



OFFICE OF THE CITY CONTROLLER

**HUMAN RESOURCES DEPARTMENT
CONTRACT COMPLIANCE REVIEW
EDUCATIONAL LEARNING AND
ENRICHMENT CENTER, INC.**

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor



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
Educational Learning and Enrichment Center, Inc. (Report No. 98-37)

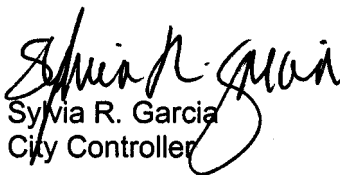
Dear Mayor Brown:

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 Educational Learning and Enrichment Center, Inc. (ELEC). The scope period covered activity from January 1, 1997 through February 28, 1998.

McConnell designed the review to determine whether ELEC 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

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 Educational Learning and Enrichment Center, Inc. ("ELEC").

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 ELEC 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 ELEC but working for the City on a contractual basis established through the contractual agreement between ELEC and the City.

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

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

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 agency'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 ELEC. Screening these temporary employees for performance capability rests with ELEC.

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 ELEC was 2,165 for the two contract periods covered by our engagement. We tested 1,983 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 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 inaccurate overtime rate charged by the contracting agency, 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 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.

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 5th day of the month for the preceding month. The Division should request that the contracting agency submit their monthly report by the 10th, with the reconciliation to be completed by the 15th by temporary services personnel. 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 ELEC 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, ELEC and City personnel would have to be adequately trained.

FINDING:

Based on inquiry, discussion and personal observation at ELEC, it was discovered that the agency has not satisfied the requirements of the Drug-Free Workplace Act and the Mayor's Drug Detection and Deterrence procedures for city contractors (Executive order number 1-31).

In addition, the Division does not maintain a written policy or provide procedural guidelines for monitoring the compliance requirements of these Acts.

RECOMMENDATION:

We recommend that the Division develop written policies and procedures that specifically address the provisions of these Acts. To be included in these policies and procedures should be an outline of the roles and responsibilities of its personnel, and the responsibilities of the contracting agencies relative to these Acts. This written manual would be helpful in providing guidance to the contracting agencies in maintaining compliance with the provisions of these Acts.

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

INTEROFFICE CORRESPONDENCE

TO: Ms. Sylvia R. Garcia
City Controller

FROM: Director of Aviation
Houston Airport System

DATE: October 15, 2001

SUBJECT: Management Response to Parking
Cash Collections and Deposits Audit

We have reviewed the September 19, 2001, draft report submitted by the City Controller's audit staff pertaining to the audit of the Aviation Department's parking cash collections and deposits for the period of February 1, 2000 through May 31, 2000. The following response is provided to address the findings and related recommendations presented in the audit report:

1. **Audit Finding:** The Department has not received adequate information from NSP's point-of-sales providers to properly monitor credit card collections and deposits into City's bank account.

Audit Recommendation: The Department should require NSP and its point-of-sales providers to provide adequate information to allow the department to reconcile credit and debit card deposits into the City's bank account.

Management Response: NSP and its point-of-sales providers are reporting adequate information to reconcile credit and debit card deposits into the City's bank account. The reconciliation was completed and is current. All credit and debit card collections are accounted for.

2. **Audit Finding:** At the time of our fieldwork, NSP's point-of-sales contracts had not been reviewed and approved by the City Attorney as required in the contract.

Audit Recommendation: We recommend that the Department request that the City Attorney review and approve NSP's point-of-sale contracts as soon as possible.

Management Response: The City Attorney and NSP's legal staff have reviewed and agreed on both the Chase Bank (current) and Alliance Data Systems (proposed replacement) point-of-sale provider contracts. Copies of the contracts are maintained at Aviation's Properties Division.

3. **Audit Finding:** The Performance Bond required to be executed by NSP and delivered to the City by the contract date (December 15, 1999) was pending the City Attorney's review and approval as of June 21, 2000.

Audit Recommendation: Subsequently, we were provided with a Performance Bond bearing the City Legal Department's approval date of July 5, 2000. In the future, contractor bonds should be reviewed and approved more timely.

Management Response: Aviation's Properties Division has implemented an improved tracking system to ensure the timely completion of City Attorney's review and approval.

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CONTROLLER'S OFFICE

*Views of Responsible
Officials*

EXHIBIT 1

MANAGEMENT RESPONSES

Contract Compliance Review of Educational Learning and Enrichment Center Inc. - ELEC

FINDING/RECOMMENDATIONS

MANAGEMENT RESPONSES

I. 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 ELEC was 2,165 for the two contract periods covered by our engagement. We tested 1,983 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 job classification 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.

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 inaccurate 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 commendation that the Division be commended for its efforts in keeping accurate records as it relates to the proper amount being charged to City Department by the contracting agencies for temporary services.

*Views of Responsible
Officials*

EXHIBIT 1

MANAGEMENT RESPONSES

Contract Compliance Review of Educational Learning and Enrichment Center Inc. - ELEC

FINDING/RECOMMENDATIONS

MANAGEMENT RESPONSES

II.

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 stresses the need for consistent monthly reporting with a definitive timetable. This monthly report can be issued on the 3rd day of the month for the preceding month. The Division should request that the contracting agency submit their monthly report by the 10th, with the reconciliation to be completed by the 13th by the temporary services personnel. 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 ELEC 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 ELEC and City would have to be adequately trained.

The Division does not reconcile to the contracting agency's record of temporary employees.

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

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 10th of each month. We are exploring the idea of this data being electronically submitted to the Division by each agency.

*Views of Responsible
Officials*

EXHIBIT 1

Contract Compliance Review of Educational Learning and Enrichment Center Inc. - ELEC

FINDING/RECOMMENDATIONS

MANAGEMENT RESPONSES

III. Based on inquiry, discussion and personal observation at ELEC it was discovered that the agency has not satisfied the requirements of the Drug-Free Workplace Act and the Mayor's Drug Detection and Deterrence procedures for city contractors (Executive order number 1-31).

In addition, the Division does not maintain a written policy or provide procedural guidelines for monitoring the compliance requirements of these Acts.

We recommend that the Division develop written policies and procedures that specifically address the provisions of these Acts. To be included in these policies and procedures should be an outline of the roles and responsibilities of its personnel, and the responsibilities of the contracting agencies relative to these Acts. This written manual would be helpful in providing guidance to the contracting agencies in maintaining compliance with the provisions of these Acts.

The Human Resources Department followed-up with ELEC on meeting requirements of the Drug-free Workplace Act. At this time, ELEC has corrected this deficiency.

We agree that the Division should develop written policies and procedures that guide the contracting agencies. This recommendation is currently being developed.

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

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 benefits of hiring permanent personnel versus the continued employment of temporary employees.

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

Views of Responsible Officials