

COUNTY AUDIT DEPARTMENT

REPORT # 388

An Audit of:

USE OF TEMPORARY STAFFING

AUGUST 18, 2020



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



August 18, 2020

The Honorable Lesley “Les” Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the Use of Temporary Staffing (Audit Report # 388, dated August 18, 2020). Responses to the Audit Team’s recommendations were received from the Director of the Human Resources Department and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of the Human Resources Department during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Senior Director, County Audit

CC: Bonnie Wise, County Administrator
Tom Fesler, Interim Chief Financial Administrator
Ivey Martin, Director, Human Resources
Debbie Benavidez, Director, Enterprise Solutions and Quality Assurance
Dan Klein, Chief Executive Officer, Clerk of Court and Comptroller
Rick VanArsdall, Chief Operating Officer, Clerk of Court and Comptroller

TABLE OF CONTENTS

EXECUTIVE SUMMARY..... 1

 BACKGROUND INFORMATION 1

 OBJECTIVE 1

 SCOPE 1

 OVERALL EVALUATION 2

 OPINION 2

 AUDITED BY 3

AUDIT COMMENTS & RECOMMENDATIONS 4

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Hillsborough County has entered into a series of temporary staffing agreements to address specific labor needs. The Board of County Commissioners (BOCC) awarded contracts for ongoing and as-needed temporary staffing to Mainzer Management, Inc. (Mainzer) and ManPowerGroup US Inc. (ManPower) on April 05, 2017 and to Alpha1 Staffing Search Firm (Alpha1) on September 25, 2017. Each agreement has the option of two (2) additional one (1) year renewals.

PROVIDER	AMOUNT	EXPIRES	EMPLOYEES PROVIDED (for audit period)	RENEWAL OPTIONS	REMAINING CAPACITY (as of 3/31/2020)
Mainzer	\$2.4M	April 2020	51	Two (2) additional one (1) year periods	\$990K
ManPower	\$1M	April 2020	87	Two (2) additional one (1) year periods	\$27K
Alpha1	\$84K	October 2020	3	Two (2) additional one (1) year periods	\$2K

OBJECTIVE

The objective of the audit was to determine whether or not controls are in place over the use of temporary staffing services.

SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

Audit testing covered the period of April 5, 2017 to February 28, 2019.

OVERALL EVALUATION

Opportunities exist to improve controls related to the County’s temporary staffing agreements.

Process Strengths:

- Provider invoices for temporary staffing services were accurate and complied with the requirements of the temporary staffing agreements.
- Payment of invoices was properly approved, timely, accurate, and in compliance with the temporary staffing agreements.

Control Improvement Opportunities:

- Information was not available to determine whether or not temporary staffing providers provided timely response to requests for staffing or if staffing needs were fulfilled timely.
- Reporting deliverables required in the provider agreements were not available and had not been historically requested by the Department or supplied by the providers.
- Temporary employees have been retained for more than 120 consecutive days in violation of County Administration policy.
- Two of the 3 providers tested were non-responsive to repeated requests from the Department and the County Audit Department for information.

Full testing results are included on Page 4 of this report.

OPINION

Control Maturity Levels



The control environment relative to managing the use of temporary staffing is at the informal maturity level. This means that controls are fragmented, lack formal policies and procedures and are reactive in nature. This level of control maturity has a higher potential for errors and can mean a higher cost due to inefficiencies. Opportunities were identified to strengthen the controls related to managing temporary staffing agreements. Addressing these opportunities will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on June 24, 2020.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi L. Pinner, CIA, CISA, CFE, CRMA, Senior Director, County Audit

Margaret Brown, CIA, Audit Manager

Terrell Alston, Internal Auditor

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Opportunities exist to improve monitoring controls related to the County’s temporary staffing agreements.

The objective was to determine whether or not the County had adequate controls to ensure that temporary staffing providers are in compliance with deliverable stipulations in the agreement. The Audit Team performed testing in three areas: invoices, contractual requirements, and reporting compliance.

Invoice Testing and Results

The testing of invoice accuracy included:

- Verifying the billed rates against the contractual rates.
- Verifying the accuracy of calculations and footings.
- Tracing the reported hours worked on each invoice to the temporary employee’s approved time card.
- Verifying proper and timely approval of each invoice for payment.
- Verifying the timeliness of each invoice payment.

The Audit Team obtained usage reports for all three providers and selected a judgmental sample of temporary employees for testing. At the time of testing, a total of 141 temporary employees had been utilized by the County. The distribution of sampled invoices is detailed in the table below:

PROVIDER	EMPLOYEES TOTAL	EMPLOYEES SELECTED	TOTAL INVOICES (for selected employees)	INVOICES TESTED
MAINZER	51	10	491	30
MANPOWER	87	9	557	27
ALPHA 1	3	3	8	8
	141	22	1,056	65

✓ The rate of pay referenced on the provider invoices agreed with the contractual rate.

The rates of pay referenced on all 65 invoices tested (100%) successfully agreed with the contractual rates listed in the respective provider agreement.

✓ Invoices were approved/rejected by the Project Manager within 15 days of receipt.

Per Section E, sub-section 22a of the provider agreements, titled *Payment and Completion*, the Project Manager has 15 days within receipt of each invoice to either approve or reject the invoice. Sixty-four of the 65 invoices (98%) were properly approved/rejected by the Project Manager within 15 days of receipt as mandated by the agreement.

✓ **All invoice payments were accurate.**

Amounts paid to the staffing provider tied successfully to the invoice amount for all 65 (100%) invoices tested.

✓ **All payments were made in compliance with the Prompt Payment Act.**

Payment was made within 30 days of invoice approval for all 65 (100%) invoices tested.

➤ **Some employees worked in a single capacity for more than 120 days.**

The only guidance available to the Audit Team on the allowable use of temporary staffing is a reference in the County Administrator's *Human Resources Policy Manual*. The manual defines a temporary employee as "*an employee who meets the minimum qualifications and whose employment in one position or any combination of positions is not intended to exceed 120 consecutive calendar days from the first day worked.*" Per management, this requirement applies only to temporary employees hired directly by the County and not to contracted temporary staff. No additional guidance is available for the allowable duration of contracted temporary staff.

For the 22 temporary employees tested, the number of days worked by the temporary employee in the same capacity ranged from 2 days to 475 days. Thirteen (13) of the 22 temporary employees (59%) worked in the same capacity for more than 120 days.

When the Audit Team inquired of management as to the reasons why temporary employees were retained for more than the 120 days, explanations included the "inability to meet the demands of the public and/or unpredictable workflow" with existing permanent staffing, "high work demands based on a new software lab information system project," and "recertification on some equipment that lost its certification due to a move into a new lab."

✓ **No employee was working as a temporary employee while also employed by the County.**

Three (3) of the 22 temporary employees tested were hired into permanent positions within the County and were listed in Oracle EBS/KRONOS as of the date of testing. This is not

considered to be an exception as the employees start dates with the County occurred after their last payment date by the provider.

➤ **Documentation was not available to confirm that each temporary employee was provided a timely paycheck.**

The Audit Team requested paycheck information from the applicable temporary staffing providers (via the Department) for the 22 temporary employees selected for testing.

- One provider, Mainzer, was responsive to the Audit Team's request. All 10 temporary employees employed by Mainzer received timely paychecks.
- The remaining two providers, ManPower and Alpha1, either provided partial documentation or no documentation at all, therefore, the timeliness of payment could not be confirmed.

➤ **Documentation was not available to confirm that deductions for legally required withholdings (Federal income tax, Social Security, Medicare) were withheld from the temporary employees' earnings.**

The Audit Team requested paycheck information from the applicable temporary staffing provider via HR for the 22 temporary employees selected for testing.

- One of the three providers, Mainzer, was responsive to the Audit Team's request. Information was not provided by the remaining two providers.
- Deductions for the legally required withholdings were withheld from the paychecks of all tested temporary employees employed by Mainzer.

Vendor Performance Compliance

Vendor compliance testing included identifying the specific stipulations or requirements listed in the agreements to be used as criteria. These requirements included such items as vendor responsiveness to County requests for temporary staffing and performance of background checks. The Audit Team met with Human Resources personnel to obtain documentation regarding the contractual requirements. The testing criteria and results are as follows:

➤ **Documentation was not available to confirm whether or not all contracted providers responded timely to staffing requests.**

The temporary staffing agreements stipulate that providers are to “*provide notice of ability to provide a position staff within eight (8) hours (one (1) business work day) of request.*” The Audit Team requested documentation from HR that supported the providers’ compliance with this requirement.

- No documentation was available to confirm compliance with this requirement for 2 of the 3 providers, ManPower and Alpha1.
- Mainzer provided notice within the required 8 hours (1 business day) of request.

➤ **Documentation was not available to confirm whether or not contracted providers filled the County’s temporary staffing need timely.**

The temporary staffing agreements stipulate that providers are to “*maintain a pool of contract employees in order to fill the County’s need within two (2) business days as a minimum after receipt of a purchase order for positions listed on Exhibit A.*”

- The Audit Team could not identify any documentation showing ManPower complied with the 2-day business day requirement for the temporary employees provided.
- Alpha1 provided 3 temporary employees during our test period. The Audit Team was able to obtain documentation pertaining to one of these three positions. Documentation showed that a purchase order was issued October 13, 2017 and the temporary employee started November 20, 2017. However, no information was available as to when the purchase order was received by Alpha1. Therefore, the Audit Team could not determine whether or not Alpha1 provided the temporary employee within the 2-business day requirement.
- Mainzer filled the County’s staffing needs within 2 business days of the receipt of a purchase order for the position(s) requested.

➤ **Documentation was not available to confirm that appropriate background checks were performed on temporary employees.**

Section 3.13 of the temporary staffing agreements, titled *Background and Records Checks*, states that all temporary staff are required to submit to a background check and the process shall be completed prior to starting the assignment. The provider must obtain a Level One Criminal History Records Check through the Florida Department of Law Enforcement (FDLE) for each assigned temporary staff person. For Specialty/Sensitive positions, a Level II Fingerprint Background Screening, along with any additional screening required by federal,

state or local laws, must be obtained. The provider is to submit all clearance information pertaining to the Specialty/Sensitive positions to the HR Department. In addition, the provider will submit the FDLE Records Check, along with a copy of the driver's license and other clearance information for each temporary staff person to HR, if requested.

The Audit Team inquired of both HR and the providers and requested background screening documentation for a sample of temporary employees supplied by each of the providers in the audit scope.

- ManPower was non-responsive to the Audit Team's inquiries.
- Alpha1 could only confirm background screening documentation for 2 of the 3 employees provided (a teacher and a Licensed Practical Nurse). Documentation for the third temporary employee (a Registered Nurse) could not be located by the provider.
- Mainzer provided the appropriate background screening documentation for the 4 temporary employees selected by the Audit Team for verification without exception.

➤ **Documentation could not be located to determine whether or not required licenses and certifications were confirmed by the providers.**

Alpha1 was the only provider of temporary positions that required a specific license/certification as a minimum requirement in the job description – the RN and LPN positions. The Audit Team requested the license/certification documentation for the 2 temporary employees hired for the RN and LPN positions. The Audit Team was told by Alpha1 Staffing that they were unable to provide the documentation because the staff employee that was managing the account was no longer with the company and the current staff was unable to locate the records. As a result, the Audit Team could not determine whether or not Alpha1 confirmed the licensing requirements for the RN and LPN at the time they were hired by the County.

➤ **A temporary staffing employee was not replaced timely by the provider when performing unsatisfactorily.**

According to the *Specifications Scope of Work, Paragraph A.12*, of the *Contract Terms and Conditions* of the provider agreements, providers are to replace, at no cost to the County, any temporary employee who is not performing satisfactorily within 2 hours of notification from the County.

Of the three staffing providers tested, the Audit Team identified one instance where a temporary employee was requested to be replaced by the County department due to unsatisfactory performance. In this instance, ManPower was unable to replace the temporary employee within two hours of receiving notice from the County as stipulated in the agreement's terms and conditions.

Contract Management and Reporting

The Audit Team reviewed the contracts with Mainzer, ManPower, and Alpha1, specifically Section 3.28, titled *Contract Management and Reporting*, to determine the specific reporting requirements for each provider. Section 3.28 states that the “*Contractor will be required to track and report various measurements to the County. The vendor will be required to provide reports on both a scheduled and as needed basis as appropriate. Examples of reports may include, but are not limited to:*

- *Summarization of all employees billed during the reporting period.*
- *Time to fill positions.*
- *Applicant tracking information by EEO category for federal government reporting on diversity.”*

The Audit Team interviewed personnel from the Human Resources Department to determine whether or not the staffing providers had tracked and reported these measurements to the County.

➤ **The staffing providers had not provided Human Resources with any monitoring reports and not all providers were responsive to requests for such information.**

- The Audit Team reached out to each of the providers to request reports and was informed by one of the staffing providers that reports are only provided upon request and no requests had ever been received from the County.
- The Audit Team was ultimately able to obtain summary reports of employees billed for the period from the three providers via HR.
- One provider, Mainzer, was able to provide email documentation supporting the time to fill measure and also provided the Audit Team with a report on their EEO reporting.
- ManPower and Alpha1 were non-responsive to the Audit Team's request for reporting on the time to fill measure and EEO reporting.

RECOMMENDATION

Contract administration involves those activities performed by County officials after a contract has been awarded to determine how well the County and the contractor (or provider) performed to meet the requirements of the contract. Contract administration constitutes that primary part of the procurement process that assures the County gets what it paid for. Monitoring contract performance is a key function in the contract administration process to make sure that all involved parties are performing their duties in accordance with the contract.

The Human Resources Department is designated as the Contract Administrator for the temporary staffing agreements and therefore responsible for administering and monitoring these agreements for fulfillment and compliance.

Management should consider the following:

1. Clarify the Human Resources Policy Manual by differentiating between contracted employees hired and paid by the County and contracted employees hired and paid by a third-party and the expectations and/or limitations for the use of each type of employee.
2. Formalize the contract administration process by developing and implementing monitoring controls to assist in overseeing the agreements and to determine whether or not staffing providers are in compliance with the terms and conditions of agreements.

Monitoring controls should include, but are not limited to:

- Identification of specific deliverables listed in the contract/agreement to be provided by the supplier.
 - Development and implementation of formalized (and approved) procedures as to the clarification of roles and responsibilities of those involved with contract administration.
 - Tracking and reporting usage of services by department, including but not limited to response times to requests, response time to fill positions, reported issues and/or complaints.
3. Seek legal remedy for providers who remain non-responsive or non-compliant with contract deliverables.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*
3. *Concur*

CORRECTIVE ACTION PLAN:

1. *Human Resources is currently updating the County Policy manual to make a clear distinction between temporary employees hired into existing County Administrator Office positions within the Department's Personnel budget vs. temporary staffing that is procured through Departments' Operating budgets through an outside temporary staffing agency.*
2. *Human Resources is currently in the process of finalizing newly developed monitoring control procedures to determine whether staffing providers are in compliance with the terms and conditions of agreements.*
3. *Human Resources is currently in the process of finalizing newly developed monitoring control procedures to determine whether staffing providers are in compliance with the terms and conditions of agreements. Human Resources will work through Procurement and the County Attorney's Office to identify and resolve any non-compliance issues with contract deliverables by any temporary employment service vendor.*

TARGET COMPLETION DATE:

1. *7/31/2020*
2. *12/31/2020*
3. *12/31/2020*

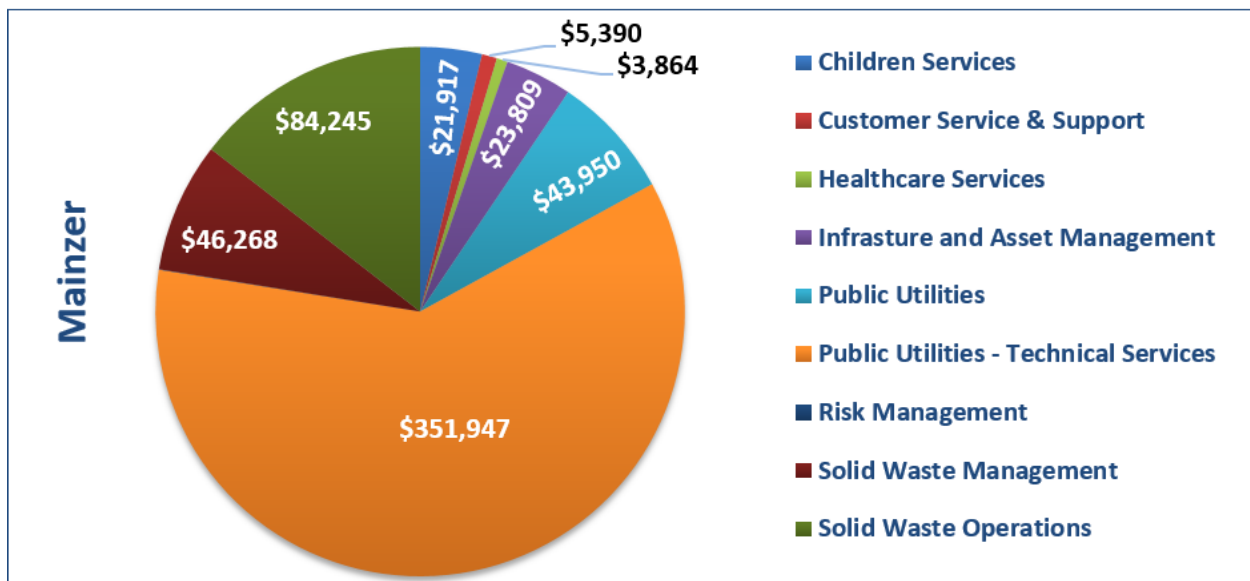
AUDIT COMMENT 2

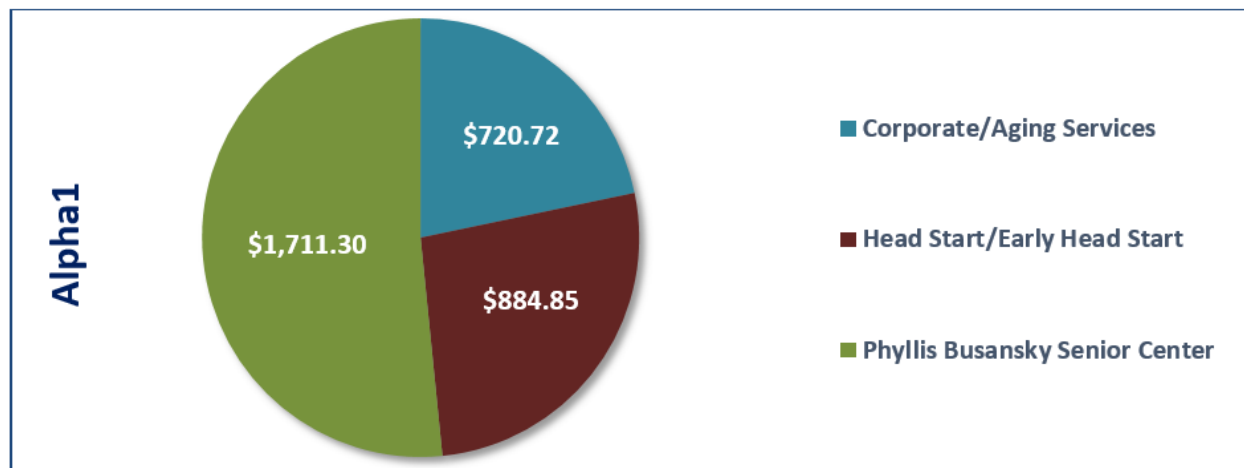
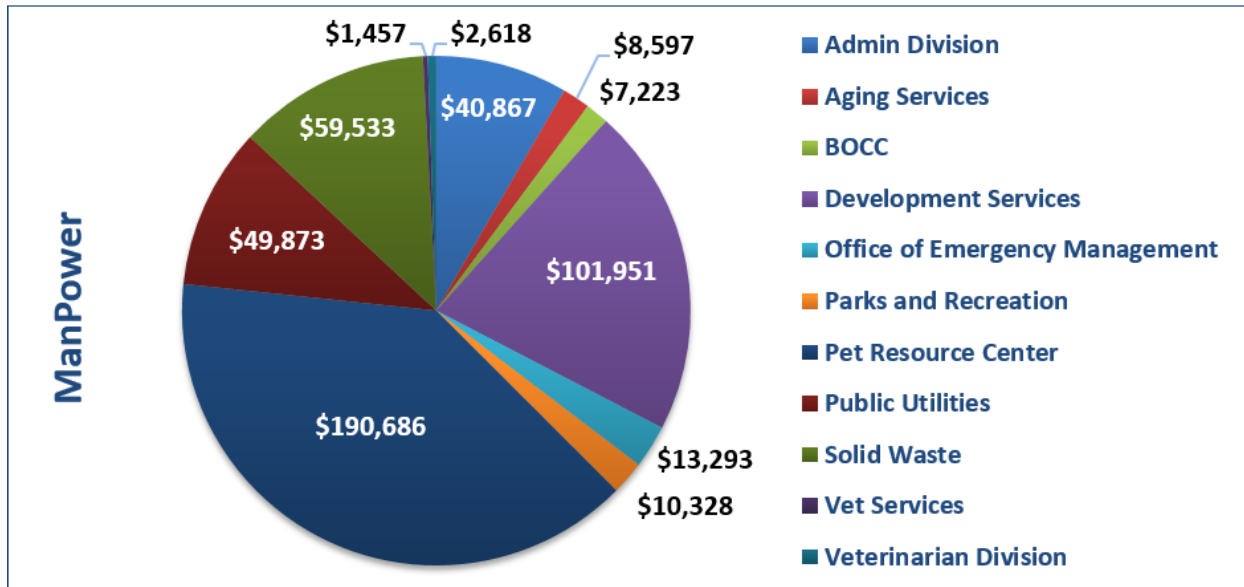
The use of temporary staffing appears cost effective but may benefit from more formal analysis and usage controls.

The objective was to determine whether or not management’s controls provide assurance that usage is properly controlled and documented.

Department Usage and Results

The Audit Team identified 20 various County departments/divisions that used temporary staffing during the audit period.





Temporary staffing expenditures for the audit period total \$1,071,297.61. The department that utilized temporary staffing the least during this period was *Risk Management* at \$165.50. The 3 departments that utilized temporary staffing the most during this period were Public Utilities Technical Services at \$351,946.56; Pet Resources Department at \$190,686.48; Development Services Department at \$101,950.85. Of the total amount expended for temporary staffing, Public Utilities Technical Services accounted for almost 33% of total expenditures.

DEPARTMENTS	AMOUNT SPENT	% OF TOTAL SPENT
PU – TECHNICAL SERVICES	\$ 351,946.56	33%
PET RESOURCES	\$ 190,686.48	18%
DEVELOPMENT SERVICES	\$ 101,950.85	10%

For these top 3 user departments, the Audit Team inquired with management to determine the reasons for using temporary staffing.

Reasons included personnel shortages due to turnover, emergency work, job reclassifications, or just meeting the daily operational demands. Temporary staffing is also at times used as a recruitment tool. For certain departments, competing with private industry's salary and wages is difficult. These departments indicate that hiring a temporary employee "gets a person in the door" in the hopes he/she would eventually consider seeking a permanent position in the department.



work demands
emergency
recruitment
personnel
reclassifications
shortages
operational
turnover
tool

Cost Comparison of Temporary vs. Permanent Staff

The Audit Team also determined whether or not temporary staffing is budgeted for annually. The cost of temporary staffing is not budgeted as a separate line item in departmental budgets. Total personnel costs are budgeted as part of the annual budgeting process and are based on the number of full time employees (FTEs) approved for that department. The costs associated with hiring temporary staffing are paid from these budgeted personnel costs.

Based on inquiries with the management of the three top departments, the audit team identified that the main justification for hiring temporary staffing is cost. By utilizing temporary staff, the department is only paying for a straight labor cost plus the mark-up, or fee, for the staffing provider and not the additional cost of paid benefits.

The Audit Team performed an analysis of some of the temporary positions utilized by the Technical Services Division to compare the costs of hiring a temporary employee versus hiring a permanent employee. The job positions in which temporary employees were hired included: *Environmental Technician I*, *Environmental Technician II*, *Environmental Specialist I*, *Environmental Specialist II*, and *Environmental Specialist III*. The Audit Team obtained the annual minimum salary data for these positions. Two of the five positions identified are paid at the same rate. Full cost data included wages, wage-associated expenses (Social Security, Medicare, Worker's Compensation), and employer-paid benefits (cafeteria benefit, deferred compensation, FRS Employer Contribution, life insurance, disability, and other post-employment benefits). An average benefits multiplier of 50% was calculated and utilized based on this data.

POSITION	TEMP SALARY*	MINIMUM FTE SALARY*	BENEFITS MARKUP	FULL SALARY (WITH BENEFITS)*	TEMP SAVINGS
Environmental Technician I	\$ 28,704	\$ 30,916	50%	\$ 46,374	\$ 17,670
Environmental Technician II	\$ 40,186	\$ 30,916	50%	\$ 46,374	\$ 6,188
Environmental Specialist I	\$ 43,056	\$ 33,096	50%	\$ 49,644	\$ 6,588
Environmental Specialist II	\$ 51,667	\$ 42,486	50%	\$ 63,729	\$ 12,062
Environmental Specialist III	\$ 68,890	\$ 46,657	50%	\$ 69,985	\$ 1,095
	\$ 232,503	\$ 184,071		\$ 276,106	\$ 43,603

*Amounts rounded to nearest whole dollar.

The annual rate for the Temp Salary was calculated by multiplying the hourly (billing) rate times 2,080 hours (40 hours a week for 52 weeks a year). The total annual cost for all 5 positions, at the billing rate, was approximately \$43,603.00 less than the benefits burdened rate. This difference would also increase if items such as holiday pay or admin pay were factored into the FTE burdened rate. Based on this comparison, the County is saving by utilizing temporary staffing instead of hiring full-time positions with benefits for these five positions.

The Audit Team could not confirm whether or not any analysis of this nature had been performed by departments utilizing temporary staffing. While cost savings appear to be a quantitative benefit, there are also qualitative factors to consider in such an analysis including continuity of operations, cross training potential, succession planning and economic impact. For example, the position of Environmental Specialist III included above has a savings of just over \$1,000 annually. This cost savings may not be significant enough to outweigh the qualitative benefits of a permanent employee.

RECOMMENDATION

To ensure that temporary staffing is utilized in a cost effective and prudent manner, management should ensure that a cost benefit analysis is performed on temporary staffed positions. This analysis should include both quantitative and qualitative criteria as applicable.

CLIENT RESPONSE:

Concur - As this audit explained above in its findings, “The use of temporary staffing appears cost effective...” Using temporary staffing is cost-effective by reducing the time and indirect costs associated with staffing, reducing the need to expend resources on advertising, interviewing, hiring, firing and paying staff. It also allows Departments to quickly meet unplanned workload demands. Our review has identified that the County saves at least 40% on direct personnel costs and is able to reduce the time to respond to immediate unplanned workload demands by using temporary staffing.

CORRECTIVE ACTION PLAN:

To mitigate risk, Human Resources is also implementing a quarterly review process to determine how Department staffing needs can best be met and if the requesting of full-time positions is needed to meet their ongoing needs.

TARGET COMPLETION DATE: 12/31/2020