

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Human Resources Process Review

May 8, 2017

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EXECUTIVE SUMMARY



Overview

In accordance with the Central Florida Expressway Authority's (CFX) FY 2017 Internal Audit Plan, as part of a five year rotational cycle, Internal Audit conducted a review of the Human Resources (HR) process, policies, procedures and related internal controls around key HR processes, the succession planning strategy, and merit-based compensation.

Internal Audit last performed a review of HR policies and procedures in 2011. Since this time, there have been three different Directors of HR and a Chief of Staff position has been created within the organization. Additionally, the CFX staff size has increased by more than 50%, from approximately 40 personnel in 2011 to 69 personnel today, not including 9 open approved positions. As a result of these changes, CFX continues to adjust talent, knowledge management, and HR processes.



Objectives

The objectives of the review of Human Resources were to:

- Evaluate the Human Resource processes and internal controls relating to:
 - Recruiting and hiring,
 - Training,
 - Promotions/Transfers,
 - Setup, maintenance and security of personnel records,
 - Benefits administration, and
 - Employee terminations;
- Review the merit-based compensation process and consider leading industry practices (e.g. government agencies, transportation authorities) to identify any improvement opportunities;
- Review the HR processes for compliance with applicable federal and state employment laws, as defined on page 4; and
- Review the succession planning strategy and consider leading practices in similar organizations (e.g. government agencies, transportation authorities) to identify any improvement opportunities.

EXECUTIVE SUMMARY



Summary of Results

The table below provides an overview of the areas reviewed as part of this audit and the observations identified.

Objective1	Procedures Performed	Observation #
HR Policy and Procedures	<p>Evaluated the design effectiveness of key HR internal controls.</p> <p>Reviewed the HR processes for compliance with applicable laws and leading practices, including the following Federal and State laws:</p> <ul style="list-style-type: none"> • Equal Employment Opportunity (EEO), • Anti-Harassment and Discrimination, • Fair Labor Standards Act (FLSA) Exempt and Non-Exempt Job Classification, • Family and Medical Leave Act (FMLA), • Military Leave, • Domestic Violence Laws, • Workers' Compensation Laws, • Minimum Wage Laws, • Drug Free Workplace, • Violence Free Workplace 	4
Review Merit-Based Compensation Process	<ul style="list-style-type: none"> • Evaluated the merit-based compensation process and considered leading industry practices (e.g. government agencies, transportation authorities) to identify any improvement opportunities 	1
Review Succession Planning Strategy	<ul style="list-style-type: none"> • Reviewed the succession strategy and considered leading practices in similar organizations (e.g. government agencies, transportation authorities) to identify any improvement opportunities. 	2.3

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – Merit-Based Compensation

Relative Priority: **High**



In July 2015 the CFX Board approved a performance based pay policy. The purpose of establishing the performance based pay policy was to compensate CFX staff in line with the market industry, increase retention, improve internal communication, and increase productivity, motivation, and accountability. Performance based pay allows for quantifiable justification of a base pay merit adjustment. The policy requires CFX employees be compensated based on their performance as documented in an approved evaluation tool.

Based on the policy, a merit adjustment is designated for above average and average performers, and below average performers do not receive an increase. The Executive Director determines the merit adjustment for the two eligible categories based on the annual budget set by the board.

CFX has faced challenges implementing the performance based pay policy, including turnover in the HR department, an expanding workforce, employee moral, and the public records requirements. Additionally, merit-based compensation programs are rarely implemented in government agencies, resulting in limited public sector examples of successful implementation. However, The Chief of Staff and the Director of HR redesigned the performance evaluation form to serve as the evaluation tool and facilitated a training for department supervisors in order to standardize the performance evaluation process.

While CFX has a defined and consistent performance evaluation process, the results of the performance evaluations are not clearly linked to the merit adjustment. Leading practices suggest directly linking the base pay merit adjustment to the employee's performance by determining and communicating the potential merit adjustment for each eligible performance category. In addition, the merit adjustment should be different for each performance category in order to incentivize above average performers.

Recommendation:

1. CFX should consider defining which performance evaluation scores are considered above average, average performers, and below average.
2. CFX should consider assigning a merit adjustment percentage to each performance category. The merit adjustment percentages should be reviewed and adjusted annually based on the annual board approved budget.
3. CFX's executive team should discuss employee evaluation scores to ensue the supervisor evaluation style is homogenized prior to communicating the evaluation scores to the employees.

DETAILED OBSERVATIONS

Observation 1 – Merit-Based Compensation (continued)



Management Response:

CFX Management concurs.

Management Action Plan:

1. CFX will define which performance evaluation scores are consider above average, average, and below average.
2. CFX will define the merit adjustment percentages to be assigned to above average, average, and below average performers annually. The merit adjustment percentages and the performance evaluation scores required to earn each adjustment will be communicated to employees in order to enhance the goal-setting process.
3. CFX executive team will schedule the annual performance evaluation review prior to distribution of final performance evaluation scores to ensure the supervisor evaluation style is homogenized.

Action Plan Owner / Due Date:

Evelyn Wilson, Director of HR, and Michelle Maikisch, Chief of Staff and Public Relations / July 1, 2018

DETAILED OBSERVATIONS

Observation 2 – Document HR Contingency Plan

Relative Priority: **Medium**



CFX has an informal process in place to identify resources to fill short-term job vacancies within the agency. However, having a formally documented human resources contingency plan for key positions would allow CFX to streamline the process of determining the appropriate course of action and persons of authority to continue business operations with little business interruption. In addition, documenting the contingency plan would allow CFX to ensure a plan has been considered for all key positions within the agency.

Recommendation:

CFX should consider documenting a human resources contingency plan for key or critical positions within the agency in the event of a planned or unplanned vacancy. In developing the contingency plan, CFX should consider the following:

- Identify all key/critical positions and assess the impact of each position on CFX strategic goals and objectives;
- Identify positions qualified to succeed vacated stations in given periods of time (see example of 9-box analysis detailed in Appendix 1);
- Knowledge Transfer Strategies to identify critical tasks and activities only known to a select few employees and facilitate knowledge sharing (e.g. job aids, process documentation, job shadowing, job rotation); and
- Evaluate contingency plan at least annually, or as needed, based on changes within CFX.

Management Response

CFX management concurs.

Management Action Plan

CFX Management will develop a redundancy plan strategy based on the current organization structure. For all department heads and executives, CFX will determine the necessary expertise required to fill the role, and will designate a position to perform the role's critical duties on an interim basis in the event of a planned or unplanned vacancy.

Action Plan Owner / Due Date:

Michelle Maikisch, Chief of Staff and Public Relations / July 1, 2018

DETAILED OBSERVATIONS

Observation 3 –Knowledge Management Plan

Relative Priority: **Medium**



CFX strives to preserve internal knowledge and facilitate internal knowledge sharing. However, increased turnover and limited employee participation have proved to be a challenge in achieving this goal. CFX does not currently have a formal knowledge management plan that provides guidance and detailed procedures around internal knowledge preservation and knowledge sharing. Knowledge management plans enable organizations to effectively communicate and document executive, department, and staff-level responsibilities, requirements, impactful information and data, and facilitates the sharing of that knowledge.

Recommendation:

1. CFX should perform a risk assessment to determine the prioritization of department's implementation of a knowledge management plan. The knowledge management plan for each department should define key business processes to be documented, methods of documentation (e.g. desktop procedural manuals, process flowcharts, job aids, etc.) and the documentation retention and sharing plan.
2. To increase employee participation in the knowledge management plan, CFX should consider including knowledge sharing as a component of the teamwork aspect of performance evaluations.

Management Response:

CFX management concurs.

Management Action Plan:

CFX will conduct a risk assessment to determine the prioritization of department's implementation of a knowledge management plan. However, based on the most recent entity-wide risk assessment performed in FY2017, CFX will focus initial knowledge management efforts on the Information Technology (IT) department. Additionally, knowledge sharing will be included in the teamwork aspect of annual performance evaluations.

Action Plan Owner / Due Date:

Michelle Maikisch, Chief of Staff and Public Relations Corey Quinn, Chief of Technology & Operations, and Jim Greer, Director of IT / July 1, 2018

DETAILED OBSERVATIONS

Observation 4 – Exit Interviews and Monitoring of Employee Turnover

Relative Priority: **Low**



Employee terminations are currently reported to the HR Director by the employee supervisors. The HR Director completes the steps within the Termination Checklist, which includes collecting the employee's resignation letter and, if applicable, ensuring that employee access rights (system and physical) are disabled. The HR Director may elect to conduct an exit interview with the employee. However, exit interviews are not offered to all employees and there is currently no formal procedure for documenting responses of the exit interview. Leading practices suggest conducting voluntary exit interviews in order to monitor employee turnover, capture exit data, and identify factors that lead to employee turnover.

Recommendation:

CFX should conduct exit interviews of all voluntary employee terminations as part of termination procedures and document the completion of the interview in the termination checklist.

Management Response:

CFX management concurs.

Management Action Plan:

CFX Human Resources will offer exit interviews to all voluntarily employee terminations, document the date of the interview, if conducted, on the Termination Checklist, and will communicate employee responses to CFX department management.

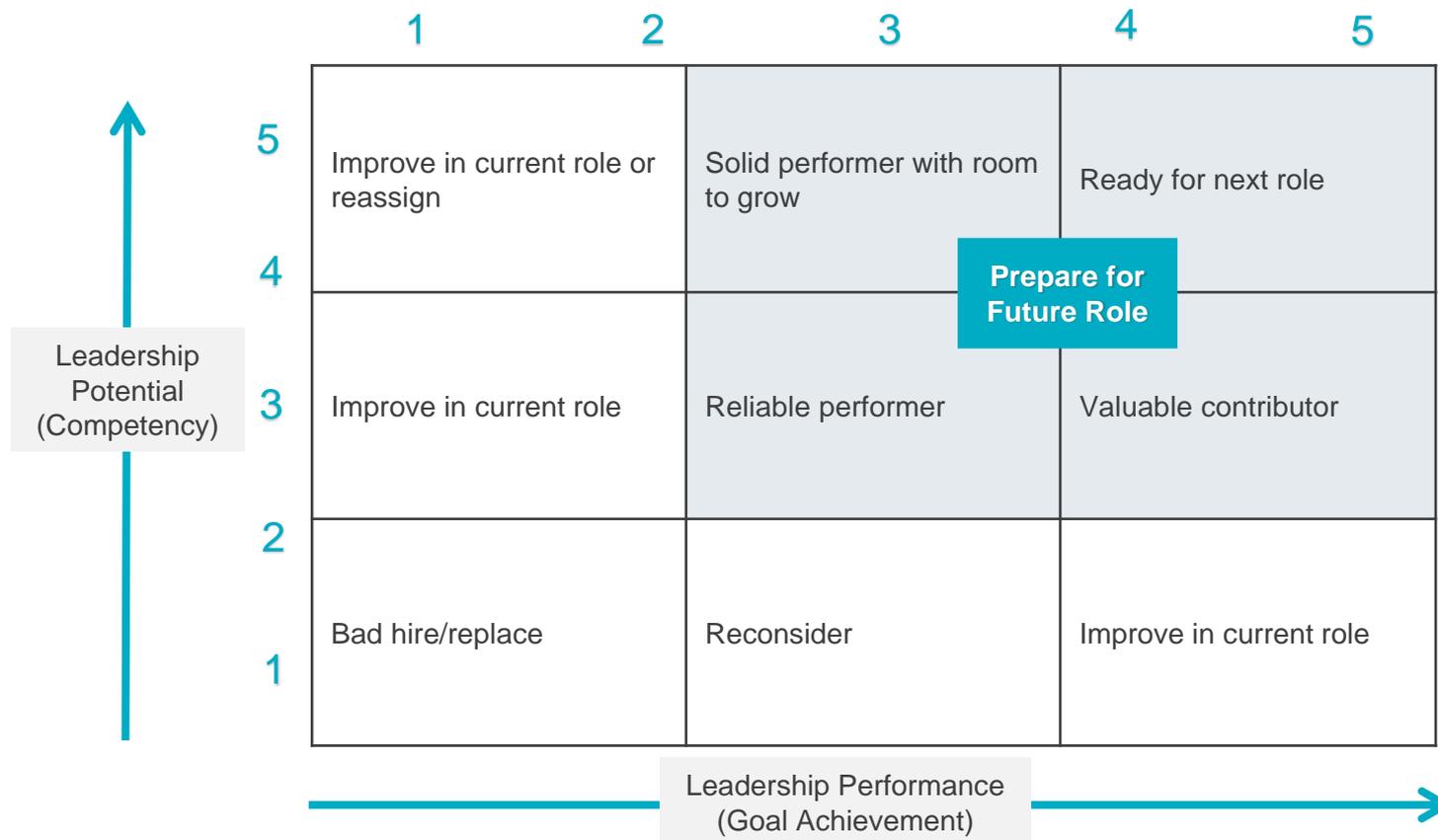
Action Plan Owner / Due Date:

Evelyn Wilson, Director of HR, and Michelle Maikisch, Chief of Staff and Public Relations / Complete

APPENDIX

APPENDIX 1 – NINE BOX ANALYSIS

Below is an example of a Performance and Potential Matrix (9-box analysis) that is widely used to facilitate discussion among management, assess talent, and evaluate criteria for a potential successor. Positions are assessed using pre-determined criteria (e.g. performance evaluations, technical competencies) and are plotted on the chart below to identify any additional competencies needed before a position can be determined a successor to a vacated position. Any gaps identified can be supplemented with employee training, staff increases, or consultant usage.



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