



LEAVE MANAGEMENT AUDIT FOLLOW-UP

Progress made on recommendations

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SUMMARY

Metro needs to increase the priority placed on improving attendance data and take a broader, more analytic approach to monitoring and reporting so that all forms of employee leave and associated costs can be better managed. While recommendations were directed at Metro's Human Resources Department, we recognize that the recommended changes are complex and implementation will also require ongoing collaboration among staff from Benefits, Payroll, Information Services, Labor Relations, and department managers and supervisors.

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BACKGROUND

In September of 2010, the Auditor's Office released a report on the use of leave by Metro's employees. Leave was defined broadly to include absences due to sick leave, family leave, holiday, vacation and other leave. The audit identified differences in leave taken by staff in different departments and employee groups. It also identified potential sick leave misuse among some staff. The report found that because Metro did not monitor or analyze employee attendance agency-wide, it did not have the ability to manage employee leave. The audit made eight specific recommendations for improvements in leave data, reporting and management (see Status of Recommendations on page 7).

SCOPE AND METHODOLOGY

The objective of this audit was to determine the status of recommendations made in the 2010 audit. We interviewed the Human Resources (HR) Director, Benefits Manager and staff. We also interviewed supervisors from Metro departments that backfill absent staff, including the Zoo, Parks and Environment Services, the Oregon Convention Center and the Portland Center for the Performing Arts. We reviewed Metro's policies and procedures for the Family Medical Leave Act (FMLA), as well as Oregon Family Leave Act (OFLA) regulations.

We reviewed documentation and training materials on new software modules implemented in Metro's timekeeping system (Kronos) since our audit. We also reviewed new leave reports and extracted data to document trends in family leave. We analyzed trend data on adjustments made to timekeeping data. We contacted Multnomah County and the City of Portland to obtain updated leave statistics and information on their leave management practices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Metro's HR Department made it a priority to address audit recommendations with improvements in the administration of family leave (FMLA and OFLA). Adoption of new policies and implementation of new software to automate approval and tracking have strengthened administration. These improvements partially address several recommendations. HR developed new reports to identify potential leave misuse, but did not respond systematically or make all reports available to Metro managers. Work remains to improve data quality and reporting to strengthen management of employee leave. As a result, we found one recommendation was implemented, five were in process, and two had not been implemented.

Improvements made in administration of family leave

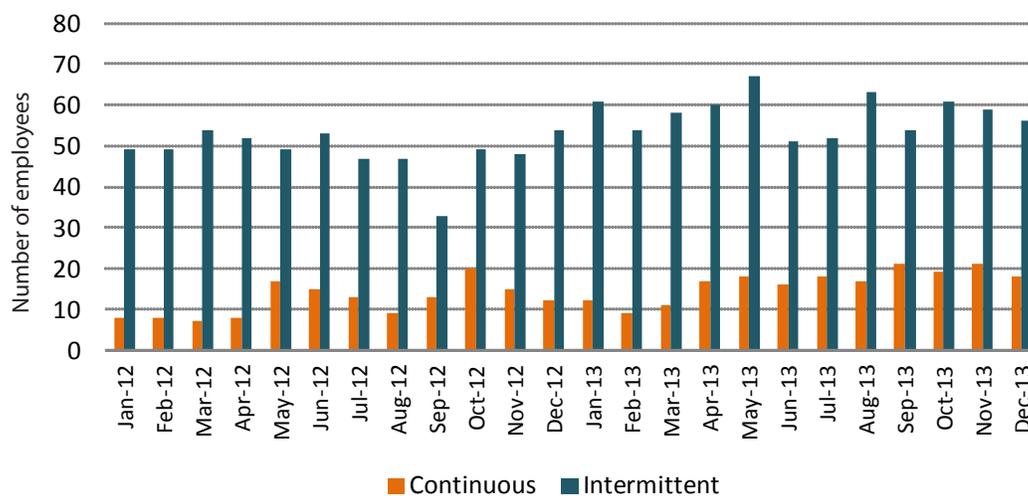
Shortly before our original leave audit was released, the HR Department hired a new benefits manager whose responsibilities included implementation of the audit recommendations. The manager developed a two-phase plan. Improvements in the administration of family leave were prioritized because of the associated liability, since family leave is legally "protected" under federal and state law. The second phase would address management of attendance more generally, and sick leave in particular.

In late 2011, Metro adopted a new family leave policy and HR posted online a guidance document for managers and employees. Both were designed to bring more consistency to the administration of family leave across the organization. HR also implemented new software to track family leave and conducted training for managers. Under new procedures, employees request family leave through the timekeeping system. Employees can request continuous leave for a single event such as a pregnancy or surgery. Leave can also be requested for intermittent use, for a chronic medical problem or to care for a sick child or parent. Family leave requests are then forwarded to HR for review and approval. Improvements in the timekeeping system allow HR to verify that employees have worked enough hours to be eligible. If approved, employees determine how accrued paid leave balances will be used before leave is taken without pay. These preferences are programmed into the timekeeping system.

The new procedures brought much more consistency and control over the initial approval and certification of family leave. They also improved the quality of family leave data and provided HR and supervisors with some tools for tracking these forms of leave. Most supervisors we interviewed appreciated these changes.

HR created new reports that would allow for better management of family leave and costs agency-wide. We analyzed these reports and found that the monthly average number of Metro employees out on a family leave case each month increased by 23% over the last two years. The majority of these employees were out on intermittent leave (see Exhibit 1). Because such absences are typically unplanned, they can create challenges for supervisors if employees have to be replaced on short notice. Our analysis of the same reports showed that annual payroll costs for family leave have increased by 48%, from about \$481,000 in 2012 to \$715,000 in 2013. These improved reports could be used to better understand and manage family leave.

Exhibit 1
Monthly trends in family leave usage



Source: Metro Auditor’s Office analysis of time and attendance data.

HR had not adopted new strategies for responding systematically to potential misuse of family leave after approval. Supervisors in two Metro departments reported that some employees used intermittent family leave in patterns that suggested potential misuse. These departments routinely hired temporary staff to backfill these absences. HR staff and supervisors relied on the advice from the Office of Metro Attorney to guide enforcement of family medical leave provisions and respond to potential abuse. Some supervisors expressed the perception that once an employee has been approved for family leave, the employee cannot be held accountable for their absences.

Metro must balance the rights of its employees with its responsibility to manage public resources. Federal guidance, state rules and case law affirm that employers can enforce some provisions of family leave, such as notice and call-in requirements. Metro’s policies and procedures state that “Employees on leave must follow the call-in procedures in their respective collective bargaining agreement, non-represented employee policy and/or work rule. Employees must provide sufficient information to communicate that the absence is for a purpose covered by protected leave.”

Software upgrades improve leave data, but accuracy still needs attention

Our original audit recommended that HR standardize timekeeping data and better ensure consistency between the timekeeping system and the accounting system that generates payroll. That analysis required data from both systems and found inconsistencies. Upgrades to the timekeeping system have standardized leave data and now make it possible to better track and report on leave and associated costs from that system alone. New procedures to update the accounting system with daily time records have created more consistency. But the continued practice of making changes to attendance data after timecards have been approved is labor intensive and suggested that employees and supervisors do not always enter accurate leave

data. Since our original audit, the payroll manager and Finance and Regulatory Services Director developed and formalized specific criteria to limit when HR staff can make such adjustments. We found that the number of these adjustments in the timekeeping system increased since our audit, with significant increases in 2013. While some adjustments were necessary to retroactively apply leave taken under new Family Leave cases, HR should take steps to understand the increases and assess the need for additional training.

More work needed to manage all absences

The original audit recommended that HR report regularly on leave patterns at the department level and by employee group. Best practices for effective leave management identify such reports as critical tools for both HR and department managers. These reports would help Metro determine where in the organization absence rates and costs are high so that HR can work with management to understand and address the causes. Within Metro's departments, supervisors need such reports so that they can monitor and more effectively respond to potential misuse of leave by individual employees.

We found that HR had not yet reported on leave patterns at the department level or by employee group. Although the timekeeping system could be used to create these reports, IS staff said that special queries or additional programming would be required.

The new attendance software offered Metro a number of new reports that could have been used to identify potential leave misuse by individual employees and reward those with exemplary attendance. However, not all of the new reports were made available to managers, and available reports were not consistently being used. For example, supervisors had access to a new absence summary report which could have been used to scan the attendance patterns of individual employees. Not all of the supervisors we interviewed were aware of this report, and one said that it was too time-consuming to generate individual reports for each of their employees.

HR developed a custom report to flag employees when sick leave usage begins to exceed the threshold for misuse, which is defined as 40 or more hours over a six-month period in most of Metro's labor contracts. HR excluded from these reports sick leave that is taken as part of a family leave case. The benefits manager stated she runs these report and shares results with supervisors and labor relations staff periodically when an employee's sick leave shows a pattern of repeatedly exceeding thresholds. While this type of report would be very useful for all supervisors, they cannot independently access it.

Since FY 2008-09, Metro annually reported a measure of sick leave usage in an agency performance report, the Balanced Scorecard. It has not reported similar measures of family leave or other leave usage. We were unable to verify that the methodology used to calculate the sick leave measure was consistent across the time period. This trend data for the past five years is presented in Exhibit 2. It suggests that sick leave by Metro employees in the last two years is down relative to the previous three years. The benefits manager reported that this decline in sick leave usage could be related to the increase in use of family leave, as employees who had previously used sick leave to care for a sick child, for example, might now be taking the time off under a leave case. HR should better document the underlying methodology and take a more analytic approach to monitoring all forms of leave so that these trends can be better managed.

Exhibit 2
Metro sick leave use and rates

Trends in Sick Leave usage	FY09	FY10	FY11	FY12	FY13
FTE (budgeted)	716.8	761.9	749.6	752.1	765.5
Total sick hours	31,227	34,583	33,180	28,301	30,622
Average sick hours per FTE	43.5	45.4	44.3	37.6	40.1

Source: Metro Auditor's Office analysis of FY 2012-13 Balanced Scorecard Report data, which reflects non-FMLA/OFLA sick leave used by employees that have sick leave accrual during the specified timeframe. Accuracy not verified.

The original audit included a comparison with Multnomah County, which found that Metro's leave levels were similar. Multnomah County has since discontinued reporting on employee leave, but the City of Portland has revised its methodology and is more consistent with Metro's. The City of Portland issues annual leave reports which could be used by Metro to benchmark leave usage. The reports show both sick leave and vacation leave hours per FTE by department and employee group.

An example of why leave management is beneficial can be found locally. In 2011, Multnomah County's Library Department adopted a comprehensive leave management policy and has since reported reduced costs associated with both family and sick leave usage. Library managers receive quarterly reports on all employees which allow them to easily identify those with high leave use, and attendance matters have become a central point in performance reviews.

STATUS OF METRO AUDITOR RECOMMENDATIONS

2010 Recommendations	Status
1. Standardize employee data entered into the time and attendance system.	<i>IN PROCESS</i>
2. Improve data quality and agreement across the two software systems, Kronos and PeopleSoft HR.	<i>IMPLEMENTED</i>
3. Determine if current functionality is available to produce agency-wide leave reports that allow comparisons among departments and other jurisdictions.	<i>IN PROCESS</i>
4. If current capability is not sufficient, Metro should put a plan in place to add capacity.	<i>IN PROCESS</i>
5. Assess underlying causes for differences in leave use by department and employee class.	<i>NOT IMPLEMENTED</i>
6. Develop strategies to better manage leave.	<i>IN PROCESS</i>
7. Develop processes to identify and address leave misuse.	<i>IN PROCESS</i>
8. Collaborate with local jurisdictions to benchmark leave measures.	<i>NOT IMPLEMENTED</i>



Date: April 8, 2014
To: Suzanne Flynn, Metro Auditor
From: Mary Rowe, Human Resources Director 
Cc: Martha Bennett, Chief Operating Officer
Scott Robinson, Deputy Chief Operating Officer
Jodi Wilson, Benefits Program Manager
Subject: Management Response to Leave Management Audit Follow Up

The following represents management's response to the Leave Management Audit Follow-Up report which will be issued by your office later this month.

Human Resources (HR) and Information Services (IS) have worked on a number of improvements since the initial audit. We appreciate that the Auditor recognizes the areas of improvements.

Response to recommendations in the Auditor's report

The following summarizes management's response to the specific recommendations noted in the audit report.

Recommendations

1. Standardize employee data entered into the time and attendance systems. – In Process

Response: Previously all data for Family Medical leave was tracked manually. Since the time of the first audit HR has worked with IS to install and activate a Kronos leave management and absence manager module. Kronos is Metro's timekeeper system. These modules allow for the automated tracking of FMLA and leaves of absence respectively. OFLA and FMLA hours are now entered directly into the timekeeping system and data is transferred to PeopleSoft.

Next steps: The audit does note that there are a number of changes being made to timecards after they have been approved. HR has conducted training for supervisors regarding the use of Kronos and will continue with a more targeted outreach where those edits are occurring following approval of timecards.

2. Improve data quality and agreement across the two software systems, Kronos and PeopleSoft. - Implemented

Response: We appreciate the recognition that HR and IS have created a file that allows for daily transactions in Kronos to be uploaded into PeopleSoft.

3. Determine if current functionality is available to produce agency-wide leave reports that allow comparisons among departments and other jurisdictions. – In Process

Response: The Kronos modules only allow for agency wide reports. The system does not currently allow for a detailed department level report as recommended in the audit.

Next steps: HR and IS will continue to explore options for either the development of a custom report or the purchase of an additional module that would allow for this level of detail.

4. If current capability is not sufficient, Metro should put a plan in place to add capacity. – In process

Response: As stated in # 3 the current capability does not meet the level of detail outlined in the audit recommendations.

Next steps: Conduct a more in depth cost benefit analysis regarding the management of leave at the agency and various options including development of customized reports, adding an additional analytics model to Kronos or outsourcing of leave management to a 3rd party to determine the appropriate course of action.

5. Assess underlying causes for differences in leave use by department and employee class. - Not Implemented

Response: Some patterns became quickly apparent such as departments where the jobs are more physical and those jobs at 7 day a week operations tend to have a higher rate of absenteeism. Due to staffing and sheer volume of FLMA cases we have had to prioritize work load and have not yet completed as in depth analysis of leave usage as the audit calls for.

Next steps: We will first need to prioritize this body of work as an agency and then determine how to gather the information as outlined under # 4.

6. Develop strategies to better manage leave. - In Process

Response: Due to current staffing levels and the number of FMLA cases, HR and IS will do an analysis of the option of contracting FMLA management.

Next steps: Conduct an RFP for services for leave management if this appears to be a viable to more adequately address the agency needs.

7. Develop processes to identify and address leave misuse. – In Process

Response: With the current system, the HR Benefits Program Manager runs monthly reports to see who is potentially in violation of the respective contract or policy regarding leave usage and notifies the respective supervisor. This provides greater consistency in review across the agency then merely providing access to the data to individual supervisors who may or may not run the reports depending upon their competing priorities.

Next steps: Continue review of the data and follow up with supervisors as appropriate.

8. Collaborate with local jurisdictions to benchmark leave measures. – Not Implemented

Response: As noted in the audit report Multnomah County discontinued their tracking of leave usage and City of Portland commenced tracking leave usage. Metro's sick leave usage has been similar to these agencies at the respective time of comparison.

Next steps: Contact the City of Portland regarding their leave tracking and also Multnomah County regarding why they discontinued leave tracking and reporting. We will also see if Clackamas and Washington County and any of the larger cities such as Hillsboro and Beaverton have any systems in place for leave analysis.