

BCC Mtg. Date: July 18, 2017

Audit of Orange County's Compliance with the Florida Retirement System Rules for Temporary Employees

**Report by the
Office of County Comptroller**

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**Report No. 464
June 2017**

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June 22, 2017

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted an audit of Orange County's Compliance with the Florida Retirement System Rules for Temporary Employees. The audit scope was limited to casual and student intern positions. The period audited was January 2015 through December 2015. In addition, documentation available through November 2016 was also considered.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions 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.

Responses to our Recommendations for Improvement were received from the Director of Human Resources and are incorporated herein.

We appreciate the cooperation of Human Resources Division personnel during the course of the audit.


Phil Diamond, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Ricardo Daye, Director of Human Resources

EXECUTIVE SUMMARY

Executive Summary

The Orange County Human Resources Division (HR) is responsible for establishing job classifications and positions. It is also responsible for hiring both regular and temporary employees under the County Mayor's direction. HR has established four general categories of temporary employment: casual, on-call, student intern, and Florida Retirement System (FRS) eligible.

FRS rules require all employees of a member agency like Orange County to participate in FRS unless a position is specifically exempted by FRS rules. FRS rules allow an exemption to the mandatory enrollment provision if the employment position will not exist beyond six consecutive calendar months or, if the employee is a student intern enrolled in a bona fide accredited educational or vocational program.

Temporary employees who are classified as casual, on-call, or student interns are excluded from participating in the FRS Plan. In order to confirm that employees are not improperly excluded from FRS participation, HR monitors compliance with the criteria for each temporary employment job classification. It is important to properly classify employees because the County could be required to make additional, unexpected pension plan contributions on behalf of employees who are improperly excluded from the FRS Plan. Further, employees could be denied benefits that they would otherwise be entitled to receive.

The audit scope was limited to casual and student intern temporary positions that did not participate in FRS. The audit period was from January 2015 through December 2015. In addition, documentation available through November 2016 was also considered. The objective of this audit was to ensure that temporary employee positions established by HR complied with the FRS rules. Specifically:

- Casual employee positions did not exist beyond six consecutive calendar months; and,
- Employees filling student intern positions were bona fide students in accredited educational or vocational programs.

Based on the results of our testing, we found that the temporary positions established through HR materially complied with FRS rules. Opportunities for improvement are discussed herein. Specifically, we noted the following:

Seven of the 55 temporary non-FRS eligible casual employees did not meet FRS requirements that would allow them to be excluded from FRS participation. These seven employees filled positions that lasted longer than six calendar months.

HR was unable to confirm that 12 percent of the student intern positions reviewed were held by bona fide students in accordance with FRS rules and, thereby exempt from mandatory FRS participation.

Recommendations for Improvement were developed and discussed with HR. HR concurred with our recommendations and steps to implement the recommendations are underway. Responses to the Recommendations for Improvement are included herein.

ACTION PLAN

**AUDIT OF ORANGE COUNTY
RETIREMENT SYSTEM**

NO.	RECOMMENDATIONS		
		CONCUR	
1.	The Human Resources Division should:		
A)	Monitor temporary casual employment positions to ensure they do not exist beyond six consecutive months; and,	✓	
B)	Review all current and future temporary employment positions to determine whether they serve a temporary or permanent need as defined by the Florida Retirement System (FRS).	✓	
2.	The Human Resources Division should monitor student interns each semester to ensure they are currently enrolled in an accredited educational or vocational program.	✓	

INTRODUCTION

INTRODUCTION



Background

The Orange County Human Resources Division (HR) is responsible for establishing job classifications and positions. It is also responsible for hiring both permanent and temporary employees under the County Mayor's direction. During the audit period, eight different HR Service Centers handled hiring for numerous County departments and divisions. The Centers were as follows:

- Administrative Services and Office of Accountability
- Community Environmental and Development Services
- Convention Center
- Corrections
- Health and Family Services
- Fire Rescue
- Public Works
- Utilities

HR creates temporary positions and assigns new or existing job codes to these positions. Job codes determine whether a position is exempt from Florida Retirement System (FRS) participation. FRS membership is mandatory for all employees in non-temporary positions. FRS defines a temporary position as an employment position that will not exist beyond six consecutive calendar months. Exceptions to the six-month limit rule include student intern and on-call positions.

HR has established the following four general categories of temporary employment:

Category	Description
Casual Employment	The employee cannot work for more than six consecutive months. The employee must not have earnings for a minimum of one full calendar month before returning to work as a temporary employee within the same department. These employees do not participate in FRS.
On-Call Employment	The employee must be called to work unexpectedly and the work must be for brief or limited periods of time. The employee must not work more than 1,200 hours in a fiscal year. These employees do not participate in FRS.

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Category	Description
Student Internships	The employee must be enrolled in an accredited academic college, high school, or vocational program. There is no limitation on the duration of time that the employee may be employed. These employees do not participate in FRS.
Casual Employment - FRS Eligible	Work demands must not exceed 19 hours per week. There is no limitation to the length of employment. FRS contributions are paid from the first day of employment.

HR monitors compliance with the criteria for each temporary employment job classification.

Scope, Objectives, and Methodology

The scope of the audit was limited to casual and student intern temporary positions that did not participate in FRS. The audit period was from January 2015 through December 2015. In addition, documentation available through November 30, 2016, was also considered.

The objective of this audit was to ensure that temporary employee positions established by HR complied with FRS rules. Specifically:

- Casual employee positions did not exist beyond six consecutive calendar months; and,
- Employees filling student intern positions were bona fide students in accredited educational or vocational programs.

Casual Employees

We identified the population of casual employee positions that did not participate in FRS during calendar year 2015. We then reviewed the position to determine if the employee worked longer than, or the need for the position appeared to exceed, six-months.

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Student Intern Employees

To determine whether student intern positions were filled by bona fide students in accredited educational or vocational programs, we selected a sample of employees classified as student interns in 2015. We then determined whether sufficient documentation could be provided to prove that those employees were enrolled in accredited educational or vocational programs during employment.

On-Call Employees.

The scope of the audit did not include on-call employees.

Overall Evaluation

Based on the results of our testing, we found that the positions established through the Orange County Human Resources Division materially complied with FRS rules. Opportunities for improvement are discussed herein.

RECOMMENDATIONS FOR IMPROVEMENT

RECOMMENDATIONS FOR IMPROVEMENT



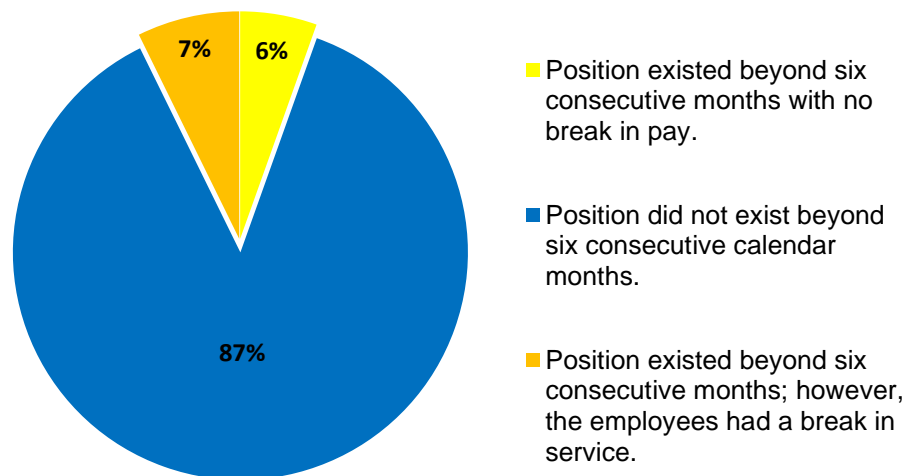
Orange County's Compliance with the Florida Retirement System Rules for Temporary Employees

1. **Casual Employment Positions Not Participating in the Florida Retirement System Should Not Exist Beyond Six Consecutive Months**

The Florida Retirement System (FRS) defines a temporary position, not subject to mandatory enrollment in FRS, as an employment position that will not exist beyond six consecutive calendar months. Records documenting the intended length of any such temporary position and the dates of employment of an employee in such position must be maintained.

In 2015, 55 employees were classified in the temporary casual employment category. Our review of their payroll records identified seven positions that did not meet FRS rules for temporary positions exempt from mandatory FRS participation because those positions existed beyond six months. Four of the seven employees had a one-month break in service after six months of employment before returning to work in the same position.

Casual Temporary Employment



Even though County policies allow the employee to return to work after a one-month break in service, FRS rules require that the position does not exist beyond six consecutive months. The County's policies allow the establishment of positions that have a continuous need exceeding six months.

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Nonetheless, if an employee returns to the same position after a break in service, the position would appear to be based on a need that existed beyond six consecutive calendar months. Improperly classified FRS positions could require the County to make additional (and unexpected) pension plan contributions on behalf of employees who were excluded from the FRS Plan.

Recommendation:

The Human Resources Division should:

- A) Monitor temporary casual employment positions to ensure they do not exist beyond six consecutive months; and,
- B) Review all current and future temporary employment positions to determine whether they serve a temporary or permanent need as defined by FRS.

Management's Response:

Concur. Orange County policy on casual employment focuses on the individual. As the Comptroller's Office has indicated, the FRS Employers Guidebook indicates that the position should not exist beyond six months.

The Human Resources Information Systems (HRIS) section has created PeopleSoft reports to monitor all temporary employment.

Report Name	Query	Description
Casual Employee List	OC_HR-TEMP_CASUAL_YTD	Displays all CASUAL employees who have received wages within the calendar year. For validating nothing over six (6) months. Contains PSTN_ID for review.
Casual FRS Employee List	OC_HR_TEMP_CASUAL_FRS_DETAIL	Displays hours/earnings for FRS employees for verification they are not over 19/494. Shows Detail of hours per pay period.
Casual FRS Employee List – HOURS REPORT	OC_HR_TEMP_CASUAL_FRS_SUMMARY	Displays hours/earnings for FRS employees for verification they are not over 19/494. Shows six (6) month totals.
Intern Hours by MONTH	OC_HR_TEMP_INTERN_YTD	Enables HR to view that interns are not working over the 25 hour threshold per week. Employees should not have over

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Report Name	Query	Description
		100 hours per month. June/July/August intern may work up to 40 hours per week as long as the over-all average is 25 hrs a week for the measurement period of October 1 st through September 30th.
On Call Hours for the Fiscal Year	OC_HR_TEMP_ONCALL_FY_HOURS	Enables HR to view on call employees to verify they are not above the 1200 hours in the FY.

HRIS has updated the HRIS and Records Management "Standard Operating Procedure – Temporary Employment" to educate staff and ensure consistent processing practices. Additionally, Casual Temporary Employees will be terminated at the start of the pay period following their agreement end date. For all temporary employees who resign (personal reasons, another job, relocation, death, etc.) or are terminated (misconduct, etc.) the effective date will be the day after their last date of work. An ECN will be prepared to inactivate their position number.

HRIS has also developed a web-based training for staff on temporary employment.

2. Monitoring of Student Intern Enrollment Status Should Be Enhanced

FRS Rules, Chapter 1, Section III states that a student position is "...filled by persons who are bona fide students in an accredited educational or vocational program and who perform service for a public employer in a temporary position set aside strictly for students. The position cannot be filled by anyone other than a student."

As part of our review, we selected a sample of student interns employed during the 2015 calendar year. We requested documentation from the department to confirm that each intern was a bona fide student. The chart on the following page displays the total number of student interns by HR Service Center, the student interns sampled, and the results of our inquiries:

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Student Intern Positions by Service Center

Human Resources Service Center	Total Student Interns in 2015	Number Sampled	No Documentation To Support Status
Administrative Services and Office of Accountability	17	8	0
Community Environmental Development Services	98	27	3
Convention Center	5	2	0
Corrections	5	3	0
Health and Family Services	2	2	0
Fire Rescue	3	2	0
Public Works	0	0	0
Utilities	32	16	4
Totals	162	60	7

As shown above, our testing found that documentation could not be produced for approximately 12 percent (7 of 60) of student interns reviewed. Without verification that an employee meets the definition of a student intern, Human Resources is not in compliance with FRS rules. Improperly classified FRS positions could require the County to make additional (and unexpected) pension plan contributions on behalf of employees who were excluded from the FRS Plan

Recommendation:

The Human Resources Division should monitor student interns each semester to ensure they are currently enrolled in an accredited educational or vocational program.

Management's Response:

Concur. Since the audit, the recruitment function for the BCC has moved from the eight Human Resources Service Centers to HR Administration under the Compensation & Recruitment section. This change will provide consistency in the hiring processing.

RECOMMENDATIONS FOR IMPROVEMENT



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The eligibility of the applicant to be placed in a student intern position is verified as a part of the initial hire onboarding. The employment agreement for student interns has been revised. A process is now in place to recertify the student bi-annually. Students will be recertified by September 15th for the Fall semester and by January 15th for the Spring/Summer timeframe. The student is required to provide proof of enrollment and complete a new employment agreement.

The Human Resources Division has recertified all current student interns. Students that were identified in the audit that did not provide documentation were either terminated or found to be employed as regular/full-time County employees.