

Internal Audit Department
NeighborWorks® America

Audit Review of Employee Relations

Project Number: NW.HR.EMPREL.2020

Audit Review of Employee Relations

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December 8, 2020

To: NeighborWorks America Audit Committee

Subject: **Audit Review of Employee Relations**

Attached is our draft audit report for Employee Relations. Please contact me with any questions you might have.

Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: M. Rodriguez
S. Ifill
R. Bond
R. Simmons

**Function Responsibility and Internal Control Assessment
Audit Review of Employee Relations**

Business Function Responsibility	Report Date	Period Covered
Human Resources	December 8, 2020	October 1, 2017 to June 22, 2020
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations	Generally Effective¹	
Reliability of Financial Reporting	Not Applicable	
Compliance with Applicable Laws and Regulations	Not Applicable	

This report was reissued February 15, 2024 in accordance with a recommendation by the Government Accountability Office (GAO-23-105944, June 14, 2023).

¹ **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation 1</p> <p>We determined that there was the absence of an anonymous medium, accessible to employees; to enable them to come forward with the utmost sense of confidentiality, which defeats the purpose of the policy. This is a national corporation and the ability to hear from other parts of the corporation could be jeopardized without any formal medium conveyed to staff that assures this confidentiality. Moreover, in these times of remote work this policy would be ever more needed as an avenue to safely report internal control lapses or violations of the adopted policies of the Corporation.</p> <p>Risk Rating: (b) (5)</p>	<p style="text-align: center;">Yes</p>	<p>Recommendation 1</p> <p>We strongly recommend the institution of a simple and anonymous channel for whistleblower reporting such as can be provided by an online whistleblowing system given the Corporations geographical spread. This system or process instituted should be strictly accessible to the SVP (HR), General Counsel and the Chief Audit Executive.</p>	<p style="text-align: center; color: red;">Yes</p>	<p>The Administrative Manual was last comprehensively revised several years ago and the current Whistleblower Policy was created at that time. OGC is contemplating a review and revision to the OCG-related Administrative Manual policies in Fiscal Year 21, with the assistance of outside counsel. The current policy indicates that anonymous allegations will be investigated but they are not encouraged. We will strongly consider adopting IA's</p>	<p style="text-align: center; color: red;">September 2021</p>	<p>Internal Audit accepts management's response.</p>

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
				changes around anonymity for whistleblowers as part of that review.		
<p>Observation 2</p> <p>A review of the investigative reports sampled indicated the absence of a consistent reporting structure. For the most part relevant elements of the report were available and actions easily understood. However, several them required additional support in explanations by Human Resource personnel. The lack of consistent structure for most of the reports, sometimes made it challenging to understand the actual sequence of activities. Ideally these reports should be clear, concise and actions easily understood by an independent</p>	Yes	<p>Recommendation 2</p> <p>In order to assess fairness and equity in the resolution of these events it would be important to have each report include as a requirement of Human Resource policy [where necessary and available] the following information:</p> <ul style="list-style-type: none"> ▪ Incident being investigated with relevant dates. 	Yes	Please see attached form that will be used starting in January 2021.	January 2021	

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>third party. There is also the risk of missing out relevant or pertinent information due to this inconsistency.</p> <p>Risk Rating: (b) (5)</p>		<ul style="list-style-type: none"> ▪ Employees or individuals involved. ▪ Key factual findings and credibility determinations. ▪ Applicable employer policies or guidelines to actions taken ▪ Summaries of witness statements. ▪ Specific conclusions reached ▪ Issues not resolved if any. ▪ The name of the person or persons making a final decision. 				

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
		<ul style="list-style-type: none"> ▪ Final Employer and management actions taken <p>Attempts should be made to try and sequence events as they occur, as much as possible. This would provide guidance to Human Resource personnel whenever they document these investigative reports and further enhance a consistent approach in the documentation of these employee relation complaints.</p>				

Risk Rating Legend

Risk Rating: High

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

Risk Rating: Moderate

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

Risk Rating: Low

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

Management Responses to The Audit Review of: Employee Relations		
# Of Responses	Response	Recommendation #
2	Agreement with the recommendation(s)	2
	Disagreement with the recommendation(s)	

Background

Employee Relations which also includes “workplace conflict” has often not only been a driver for employee wellbeing but also a source for potential risks to the corporation in terms of personnel and legal liability. Some statistical figures give would validate this:

- There was a 13.6% increase in sexual harassment cases in 2018. (Source: US Equal Employment Opportunity Commission)
- 32. 49% of workplace conflicts are caused by warring egos. CPP Global Human Capital Report
- Around 80% of employees suffer from work-related stress. American Institute of Stress

The costs resulting from potential liability for corporations can be enormous and one of the ways of mitigating this risk is ensuring that the Corporation has an adequate protocol in place for resolving these issues in a fair and equitable manner.

Objective

The objective of this review was to obtain reasonable assurance that there were procedures in place for the identification, documentation, investigation, and final resolution of problems related to workplace conflicts.

There was a total of 14 cases reported for the period under review (see **Appendix A**), approximately 4 cases per year and Human Resources confirmed that they have all been resolved with no active complaints as at June 22, 2020.

Scope

The scope of this review was for reported cases of workplace conflict to Human Resources from October 1, 2017 to June 22, 2020.

Methodology

We reviewed sections of the Administrative Manual pertaining to workplace conflicts and eight (8) out of 14 cases obtained from Human Resources. We limited the number of cases reviewed in view of COVID-19; where staff had to work remotely, including Human Resource staff; so, access to documents which had to be redacted for privacy purposes had to be limited.

Observations and Recommendations

Observation 1 Absence of a medium for whistleblower reporting

The current Whistle Blower Policy states that:

The Corporation is committed to the highest possible standards of ethical, moral and legal business conduct. This policy provides an avenue for employees to come forward with credible information on illegal practices or violations of adopted policies of the organization and to ensure that they will be protected from reprisals or victimization for whistleblowing in good faith.

The whistle-blower policy is intended to cover serious violations that could have an adverse impact on the Corporation, such as actions that may lead to incorrect financial reporting, are unlawful, are not in line with company policy, including the Standards of Conduct, or otherwise amount to serious improper conduct.

We determined that there was the absence of an anonymous medium, accessible to employees; to enable them to come forward with the utmost sense of confidentiality, which defeats the purpose of the policy. This is a national corporation and the ability to hear from other parts of the corporation could be jeopardized without any formal medium conveyed to staff that assures this confidentiality. Moreover, in these times of remote work this policy would be ever more needed as an avenue to safely report internal control lapses or violations of the adopted policies of the Corporation.

Recommendation 1

To enhance demonstration of its values of transparency and accountability and to provide whistleblower protection, we strongly recommend the institution of a simple and anonymous channel for whistleblower reporting such as can be provided by an online whistleblowing system given the Corporations geographical spread. These systems come with the functionality of communication channels, case management tools, support, security and legal compliance for a modest monthly subscription.

This system or process instituted should be strictly accessible only to the SVP (HR), General Counsel and Chief Audit Executive.

Observation 2 Human Resource Investigative Reporting Formats

A review of the investigative reports sampled indicated the absence of a consistent reporting structure. For the most part relevant elements of the report were available and actions easily understood. However, several them required additional support in explanations by Human Resource personnel. The lack of consistent structure for most of the reports, sometimes made it challenging to understand the sequence of activities. Ideally these reports should be clear, concise and actions easily understood by an independent third party. There is also the risk of missing out relevant or pertinent information due to this inconsistency that might have been picked up in one report but not in another.

Recommendation 2

In order to assess fairness and equity in the resolution of these events it would be important to have each report include [where necessary and available] the following information as part of the Human Resource policy:

- Incident being investigated with relevant dates.
- Employees or individuals involved.
- Key factual findings and credibility determinations.
- Applicable employer policies or guidelines to actions taken
- Summaries of witness statements.

- Specific conclusions reached
- Issues not resolved if any.
- The name of the person or persons making a final decision.
- Final Employer or management actions taken

Attempts should be made to try and sequence events as they occur, as much as possible. This would provide guidance to Human Resource personnel whenever they document these investigative reports and further enhance a consistent approach in the documentation of these employee relation complaints.

Conclusion

The process for handling employee relations is an area where a clear “audit trail” is of importance. There is within the Corporation such a process for employees to express complaints and conflicts to management. We do however recommend as identified in the above, recommendations; further enhancements to the process for easy access and equitable treatment.

The report also should provide Human Resources with helpful directions on identifying the types of workplace conflicts with the goal of providing more training programs and awareness for supervisors and staff.

We would like to take this opportunity to thank the SVP (Human Resources) and staff for taking the time to provide confidential materials under the circumstances of the COVID-19 situation to the satisfaction of Internal Audit.

APPENDIX A

Case	Active/ Inactive	Nature
1.	Inactive	disrespect in the work environment
2.	Inactive	disrespect in the work environment / harassment/hostile work environment
3.	Inactive	harassment/hostile work environment
4.	Inactive	harassment/hostile work environment
5.	Inactive	disrespect in the work environment
6.	Inactive	disrespect in the work environment / discrimination
7.	Inactive	disrespect in the work environment
8.	Inactive	disrespect in the work environment
9.	Inactive	disrespect in the work environment
10.	Inactive	disrespect in the work environment
11.	Inactive	harassment/hostile work environment
12.	Inactive	disrespect in the work environment
13.	Inactive	disrespect in the work environment
14.	Inactive	Discrimination

NeighborWorks^(R) America

Employee Relations Intake/Summary Form

Name of Employee: _____

Reason for Meeting: _____

Meeting Attendees: _____

Date of the Meeting: _____

When did the issue begin? _____

How were you informed of the issue?

- Complaint Manager Documentation
 Written Notification Other: Please Explain

Please explain: _____

Department/Unit: _____

Location: _____

- Issue:** Conflict Management Leave Disputes Performance
 Policy/Practice Time & Attendance Other: Please Explain

Please explain: _____

Summary of the Issue (attach additional sheets if necessary):

Action Taken:

- Complaint Unfounded (no action taken) Counseling/Coaching Termination
 Verbal Warning Written Warning/PIP(attach copy)

HR Representative: _____

Date: _____