



**OFFICE OF THE CITY CONTROLLER**

**HUMAN RESOURCES DEPARTMENT  
CONTRACT COMPLIANCE REVIEW  
CORPORATE STAFFING**

**Sylvia R. Garcia, City Controller**

**Judy Gray Johnson, Chief Deputy City Controller**

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SYLVIA R. GARCIA

OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

January 22, 1999

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

SUBJECT: Human Resources Department – Temporary Services Division  
Contract Compliance Review  
Corporate Staffing (Report No. 98-36)

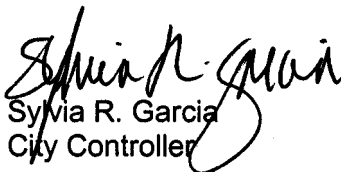
Dear Mayor Brown:

In accordance with the City's contract with McConnell & Jones L.L.P. (McConnell), McConnell has completed a contract compliance review of the City's contract with Corporate Staffing. The scope period covered activity from January 1, 1997 through February 28, 1998.

McConnell designed the review to determine whether Corporate Staffing was in compliance with contract terms and provisions as well as in compliance with City policies and procedures. Their report, attached for your review, noted that while the Temporary Services Division is to be commended for their strengths regarding the overall procedures and contract administration, there are opportunities for improvement that will enhance current procedures. Draft copies of the report were provided to Department officials. The findings, commendations and recommendations are presented in the body of the report and the views of responsible officials are appended as Exhibit 1.

We appreciate the cooperation extended to the McConnell auditors by City personnel during the course of the review.

Respectfully submitted,

  
Sylvia R. Garcia  
City Controller

xc: City Council Members  
Al Haines, Chief Administrative Officer  
Jorge Cruz-Aedo, Director, Finance and Administration Department  
Lonnie Vara, Director, Human Resources Department

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December 22, 1998

Honorable Sylvia R. Garcia, City Controller  
City of Houston  
901 Bagby, 8th Floor  
Houston, Texas 77002

Dear Controller Garcia:

McConnell & Jones, L.L.P. has completed its contract compliance review of the Human Resources Department-Temporary Services Division (“Division”). We have assessed the controls and processes in place to assist you in determining that the contractors are in compliance with contract terms and provisions and the City of Houston (“City”)’s policies and procedures. The contractor selected for the compliance review was Corporate Staffing (“Corporate”).

## **APPROACH**

To facilitate our review, we performed the following procedures:

- Conducted inquiries of management.
- Reviewed the contracts with selected vendors.
- Reviewed invoice payment schedules, documents and reports utilized by the Division in carrying out its compliance tasks and monitoring of its vendors.
- Reviewed other compliance requirements, to include insurance coverage and a drug-free workplace policy and procedure for each of the vendors.
- Conducted a detailed examination of the sampled invoices and the related supporting documentation.
- Reviewed the overall methodology used in managing and controlling the use of Temporary Services personnel requested by the various departments.

The procedures were performed in accordance with our review programs which were designed specifically for this compliance review. The time period covered by our review was January 1, 1997 through February 28, 1998, and the last day of field work was May 22, 1998.

## **BACKGROUND**

The Division is responsible for providing temporary personnel to various departments within City government. The Division is also responsible for approval for payment of the invoices received from Corporate in accordance with the contract terms; and for monitoring the amount spent by the City for temporary services to prevent budget overruns. In addition, the Division is responsible for the proper allocation of the temporary services appropriation among the contracting agencies on the basis of pricing capacity and performance.

A temporary employee is an individual who is hired on a temporary basis for a period of time not to exceed 60 days. This time period can be extended, however, by the requesting department. These temporary employees are not eligible for City benefits. There are three categories of temporary services:

**Contract:** A Temporary employee engaged by Corporate but working for the City on a contractual basis established through the contractual agreement between Corporate and the City.

**Payroll:** A Temporary employee engaged by the City and working for the City but payroll is processed through Corporate. The City determines the pay rate, while Corporate is allowed a mark up rate as established in the contract agreement.

**Specialized:** A Temporary employee with a specialized skill engaged by the City through Corporate. The salary is usually negotiated and a mark up rate is applied to the temporary employee's salary by Corporate.

To facilitate the overall process, the Human Resources Department has established the following departmental procedures:

- a) The Department head or designee shall request temporary personnel by submitting a completed and duly signed temporary request form. The signature on this form is usually that of the Assistant Director or a higher ranking official. This temporary request form should also contain all the necessary accounting data, which includes fund category and duration of the assignment.
- b) The responsibility for processing and monitoring of the temporary services request remains with the Division. Using the City council's budget appropriation for the temporary service needs, the Division develops an overall cost allocation schedule for the various contracting agencies. Except for the payroll rate, which is usually determined by the requesting department, the Division determines the pay rate for these temporary services.

The Division is responsible for reviewing departmental budget allocations to ensure that funds exist for such request and to also guard against budget overruns. In addition to the above, the Division determines what contracting agency gets the request after a careful review of the Division's total expenditure in relationship to the total amount of the appropriation.

- c) The dispatching of the temporary employees to the appropriate work locations and providing the timesheets for these temporary employees in a timely manner is the responsibility of Corporate. Screening these temporary employees for performance capability rests with Corporate.

## **SUMMARY**

The results of our compliance review of the Temporary Services Division of the Human Resources Department identified significant strengths in the overall procedures, staffing, administration, and documentation of its services. We found very few instances of non-compliance with established policies and procedures, none of which would result in significant exceptions in the system or have a material impact on the overall performance of the Division.

We have, however, noted some opportunities, which we believe, if considered and implemented, would enhance the current procedures. Our findings, commendations and recommendations are presented in the body of this report.

McConnell & Jones, L.L.P. is pleased to have assisted the City Controller in completing this contract compliance review, and is available to discuss the opportunities presented and any implementation alternatives or issues. We appreciate the cooperation of the City Controller's and Human Resources Department's personnel.

**CITY OF HOUSTON  
HUMAN RESOURCES DEPARTMENT  
TEMPORARY SERVICES DIVISION  
FINDINGS, COMMENDATIONS AND RECOMMENDATIONS**

**FINDING:**

The Division is responsible for the processing and monitoring of approximately 4,500 temporary employees for the various departments within the City of Houston. The total population from which our sample was selected for Corporate was 1,084 for the contract period covered by our engagement. We tested 987 payroll transactions, which represent over ninety percent (90%) of the population. Our tests included verification of agency name, temporary employee name, job title, pay and billing rates, job classification and recalculation of invoice amount to determine mark up rate. We found minor exceptions, which mainly consisted of the contractor's computation of the overtime rate being in error and some errors in job classification, which were favorable to the City.

We obtained the Division's invoice payment listing and traced certain invoices to the departmental listing for completeness. No material exceptions were noted.

**COMMENDATION:**

The Division should be commended for its efforts in keeping accurate records as it relates to the proper amount being charged to the City by Corporate for temporary services. The policies and procedures in place for verification of invoice amounts appear to be effective and efficient. Except for the inaccurate overtime rate charged by Corporate, the pay and billing rates are in compliance with the contractual agreement.

**FINDING:**

The Division generates a monthly temporary employees' data report; however, this report is not reconciled to Corporate's record of temporary employees. Furthermore, Corporate's monthly employee data report is not submitted on a timely basis.

As a result, we were unable to reconcile or determine the actual number of temporary employees handled by the Division on a monthly basis. Our review also revealed the maintenance of a similar report called the "termination report", which in our opinion, appears to be a duplication of effort.

**RECOMMENDATION:**

We recommend the Division implement and adopt a policy that stresses the need for consistent monthly reporting with a definitive timetable. This monthly report can be issued on the 5<sup>th</sup> day of the month for the preceding month. The Division should request that Corporate submit their monthly report by the 10<sup>th</sup> with the reconciliation to be completed by the 15<sup>th</sup> by temporary services personnel. By adopting this policy, management can determine the actual number of temporary employees provided each month by Corporate.

In addition, the Division should consider the possibility of Corporate E-mailing the data to the Division. This saves valuable time and would enable the Division to perform an on-line reconciliation of these monthly data. To implement this system, Corporate and City personnel would have to be adequately trained.

**FINDING:**

During the course of our review, 11 of the 987 payroll transactions tested had duplicate copies of the invoices maintained in the Division's records. However, only original vendor invoices or certified copies are submitted to the Controller's office for payment. Based on discussions with personnel in the Division, we were unable to ascertain why duplicate copies of the same invoice were maintained in their files. Based on further discussion with Controller's personnel, it was determined that duplicate payments could not be made in instances where invoices with the same invoice number were submitted for payment.

**RECOMMENDATION:**

We recommend that the Division implement procedures whereby only one copy of all invoices are maintained along with the supporting documents. By implementing this procedure, the Division would minimize the amount of time required to assemble and review the voucher package.

**FINDING:**

The Division does not maintain a checklist that can be used in determining whether to employ permanent or temporary personnel for specific projects or tasks within departments at the City.

**RECOMMENDATION:**

We recommend the Division work in conjunction with other departments to develop a checklist that can be utilized to evaluate the plausibility of hiring permanent versus temporary personnel for projects and tasks within departments at the City. Additionally, we also recommend that the Division assist other City departments in conducting an overall feasibility study that would determine the cost benefit of hiring permanent personnel versus the continued employment of temporary employees.



# EXHIBIT 1

## CITY OF HOUSTON INTER OFFICE CORRESPONDENCE

**To** Sylvia R. Garcia  
City Controller

**FROM** Lonnie Vara  
Human Resources Director

**DATE** December 15, 1998

**SUBJECT** Management Response; To Compliance  
Review Audit of Temporary Services-  
Corporate Staffing

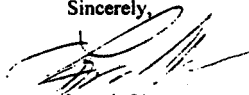
Attached is the Human Resources Department's response to the contract compliance review of the temporary services division.

The results of the compliance review of the Temporary Services Division of the Human Resources Department identified significant strengths in the overall procedures, staffing, administration, and documentation of its services. As a proactive department, we acknowledge that improvement opportunities exist. We welcome them and are responding as such.

We look forward to continued efforts to improve internal control, efficiency and productivity.

Should you have any questions, please contact me at (713) 658-3709.

Sincerely,



Lonnie Vara  
Human Resources Department

*Views of Responsible  
Officials*

# EXHIBIT 1

Views of Responsible  
Officials

## MANAGEMENT RESPONSES Contract Compliance Review of Corporate Staffing

### FINDINGS/RECOMMENDATIONS

### MANAGEMENT RESPONSES

1 The Division is responsible for the processing and monitoring of approximately 4,500 temporary employees for the various departments within the City of Houston. The total population from which our sample was selected for Corporate Staffing was 1,074 for the contract period covered by our engagement. We tested 987 payroll transactions, which represent over ninety percent (90%) of the population. Our tests included verification of agency name, recalculation of invoice amount, temporary employee name, job title, pay and billing rates, and temporary employee rates, job title, pay and billing rates, and job classification to determine mark up rate. We found minor exceptions, which mostly consisted of the contractor's compensation of the overtime rate being in error and some errors in job classification, which were favorable to the City.

We obtained the Division's invoice payment listing and traced certain invoices to the department listing for compliance. No material exceptions were noted.

The Division should be commended for its efforts in keeping accurate records as it relates to the proper amount being charged to the City by the contracting agencies for temporary services. The policies and procedures in place for verification of invoice amounts appear to be effective and efficient. Except for the accurate overtime rate charged by the contracting agency, the pay and billing rates are in compliance with the contractual agreement.

The Human Resources Department agrees with the recommendation that the Division be commended for its efforts in keeping accurate records as it relates to the proper amount being charged to the City by the contracting agencies for temporary services.

# EXHIBIT 1

Views of Responsible Officials

## MANAGEMENT RESPONSES Contract Compliance Review of Corporate Staffing

### FINDING/RECOMMENDATIONS

The Division generates a monthly temporary employees' data report; however, this report is not reconciled to the contracting agency's record of temporary employees. Furthermore, the contracting agency's monthly employee data report is not submitted on a timely basis.

As a result, we were unable to reconcile or determine the actual number of temporary employees handled by the Division on a monthly basis. Our review also revealed the maintenance of a similar report called the "termination report", which in our opinion, appears to be a duplication of effort.

We recommend the Division implement and adopt a policy that requires the need for consistent monthly reporting with a definitive timetable. This monthly report can be issued on the 5<sup>th</sup> day of the month for the preceding month. The Division should request that the contracting agency submit their monthly report by the 10<sup>th</sup> with the reconciliation to be completed by the 15<sup>th</sup> by the temporary services permanent. By adopting this policy, management can determine the actual number of temporary employees provided each month by the contracting agency.

In addition, the Division should consider the possibility of this contracting agency E-mailing the data to the Division. This saves valuable time and would enable the Division to perform an on-line reconciliation of these monthly data. To implement this system, personnel of the contracting agency and City would have to be adequately trained.

### MANAGEMENT RESPONSES

The Division's monthly report is invoice specific. Agencies are encouraged to submit any aged invoices they may have as soon as possible.

The Division does agree with the finding that the monthly report from the Division is not reconciled to the contracting agency's record of temporary employees.

We agree with the recommendation that the division implement and adopt a policy that stresses the need for consistent monthly reporting with a definitive timetable. The Division has already implemented this recommendation with a definitive date of the 10<sup>th</sup> of each month. We are exploring the idea of this data being electronically submitted to the Division by each agency.

MANAGEMENT RESPONSES  
Contract Compliance Review of Corporate Staffing

FINDING/COMMENTS

MANAGEMENT RESPONSES

III. During the course of our review, 11 of the 987 payroll transactions listed had duplicate copies of the invoices maintained in the Division's records. However, only original voucher invoices or certified copies are submitted to the Controller's office for payment. Based on discussions with personnel in the Division, we were unable to ascertain why duplicate copies of the same invoice were maintained in their files. Based on further discussion with Controller's personnel, it was determined that duplicate payment could not be made in instances where invoices with the same invoice number were submitted for payment.

The Human Resources Department does agree that 11 of 987 transactions listed had duplicate copies of invoices maintained in the Division. Further research indicated no duplicate payments were made on those invoices. Also, the current system will not allow duplicate payments in instances where the same invoice numbers are submitted for payment.

We recommend that the Division implement procedures whereby only one copy of all invoices are maintained along with the supporting documents. By implementing this procedure, the Division would minimize the amount of time required to assemble and review the voucher package.

The Human Resources Department believes the current procedures and process in place will minimize or eliminate possible duplicate payment of invoices.

IV. The Division does not maintain a checklist that can be used to determine whether to employ permanent personnel or temporary employees for specific projects.

Department directors are responsible for determining whether to employ permanent or temporary employees. However, the Human Resources Department will work with departments and assist them in the decision process.

We recommend that the Division work in conjunction with other departments to develop a checklist that can be utilized to evaluate the feasibility of hiring permanent versus temporary personnel for projects and tasks within departments of the City. Additionally, we also recommend that the Division assist other city departments in conducting an overall feasibility study that would determine the cost of hiring permanent personnel versus the continued employment of temporary employees.

We agree the Division should assist city departments in determining best low cost methodology in utilizing temporary employees.