



*MartinClerk.com*

**Internal Audit Committee of  
Martin County, Florida**

**Internal Audit of the  
Voluntary Early Separation  
Incentive Program**

**Internal Audit Report: 2022-001**

**Prepared By:  
Internal Auditors of Martin County  
January 31, 2022**



# Table of Contents

---

Transmittal Letter .....	1
Executive Summary .....	2
Background .....	3 - 6
Objectives and Approach .....	7
Observations Matrix .....	8 - 9

March 8, 2022

Martin County Clerk of the Circuit Court and Comptroller  
Ms. Carolyn Timmann  
100 SE Ocean Boulevard  
Stuart, Florida 34994

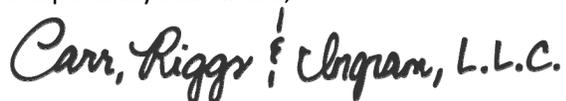
Pursuant to the approved internal audit plan dated December 10, 2021, we hereby submit our internal audit report covering the Voluntary Early Separation Incentive Program. In this report, we will propose any recommendations to improve financial management, accounting procedures, and internal controls.

Our report is organized in the following sections:

<b>Executive Summary</b>	This provides a summary of the observations and testing results related to our internal audit of the Voluntary Early Separation Incentive Program (VESIP).
<b>Background</b>	This provides a general overview of the VESIP.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of our approach.
<b>Observations Matrix</b>	This section provides the results of our internal audit procedures, including any recommended actions and management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the Voluntary Early Separation Incentive Program.

Respectfully Submitted,



Carr, Riggs & Ingram, LLC



## **Executive Summary**

# Executive Summary

---

## Overview

On July 28, 2020, the Board of County Commissioners approved a Voluntary Early Separation Program (VESIP) for eligible employees of the Martin County Board of County Commissioners (the “County”) to provide the opportunity to voluntarily separate (resign or retire) from the County. The County provided for three (3) election periods in the 18 months prior to the end of December 2021 – July 2020 election period (paid in October 2020), December 2020 election period (paid in March 2021), and September 2021 election period (paid in December 2021). The Office of the Clerk of the Circuit Court and Comptroller (the “Clerk”) elected to concurrently offer participation in a VESIP to the Clerk’s eligible employees during the July 2020 and the December 2020 election periods. The Clerk’s VESIP program mirrored that of the County.

## Objective

As outlined in the fiscal year 2022 Risk Assessment and proposed Internal Audit Plan issued in December 2021, the VESIP payouts were identified as having some additional risk associated with the increased activity over the past 18 months. The VESIP payouts were made pursuant to a program that is only offered during select times; therefore, the transactions are not of a nature that staff handles routinely. Further, there has not been a previous internal audit of the VESIP function. Our focus was on controls over the enrollment process and processing of the payouts in compliance with the VESIP guidelines and current tax laws and regulations.

## Observations

Observation ratings are a subjective evaluation of the severity of the concern and the potential impact on the operations. An observation rating of “High” represents an issue of immediate concern and could cause significant operational issues if not addressed soon. A “Moderate” rating is an issue that may also cause operational issues and does not require immediate attention but should be addressed as soon as possible. Observations given a “Low” rating could escalate into operational issues but can be addressed through the normal course of conducting business.

The following is a summary of observations noted.

Ratings by Observation	Risk Rating
1. <b>Reemployment Monitoring</b> - We noted the design of the controls over post program monitoring for the County involved the use of a manual spreadsheet, which provides opportunities for improvement related to the use of software in the monitoring process.	Low
2. <b>Application</b> – We noted an opportunity for improvement of the VESIP application to include a separation from service date.	Low



**Background**

## Background

A Voluntary Early Separation Incentive Program (VESIP) was proposed for Martin County and presented to the Board of County Commissioners at their meeting on July 28, 2020 for approval. The first of three (3) election periods opened shortly after obtaining approval of the Board (the July 2020 election period). Additional election periods were opened in December 2020 and September 2021.

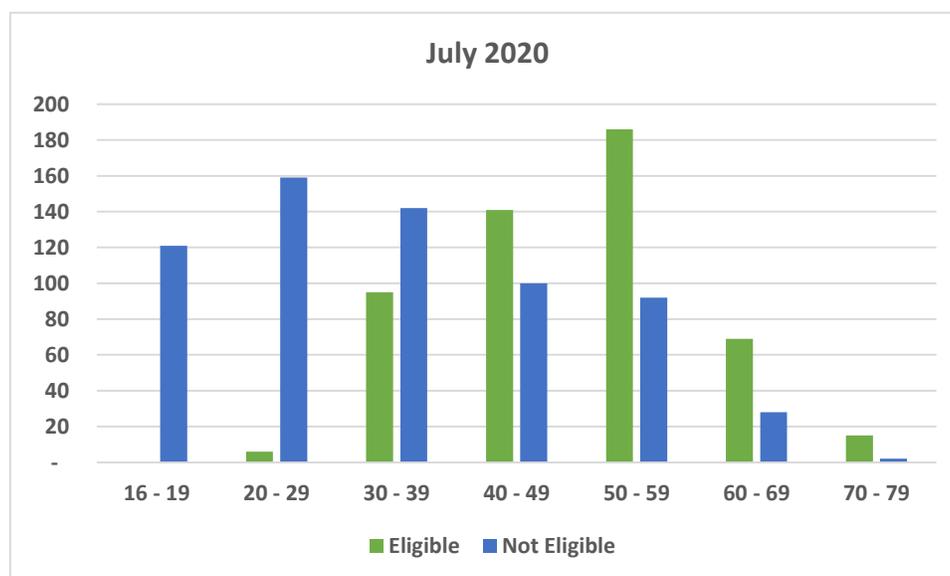
The strategic goal of the VESIP is to support the County's continued efforts to identify cost-saving opportunities through the hiring of new employees at a lower rate than the employees that vacated the position(s), reducing recurring fiscal costs throughout the organization while minimizing the impact to County personnel. The program also creates opportunities for internal advancement (mobility) of employees, i.e. promotions, and encourages employees who were uncertain regarding retirement.

The program is only offered at select times at the discretion of the County Administrator or the Clerk of the Circuit Court and Comptroller and applications are accepted within a limited timeframe.

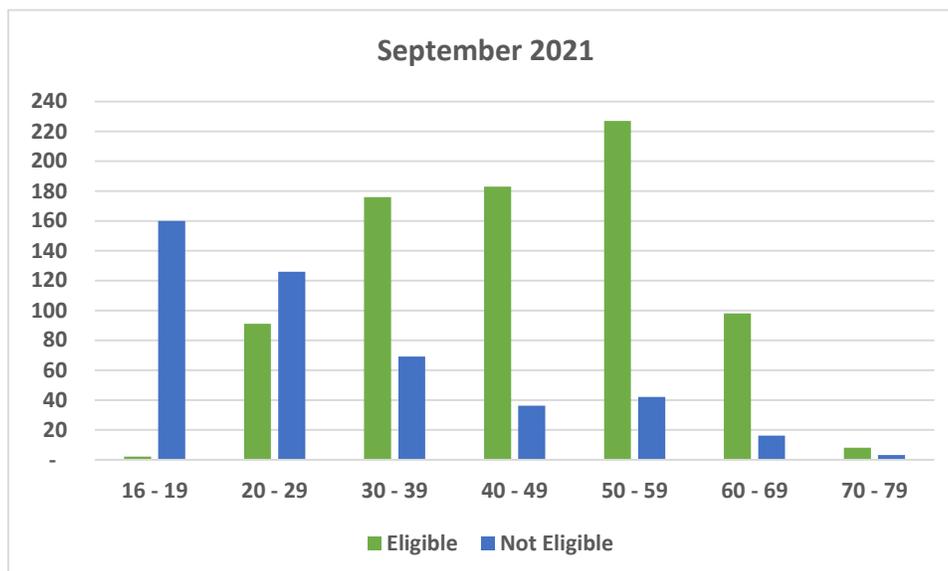
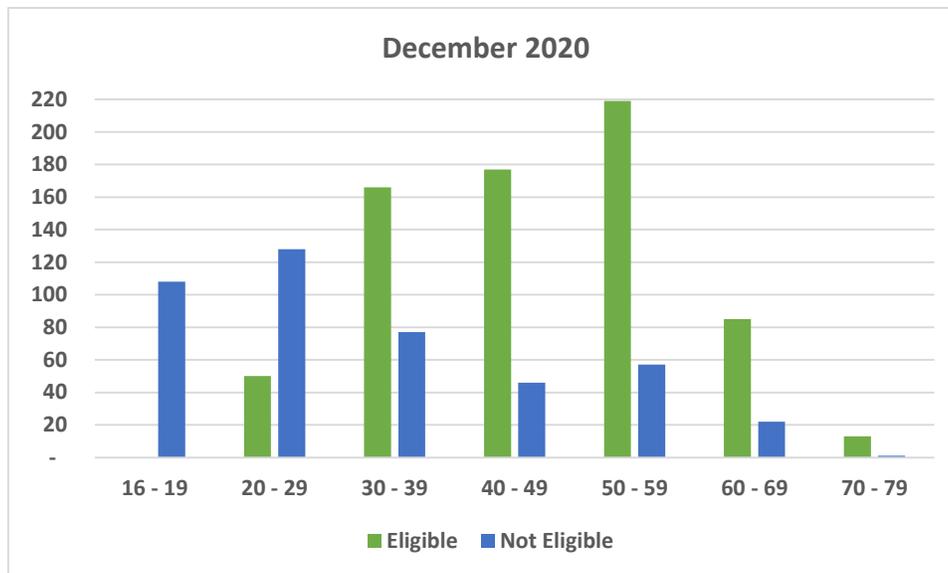
### Program Eligibility

For the July 2020 election period, any employee who had six (6) years of continuous, full-time service with the Martin County Board of County Commissioners (or the Clerk's Office) were eligible to apply for benefits for voluntarily separating with the County. For the December 2020 and the September 2021 election periods, employees who had three (3) years of continuous, full-time service with the County (or the Clerk's Office) were eligible to apply to participate.

There were 512 County employees eligible to participate in the July 2020 election period and 644 employees who were not eligible to apply for the program. For the December 2020 election period, there were 710 County employees eligible to participate and 439 employees who were not eligible to participate. For the September 2021 election period, there were 785 County employee eligible to participate and 452 employees who were not eligible. The charts below summarize the eligible employees by age range for each election period.



## Background



## Program Terms

Participating employees received the following benefits:

- Two (2) weeks of pay at the employee's current base rate of pay (less applicable taxes) for each full year of service as a full time County employee up to a maximum of ten (10) years. (Service of six months and one day is rounded up to a full year). The maximum number of weeks of pay an employee can receive under the program is twenty (20) weeks.
- Twenty (20) weeks of the County's health insurance plan at the current premium in effect for employees. At the conclusion of the twenty (20) week, participants may elect continued health insurance coverage pursuant to Title X of the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to eighteen (18) months.

## Background

---

*Flexible Spending Account.* Participants enrolled in the Flexible Spending Account (FSA) program were not able to incur new expenses under the FSA program after separation from employment.

*Health Reimbursement Account.* Participants were eligible to continue to file for reimbursement through the end of the month in which they resigned or through the end of the calendar year in which they retired.

*Employee Assistance Program.* Benefits for participants enrolled in the Employee Assistance Program ceased at the end of the month in which they separated.

*Reemployment.* Program participants are not eligible for reemployment with the County or the Clerk's Office, as applicable, for a period of two (2) years from the date of the agreement.

### Program Participation

Over the three (3) election periods, the County had 87 employees participate in the VESIP. For the two (2) election periods for which the Clerk offered the VESIP, there were 4 employees who opted into the program. Program participation for each election period is outlined below:

Election Period	Participants	
	County	Clerk
July 2020	30	2
December 2020	29	2
September 2021	28	

Total payouts – not including the employer's portion of payroll taxes – for each enrollment period for the County and for the Clerk are presented in the table below:

Election Period	Total Payout	
	County	Clerk
July 2020	\$ 829,803	\$ 46,692
December 2020	\$ 617,750	\$ 39,386
September 2021	\$ 728,355	

*Note: The total payout amount for the September 2021 election period does not include the payout for one (1) participant that is scheduled to separate from service in March or April 2022.*

# Background

---

## Post Program Monitoring

To ensure compliance with the two-year reemployment waiting period provision of the program, the following controls are in place:

**County Employees** – Participants in the County’s VESIP program are tracked on an Excel spreadsheet. This spreadsheet is used to compare names to applicants for jobs with the County to ensure the two-year waiting period is met if the applicant indicates prior employment with the County in the work history section of the application. The spreadsheet is accessible by the Director of Human Resources and Risk Management and staff within that division. Additionally, for participants in the County’s program, the VESIP agreement is maintained in the personnel file for each individual that separated under the VESIP program.

**Clerk Employees** – For participants in the Clerk’s program, participation in the VESIP is noted as the reason for separation in the employee record in the Human Resources (HR) software application. In addition to a copy of the VESIP agreement, the final *Payroll Change Notice* prepared in connection with the separation includes a reference to the VESIP as the reason for the separation. These documents are maintained in the personnel file for each individual that separated under the VESIP program. When reviewing the application of a potential employee, the notation in the HR software combined with the documentation in the personnel file provides Human Resources the information necessary to determine whether the applicant is eligible for re-hire and notes that on the application accordingly.



## **Objectives and Approach**

# Objectives and Approach

---

## Objectives

Objectives of the current internal audit of the Voluntary Early Separation Incentive Program:

<input type="checkbox"/> Determine that controls are in place to ensure appropriate eligibility into the VESIP.
<input type="checkbox"/> Perform a walkthrough of the VESIP eligibility process.
<input type="checkbox"/> Test a sample of participants in the VESIP and determine that they met the eligibility requirements.
<input type="checkbox"/> Determine the accuracy of the payroll and leave calculations for the participants sampled.
<input type="checkbox"/> Determine the impact on the FRS pension contributions.

## Approach

Our internal audit approach consisted of three phases:

### **Understanding and Documentation of the Process**

During the first phase, we held an entrance conference with the Clerk of the Circuit Courts and Comptroller, the Chief Deputy of Operations and other personnel to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements. We then conducted interviews with responsible personnel and documented their respective roles in the processes.

### **Detailed Testing**

We performed testing procedures based on our understanding of the Voluntary Early Separation Incentive Program. Our procedures included observation and inquiry, walk through and testing of individual transactions. The time period covered was October 1, 2020 through December 31, 2021. We performed the following procedures to meet our internal audit objectives outlined above:

- Review of compliance with eligibility to participate in the VESIP.
- Tested a sample of participants in the VESIP and determined that they met the eligibility requirements.
- Tested the accuracy of the payroll and leave calculations of the sampled participants.
- Reviewed the treatment of the VESIP payout in the calculation of FRS pensionable wages for the pay period in which the payout was made for compliance FRS rules.

### **Reporting**

At the conclusion of our audit, we summarized our findings related to the VESIP. We conducted an exit conference with Management. We have incorporated Management's responses into our report.



## **Observations Matrix**

## Observations Matrix

Rating	Observation	Recommended Action	Management Response
Low	<b>1. Reemployment Monitoring</b>		
	<p>We noted the following opportunity for improvement as it relates to the area of reemployment monitoring:</p> <ul style="list-style-type: none"> <li>The County's Human Resources (HR) Department is currently utilizing an Excel spreadsheet to use to confirm an applicant's eligibility for rehire after the mandated two-year waiting period required for participants in the VESIP program</li> </ul> <p>As less than two (2) years has transpired since the first election period, there was not an opportunity to test this control. However, in general, manual controls such as the use of Excel spreadsheets increase the risk for information to be incorrectly updated in the spreadsheet or an unawareness of the existence of the spreadsheet (or its purpose) should the HR department experience turnover.</p>	<p>We recommend the County's HR department consider utilizing the existing software (Banner) to include an "identifier" directing the HR employee reviewing an application to the applicant's personnel file, which would direct them to the final <i>Payroll Change Notice</i> and a copy of the VESIP agreement. This should allow the HR department to continue to use the Excel spreadsheet as a supplemental control or, optimally, eliminate the need for the spreadsheet as a monitoring tool.</p>	<p><b>Response:</b> Management will investigate the use of information regarding "reason for separation" entered into the existing software system as a means to phase out the use of the Excel spreadsheet.</p> <p><b>Responsible party:</b> Matthew Graham, Director of Human Resources and Risk Management</p> <p><b>Estimated completion date:</b> TBD</p>

## Observations Matrix

Rating	Observation	Recommended Action	Management Response
Low	<p><b>2. Application</b></p>		
	<p>Each of the election periods included eligibility criteria for completion of a set number of years of service. The measurement for this eligibility criteria was based on an assumed date of separation from service.</p> <p>For example, in the September 2021 election period, the applicant had to certify that (s)he “have been or will be classified as a full-time employee for at least three (3) years, and one (1) day of continuous service as of December 18, 2021.”</p> <p>As noted in the <i>FAQ Document</i> provided to potential participants, in general, the last day worked will be the date identified for that election period; however, the <i>FAQ Document</i> acknowledged that there may be some exceptions to these dates.</p> <p>The application provided to the County Administrator or the Clerk does not indicate a planned date of separation. The addition of a planned date of separation would (1) provide documentation that the County Administrator (or Clerk) was made aware of a separation date different than the date anticipated for the election period prior to their approval of the application; and (2) document the years of service calculation took into account the earlier separation date.</p>	<p>We recommend the VESIP application include information on the planned separation date such that the application can serve as documentation of the HR Division’s acknowledgement of the earlier separation date and of the County Administrator’s or Clerk’s approval of the applicant to include the earlier separation date.</p>	<p><b>Response:</b></p> <p>Management agrees that the addition of information regarding the planned date of separation will provide for improved documentation. While another VESIP is not currently planned, Management intends to review other HR documents for opportunities to provide for similar enhancements.</p> <p><b>Responsible party:</b></p> <p>Matthew Graham, Director of Human Resources and Risk Management</p> <p><b>Estimated completion date:</b></p> <p>TBD</p>