



Douglas County Internal Audit

February 27, 2015

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft, PJ Morgan and Chris Rodgers

Patrick Bloomingdale
Lee Lazure
1819 Farnam Street
Omaha, NE 68183

Dear Commissioners, Patrick Bloomingdale and Lee Lazure:

I have completed a performance audit of the ethics environment for Douglas County. The Internal Audit Department follows the International Standards for the Professional Practice of Internal Auditing. As such, the department is required to evaluate the County's ethics-related objectives, programs, and activities. The purpose of the audit was to assess the adequacy and effectiveness of the County's ethics policies and procedures. The audit revealed opportunities to improve practices within the County. Specific issues and recommendations to improve management over ethics practices were identified and appear below.

Background

The County Ethics policy is detailed within the Civil Service Commission Personnel Policy Manual and Douglas County Purchasing Manual. The primary topics listed within the Employee Ethics and Conduct policy are misuse of county resources, political activity, solicitation and acceptance of gifts, falsification of records, theft, employee integrity, restrictions on supervision of relatives, discrimination, harassment, and retaliation policies. The written policy provides the guidelines and any limits related to these areas. This policy is explained in new employee orientation where a printed copy of the "Employee Ethics and Conduct" code is handed out to each employee and discussed in detail. All employees attending are required to sign a form acknowledging receipt of a printed civil service commission policy manual including Employee Ethics and Conduct code and anti-harassment policies.

Objective

Specific objectives to be achieved by the audit included determining if management had policies and procedures in place to ensure that:

- There is general knowledge and understanding by County employees of ethics guidelines.
- Human Resources (HR) policies in use provide adequate internal controls.
- There are adequate ethics training and communication procedures in place for County employees to follow.
- An anonymous hotline was considered or in use.
- Reporting procedures are in place for ethics complaints.
- There are adequate management oversight procedures in place.
- No retribution policies are in place for employees who report ethical issues.
- Best practices are used to help ensure that ethics policy adhere to industry standards.

Scope

The scope of the audit included assessment of County employees under the Civil Service Commission policies, procedures, and controls in place over the past year (i.e., October 2013 to September 2014). Review of procedure performance was also examined over the same period. A survey of ethical procedures and practices was also given to approximately 200 county managers and supervisors.

Methodology

The information used by Internal Audit was obtained through analysis of written policies and procedures, interviews of staff, physical observations, and employee survey data for the period identified in the scope. Along with an assessment of the policies and procedures as understood, reviews were performed to verify adherence to policies. The reviews included but were not limited to the following steps below:

- Interview County Administrator and HR Department to understand “tone at top” directives.
- Review “Code of Conduct” policy for completeness. Reviewed HR written policies for discrimination, harassment, sexual harassment, retaliation, use of county resources, political activity, solicitation and acceptance of gifts, falsification of records, theft of county property and employee conduct related to integrity issues.
- Review process in place for ethics training provided to county employees.
- Review process in place for annual reporting of conflicts of interest by all county employees.
- Review reporting and oversight process by county administrators, legal department, ethics committee, county board, compliance officer, and HR department.
- Review and document procedures on reporting of potential ethical issues. Document anonymous hotline, no-retribution policy, and confidential handling procedures in place.
- Interview the risk management area. Document if theft or surety bonding insurance is in place to cover potential losses.
- Review and document penalty procedures in place for employee discipline.

Additionally, Internal Audit compared Douglas County's ethics policy to other city and county entities. The counties included City and County of Denver Colorado, City of Austin, Texas, and City of Palo Alto, California. The policy comparisons indicated similar policies and procedures are in place. Proposed policy changes and other issues appear in the Findings section below.

Findings

Ethics Policy

Criteria: Management should convey a message that integrity and ethical values cannot be compromised; employees should receive regular training and acknowledge understanding of that message. County-wide ethics policies should be disseminated to all county departments and employees where required. The policies should be designed to make use of best practices where appropriate.

Condition: The existing ethical policies are well written and adaptable to ongoing training. However, there is a gap in training activity as it is only provided in the new employee orientation session. The supervisor survey indicated twenty-six percent have not received any training in the last three years while seven percent indicate they have never received any training. Per the supervisor survey, forty percent of managers indicated they were somewhat to not familiar with ethics policy.

Effect: There is a lack of awareness of ethics related policy which supports the need for training.

Cause: The County does not assign the resources or budget to perform such training.

Recommendation: The County should implement an ongoing ethics training program through use of online resources or live in-class instruction.

County Administration Response: County Administration will discuss this recommendation with the Human Resources Director and the Douglas County Board's Human Resources Committee.

Human Resource Department Response: The Human Resources Department of the Civil Service Commission is a major proponent of having a strong ethics culture at the County. The Civil Service Commission's Personnel Policy Manual in Article 20 sets forth a series of ethical standards for the employees of the County and what actions an employee should take when there are suspicions of inappropriate behavior.

The Human Resources Department provides the initial ethics training to new employees during our new employee orientation program. The key elements of behavior and performance expectations are presented to these new individuals joining County employment. As a new employee begins their job, it becomes the responsibility of the employee's supervisor or manager and the Elected Official or Department Head to insure ethical values and behaviors continue to be encouraged and fostered both in and outside the workplace.

For the past four years, Human Resources has initiated an on-line, e-learning program to continually promote ethics training on the key topics of sexual harassment prevention and the understanding and celebration of diversity in the workplace. The e-learning programs in these areas are mandated by the County Board for the Departments under the Board and strongly recommended to the Elected Officials that their employees complete these courses as well. We recommend that the County Board and the County's Elected Officials actively promote the completion of these and other ethics training programs throughout each calendar year.

The Human Resources Department is actively looking for a new vendor to assist with more formalized e-learning in specific areas related to integrity and ethical values. We have looked at our current vendor, Skill Soft Corporation, and found that their courses on ethics are lacking in applicability to the wide range of work responsibilities of our employees in County government. We have found a new vendor which we are considering signing a contract with after our current contract with Skill Soft expires at the end of June 2015.

We strongly support all efforts to communicate and promote ethical values and responsibilities in ethics policy and practice within the County and appreciate being a part of this role in County government.

Administration of Ethics Policy

Criteria: Management conveys a message that integrity and ethical values cannot be compromised and demonstrates that it will not tolerate actions that violate these values.

Condition: Normally, ethical issues are initially handled in the department and referred to higher management levels based upon management determination. Per the supervisor survey, seventeen percent do not believe ethics items are addressed and thirteen percent of managers indicated they felt uncomfortable in handling ethical issues. Thirty-six percent of supervisors felt there was a perceived gap between what the County's ethics and standards say and the way those policies and standards are administered.

Effect: The current process is formalized, but limited in reporting structure. Perceptions persist that ethical issues are not handled properly.

Cause: There is an actual or perceived lack of transparency in the process for resolving ethical issues.

Recommendation: Consider further investigation to determine the reasons for the perceived gap in ethical administration. Strengthen current practices to enhance transparency and accountability where practical (e.g., the use standard corrective actions consistently applied to all employees). Consider the creation of an Ethics Committee to develop and administer county-wide ethics policy. The committee would investigate ethics cases that are forwarded and increase visibility of the ethics process.

County Administration Response: The County Administrator will discuss this recommendation with the County Board's Human Resources Committee. Ultimately, the County Board will need to decide whether it wants to establish an Ethics Committee or if another approach is more appropriate.

Human Resource Department's Response: Human Resources is in strong support of establishing a formal County Ethics Committee. We would welcome the opportunity to assist in developing a mission statement as a part of a charter for the committee's role in the County. We would recommend that such a Committee would have key individuals from the Human Resources Department, the Civil Division of the Attorney's Office, The Chief Administrative Office of the County Board, the Internal Audit Department, County Board representation, and related offices of the County. We would welcome the opportunity to help in formulization of this committee.

Annual Conflict of Interest Reporting

Criteria: Management conveys a message that integrity and ethical values cannot be compromised. Conflict of interest policies are evidence that the County conveys this message. Annual conflict of interest reporting is a best practice that helps ensure actual and perceived conflicts are brought to light and evaluated periodically by both employees and management.

Condition: Annual conflict of interest reporting does not exist for County employees. Employee self-reporting is the current practice once the initial employment background checks are completed.

Effect: Employees may not be aware or forget that there is a need to self-report conflicts. This in turn could lead to the existence of actual conflicts that result in harm to the County's finances and reputation.

Cause: The County considers self-reporting an acceptable conflict of interest policy.

Recommendation: Annual conflict of interest reporting as well as acknowledgement of the policy should be considered for implementation across the County.

County Administration Response: The County Administrator will discuss this recommendation with the County Board's Human Resources Committee and will seek direction from the County Board as to the most appropriate and effective method of conflict of interest reporting.

Human Resource Department's Response: Human Resources definitely supports all efforts for the reporting of conflicts of interest both through self-reporting and formalized annual statements signed by employees regarding any conflict of interest or legal issue that may affect their employment with the County. Several of the County's offices/departments have annual statements for employees to sign. The implementation of such a program could be one of the first efforts of a County Ethics Committee.

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with the Douglas County Administration and the Douglas County HR Department.

Internal Audit appreciates the cooperation provided by the office management and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
Jude Lui
Richard File
Thomas Cavanaugh
Kathleen Hall
Diane Carlson
Joe Lorenz
Eric Carlson
Jeff Claussen
Frank Hayes
Tumi Oluyole