

AUDIT OF COUNTY HIRING PRACTICES



Submitted by

Office of the County Auditor
County of Kaua'i
State of Hawai'i

Report No. 15-01

PREFACE

This audit assesses whether the County of Kaua‘i’s hiring practices are in compliance with laws, statutes, rules and regulations and is efficient and effective. This performance audit of the County’s hiring process was designed to examine County procedures to hire, promote, transfer and reallocate employees fairly and without bias.

We would like to thank all who contributed data to this report, especially the Information Technology section of the Department of Finance and the Department of Personnel Services.

TABLE OF CONTENTS

PREFACE	1
EXECUTIVE SUMMARY	3
CHAPTER 1	5
Introduction	5
Background	5
Audit Objectives and Scope	5
The County of Kaua'i Hiring Procedures	6
Audit Methodology	8
CHAPTER 2	12
Audit Findings and Recommendations	12
Finding 1. The County did not consistently adhere to HRS and County policies when hiring and conducting promotions, transfers and reallocations.	12
Finding 2. The amount of supporting documentation maintained by DPS is inconsistent and could expose the County to the risk of non-compliance with bargaining unit agreements, internal policy and HRS.	13
Finding 3. A lack of controls surrounding certain procedures and DPS' IT systems subjects the County to fraud risk.	15
AUDITEE RESPONSE	16

EXECUTIVE SUMMARY

PKF Pacific Hawaii LLP (“PKF” or “we”) has completed an audit of the County of Kaua‘i’s (“County”) hiring practices under contract with the Office of the County Auditor. The performance audit examined the County’s hiring procedures from January 1, 2009 to December 31, 2013. The audit was designed to answer:

- Is the County in compliance with applicable rules and regulations related to the hiring of civil service and exempt personnel? and
- Does the County have sufficient controls in place to ensure fair, uniform and transparent selection of the best qualified employee for the position?

The audit findings and recommendations are summarized as follows:

Finding 1: The County did not consistently adhere to Hawai‘i Revised Statutes (“HRS”) and County policies when hiring and conducting promotions, transfers and reallocations.

The Department of Personnel Services (“DPS”) did not conduct physical examinations for two of the employee numbers in our sample. DPS also delegates certain procedures to the appointing authority but does not require formal documentation to show the procedures were actually performed.

Recommendation: DPS should reassess current procedures and controls to ensure compliance with HRS and County policy to establish fair and consistent hiring, promotions, transfers and reallocations. Because HRS assigns much of the policy-making authority to the Director of DPS, most procedures may not be specifically required by statute. Nonetheless, internal policies should be reviewed for best practices, clearly written, regularly communicated to DPS staff and held to the same standard of authority as HRS.

DPS should not completely remove themselves from any personnel action procedure. If DPS decides to empower the departments, it should at least act in the capacity of record-keeper to keep itself involved with the process and maintain segregation of duties. This will allow DPS to monitor the appointing authority to ensure all procedures are sufficiently followed.

Finding 2: The amount of supporting documentation maintained by DPS is inconsistent and could expose the County to the risk of non-compliance with bargaining unit agreements, internal policy and HRS.

We noted 64 instances where DPS was unable to provide documentation for one of our hiring, promotion, transfer or reallocation testing procedures, including four files that were missing in their entirety.

Recommendation: DPS should maintain an audit trail of sufficient documentation to support all personnel activity during an employee's career with the County. All documents should be aggregated and maintained in a single, secured file for each employee. These files should be kept on hand for record-keeping purposes and not be replaced with updated versions or discarded after an employee terminates. The County would consequently be able to substantiate its adherence to HRS and County policies for future audit examinations, comply with employee requests to exercise their right to inspect their personnel file and resolve any possible dispute with employees.

There are numerous sources of governance that dictate document retention and maintenance requirements at the federal, state and county levels. DPS should consult with the County Attorney to implement a comprehensive policy that ensures compliance with these standards.

Finding 3: A lack of controls surrounding certain procedures subjects the County to fraud risk.

In accordance with internal policy, DPS is allowed to designate certain positions as "unskilled labor," which permits the appointing authority to bypass the interview process during recruitment. However, we noted there were insufficient approval and monitoring controls surrounding the assignment of this designation, which potentially allows the interview process to be circumvented for all county positions.

Recommendation: DPS should ensure sufficient controls and procedures are in place for all types of personnel action, in particular for those that allow civil service requirements to be bypassed as these subject the County to the greatest amount of risk.

CHAPTER 1

Introduction

This audit was conducted pursuant to the authority of the Office of the County Auditor, as provided in the County Charter.

Background

This performance audit examines the County's hiring practices, including promotions, transfers and reallocations. Performance audits provide information to improve program operations and facilitate decision making. For a complete definition of performance audits see Government Auditing Standards section 2.10.

Audit Objectives and Scope

The audit was designed to answer the following questions:

- Is the County in compliance with applicable rules and regulations related to the hiring of civil service and exempt personnel? and
- Does the County have sufficient controls in place to ensure the fair, uniform and transparent selection of the best qualified employee for the position?

The period under examination spanned from January 1, 2009 through December 31, 2013. Our scope included all hires, transfers, promotions and reallocations that occurred during this time period. Controls within the County's NeoGov IT recruiting and hiring system ("NeoGov") were also considered.

The County of Kaua‘i Hiring Procedures

Background

There are two primary types of hiring categories in the County: civil service and exempt. Each is comprised of several sub-types of hires such as contractors, temporary and emergency hires.

Civil service employees are hired based on the State of Hawai‘i’s merit system and principles. According to HRS §76-1, the merit principle is “the selection of persons based on their fitness and ability for public employment and the retention of employees based on their demonstrated appropriate conduct and productive performance.” The County must adhere to the merit system unless specifically exempt by statute or a request for exempt status is approved.

Civil Service Hires

According to County policy, after the Department of Finance and the Mayor approve the availability of funds, the County may begin to openly recruit applicants either publicly or internally from the County’s existing personnel. Those who pass a preliminary screening are issued an exam developed by DPS. These exams are tailored based on the position description to determine whether minimum qualifications are met. Applicants who pass are ranked by exam score and compiled to form an Eligible List, the pool from which the appointing authority may select to interview. Known as the “Rule of Five,” DPS submits batches of five applications per vacancy to the appointing authority. Additional applicants may be requested as needed by the appointing authority but every applicant received must be contacted for interviews. Interviews are conducted by a panel of two or more people, including the position’s direct supervisor.

In addition to interviews, the appointing authority performs reference checks for each applicant. Although no formal policy exists, DPS will review the position description and requirements to determine whether a background check is required (e.g. position required working with children, handling money, etc.). The appointing authority notifies DPS of their final decision and files the basic employment documents (e.g. W-4, I-9, etc.). Pending a drug test, pre-employment physical examination and Mayoral approval, the applicant is considered an employee of the County.

Exempt Hires

Exempt employees may bypass the standard civil service recruiting procedures. To qualify for exempt status, a position must be specifically excluded by statute (HRS chapter 76-77). These positions include those in the office of the mayor; elected officials; department heads and their assistants; deputy county attorneys, corporate counsel and prosecuting attorneys; law clerks and district judges among others.

Alternatively, certain emergency, temporary or contracted positions may be classified as exempt if the appointing authority can show normal civil service recruitment procedures are not feasible. A properly approved request to fill vacancy is still required as well as an approved request for exempt status by the appointing authority. Although no formal policies exist, if enough applications are received, DPS will generate an eligible list and will remove applicant names prior to sending to the appointing authority. Typically, DPS only receives one or two applicants or the appointing authority notifies DPS a specific individual is sought for their position and no eligible list is formed. The remaining hiring and screening procedures are ultimately left to the discretion of the appointing authority.

Transfers

Transfers occur when an employee moves from one County position to another of similar duties and pay grade. Approval from both the department transferring the employee and the department receiving the employee are required.

Reallocations

Occasionally, departments will review position descriptions to determine whether they still adequately reflect position requirements and duties. If changes are necessary, consideration is given to whether title and pay grade should be adjusted as well. If the position is vacant, the department will initiate the appropriate recruitment process. Alternatively, if the position is already filled, DPS will reassess whether the incumbent meets the minimum qualifications of the updated position description.

Audit Methodology

We developed an overall audit plan and risk-based strategy to approach and address the audit objectives, which included three distinct stages: planning, fieldwork and reporting.

The planning stage involved obtaining an understanding of the County's hiring, transfer, promotion and reallocation process. Through telephone conferences and written requests, we reviewed documents prepared by DPS including memoranda of agreement, circular agreements, department policies and guidelines, HRS and other documentation to familiarize ourselves with the hiring, transfer, reallocation and promotion processes, identify areas of risk and determine the rules and regulations by which the County must abide.

We also reviewed the County's organizational chart and position descriptions to select those to interview and walk us through each process to identify areas of risk and key controls to test. On November 18, 2014, we met with the Acting Director for DPS and two HR Specialist IIs to discuss the hiring, promotion, transfer and reallocation processes, NeoGov and internal controls, including segregation of duties, within the department.

To review internal controls within DPS' IT systems, we requested a listing of those who have access to NeoGov and the AS400, the payroll processing software used by DPS, along with their user rights and permissions in each system. We compared the lists to determine whether anyone had access to both systems and if proper segregation of duties had been implemented.

Once we established our understanding of the processes surrounding each type of personnel activity, we identified a population from which to sample. We defined the population as all personnel activity during the period from January 1, 2009 through December 31, 2013. Employee numbers were ultimately the easiest way to track personnel activity during the period. As such, we requested a list of all County employee numbers and all personnel activity for each number for the period under scope. We removed any duplicate line items and scanned the listing for any unusual activity. We also removed all activity involving elected officials as DPS was not involved with their hiring or employment. The list was categorized into six groups based on activity and each group was weighted based on the frequency of activity. We selected a sample for each based on their weighted values and a sample size of 40. A summary of the population and our sampling methodology is displayed below.

POPULATION AND SAMPLING METHODOLOGY

Bucket (type of personnel activity)	Population Counts	% of Total Population	Sample Size
Civil service hires	453	14%	6
Exempt hires	1,327	42%	17
Temporary hires	217	7%	3
Promotions	312	10%	4
Transfers	468	15%	6
Reallocations	388	12%	4
Total	3,165	100%	40

Based on our interviews and review of DPS' internal policies and HRS, we developed procedures to test for compliance and the implementation of key controls. Exempt hires were deemed high risk because 1) civil service procedures are typically bypassed and 2) the departments hiring the exempt workers are given autonomy when recruiting for these positions. We followed-up on any issues and noted any mitigating circumstances or controls. Remaining findings that still posed a risk were summarized in Chapter 2 of this report. The procedures we performed and documents reviewed for each type of employment activity are listed in the tables below.

CIVIL SERVICE HIRES

No.	Procedures Performed	Document(s) Reviewed
1	Noted proper approval of appointing authority's request to fill vacancy.	Request to Fill Vacant Position, Approval History (from NeoGov).
2	Noted position availability was properly advertised by DPS.	Detail Job Posting (County website).
3	Noted minimum position qualifications and exam score were met.	Eligible Candidates Listing (from NeoGov).
4	Noted applicant was included in the list of eligibles and list of certified applicants sent to appointing authority for consideration.	Eligible Candidates Listing (from NeoGov).
5	Noted proper interview procedures were performed.	Referred Candidates (from NeoGov).
6	Noted reference checks were performed.	No documentation available at DPS.
7	Noted physical and drug examinations were issued and passed.	Doctor Evaluation, Pre-Employment Examination Results Letter, Drug Test Results.
8	Noted proper approval of appointing authority's final selection notification to DPS.	Hire/Personnel Action Form (from NeoGov).

EXEMPT HIRES

No.	Procedures Performed	Documents(s) Reviewed
1	Noted proper approval of appointing authority's request to fill vacancy.	Request to Fill Vacant Position, Approval History (from NeoGov).
2	Noted proper approval of appointing authority's request for exempt hiring status.	DPS AS-1.
3	Noted position was specifically exempt under HRS 76-16.	HRS 76-16.
4	Noted physical and drug examinations were issued and passed.	Doctor Evaluation, Pre-Employment Examination Results Letter, Drug Test Results.
5	Noted proper approval of appointing authority's final selection notification to DPS.	Hire/Personnel Action Form (from NeoGov).

EXEMPT HIRES FOR PERSONAL SERVICE CONTRACTS

No.	Procedures Performed	Documents(s) Reviewed
1	Noted proper approval of appointing authority's request for exempt status due to special and unique services.	DPS AS-1.
2	Noted duration of contract was limited to one year and properly approved.	Contract, DPS AS-1.
3	Noted physical and drug examinations were issued and passed.	Doctor Evaluation, Pre-Employment Examination Results Letter, Drug Test Results.

TEMPORARY HIRES

No.	Procedures Performed	Documents(s) Reviewed
1	Noted proper approval of appointing authority's request to fill vacancy.	Request to Fill Vacant Position, Approval History (from NeoGov).
2	Noted proper approval of appointing authority's request for exempt status due to impracticality of civil service recruitment.	DPS AS-1.
3	Noted employment term is less than 90 days with up to a 90 day extension.	Payroll Certification, DPS AS-1.
4	Noted physical and drug examinations were issued and passed.	Doctor Evaluation, Pre-Employment Examination Results Letter, Drug Test Results.
5	Noted proper approval of appointing authority's final selection notification to DPS.	Hire/Personnel Action Form (from NeoGov).

PROMOTIONS

No.	Procedures Performed	Documents(s) Reviewed
1	For civil service promotions, see civil service procedures above.	See civil service procedures above.
2	For exempt promotions, see exempt procedures above.	See exempt procedures above.

REALLOCATIONS

No.	Procedures Performed	Documents(s) Reviewed
1	Noted proper approval of revisions to position description.	Classification Summary Audit Report, Memo from Director of Personnel Services.
2	If revisions necessitated a change in pay grade, noted proper approval.	Classification Summary Audit Report, Memo from Director of Personnel Services.
3	Noted appropriate hiring procedures were performed if position was vacant.	See civil service or exempt procedures above.
4	Noted minimum qualifications were met with proper approval if position had an incumbent.	Classification Summary Audit Report, Memo from Director of Personnel Services.

TRANSFERS

No.	Procedures Performed	Documents(s) Reviewed
1	Noted position being transferred to had a similar position description and pay grade.	Payroll Certification.
2	Noted proper approval from transferring and receiving departments and that position was vacant.	No documentation available at DPS.

We conducted this performance audit in accordance with generally accepted government auditing standards. Information deemed confidential under the Hawai'i state open records law (HRS chapter 92F) was omitted from this report. The determination of whether information was confidential was based on Office of Information Practices ("OIP") Guideline No. 3, effective September 7, 2011 and OIP memorandum dated May 1, 2002, "OIP Guidance Regarding Disclosure of Agency Records and Information to Auditors." Under the guidance of these documents, the following were omitted as confidential: employee social security numbers and actual base rates of pay and gross salaries for employees covered by or included in bargaining units as defined in the Hawai'i collective bargaining law (HRS chapter 76).

CHAPTER 2

Audit Findings and Recommendations

Finding 1. The County did not consistently adhere to HRS and County policies when hiring and conducting promotions, transfers and reallocations.

To ensure the best fit is hired for each position and a thorough recruiting process is implemented, HRS chapter 76 requires the application of the merit principle and acts as broader guidance for DPS when recruiting for civil service and exempt positions. Much of the statute, however, empowers and relies upon the Director of DPS to implement policies and procedures that will uphold the merit system.

Exempt positions were deemed a high-risk area due to the number of civil service procedures waived during recruitment. With few procedures in place for the recruitment for exempt positions, there is a higher risk that unqualified applicants are accepted or that the appointing authority is able to use bias in its selections.

All positions, including those exempt from civil service procedures require a physical and drug examination. We discovered two of the 17 exempt positions had no physical examinations performed.

We also observed certain civil service procedures were delegated to the departments themselves. For these procedures, DPS did not require formal substantiation from the departments that the procedures were actually performed. DPS was therefore unable to provide any support as no documentation was maintained at DPS. A summary of the outsourced procedures is displayed below.

PROCEDURES PERFORMED BY APPOINTING AUTHORITY

Personnel Action	Sample Size	No. Times Occurred	Procedure
Civil service hires	6	6	Reference check
Transfers	6	6	Transfer approval between departments
Total	12	12	

Recommendation: DPS should reassess current procedures and controls to ensure compliance with HRS and County policy to establish fair and consistent hiring, promotions, transfers and reallocations. Because HRS assigns much of the policy-making authority to the Director of DPS, most procedures may not be specifically required by statute. Nonetheless, internal policies should be reviewed for best practices, clearly written, regularly communicated to DPS staff and held to the same standard of authority as HRS.

DPS should not completely remove themselves from any personnel action procedure. If DPS decides to empower the departments, it should at least act in the capacity of record-keeper to keep itself involved with the process and maintain segregation of duties. This will also allow DPS to monitor the appointing authority to ensure all procedures are sufficiently followed.

Finding 2. The amount of supporting documentation maintained by DPS is inconsistent and could expose the County to the risk of non-compliance with bargaining unit agreements, internal policy and HRS.

All County BU agreements include a clause providing employees the right to inspect their personnel files. One of the most prevalent and pervasive issues during our testing was the lack of documentation. Three exempt hires and one temporary hire, who was also considered an exempt employee, had their entire employee files missing. There were a total of 64 instances in which DPS was unable to provide documentation to support a personnel action. We have summarized them below.

MISSING DOCUMENTATION DETAIL

Document Type	Civil Service Hires	Exempt Hires	Temporary Hires	Promotions	Transfers	Reallocations	Total
Vacancy Request Approval	0	11	2	1	N/A	N/A	14
AS-1 Request for Exempt Status	N/A	14	2	1	N/A	N/A	17
PC/AS-1 Less than 90 Day Term	N/A	N/A	1	N/A	N/A	N/A	1
Interview Documentation	1	N/A	N/A	0	N/A	N/A	1
Physical/Drug Screening	2	3	2	N/A	N/A	N/A	7
Final Selection Approval	1	11	2	3	N/A	N/A	17
Contract	N/A	3	0	N/A	N/A	N/A	3
Reallocation Approval Documents	N/A	N/A	N/A	N/A	N/A	4	4
Total Instances Noted	4	42	9	5	0	4	64
Total Sampled Items Affected	4	16	3	3	0	2	28
Sample Total	6	17	3	4	6	4	40

Recommendation: DPS should maintain an audit trail of sufficient documentation to support all personnel activity during an employee's career with the County. All documents should be aggregated and maintained in a single, secured file for each employee. These files should be kept on hand for record-keeping purposes and not be replaced with updated versions or discarded after an employee terminates. The County would consequently be able to substantiate their adherence to HRS and County policies for future audit examinations, comply with employee requests to exercise their right to inspect their personnel file and resolve any possible dispute with employees.

There are numerous sources of governance that dictate document retention and maintenance requirements at the federal, state and county levels. DPS should consult with the County Attorney to implement a comprehensive policy that ensures compliance with these standards.

Finding 3. A lack of controls surrounding certain procedures subjects the County to fraud risk.

We discovered interviews were not conducted for two of the six civil service hires tested. Although this was in compliance with Selection Procedures Circular No. 86-30 dated May 16, 1986, which states "When selection is made from unskilled registration lists, all eligibles need not be contacted for an interview," we noted DPS had not implemented adequate controls to approve and monitor which positions were deemed as "unskilled labor." DPS explained only certain positions were given this designation based on their position description and included golf course groundskeepers, groundskeepers, land fill laborers, laborers, park caretakers and janitors. Without proper controls in place, however, DPS could potentially bypass the interview process for any position they designated as unskilled.

Recommendation: DPS should ensure sufficient controls and procedures are in place for all types of personnel action, in particular for those that allow civil service requirements to be bypassed as these subject the County to the greatest amount of risk.

* * * *

AUDITEE RESPONSE

Finding 1: The County did not consistently adhere to HRS and County policies when hiring and conducting promotions, transfers and reallocations.

Recommendation: DPS should reassess current procedures and controls to ensure compliance with HRS and County policy to establish fair and consistent hiring, promotions, transfers and reallocations. Because HRS assigns much of the policy-making authority to the Director of DPS, most procedures may not be specifically required by statute. Nonetheless, internal policies should be reviewed for best practices, clearly written, regularly communicated to DPS staff and held to the same standard of authority as HRS.

DPS should not completely remove themselves from any personnel action procedure. If DPS decides to empower the departments, it should at least act in the capacity of record-keeper to keep itself involved with the process and maintain segregation of duties. This will also allow DPS to monitor the appointing authority to ensure all procedures are sufficiently followed.

Auditee's Response: Agree. Prior to the restructuring of the Department of Human Resources (HR), individual departments were empowered with much of the recruitment and hiring decisions. In addition, prior to 2011, the NEOGOV online recruitment system was not used consistently among all departments.

With the recent restructuring of the Department of Human Resources (HR), duties formally performed at the individual department level are now being done at HR for greater consistency and standardization. HR conducts reference checks for all employees new to the County (excluding sworn Kaa'i Police Department (KPD) staff), contacts selected applicants with conditional offers of employment, and schedules all necessary pre-employment requirements including drug tests, physicals, and background checks for those positions requiring this assessment (excluding sworn KPD staff).

HR agrees that duties that remain with departments (interviewing, etc.) still require substantiation from the departments that proper procedures are followed. As such, HR will begin to require individual departments to submit the necessary documents to HR to ensure that necessary procedures were adhered to.

In addition, since 2011, all requests to fill vacant positions must go through the NEOGOV online recruitment system ensuring proper approvals occur prior to eligible applicant lists being referred to departments.

A review of internal recruitment and hiring practices is underway that incorporates best practices, adheres to HRS and that will be communicated to all departments and HR staff once completed.

Finding 2: The amount of supporting documentation maintained by DPS is inconsistent and could expose the County to the risk of non-compliance with bargaining unit agreements, internal policy and HRS.

Recommendation: DPS should maintain an audit trail of sufficient documentation to support all personnel activity during an employee's career with the County. All documents should be aggregated and maintained in a single, secured file for each employee. These files should be kept on hand for record-keeping purposes and not be replaced with updated versions or discarded after an employee terminates. The County would consequently be able to substantiate their adherence to HRS and County policies for future audit examinations, comply with employee requests to exercise their right inspect their personnel file and resolve any possible dispute with employees.

There are numerous sources of governance that dictate document retention and maintenance requirements at the federal, state and county levels. DPS should consult with the County Attorney to implement a comprehensive policy that ensures compliance with these standards.

Auditee's Response: Agree. With the recent restructuring of the Department of Human Resources (HR), employee files related to employment, pay and benefits are now centrally maintained at HR.

The County Attorney's office is already working on a comprehensive policy regarding document retention for not only HR but all County departments with regards to varying public and personnel files. This policy will set the guidelines for HR and all departments to maintain necessary documents.

The HRIS (Human Resources Information Systems) Task Force has been meeting for over a year now and continues to look at ways to streamline documents including new software that will assist with electronic recordkeeping.

Finding 3: A lack of controls surrounding certain procedures subjects the County to fraud risk.

Recommendation: DPS should ensure sufficient controls and procedures are in place for all types of personnel action, in particular for those that allow civil service requirements to be bypassed as these subject the County to the greatest amount of risk.

Auditee's Response: Agree. A review of HR's current positions that have been designated as "unskilled labor" as defined in the "Rules of the Director" will be undertaken and incorporated into revised internal recruitment and hiring practices policies and procedures and communicated to all departments and HR staff.

HR agrees that aside from maintaining internal controls within HR, duties that remain with departments (interviewing, etc.) still require substantiation from the departments that proper procedures were followed. As such, HR will begin to require individual departments to submit the necessary documents to HR to ensure that necessary procedures were adhered to and not bypassed.

Although exempt positions as defined under the HRS are exempt from civil service procedures, HR agrees that sufficient controls and procedures should be in place for all types of personnel action. With the recent restructuring of the Department of Human Resources (HR), all exempt positions go through the approval process via our NEOGOV online recruitment system. HR will begin to update policies and procedures to address controls and procedures for exempt appointments as well, and will be shares with all departments and HR staff.

Bernard P. Carvalho, Jr.
Mayor



Janine M.Z. Rapozo
Director

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Managing Director

DEPARTMENT OF HUMAN RESOURCES

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June 19, 2015

Mr. Tyler Kimura
PKF Pacific Hawai'i LLP
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Honolulu HI 96813-2864

Subject: Hiring Practices Audit
Draft Report

Dear Mr. Kimura,

Thank you for the opportunity to submit a written response to the subject draft audit report. Following are our responses to the recommendations made therein.

Finding 1: The County did not consistently adhere to Hawai'i Revised Statutes ("HRS") and County policies when hiring and conducting promotions, transfers and reallocations.

Recommendation: DPS should reassess current procedures and controls to ensure compliance with HRS and County policy to establish fair and consistent hiring, promotions, transfers and reallocations. Because HRS assigns much of the policy-making authority to the Director of DPS, most procedures may not be specifically required by statute. Nonetheless, internal policies should be reviewed for best practices, clearly written, regularly communicated to DPS staff and held to the same standard of authority as HRS.

DPS should not completely remove themselves from any personnel action procedure. If DPS decides to empower the departments, it should at least act in the capacity of record-keeper to keep itself involved with the process and maintain segregation of duties. This will allow DPS to monitor the appointing authority to ensure all procedures are sufficiently followed.

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Response:

Agree. Prior to the restructuring of the Department of Human Resources (HR), individual departments were empowered with much of the recruitment and hiring decisions. In addition, prior to 2011, the NEOGOV online recruitment system was not used consistently among all departments.

With the recent restructuring of the Department of Human Resources (HR), duties formally performed at the individual department level are now being done at HR for greater consistency and standardization. HR conducts reference checks for all employees new to the County (excluding sworn Kaua'i Police Department (KPD) staff), contacts selected applicants with conditional offers of employment, and schedules all necessary pre-employment requirements including drug tests, physicals, and background checks for those positions requiring this assessment (excluding sworn KPD staff) .

HR agrees that duties that remain with departments (interviewing, etc.) still require substantiation from the departments that proper procedures are followed. As such, HR will begin to require individual departments to submit the necessary documents to HR to ensure that necessary procedures were adhered to.

In addition, since 2011, all requests to fill vacant positions must go through the NEOGOV online recruitment system ensuring proper approvals occur prior to eligible applicant lists being referred to departments.

A review of internal recruitment and hiring practices is underway that incorporates best practices, adheres to HRS and that will be communicated to all departments and HR staff once completed.

Finding 2:

The amount of supporting documentation maintained by DPS is inconsistent and could expose the County to the risk of non-compliance with bargaining unit agreements, internal policy and HRS.

Recommendation:

DPS should maintain an audit trail of sufficient documentation to support all personnel activity during an employee's career with the County. All documents should be aggregated and maintained in a single, secured file for each employee. These files should be kept on hand for record-keeping purposes and not be replaced with updated versions or discarded after an employee terminates. The County would consequently be able to substantiate its adherence to HRS and County policies for future audit examinations, comply with employee requests to exercise their right to inspect their personnel file and resolve any possible dispute with employees.

There are numerous sources of governance that dictate document retention and maintenance requirements at the federal, state and county levels. DPS should consult with the County Attorney to implement a comprehensive policy that ensures compliance with these standards.

Response:

Agree. With the recent restructuring of the Department of Human Resources (HR), employee files related to employment, pay and benefits are now centrally maintained at HR.

The County Attorney's office is already working on a comprehensive policy regarding document retention for not only HR but all County departments with regards to varying public and personnel files. This policy will set the guidelines for HR and all departments to maintain necessary documents.

The HRIS (Human Resources Information Systems) Task Force has been meeting for over a year now and continues to look at ways to streamline documents including new software that will assist with electronic recordkeeping.

Finding 3:

A lack of controls surrounding certain procedures subjects the County to fraud risk.

Recommendation:

DPS should ensure sufficient controls and procedures are in place for all types of personnel action, in particular for those that allow civil service requirements to be bypassed as these subject the County to the greatest risk.

Response:

Agree. A review of HR's current positions that have been designated as "unskilled labor" as defined in the "Rules of the Director" will be undertaken and incorporated into revised internal recruitment and hiring practices policies and procedures and communicated to all departments and HR staff.

HR agrees that aside from maintaining internal controls within HR, duties that remain with departments (interviewing, etc.) still require substantiation from the departments that proper procedures were followed. As such, HR will begin to require individual departments to submit the necessary documents to HR to ensure that necessary procedures were adhered to and not bypassed.

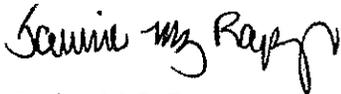
Although exempt positions as defined under the HRS are exempt from civil service procedures, HR agrees that sufficient controls and procedures should be in place for all types of personnel action. With the recent restructuring of the Department of Human Resources (HR), all exempt positions go through the approval process via our

Mr. Tyler Kimura
Page 4
June 19, 2015

NEOGOV online recruitment system. HR will begin to update policies and procedures to address controls and procedures for exempt appointments as well, and will be shared with all departments and HR staff.

We are pleased that the audit report confirmed that many of the changes being implemented since the centralization of the personnel functions within the County Department of Human Resources are continuing to move in the right direction towards ensuring a fair, uniform and transparent selection of the best qualified employees for various County positions.

Respectfully submitted,



Janine M.Z. Rapozo
Director of Human Resources

cc: Bernard P. Carvalho Jr., Mayor
Nadine Nakamura, Managing Director
Mel Rapozo, Council Char
Ross Kagawa, Council Vice Chair
Mason K. Chock, Councilmember
Gary L. Hooser, Councilmember
Arryl Kaneshiro, Councilmember
KipuKai Kualii, Councilmember
JoAnn A. Yukimura, Councilmember

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