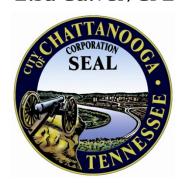**Office of Internal Audit**

Performance Audit 24-07:
Human Resources Department
Separated Employees

August 2025

City Auditor
Stan Sewell, CPA, CGFM, CFE

Senior Auditor
Lisa Culver, CFE

OFFICE OF INTERNAL AUDIT
Stan Sewell, City Auditor

August 22, 2025

To: Mayor Kelly
       City Council Members

Subject: HR Separated Employees, Audit 24-07

Dear Mayor Kelly and City Council Members:

The attached report contains the results of our audit of the Human Resources separated employee and unemployment benefits claims processes. Our audit found weakness in controls over both processes which has led to financial losses for the City. We also noted that termination documentation was not always retained and that key departments were not always notified when an employee was discharged. In order to address the noted areas for improvement, we recommended developing and implementing written procedures, ensuring termination documentation is retained to defend unemployment claims, and updating termination notifications to include all applicable departments.

We thank the management and staff of the departments of Human Resources, Technology Services, Finance, Early Learning, Police, and Public Works' Fleet and Facilities Management Divisions for their cooperation and assistance during this audit. We would also like to thank the staff from the State of Tennessee Department of Labor and Workforce Development who provided assistance with the City's unemployment benefit claims.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
       Kevin Roig, Chief of Staff
       Mande Green, Chief Operating Officer
       Steven Wilson, Deputy Chief Operating Officer
       Melody Wingfield, Chief Human Resources Officer
       Weston Porter, City Finance Officer
       Jerele Neeld, Chief Information Technology Officer
       Jim Arnette, Tennessee Local Government Audit jim.arnette@cot.tn.gov

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AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2024 Audit Agenda. The objectives of this audit were to determine if:

- Human Resources has adequate internal controls over the separated employee Offboarding process; and,

- Human Resources has adequate internal controls over the unemployment claims process.

BACKGROUND

The Human Resources Department (HR) manages the termination process. They have developed an automated notification process when an employee's termination is entered into Oracle. The Oracle Offboarding Journey workflow generates automatic notifications to DTS, HR Benefits, Facilities, and Payroll. These individual departments/divisions are responsible for deactivating the separated employee's City system accounts, health benefits, City facilities access and inventorying assigned computer equipment.

The audit did not include employees hired through the temporary agency or contractors. These individuals are not entered into the Oracle system as employees. Consequently, when their employment is terminated, DTS, HR, and Facilities are not automatically notified of their departures to disable City accounts and retrieve equipment.

HR is also responsible for the oversight of unemployment claims submitted by separated employees. The separated employee submits an unemployment claim to the State of Tennessee Department of Labor and Workforce Development (DOL). DOL is responsible for approving the separated employee unemployment claims. DOL mandates a candidate for unemployment benefits must have been separated from his most recent covered employer through no fault of their own. The candidate will not be eligible if they left their most recent employer for the following reasons:

- Voluntarily quitting without good cause connected to work; or
- Being discharged for willful misconduct connected with work.

DOL has established a portal for employers to administer their unemployment claims. The Jobs4TN.gov portal houses the City's claim documents and is used to communicate with DOL.

Statistical Information

Exhibit 1: Summary of CY2024 Employee Separations

Summary of CY24 Separations

Employee's Reason Leaving	Termination Code Action	No. of Employees
Other Employment	Voluntary	85
Retirement	Voluntary	84
Personal Reasons	Voluntary	56
Move or Relocation	Voluntary	20
Job Fit	Voluntary	14
Compensation/Salary	Voluntary	13
Resigned in Lieu of Termination	Voluntary	12
Lack Career Growth	Voluntary	10
Medical - Personal	Voluntary	10
Education	Voluntary	4
Workplace Culture	Voluntary	4
Unhappy with Direct Supervisor	Voluntary	2
Probationary Release	Involuntary	32
Discharged - Conduct	Involuntary	10
Job Abandonment	Involuntary	9
Laid Off or Reduction in Force	Involuntary	9
Deceased	Involuntary	6
Discharged - Performance	Involuntary	4
Discharged - Attendance	Involuntary	2
Dishonesty/Falsification/ Theft	Involuntary	2
Failure to Return from Leave	Involuntary	2
Criminal Conviction	Involuntary	1
End Contract/Internship	Involuntary	1
Medical Separation	Involuntary	1
Ineligible (Legally or per Policy)	Involuntary	1
CY2024 Total Employees		**394**

Source: Oracle CoC Terminated Employee Detail Report

FINDINGS AND RECOMMENDATIONS

Control deficiencies in the Offboarding process

Delays in initiating the Offboarding process can cause several serious issues such as overpayment of final compensation, unauthorized access to City systems and facilities by former employees, and failure to recover City issued equipment and assets. *The Internal Control Manual for Local Government Entities and Other Audited Entities in Tennessee* states management should design control activities to achieve objectives and respond to risks.

The Offboarding workflow is initiated upon termination entry by an employee, department manager, or HR, with the final HR approval triggering the journey.

Our review found the following deficiencies:

- City managers took on average three days to approve terminations after the employee's termination date, followed by HR taking on average one day to enter the approval. HR lacks a formal policy establishing specific timeframes for managers and HR staff to enter and approve terminations. Any delay with the approvals disrupts the initiation of the Offboarding Journey notifications.

- The Offboarding workflow automatically notifies several key departments when an employee separates from service. However, our audit identified that CPD, Early Learning, Fleet, and Purchasing are not included in these critical automated notifications, which means there is no automated process to revoke access for terminated employees in these specific departments.

The lack of automated notifications resulted in seven of the 25[1] (28%) terminated employees we tested remaining active in the fuel system after their termination dates. We also found two of the four[2] (50%) terminated employees we tested had purchase cards that remained active as of July 10, 2025.

Recommendation 1:

We recommend HR develop and implement a written policy requiring department managers and payclerks, as well as HR staff to enter and

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[1] We found only 25 of the 54 separated employees reviewed had fuel system access during their employment.
[2] We found four of the 54 separated employees reviewed had purchase cards during their employment.

approve termination entries on or prior to the employee's termination date.

Auditee Response: *We concur with findings and recommendation.*

Estimated Implementation Date: *February 9, 2026*

Priority Level: 2

Recommendation 2:

We recommend HR update the Offboarding Journey workflow in Oracle to include Fleet, Purchasing, Early Learning and CPD.

Auditee Response: *We concur with findings and recommendation.*

Estimated Implementation Date: *February 9, 2026*

Priority Level: 2

Termination documentation is not retained in a centralized location.

During our review, we observed that department payclerks, managers and HR staff sometimes upload termination-related documentation (e.g., resignation letters, separation notices, internal notes) when initiating an employee termination in Oracle. However, these documents are not automatically stored in the employee's official digital personnel file (Oracle Document Records). Instead, they are routed to Oracle's transaction console which has limited access.

We reviewed the employees' Oracle termination documentation in their Document Records file and attachments in the Termination Entry process to determine if there was sufficient support for each type[3]. We found two of the eight (25%) involuntary terminations lacked the documentation to support the termination. There were three out of 46 (6.5%) voluntary separations that did not have either a note or documentation explaining the separation.

All employee separations should be documented in the employee's digital file. Without the documentation the City can't defend unemployment claims, wrongful termination litigation or a decision on the employees rehire. The City's *Record Retention Schedule* requires termination records to be retained for five years. HR lacks a specific

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[3] There are two types of separations – voluntary and involuntary. Voluntary separations may include retirement or resignation while involuntary separations could include dismissals for conduct, performance, attendance and layoffs.

policy outlining what defines adequate supporting documentation for various types of employee separations.

Recommendation 3:

We recommend HR develop and implement a written policy that defines the specific supporting documentation required for each type of employee separation (e.g., voluntary, involuntary).

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 9, 2026

Priority Level: 2

Recommendation 4:

We recommend HR establish a procedure to ensure all required termination documentation is consistently uploaded and stored in the employee's official digital personnel file in compliance with the City's *Record Retention Schedule* requirements.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 9, 2026

Priority Level: 2

Recommendation 5:

We recommend HR provide managers training on the termination process. The training should be accessible and documented in the Oracle Learning system and required for all managers.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 9, 2026

Priority Level: 2

Non-compliance with State law

The State of Tennessee requires all employers to furnish each separated employee with a separation notice within 24 hours of the separation. Our review of 54 separated employee records revealed two key deficiencies regarding separation notices:

- Missing Notices: Separation notices could not be located for nine (17%) of the 54 separated employees we sampled.

- Untimely Issuance: Of the 45 notices that were located, 33 (73%) were issued more than one business day after the employee's separation date.

The City could be fined or penalized for not providing the Separation Notices as required by Tennessee Employment Security Law.

Recommendation 6:

We recommend HR ensure the State law is followed and Separation Notices are provided to separated employees within 24 hours.

Auditee Response: We concur with findings and recommendation. However, until a termination is entered and approved by an employee's assigned department, HR is unaware that an employee has separated. Managers within the City's various departments have the responsibility to enter this information into Oracle. HR will push out training in an effort to address this issue. Ultimately, department heads will have to put accountability measures into place if managers fail to properly report terminating employees.

Estimated Implementation Date: February 9, 2026

Priority Level: 2

Oracle does not accurately process final pay for exempt employees.

Our review of separated employees found the final pay for two exempt employees was incorrect. In both cases, the employees were paid for days past their termination date.

- Employee 1's last day was on April 24, 2024. The employee was paid for 80 hours, despite only being employed for 32 hours within the pay period.

- Employee 2's last day was on April 1, 2024. The employee received payment for 80 hours, although the employee was only employed for 56 hours within the pay period.

Finance staff acknowledged they were aware of this reoccurring error and have been in contact with the payroll software vendor for a correction. *Finance's Payclerk Procedures* manual requires the payclerk to review their assigned payroll data and correct any errors prior to finalizing the payroll register. If they were carefully reviewing the final payroll register, these errors would be identified.

Recommendation 7:

We recommend Finance, with the assistance of DTS, correct the programming issue causing exempt employees' final pay to be incorrect. We verified this recommendation has been implemented as of the issuance date of this report.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: Implemented prior to issuance of report.

Priority Level: 1

Recommendation 8:

We recommend Finance provide additional training to payclerks emphasizing the importance of reviewing the separated employee's final pay.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: September 8, 2025

Priority Level: 2

Department of Technology Services (DTS) Offboarding automation systems are not functioning properly.

DTS automated systems that disable Google accounts and generate ITOPS tickets for the separated employee's equipment retrieval do not function properly.

Disabling Google Accounts

DTS's Active Directory automatically receives a notification when the Offboarding Journey is initiated, and it is designed to disable the employee's account one day after their last day of work. Of 54 separated employees reviewed, one Google account was found to be still active, and 34 (63%) accounts took longer than the one-day post-termination period stipulated by DTS's staff.

DTS management acknowledged an inability to clearly identify the root cause for the single active account or the delays in other deactivations. DTS is currently conducting manual reviews of all offboarding entries to compensate for these automation failures. The Department of Technology Services *Active Directory Account Verification Policy* states the Active Directory is spot checked yearly

to ensure the automation of Accounts are disabled within a timely manner.

Generating ITOPS tickets

DTS's automated system creates an ITOPS ticket that lists the separated employee's assigned computer equipment. The ITOPS ticket is sent to the DTS Service Desk and the employee. The DTS Technicians reach out to the employees' manager about the assigned computer equipment. The EIG, Section 8.1, states at the time of separation all City property in the employee's custody must be returned to the department.

Our review found 28 (52%) of the 54 separated employees did not have an ITOPS ticket automatically generated. Furthermore, 20 (37%) of the 54 employees had tickets that were manually created in bulk, significantly after the respective employee termination dates. DTS is currently investigating the malfunction of this automated process.

Recommendation 9:

We recommend DTS investigate and identify the root causes of the malfunctions in the automated systems for disabling user accounts and generating ITOPS tickets.

Auditee Response: We concur with findings and recommendation. DTS has hired a third party contractor who is investigating and trying to resolve the automation systems issues.

Estimated Implementation Date: February 6, 2026

Priority Level: 2

Recommendation 10:

We recommend DTS perform monitoring of their automated systems as required by their policy.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 6, 2026

Priority Level: 2

City-owned technology equipment is not inventoried.

We reviewed DTS's Oomnitza inventory system for the status of the separated employee's assigned equipment. The review revealed critical

gaps that resulted in 46% (25 of 54 sampled) of the separated employees equipment not being found in the inventory system.

According to DTS, one reason why the employee's equipment could not be located is due to historical computer equipment data for some employees was not fully integrated into the Oomnitza system, potentially remaining in older inventory systems. We also discovered DTS does not always document the initial deployment and subsequent return of computer equipment. *DTS Comprehensive Technology Use Policy* states they shall maintain the central technology inventory system for the City.

Recommendation 11:

We recommend DTS complete an inventory of computer equipment and update the Oomnitza inventory records, as previously recommended in Audit 22-03 Cellular Device Management.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 6, 2026

Priority Level: 2

Recommendation 12:

We recommend DTS begin documenting the deployment and return of computer equipment to support their inventory records, as previously recommended in Audit 22-03 Cellular Device Management.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 6, 2026

Priority Level: 2

Control deficiencies in unemployment benefits claims management and oversight

HR is responsible for ensuring the employee separations are documented and properly supported to uphold unemployment claims. Our review found that upon the retirement of a key HR employee, a new staff member was assigned responsibility for unemployment claims processing. However, this new employee:

- Did not receive adequate training from their predecessor.

- Was unable to gain access to the State's unemployment claims portal for approximately one month after assuming the role.

- Did not receive formal, written procedures that outline the unemployment claims processing steps.

Further, we found the City is expending unnecessary funds on unemployment benefit claims. The *State of TN Handbook for Employers* disqualifies individuals from benefits if they leave their most recent employment without good cause or due to misconduct. However, HR's established practice is to only defend claims involving violent or hostile policy violations.

Our review of paid unemployment claims identified instances where benefits were awarded despite circumstances that may have warranted a defense by the City. We found the following unemployment benefits were paid in CY24:

- Eighteen voluntary employee separations resulted in unemployment benefit awards totaling $18,011.23.

- Twenty-one involuntary employee separations resulted in unemployment benefit awards totaling $23,437.53.

Recommendation 13:

We recommend HR establish a formal training program for all personnel involved in unemployment claims, ensuring new employees receive thorough instruction. Additionally, HR should implement a cross-training strategy to ensure multiple employees are proficient in this critical function and have timely access to necessary systems.

Auditee Response: We concur with findings and recommendations.

Estimated Implementation Date: February 9, 2026

Priority Level: 1

Recommendation 14:

We recommend HR develop and implement written policies and procedures for the unemployment claims process.

Auditee Response: We concur with findings and recommendation.

Estimated Implementation Date: February 9, 2026

Priority Level: 2

Recommendation 15:

We recommend HR establish a process to review and assess all unemployment claims received for disqualification criteria.

Auditee Response: We concur with findings and recommendation. We will implement the recommended strategy, as we do not wish for an

employee who was separated for misconduct or cause to receive unemployment. Additionally, the appeals process has merit. However, appeals require substantial effort and have been lost despite our documentation and ability to prove a policy was violated. We plan to revisit this topic to compare time spent on claims vs. savings in unemployment payments.

Estimated Implementation Date: *February 9, 2026*

Priority Level: 1

Unemployment benefit payments to the State lack adequate supporting documentation and verification.

The City paid $56,441 in unemployment benefits claims to the State during the audit period. Finance processes these monthly payments based solely on the total charge from the State's *Employer Statement*. However, a review of the State's unemployment portal revealed a detailed *Monthly Statement of Benefit Charges* that itemizes each individual receiving benefits and their respective amounts. We found HR does not review the individual recipients and charges to ensure erroneous charges are not present. *Finance Payment Policy and Procedures* requires a descriptive/itemized invoice to support the payment request.

We found the City is incurring unnecessary expenditures on unemployment benefit claims, leading to potential financial loss. In our review of 47 separated employee unemployment claims, we identified one instance of possible fraud where an employee received $3,900 in unemployment benefits.[4] This employee continued to receive benefits for two months after returning to full employment with the City and also received backpay from being placed on a leave of absence. HR failed to inform the State of this employee's backpay, as required by regulations. T.C.A. 50-7-303 specifies the intent of the law is to prevent overpayment of benefits as a result of back pay.

Recommendation 16:

We recommend HR develop a procedure to review the *Monthly Statement of Benefits Charges* prior to forwarding them to Finance for payment. This review should involve verifying the employment status of each individual listed to ensure the City is only paying legitimate unemployment claims.

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[4] We reported this information to the State of Tennessee Department of Labor and Workforce Development for investigation and the State's Comptroller's Office as required by law.

Auditee Response: *We concur with findings and recommendation.*

Estimated Implementation Date: *February 9, 2026*

Priority Level: 1

Recommendation 17:

We recommend HR develop and implement a procedure to ensure the State is promptly notified when employees who receive backpay for time off also collected unemployment benefits.

Auditee Response: *We concur with findings and recommendation.*

Estimated Implementation Date: *February 9, 2026*

Priority Level: 1

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit period covered the City's employee terminations and unemployment claims processes from March 1, 2024 to February 28, 2025. When appropriate, the scope was expanded to meet the audit objectives. The scope did not include contracted workers hired by a third party.

Source documentation was obtained from Oracle, Human Resources, Department of Technology Services, Facilities Division, Fleet, Finance and the State of Tennessee Department of Labor and Workforce Development. Original records as well as copies were used as evidence and verified through physical examination.

We selected a random sample of separated employees from the audit period. We performed the following tests:

- Verified if the separated employees' access to facilities had been disabled by reviewing records in Facilities Management, CPD and Early Learning access systems.
- Reviewed separated employee's fuel transaction records in the Phoenix system.
- Verified if employee logins were disabled in DTS's Active Directory and if the employee's computer equipment was returned in the Oomnitza system.
- Reviewed the final pay for a few of the separated exempt and nonexempt employees.
- Verified if the separated employee's health benefits were cancelled.
- Determined when the termination entry was entered and approved in Oracle.
- Determined if the separated employees had a purchase card and if it was disabled.
- Verified if each separated employee had termination support documentation in Oracle.

We reviewed unemployment claims submitted in the Jobs4TN.gov portal. We also reviewed the *Monthly Statement of Benefit Charges* to identify individuals receiving unemployment benefits during the audit period. The review identified if an employee received benefits and if HR had support documentation to defend the claim.

To evaluate the efficiency of the processes, we interviewed City staff to gain an understanding of the processes, reviewed City policies and

procedures, reviewed laws and regulations and analyzed the process steps through several City systems.

The sample size and selection were statistically generated using a desired confidence level of 95 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on data maintained in Oracle. We assessed the reliability of the data and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

We conducted this performance audit from December 2024 through July 2025 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.

APPENDIX B: PRIORITY LEVEL DEFINITIONS

Priority 1: Critical control weakness exists that exposes the City to a high degree of risk. Noncompliance with federal, state or local law, regulation, statute, charter or ordinance will always be considered a priority 1.

Priority 2: Control weakness exists that exposes the City to a moderate degree of risk.

Priority 3: The opportunity for improved efficiency or reduced exposure to risk exists.

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