

# Labor Relations Department

Internal Audit Report

June 30, 2020



Linda J. Lindsey, CPA, CGAP, School Board Internal Auditor  
Vince Roberts, CIA, Senior Internal Auditor

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## EXECUTIVE SUMMARY

### Why We Did This Audit

This is a planned performance audit derived from the annual audit risk assessment process.

Our objectives were to evaluate whether the Labor Relations department was operating effectively, efficiently, in accordance with applicable laws, regulations, district policies, procedures, and with appropriate internal controls.

This audit was included in the Annual Audit Plan.

### Observations and Conclusion

Audit Results at a Glance			
	Risk/Impact Rating		
Results and Observations	Significant	Moderate	Minor
IA - Internal Audit or M - Management	-	IA - 3	
D - Deficiency or O - Opportunity	-	D - 1 O - 2	

Our overall conclusion is that the Labor Relations Department is functioning effectively, efficiently, generally in compliance with applicable laws, regulations, district policies, procedures, and with appropriate internal controls. However, the following areas require attention and provide opportunities for improvement.

- A Purchase Orders was issued after the expense was incurred in violation of Management Directive A-5.
- Not all bargaining minutes were available on the website in a reasonable time period.
- Employee Hotline tracking document was not complete with all pertinent information.

### Results and Recommendations

The Department should follow Management Directive A-5 regarding the creation of purchase orders before goods/services are received.

All bargaining minutes should be available on the Department's website in a reasonable time period.

The Department's Employee Hotline tracking document should be complete with all relevant information.

This report has been discussed with management and they have prepared their response which follows.

**DEFINITIONS:**

**Risk / Impact Ratings**

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes (high impact and high likelihood)

**Observations Categories**

Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance
Opportunity	A process that falls short of best practices or does not result in optimal productivity or use of resources

**Criteria for Observations Sourced to Management**

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

No observations from this audit were sourced to Management.

**BACKGROUND:**

The Labor Relations Department coordinates the collaborative bargaining process for contract negotiations between the District and the Classroom Teachers Association (CTA) and the Orange Educational Support Personnel Association (OESPA) each year. The Senior Executive Director (Chief Negotiator) and Director (Lead Negotiator) oversee the negotiations.

During the 2018/2019 and 2019/2020 school years, the Department participated in 27 bargaining meetings with CTA and six bargaining meetings with OESPA.

The Department also administers an Employee Digital Hotline (calls/emails) relating to labor relations topics. The Employee Hotline was implemented January 29, 2019 and the Department maintains a tracking document that showed 49 calls/emails were received in 2018/2019 and 80 calls/emails were received in 2019/2020.

**OBJECTIVES, SCOPE AND METHODOLOGY:**

**Objectives**

Our objectives were to evaluate whether the Labor Relations department was operating effectively, efficiently, in accordance with applicable laws, regulations, district policies, procedures, and with appropriate internal controls. Accordingly, we

- Determined whether department processes and procedures were established and followed.
- Determined whether Employee Hotline calls/emails were responded to in a reasonable time and that hotline activity was recorded accurately.
- Determined whether training was provided.
- Determined whether purchasing transactions were in compliance with established policies/procedures.
- Determined whether payroll deduction remittances, Union President's reimbursements and bargaining team supplements were in accordance with established procedures.

*The Department participated in 27 bargaining meetings with CTA and six bargaining meetings with OESPA during 2018/2019 and 2019/2020.*

*This performance audit evaluated effectiveness, efficiency, compliance with laws, regulations, and district policies, and internal controls.*

**Scope**

The scope of the audit included Labor Relations activities from July 1, 2018 to April 30, 2020.

*The audit period covered July 1, 2018 through April 30, 2020.*

**Methodology**

Out audit methodology included:

- Reviewing information on the Department’s website and job descriptions;
- Reviewing CTA and OESPA websites;
- Reviewing Florida Statute 447;
- Reviewing Contracts, Addendums, Agreements, Memorandum(s) of Understanding and Bargaining Minutes;
- Reviewing Department’s method for tracking issues for bargaining;
- Analyzing Employee Hotline response times, supporting documentation and comparing to the Department’s scorecard;
- Reviewing training documentation;
- Examining purchasing transactions;
- Conducting interviews with management;
- Reviewing the SAP system to verify payments to the Unions for payroll deduction dues; reimbursements from the Unions for the President’s salary/benefits and supplement payments to bargaining team members.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

*This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.*

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

**AUDIT RESULTS AND RECOMMENDATIONS:**

Our overall conclusion is that the Labor Relations Department is functioning effectively, efficiently, generally in compliance with applicable laws, regulations, district policies, procedures, and with appropriate internal controls. However, the following areas require attention and provide opportunities for improvement.

**1) A Purchase Order was prepared after the goods/services were acquired. *Moderate Risk/Impact***

**Best Practice:**

According to Management Directive A-5, schools and departments should not obligate Orange County Public Schools funds without the issuance of a purchase order.

**Audit Result:**

A review of Department purchasing transactions disclosed an expenditure for a conference that was attended before the purchase order (PO) was issued.

**Recommendation:**

Review Management Directive A-5 to develop and implement a control to ensure purchase orders are issued before goods or services are received.

**2) Bargaining Meeting Minutes were not available on the District's website in a timely manner. *Moderate Risk/Impact***

**Best Practice:**

Although there is no statutory requirement that minutes be posted by a specific date, bargaining minutes from each bargaining meeting should be available to the public on the District's website in a timely manner.

*Schools or departments should not obligate funds without the issuance of a purchase order.*

*An expenditure was incurred prior to purchase order approval in violation of Management Directive A-5.*

*Bargaining meeting minutes were not available on the District's website in a timely manner.*

Audit Result:

Bargaining meeting minutes were not prepared and posted on the District’s website in a timely manner. At the start of our audit we compared meeting notices with meeting minutes and noted the following:

<b>Fiscal Year</b>	<b>CTA Meeting Notices</b>	<b>CTA Minutes Available At Start of Audit</b>
2018/2019	7	7
2019/2020	20	11
Totals	27	20

After we requested the availability status, CTA minutes from November 14, 2019 through May 29, 2020 were posted to the Department’s website in June 2020.

<b>Fiscal Year</b>	<b>OESPA Meeting Notices</b>	<b>OESPA Minutes Available At Start of Audit</b>
2018/2019	5	0
2019/2020	1	0
Totals	6	0

After we requested the availability status, OESPA minutes from the December 14, 2018, June 13, 2019 and November 12, 2019 meetings were posted to the Department’s website in June 2020.

The OESPA minutes from the July 11, 2018, September 13, 2018 and October 25, 2018 meetings could not be located. We were informed that these minutes had been maintained by a previous employee who retired on December 1, 2018 and the minutes could not be retrieved from their computer.

Recommendation:

Develop procedures to ensure bargaining minutes are transcribed and uploaded to the Department website in a timely manner.

*OESPA minutes from July 11, 2018, September 13, 2018 and October 25, 2018 could not be located.*



**3) Employee Digital Hotline Tracking. *Moderate Risk/Impact***

Best Practice:

The Employee Digital Hotline tracking document should be complete with all pertinent information.

Audit Result:

The Employee Digital Hotline was established in January 2019 and the Department's tracking document disclosed:

- 49 calls/emails received in 2018/2019
- 80 calls/emails received in 2019/2020 as of June 9, 2020

The tracking document does not distinguish between calls and emails. Additionally, its columns and rows were not complete with all information. Columns headed "Date In," "Personnel number," "Work Location," "Sent To," "Date Responded," and "Resolution/Response" were often blank on the document. Since data were not consistently recorded in all fields, we could not determine whether all calls/emails were resolved or responded to within a reasonable time period.

We requested and received detailed Hotline phone call and email records from the ITS Department to compare with the department's tracking document. Although we were able to trace nine calls and 20 emails from the ITS records to the Department's document, it would be beneficial if the department's tracking document included a column to differentiate phone calls from emails.

Recommendation:

Develop procedures to ensure the Hotline tracking document is complete with all relevant information and consider enhancing the document to include columns to differentiate calls from emails.

We wish to thank the Labor Relations Department and the ITS Department for their assistance and cooperation with the audit.

*Employee Digital Hotline tracking document was not complete with all pertinent information.*

*Employee Digital Hotline tracking document did not differentiate phone calls from emails.*



<b>Department / School Name</b>	<b>Human Resources/Labor Relations</b>
<b>Administrator / Department Head</b>	<b>James Preusser/LeighAnn Blackmore</b>
<b>Cabinet Official / Area Superintendent</b>	<b>Bridget Williams/James Preusser</b>

<b>Exception Noted (Finding / recommendation) What is? What should be?</b>	<b>Management Response (Corrective Action) What needs to be done?</b>	<b>Responsible Person (Name &amp; Title) Who needs to do it?</b>	<b>Expected Outcome &amp; Completion Date What is the evidence of the corrective action? When will the action be completed? (MM/YYYY)</b>
<p><b>Finding:</b> A review of Department purchasing transactions disclosed an expenditure for a conference that was attended before the purchase order (PO) was issued.</p> <p><b>Recommendation:</b> Review Management Directive A-5 to develop and implement a control to ensure purchase orders are issued before goods or services are received.</p>	<p>Review Management Directive A-5 and ensure all purchase orders are complete prior to purchases.</p>	<p>James Preusser, Senior Executive Director and Donna Williams, Executive Assistant</p>	<p>All purchase orders will be completed prior to purchases.</p> <p>Immediately</p>



<p><b>Finding:</b> Although there is no statutory requirement that bargaining minutes be posted by a specific date, it is recommended bargaining minutes from each bargaining meeting be available to the public on the District’s website in a timely manner.</p> <p><b>Recommendation:</b> Develop procedures to ensure bargaining minutes are transcribed and uploaded to the Department website in a timely manner.</p>	<p>Due to the limited size of the Labor Relations department, minutes are drafted and finalized as quickly as reasonably possible. During times of frequent bargaining sessions, it is difficult to prepare for and conduct a bargaining session while also finalizing minutes. Between March 1, 2020 and August 7, 2020, this department conducted 21 bargaining sessions and 16 meetings with union leadership from CTA and OESPA, while achieving four (4) signed tentative agreements (TAs) and sixteen (16) memorandums of understanding (MOUs) for a total of twenty (20) signed documents. During “normal” times the department is committed to recording minutes as promptly as possible for public inspection under <a href="#">286.011(2), Fl. Statute.</a></p>	<p>James Preusser, Senior Executive Director LeighAnn Blackmore, Director, Labor Relations Krista Russell, Senior Administrator</p>	<p>Minutes will be recorded as promptly as possible for public inspection.</p> <p>September 30, 2020</p>
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<p><b>Finding:</b>  The Employee Digital Hotline was established in January 2019 and the Department’s tracking document disclosed:</p> <ul style="list-style-type: none"> <li>• 49 calls/emails received in 2018/2019</li> <li>• 80 calls/emails received in 2019/2020 as of June 9, 2020</li> </ul> <p>The tracking document does not distinguish between calls and emails. Additionally, its columns and rows were not complete with all information. Columns headed “Date In,” “Personnel number,” “Work Location,” “Sent To,” “Date Responded,” and “Resolution/Response” were often blank on the document.</p> <p><b>Recommendation:</b>  Develop procedures to ensure the Hotline tracking document is complete with all relevant information and consider enhancing the document to include columns to differentiate calls from emails.</p>	<p>This was a newly developed tracking document/process and this audit was the first time a formal review of the tracking document occurred. Based on the recommendations, Labor Relations added a communication method column and commits to conducting a regular review to ensure the document is complete.</p>	<p>James Preusser,  Senior Executive Director  LeighAnn Blackmore,  Director, Labor Relations  Krista Russell, Senior Administrator</p>	<p>New tracking document will be developed and a monitoring schedule established.</p> <p>September 30, 2020</p>
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