OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

John A. Carey
Inspector General

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"Enhancing Public Trust in Government"

Audit Report

2020-A-0003

City of Riviera Beach Employment Separation Process Audit

April 6, 2020

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

AUDIT REPORT
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CITY OF RIVIERA BEACH

EMPLOYMENT SEPARATION PROCESS AUDIT

SUMMARY

WHAT WE DID

We conducted a forensic audit of the City of Riviera Beach's (City) Employment Separation Process. This audit was requested by the City after it came to their attention that there were potential insurance premium overpayments for employees that had separated from the City. This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2019 Annual Audit Plan.

Our audit focused on employment separation activities that occurred during Fiscal Year (FY) 2013 through FY 2018 (October 1, 2012 – September 30, 2018).

WHAT WE FOUND

Overall, we found internal control weaknesses and operational areas that need improvement. The main issues were the lack of adequate policies and procedures and inadequate review and oversight of the separation process.

We found weaknesses in the employment separation process that resulted in the City improperly paying wages, allowances, incentives, and insurance benefits; the City failing to recoup tuition and job training costs; and separated employees potentially having unauthorized access to City computer systems.

We reviewed the travel and moving expenses paid to employees that separated from the City and found that they were processed appropriately.

In total, our audit found **$1,261,950.48** in questioned costs[1] and **$4,968.08** in identified costs.[2]

Insurance Premiums

We tested 416 employee separations to determine if the City paid insurance benefits for employees after they

[1] Questioned costs are costs or financial obligations that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As such, not all questioned costs are indicative of potential fraud or waste.

[2] Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

separated from the City. We found the City paid insurance premiums, which totaled **$1,243,899.03**, for former employees. This amount includes $799,073.09 which, prior to our audit, the City estimated as potential overpayments for medical insurance premiums paid to former employees. We considered this amount a questioned cost because the expenditures were unnecessary and unreasonable and wasted taxpayer dollars.

Tuition and Training Costs

We identified **$4,525.62** in tuition refunds to employees that were not recouped by the City after the employee separated from employment, as provided by the City's labor agreements.[3] We considered this amount an identified cost because the City can potentially recover the amount.

The City also paid **$12,654.70** for training and education expenses that lacked sufficient documentation to justify the City's payment. We considered this a questioned cost.

Final Payouts

We reviewed a sample of 53 employee final payouts, totaling $207,154.17, for accuracy and noted the following discrepancies:

- Overpayment of wages, clothing/uniform allowances, and unused leave balances, totaling $322.46.
- Underpayment of wages, clothing/uniform allowances, and unused leave balances, totaling $836.11.
- Miscalculation of the refund of educational tuition costs, totaling $202.70.
- Lack of proper documentation in accordance with policy or sufficient documentation to verify amounts for wages paid, which totaled $4,088.66.

We also reviewed amounts paid to employees following their separation date for all 416 employee separations to determine if they were appropriate. We found that the majority of payments that occurred after the employee's separation date were proper (e.g. accrued leave balances, payroll corrections, etc.). We noted some minor discrepancies that included:

- clothing allowances of $120.00 that were overpaid, and
- wages of $269.28 that lacked proper documentation in accordance with policy.

We considered the amounts incorrectly overpaid to former employees, which totaled **$442.46**,[4] as identified costs because the City can potentially recover the amount. We considered the payments that were incorrectly underpaid or not adequately supported, which totaled **$5,396.75**,[5] as questioned costs.

[3] The City had labor agreements with the Florida Public Service Union Service Employee International Union, Professional Managers and Supervisors Association, Palm Beach County Police Benevolent Association, and Professional Firefighter/Paramedics of Palm Beach County.

[4] $322.46 overpayment of wages, clothing/uniform allowances, and unused leave balances + $120.00 overpayment of clothing allowance = $442.46 in identified costs.

[5] $836.11 Underpayment of wages, clothing/uniform allowances, and unused leave balances + $202.70 miscalculated incentive pay + $4,088.66 Final payouts not properly or adequately supported + $269.28 Wages not properly supported = $5,396.75 in questioned costs.

User Access

We found that the Information Technology (IT) Department did not disable the Microsoft Active Directory accounts for five (5) former employees out of 416 employee separations.

Not removing user access for separated employees exposes the City to increased risk of inappropriate manipulation of data unauthorized access to private information, or improper transactions.

Separation Authorizations and Documentation

We reviewed the Personnel Action Reports (PARs) for the 416 employee separations and found that most PARs (60%) were submitted to Human Resources by the department after the employee had left the City's employment.

There is an increased risk that the City will improperly make payments for employee compensation, benefits, and taxes, or fail to collect outstanding advances and employee benefits due back to the City when the separation PAR is not completed on or before the employees' dates of separation.

We found that the City did not consistently and properly complete the separation documentation, i.e. the Separation Report, Separation Checklist, and Separation Package (Police Department only), according to the City's separation process and the Police Department's procedure and policy.

When documentation such as separation checklists are not completed prior to or immediately upon an employee's separation, the City is at risk of losing property that was in the employee's possession.

Lack of Written Guidance

We noted that the City did not have adequate written guidance governing the staff's duties and responsibilities and appropriate timelines relative to the City's employee separation process.

Corrective Actions

The City staff was proactive and took corrective action before and during the audit to address issues that were brought to their attention. The corrective actions included drafting a written policy and a written procedure for the separation process and implementing a new payment process for insurance premiums to prevent potential overpayments for separated employees.

WHAT WE RECOMMEND

Our report contains six (6) findings and thirteen (13) recommendations. Implementation of the recommendations will 1) assist the City in strengthening internal controls and 2) enhance compliance with the City's labor agreements.

The City is taking corrective actions to implement the recommendations.

We have included the City's management response as Attachment 1.

BACKGROUND

The City was incorporated in 1922. The Charter of the City was initially adopted by referendum on April 17, 1973, as amended and as subsequently revised by referendum on March 11, 2008 to create a new, revised City Charter that generally superseded and replaced the earlier charter.

The City is located along the Atlantic shore of southeast Florida in Palm Beach County and has a population of approximately 34,093.[6] The City operates under the Council-Mayor-Manager form of government. The City Council is comprised of five (5) voting members who are elected to three-year staggered terms and are responsible for the legislative and policy making authority for the City and a Mayor who is a non-voting council member. The Mayor is head of the City government for all ceremonial purposes. The City Manager is appointed by the City Council and is responsible for the proper administration of all affairs of the City.

The OIG Fiscal Year (FY) 2020 Annual Audit Plan included management requests. The City requested that the OIG perform a forensic audit of the employment separation process.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether (1) controls were in place and adequate to appropriately manage the employment separation process; and (2) employment separations were properly and accurately processed and adequately documented. The initial audit scope included, but was not limited to, employment separation activities from October 1, 2012 to September 30, 2018 (FY 2013 – FY 2018).

This audit included, but was not limited to, the following employment separation activities by the City:

- Termination from payroll, including wages and applicable deductions and taxes;
- Termination from insurance plan(s), including health, dental, vision, life, and disability;
- Termination from retirement and deferred compensation plan(s) (or related);
- Payouts for final wages, severance pay, and accrued paid leave, including sick, vacation, and compensatory (or related);
- Recoupment of applicable expenses and benefits (e.g. travel advances, tuition and training expenses, moving expenses);
- Deactivation of user access and remote access; and
- Recovery of City property (e.g. credit cards, Information Technology equipment, keys, and access cards).

[6] https://datausa.io/profile/geo/riviera-beach-fl/

The audit methodology included but was not limited to:

- Performing a data reliability and integrity assessment of related computer systems;
- Conducting a review of internal controls over the employee separation process and related operational activities;
- Reviewing the employee separation policies, procedures, and related requirements;
- Interviewing appropriate personnel;
- Reviewing reports, contracts, and agreements;
- Reviewing master records and computer system records and information;
- Performing data analysis of the population of transactions; and
- Performing detailed testing of selected transactions.

As part of the audit, we completed a data reliability assessment for the computer systems used by the City related to the employment separation process. We determined that the computer-processed data contained in these computer systems were sufficiently reliable for the purposes of the audit.

This audit was conducted 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.

FINDINGS AND RECOMMENDATIONS

Finding (1): The City paid for insurance benefits for former employees.

According to the Government Accountability Office (GAO) Standards for Internal Control,[7] management should design control activities to achieve objectives and respond to risks. Control activities should be designed so that all transactions are completely and accurately recorded, and control activities should include comparing actual results to expected results and analyzing significant differences.



We tested 416[8] employee separations to determine if the City paid for the insurance benefits of employees after they separated from the City. We reviewed the life, medical, and dental/vision insurance premium[9] amounts paid by the City after each employee separation for the period October 1, 2012 through September 30, 2018.[10] We found the City paid insurance premiums for employees who were separated from the City. The number of monthly insurance premiums paid after an employee separated from the City ranged from 1 to 58 months.

The chart below summarizes the insurance premium amounts paid and recovered by the City for separated employees.

	Total Paid after Separation		Total Recouped by the City		Total Overpaid	
Insurance	Employees	Amount	Employees	Amount	Employees[11]	Amount
Life Insurance[12]	111	$ 7,087.74	110	$ 6,642.36	6	$ 445.38
Medical Insurance	240	$ 1,935,800.07	229	$ 762,793.72	102	$ 1,173,006.35
Dental Insurance	194	$ 84,226.24	157	$ 13,778.94	142	$ 70,447.30
Total	**545**	**$ 2,027,114.05**	**496**	**$ 783,215.02**	**250**	**$ 1,243,899.03**

[7] The GAO Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

[8] We excluded from testing 187 employee separations for summer program employees and temporary employees with 0.2 years or less of employment because there was a low risk that the City overpaid benefits.

[9] Insurance claims paid by the City's insurance carriers for separated employees were not included in the scope of the audit.

[10] In addition, we reviewed insurance invoices for the six (6) months following the audited period for amounts refunded/credited to the City to ensure any subsequent amounts recovered by the City for overpayments were considered in determining the amounts overpaid by the City.

[11] The count of employees with an overpaid amount does not equal the difference between Total Paid after Separation Count and the Total Recouped by the City Count because certain over payments were only partially refunded by the insurance carrier.

[12] Life insurance for the period October 1, 2012 through September 30, 2015 was not tested because the City self-administered this plan (i.e. the City paid the insurance carrier premiums based on the head count of covered employees) and no supporting list of covered employees was retained by the City.

The counts and amounts of premium overpayments for employees by individual City Departments are summarized in Exhibit 1. The total separations for each department compared to the count of separations for which the City paid insurance benefits is shown in Exhibit 2.

The Human Resources Department did not have a written policy or procedure outlining the process for insurance coverage termination at the time the overpayments occurred (see Finding 6). The City stated that the amount paid for employee insurance premiums during the period of the audit was based on the amount billed by the insurance carrier. The City stated they notified the insurance carriers of separated employees via fax or an electronic data interchange but did not provide our office with any documentation of that notice. The City did not review insurance carrier's invoices for accuracy until 2018 to determine whether separated employees or employees not eligible for insurance benefits were included.

It also appears the City did not follow-up with the insurance carrier to ensure coverage for separated employees was terminated. Additionally, we found that departments did not report separated employees to the Human Resources Department in a timely manner (see Finding 5) which may have contributed to the overpayments.

A lack of written guidance and adequate review and oversight increases the risk for errors such as overpayments and exposes the City to an increased risk for fraud, waste, and abuse.

We considered the amount of life, medical, [13] and dental/vision[14] insurance benefits paid for separated employees, which totaled **$1,243,899.03**,[15] questioned costs because the expenditures were unnecessary and unreasonable and wasted taxpayer dollars.

Corrective Action

During our audit, the Human Resources Department developed written procedures titled, "Human Resources – Risk Management Benefit Processing Procedures," which provide written guidance for terminating the insurance coverage of separated employees. The procedures include notifying insurance carriers of separated employees on a monthly

[13] We requested all group insurance agreements from the City to identify the terms and conditions regarding separated/deceased covered employees. The City provided only the AETNA HMO network medical plan and HMO option medical plan agreements effective October 1, 2017. According to the City, there was a 90-day period in which the City was required to notify the medical insurance carrier of an employee separation. We verified that the City's agreements with AETNA for the medical plans provided had a restriction on issuing credits for premiums paid in error for employees not eligible for coverage, which limited the potential credit to the City to two (2) months of premiums paid when the loss of eligibility occurred more than 30 days prior to notifying the AETNA. Therefore, we deemed that any premiums paid by the City for separated employees could not be recovered due to this restriction.

[14] According to the City, there were no restrictions for the refund of dental/vision and basic life insurance payments made for separated employees. However, the City did not provide us with the applicable group insurance agreements to verify this statement.

[15] Prior to our audit, the City estimated the potential overpayment of medical insurance premiums paid to former employees, which included $799,073.09 of the total amount identified in our audit.

basis based on a Termination Status report and a monthly comparison of insurance carrier invoices to employee information in the human resources information system for accuracy. Discrepancies are to be reported to the insurance carrier in writing, and the invoice comparison must be documented.

Additionally, in October 2019, the Finance Department implemented a new process to prevent the City from paying the insurance premiums of former employees by basing the insurance payment on the total amount deducted through payroll for insurance premiums. The employer portion of the premium is also based on those employees active on the payroll rather than the amount due as stated on the invoice received from the insurance carrier. The City provides the insurance carrier with a detailed listing of employee premiums paid, and the insurance carrier reconciles their records to the City's. The City also provides the detail listing of premium paying employees to its broker who provides the listing to the City's benefit enrollment vendor to perform an independent check against the vendor's records.

Recommendation:

(1) The City implement a review and oversight process to ensure insurance coverage of former employees is terminated or updated appropriately by the insurance carrier, the City does not pay for insurance premiums of former employees, and the City recovers any expected credits or refunds for premiums paid in error.

Management Response:

(1) The City concurs with Recommendation (1). The City has added two (2) additional team members to the Risk Management team to streamline the benefits processes. The new team members include a Benefits Administrator and an Insurance Technician to ensure accuracy in the billing and reconciliation process. In addition, Risk Management is in the process of creating the Human Resources - Risk Management Benefits Processing Procedures. These procedures will ensure the City promptly terminates its separated employees from insurance carriers and prevent the City from overpayment of insurance premiums for separated employees. Due to the new Financial/HRIS system implemented on or about October 1, 2019, the process remains under continuous improvement as the City continues to review it for additional modification to ensure accuracy. Additionally, the City will request its new Internal Auditor to audit the process and recommend subsequent process improvements. With the arrival of a new Internal Auditor, the City will make this a subject of an internal audit by September 18, 2020.

As of October 1, 2019, the City has moved to a self-billing process. The self-billing process is managed by the Finance Department in partnership with Risk Management. The City issues payments based on the actively enrolled employees in payroll. When the City receives a bill from a carrier, Risk Management completes an audit process of the enrollments, analyzes the

actual bill received by the carrier, and informs both Finance and the carrier of billing changes and errors.

In August 2019, the City researched and identified solutions based on systems compatibility and features that will ensure accuracy and reliability in benefits processing. The Bentek system will provide the City with data analytics for detailed analysis and accuracy for benefits processing. The Bentek system, currently in the implementation stage, will automate most critical, if not all, benefits processes, including but not limited to, termination of benefits of existing and separated employees and audit/reconcilement of payments of benefits for employees. Bentek will enable the City, as needed, to promptly identify overpayments, notify carriers, and recoup premiums paid in error, pursuant to the 60-day termination period established by carrier contractual agreements. The auto tooling features of the Bentek system will validate the bills it receives from the carrier through a systematic feed from the City's HRIS system. Through technology, procedures, and automation, the City has implemented tighter controls around the City's resources to prevent the regretful occurrence of the past.

Of the $2,027,114.05 insurance premiums paid in error, the City has received credits totaling $783,215.02 from its insurance carriers. The City does not anticipate recovering the additional $1,243,899.03 in premiums paid in error.

Finding (2): The City did not recoup tuition refunds or job training expenses from employees who separated from the City within twenty-four months of the City's payments.



The City's Benefits & Privileges Summary Presented by the Department of Human Resources which outlines the benefits offered by the City states,

EDUCATIONAL REFUND PROGRAM

All full-time employees who take approved course work related to their job or are pursuing a degree relating to their job and achieve a grade of "A", "B" "C" or who achieves a "Pass" in a "Pass/Fail" course in either undergraduate or graduate work shall be entitled to a refund of tuition costs upon completion of the course. Please refer to the Labor Contracts (General, PMSA, PBA and Fire) for outlined reimbursements and eligibility. Administrative, Supervisory and Confidential employees refer to the General Employees Labor Contract.

The Agreements between the City and the Palm Beach County Police Benevolent Association (PBA) for the periods October 1, 2013 through September 30, 2016 and October 1, 2016 through September 30, 2019 state,

ARTICLE 35: EDUCATION INCENTIVE

Upon ratification of this Article, all employees who take approved course work related to their job or leading to a degree relating to their job, and achieve a grade

of "A" in either under-graduate or graduate work, shall be entitled to a refund of one hundred percent (100%) of tuition costs, upon completion of the course. Employees who achieve a grade of "B" shall be entitled to a refund of seventy-five percent (75%) of tuition costs, upon completion of the course. Employees who achieve a grade of "C" shall be entitled to a refund of fifty percent (50%) of tuition costs…

…

If an employee receiving benefits under this Article, does not continue their employment for a period of at least twenty-four (24) months after last date of refund, the employee shall reimburse the City the total monies expended by the City on the employees' behalf. This reimbursement shall occur through deduction from any final pay to which the employee is entitled, or by such other means as may be necessary to recover the sum.

The Agreements between the City and Florida Public Service Union Service Employee International Union (SEIU) for the periods October 1, 2014 through September 30, 2017[16] and April 1, 2018 through March 31, 2021 state,

ARTICLE 20: PRODUCTIVITY AND JOB TRAINING PROGRAM

…

Section 3. Employees who meet the requirements as shown below shall be reimbursed as indicated for approved graduate and/or undergraduate and/or any other course work related to their job or leading to a degree related to their job.

Grade achieved	Reimbursement
"A" or	100% of tuition cost
"B"	75% of tuition
"Pass" in a	
"Pass" / "Fail" course	100% of tuition cost
"C"	50% of tuition cost

…

b. If an employee receiving benefits under this Article, does not continue their employment for a period of at least twenty-four (24) months after last date of refund, the employee shall reimburse the City the total monies expended by the City on the employees' behalf. This reimbursement shall occur through deduction from any final pay to which the employee is entitled, or by such other means as may be necessary to recover the sum.

[16] No SEIU agreement was reached for the period October 1, 2011 through September 30, 2014. The City operated under a status quo until the ratification of the subsequent Agreement effective October 1, 2014. No SEIU agreement was reached for the period October 1, 2017 through March 31, 2018, so the City operated under a status quo until the ratification of the subsequent Agreement effective April 1, 2018.

We identified refunds for tuition expenses which totaled $4,525.62, to two (2) employees subject to the PBA Agreement, who separated from the City within 24 months of the last payment from the City.

The City did not provide our office with any written policies or procedures specifying the process for recoupment of amounts due to the City from separating employees (see Finding 6). According to the City, the separating employee's department was responsible for determining if any amounts were due from employees and notating amounts due on the employee's separation PAR. The Finance Department then entered repayments noted on the separation PAR, if any, into the payroll system for deduction from the employee's final paycheck.

The City police department did not note the tuition reimbursements due back to the City on the two (2) employees' separation PARs.

We also identified refunds for productivity and job training expenses, which totaled $12,654.70, for four (4) former employees that lacked sufficient documentation to support the expense, such as an invoice, reimbursement request, or receipt for payment. In only one (1) of the (4) instances, a partial amount of the training and education costs was deducted from the employee's final paycheck. The Finance Department confirmed that the City did not recoup refunds for productivity and job training expenses from the employees after their separation through other means, e.g. billed to the employee by City invoice or other demand for payment.

The risk that tuition costs due back to the City are not recouped when an employee separates was increased because the City had no written guidance regarding the City's process for recouping monies for tuition refunds paid to or productivity and job training expenses for employees who left the City within twenty-four months of such payments. A lack of written guidance increases the risk for errors and noncompliance with the City's separation process and applicable labor agreements, which could increase the taxpayer's burden.

We considered the tuition reimbursements that were not recouped by the City, which totaled **$4,525.62**, an identified cost because the City has the potential to recover the amounts from the former employees. The training and education costs of former employees, which totaled **$12,654.70**, were considered a questioned cost because the costs lacked sufficient documentation.

Recommendations:

(2) The City consider seeking reimbursement totaling $4,525.62 for tuition refunds paid to employees who separated from the City within twenty-four months of receiving payments from the City.

(3) The City implement an oversight process to ensure the City recoups tuition expenses and productivity and job training expenses of employees leaving the City within twenty-four months of such payments.

Management Response:

(2) The City concurs with Recommendation (2). The City has identified the two (2) employees subject to the PDA Agreement who separated from the City within twenty-four (24) months after receiving tuition reimbursements. The City will explore opportunities to recover the $4,525.62.

(3) The City concurs with Recommendation (3). The City will review and, if necessary, update its Tuition Reimbursement Policy as it pertains to non-bargaining employees. The City will review and, if necessary, negotiate contract language within its collective bargaining agreements at the appropriate times, pertaining to Tuition Reimbursement. In addition, the City will develop a collection process to ensure separated employees repay tuition reimbursements issued within twenty-four (24) months of separation from the City.

Finding (3): Final amounts paid to former employees were not in compliance with policies or labor agreements or lacked adequate documentation.

According to the GAO Standards for Internal Control,[17] "Management designs control activities so that all transactions are completely and accurately recorded."

The City's Timekeeping Policy effective January 8, 2018[18] states,

> **POLICY STATEMENT**
>
> …
>
> The KRONOS electronic timekeeping system and associated work records will be the official basis for recording hours worked for all City employees. Absence records, such as vacation, sick, good cause, jury duty, will be recorded in KRONOS.

The Agreements between the City and the PBA for the periods October 1, 2013 through September 30, 2016 and October 1, 2016 through September 30, 2019 state,

> **ARTICLE 11: VACATION**
>
> A. The parties hereto agree that each employee. [sic] After his first six months of service and Continuing through the fifth year of service, shall accrue paid vacation at the rate of one (1) day per month of employment to a maximum of twelve (12) days per year. Thereafter, paid vacation days will accrue according to the following schedule:

[17] The GAO Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

[18] The City did not provide a timekeeping policy effective prior to the policy effective January 8, 2018.

AMOUNT OF SERVICE	HOURS #OF DAYS PER YEAR	HOURS ACCUMULATED PER YEAR	ACCUMULATED PER WEEK
7 – 12 months	6	48.0	1.848
1-5 years	12	96.0	1.848
6 years	13	104.0	2.000
7 years	14	112.0	2.152
8-10 years	15	120.0	2.308
11 years	16	128.0	2.460
12 years	17	136.0	2.616
13 years	18	144.0	2.768
14 years	19	152.0	2.924
15 years or more	20	160.0	3.076

…

ARTICLE 12: SICK TIME

A. Employees who have satisfactorily completed six (6) months of probationary period, shall earn one (1) day of sick leave for each month of continuous services, commencing the first of the month following their probationary period, with no limitations or maximum accumulated days.

…

C. Employees shall be paid fifty percent (50%) of any unused sick leave days, up to one hundred thirty-two (132) days, upon termination of employment, for other than disciplinary reasons. Regular full-time employees with fifteen (15) years or more service shall be paid one-hundred per cent (100%) of any unused sick leave days, up to one hundred thirty-two (132) days, upon termination of employment, for other than discharge. Such sick leave payment shall be at the employee's current regular rate of pay.

D. If any employee who has satisfactorily completed the probationary period is discharged for cause, the employee will not receive any compensation for unused accrued sick leave.

…

ARTICLE 16: CLEANING ALLOWANCE

…

Section 3:

The City agrees to provide a uniform and clothing allowance for bargaining unit members as follows:

A. All bargaining unit members shall receive $20.00 per week for uniform maintenance. New hires will receive five (5) shirts and five (5) pairs of pants. Damaged or worn uniforms will be replaced as needed.

B. A bargaining unit member on leave without pay, extended leave restricted duty, or not authorized to wear the Police uniform for one week period of time will not receive the uniform maintenance allowance until such member returns to full duty. Uniforms and equipment lost or damaged beyond repair in the line of duty shall be replaced by the City.

…

ARTICLE 35: EDUCATION INCENTIVE

…

Upon ratification of this Article, all employees who take approved course work related to their job or leading to a degree relating to their job, and achieve a grade of "A" in either under-graduate or graduate work, shall be entitled to a refund of one hundred percent (100%) of tuition costs, upon completion of the course. Employees who achieve a grade of "B" shall be entitled to a refund of seventy-five percent (75%) of tuition costs, upon completion of the course. Employees who achieve a grade of "C" shall be entitled to a refund of fifty percent (50%) of tuition costs.

The Agreements between the City and SEIU for the periods October 1, 2014 through September 30, 2017[19] and April 1, 2018 through March 31, 2021 state,

ARTICLE 12: SICK LEAVE

Section 1. ACCUMULATION-LIMITATON

Each full time, regular employee in the classified service shall earn sick leave at the rate of one (1) working day per month of continuous service for a total of twelve (12) working days per calendar year. This sick leave shall be cumulative throughout the employee's service. There shall be no limit to the accumulation of an employee's sick leave, however, payout shall be limited to one hundred twenty (120) days. Except for emergencies or exceptional cases, no less than one (1) hour will be approved as determined by the employee's supervisor.

Regular full time employees shall be paid fifty percent (50%) of any unused sick leave days, up to one hundred twenty (120) days, upon termination of employment, for other than discharge for just cause. Regular full time employees with fifteen (15) years or more service shall be paid one hundred percent (100%)

[19] No SEIU agreement was reached for the period October 1, 2011 through September 30, 2014 so the City operated under a status quo until the ratification of the subsequent Agreement effective October 1, 2014. No SEIU agreement was reached for the period October 1, 2017 through March 31, 2018, so the City operated under a status quo until the ratification of the subsequent Agreement effective April 1, 2018.

of any unused sick leave days, up to one hundred twenty (120) days, upon termination of employment, for other than discharge for just cause. Such sick leave payment shall be at the employee's current regular rate of pay, at the time of termination.

…

ARTICLE 19: VACATION (ANNUAL LEAVE)

…

Section 2. Employees shall accrue paid vacation credit at their straight time rate during active pay status on the following basis:

Amount of Service	No. of Days Per Year	Hours Accumulated Per Year	Hours Accumulated Per Week
0-5 Years	12	96.0	1.848
6 Years	13	104.0	2.000
7 Years	14	112.0	2.152
8-10 Years	15	120.0	2.308
11 Years	16	128.0	2.460
12 Years	17	136.0	2.616
13 Years	18	144.0	2.768
14 Years	19	152.0	2.924
15 Years or more	20	160.0	3.076

…

Section 4. Payment of vacation time in lieu of actually taking vacation will not be permitted except in these special cases:

(a) Employees entering military service; and
(b) Separation from City employment.
(c) Or under Section 6 of this Article

Upon separation from City employment, regular employees shall be entitled to compensation for any earned but unused vacation to their credit on the effective date of termination.

…

ARTICLE 23: GENERAL PROVISIONS

…

Section 10, LONGEVITY BENEFITS

Employees hired before ratification will receive a 2% longevity after every four (4) years up to the maximum of 24 years.

The Agreement between the City and Professional Managers and Supervisors Association (PMSA) for the period October 1, 2013 through September 30, 2016[20] states,

ARTICLE 27: WAGES

…

Section 5:

The City shall grant longevity increase to the bargaining unit employees hired on or before April 1, 2012, conditioned upon an employee's completion of the required years of continuous service, as follows:

Years of Continuous Service
After completing four years ---------- 2%
After completing eight years ---------- 4%
After completing twelve years ---------- 6%
After completing sixteen years ---------- 8%
After completing twenty years ---------- 10%
After completing twenty-four years ---------- 12%

The City of Riviera Beach Benefits & Privileges Summary presented by the Department of Human Resources states,

SICK LEAVE
Sick leave is accrued by each full-time employee at the rate of one (1) working day per month.



We reviewed a sample of 53 employee final payouts, totaling $207,154.17, to determine if they were paid accurately. We found the following discrepancies in the final payouts reviewed:

- Overpayment of wages, clothing/uniform allowances, and unused leave balances (sick and/or vacation), totaling $322.46, to five (5) employees.
- Underpayment of wages, clothing/uniform allowances, and unused leave balances (sick and/or vacation), totaling $836.11, to nine (9) employees.
- Miscalculation of educational incentive pay, totaling $202.70, to four (4) employees.
- Lack of proper documentation for wages in accordance with policy (i.e. a Kronos timesheet) or sufficient documentation to verify amounts of wages paid, totaling $4,088.66, for five (5) employees.

[20] No PMSA agreement existed for the period October 1, 2012 through September 30, 2013 and October 1, 2016 through August 14, 2018; therefore, the prior PMSA agreement for the period October 1, 2013 through September 30, 2016 was used to determine longevity benefits during the period October 1, 2016 through August 14, 2018.

Additionally, we reviewed amounts paid to employees following their separation date to determine if they were appropriate. Overall, we found employees were paid after their separation date amounts which were proper (e.g. unused leave balances, payroll corrections, etc.). Of the 416 separated employee payroll records reviewed, totaling $1,207,792.93, we noted the following minor discrepancies:

- Two (2) employees were paid a clothing allowance in error, which totaled $120.00.
- One (1) employee was paid after their separation date for wages that lacked proper documentation in accordance with policy (i.e. a Kronos timesheet) in the amount of $269.28.

It appears the amounts paid incorrectly for wages, clothing/uniform allowances, and educational incentive pay were due to payroll error or miscalculation. For the payout of unused leave balances, the accrual for the last pay period of employment was not based on the applicable labor agreement or was not based on the hours the employee worked during the last pay period of employment (when no labor agreement was applicable). The Finance department did not provide our office with a written policy or procedure for the final payout process.

A lack of written guidance increases the risk for errors and noncompliance with applicable labor agreements. Additionally, the City is exposed to an increased risk for fraud, waste, and abuse when there is a lack of written guidance and adequate documentation to validate amounts paid to employees.

Questioned costs resulting from underpayments to employees for wages, clothing/uniform allowances, and unused leave balances; miscalculation of educational incentive pay;[21] amounts paid to employees without supporting time sheets as required by policy; and amounts paid to or recouped from employees that lacked sufficient documentation totaled **$5,396.75** (See Summary of Questioned and Identified Costs below). The questioned costs included $836.11 owed to nine (9) former employees for underpayment of longevity wages, clothing/uniform allowances, or unused leave balances. Identified costs totaled **$442.46** for amounts overpaid to employees for wages, uniform/clothing allowances, and unused leave balances due to miscalculations.

Summary of Questioned & Identified Costs				
	Questioned Costs		Identified Costs	
Exception Type	Count	Total	Count	Total
Overpayment of sick leave (wages)[22]	-	$ -	1	$ 137.54
Overpayment of uniform maintenance allowance[23]	-	$ -	2	$ 60.00
Overpayment of unused vacation and/or sick leave balance(s)[24]	-	$ -	3	$ 124.92

[21] Miscalculations included calculations not in accordance with the applicable labor agreement or amounts not prorated appropriately based on time earned or worked by the employee during their last pay period at the City.

[22] Exception includes an employee belonging to the PBA.

[23] Exception includes employees belonging to the PBA.

[24] Exception includes employees belonging to the Florida Public Service Union Service Employee International Union (SEIU) and the PBA.

Overpayment of clothing allowance[25]	-	$ -	2	$ 120.00
Wages paid were not supported by a KRONOS time sheet as required by City Policy	3	$ 3,898.07	-	$ -
Underpayment of unused vacation and/or sick leave balance(s)[26]	8	$ 555.17	-	$ -
Underpayment of longevity pay (wages)[27]	3	$ 280.94	-	$ -
Miscalculation of educational incentive pay[28]	4	$ 202.70	-	$ -
Lack of sufficient documentation to support amounts paid to or recouped from employees	3	$ 459.87	-	$ -
Total	**21**	**$ 5,396.75**	**8**	**$ 442.46**

Recommendations:

(4) The City consider seeking reimbursement from former employees for amounts overpaid for wages, clothing/uniform allowances, and unused vacation and/or sick leave balances, which totaled $442.46.

(5) The City consider paying former employees amounts owed for longevity wages, clothing/uniform allowances, and unused sick and/or vacation leave balances which totaled $836.11.

(6) The Finance Department develop and implement a policy or procedure for issuing final payouts to separated employees that establishes sufficient controls to ensure final payouts are accurate and comply with applicable policies and labor agreements.

Management Response:

(4) The City concurs with Recommendation (4). The City will review its clothing/uniform, sick, and vacation policies. If necessary, the City will update these policies. The City has identified the one (1) employee who was overpaid sick leave, the two (2) employees who were overpaid in uniform maintenance allowance, the three (3) employees who were overpaid in unused vacation/sick leave, and the two (2) employees who were overpaid in clothing allowance. The City will explore opportunities to recover the $442.46.

(5) The City concurs with Recommendation (5). The City has identified the nine (9) employees that were underpaid in longevity wages, clothing/uniform

[25] Exception includes an employee belonging to the PBA.

[26] Exception includes employees belonging to the SEIU and the PBA.

[27] Exception is for employees belonging to the SEIU and the PMSA.

[28] Exception is for employees belonging to the PBA.

allowances, and unused sick and/or vacation leave. The City will pay the underpaid balances by April 17, 2020.

(6) The City concurs with Recommendation (6). The City's Human Resources Department will work with the Finance Department to create and implement a policy titled, "Final Payout Policy for Separated Employees." Once the policy is created and implemented, Finance will create controls to ensure final payouts are accurate. The Final Payout Policy for Separated Employees will be created and implemented by September 18, 2020.

Finding (4): Computer access was not removed upon separation for five (5) former employees.



Basic computer system controls include limiting access to those who need access.[29] According to the GAO Standards for Internal Control, "Management designs other control activities to promptly update access rights when employees change job functions or leave the entity."[30]

The City's IT Department disables an employee's Microsoft Active Directory[31] when notified of the employee's separation. The City's Separation Checklist stated to contact IT to disable accounts for: Network, Email, Voice Mail, Remote Access, Public Admin Apps, and Public Safety Apps. The IT Department did not have any approved written policies or procedures governing the timely removal of computer system access for separated employees (see Finding 6).

We reviewed the City's Microsoft Active Directory accounts to determine if separated employees had active accounts. We found that the IT Department did not disable the Microsoft Active Directory accounts for five (5) former employees out of 416 employee separations. The former employees' separations occurred in 2014 (3), 2016 (1), and 2018 (1).

Not removing user access for separated employees exposes the City to an increased risk of inappropriate manipulation of data, unauthorized access to private information, or improper transactions.

Recommendation:

(7) The City disable the five (5) Active Directory accounts for separated employees.

---

[29] The Association of Government Accountants Information Systems & Technology Best Practice Controls.

[30] The GAO Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

[31] Active Directory stores information about user accounts, such as names, passwords, phone numbers, and so on, and enables other authorized users on the same network to access this information. Security is integrated with Active Directory through logon authentication and access control to objects in the directory. With a single network logon, administrators can manage directory data and organization throughout their network, and authorized network users can access resources anywhere on the network. https://docs.microsoft.com/en-us/windows-server/identity/ad-ds/get-started/virtual-dc/active-directory-domain-services-overview

Management Response:

(7) The City concurs with Recommendation (7). The City has identified the five (5) separated employees who had active directory accounts. These separated employees have been removed from active directory. None of these separated employees had login credentials to access any City systems. In addition, there are better processes in place today to prevent this from recurring, but Human Resources will partner with Information Technology, and Finance as Administrator of Tyler, to review current workflows and ensure timely notification of separated employees and deactivation of accounts. If necessary, a policy, process, or procedure will be created by September 18, 2020.

Finding (5): The City did not process employee separations in compliance with applicable procedures, consistently, or in a timely manner.

According to the GAO Standards for Internal Control,[32] transactions should be promptly recorded in order to maintain their relevance and value to management in controlling operations and making decisions.

According to the City's Human Resources and Finance Departments, the following steps were followed to separate employees:

1. Prior to the employee's last day, the assigned Department staff prepares the separation PAR in the Human Resources Information system (HRIS), ADG/FMS, and routes it to the department head for approval.

   The Department determines if any amount is due back from the employee, such as tuition repayment, and notes this on the separation PAR along with the accrued leave payout percentages due to the employee.
2. Once the department head approval is obtained, the separation PAR is automatically submitted electronically to the Human Resources Department for processing.
3. The employee's Department collects any City property the employee had in his/her possession (i.e. uniforms, gear, keys, IT equipment, etc.), prepares the Separation Checklist and Separation Report forms, and sends the forms to the Human Resources Department.
4. The Human Resources Department electronically processes the separation PAR after receiving the completed Separation Checklist and Separation Report forms.
5. The separation PAR is then electronically submitted to and approved by the City Manager.
6. Once the separation PAR is approved by the City Manager, it is added to the employee's file and a copy is sent to Finance.
7. After the current payroll is processed, the Payroll Technician updates the employee's status in the payroll system to "terminated" which requires the

[32] The GAO Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

termination date to be entered and enters the applicable leave payout rates and any repayments due to the City.

8. The payroll system automatically calculates the final paycheck and leave payout check based on the termination date, applicable leave payout rates, and repayments due to the City.

Effective March 8, 2007, the Police Department's Procedure – Separation Package stated the following directive is in effect when an employee is resigning from the City of Riviera Beach Police Department:

…

The employee will need to obtain the following three forms from Police Administration immediately upon submitting resignation, which makes up the Separation Package: Separation Check-Off Sheet, Separation Report, and Resignation Statement; complete as outlined and submit back to Police Administration along with a copy of your resignation letter.

- Separation Check-off Sheet
  Is to be circulated to each section and this is to assure that all City Property is returned and to assure all reports and official documents are completed and signed off by the responsible personnel.

- Separation Report
  To be completed by employee and signed off by your Department Head

- Resignation Statement
  To be completed by employee and signed off by your Department Head

Once this information has been completed, submit a copy of the resignation letter along with the separation package to Police Administration for the Assistant Chief signature and for further processing.

Police Administration will then complete the necessary documents to remove the employee from the system. A copy of all required documents with a copy separation package will be submitted to Human Resources for processing.

Effective March 16, 2017, Police Department Policy # 1.48, Separations and Retirements, stated,

1.1. PURPOSE:

The purpose of the policy is to ensure employees that separate/retire are recognized for dedicated service to the City and that all separation/retirement obligations and requirements are met.

…

1.3 SEPARATION (NON-RETIREMENT):

A. Employees separating/retiring from the Department shall submit a signed letter/memorandum to the Chief of Police via the Chain of Command notifying the Department of his/her last day of employment.

1. The letter shall state the reason for separation (i.e. retirement, resignation, etc.)
2. The written notification of separation shall be submitted at least two weeks prior to the last day of employment.

…

D. Separating employees shall be issued a Separation Packet[33] and the Separations and Retirement Policy.

E. The Separation Packet and all required documents shall be returned to Police Administration on or before the employee's last day of employment.

…

G. Should an employee be unavailable at the time of separation, (i.e. sickness, termination, etc.), the Support Services Bureau Commander will ensure that a Separation Packet is completed and all Departmental equipment is retrieved from the separated employee.

H. A copy of the completed Separation Packet shall be distributed to Human Resources, Police Payroll, and the Department's FDLE/ATMS liaison.

Personnel Action Reports (PARs)

We reviewed the PARs for the 416 employee separations and found that most PARs (60%) were submitted to Human Resources by the department after the employee had left the City's employment. We found that 20% of the separation PARs reviewed were processed over 30 days after the employee separated, and 5% were processed over 120 days after the employee separated. Additionally, there were four (4) instances when the PARs were never submitted to Human Resources.

Days to Submit PAR to Human Resources	Count	% of Total
On or before employee separation date	163	39%
1 – 7 days after employee separated	85	20%
8 – 15 days after employee separated	50	12%
16 – 30 days after employee separated	35	8%
31 – 60 days after employee separated	40	10%

[33] The Police Separation Packet includes a Separation Checklist, Departmental Check-Off Sheet, Resignation Statement, and Separation Report.

61 – 90 days after employee separated	12	3%
91 – 120 days after employee separated	8	2%
Greater than 120 days after employee separated	19	5%
No PAR was submitted to Human Resources	4	1%
Total	**416**	**100%**

We found that 54% of the PARs submitted after an employee's separation date were for employees of the Police (28%) and Parks and Recreation (26%) Departments. These departments processed 46% (27% Police + 19% Parks and Recreation) of the employee separations reviewed during the audit. See Exhibit 3 for a schedule summarizing separation PARs by department and submission times (i.e. days to submit PAR to Human Resources).

Of the four (4) instances where no PAR was submitted to Human Resources:

1. Two (50%) were never entered into the ADG/FMS system by the employees' departments (Mayor/Council and Executive Departments).
2. Two (50%) were for employee separations that were partially completed in the ADG/FMS system by the Department staff (Mayor/Council and Executive Departments) but the PAR had not yet been submitted to Human Resources for processing and City Manager approval.

We found that the majority of the PARs were processed by Human Resources and approved by the City Manager in a timely manner.

Separation Forms



We also reviewed the documentation that was submitted to the Human Resources Department for the 416 employee separations. We found that the City did not consistently and properly complete the separation documentation, i.e. the Separation Report, Separation Checklist, and Separation Package (Police Department only), according to the City's separation process and the Police Department's procedure and policy.

Of the 305 non-Police separations, 135 (44%) lacked a Separation Report documenting the reason for the employee's separation, and 209 (69%) lacked a Separation Checklist documenting that the City's property was returned.

Of the 99[34] Police Department separations that required a Police Separation Package, we found that 28 (28%) lacked a Separation Report documenting the reason for the employee's separation, 70 (71%) lacked a Police Separation Checklist and/or Check-off

[34] Ten (10) of the Police Department employee separations reviewed did not require a Separation Package because the separations were discharges and not resignations, and two (2) of the Police Department employee separations reviewed were individuals that declined the position prior to the starting date.

Sheet documenting that Police property was returned to the proper section personnel, and 27 (27%) lacked a resignation statement or letter.

The City lacked adequate written guidance outlining and describing the requirements and responsibilities related to the City's employee separation process (see Finding 6), which may have contributed to inconsistencies in the process and documentation not submitted or completed in a timely manner. The City did not provide our office with a Police Department written policy or procedure outlining the separation process for discharged employees.

There is an increased risk that the City will improperly make payments for employee compensation, benefits, and taxes to or on behalf of separated employees and fail to collect outstanding advances and employee benefits due back to the City when the separation PAR is not completed and properly authorized in a timely manner

When documentation such as separation checklists are not completed prior to or immediately upon an employee's separation, the City is at risk of losing property that was in the employee's possession.

We verified that all four (4) employees with undocumented and unauthorized separations did not receive pay and benefits after their separation date and did not have any outstanding advances or benefits due back to the City.

Recommendations:

(8) The City ensure that the four (4) employees with undocumented and unauthorized separations are properly separated in all of the City's computer systems and properly documented according to the City's separation process.

(9) The City departments complete and submit all employee separation PARs, separation reports, and separation checklists to Human Resources prior to or on the day of an employee's separation.

(10) The Police Department follow the Separations and Retirements Policy for all employee separations.

(11) The Police Department update the Separations and Retirements Policy to ensure that discharged employees are properly documented and City property is returned.

Management Response:

(8) The City concurs with Recommendation (8). The City has identified the four (4) separated employees with undocumented and unauthorized separations. Accordingly, the City will implement the process for terminating these separated employees, including but not limited to, preparing proper

documentation and updating the American Data Group and Tyler Munis Systems as applicable by April 30, 2020.

(9) The City concurs with Recommendation (9). The City will enforce its Separation and Retirement Policy, requiring the submission of all separation PARs, separation reports, and separation checklists to Human Resources prior to or on the day of an employee's separation. Additionally, the City will conduct internal audits, and if applicable, conduct process improvements and/or facilitate training based on audit findings.

(10) The City concurs with Recommendation (10). The City will review all separation policies and procedures created and implemented by the Police Department, including General Order Memo 2007-08, Procedure-Separation Package. After review, the City will reconcile the existing policies and procedures with the City's Separation and Retirement Policy and implement the City's Separation and Retirement Policy thereafter. The City will review the Police Department's separation policies and procedures on or before September 18, 2020.

(11) The City concurs with Recommendation (11). The City will review all separation policies and procedures created and implemented by the Police Department, including General Order Memo 2007-08, Procedure-Separation Package. After review, the City will reconcile the existing policies and procedures with the City's Separation and Retirement Policy and implement the City's Separation and Retirement Policy thereafter. The City will review the Police Department's separation policies and procedures on or before September 18, 2020.

Finding (6): The City lacked adequate written guidance for the employee separation process.



According to the GAO Standards for Internal Control, management is responsible for establishing and implementing the control activities of an entity through policies. This includes designing appropriate controls and documenting policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks.[35]

Section 218.33(3), Florida Statutes states,

…

Each local governmental entity shall establish and maintain internal controls designed to:

(a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
(b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.

[35] The GAO Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

(c) Support economical and efficient operations.
(d) Ensure reliability of financial records and reports.
(e) Safeguard assets.

During the review of the employee separation process, we noted that the City did not have adequate written guidance in place to address the requirements and responsibilities for the City's employee separation process.
The only written guidance provided related to the employee separation process was for the Police Department, which issued General Order Memo -2007-08, Procedure – Separation Package, effective March 8, 2007, and Policy #1.48 Subject: Separations and Retirements, effective March 16, 2017. The initial procedure and subsequent policy required that the Separation Package (i.e. the Separation Check-Off Sheet, Separation Report, and Resignation Statement) be completed and submitted to Human Resources after an employee submitted resignation.

A lack of written policies and procedures for the employee separation process increases the risk that unauthorized transactions occur; City property is not returned; outstanding advances and employee benefits due back to the City are not collected; payments for employee compensation, benefits, and taxes continue to be made to or on behalf of separated employees; and unauthorized access to the City's computer systems occurs.

Corrective Action
During the audit, the City prepared a draft policy titled Separations and Retirements Policy which outlined the process and required documentation when an employee separates from the City, including retirement recognition. The policy applied to all employees excluding temporary, part-time, or contractual employees; employees discharged for cause; and volunteers.

Recommendations:

(12) The City develop and implement policies and procedures for the separation process, including full-time, part-time, temporary, and contractual employees; employees discharged for cause; and volunteers, that include the requirements, responsibilities, and timeline and/or deadlines for the following activities:

- **a. Preparing and approving employee separations in the Human Resources computer system.**
- **b. Collecting all City owned property from separated employees.**
- **c. Notifying the City's IT Department of separated employees' last date of employment to remove IT access.**
- **d. Removing separated employees' access to City computer systems.**
- **e. Removing separated employees from the payroll system and applicable insurance and benefit plans.**
- **f. Processing the final payout for employees' final wages and eligible accrued leave balances.**
- **g. Recouping any advances and benefits due back to the City from the separated employees.**

(13) The City provide training or document employee acknowledgment of the separation process policies and procedures to ensure all City employees are aware of the requirements and their responsibilities in the process.

Management Response:

(12) The City concurs with Recommendation (12). The City will develop and implement policies and procedures for the separation process, including fulltime, part-time, temporary, and contractual employees; employees discharged for cause; and volunteers that include the requirements, responsibilities, and timelines and/or deadlines for the following activities:

a. Preparing and approving employee separations in the Human Resources Information Systems.
b. Collecting all City property from separated employees.
c. Notifying the City's Information Technology Department of separated employees' last date of employment to remove Information Technology access.
d. Removing separated employees' access to City computer systems.
e. Removing separated employees from the payroll system.
f. Removing separated employees from insurance benefits plans.
g. Processing the final payout for employee's final wages and eligible accrued leave balances.

The City will review, edit, and/or ensure compliance with the applicable separation policy, process, or procedure on or before September 18, 2020.

(13) The City concurs with Recommendation (13): The City will provide training and document employee acknowledgements of the separation policy, process, and procedure, ensuring all City employees are aware of the requirements and their responsibilities when separating from the City. On or before September 18, 2020, the City will design a plan to facilitate training of the separation policy and particulars, and ensure documentation of employee acknowledgements thereof.

SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS IDENTIFIED IN THE AUDIT

Questioned Costs

Finding	Description	Questioned Costs
1	Insurance Overpayments	$ 1,243,899.03
2	Education and training costs that lacked sufficient documentation	$ 12,654.70
3	Wages, incentives, allowances, and unused leave balances that were not in compliance or lacked adequate documentation	$ 5,396.75
	TOTAL QUESTIONED COSTS	**$ 1,261,950.48**

Identified Costs

Finding	Description	Identified Costs
2	Tuition refunds due back to the City	$ 4,525.62
3	Wages, allowances, and unused leave balances that were not in compliance or lacked adequate documentation	$ 442.46
	TOTAL IDENTIFIED COSTS	**$ 4,968.08**

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the City of Riviera Beach's staff for their assistance and support in the completion of this audit.

This report is available on the OIG website at: http://www.pbcgov.com/OIG. Please address inquiries regarding this report to the Director of Audit by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT LIST

Exhibit 1 – Summary of Insurance Premium Overpayments by Department

Exhibit 2 – Comparison of Insurance Premium Overpayments to Total Department Separations

Exhibit 3 – Summary of PAR Submissions by Department

ATTACHMENT

Attachment 1 – City of Riviera Beach's Management Response

EXHIBIT 1

Summary of Insurance Premium Overpayments by Department						
	Life		Medical		Dental/Vision	
Department	Count[36]	Amount	Count	Amount	Count	Amount
Executive	1	$ 54.08	2	$ 8,123.00	4	$ 489.18
Finance	1	$ 16.90	9	$ 97,115.21	11	$ 4,263.58
City Clerk	-	$ -	1	$ 8,124.02	2	$ 208.63
Human Resources	-	$ -	1	$ 2,198.20	3	$ 2,622.81
City Attorney	-	$ -	2	$ 11,510.97	3	$ 295.71
Development Services	1	$ 26.00	5	$ 25,366.34	8	$ 2,128.84
Police	1	$ 10.40	42	$ 675,463.33	52	$ 20,130.79
Fire	-	$ -	12	$ 112,152.71	15	$ 14,348.21
Public Works	-	$ -	7	$ 62,387.65	15	$ 6,390.96
Parks & Rec	1	$ 312.00	6	$ 35,842.87	9	$ 4,842.27
Library	-	$ -	-	$ -	1	$ 10.91
Utility District	1	$ 26.00	10	$ 109,173.36	14	$ 11,499.70
Purchasing	-	$ -	1	$ 5,760.85	-	$ -
Marina	-	$ -	2	$ 3,701.92	4	$ 3,073.51
Mayor/Council	-	$ -	3	$ 16,085.92	1	$ 142.20
Total	**6**	**$ 445.38**	**102**	**$1,173,006.35**	**142**	**$ 70,447.30**

[36] Count of employee separations for which insurance benefits were paid by the City following the employee separation from the City and were not recouped.

EXHIBIT 2

Comparison of Insurance Premium Overpayments to Total Department Separations							
		Life		Medical		Dental/Vision	
Department	Total Separations	Count[37]	%	Count	%	Count	%
Executive	31	1	3%	2	6%	4	13%
Finance	32	1	3%	9	28%	11	34%
City Clerk	5	-	0%	1	20%	2	40%
Human Resources	5	-	0%	1	20%	3	60%
City Attorney	4	-	0%	1	25%	3	75%
Development Services	23	1	4%	5	22%	8	35%
Police	111	1	1%	42	38%	52	47%
Fire	29	-	0%	12	41%	15	52%
Public Works	34	-	0%	7	21%	15	44%
Parks & Rec	78	1	1%	6	8%	9	12%
Library	4	-	0%	-	0%	1	25%
Utility District	26	1	4%	10	38%	14	54%
Purchasing	2	-	0%	1	50%	-	0%
Marina	13	-	0%	2	15%	4	31%
Mayor/Council	19	-	0%	3	16%	1	5%
Total	**416**	**6**		**102**		**142**	

[37] Count of employee separations for which insurance benefits were paid by the City following the employee separation from the City and were not recouped.

EXHIBIT 3

Summary of PAR Submissions by Department

Department	Over 120 days before employee separated	1 - 7 days after employee separated	8 - 15 days after employee separated	16 - 30 days after employee separated	31 - 60 days after employee separated	61 - 90 days after employee separated	91 - 120 days after employee separated	Greater than 120 days after employee separated	Not submitted	Total submitted after employee separated[1]	% of Total	Grand Total	% of Grand Total
Police	39	33	21	9	5	1	1	2	-	72	28%	111	27%
Public Works	23	5	4	2	-	-	-	-	-	11	4%	34	8%
Finance	17	7	4	1	1	-	-	2	-	15	6%	32	8%
Fire	17	6	5	-	1	-	-	-	-	12	5%	29	7%
Utility District	14	6	1	3	-	1	-	1	-	12	5%	26	6%
Parks & Rec	12	6	2	10	24	7	6	11	-	66	26%	78	19%
Executive	11	7	2	3	3	2	-	1	2	20	8%	31	7%
Development Services	11	3	2	3	2	1	-	1	-	12	5%	23	6%
Marina	8	2	1	-	1	-	-	1	-	5	2%	13	3%
City Attorney	4	-	-	-	-	-	-	-	-	-	0%	4	1%
Human Resources	3	1	1	-	-	-	-	-	-	2	1%	5	1%
Mayor/Council	2	5	4	2	3	-	1	-	2	17	7%	19	5%
Library	1	1	1	1	-	-	-	-	-	3	1%	4	1%
Purchasing	1	1	-	-	-	-	-	-	-	1	0%	2	0%
City Clerk	-	2	2	1	-	-	-	-	-	5	2%	5	1%
Total	163	85	50	35	40	12	8	19	4	253	100%	416	100%

[1] Includes PARs that were not submitted at the time of the audit.

ATTACHMENT 1 – CITY OF RIVIERA BEACH MANAGEMENT RESPONSE

CITY OF RIVIERA BEACH
OFFICE OF CITY MANAGER
600 WEST BLUE HERON BLVD. • RIVIERA BEACH, FLORIDA 33404
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April 1, 2020

Palm Beach County - Office of the Inspector General
Attn: Hillary Bojan, CPA,CIA,CFE,CIGA
Director of Audit
Post Office Box 16568
West Palm Beach, FL 33416

RE: OIG MANAGEMENT RESPONSE TO AUDIT 2020-A-0003
CITY OF RIVIERA BEACH EMPLOYMENT SEPARATION PROCESS

Dear Ms. Bojan:

Please find below, the Management response to the above-mentioned OIG Audit.

Finding (1): The City paid for insurance benefits for former employees.

Recommendation (1): The City implement a review and oversight process to ensure insurance coverage of former employees is terminated or updated appropriately by the insurance carrier, the City does not pay for insurance premiums of former employees, and the City recovers any expected credits or refunds for premiums paid in error.

Management Response: The City concurs with Recommendation (1). The City has added two (2) additional team members to the Risk Management team to streamline the benefits processes. The new team members include a Benefits Administrator and an Insurance Technician to ensure accuracy in the billing and reconciliation process. In addition, Risk Management is in the process of creating the Human Resources - Risk Management Benefits Processing Procedures. These procedures will ensure the City promptly terminates its separated employees from insurance carriers and prevent the City from overpayment of insurance premiums for separated employees. Due to the new Financial/HRIS system implemented on or about October 1, 2019, the process remains under continuous improvement as the City continues to review it for additional modification to ensure accuracy. Additionally, the City will request its new Internal Auditor to audit the process and recommend subsequent process improvements. With the arrival of a new Internal Auditor, the City will make this a subject of an internal audit by September 18, 2020.

As of October 1, 2019, the City has moved to a self-billing process. The self-billing process is managed by the Finance Department in partnership with Risk Management. The City issues payments based on the actively enrolled employees in payroll. When the City receives a bill from a carrier, Risk Management completes an audit process of the enrollments, analyzes the actual bill received by the carrier, and informs both Finance and the carrier of billing changes and errors.

In August 2019, the City researched and identified solutions based on systems compatibility and features that will ensure accuracy and reliability in benefits processing. The Bentek system will provide the City with data analytics for detailed analysis and accuracy for benefits processing. The Bentek system, currently in the implementation stage, will automate most critical, if not all, benefits processes, including but not limited to, termination of benefits of existing and separated employees and audit/reconcilement of payments of benefits for employees. Bentek will enable the City, as needed, to promptly identify overpayments, notify carriers, and recoup premiums paid in error, pursuant to the 60-day termination period established by carrier contractual agreements. The auto tooling features of the Bentek system will validate the bills it receives from the carrier through a systematic feed from the City's HRIS system. Through technology, procedures, and automation, the City has implemented tighter controls around the City's resources to prevent the regretful occurrence of the past.

Of the $2,027,114.05 insurance premiums paid in error, the City has received credits totaling $783,215.02 from its insurance carriers. The City does not anticipate recovering the additional $1,243,899.03 in premiums paid in error.

General Management Response to Findings 2 – 6:

In 2013, the City recognized deficiencies in the prior Enterprise Resource Planning (ERP) and manual systems. Thereafter, it engaged in a comprehensive IT Master Study. The study was adopted in 2015 and led to the purchase of the Tyler Munis System (Tyler) in 2017. Once fully operational, Tyler will allow the City to track tuition payments, uniform allowances, and travel. Tyler is programmed to automatically process longevity payments when due and properly track sick and vacation limits. Additionally, City assets, such as, phones, laptops, and keys may now be attached to specific employees, providing an easy to use separation checklist. HR and Finance are also reviewing the workflow process to add notifications throughout the system to ensure IT, Finance, and Procurement are aware of all new hires and terminations. Tyler will be fully operational by December 4, 2020.

Finding (2): The City did not recoup tuition refunds or job training expenses from employees who separated from the City within twenty-four months of the City's payments.

Recommendation (2): The City consider seeking reimbursement totaling $4,525.62 for tuition refunds paid to employees who separated from the City within twenty-four months of receiving payments from the City.

> Management Response: The City concurs with Recommendation (2). The City has identified the two (2) employees subject to the PBA Agreement who separated from the City within twenty-four (24) months after receiving tuition reimbursements. The City will explore opportunities to recover the $4,525.62.

Recommendation (3): The City implement an oversight process to ensure the City recoups tuition expenses and productivity and job training expenses of employees leaving the City within twenty-four (24) months of such payments.

> Management Response: The City concurs with Recommendation (3). The City will review and, if necessary, update its Tuition Reimbursement Policy as it pertains to non-bargaining employees. The City will review and, if necessary, negotiate contract language within its collective bargaining agreements at the appropriate times, pertaining to Tuition Reimbursement. In addition, the City will develop a collection process to ensure separated employees repay tuition reimbursements issued within twenty-four (24) months of separation from the City.

Finding (3): Final amounts paid to former employees were not in compliance with policies or labor agreements or lacked adequate documentation.

Recommendation (4): The City consider seeking reimbursement from former employees for amounts overpaid for wages, clothing/uniform allowances, and unused vacation and/or sick leave balances, which totaled $442.46.

> Management Response: The City concurs with Recommendation (4). The City will review its clothing/uniform, sick, and vacation policies. If necessary, the City will update these policies. The City has identified the one (1) employee who was overpaid sick leave, the two (2) employees who were overpaid in uniform maintenance allowance, the three (3) employees who were overpaid in unused vacation/sick leave, and the two (2) employees who were overpaid in clothing allowance. The City will explore opportunities to recover the $442.46.

Recommendation (5): The City consider paying former employees amounts owed for longevity wages, clothing/uniform allowances, and unused sick and/or vacation leave balances which totaled $836.11.

> Management Response: The City concurs with Recommendation (5). The City has identified the nine (9) employees that were underpaid in longevity wages, clothing/uniform allowances, and unused sick and/or vacation leave. The City will pay the underpaid balances by April 17, 2020.

Recommendation (6): The Finance Department develop and implement a policy or procedure for issuing final payouts to separated employees that establishes sufficient controls to ensure final payouts are accurate and comply with applicable policies and labor agreements.

> Management Response: The City concurs with Recommendation (6). The City's Human Resources Department will work with the Finance Department to create and implement a policy titled, "Final Payout Policy for Separated Employees." Once the policy is created and implemented, Finance will create controls to ensure final payouts are accurate. The Final Payout Policy for Separated Employees will be created and implemented by September 18, 2020.

Finding (4): Computer access was not removed upon separation for five (5) former employees.

Recommendation (7): The City disable the five (5) active directory accounts for separated employees.

> Management Response: The City concurs with Recommendation (7). The City has identified the five (5) separated employees who had active directory accounts. These separated employees have been removed from active directory. None of these separated employees had login credentials to access any City systems. In addition, there are better processes in place today to prevent this from recurring, but Human Resources will partner with Information Technology, and Finance as Administrator of Tyler, to review current workflows and ensure timely notification of separated employees and deactivation of accounts. If necessary, a policy, process, or procedure will be created by September 18, 2020.

Finding (5): The City did not process employee separations in compliance with applicable procedures, consistently or in a timely manner.

Recommendation (8): The City ensure that four (4) employees with undocumented and unauthorized separations are properly separated in all of the City's computer systems and properly documented according to the city's separation process.

> Management Response: The City concurs with Recommendation (8). The City has identified the four (4) separated employees with undocumented and unauthorized separations. Accordingly, the City will implement the process for terminating these separated employees, including but not limited to, preparing proper documentation and updating the American Data Group and Tyler Munis Systems as applicable by April 30, 2020.

Recommendation (9): The City departments complete and submit all employee separation PARs, separation reports, and separation checklists to Human Resources prior to or on the day of an employee's separation.

> Management Response: The City concurs with Recommendation (9). The City will enforce its Separation and Retirement Policy, requiring the submission of all separation PARs, separation reports, and separation checklists to Human Resources prior to or on the day of an employee's separation. Additionally, the City will conduct internal audits, and if applicable, conduct process improvements and/or facilitate training based on audit findings.

Recommendation (10): The Police Department follow the Separations and Retirements Policy for all employee separations.

> Management Response: The City concurs with Recommendation (10). The City will review all separation policies and procedures created and implemented by the Police Department, including General Order Memo 2007-08, Procedure-Separation Package. After review, the City will reconcile the existing policies and procedures with the City's Separation and Retirement Policy and implement the City's Separation and Retirement Policy thereafter. The City will review the Police Department's separation policies and procedures on or before September 18, 2020.

Recommendation (11): The Police Department update the Separations and Retirements Policy to ensure that discharged employees are properly documented and City property is returned.

Management Response: The City concurs with Recommendation (11). The City will review all separation policies and procedures created and implemented by the Police Department, including General Order Memo 2007-08, Procedure-Separation Package. After review, the City will reconcile the existing policies and procedures with the City's Separation and Retirement Policy and implement the City's Separation and Retirement Policy thereafter. The City will review the Police Department's separation policies and procedures on or before September 18, 2020.

Finding (6): The City lacked adequate written guidance for the employee separation process.

Recommendation (12): The City develop and implement policies and procedures for the separation process, including full-time, part-time, temporary, and contractual employees; employees discharged for cause; and volunteers, that include the requirements, responsibilities, and timeline and/or deadlines for the following activities:

a. Preparing and approving employee separations in the Human Resources computer systems.
b. Collecting all city owned property from separated employees.
c. Notifying the City's IT Department of separated employees' last date of employment to remove IT access.
d. Removing separated employees' access to City computer systems.
e. Removing separated employees from the payroll system and applicable insurance benefit plans.
f. Processing the final payout for employee's final wages and eligible accrued leave balances.
g. Recouping any advances and benefits due back to the City from the separated employees.

Management Response: The City concurs with Recommendation (12). The City will develop and implement policies and procedures for the separation process, including full-time, part-time, temporary, and contractual employees; employees discharged for cause; and volunteers that include the requirements, responsibilities, and timelines and/or deadlines for the following activities:

a. Preparing and approving employee separations in the Human Resources Information Systems
b. Collecting all City property from separated employees.
c. Notifying the City's Information Technology Department of separated employees' last date of employment to remove Information Technology access.
d. Removing separated employees' access to City computer systems.

e. Removing separated employees from the payroll system
f. Removing separated employees from insurance benefits plans.
g. Processing the final payout for employee's final wages and eligible accrued leave balances.

The City will review, edit, and/or ensure compliance with the applicable separation policy, process, or procedure on or before September 18, 2020.

Recommendation (13): The City provide training or document employee acknowledgement of the separation process policies and procedures to ensure all City employees are aware of the requirements and their responsibilities in the process.

Management Response: The City concurs with Recommendation (13): The City will provide training and document employee acknowledgements of the separation policy, process, and procedure, ensuring all City employees are aware of the requirements and their responsibilities when separating from the City. On or before September 18, 2020, the City will design a plan to facilitate training of the separation policy and particulars, and ensure documentation of employee acknowledgements thereof.

On behalf of the City of Riviera Beach, I would like to thank the OIG for agreeing to conduct this Audit at the City's request. We appreciate the professionalism which your office displayed during this entire process.

Sincerely,

Jonathan Evans, MPA,MBA,ICMA-CM
City Manager

JE:dm
cc: John A. Carey, Inspector General
Dawn S. Wynn, City Attorney