate requests and then provide and communicate said form to the department directors. Lastly, we will recommend to the City Manager that offers to prospective employees be extended from the City Manager or DER Director rather than from the department Directors. However, if the Manager decides to continue the current practice of department directors drafting and extending the offers of employment letters to prospective employees then we will recommend that DER be
authorized to review and approve such letter(s) prior to issuance to the prospective employee.

2. ... the department will enhance its internal control procedures to ensure all appointment rate requests are evaluated with appropriate documentation recorded. The DER director or designee will approve all appointment rate requests and ensure compliance with the City’s Pay Policy. Additionally, DER is in the process of updating our policies and procedures manual to show a systems approach in establishing a methodology for reviewing and approving all appointment rates.

3. ... the department will require other departments to include the classification name, job code, pay range, pay step, and pay rate in their requests for higher appointment rates. A standardized form will be developed that addresses these identifiers and request for action. DER will verify all appointment rates/salaries requested by department directors to ensure consistency with the salary schedule and pay policies.

... Items which were identified as findings will be evaluated and corrective action will be made when administratively or legally possible. Items identified as exception to policy and failing to show documented authorization from the City Manager or designee as required by the Pay Policies will be reviewed by the DER Director and recommendations will be provided to the City Manager.
APM 5-78 City of Miami Pay Policy (Section P.4.) stipulates that, “Assignments to higher classifications may be made for periods of up to thirty (30) consecutive days or less without a salary adjustment. (Note: Requests for extension beyond the thirty (30) day period shall be treated in accord with Civil Service Rules or applicable labor agreement provisions). Authorization for assignment to a higher classification shall be evaluated and determined by the Department of Human Resources in accordance with applicable labor agreements and Civil Service Rules. The Director of Human Resources may approve an increase in pay which will normally be one step above the employee’s existing rate or the first step of the higher range, whichever is greater unless otherwise specified in the applicable labor agreement.”

Pursuant to ERD procedures and good business practice, we obtained the following understanding of the process for granting Working Out of Classification (WOC) & Salary Adjustment (SA) requests:

SA Criteria – employee is performing 60% or more of a higher classification’s responsibilities.

WOC Criteria - (a) the employee is performing 60% or more of a higher classification’s responsibilities, (b) assignment is made to a currently budgeted vacant position, and (c) the employee meets the minimum requirements for the higher classification.

1. A Department Director can request a temporary pay increase, for an employee performing additional duties in line with the above criteria, by submitting a memorandum or “Working-Out-Of-Classification Record” explaining the reason(s) for the acting assignment to the Director of the Employee Relations Department (ERD).

2. The request is routed to the Classification and Pay (C&P) section of ERD for evaluation. C&P reviews the request and completes a SA/WOC Evaluation Form with a recommendation to the ERD Director.

3. The ERD Director reviews the request along with the Evaluation Form and either approves or disapproves the request by signing on the bottom of the Evaluation Form.
We reviewed 30 WOC and 32 SA requests to determine whether they had been properly submitted, evaluated, and approved prior to salary increases being granted to employees.

**WORKING OUT OF CLASSIFICATION & SALARY ADJUSTMENT REQUESTS WERE NOT PROPERLY SUBMITTED, EVALUATED, AND APPROVED**

Based on our testing we noted internal control deficiencies with respect to five (5) WOC requests and eight (8) SA requests as follows:

- Three (3) WOC requests did not have a 'WOC Record' from the requesting Department indicating the employees’ names, current classification, title of classification to be assigned, name of former employee being replaced, dates and duration of WOC assignment, reason for acting assignment, and employee, supervisor, and Director signatures. (See Nos. 1 through 3 in the table below).

- One (1) WOC Record was not signed by the requesting Department Director – the “Authorized Signature” line was left blank. (See No. 4 in the table below).

- One (1) WOC request did not have an Evaluation Form indicating the analysis and recommendation performed by C&P and the ERD Director approval. (See No. 5 in the table below).

<table>
<thead>
<tr>
<th>No.</th>
<th>Job Title</th>
<th>Annual Salary</th>
<th>Working Out of Classification as:</th>
<th>Job Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Senior Systems Analyst</td>
<td>$95,065</td>
<td>IT Project Manager</td>
<td>$99,818</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Communications Technician</td>
<td>$57,777</td>
<td>Communications</td>
<td>Technician Supervisor</td>
<td>$60,666</td>
</tr>
<tr>
<td>3</td>
<td>Clerk II</td>
<td>$35,062</td>
<td>Engineering Tech. II</td>
<td>Fire Supplies Clerk II</td>
<td>$27,862</td>
</tr>
<tr>
<td>4</td>
<td>Stock Clerk I</td>
<td>$24,087</td>
<td>Contract Compliance</td>
<td>Contract Compliance Manager</td>
<td>$64,241</td>
</tr>
<tr>
<td>5</td>
<td>Analyst</td>
<td>$56,586</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following eight (8) SA requests did not have Evaluation Forms indicating the analysis performed by C&P and the resulting recommendation. Instead, six (6) of the SA requests were initialed by the C&P Supervisor and signed by the ERD Director. With respect to the other two (2) requests we only noted email correspondence between the requestors, C&P, and the ERD Director.

### Designated Job Classification

<table>
<thead>
<tr>
<th>No.</th>
<th>Job Title</th>
<th>Annual Salary</th>
<th>Salary Adjustment %</th>
<th>Annual Salary After Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NET Administrator</td>
<td>$66,111</td>
<td>5%</td>
<td>$69,417</td>
</tr>
<tr>
<td>2</td>
<td>Engineer I</td>
<td>50,268</td>
<td>5%</td>
<td>52,781</td>
</tr>
<tr>
<td>3</td>
<td>NET Administrator</td>
<td>94,454</td>
<td>5%</td>
<td>99,177</td>
</tr>
<tr>
<td>4</td>
<td>NET Administrator</td>
<td>92,422</td>
<td>5%</td>
<td>97,043</td>
</tr>
<tr>
<td>5</td>
<td>Fire Captain</td>
<td>104,800</td>
<td>5%</td>
<td>110,040</td>
</tr>
<tr>
<td>6</td>
<td>Executive Assistant</td>
<td>104,800</td>
<td>5%</td>
<td>110,040</td>
</tr>
<tr>
<td>7</td>
<td>Police Officer</td>
<td>76,410</td>
<td>5%</td>
<td>80,231</td>
</tr>
<tr>
<td>8</td>
<td>Project Manager</td>
<td>83,323</td>
<td>5%</td>
<td>87,489</td>
</tr>
</tbody>
</table>

ERD does not have an updated policy and procedures manual which articulates the evaluation and approval process for all WOC/SA requests. In one (1) of the 3 cases where there was no WOC Record, we noted (based on e-mails retained as support for the WOC request) that instead of the department Director submitting the WOC request, the employee met with the C&P Supervisor, in 2005, in order to make the claim that he had been working out of classification since 2001. However, there is no written procedure regarding the process or documentation for WOC/SA requests made directly by employees.

If WOC/SA requests are not properly evaluated by C&P and approved by the ERD Director then they may not contain the justification required to support an employee receiving a higher pay rate for working out of classification. Furthermore, employees who do not meet the criteria for WOC/SA may inappropriately receive higher compensation.
AUTHORIZED WOC & SA RATES WERE NOT PROPERLY PAID

In addition to the internal control deficiencies noted above, we found that two (2) employees were paid at a higher rate than the authorized WOC rate as follows:

- In the first case, the employee was being paid at step 2 of salary range 17A; therefore pursuant to the WOC guidelines he should have been placed at the greater of the next step in the employee's current classification (17A step 3 = $14.8262) or the first step of the WOC pay range (19A step 1 = $14.8262). In this case, both rates are exactly the same ($14.8262); however, the employee was paid at $14.8444 or 5% above his current pay step.

- In the second case, the employee was being paid at step 32 of salary range 27A; therefore pursuant to WOC guidelines she should have been placed at the greater of the next step in the employee's current classification (5% since at top of range = $42.8962) or the first step of the WOC pay range (31A step 1 = $28.3041). However, the employee was paid at $42.902.

In addition, we noted that a five percent (5%) salary adjustment was not deleted on time. According to a memo received from the requesting department Director, the salary adjustment was to be deleted as soon as the employee received a promotion however; the adjustment was not deleted until two months after the promotion as follows:

<table>
<thead>
<tr>
<th># of Days Late</th>
<th># of Pay Periods Late</th>
<th>Prior to SA Deletion</th>
<th>After SA Deletion</th>
<th>Total Over Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>5</td>
<td>$29.9892</td>
<td>$28.57</td>
<td>$567.68</td>
</tr>
</tbody>
</table>

The exceptions noted above may have been due to the fact that the C&P Evaluation Form only includes the pay ranges of the current and WOC classifications; it does not specify the employee’s current pay rate within the range, the pay rate of the next step in the employee’s current classification, and the pay rate of the first step of the WOC pay range. Furthermore, ERD did not have a control mechanism to identify and stop the salary adjustment at the time specified in the approved memorandum.
RECOMMENDATIONS:

6.1 We recommend that ERD enhance its internal control procedures to ensure that all WOC/SA requests include the employee name, current classification, title of classification to be assigned, dates and duration of WOC assignment, reason for acting assignment, and employee and Director signatures. Those requests that do not contain all of the required information should be sent back to the department for further elaboration before being evaluated by C&P and approved by the ERD Director.

6.2 We recommend that ERD update its policy and procedures manual to include the procedures and documentation required for WOC/SA requests initiated directly by employees rather than through the employees’ departments. For example, after a request/complaint is made by an employee should the employee’s department be required to formally initiate the process using the memorandum/WOC Record already in effect or would a separate process and documentation be required?

6.3 We recommend that C&P evaluate all WOC/SA requests using the designated “Evaluation Form” to ensure uniformity of the process and to ensure that the analysis performed by C&P and the resulting recommendation are clearly documented.

6.4 We recommend that C&P redesign the Evaluation Form to include the employee’s current pay step and pay rate, and an analysis indicating which rate should apply - the pay rate of the next step in the employee’s current classification* or the pay rate of the first step of the WOC pay range.

* In cases where the employee is being paid at the top of the range for his/her current classification the evaluation form would indicate a 5% calculation above the employee’s current pay rate.

6.5 We recommend that ERD enhance its internal control procedures to ensure that all actions are timely started/stopped, as authorized, in order to avoid over/underpayments to employees.
The Moore Payroll System does not have the functionality to alert ERD of pending actions; therefore, ERD must establish a different system for monitoring and implementing actions that should occur at particular times. With the implementation of the new Oracle Payroll System, it may be possible for controls to be built into the system to notify ERD when WOC/SA increases should be stopped.

AUDITEE RESPONSE AND ACTION PLAN:

The ERD agreed to the findings and recommendations and provided the following written response (See scanned copy of complete response on pages 74 through 79):

DER agrees that our internal controls require enhancements to ensure WOC/SA requests include the employee name, current classification, title of classification of future assignment, dates, and duration of WOC assignment. Additionally, the requests will include the reason for the acting assignment, and the employee and Director’s signatures. To ensure the enhancements are properly developed and applied through the City the Policies and Procedures Manual (PPM) regarding this process will be updated during our conversion from the Moore to the Oracle system.

In light of the fact that the PPM will be updated the review will include the procedures and documentation required for WOC/SA requests initiated directly by employees rather than through the employees’ departments. DER will also ensure that all WOC/SA uses the designated “Evaluation Form” as amended from time to time by the DER.

DER agrees that C&P should redesign the Evaluation Form to include the employee’s current pay step and pay rate, and an analysis indicating which rates should apply to include max range attainment. DER will enhance its internal controls procedures to ensure that all actions are timely commenced and stopped, as authorized, in order to avoid overpayments.
APPENDIX I – MEMORANDA OF UNDERSTANDING WITH
AUDITEE RESPONSES AND ACTION PLANS
Date: December 22, 2008

To: Hector Mirabile, Director
Employee Relations Department

From: Munirah Daniel, CPA, Senior Staff Auditor
Office of Independent Auditor General

Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations –
Audit #09-007
Merit Increases

Dear Mr. Mirabile:

Pursuant to our ongoing audit of the Employee Relations Department – Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by January 7, 2009.

I. Merit Increases Were Not Properly Approved.

APM 5-78 “City of Miami Pay Policy” (K.3.a.) stipulates that “salary increases for exceptional service may be requested upon recommendation of the Department Head supported by a memorandum detailing the exceptional service. Recommendations for merit increases shall be reviewed by the Director of Human Resources and submitted to the City Manager for his approval.” We tested all 11 merit increases granted between the years 2005 and 2007 noting that 10 of said 11 increases were not properly approved. Rather than being approved by the City Manager, eight (8) were signed by the former Chief Financial Officer (CFO) and two (2) were signed by the current CFO. As a result of the lack of adherence to APM 5-78, the “City of Miami Pay Policy,” merit increases may have been granted for which the City Manager may not have approved.

Recommendation:
We recommend that ERD comply with the Pay Policy by ensuring that all requests for merit increases are approved by the City Manager.

**Audittee Response and Action Plan:**

☐ I agree; □ I disagree. Please initial: GPA

Explanation: It is agreed that the City Manager or his/her designee should be the approving authority.

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II. Non-Continuous Merit Increases Were Not Timely Stopped

APM 5-78 "City of Miami Pay Policy" (K.3.b.) stipulates that "merit increases may consist of one or more steps above the employee’s existing salary rate. Such increases may be authorized on a continuing basis or for temporary periods up to twelve (12) months." All eleven (11) of the merit increases tested were granted on a non-continuous basis (i.e. for a specified period of time). However, we determined that ten (or 90.9%) of said merit increases were not stopped at the designated time, thus resulting in overpayments as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Employee Classification</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assistant Director, Finance</td>
<td>$ 922.36</td>
</tr>
<tr>
<td>2</td>
<td>Chief Accountant</td>
<td>650.67</td>
</tr>
<tr>
<td>3</td>
<td>Chief Accountant</td>
<td>24,593.23</td>
</tr>
<tr>
<td>4</td>
<td>Chief Accountant</td>
<td>34,141.75</td>
</tr>
<tr>
<td>5</td>
<td>Assistant Director, Purchasing</td>
<td>34,314.62</td>
</tr>
<tr>
<td>6</td>
<td>Employee Relations Manager</td>
<td>35,857.08</td>
</tr>
<tr>
<td>7</td>
<td>Payroll Supervisor</td>
<td>16,211.68</td>
</tr>
<tr>
<td>8</td>
<td>Assistant Payroll Supervisor</td>
<td>4,790.36</td>
</tr>
<tr>
<td>9</td>
<td>Administrative Assistant II</td>
<td>376.20</td>
</tr>
<tr>
<td>10</td>
<td>Payroll &amp; Support Services Administrator</td>
<td>20,195.70</td>
</tr>
</tbody>
</table>

**$ 171,953.63**

Based on the results of our testing above, we determined that ERD did not have a control mechanism to identify and stop non-continuous merit increases as specified on the approved requests. Therefore, we performed an additional test to determine the extent of non-continuous merit increases not timely stopped. We noted that 74 merit increases (including the 11 noted above) had been granted since the year 2000, of which 70 (or 94.6%) had not been stopped on time. The number of pay periods that said merit increases continued to be paid past the approved end date ranged from one (1) to 172 pay periods. As of the end of field work (11/23/08) 37 of the 70 employees are still receiving merit increases.

2
Recommendation:
We recommend that ERD enhance its internal control procedures to ensure that all merit increases granted on a non-continuous basis are stopped timely in order to avoid overpayments. In addition, in order for merit increases to be extended, re-approval must be obtained from the City Manager.

Auditee Response and Action Plan:

☑️ I agree; ☐ I disagree. Please initial: 

Explanation It is agreed that E.R.D. should enhance our Internal Control Procedures to ensure that all merits are stopped on time, and that any continuance of merits should be approved by the City Manager (or his/her designee). Additionally, E.R.D. is reviewing current merit increases to assess whether they are valid, and if so, ensuring that the appropriate documentation is on file; and if not, formulating a plan to remove the merits.

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at mdaniel@miamigov.com.

Thank you for your attention to this matter.

[Signature]
Mr. Hector Mirabile, Director

[Date]

12-29-09

Date
Date: January 13, 2009
To: Hector Mirabile, Director
    Employee Relations Department
From: Munirah Daniel, CPA, Senior Staff Auditor
    Office of Independent Auditor General
Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations – Audit #09-007
    Personnel Action Forms

Dear Dr. Mirabile:

Pursuant to our ongoing audit of the Employee Relations Department – Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by January 27, 2009.

1. Personnel Files Did Not Contain the Required Performance Appraisals.

The Employee Relations Department (ERD) policy requires that a Personnel Action Form (AG) be prepared, approved, and submitted to ERD to record and activate changes in the City’s Moore System relative to job classification, rate of pay changes, promotions, anniversary increases, termination pay-outs and other personnel/payroll transactions. Good business practice requires that said AGs be supported by the City’s Pay Policy (APM 5-78), a union agreement/other provisions, and applicable back-up documentation attached and filed in employee personnel files as part of the official record.

We tested 132 AGs to determine whether they were properly supported by a union agreement/other provisions and whether the applicable back-up documents (e.g. performance appraisals) were included in the employees’ personnel files. We noted that ERD did not obtain/file the required performance appraisals for seven (7) employees as follows:

45
• Three (3) employee personnel files did not contain the required performance appraisals as support for Pay-for-Performance (PFP) salary increases.

• Four (4) firefighters’ personnel files did not contain the required performance appraisals as support for Anniversary Increases/Permanent Appointments.

With respect to Anniversary Increases and Permanent Appointments the following guidelines apply:

• APM 5-78 City of Miami Pay Policy (K.1.a.) stipulates that “classified...employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred. All anniversary increases shall be subject to review for accuracy by the Department of Human Resources.” Furthermore, Section K.1.c. states that “Anniversary increases shall be awarded only on the basis of continued competent service by the employee in the sole discretion of the Department Head. Anniversary increases are not automatic.”

• Civil Service Rule 13 “Service Ratings”, Section 13.1 “Reports Required”, stipulates that “service ratings relative to the ability and conduct of employees in the classified service shall be made by the Department Director on forms prescribed by the Director of the Human Resources Department.”

• The “Performance Appraisal Form” (PAF) prescribed provides a template for consistently evaluating all City employees based on the same criteria and scale. Said PAF is signed by the appraiser, employee, and Department Director and is filed in each employee personnel file as support for the employee’s annual performance rating and pay increase, if warranted.

• The Civil Service Rules define a Permanent Employee as “any employee in the classified service who has been regularly appointed, after serving a probationary period, to a position which normally involves continuous year-round service.” Rule 9 regarding Probation explains that for firefighters “the period for probationary service shall be twelve months.” Therefore, since a firefighter’s probationary period (twelve months) coincides with his/her anniversary date, two AGs are generated - one for the permanent appointment and one for the anniversary increase, if granted.

PFP performance appraisals should be retained in each employee’s file and contain the signatures of the Department Director, Employee Appraiser, and the Employee. Instead, the Special Projects and Compensation Manager provided us with electronic copies of the performance appraisals (which had been emailed to him from each Department). Said electronic copies were not scanned/hard coded and did not contain signatures.

With respect to the firefighters’ files missing the required PAFs, the ERD Sr. Personnel Officer stated that the Fire-Rescue Department (FD) retains their employees’ supporting documents. We contacted the FD to determine why firefighters’ PAFs were not sent to the ERD and retained in the personnel files. An FD Administrative Assistant explained that “sworn employees do not need an evaluation for their anniversary increase nor permanent status because it is automatically given to them.” We reviewed Article 1, Section 6 of the “Miami Fire and Rescue Operations Procedures Manual” which indicated that annual performance evaluations are conducted; however, the manual states that “if the overall rating is “Satisfactory”, this document will be destroyed in the presence of the employee concerned.” Although this practice is articulated in the
FD’s manual it does not appear to be supported by the City’s Administrative Policy, the Civil Service Rules, nor the Labor Agreement.

Performance appraisal scores are used to determine an employee’s salary increase (or conversely to justify why an employee may not have received an increase). As such, having the signed PAF on file is important for the official record, for audit purposes, as well as to avoid future disputes.

Recommendation:
We recommend that ERD enhance its internal control procedures to ensure that PFP performance appraisals be printed, signed by the Department Director, Appraiser, and Employee, and filed in employees’ personnel files as part of the official records.

We also recommend that the Fire-Rescue Department’s practice of retaining/destroying performance appraisals be reviewed in light of the City’s Administrative Policy and Civil Service Rules guidelines.

Auditee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: __________________

Explanation see attached memorandum.

III. Missing & Improper Signature Authorization

The Personnel Action Form (AG) is designed so that approvals (signatures) are obtained from the requesting Department Director, Director of Human Resources (HR), and City Manager in order for all personnel actions to be processed. Based on our understanding of the process we
determined that each of the three (3) signatures serves a different purpose and signifies a different level of approval as follows:

- **Requesting Department Director** - Initiation/Department Budget Authorization.
- **HR Director** - Compliance Review - to certify the personnel action, verify the accuracy of any calculations, and ensure compliance with applicable rules and regulations (i.e. the AG is OK to process).
- **City Manager** - Authorization.

The issues noted with respect to the requesting Department Director, HR Director, and City Manager signatures were as follows:

- 9 (or 6.82%) were not signed by the requesting Department Director or designee.

- 61 (or 46.21%) were signed by parties unauthorized by the City Manager to sign as his designee. The City Manager appointed the former HR Director, as his signature designee for Personnel Actions; however, the former HR Director authorized other parties to sign AGs in her absence. The City Manager did not explicitly authorize anyone other than the former HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) are not properly authorized.

- 15 (or 11.36%) were not signed by the Director of Human Resources or designee (i.e. signature line was left blank).

- 18 (or 13.64%) were signed by the same person for the City Manager, and HR Director.

- 1 (or 0.76%) was signed by the same person for the City Manager, HR Director, and requesting Department Director.

In all cases the HR Director (or designee) and City Manager (or designee) signatures are required for approval; however, in some cases the Department Director signature is not required. For example, we noted the following instances in our testing where Department Director signatures were not required:

- 14 AGs involving contract implementation (e.g. AFSCME 100106 adding steps 7 & 8 to the salary schedule or across the board increases [and salary increases per City Manager] which increase applicable employees' salaries).
• 2 AGs for actions involving employee insurance benefits. Said actions are initiated by the Risk Management Department
• 6 AGs for actions required by law/ordinance (e.g. minimum wage and living wage increases).

The AGs where we noted that the requesting Department Director and HR Director signatures were missing may have been caused by the fact that ERD processes a large volume of AGs on a daily basis; ERD did not ensure that the required approvals were present; and, ERD does not have an updated policy and procedures manual which articulates the signatures required (or not required) for specific actions.

The 18 AGs where the same person signed for the City Manager and HR Director were as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>AGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Director, Employee Relations</td>
<td>6</td>
</tr>
<tr>
<td>Employee Relations Manager</td>
<td>4</td>
</tr>
<tr>
<td>Director, Employee Relations</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
</tr>
</tbody>
</table>

The Deputy Director and Employee Relations Manager were authorized signature designees for the HR Director, while the HR Director was an authorized signature designee for the City Manager. Therefore, in many cases the Deputy Director/Employee Relations Manager signed for the HR Director and the HR Director signed for the City Manager. However, the above exceptions occurred when in the absence of the HR Director, the Deputy Director/Employee Relations Manager signed as both the HR Director designee and as the City Manager designee. The City Manager did not explicitly authorize anyone other than the HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) are not properly authorized.

The AG that was signed by the same person for the City Manager, HR Director, and requesting Department Director occurred for an employee within the ERD and was signed all three times by the Deputy Director. Since the employee was within the ERD, the requesting Department Director and the HR Director would be the same person and in the absence of the HR Director, the Deputy Director assumed both signatures in addition to the HR Director’s role as the City Manager signature designee. As noted above, the City Manager did not explicitly authorize anyone other than the HR Director as his designee; therefore, AGs signed by other parties (for the City Manager) are not properly authorized.

When signatures are missing or improper there is no evidence that the three approval functions were properly performed or that the duties were appropriately segregated.

Recommendation:

We recommend that ERD enhance its internal control procedures to ensure that the required signature approvals are present on all AGs prior to the approval code being entered in the Moore System.
In addition, we recommend that ERD update its policy and procedures manual to articulate and clarify the function of each approval signature and to specify those actions where the requesting Department Director signature is not required.

Lastly, in order to maintain proper segregation of duties, no AG should be signed more than once by the same individual. Therefore, in the HR Director’s absence another individual should be authorized by the City Manager as his designee. Furthermore, when AGs involve employees within the ERD they should be signed by an Assistant Director/Deputy Director/Manager (as the requesting Department Director designee), by the HR Director, and by the City Manager (or an authorized designee outside of the ERD).

Audittee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: ________________

Explanation: _Partial agreement: See attached memorandum_

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at mdaniel@miamigov.com.

Thank you for your attention to this matter.

[Signature]
Dr. Hector Mirabile, Director

[Date] 3-16-07

7
CITY OF MIAMI, FLORIDA

INTER-OFFICE MEMORANDUM

TO: Munirah Daniel
    Senior Staff Auditor
    Office of the Independent Auditor General

FROM: Hector Mirebille, Ph.D.
    Director
    Department of Employee Relations

DATE: March 16, 2009

SUBJECT: Response to Audit #09-007
         Personnel Action Forms

REFERENCES:

ENCLOSURES:

This responds to your audit findings as it concerns Personnel Action Forms (AGs). Please find this department's responses below.

Finding #1: Personnel Files Did Not Contain the Required Performance Appraisals.

Response to Finding #1: I agree to finding and recommendation. See Corrective Actions Outlined below.

PFP Evaluations
As indicated, three of the seven files referenced did not contain the required performance appraisals to support Pay-for-Performance salary increases.

The Department of Employee Relations' Classification and Pay Section will generate a list of individuals who were granted Pay-for Performance increases since 2005 along with the corresponding paper evaluation forms for those whose evaluations were not submitted in completed form, the latter of which Classification and Pay will distribute to operating department directors. Along with the evaluation forms for the respective department directors' employees, a memorandum will outline the employees whose Pay for Performance evaluations require their original signature for the personnel file. In said memorandum, Department Directors will be asked to ensure that proper protocol is followed as it concerns the signatures on the forms. Each evaluation form should reflect the signature of the employee upon whom the evaluation was conducted, as well as the signatures of the supervisor of the employee and the Department Director. In the event that the employee reports directly to the Director, only two signatures will be required on the evaluation form -- that of the employee, and that of the Director. Department Directors will be given a deadline that shall not exceed thirty days to return the forms to the Department of Employee Relations Classification and Pay Section. The Classification and Pay Section shall verify that the required signatures are reflected on the evaluation form and that the scores reflected on the form are the same as those recorded for payment. Once this has been verified, the signed Evaluation forms will be initialed in the bottom right corner by the designated C&P staff, and subsequently forwarded to Records. Records staff shall stamp and log in the evaluations that have been returned from the operating departments and file the properly signed PFP evaluations in the respective employee's personnel file. Classification and Pay shall track which departments have complied with the request made, following up as required.

Moving forward, the Director of Employee Relations will prepare a memorandum for the City Manager's signature requiring all Directors to review the PFP evaluations with employees and have the employee
and supervisor sign the evaluation. Subsequently, the Director will sign each PFP evaluation form and return it to the designated Classification and Pay staff member in the Department of Employee Relations by an established date. Forms received in the Department of Employee Relations shall follow the steps outlined above. In an effort to increase accountability, the Director of Employee Relations will report to the City Manager, which departments have not met the deadline within a reasonable period of time, and shall indicate the number of evaluation forms that are outstanding.

**Evaluations for Sworn Firefighters**

Additionally, four firefighters' personnel files were found not to contain the required performance appraisal. This practice was due to a resolution to a prior grievance filed by the IAFF in 1994, specifically Grievance Number 11-94 (See Attachment).

As indicated in your work product in which the Fire Department was contacted as a part of this audit, the Miami Fire Rescue Operations Procedures Manual reflected that if the overall rating of the employee is "Satisfactory", the Fire Department's worksheet would be destroyed in the presence of the employee concerned. In contrast, if the overall rating is unsatisfactory, the Fire Department's annual evaluation worksheet is to be retained and placed with other documented material to support the decision pending further action. The Fire Department's manual does not reference placement of the document in the official personnel file, although, that would be the customary location for employees' records of performance.

As it concerns the destruction of the performance evaluations of sworn fire personnel, a Legal Services Request will be submitted to the Office of the City Attorney to determine whether this practice is in compliance with the Florida Public Records Act, which governs the destruction of public records. In the event that the Legal Services Request is returned indicating that the practice of destroying the aforementioned records is illegal, a memorandum from the City Manager will be drafted to advise the Fire Chief that the practice of destroying performance appraisals without complying with records destruction protocol is unsound and in violation of the Florida Public Records Act. Additionally, moving forward, the issue of performance appraisals for Fire personnel will be considered as an item of collective bargaining should it be determined to be a necessary prerequisite. Appropriate action will be taken once legal advice is provided.
Finding #3: Missing and Improper Signature Authorization

Response to Finding #3: I partially agree with the findings. See comments below.

It is agreed that the signatures on the Personnel Action Form (AG) serve different purposes. The signature of the operating department director signifies the intent to execute a given action on a specific employee on date certain, and indicates that said action is within the operating department's budget, authorized position and is in compliance with any requirements of special funding sources as may be applicable.

The HR Director is responsible for certifying that the person named on the Personnel Action Form (AG) holding a position in the classified service has been appointed in accordance with the provisions of the City Charter and of the rules established thereunder. It should be noted that per Sec. 2-557 of the City Code, the Director of Employee Relations shall administer the affairs of the department subject to the supervision and control of the City Manager in all matters. Payroll is responsible for ensuring proper calculations; however, the HR Division of Employee Relations is responsible for ensuring that the provisions of the pay policy and the labor agreements are applied.

In accordance with Section 16 of the City Charter, the powers and duties of the City Manager shall be to appoint and remove, except as otherwise provided in the Charter, all directors of the departments and all subordinate officers and employees in the departments in both the classified and unclassified service; and to exercise control over all City departments.

In light of the above, certain Personnel Action Forms (AGs) would not require signatures from three sources. More specifically,
- 9 Personnel Action Forms (AGs) were not signed by the requesting Department Director or designee.

The Personnel Action Forms (AGs) in question were all Personnel Action Forms (AGs) to process a payment resulting from the City of Miami's relatively new Pay for Performance plan and were signed by Rosalie Mark, who had been delegated the authority of the City Manager to sign Personnel Action Forms (AGs) on his behalf. [Attach Authorization]

As a process improvement however, moving forward the process outlined in the Response to Finding #1 will be implemented, and should alleviate a repeat of same.

- 61 were signed by parties unauthorized by the City Manager to sign as his designee.

In accordance with Section 2-88 of the City Code, the duties and services to be performed by the assistant City Manager shall be such duties and services as may be assigned to them by the City Manager. Though not committed to writing, when the City Manager is unavailable, given the function and responsibility of the Assistant City Manager (a/k/a Chief Financial Officer), in the absence of the HR Director who during the audit period referenced, reported to the City Manager through the Chief Financial Officer, it was well known that the Chief Financial Officer would sign Personnel Action Forms (AGs) in the City Manager's absence. Each duty and service assigned by the City Manager was not put in writing. As for the remaining Personnel Action Forms (AGs) signed by Hector Mirable and Jon Harris, authorization was provided by the former Director of Employee Relations to sign such AGs. We offer no argument reference the secondary delegation of authority by the former Director of Employee Relations as we have no written proof that the City Manager at that time explicitly authorized anyone other than the Employee Relations Director to sign on his behalf.

Currently, the Department of Employee Relations possesses a memorandum approved by the City Manager expressly authorizing two staff members within the Department of Employee Relations to approve Personnel Action Forms (AGs) on his behalf. More than one delegate was identified to sign for the City Manager and for the HR Director in an effort to reduce the delay in processing personnel actions.

- 15 were not signed by the Director of Human Resources or designee.

The Personnel Action Forms (AGs) that were signed by either the former ER Director or her Assistant Director, who would sign in her absence. The former ER Director was given approval authority of the City Manager. Given that she was also the ER Director, she in all likelihood thought that her signature would be redundant.
To correct this issue, the Director of Employee Relations will sign Personnel Action Forms (AGs) (AGs) for personnel in the classified service.

- 1 was signed by the same person for the City Manager, HR Director, and requesting Department Director.

This finding is acknowledged; however, it should be noted that in a previous audit the Department of Employee Relations established a new signature protocol that ensures that no one individual signs the Personnel Action Form (AG) for the City Manager, HR Director, and the requesting Department Director. Though more cumbersome, the department has instituted a system which would result in no individual signing one Personnel Action Form (AG) more than once.

We appreciate the recommendations made. As we move forward, we will continue to tweak our processes in an effort to improve operations while maintaining efficiency and effectiveness.
Date: January 13, 2009

To: William W. Bryson, Chief
    Fire-Rescue Department

From: Munirah Daniel, CPA, Senior Staff Auditor
       Office of Independent Auditor General

Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations – Audit #09-007

Dear Chief Bryson:

Pursuant to our ongoing audit of the Employee Relations Department – Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by January 27, 2009.

I. Personnel Files Did Not Contain the Required Performance Appraisals.

The Employee Relations Department (ERD) policy requires that a Personnel Action Form (AG) be prepared, approved, and submitted to ERD to record and activate changes in the City’s Moore System relative to job classification, rate of pay changes, promotions, anniversary increases, termination pay-outs and other personnel/payroll transactions. Good business practice requires that said AGs be supported by the City’s Pay Policy (APM 5-78), a union agreement/other provisions, and applicable back-up documentation be attached and filed in employee personnel files as part of the official record.

We tested 132 AGs to determine whether they were properly supported by a union agreement/other provisions and whether the applicable back-up documents (e.g. performance appraisals) were included in the employees’ personnel files. We noted that four (4) firefighters’ personnel files did not contain the required performance appraisals as support for Anniversary Increases/Permanent Appointments.
With respect to Anniversary Increases and Permanent Appointments the following guidelines apply:

- APM 5-78 City of Miami Pay Policy (K.1.a.) stipulates that "classified...employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred. All anniversary increases shall be subject to review for accuracy by the Department of Human Resources." Furthermore, Section K.1.c. states that "Anniversary increases shall be awarded only on the basis of continued competent service by the employee in the sole discretion of the Department Head. Anniversary increases are not automatic."

- Civil Service Rule 13 "Service Ratings", Section 13.1 "Reports Required", stipulates that "service ratings relative to the ability and conduct of employees in the classified service shall be made by the Department Director on forms prescribed by the Director of the Human Resources Department."

- The "Performance Appraisal Form" (PAF) prescribed provides a template for consistently evaluating all City employees based on the same criteria and scale. Said Form is signed by the appraiser, employee, and Department Director and is filed in each employee personnel file as support for the employee's annual performance rating and pay increase, if warranted.

- The Civil Service Rules define a Permanent Employee as "any employee in the classified service who has been regularly appointed, after serving a probationary period, to a position which normally involves continuous year-round service." Rule 9 regarding Probation explains that for firefighters "the period for probationary service shall be twelve months." Therefore, since a firefighter's probationary period (twelve months) coincides with his/her anniversary date, two AGs are generated - one for the permanent appointment and one for the anniversary increase, if granted.

Performance appraisal scores are used to determine an employee's salary increase (or conversely to justify why an employee may not have received an increase). As such, having the signed PAF on file is important for the official record, for audit purposes, as well as to avoid future disputes.

With respect to the firefighters' files missing the required PAFs, the ERD Sr. Personnel Officer stated that the Fire-Rescue Department (FD) retains their employees’ supporting documents. Furthermore, a FD Administrative Assistant explained that 'sworn employees do not need an evaluation for their anniversary increase nor permanent status because it is automatically given to them.' We reviewed Article 1, Section 6 of the "Miami Fire and Rescue Operations Procedures Manual" which indicated that annual performance evaluations are conducted; however, the manual states that "if the overall rating is "Satisfactory", this document will be destroyed in the presence of the employee concerned." Although this practice is articulated in the FD’s manual it does not appear to be supported by the City’s Administrative Policy, the Civil Service Rules, nor the Labor Agreement.

Please provide a written explanation of the FD's current practice for evaluating sworn fire personnel and provide any documentation supporting said practice.

If you have any questions, please feel free to contact me at 305-416-2051 or by email at mdaniel@miamigov.com. Thank you for your attention to this matter.
I've received your letter dated January 13, 2009, regarding Audit #09-007 requesting a written explanation of our current practice for evaluating sworn fire employees. The requested explanation follows and I've enclosed supporting documentation.

Request: Please provide a written explanation of the FD’s current practice for evaluating sworn fire personnel and provide any documentation supporting the practice.

Response: First, I would like to point out that the statement in your letter that performance appraisal scores are used to determine an employee’s salary increase is not true in the case of sworn fire employees. Sworn Fire employees are given raises as outlined in their collective bargaining agreement, and these are not based on performance appraisals. However, in answer to your question; the Fire Department's current practice for evaluating sworn fire personnel, as explained in the attached document Annual Performance Evaluation, has been in place for at least 35 years. It is a long standing past practice that has been codified in department manuals. In addition, when the City attempted to change the policy in the past I believe the Bargaining Unit grieved it and prevailed. The Fire Department is satisfied with the current system, but we are certainly willing to examine ways to improve the process.

Please let me know if I can be of any further assistance with this issue.

WWB/CD/acp
ANNUAL PERFORMANCE EVALUATION

In accordance with Civil Service Rule 13, all employees in the classified service who are not currently serving a probationary period shall be evaluated as of June 30th of each year.

For employees whose performance is unsatisfactory, please submit a separate memorandum for each employee and indicate the job requirements not being satisfactorily fulfilled. The memorandum should be addressed to the Director, Department of Fire Rescue and forwarded through channels. As prescribed in Rule 13, all unsatisfactory ratings will be forwarded to the Executive Secretary of the Civil Service Board, so that hearings may be scheduled.

Employees whose performance is satisfactory shall be listed on a single memorandum by each Station Shift Commander or appropriate supervisor for 40 hour personnel and forwarded through channels to the Fire Chief.

MIAMI FIRE DEPARTMENT ANNUAL EVALUATION WORK SHEET

INSTRUCTIONS:

1. In rating the employee, the supervisor must select either “Satisfactory” or “Unsatisfactory” for each of the listed categories.
2. An employee who needs improvement in a specific category may be rated as “Satisfactory” or “Unsatisfactory”.
3. An employee may receive an “Unsatisfactory” in a specific category(s) and still receive an overall rating of “Satisfactory”. For example:
   - You may have an employee that has trouble controlling his temper and/or is sloppy in his appearance. You have counseled the employee concerning this area and have seen no appreciable improvement. You, therefore, decide to rate this employee as “Unsatisfactory” in the appropriate categories. However, you do not feel that these ratings on this work sheet warrant an overall rating of “Unsatisfactory” to be forwarded through channels for further action. On the other hand, however, one “Unsatisfactory” in a specific category may warrant an overall rating of “Unsatisfactory”. For example: You have an employee who is constantly late for work. This employee has received discipline concerning this problem and you have seen no appreciable improvement. You, therefore, decide that this employee is “Unsatisfactory” for the entire rating period and rate him accordingly.
4. The “Remarks” section to the right of each selection is provided for the Supervisor to jot down pieces of information to assist in the ratee/rite conference to be held.
5. If the overall rating is “Satisfactory”, this document will be destroyed in the presence of the employee concerned.
6. If the overall rating is “Unsatisfactory”, this document will be retained and placed with other documented material to support this decision pending further action.

2/12/2004 1 OPM/Article 1/Section 6

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OFFICE OF INDEPENDENT AUDITOR GENERAL 444 S.W 2ND AVENUE, SUITE 715, MIAMI, FLORIDA 33130-1910
Date: January 16, 2009

To: Hector Mirabile, Director
   Employee Relations Department

From: Munirah Daniel, CPA, Senior Staff Auditor
   Office of Independent Auditor General

Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations — Audit #09-007
   Anniversary Increases

Dear Dr. Mirabile:

Pursuant to our ongoing audit of the Employee Relations Department (ERD) — Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by January 30, 2009.

I. Anniversary Increases Were Not Granted on the Correct Dates

Pursuant to APM 5-78 City of Miami Pay Policy (K.1.a.), “classified...employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred.” Furthermore, Section K.1.b. of the Pay Policy stipulates that “leaves of absences without pay or suspension of any duration shall delay anniversary increases by the period of time involved unless specified in the appropriate labor agreement.”

With respect to calculating the new anniversary dates the following guidelines stipulated in the October 24, 2001 Inter-Office Memorandum (Subject: “Calculating Time With Out Pay”) from Angela Bellamy, former ERD Director, apply:

“...it was agreed upon that anniversary and longevity dates would be delayed by time without pay in the following manner:
o AFSCME Local 1907: Anniversary and longevity dates for employees with time without pay (including suspensions) shall be delayed by the number of work days absent.

o IAFF: Anniversary and longevity dates for employees with time without pay (including suspensions) shall be delayed by the number of calendar days absent.

o AFSCME Local 79: Anniversary dates for employees with time without pay (including suspensions) shall be delayed by the number of work days absent. Longevity dates will be delayed by the number of calendar days absent.

o FOP: Anniversary dates for employees with time without pay (including suspensions) shall be delayed the number of work days absent. Longevity dates for employees with time without pay (including suspensions) shall be delayed by the number of calendar days absent.

o FMLA (Family Leave) without pay shall delay an employee’s anniversary and longevity dates by the calendar days, regardless of union affiliation.

Based on our testing of anniversary increases granted to employees we noted that one (1) employee’s anniversary increase was granted on April 8th, however, according to the employee’s probationary appointment it should have been granted on April 11th. Therefore, the anniversary increase was granted three (3) days early. In addition we noted that the anniversary dates of six (6) employees who took leave without pay (LWOP) were not properly calculated (i.e. the anniversary dates were not properly delayed). As a result, said employees started earning higher hourly rates before/after they were due. Four (4) received increases before they were due (i.e. their anniversary increases were prematurely granted) while the other two (2) employees’ increases were improperly delayed as follows:

<table>
<thead>
<tr>
<th></th>
<th># Days LWOP</th>
<th>Anniv Date (if no LWOP)</th>
<th>Anniv Date (delayed for LWOP)</th>
<th>Anniv Date (Actual per Moore)</th>
<th># Days Anniv was improperly delayed</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>0</td>
<td>10/25/2005</td>
<td>NA</td>
<td>10/28/2005</td>
<td>(3)</td>
</tr>
</tbody>
</table>

The anniversary increases may have been granted on the wrong dates for several reasons including:

- Input error - the anniversary date was keyed into the system incorrectly.
- Lack of procedures - ERD does not have an updated policy and procedures manual with procedures for checking LWOP prior to generating AGs for anniversary increases and for calculating the delayed anniversary dates.
- Improper calculation - ERD considered the LWOP but did not properly calculate the new anniversary date. For example, one employee’s increase was due on 10/25/05 but was improperly delayed 3 working days to 10/28/05. The improper delay occurred because the employee was suspended for three days (effective 10/26/05) but the suspension should have delayed the 2006 anniversary and not the 2005 anniversary.
• Untimely notification of LWOP – Per discussion with the Employee Relations Manager, in many cases LWOP/suspensions are not received from Labor Relations or the individual departments in a timely manner.

• Lack of timely system input - In one case, the employee’s FMLA LWOP was requested and approved in April of 2006; however, it was not entered into the system until January of 2007. Therefore, at the time the anniversary increase was due (4/15/06) the record of the employee’s LWOP had not been entered into the Moore system resulting in the anniversary date not being properly delayed.

Recommendation:
We recommend that ERD update its policy and procedures (P&P) manual to include a procedure for checking any LWOP taken by employees and for calculating the delayed anniversary dates (Note: LWOP also affects other actions such as longevity increases, permanent appointments, probationary periods, and retirement therefore, procedures regarding these types of actions should also be updated/developed).

In addition to updating the P&P manual we recommend that ERD employees be trained to properly perform the anniversary date/LWOP calculation and that said calculation be documented and reviewed by a supervisor (with evidence of said review included on the calculation sheet).

Lastly, we recommend that Labor Relations be built into the process to immediately notify the Records section of ERD of any approved LWOP and that other Departments be reminded of their responsibility to give ERD timely notice of any LWOP/suspensions so that these actions can be timely logged into the system.

Auditor Response and Action Plan:

☑ I agree; ☐ I disagree. Please initial: 

Explanation: see attached memorandum.

II. Personnel Files Did Not Contain the Required Performance Appraisals.

With respect to Anniversary Increases following guidelines apply:

• APM 5-78 City of Miami Pay Policy (K.1.a.) stipulates that “classified…employees shall receive a one step increase in salary, not to exceed the maximum rate, during the month on which the anniversary date of appointment of the employee to the current classification occurred. All anniversary increases shall be subject to review for accuracy by the Department of Human Resources.” Furthermore, Section K.1.c. states that “Anniversary increases shall be awarded only on the basis of continued competent
service by the employee in the sole discretion of the Department Head. Anniversary increases are not automatic.

- Civil Service Rule 13 “Service Ratings”, Section 13.1 “Reports Required”, stipulates that “service ratings relative to the ability and conduct of employees in the classified service shall be made by the Department Director on forms prescribed by the Director of the Human Resources Department.”
- The “Performance Appraisal Form” (PAF) prescribed provides a template for consistently evaluating all City employees based on the same criteria and scale. Said PAF is signed by the appraiser, employee, and Department Director and is filed in each employee personnel file as support for the employee’s annual performance rating and pay increase, if warranted.
- The Civil Service Rules define a Permanent Employee as “any employee in the classified service who has been regularly appointed, after serving a probationary period, to a position which normally involves continuous year-round service.” Rule 9 regarding Probation explains that for firefighters “the period for probationary service shall be twelve months.” Therefore, since a firefighter’s probationary period (twelve months) coincides with his/her anniversary date, two AGs are generated - one for the permanent appointment and one for the anniversary increase, if granted.

We selected 88 bargaining unit (classified) employees to determine whether each of their anniversary increases was supported by a “Performance Appraisal” form (PAF) and whether the rating on the PAF matched the increase paid to the employee. We noted that nine (9) firefighters’ personnel files did not contain PAFs. As a result, we were unable to determine whether annual appraisals were performed for said employees (including who conducted the appraisals, whether they were acknowledged by the employee, and approved by the Director) and whether the employees’ performance justified the increases granted.

Performance appraisal scores are used to determine an employee’s salary increase (or conversely to justify why an employee may not have received an increase). As such, having the signed PAF on file is important for the official record, for audit purposes, as well as to avoid future disputes.

Note: This finding was also noted in our testing of Personnel Action Forms (AGs) and the results of both tests will be combined for reporting purposes.

Recommendation:
We recommend that the Fire-Rescue Department’s practice of retaining/destroying its firefighters’ performance appraisals be reviewed in light of the City’s Administrative Policy and Civil Service Rules guidelines.

Auditee Response and Action Plan:

☒ I agree; ☐ I disagree. Please initial: [Signature]

Explanation: see attached memorandum
Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at mdaniel@miamigov.com.

Thank you for your attention to this matter.

Dr. Hector Miranda, Director

3-16-09
Date
INTER-OFFICE MEMORANDUM

TO: Munirah Daniel
Senior Staff Auditor
Office of the Independent Auditor General

FROM: Hector Mirebile, Ph.D.
Director
Department of Employee Relations

DATE: March 16, 2009

SUBJECT: Response to Audit #09-007
Anniversary Increases

REFERENCES:

ENCLOSURES:

This responds to your audit findings as it concerns Anniversary increases. Please find this department’s responses below.

Finding #1: Anniversary Increases Were Not Granted on Correct Dates

Response to Finding #1: I agree to the findings and recommendation. See Corrective Actions Outlined below.

The Senior Personnel Officer has already provided training to the Personnel Assistant responsible for preparing anniversary and longevity increases regarding the proper delay of same due to any time without pay. Moving forward, prior to such personnel actions being forwarded to the department(s) for signature, the Senior Personnel Officer will review to ensure correctness.

As it concerns the untimely notification of LWOP, the Department of Employee Relations’ Labor Relations Section, upon granting approval, will notify the department payroll/personnel liaisons to immediately prepare the personnel action form to reflect same. The Records Section will also be copied and upon notification will verify that there are no pending anniversary or longevity increases. If so, when necessary, the actions will be deleted from the system until the proper paperwork is processed reflecting the leave and return of the employee.

Finding #2: Personnel Files Did Not Contain the Required Performance Appraisals.

Response to Finding #2: I agree to finding and recommendation. See Corrective Actions Outlined below (as indicated in same finding during testing of Personnel Action Forms).

It was noted that nine firefighters’ personnel files were found not to contain the required performance appraisal. This practice was due to a resolution to a prior grievance filed by the IAFF in 1994, specifically Grievance Number 11-94 (See Attachment).

As indicated in your work product in which the Fire Department was contacted as a part of this audit, the Miami Fire Rescue Operations Procedures Manual reflected that if the overall rating of the employee is “Satisfactory”, the Fire Department’s worksheet would be destroyed in the presence of the employee concerned. In contrast, if the overall rating is unsatisfactory, the Fire Department’s annual evaluation worksheet is to be retained and placed with other documented material to support the decision pending further action. The Fire Department’s manual does not reference placement of the document in the official personnel file, although, that would be the customary location for employees’ records of performance.

As it concerns the destruction of the performance evaluations of sworn fire personnel, a Legal Services Request will be submitted to the Office of the City Attorney to determine whether this practice is in compliance with the Florida Public
Records Act, which governs the destruction of public records. In the event that the Legal Services Request is returned indicating that the practice of destroying the aforementioned records is illegal, a memorandum from the City Manager will be drafted to advise the Fire Chief that the practice of destroying performance appraisals without complying with the City's destruction protocol is unsound and in violation of the Florida Public Records Act. Additionally, moving forward, the issue of performance appraisals for Fire personnel will be considered as an item of collective bargaining should it be determined to be a necessary prerequisite. Appropriate action will be taken once legal advice is provided.

I trust that this addresses the findings outlined.
Date: January 23, 2009
To: Hector Mirabile, Director
Employee Relations Department
From: Munirah Daniel, CPA, Senior Staff Auditor
Office of Independent Auditor General
Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations – Audit #09-007
Appointment Rates

Dear Dr. Mirabile:

Pursuant to our ongoing audit of the Employee Relations Department (ERD) – Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by February 6, 2009.

I. Appointment Rate Requests Were Not Justified

According to APM 5-78 City of Miami Pay Policy (Section I), “The minimum rate in the pay range for each established classification shall be the normal appointment rate for a new employee assigned to a position of that class. An appointment rate above the minimum rate but not the maximum may be granted if the Department Head submits to the Director of Human Resources an acceptable written justification for the higher rate. .... Justification shall be limited to recognition of exceptional qualifications of a prospective employee or lack of available eligible at the minimum rate.”

We reviewed the 62 appointment rate requests that were submitted, during the audit period, from department Directors to ERD to determine whether they contained the required justifications for starting the prospective employees at pay rates higher than the normal appointment rates. Our review disclosed that:
Two (2) requests to start prospective employees at higher rates were granted, however they were not justified. In both cases, the departments extended offers to the employees at the higher rates prior to seeking ERD authorization. As a result, although there were no convincing justifications for starting the employees at higher rates, ERD was forced to honor the offers that had been made.

The deficiencies noted above may have been caused by the fact that there is no standardized form/process for departments to make appointment rate requests - some requests were made by memorandum while others were made by email. Furthermore, the content of each request is not standardized to ensure that all of the pertinent information required to justify a request is present. In addition, offer letters are sent from department Directors to prospective employees without being reviewed by the ERD.

If employees are hired at appointment rates that are higher than their education/experience warrants, then the City’s personnel/payroll costs are higher than they should be to employ those individuals. An employee’s position on the City’s salary schedule should be commensurate with his/her classification, education, and experience; therefore, if employees are not placed on the correct steps in the salary schedule, then over time the salary schedule will become distorted and compressed. Lastly, unjustified appointments of employees at higher than normal pay rates may create inequities with respect to other employees in similar classifications.

Recommendation:
We recommend that ERD enhance its internal control procedures to ensure that all appointment rate requests contain the required justification of the candidate’s “exceptional qualifications.” Those requests that do not contain appropriate justification should be sent back to the department for further elaboration before being evaluated by C&P and approved by the ERD Director.

In addition, we recommend that ERD consider standardizing the form/process whereby departments make appointment rate requests and then communicate said form/process to all department Directors. For example, ERD may consider conducting executive training sessions or providing Directors with information packets containing detailed guidelines about the types of qualifications that meet the standard of “exceptional”, when it is appropriate to conclude that there are a lack of eligible candidates at the minimum rate, and the proper process/format for making appointment rate requests.

Lastly, we recommend that offers to prospective employees be extended from the City Manager or ERD Director rather than from the department Directors. However, if offer letters continue to be drafted by department Directors then they should be reviewed by ERD for correctness prior to being sent to prospective employees.

Auditee Response and Action Plan:
II. Missing / Improper Evaluation & Authorization

APM 5-78 City of Miami Pay Policy (Section I) stipulates that, “An appointment rate above the minimum rate but not the maximum may be granted if the Department Head submits to the Director of Human Resources an acceptable written justification for the higher rate.” Pursuant to ERD procedures and good business practice, appointment rate requests are reviewed by the Classification and Pay (C&P) Supervisor as well as the ERD Director prior to being approved. Based on our interviews with ERD employees we obtained the following understanding of the evaluation and approval process:

1. Appointment rate requests are routed to the C&P section of ERD for evaluation. C&P reviews the request to determine if the higher appointment rate is warranted – (1) by the prospective employee’s qualifications (education and/or experience) or (2) by lack of qualified candidates at the minimum rate. In addition, C&P considers whether the higher appointment rate would be equitable with respect to other employees in similar classifications. The result of C&P’s evaluation is a recommendation to the ERD Director.

2. The ERD Director reviews the request and C&P recommendation and either approves or disapproves the request by signing on the bottom of the memo.

3. The memo request, supporting documentation, and copy of ERD approval are logged into the C&P Activity Log and filed.

We reviewed the 62 appointment rate requests that were submitted from department Directors to ERD to determine whether they had been evaluated by C&P and approved by the ERD Director. Based on our review we determined the following:

- One (1) request was not authorized by the ERD Director as required. Instead, the email “authorization” was from the Compensation & Special Projects Manager.

- Nine (9) of the requests reviewed represented promotions rather than initial appointments; as such, Section “O” of the Pay Policy (“Pay Rates in Transfers, Promotions, or Advancements”) applies. In accordance with section “O” of the Pay Policy, “Employees promoted or advanced to a higher class shall be paid at the minimum rate in the new range, or the rate that most nearly represents an increase of two pay steps or as otherwise determined by the City Manager, above the employee’s present salary rate, whichever is greater.”

Of the 9 promotion requests, four (4) resulted in the employees being paid above the minimum rate in the new range and receiving increases greater than 10% (two pay steps),
thus necessitating City Manager approval. We noted that one (1) request was approved by the former City Manager; one (1) was approved by the former ERD Director as the authorized former City Manager signature designee; but, the other two (2) were approved by the former ERD Director, who was not authorized by the current City Manager as his signature designee for this purpose.

- The evaluation performed by C&P regarding one (1) of the promotions noted above was inconsistent with the Pay Policy guidelines for granting promotional increases. An employee Working Out of Classification (WOC) incorrectly received two anniversary increases on top of the WOC pay rate. WOC is a temporary arrangement hence, anniversary increases should be calculated based on the pay rate of the employee's actual classification and recorded for historical purposes only; as a result, when the WOC pay rate is deleted the employee will revert to his/her former classification and rate of pay as if the WOC had not occurred. C&P determined that since an administrative error had resulted in the employee receiving two anniversary increases on top of the WOC pay rate that the employee should be allowed to keep said increases in lieu of the (10% [two step] or 1st step in the higher pay range) promotional increase he would have normally received. We determined, however that if the anniversary increases had been correctly applied, then the employee would have been making $14,077.00 (after the deletion of the WOC pay rate) and promoted to $15,608.10 (the first step of pay range 20A). Instead, the employee was promoted to a rate of $17,185.00 (which represents a 22% increase above the $14,077.00 rate that he should have been making prior to the promotion).

ERD does not have an updated policy and procedures manual which articulates the evaluation and approval process for initial and promotional appointment rates. If requests for higher appointment rates are not properly evaluated by C&P and approved by the ERD Director (or City Manager, as required) then prospective employees whose education/experience does not warrant receipt of a higher appointment rate may be improperly approved.

Recommendation:
We recommend that ERD enhance its internal control procedures to ensure that all appointment rate requests are evaluated (and show evidence of this evaluation) by C&P. We also recommend that ERD comply with the Pay Policy and obtain the ERD Director approval of all appointment rate requests.

We noted that the current ERD Director is authorized as the "City Manager signature designee" for "Executive and non-executive in-hire rates above Step 1" and is therefore authorized to approve promotion requests that result in employees being paid above the minimum rate in the new range and receiving an increase greater than 10% (two pay steps).

Auditee Response and Action Plan:

✓ I agree; □ I disagree. Please initial: [Signature]

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OFFICE OF INDEPENDENT AUDITOR GENERAL 444 S.W 2ND AVENUE, SUITE 715, MIAMI, FLORIDA 33130-1910
III. Authorized Appointment Rates Were Not Properly Paid

Pursuant to ERD procedures and good business practice, appointment rate requests are first evaluated by Classification & Pay and then approved by the ERD Director. Based on our interviews with ERD employees we obtained the following understanding of how the approved appointment rate is then entered into the Moore Personnel/Payroll system to result in the employee being paid the higher appointment rate:

1. If the appointment rate request is approved by the ERD Director it is routed back to the requesting department to complete processing.
2. The requesting department creates a Personnel Action Form (AG) and attaches the approved memo as support. The AG is then submitted to the Records section of ERD for approval in the Moore System.
3. Once the AG is received by Records it is reviewed by a Personnel Assistant as well as a Sr. Personnel Officer for eligibility, accuracy, authorization, and support (Note: the approved memo serves as the support for the Records section to enter the employee into Moore at a pay rate higher than the in-hire pay rate).
4. After all required signatures have been obtained on the AG, the Sr. Personnel Officer enters the approval code, which allows the AG to be processed in the Moore System.

Based on our testing we noted that the authorized appointment rates for three (3) employees were not properly paid.

- In the first case, the appointment rate requested by the department Director was not consistent with the salary schedule (City of Miami, Salary Schedules, Effective April, 2004). The amount requested was “Step 3 ($10,2840 per hour) of salary range 17U”; however, step 3 of salary range 17U is actually $14,8262. In addition, the employee was hired at $14,1375 (or Step 2 of salary range 17U) which is not consistent with the pay rate nor pay step approved in the memo from the department Director.

- In the second case, the appointment salary requested by the department Director and approved by the ERD Director was $84,200; however, according to the employee’s pay history from the Moore System, he was appointed at an annual salary of $89,000.

- In the third case, the appointment rate requested by the department Director for the Unclassified Technical Assistant position was “Step 4.” According to the salary schedule step 4 of salary range 25U is $23,0411; however, the employee was paid at $19,9143 (or Step 1 of salary range 25U). In addition, effective approximately 2 weeks later, the employee's salary was increased to $24,4643 (Step 98) with the description “Correct In-hire Rate.” Neither pay rate was supported by the appointment rate requested by the department Director and approved by the ERD Director.

The exceptions noted above may have been due to the fact that there is no standardized form/process for departments to make appointment rate requests including guidelines about the
content (e.g. pay rate information) that should be specified. For example, in the third case described above, the department Director only specified that she was requesting for the employee to be paid at "Step 4" without any other details such as the pay range or the exact pay rate. Another problem occurred when information contained in the requests from the department Directors was not consistent with the salary schedule but was also not verified by ERD for accuracy prior to being approved. The salary schedules and pay ranges associated with job classifications are periodically updated therefore it is important that the exact pay rate be specified in the request and that C&P perform a thorough evaluation of not only the prospective employees' qualifications but also of the pay rates.

Recommendation:
We recommend that ERD require departments to include the classification name, job code, pay range, pay step, and pay rate in their requests for higher appointment rates. In addition, we recommend that C&P verify that the appointment rates/salaries requested by department Directors are consistent with the salary schedule. Those requests that do not contain the correct rates/salaries should be sent back to the department for clarification prior to being approved by the ERD Director.

Auditee Response and Action Plan:

☑ I agree; ☐ I disagree. Please initial:

Explaination see attachment

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2851 or by email at mdaniel@miamigov.com.

Thank you for your attention to this matter.

Dr. Hector Mirabile, Director

Date: 2/10/07

6
Audit of Personnel/Payroll and Related Financial Transactions and Operations. Audit #09-007:
Appointment Rates:

1. Appointment Rate Requests were not justified. The Department of Employee Relations (DER) agrees with the recommendation provided in the audit where it is recommended that DER enhance its internal control procedures for the purpose of ensuring that all appointment rate requests contain the required justification of the candidate’s “exceptional qualifications.” DER will develop a standardized form and process to facilitate departments making appointment rate requests and then provide and communicate said form to the department directors. Lastly, we will recommend to the City Manager that offers to prospective employees be extended from the City Manager or DER Director rather than from the department Directors. However, if the manager decides to continue the current practice of department directors drafting and extending the offers of employment letters to prospective employees then we will recommend that DER be authorized to review and approve such letter(s) prior to issuance to the prospective employee.

2. Missing or Improper evaluation and authorization. DER agrees with the recommendation provided in that the department will enhance its internal control procedures to ensure all appointment rate requests are evaluated with appropriate documentation recorded. The DER director or designee will approve all appointment rates requests and ensure compliance with the City’s Pay Policy. Additionally, DER is in the process of updating our policies and procedures manual to show a systems approach in establishing a methodology for reviewing and approving all appointment rates.

3. Authorized Appointment Rates were not properly paid. DER agrees with the recommendation provided in that the department will require other departments to include the classification name, job code, pay range, pay step, and pay rate in their requests for higher appointment rates. A standardized form will be developed that addresses these identifiers and request for action. DER will verify all appointment rates/salaries requested by department directors to ensure consistency with the salary schedule and pay policies.

Attached to the audit was a spreadsheet depicting a substantive analysis and findings with explanatory notes. Items which were identified as findings will be evaluated and corrective action will be made when administratively or legally possible. Items identified as exception to policy and failing to show documented authorization from the City Manager or designee as required by the Pay Policies will be reviewed by the DER Director and recommendations will be provided to the City Manager.
Date: January 30, 2009

To: Hector Mirabile, Director
   Employee Relations Department

From: Munirah Daniel, CPA, Senior Staff Auditor
   Office of Independent Auditor General

Subject: Audit of Personnel/Payroll and Related Financial Transactions and Operations — Audit #09-007
         Working Out of Classification & Other Salary Adjustments

Dear Dr. Mirabile:

Pursuant to our ongoing audit of the Employee Relations Department (ERD) — Personnel/Payroll and Related Financial Transactions and Operations for the period October 1, 2005 through September 30, 2007, and selected transactions prior and subsequent to this period, please confirm or clarify our understanding of the following and provide any additional records and/or documentation by February 13, 2009.

I. Working Out of Classification & Salary Adjustment Requests Were Not Properly Submitted, Evaluated, and Approved.

APM 5-78 City of Miami Pay Policy (Section P.4.) stipulates that, "Assignments to higher classifications may be made for periods of up to thirty (30) consecutive days or less without a salary adjustment. (Note: Requests for extension beyond the thirty (30) day period shall be treated in accord with Civil Service Rules or applicable labor agreement provisions.) Authorization for assignment to a higher classification shall be evaluated and determined by the Department of Human Resources in accordance with applicable labor agreements and Civil Service Rules."

With respect to salary adjustments, APM 5-78 City of Miami Pay Policy (Section V) states that, "Departments may call to the attention of the Director of Human Resources certain pay problems resulting from subjects not covered by this pay policy or existing labor agreements, including inequities that may develop in the compensation of non-bargaining unit employees. The Director..."
of Human Resources shall study such problems and make appropriate recommendations to the City Manager. Such recommendations may include changes in basic salary levels, revisions in overtime pay or shift differential, and any other appropriate recommendations to resolve problems in the compensation of non-bargaining unit employees that may arise after the issuance of this policy."

Pursuant to ERD procedures and good business practice, we obtained the following understanding of the process for granting Working Out of Classification (WOC) & Salary Adjustments (SA):

SA Criteria – employee is performing 60% or more of a higher classification’s responsibilities.

WOC Criteria - (a) the employee is performing 60% or more of a higher classification’s responsibilities, (b) assignment is made to a currently budgeted vacant position, and (c) the employee meets the minimum requirements for the higher classification.

1. A Department Director can request a temporary pay increase, for an employee performing additional duties in line with the above criteria, by submitting a memorandum or “Working-Out-Of-Classification Record” explaining the reason(s) for the acting assignment to the Director of the Employee Relations Department (ERD).

2. The request is routed to the Classification and Pay (C&P) section of ERD for evaluation. C&P reviews the request and completes a SA/WOC Evaluation Form with a recommendation to the ERD Director.

3. The ERD Director reviews the request along with the Evaluation Form and either approves or disapproves the request by signing on the bottom of the Evaluation Form.

We reviewed 32 SA and 30 WOC requests to determine whether they had been properly submitted, evaluated, and approved prior to salary increases being granted to employees. Our testing disclosed that:

- Three (3) WOC requests did not have a 'WOC Record' from the requesting Department indicating the employees’ names, current classification, title of classification to be assigned, name of employee to be replaced, dates and duration of WOC assignment, reason for acting assignment, and employee, supervisor, and Director signatures.

- One (1) WOC Record was not signed by the requesting Department Director – the “Authorized Signature” line was left blank.

- One (1) WOC request did not have an Evaluation Form indicating the analysis and recommendation performed by C&P and the ERD Director approval.

- Eight (8) SA requests did not have Evaluation Forms indicating the analysis performed by C&P and the resulting recommendation. Instead, six (6) of the SA requests were initiated by the C&P Supervisor and signed by the ERD Director. And, with respect to the other two (2) requests we only noted email correspondence between the requestors, C&P, and the ERD Director.
ERD does not have an updated policy and procedures manual which articulates the evaluation and approval process for all WOCSA requests. In one (1) of the 3 cases where there was no WOC Record, we noted (based on e-mails retained as support for the WOC request) that instead of the department Director submitting the WOC request, the employee met with the C&P Supervisor, in 2005, in order to make the claim that he had been working out of classification since 2001. However, there is no written procedure regarding the process or documentation for WOCSA requests made directly by employees.

If WOCSA requests are not properly evaluated by C&P and approved by the ERD Director then they may not contain the justification required to support an employee receiving a higher pay rate for working out of classification. Furthermore, employees who do not meet the criteria for WOCSA may inappropriately receive compensation.

Recommendation:
We recommend that ERD enhance its internal control procedures to ensure that all WOCSA requests include the employee name, current classification, title of classification to be assigned, dates and duration of WOC assignment, reason for acting assignment, and employee and Director signatures. Those requests that do not contain all of the required information should be sent back to the department for further elaboration before being evaluated by C&P and approved by the ERD Director.

We also recommend that ERD update its policy and procedures manual to include the procedures and documentation required for WOCSA requests initiated directly by employees rather than through the employees' departments. For example, after a request/complaint is made by an employee should the employee's department be required to formally initiate the process using the memorandum/WOC Record already in effect or would a separate process and documentation be required?

Lastly, we recommend that C&P evaluate all WOCSA requests using the designated “Evaluation Form” to ensure uniformity of the process and to ensure that the analysis performed by C&P and the resulting recommendation are clearly documented.

Auditee Response and Action Plan:

☐ I agree; ☐ I disagree. Please initial: 

Explanation: see attachment

3
II. Authorized Working Out of Classification and Salary Adjustment Rates Were Not Properly Paid

According to APM 5-78 City of Miami Pay Policy (Section P.4.), with respect to Pay Rates in Assignments to Higher Classification, "The Director of Human Resources may approve an increase in pay which will normally be one step above the employee’s existing rate or the first step of the higher range, whichever is greater unless otherwise specified in the applicable labor agreement."

Based on our interviews with ERD employees we obtained the following understanding of how approved WOC/SA requests are entered into the Moore Personnel/Payroll system to result in employees being paid at higher pay rates:

1. If a WOC/SA request is approved by the ERD Director it is routed back to the requesting Department to complete processing.

2. The requesting Department creates a Personnel Action Form (AG) and attaches a copy of the approved Evaluation Form as support. The AG is then submitted to the Records section of ERD for approval in the Moore System.

3. Once the AG is received by Records it is reviewed by a Personnel Assistant as well as a Sr. Personnel Officer for eligibility, accuracy, authorization, and support (Note: the approved Evaluation Form serves as the support for Records to enter the employee’s salary adjustment in the Moore system).

4. After all required signatures have been obtained on the AG, the Sr. Personnel Officer enters the approval code (which allows the AG to be processed) in the Moore System.

Based on our testing we noted that two (2) employees were paid at a higher rate than the authorized WOC rate as follows:

- In the first case, the employee was being paid at step 2 of salary range 17A; therefore pursuant to the WOC guidelines he should have been placed at the greater of the next step in the employee’s current classification (17A step 3 = $14,8262) or the first step of the WOC pay range (19A step 1 = $14,8262). In this case, both rates are exactly the same ($14,8262), however, the employee was paid at $14,8444 or 5% above his current pay step.
- In the second case, the employee was being paid at step 32 of salary range 27A; therefore pursuant to WOC guidelines she should have been placed at the greater of the next step in the employee’s current classification (5% since at top of range = $42,8962) or the first step of the WOC pay range (31A step 1 = $28,3041). However, the employee was paid at $42,902.

In addition we noted that a five percent (5%) salary adjustment was not deleted on time. According to a memo received from the requesting department Director, the salary adjustment was to be deleted as soon as the employee received a promotion however; the adjustment was not deleted until two months after the promotion.
The exceptions noted above may have been due to the fact that the C&P Evaluation Form only includes the pay ranges of the current and WOC classifications; it does not specify the employee’s current pay rate within the range, the pay rate of the next step in the employee’s current classification, and the pay rate of the first step of the WOC pay range. Furthermore, ERD did not have a control mechanism to identify and stop the salary adjustment at the time specified in the approved memorandum.

**Recommendation:**
We recommend that C&P redesign the Evaluation Form to include the employee’s current pay step and pay rate, and an analysis indicating which rate should apply - the pay rate of the next step in the employee’s current classification* or the pay rate of the first step of the WOC pay range.

*In cases where the employee is being paid at the top of the range for his/her current classification the evaluation form would indicate a 5% calculation above the employee’s current pay rate.

In addition, we recommend that ERD enhance its internal control procedures to ensure that all actions are timely started/stopped, as authorized, in order to avoid over/underpayments to employees. Therefore, in cases where the Moore system does not have the functionality to alert ERD of pending actions, ERD must establish a different system for monitoring and implementing actions that should occur at particular times.

**Auditee Response and Action Plan:**

☑ I agree, ☐ I disagree. Please initial: [Signature]

Explanation: See attachment

Please confirm our understanding by signing on the space provided below and returning this memorandum to us. In the event that you disagree with any of the items listed above, please provide your explanation and attach all supporting documents/records.

Supporting schedules are attached for your reference. If you have any questions, please feel free to contact me at 305-416-2051 or by email at mdaniel@miamigov.com.

Thank you for your attention to this matter.

Dr. Hector Mirabile, Director

Date: [Signature]

5
Response to Audit #009-007: Audit of Personnel/Payroll and Related Financial Transactions.

1. Working out of classification & salary adjustment requests were not properly submitted, evaluated, and approved.

DER agrees that our internal controls require enhancements to ensure WOC/SA requests include the employee name, current classification, title of classification of future assignment, dates, and duration of WOC assignment. Additionally, the requests will include the reason for the acting assignment, and the employee and Director’s signatures. To ensure the enhancements are properly developed and applied through the City the Policies and Procedures Manual (PPM) regarding this process will be updated during our conversion from the Moore to the Oracle system.

In light of the fact that the PPM will be updated the review will include the procedures and documentation required for WOC/SA requests initiated directly by employees rather than through the employees’ departments. DER will also ensure that all WOC/SA uses the designated “Evaluation Form” as amended from time to time by the DER.

2. Authorized working out of classification and salary adjustment rates were not properly paid.

DER agrees that C & P should redesign the Evaluation Form to include the employee’s current pay step and pay rate, and an analysis indicating which rate should apply to include max range attainment. DER will enhance its internal controls procedures to ensure that all actions are timely commenced and stopped, as authorized, in order to avoid overpayments.