



Lexington-Fayette Urban County Government  
OFFICE OF INTERNAL AUDIT

## **MANAGEMENT ACTION PLAN PROGRESS REPORT**

DATE: October 7, 2015

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer  
Glenn Brown, Deputy Chief Administrative Officer  
Aldona Valicenti, Chief Information Officer  
Janet Graham, Commissioner of Law  
William O'Mara, Commissioner of Finance & Administration  
John Maxwell, Director of Human Resources  
Phyllis Cooper, Director of Accounting  
Susan Straub, Communications Director  
Urban County Council Members  
Internal Audit Board Members

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit

RE: Form I-9 Audit MAPPR

### **EXECUTIVE SUMMARY**

On November 10, 2014 the Office of Internal Audit issued the Form I-9 Audit. The 2014 report contained three findings related to the completion and retention of federal Form I-9. Findings included missing Form I-9's in employee files, Form I-9's not completed correctly, and Form I-9's not maintained for terminated employees.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included I-9 processes put in place since the November 2014 Audit, a sample of prior exceptions to determine if they had been addressed, and a sample of recent hires I-9's to determine if there has been improvement in the completion of I-9's.

A summary of the findings from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

<b>Finding</b>	<b>Summary of Original Finding</b>	<b>Follow-Up Results</b>
Finding #1 High Priority	Form I-9s Missing From Personnel Files	Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's, and a sample of I-9's for recent hires indicated significant improvement in the completion of I-9's. A sample review of exceptions identified in the prior audit noted that most had not been addressed. Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.
Finding #2 High Priority	Form I-9s Not Completed Correctly	Payroll coordinator training on the proper completion of I-9's was conducted in the fall of 2014. Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's, and a sample of I-9's for recent hires indicated significant improvement in the completion of I-9's. A sample review of exceptions identified in the prior audit noted that most had not been addressed. Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.

Finding #3 High Priority	Form I-9s Not Maintained for Terminated Employees	The Division of Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's, and a sample of I-9's for recent hires indicated significant improvement in the completion of I-9's. OnBase is now being used for document management. Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.
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## **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS**

### **Original Finding #1: Form I-9s Missing From Personnel Files**

**Priority Rating: High**

#### **Condition:**

To comply with the Immigration Reform and Control Act of 1986 (IRCA), employers must verify that individuals hired to perform labor or services are authorized to work in the United States. Form I-9 must be completed for every new employee hired after November 6, 1986. Based on test work performed, we noted that 11 of 74 (15%) active employee files did not have a Form I-9 in their employment file. The Division of Human Resources personnel indicated that Payroll Coordinators at the department level are responsible for having employees complete the forms and send forms to Human Resources to be maintained in the employment file. The Division of Human Resources examined their scanned files in an effort to locate the missing Form I-9s. The missing forms were not found during our fieldwork.

#### **Effect:**

Failure to complete and maintain copies of Form I-9 as required by federal law could result in civil penalties in an amount of not less than \$110 and not more than \$1,100 for each violation.

#### **Recommendation:**

We recommend that Payroll Coordinators complete a Form I-9 on the first day of work for all new employees. The form should be submitted to the Division of Human

Resources for addition in the PeopleSoft HCM module. Human Resources should also develop a process to review the files of all new hires to provide proper oversight of this federal requirement and ensure properly completed Form I-9s are on file in the Division of Human Resources. The Office of Internal Audit provided the Division of Human Resources a list of the exceptions noted during the audit so that corrective action could be taken to address them.

Due to the extent of errors and omissions noted in our random sample of employee files, we also recommend Human Resources examine all active employee files to determine if Form I-9s are present and accurately completed. Any exceptions noted during this examination should be promptly corrected to ensure full compliance with federal requirements and avoid the risk of civil penalties.

**Director of Human Resources Response:**

The Division of Human Resources has aligned with the Division of Accounting to ensure that individuals hired by the LFUCG have a completed I-9 prior to entry into the PeopleSoft HCM module. The Division of Human Resources will review the documents prior to entry to ensure they are complete and error free. After the information has been entered into PeopleSoft, the documents will go to the Division of Accounting for another level of review. The Division of Human Resources will plan a full active employee file audit to be completed during fiscal year 2016. This audit is extensive and will require budgeted overtime hours that we do not have in the current FY.

**Chief Administrative Officer Response:**

The CAO is in agreement with the action plan outlined by the Director of Human Resources. Additionally, consideration will be given to budget overtime hours for FY 16 for the purposes of a full active employee file audit.

**Follow-Up Detail Results:**

**The Division of Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's submitted to them by the payroll coordinators. A sample of 20 new employees hired on or after March 1, 2015 identified only two incorrectly completed I-9's, indicating significant improvement in the timely and accurate completion of I-9's. This portion of the finding has been resolved.**

**A sample review of 26 exceptions identified in the prior audit noted that only three of those exceptions have been addressed. The Division of Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. The purpose of the comprehensive audit to be conducted by Human Resources is to examine all active employee I-9's to ensure they are on file**

and accurately completed. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.

**Director of Human Resources Response:**

The Division of Human Resources is conducting a comprehensive audit of I-9's, to include examination of all active employee I-9's to ensure they are on file and accurately completed. We anticipate the comprehensive audit will be completed by June 30, 2016.

**Chief Administrative Officer Response:**

I concur with the response from the Director of Human Resources.

**Original Finding #2: Form I-9s Not Completed Correctly**

**Priority Rating: High**

**Condition:**

Form I-9 must be completed correctly according to explicit instructions on the form and also as stated in the Handbook for Employers Guidance for Completing Form I-9 published by the U.S. Citizenship and Immigration Services. Form I-9 contains three sections to complete. Section 1 is to be completed by the employee and is an attestation of their identity and citizen status. Employers are responsible for reviewing and ensuring that employees fully and properly complete Section 1. Form I-9, Section 2 is completed by the employer and consists of verifying an employee's identification documents and must be completed within three business days of hire. Section 3 is for re-verification and re-hires; however, LFUCG normally completes a new form for all re-hires. We tested 63 active employee Form I-9s for accuracy and completeness and noted the following issues:

- 32 or 51% were not completed correctly (i.e. 28 were incomplete or contained incorrect information when certifying documents in Section 2, and the remaining forms had issues with Section 1 and/or other parts of the form);
- 15 or 24% were not signed within three business days of hire (i.e. nine were not signed and/or dated by the employee, and six were signed from 2 to 249 days late by applicant);
- 13 or 21% of the correct version of Form I-9s for that time period were not used. Employers must use the revised and updated version of Form I-9;
- 8 or 13% were not signed by the hiring official (i.e. Payroll Coordinator);
- 4 or 6% were not properly corrected after mistakes were made during completion of the form (Form I-9 instructions state that employers or applicants should draw a line through the portions of the form that contain

incorrect information, enter the correct information, and initial and date the correction);

- 4 or 6% were re-hire employees and a new form was not completed, nor were they recertified on the existing Form I-9 from their previous employment (If an employee is re-hired within three years of their previous Form I-9, they could be re-verified; however, LFUCG normally completes a new form. Three applicant's re-hire date exceeded three years.)

**Effect:**

Failure to complete and maintain copies of Form I-9s as required by federal law could result in civil penalties in an amount of not less than \$110 and not more than \$1,100 for each violation.

**Recommendation:**

We recommend that Payroll Coordinators be thoroughly trained on the proper completion of Form I-9. Training should include the importance of completing the current version of the form correctly and timely, as well as providing adequate instruction on correcting mistakes, and ensuring that Payroll Coordinators review, sign, and date forms. This training should be provided by the Division of Human Resources. Human Resources should also develop a process to review the files of all new hires to provide proper oversight of this federal requirement and ensure properly completed Form I-9s are on file in the Division of Human Resources. The Office of Internal Audit provided the Division of Human Resources with a list of the exceptions noted during the audit so that corrective action could be taken to address them.

Due to the extent of errors and omissions noted in our random sample of employee files, we also recommend Human Resources examine all active employee files to determine if Form I-9s are present and accurately completed. Any exceptions noted during this examination should be promptly corrected to ensure full compliance with federal requirements and avoid the risk of civil penalties.

**Director of Human Resources Response:**

The Division of Human Resources and the Division of Accounting teamed up to provide comprehensive and mandatory Payroll Coordinator training on October 15, 2014 which included specific instructions regarding how to complete the form, timeliness of submittal, repercussions of submitting incomplete or incorrect forms, and the correcting of errors. Slides are provided relative to the training that was completed are incorporated herein by reference and attached hereto. This training will be offered in the future on an as-needed basis.

**Chief Administrative Officer Response:**

The CAO agrees that training should be held in the future on an as-needed basis.

**Follow-Up Detail Results:**

Payroll coordinator training on the proper completion of I-9's was conducted in the fall of 2014. We attended the 2014 training session, and in our opinion it provided sufficient training on the completion of I-9's. This portion of the finding has been resolved.

The Division of Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's submitted to them by the payroll coordinators. A sample of 20 new employees hired on or after March 1, 2015 identified only two incorrectly completed I-9's, indicating significant improvement in the timely and accurate completion of I-9's. This portion of the finding has been resolved.

A sample review of 26 exceptions identified in the prior audit noted that only three of those exceptions have been addressed. The Division of Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. The purpose of the comprehensive audit to be conducted by Human Resources is to examine all active employee I-9's to ensure they are on file and accurately completed. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.

**Director of Human Resources Response:**

The Division of Human Resources is conducting a comprehensive audit of I-9's, to include examination of all active employee I-9's to ensure they are on file and accurately completed. This I-9 audit is therefore inclusive of the 26 exceptions identified in the original audit report. We anticipate the comprehensive audit will be completed by June 30, 2016.

**Chief Administrative Officer Response:**

I concur with the response from the Director of Human Resources.

**Original Finding #3: Form I-9s Not Maintained for Terminated Employees**  
**Priority Rating: High**

**Condition:**

LFUCG must retain an employee's completed Form I-9 for as long as the individual is employed. Upon termination, Human Resources has established a timeframe to maintain

Form I-9s up to three years after termination, consistent with federal requirements. We tested 59 terminated employee files to determine if Form I-9 had been retained. We noted 15 or 25% of terminated employees did not have a Form I-9 in their personnel file. These employees were all hired after 1986 and should have completed a Form I-9 during their hiring process. It is unknown whether a Form I-9 was initially inserted in the employee files and lost, or if no Form I-9 was ever completed. Additionally, there were two terminated employees whose personnel files could not be located.

**Effect:**

Failure to complete and maintain copies of Form I-9s as required by federal law could result in civil penalties in an amount of not less than \$110 and not more than \$1,100 for each violation.

**Recommendation:**

Human Resources should develop a process to review the files of all new hires to provide proper oversight of this federal requirement and ensure properly completed Form I-9s are on file in the Division of Human Resources. Once this process is in place, care should be taken to ensure all Form I-9s are retained for all terminated employees in compliance with federal requirements. As a best practice, Human Resources should consider maintaining Form I-9s separately from other personnel file documents for ease of disposal after the required retention period has elapsed.

**Director of Human Resources Response:**

We believe that the full active employee file audit will ensure better maintenance of terminated files; thus, this issue should correct itself. In addition, we've requested a new folder to be created in OnBase so that I-9s can be scanned separately into their own folders for ease of locating for both existing and terminated employees for any future audit purposes.

**Chief Administrative Officer Response:**

The creation of a new folder in OnBase will establish a more efficient process of filing and retaining Form I-9s. The CAO is in support of this action.

**Follow-Up Detail Results:**

**The Division of Human Resources is working in conjunction with Accounting to perform a comprehensive review of all new employee I-9's submitted to them by the payroll coordinators. A sample of 20 new employees hired on or after March 1, 2015 identified only two incorrectly completed I-9's, indicating significant improvement in the timely and accurate completion of I-9's. This portion of the finding has been resolved.**

Human Resources uses OnBase document management software to scan, store, and retrieve documents. There is a separate OnBase file for I-9's which is not fully populated. Human Resources management plans to fully populate the OnBase I-9 file as part of their comprehensive I-9 audit. The separate file feature was not a specific recommendation in the prior audit. This portion of the finding has been resolved.

The Division of Human Resources announced the start of a comprehensive audit of I-9's shortly after this project's fieldwork began. The purpose of the comprehensive audit to be conducted by Human Resources is to examine all active employee I-9's to ensure they are on file and accurately completed. Human Resources management anticipates the comprehensive audit will be completed by June 30, 2016.

**Director of Human Resources Response:**

The Division of Human Resources is conducting a comprehensive audit of I-9's, to include examination of all active employee I-9's to ensure they are on file and accurately completed. We anticipate the comprehensive audit will be completed by June 30, 2016.

As stated, as part of the comprehensive audit we are scanning and storing I-9's in a separate file in OnBase for ease in retrieval.

**Chief Administrative Officer Response:**

I concur with the response from the Director of Human Resources.