

TOWN OF WESTPORT  
OFFICE OF THE INTERNAL AUDITOR



# INTERNAL AUDIT REPORT

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## PERSONNEL

IA 11-02

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SEPTEMBER 30, 2011

# LETTER OF TRANSMITTAL

SEPTEMBER 30, 2011

CHAIRMAN GARTEN AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed internal audit report of Personnel. This project took approximately two months of field work. I greatly appreciate the time, patience and cooperation of all parties involved in this audit.

Due to the departure of the Town of Westport's Personnel Director in March, 2011, it was determined by the Town of Westport Board of Finance Audit Subcommittee that the Audit Plan should be adjusted to include an operational audit of the department. As of the date of this report, the position remains vacant. The duties of the Personnel Director have been temporarily reassigned to the Town's Finance Director.

As is the case with most audits, this report has gone through a series of drafts. Subsequent to the circulation of the second draft of this report, an issue arose regarding the Town of Westport's Other Post Employment Benefits (OPEB) obligation. This issue was of significant relevance to the personnel function and it was deemed prudent to postpone finalizing the report until the particulars of the issue were sorted out (see Finding/Recommendation 4.a., pg 14).

Included in this report are a number of findings and recommendations that are intended to assist Town of Westport administrators in identifying opportunities for strengthened controls and efficiencies.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

Lynn Scully  
Internal Auditor, Town of Westport

CC: GORDON JOSELOFF, FIRST SELECTMAN  
JOHN KONDUB, DIRECTOR OF FINANCE  
MICHAEL REA, CHAIRMAN, RTM FINANCE COMMITTEE

# TABLE OF CONTENTS

DESCRIPTION		PAGE #
<b>SECTION A.</b>	INTRODUCTION	4
<b>SECTION B.</b>	OVERVIEW OF WESTPORT'S PERSONNEL FUNCTION	6
<b>SECTION C.</b>	FINDINGS AND RECOMMENDATIONS	11

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## A. INTRODUCTION

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### AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

#### **OBJECTIVES:**

The objectives of this audit were to:

1. Review existing personnel-related policies and procedures for the Town of Westport, including those procedures performed by outside/other departments of the Town.
2. Obtain an overall understanding of the current functions of the Town of Westport's Personnel department, with particular emphasis upon recordkeeping, reporting and controls.
3. Obtain an understanding of role and responsibilities of the Town of Westport's Personnel Department in union and non-union contract negotiations, grievance procedures and disciplinary actions.
4. Obtain an understanding of the Town of Westport's outsourced personnel-related services, such as benefits administration, with emphasis upon the Town of Westport's role in monitoring these functions.
5. Document understanding of the key processes within the department, including those performed by outside vendors.

Identify opportunities for strengthened controls and increased efficiencies

#### **SCOPE:**

This audit was largely operational in scope; with particular emphasis upon understanding and documenting personnel-related procedures at the Town of Westport's Personnel Office, Finance Department and other departments of the Town (personnel functions of the Westport Public Schools were not included in this audit). An overview of this function is presented in Section B. of this report.

Although many of the Town's time and attendance functions are performed by employees outside of the Personnel Department, they were considered personnel-related for the purposes of this audit.

**SCOPE LIMITATIONS:**

It is important to note that during the information-gathering phase of this audit, the Town's Finance department had hired an intern to assist in updating retiree information contained within the MUNIS personnel module. As the information contained within the Personnel module was in the process of a major overhaul, information/reports from this module were not reviewed or considered for the purposes of this audit.

It should be further noted that, as of the date of this report, the Town of Westport does not have a procedures manual (see finding 1.b., pg 11) with which compliance could be measured.

**METHODOLOGY:**

This audit began in late May, 2011 with a series of interviews involving employees of the Town's Personnel Office, Police Department, Fire Department and Finance Department, along with the Town's Labor Attorney. Key processes were documented with respect to the hiring, time and attendance and payroll cycles.

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## B. OVERVIEW OF WESTPORT'S PERSONNEL FUNCTION

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There are three positions within the Town of Westport's Personnel Department: Personnel Director, Benefits Administrator and Personnel Administrator. The departmental budget for the year ending June 30, 2011 is as follows:

Exhibit 1

<b>Town of Westport Personnel Budget 2010-2011 (153 Revised)</b>	
01 Salaries	223,899
03 Extra Help & Overtime	2,380
15 Transportation Allowance	100
18 Fees & Services	12,000
25 Telephone	500
33 Advertising & Printing	1,000
34 Postage	900
41 Supplies	1,000
59 Education & Expenses	300
	<b>\$ 242,079</b>

The powers and duties of the Town of Westport's Personnel Department are described in the Town of Westport Charter:

**§ C36-1. - Powers and Duties.**

*The Personnel Department shall administer the personnel system of the Town.*

**§ C36-2. - Director of Personnel.**

*The head of the Personnel Department shall be the Director of Personnel. The Personnel Director shall be responsible for providing the Board of Selectmen with the classifications and descriptions of all Town positions on the basis of their powers, duties and responsibilities, except those of elective officers and their replacements, members of boards and officers appointed by the First Selectman or the Board of Selectmen, employees of the Board of Education, persons employed in a professional capacity to make or conduct a temporary study or investigation and persons employed for a temporary period not exceeding 6 months. The Personnel Director shall have such other powers and duties germane*

*to the office and consistent with law as the First Selectman may prescribe and shall be responsible for the efficiency, discipline and good conduct of the Department.*

The following has been excerpted from the Town of Westport's website:

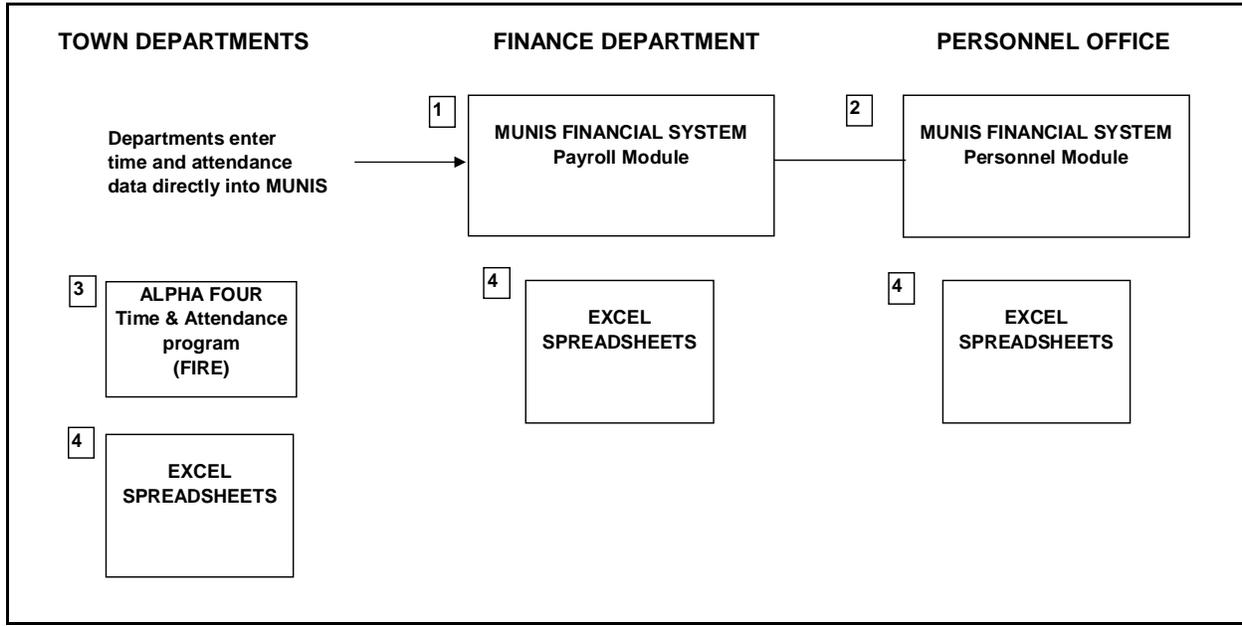
***The Personnel Department develops and either implements or oversees the implementation of cost- effective policies and programs that are designed to attract, retain, motivate, develop, organize and discipline the people needed to conduct the town's affairs.***

- ***Ensures that all such activities are consistent with applicable state and federal law; thereby protecting the town from unwarranted and costly legal proceedings***
- ***Develops, interprets and implements uniform, non-discriminating personnel policies throughout the town***
- ***Supervises the employment, compensation and employee records sections***
- ***Administers performance appraisal systems***
- ***Identifies promotional examinations and supervises the testing process***
- ***Assists in the negotiation of union contracts***
- ***Administers health, safety and affirmative action programs, the enforcement of workplace rules, the handling of complaints and grievances and the promotion of an atmosphere conducive to achieving high levels of employee morale***
- ***Enrolls employees and administers their benefits under the town's health and retirement benefit programs.***
- ***Prepares employee censuses for actuarial review and/or premium rate negotiations***

## THE SYSTEMS ENVIRONMENT:

The following is a graphic representation of the current systems environment as it relates to the personnel function. A description of each application follows.

Exhibit 2



The following briefly describes each software application presented in Exhibit 2.

<b><u>APPLICATIONS</u></b>	
<b>1</b>	<b>MUNIS Financial System, Payroll Module</b> – Payroll information is entered into MUNIS by Town departments (designated persons) in batches, approved by department heads and posted to the payroll by the Payroll Accountant.
<b>2</b>	<b>MUNIS Financial System, Personnel Module</b> – Employee information, including balances of earned sick and vacation time is accounted for within this module by the Personnel Assistant and the Payroll Accountant.
<b>3</b>	<b>Payroll Database/ALPHA FOUR</b> – These time and attendance databases are maintained by the Town’s Police and Fire Departments. These programs are not integrated with MUNIS and are used for internal reporting purposes.
<b>4</b>	<b>Microsoft Excel</b> – Departments are tracking payroll and vacation balances within spreadsheets for internal reporting and analytical purposes.

## **KEY PERSONNEL-RELATED FUNCTIONS:**

### **HIRING AND RECRUITMENT**

The Town's Personnel Department oversees the hiring process for the Town of Westport. The Police and Fire departments of the Town do much of their own recruiting, although forms for prospective employees are still processed through the Personnel Department.

### **TIME AND ATTENDANCE**

Individual departments are responsible for entering time and attendance information into the Town's financial application, MUNIS. The Personnel Administrator monitors attendance information monthly and updates MUNIS for new sick/vacation/personal time earned.

### **PAYROLL**

The Town of Westport's payroll is run twice per month, on the 15<sup>th</sup> and the last working day of the month. The Town's Payroll Accountant works closely with the Personnel Department in ensuring the completeness and accuracy of the Town's payroll function.

### **LABOR NEGOTIATIONS**

The Town's labor negotiations are coordinated by the Personnel Director. The Town has a contractual relationship with a labor attorney who serves as Chief Negotiator on behalf of the Town. The Personnel Director assists in the development of objectives, strategies and strategic cost analyses. The Personnel Director, along with certain elected or appointed representatives of the Town participates in labor negotiations.

### **BENEFITS ADMINISTRATION**

The Personnel Director supervises the activities of the Benefits Administrator, who is primarily responsible for managing the enrollment and participation of Town of Westport (including Westport Public Schools "non-certified" and Westport Public Library) retirees in Town of Westport's pension and health programs. The Benefits Administrator manages the health care enrollment and participation for Town of Westport employees only (Westport Public Schools and Westport Public Library manage theirs, respectively).

### **WORKERS COMPENSATION**

The Town of Westport complies with the provisions of Connecticut's Workers' Compensation Law and provides benefits to anyone who is injured as a result of his or her employment. The Town of Westport (and Westport Public Schools) purchases Workers' Compensation medical and indemnification coverage through Connecticut Interlocal Risk Management Agency (CIRMA), a non-profit organization affiliated with the Connecticut Conference of Municipalities (CCM).

The Town provides for full pay for such injury leave and currently has a return to work program with light duty assignments where possible.

The Town's Personnel Administrator works with CIRMA and the injured employee in processing all required paperwork and monitoring.

### **PERSONNEL RECORDS**

Hardcopy and electronic files with key (often confidential) information are maintained by the Personnel Department for each Town of Westport employee (current and retired). Benefits information is also maintained for retirees of Westport Public Schools and the Westport Public Library.

### **WORKPLACE PROGRAMS**

The Personnel Department is responsible for ensuring compliance with Equal Employment Opportunity (EEO) and Affirmative Action regulations. It oversees/administers sexual harassment training for all Town of Westport supervisory employees and administers the Town's Employee Assistance Program (EAP).

### **PERFORMANCE EVALUATIONS**

The Personnel Department is responsible for overseeing the performance appraisal process. Regular full-time and part-time employees receive performance evaluations during their employment with the Town of Westport. Performance evaluations for new employees are usually prepared at the end of three and six months of employment and annually thereafter.

### **SAFETY AND LOSS CONTROL**

The Personnel Director is designated as the Safety and Loss Control Administrator for Town of Westport. Annual reports to the State of CT's Occupational Safety and Administration (OSHA) are the responsibility of the Town's Personnel Administrator.

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## C. FINDINGS AND RECOMMENDATIONS

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It should be noted that some internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town administrators in identifying opportunities for strengthened controls and efficiencies.

### 1. Policy & Procedural Documentation

#### a. Finding re: Employee Handbook:

The Town of Westport's former Personnel Director had created a draft employee handbook, which was intended to provide information and guidance for the Town of Westport's employees regarding the Town's personnel policies and benefits. Unfortunately, this document has not been completed or distributed.

#### Recommendation(s):

This informative document should be reviewed by Town administrators and implemented as soon as possible.

#### b. Finding re: Procedures Manual:

While certain checklists have been created by the Town's Benefits Administrator to ensure that no steps are missed in certain processes, no comprehensive procedures manual exists for the Town of Westport's Personnel Department.

Further, there are currently no documented procedures for the Town of Westport's payroll function.

#### Recommendation:

The information maintained by (and entrusted to) the Town's Personnel Department is often confidential in nature and it is very important that the Town's employee information is properly safeguarded. Further, as the Town's Personnel Department is accountable to Federal and State agencies regarding employment records, it is imperative that such paperwork is processed in a complete and uniform manner.

It is recommended that the Town of Westport undertake the procedural documentation of all key personnel functions. This will help to ensure completeness, uniformity and business continuity in the face of unanticipated employee turnover within the department. The result of this undertaking would be a strengthened internal control environment as it relates to the Personnel function.

It is equally (if not more) important that the payroll process be procedurally documented, and it is recommended that this be undertaken as soon as possible.

c. **Finding re: Job Descriptions:**

Job descriptions for the Town of Westport's Benefits Administrator and Personnel Administrator have not been updated since 1982, and many of the responsibilities of these positions have changed.

**Recommendation:**

The job descriptions for the Benefits Administrator and Personnel Administrator should be updated as soon as possible to reflect current responsibilities.

2. **Cross Training**

a. **Finding re: Cross Training:**

The Benefits Administrator, the Personnel Administrator and the Payroll Accountant currently have duties that other Town of Westport employees are not trained to perform in their absence.

**Recommendation(s):**

It is recommended that the Benefits Administrator and the Personnel Administrator be cross-trained in order to ensure that key personnel-related functions will continue to be performed in the event of an unanticipated absence within the department. Further, it is very important that at least one other individual within the Town's Finance Department be trained to perform the payroll functions for the same reason.

3. **Systems**

a. **Finding re: Access to Employee Payroll Master Files:**

Changes to the Town's employee master file, including rate of pay and deductions, are usually initiated by a payroll change form which is signed by department heads and the First Selectman or Finance Director. Exceptions to the use of this form are most often for pay raises, which are instead documented by memorandum. The actual changes to the information contained within the employee master files (in MUNIS) are made by the Payroll Accountant. Since the Payroll Accountant is responsible for administering the payroll, there is inadequate segregation of duties with this procedure, as no single employee should be able to add an employee or change an employee's pay rate while also being primarily responsible for paying that employee.

Further, there is more than one Town of Westport employee with access to the employee payroll master file.

Finally, no routine reports are run to review all changes to the payroll master file.

**Recommendation:**

Access to the employee payroll master file should be restricted. The Personnel Administrator should be properly trained and responsible for initiating all changes to the employee payroll master file. A report summarizing all such changes should be run routinely (along with the payroll cycle) by the Payroll Accountant, with a copy (electronic) provided to the Controller and the Director of Personnel.

In the interim, this report should be run and reviewed routinely by the Controller.

**b. Finding re: Time and Attendance Applications:**

The Town of Westport's Emergency Services Departments (Police, Fire) have unique scheduling requirements (operating in shifts 24 hrs per day, 7 days per week) that are not adequately accommodated by the MUNIS time and attendance functions. Because of this, several manual systems and spreadsheet/database applications have been created for operational purposes which are not linked to MUNIS (see Exhibit 2 on page 5). Administrative employees within these departments that are responsible for maintaining time and attendance records must record attendance data in more than one system, increasing the margin for error.

**Recommendation:**

MUNIS is a robust application that is used in communities throughout the state of CT. Town administrators should contact MUNIS representatives to inquire as to how other municipal customers are using MUNIS in their 24 X 7 operations. The operational needs of the Town's Fire and Police departments should be discussed with MUNIS representatives to determine how best to utilize our existing technology. Standalone systems that cannot be integrated with the Town of Westport's main financial system should be avoided.

**c. Finding re: MUNIS Employee Self-Service:**

MUNIS has a self-service function for employees (Employee Self Service – ESS) where employees are able to log in and request time off, review their available vacation balances, etc. Implementation of this feature appears to have been unsuccessful due to workflow and timing issues, however, and employees continue to request time off through the Town's older process involving forms and email.

**Recommendation:**

The Town of Westport's Administration should determine why the ESS implementation was not successfully launched and determine whether the problems that arose can be easily addressed through a redesigned workflow or software fix.

## 4. Reporting

### a. Finding re: Census data to Actuaries:

The Government Accounting Standards Board (GASB), through its Statement No.s 43 and 45, is requiring that municipalities estimate and account for future benefit obligations (pension and Other Post Employment Benefits/OPEB earned by active and retired personnel) within their annual financial statements. As these future benefits are part of the compensation that employees earn each year, GASB considers such benefits part of the cost of providing public services today.

While these new OPEB standards do not mandate the funding of OPEB obligations, the Government Finance Officer's Association (GFOA) recommends that municipalities pre-fund these future liabilities on an actuarial basis. Westport has been committed to such pre-funding and has demonstrated this commitment through its plan to meet the actuarial Annual Required Contribution (ARC).

The Town of Westport has recently received an OPEB obligation report (valuation date 7/1/2009, report dated September 2011) from its actuarial firm, Pentegra Retirement Systems (Pentegra). Pentegra also provides actuarial services for the six defined benefits plans of the Town.

The completeness of the census data used as a basis for both this valuation and a prior valuation performed by RSGroup (which was purchased by Pentegra in August 2008) has recently come into question. To be specific, there was confusion as to whether employees and retirees of Westport Public Schools (WPS), as well as certain Westport Public Library (WPL) personnel, should be included in the population of plan participants under such analysis and estimation. Further, it appears that there were delays in providing the necessary information to the actuarial firm.

The job descriptions of both the Personnel Director and the Benefits Administrator clearly state that these positions are responsible for maintaining and communicating employee census data for the purposes of actuarial review. It is unclear, however, whether the responsibility for gathering and transmitting OPEB-related employee census data for WPS and the WPL also resides within the Personnel Department. In practice, Town's Finance Director has assumed the responsibility of transmitting the necessary census data to the actuaries.

### Recommendation:

The process of gathering and transmitting all OPEB-related data (including WPS and WPL) to the Town's actuaries should be carefully reviewed by the Town's administration, in cooperation with WPS and WPL administrators and in consultation with its actuaries, to determine how best to ensure the timeliness, completeness and accuracy of such transmittals going forward.

Administrators may wish to meet with neighboring municipalities for this purpose. In Fairfield, for example, all census data is collected by the Town's Human Resources Department, including BOE information. Human Resources is responsible for providing this information to the

actuaries. Assumptions are determined by Fairfield's Finance Director, Human Resources and the actuary. In Greenwich, a four-member team (Finance Director, Employee Benefits Manager, Budget Director and one member of Greenwich's Board of Estimate and Taxation) works on perfecting its OPEB census data each year, tying this information to contractual changes.

As the Town of Westport is currently in the process of hiring a new Personnel Director, the associated job description, along with that of the Town's Finance Director, should be updated to more clearly reflect where the responsibility for the upkeep of this sensitive information lies. All new procedures should be documented.