1996

Auditing troubled employees in the public sector

Lila Mehdiyar

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AUDITING TROUBLED EMPLOYEES IN THE PUBLIC SECTOR

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Public Administration

by
Lila Mehdiyar
March 1996
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Approved by:

Dr. Michael Clarke, Chair, Public Administration
3/22/96

Dr. Clifford Young
3/21/96

Dr. Michael Clarke
3/22/96
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1996

Lila Mehdiyar
Abstract

In recent years internal auditors have extended their activities beyond financial auditing. In addition to financial auditing, internal auditors provide employees performance audits to help management in decision making processes. The non-financial aspect of auditing is analyzed in this project with respect to employee incompetency. The general hypothesis is constructed to test the relationship between the performance audit and employee satisfaction in the public sector. To test this hypothesis, Riverside and San Bernardino Counties have been selected as two similar offices to conduct an empirical survey. These two counties were selected on the basis that they are closely comparable with regard to functions and size of different departments and both counties follow the laws and regulation of the State of California. A set of questionnaires was mailed to the employees of both counties randomly. The summation scores of the employee questionnaires are compared to test the hypothesis. By applying the F test and using the average scores per question for both counties, the results indicate that Riverside County employees are more satisfied than San Bernardino County with the policy and procedures related to the employee incompetency.
Acknowledgment

I would like to express my sincere thanks to professor Clifford Young, my Thesis supervisor, for his invaluable assistance during all stages of the preparation of this dissertation. I owe a considerable debt of gratitude to him. I wish to express my thanks to professor Michael Clarke for his substantial comments and suggestions on my dissertation.

As for individual assistance outside my committee, special thanks to Mahmood Namvar for his assistance in proof reading this thesis.

Finally, I would like to thank my family, my sisters and my nephews for supporting and encouraging me throughout my study at the California State University of San Bernardino. It was only through their encouragement that this project was able to see completion.
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The Problem

Employee incompetency has a tremendous impact on the efficiency of the management staff and job performance in public and private sectors. In the private sector, it also has a considerable negative impact on efficiency in production and in sales. Lack of human resource audit for troubled employees in any form, has a considerable effect on productivity, efficiency, and employee satisfaction in an organization.

In recent years the internal auditors have extended their activities far beyond accounting and financial systems of the private and public sectors. Lawrence B. Sawyer calls internal auditors "Renaissance men and women" equipped to audit any activity in the enterprise ¹. In fact, the internal auditor of today deals primarily with the evaluation of efficiency and effectiveness in any part of the organization. Mark Penno² indicates that the internal auditor's function is a scarce economic resource to be used to attain efficiency and effectiveness. The internal audit department should provide operational and management auditing advice. Internal auditing has become an additional source of information useful for

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management to be proactive. It will be a useful source of information for planning purposes.

In most organizations the internal audit functions have been mainly focused on financial reports and financial control. Financial Statements for a company or a public sector office constitute only a small fraction of available information for the management. The scope of an internal auditor department extends beyond financial reporting. Overall, the scope of the audit functions are divided into two areas; financial audit and performance audit.

This paper evaluates the non-financial aspect (performance audit) of the internal auditors function. Performance audit is analyzed with respect to incompetency of employees.

Internal auditing activities are not the same in the public and private sectors. In the private sector, the purchasing agents of goods and services decide for themselves how their income will be allocated. In fact, they vote with their dollars for the firms they believe deserve to remain in operation. Government internal auditors advise both elected officials and top government management about how tax generated resources are being used. It is imperative to pay attention to the internal auditors job in the public sector since the waste of public resources resulting from poor allocation of resources can be found in every government
jurisdiction. Roland M. Malan argues that:

"protecting taxpayer assets is the essence of government internal auditing. In fulfilling the critical obligation, internal auditors must apply modern internal auditing methodologies in the complex, competitive, and sometimes inconsistent government environment".

Performance audits (also known as "value-for-money", "operational", or "management" audits) are designed to examine if resources are used efficiently. Efficient in an economic sense means that if one resource has alternative usage, it is used in its most desirable alternative with the lowest possible opportunity cost. Performance audits are used in federal, state, and local government and in the private sector. Drug tests and performance appraisal standards and goals are examples for private and public sectors. It is conducted in other countries such as Canada, the United Kingdom, Sweden, New Zealand and Australia. The objectives of performance auditing are to identify and program waste, redundancy and incompetency of the employees and eliminate them.

4 Roland M. Malan, pp.94-95.
A human resource audit (a routine performance audit of employees) is done to determine whether managers are acquiring, motivating, and utilizing their staff to achieve organizational objectives and improve productivity and performance. By using human resource audits, a personnel department determines whether the human resource policies, systems, and procedures helped managers to do their job. This paper considers the internal audit function's role to help management in coping with troubled employees on the job.

Definitions

**Human Resource Audit** (Performance Audit) a routine and consistent performance appraisal of the employees of an organization.

**Internal Audit** A routine and consistent audit on the financial aspect of an organization.

**Public Sector** All organizations which are managed or financed by government.

**Troubled Employee** - A troubled employee has a "maladjustive" personality (versus adjustive personality for a normal employee). A troubled employee is not able to cope with psychological demands and stressful situations on a daily basis. These employees do not adjust normally to the changes

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in the working environment\textsuperscript{7}.

In the order of seriousness, employee abnormal behavior can be classified as: Neuroses, personality disorder, and psychoses.

**Neuroses** - Employee with a self defeating way of coping with every day stress in the work place (see Appendix A for more details)\textsuperscript{8}.

**Personality Disorder** - Employee with this type of illness shows maladjustment in ways of perceiving and thinking about the world around them (see Appendix B for more details)\textsuperscript{9}.

**Psychoses** - Employees who lose touch with reality (see Appendix C for more details)\textsuperscript{10}.

**Normal Employee** - Refers to an adjustive personality when there is a conflict in an organization which needs a natural tendency to adjust. A normal employee compromise\textsuperscript{11}.

**Organization** - comprised of two or more people, relatively


\textsuperscript{11} James C. Coleman, pp.124
stable in time, and goal directed\textsuperscript{12}.

**Incompetency in the Work Place** - Encompasses a wide range of employees behavior: Everything from less serious forms of abnormal behavior such as neuroses to the most serious form of abnormal behavior such as psychoses.

**EAP (Employee Assistance Program)** - Offers a worker a safety value to relieve work and home tensions\textsuperscript{13}.

**Employee Satisfaction** A criterion of effectiveness that refers to the organization's ability to gratify the needs of its employee \textsuperscript{14}.

Employee incompetency is suitable for testing and should offer understanding of the effects of the implantation of a departmental human resource audit plan within a public organization. A comprehensive human resource audit plan will help to increase organization productivity and efficiency.

**Significance**

This issue is significant in the sense that all organizations, regardless of size, structure, public or private, are confronted with developing an organizational


\textsuperscript{13} Overman, Stepenie. "You May Not be Able to Deal With This." *HR Magazine*. November 1991, pp.46.

\textsuperscript{14} Cherringto, D.J., Reitz, pp.533.
culture that includes protecting their employees. While this study is specific to public organizations, it will give all organizations an understanding of perceptions of human resource audit.

Although auditing is imperative to the public sector and helps to reduce waste, auditing standards set by government do not address performance auditing. In the auditing standards for instance, the U.S. General Accounting Office (GAO) has not set standards for performance auditing\(^\text{15}\). There is no "standards-setting body" provided for the internal auditor in reference to performance audits.

The performance audit is a very broad subject in the private sector. It involves many areas related to employee efficiency and effectiveness. It deals with eliminating program waste, improving program project quality, incentives for employees, eliminating redundancy and improving the quality of employees performance in all departments in an organization\(^\text{16}\).

The following sections are devoted to the discussion and explanation of troubled employees (about 18% of the work force


consists of troubled employees\textsuperscript{17}). The recommendations on the ways internal auditors can help management to detect the incompetency of employees in early stages is presented later.

**How to Detect a Troubled Employee**

In order to detect a troubled employee, first we need to understand the difference between the normal and abnormal personality. James Coleman\textsuperscript{18} defines normal and abnormal personality as "adjustive" and "maladjustive" personalities. Adjustive personality has a certain relatedness and ability to cope with the psychological demands and stressful situations on a daily basis. The maladjustive or abnormal personality does not adjust normally to the changes during the day. There is a repetitious chain of events in the daily life of a human being (Coleman Ibid). People have many needs which they try to fulfill.

In a working environment, fulfilling the employee's needs conflicts with other's needs or goals of the company. When there is a conflict there is a natural tendency to adjust. A normal employee adjusts or compromise when there is a conflict


\textsuperscript{18} James C. Coleman. PP. 124-139.
in the working place. For a normal employee this helps to lessen anxiety or emotional pain. For abnormal employees this adjustment (or maladjustment) creates more anxiety and more emotional pain and this employee will be a "troubled" employee. Maladaptive behavior by troubled employees can be expensive and damaging to the organization.

Internal auditors need to use personal evaluations and also look for clues and signals to help spot the troubled workers before they do any damage to themselves or to the organization. In the Appendix A, B and C we will consider some of more common forms of maladaptive behavior and clues to help us spot the symptoms in an employee.

**Auditing the Troubled Employee**

Employee incompetency has a tremendous impact on the efficiency and effectiveness of the management, staff, production and public sector. Incompetency has different aspects and different causes. A troubled employee creates a working environment which negatively affects productivity and efficiency. Substance abuse in the working environments is one of the most critical problems facing both private and public sectors^{19}.

In research conducted by Dale Masiand Lisa Teems^{20}, it is

^{19} Lawarence B. Sawyer, pp.37.

^{20} Dale Masiand and Lisa Teems, "The History, the Philosophy, and the Essential Components of Employee Assistance
found that eighteen percent (18%) of the workforce consists of "troubled employees" whose job performance has deteriorated by twenty five percent (25%). More than half of these employees (about 12%) are employees who are serious alcohol and drug abusers. The remaining six percent (6%) are suffering from other serious emotional problems. Employees with personality and emotional problems have negative impacts because of increased absenteeism, more job accidents, tardiness, increased use of sick leave, increased usage of medical benefits resulting in higher insurance rates for the employer or for the government. There are indirect costs related to troubled employees. Among them are: poor morale, excessive cost overruns, waste supervisory time, and poor public relations.\(^{21}\)

Auditing the troubled employee identifying and rehabilitating them is the major challenge facing U.S. private and public sectors in the 1990's. Internal auditors play a critical role in helping management develop a course of action for early detection and positive rehabilitation of these

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\(^{21}\) Dale Masiand and Lisa Teems, pp.66-69.
workers.  

Theory  

It is clear from available data that a troubled employee in an organization, regardless of type and size, is a public problem to significant proportions.  

Ten to fifteen percent of the working force in our country has substance-abuse problems that seriously affect work performance. The economic cost of the lost productivity caused by this group is estimated at $40 billion annually. These employees miss an average of twenty two working days a year per employee. Two thirds of the total economic loss is due to absenteeism.  

For this group of employees with substance abuse problems, the probability of getting involved in an accident in the office is three to four times greater than average employees. Also, medical benefits paid to these employees are three to four times greater than average employees. As a direct result, employer health care insurance rates have

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24 Malan M., Roland, pp.93.
increased fifteen to twenty percent annually\textsuperscript{25}. The average loss to a company from a substance-abusing employee is one-fourth the employee's annual salary\textsuperscript{26}.

The lack of a performance audit plan leads to a decrease in productivity and efficiency in an organization. If an organization is considering implementing a performance audit plan, they can be assured that it is conductive to employee satisfaction which directly correlates to departmental performance and overall productivity\textsuperscript{27}.

Roland M. Malan\textsuperscript{28} argues that internal auditing in government is a sophisticated analytical control to assist the management of public assets. It is a dynamic and an alive function at the heart of government. This becomes an increasingly valued part of the administrative management of government. He believes that lack of effective auditing activities leads to the waste of public resources. To protect taxpayer assets, internal auditors must apply modern internal auditing methodologies and procedures. Malan argues that

\begin{itemize}
\item \textsuperscript{25} Roland M. Malan, pp.95.
\item \textsuperscript{26} Parke, D., Lee. "Value-for-Money Auditing: Conceptual development and Operational Issues." \textit{Australian Accounting Research.} (Foundation 1990), pp.92.
\item \textsuperscript{27} Moffie, J., Dannie., Moffie, p., Robert., and Ralph, B., Tower. "Auditing the Troubled Employee." \textit{The Internal Auditor.} (August 1985), pp. 30-36.
\item \textsuperscript{28} Roland M. Malan, pp.95.
\end{itemize}
internal auditing in government is in a state of continuous change. However, there are two principal issues which are problematic for the professionals and the managers: first uniformity of development, and secondly application of professional standards and recruitment of personnel. Malan only raises the issues as a part of the current status of internal auditing in government. He does not attempt to suggest solutions. According to him, there are three standards set by the AICPA, GAO and IIA. These standards are not uniform and consistent. The main problem is how to perform effectively and efficiently and comply with all of these standards. The internal auditors are faced with a dilemma. None of these standards provides a full range of guidance and support for the internal auditor in government. There is a strong need for a standards setting body to develop and maintain governmental auditing standards for internal auditors working in government.

Another problem is the recruitment of personnel for internal audit work in government. It is often hampered by a variety of conditions according to Malan. While accounting firms make job offers after conducting interviews, governments are often limited by civil service examinations, and other screening procedures which can take up to nine months.29

29 Roland M. Malan, pp.93.
Moreover, audit position entry qualifications which are set by civil service organizations, are often outdated. Finally, wage levels for internal auditors for government are far short of salaries in the private sector.\(^{30}\)

Robert P. Moffie, Donnie Moffie and Ralph Tower\(^{31}\) argue that internal auditors must be informed and involved about ways in which their organizations can cope with the complex issues and staggering costs of substance abuse. Internal auditors should perform like advisors to top management. They suggest that a comprehensive prevention program must be considered as a "four-pronged" effort:

I- Development of drug testing program

II- Establishment of a rehabilitation route through the employee assistance program.

III- Prevention of drug trafficking in the workplace.

IV- Development of drug education program within the organization.

Other key elements to an effective substance abuse prevention program include: sufficient budget, valid outcome, evaluation program, credible cost-benefit analysis, good management information systems, well-designed benefits package

\(^{30}\) Roland M. Malan, pp.92.

and attention and support from senior management. Moffie concluded that majority of drug user employees are incompetent. They argue that substance abuse is one of the most critical problems facing business environments today which impacts productivity, health and safety of the employees. Internal auditors should be aware of the substance abuse issue and be ready to take steps toward a workable solution.

Gary Henry and Kent Dickey\textsuperscript{32} discuss a procedure to design a useful performance audit system. They describe the use of a research and development model to develop an effective performance monitoring system as part of the State of Virginia's efforts in educational reform. They discuss details on how the approach was implemented and provide both the limits and risks involved. The research and development (R & D) approach requires commitment, patience, and openness to ideas and change, attributes that may require significant organizational change and additional resources. This approach offers the opportunity to the alternatives and develop a program in a way that may improve the changes for success. In this paper results are utilized to make recommendation to improve education.

\textsuperscript{32} Henry, Gary., and Dickey, Kent. "The Use of a Research and Development Model to Develop an Effective Performance Monitoring System", \textit{The Internal Auditor}, (July 1994), pp.45-56.
Internal auditors can also detect the possibility of violence in the workplace. Randy Brow\textsuperscript{33} argues that workplace violence is an all too real problem in the U.S. workplace. Further, given the dangers of handling bio-hazardous materials, the potential impact of a violent incident in the workplace is multiplied. Add to this the exposure to litigation, along with the potential impact of violence on productivity, and workplace violence adds up to a significant challenge for managers. According to Brow, troubled employees have had important roles in creating violence in the workplace and by taking time to assess and implement a performance audit managers can protect their staff and their organizations\textsuperscript{34}.

Sexual Harassment is another example which has been related to troubled employees. In several research studies conducted by Daniel Niven\textsuperscript{35}, and Paul Champagne\textsuperscript{36} employers who use human resource auditing to detect troubled employees stand a greater chance of avoiding sexual harassment suits.

In all of the above mentioned research, problems and

\textsuperscript{33} Brow, Randy. "Detect the Possibility of Violence in the Work Place", \textit{The Internal Auditor}, (April 1994), pp.59-68.

\textsuperscript{34} Brow, Randy. pp.65-67.


issues related to performance audit are considered and discussed. Almost all of the studies indicate that lack of a performance audit in any organization have negative impact on productivity, performance, and the safety of the employees. Also, according to researches cited in the previous parts it is concluded that work place violence and sexual harassment are two very important concerns of all organizations which can be partially detected through performance audit. None of the above mentioned researches present any systematic procedure to test the correlation between performance audit and other variables.

In this paper, data is collected by conducting a survey. The collected data is used to test scientifically the correlation between the performance audit and other variables such as productivity and employee performance. In the following sections the main hypothesis is presented and tested.

**Hypothesis**

**Null Hypothesis:** there is no statistically significant relationship between the lack of a performance audit plan in a public organization and employee satisfaction.
Variables

The independent variable is a performance audit plan and the dependent variables are productivity, departmental performance and employee satisfaction.

Two separate department offices that perform the same function at two different cities will be selected and used for comparison on performance audit plan implementation. One office will have tests and screening procedures to detect the troubled employees. Several routine and professional tests will be conducted for all new employees and an ongoing drug test is required periodically. The other office will not have all of the screening tests and hiring measures for troubled employees. A Likert Scale will be used to measure employee satisfaction and departmental productivity.

Possible Errors

There are two possible errors, the first being an Alpha error which is rejecting the null hypothesis, indicating that a relationship exists between the lack of a performance audit plan and employee productivity. A Beta error would mean accepting the null hypothesis indicating that a relationship does not exist between the lack of a performance audit plan and employee satisfaction.

Research Methods

1. This research problem uses questionnaires to conduct a survey to compare two offices, Office A and Office B. This
will directly relate to departmental performance audit by surveying the workers from Office A and Office B. The individuals that work in office A perform the same, function at those in office B. The work environment is similar, the case loads are the same, clientele is similar and the regulations that they utilize in performing their functions are standardized. Also, personnel regulations regarding work hours, schedules, etc. are the same. The two offices (A & B) have almost the same number of employees and the number of daily cases received in their offices are comparable.

In short, we selected two offices from two counties, Riverside and San Bernardino. We sent a set of questionnaires to the employees of both offices then collected the answers to the survey questionnaires. From 260 questionnaires mailed to both offices, only 114 responses were received. We will compare the results of the survey from both offices from the two counties and test our general hypothesis; that is if implementation of a performance audit in one office had a positive impact on employee satisfaction or not.

Validity and Reliability

This will be a cross-sectional study where the data is collected at a single point in time. This study will be dealing with qualitative measurements in the form of employee satisfaction and departmental performance. To the employees of office A and office B, questionnaires will be assigned. The
questionnaire will ask questions relating to their general job satisfaction and specifically to job satisfaction in relation to personal safety. An example follows.

1. You are satisfied at your present job.

<table>
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<tr>
<th>Strongly Disagree</th>
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<th>Uncertain</th>
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The questionnaires would be limited to a total 10 questions and should not take more than 10 minutes to answer. To determine any ambiguity in the format, the questions will be pre-tested in the other facilities not being utilized in the actual study. The summation scores of the answers to the questions will be compare between the two offices.

In the pre-testing time frame, direct interviews and open-ended questions will be utilized to rule out any ambiguity and other problems that might be inherent in the questionnaire.

Analysis of Results

The survey questionnaires will be pre-coded, making the results more readily available. The summation scores of the employee questionnaires will be compared to determine the impact of the implementation of a performance audit on satisfaction and departmental performance. The grand total summation score for offices A and B will be calculated by adding up all of the individual satisfaction scores from each
individual employee.

**Interpretation of Results**

After the results of the survey are collected, it will probably become evident that the implementation of a performance audit in Office A has had a positive impact on employee satisfaction, departmental performance and productivity. Because of this, it becomes the responsibility of the department to develop a working solution to cope with employee incompetency in the workplace. By doing this, the organization will also benefit from an assured work environment, more productive employees and better overall departmental performance.

**Case Study**

In this paper, a model is presented to test the correlation between the performance audit and employee satisfaction comparing the policies of two counties, Riverside and San Bernardino. The general hypothesis indicates that there is no relationship between the lack of performance audit policies and plans, and employee satisfaction.

The independent variable is a performance audit plan and the dependent variables are employee satisfaction. Before getting to the design sections, general information for the two counties is presented in the following sections.

**Riverside County**

Riverside County, the State's fourth largest county by
area, encompasses 7,295 square miles and extends 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. The County's population was 1,357,443 on January 1, 1994. Riverside County provides a wide range of services to its residents including police, and fire protection, medical and health services, education, senior citizen assistance, roads, library services, Judicial institutions including support programs, airport services, cultural and environmental services, parks and a variety of public assistance programs. Special districts and county service areas provide services to remote geographical areas and rapidly growing communities. These services include fire protection, parks, flood control, water, sewer, street lighting, roads and cemeteries. County Board of Supervisors monitors the functions and activities of the County.

As of January 1994 Riverside County had 12,352 employees working in different departments. 

San Bernardino County

San Bernardino County is very similar to Riverside County with regard to the functions and the size of different departments. This County has 14,325 employees who are working in the departments of fire protection, parks and recreations, utilities, flood control, street lighting, roads construction

and maintenance, and cemeteries. Like Riverside County, County Board of Supervisors monitor and control the functions and activities of the County. Like Riverside County, the county of San Bernardino continues to experience growth, with officials and local government agencies identifying issues and activities which will help to mold a well balanced economy for the county.

**Similarities of Both Counties**

Both counties, have tried to maintain an active approach to coordinate future development patterns. Both counties recognized the need to create an environment that will attract labor intensive industries to the area\(^{38}\). Both counties emphasize strong transportation improvement projects, availability of affordable housing, and a strong population base and excellent selection of properties zoned for commercial and industrial projects. County government, in both counties, has embarked on aggressive industrial marketing and promotion campaign. Through their increasing resources and innovative financing programs, they have created a business climate that is maintaining county growth rates among the nation's county\(^{39}\).

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Differences In The Two Counties

Both counties follow the same screening tests and policies in hiring. Policies regarding job openings, testing, promotions, and benefits are very similar. Minor difference are reported in test scores, insurance coverage, benefits, and interview policies. In both counties, there are no job classified as "performance auditor". However, Riverside county provides comprehensive management training to detect "troubled employees". Riverside County offers an Employee Assistance Program (EAP). This program provides confidential, professional assistance to help employees and their families resolve problems which disrupt their lives and affect their job performance. The program is designed to help employees resolve those problems before they begin to spill over onto the job and threaten job performance. The request for help may be initiated by the employee or the employee's immediate family. Additionally, the employee's supervisor may suggest that an employee get involved with an Employee Assistance Program (EAP). All EAP services are free to the employee and his/her family. If further assistance is necessary, the employee's regular health insurance normally covers most or all of the cost depending upon the type of insurance coverage.

A full range of services is available for the employees of

\[40\] Riverside County Personnel Department Manual and San Bernadino County Personnel Department Manual.
Riverside County to those who may be experiencing difficulties in emotional, financial, alcohol and drug abuse, marital and family, and personal and interpersonal relationships. This program in Riverside County is a comprehensive program compared to the programs available in the County of San Bernardino.

Another difference between the two counties is the number of employees. San Bernardino County has about 2,000 more employees.

**Validity Of The Case Study**

These two counties perform the same functions and will be used for comparison on performance audit plan implementation. This will directly relate to departmental performance which can best be determined by surveying the workers from Riverside County and San Bernardino County. The work environment is comparable and the case loads are almost the same. Regulations and functions of both counties are very similar. Also, personnel regulations regarding work hours, schedules, hiring policies, promotions and demotions are nearly the same.\(^{41}\)

The two counties being evaluated are located in California, they were selected because they are as comparable as possible and both counties follow the laws and regulations

\(^{41}\) Riverside County Personnel Department Manual and San Bernardino County Personnel Department Manual.
of the State of California. This will be a cross-sectional study where the data is collected at a single moment. This research deals with qualitative measurements in the form of employee satisfaction and departmental performance. Questionnaires will be assigned randomly to the employees of Riverside County and San Bernardino County the list of the employees of the two counties was presented and names were picked randomly. Based on the number of employees in the two counties, 140 questionnaires were sent to San Bernardino offices and 120 questionnaires to Riverside. This is approximately one percent of total the employees in each county. The questionnaires will ask 10 questions relating to their general job satisfaction. The following section shows a list of questions given to the employees of both counties.

1. You are satisfied at your present job.

   Strongly Disagree Disagree Uncertain Agree Strongly Agree
   ( 1 ) ( 2 ) ( 3 ) ( 4 ) ( 5 )

2. Do you feel safe at work?

   Strongly Disagree Disagree Uncertain Agree Strongly Agree
   ( 1 ) ( 2 ) ( 3 ) ( 4 ) ( 5 )

3. You are agree with the county screening test for new employees.

   Strongly Disagree Disagree Uncertain Agree Strongly Agree
   ( 1 ) ( 2 ) ( 3 ) ( 4 ) ( 5 )
4. You are agree to have a drug test for new employees.

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5. Do you think your supervisor is sufficiently trained to
detect a troubled employee? (a trouble employee does not
adjust normally to changes in the working environment).

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6. Do you agree with the employee assistance program offered
by your county?

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<th>Agree</th>
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7. Do you agree with the tests and procedures offered by
your county to test the employees for emotional or
personal relationship problem periodically.

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<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

27
8. Do you agree with the policies and procedures of your health insurance with respect to costs and availability of medical service when you experience emotional, medical, or personal relationship problems?

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

9. Do you think troubled employees who do not adjust normally to changes in the working environment have impact on other employees performance and productivity?

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

10. Do you agree with the existing procedures and supervisor's training in your county to detect and help the troubled employees in early stages?

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

Each question is scored according to its answer. A question with "disagree" answer will get a score of 1. A question with a "strong agree" answer will get a score of 5. Other answers score between 2 and 4. Each questionnaire will get a total score as a summation of all scores for the answers to the questions in the survey. Then, the total scores of all
questionnaires for each county is recorded as Grand total score.
<table>
<thead>
<tr>
<th></th>
<th>Riverside County</th>
<th>San Bernardino County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of questionnaires</td>
<td>120</td>
<td>140</td>
</tr>
<tr>
<td>Mailed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of total employees</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>who received questionnaires</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of questionnaires</td>
<td>55</td>
<td>59</td>
</tr>
<tr>
<td>received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of questionnaire</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of completed</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td>questionnaire received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of completed</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>questionnaires received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total scores (sum of</td>
<td>1,939</td>
<td>1,272</td>
</tr>
<tr>
<td>scores from questionnaires)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average score per questionnaire</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Standard deviation per</td>
<td>4.7</td>
<td>5.1</td>
</tr>
<tr>
<td>questionnaire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard deviation per question</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Average score per question</td>
<td>3.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Question with highest average</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>score</td>
<td>(Average=4.4)</td>
<td>(Average=4.6)</td>
</tr>
<tr>
<td>Question with lowest average</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>score</td>
<td>(Average=1.7)</td>
<td>(Average=1.2)</td>
</tr>
<tr>
<td>Question with the same average</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>for both counties</td>
<td>(Average=1.3)</td>
<td>(Average=1.3)</td>
</tr>
<tr>
<td>Question with the highest</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>difference in average</td>
<td>(Average=4.1)</td>
<td>(Average=2.4)</td>
</tr>
</tbody>
</table>
As discussed earlier, a questionnaire with 10 questions related to working environment and troubled employees was mailed to 120 employees in Riverside County and 140 employees in San Bernardino County. 120 and 140 are approximately 1% of total employees in each county. In three weeks 46% and 42% of all mailed questionnaires were responded to by employees of Riverside County and San Bernardino County, respectively. The number of completed questionnaires is 53 out of 140 for San Bernardino County employees and 51 out of 120 for the other county employees. The grand total scores, as summation of scores of the answers to the questions in the survey, for all questionnaires for Riverside County survey is 1,939 and 1,272 for San Bernardino county employees. The average score per questionnaire for Riverside County employees is 38, and 24 for the other county. The average score per question is 3.8 and 2.4 for Riverside and San Bernardino County, respectively. The results of the survey are collected and summarized in Table 1.1.

In order to examine, statistically, how the averages are different, we apply F-test and use the average scores per question for both counties. F test is based on F distribution. This probability distribution is used as the test statistic for several situations. One of the applications is whether two sample averages are statistically the same or different. To test this, the computed value of F is compared with the
standard value of $F$ provided in most statistic textbooks. To compute the $F$ statistic the following formula is used:

$$F = \frac{\text{Calculated average from the first sample}}{\text{Calculated average from the second sample}}$$

In our case the calculated $F$ is 5.1. The table value of $F$ is 1.58 from the F-Table\(^{42}\).

We will test the null hypothesis that the two score averages for the counties are the same versus the alternative hypothesis that the average scores for both counties are different. Computed $F$ statistic is 5.1 which with comparison with the table value of 1.58 of the $F$ distribution indicates that at 0.01 significant level, the null hypothesis is rejected. This concludes that average score for the Riverside County employees is statistically better than average score for the employees of the San Bernardino County. The result indicates that Riverside County employees are more satisfied with the policy and procedures related to the troubled employees.

As it was mentioned earlier, the two main differences between the two counties is the provision of the Employee Assistance Program and better supervisor training in dealing with the troubled employees by Riverside County compared to

San Bernardino County. These two are the main reasons for higher level of satisfaction in Riverside County.

Overall, the summation scores of the employee questionnaire's and the corresponding average scores indicate that the main null hypothesis of this paper is rejected. It is concluded that any policies or procedures such as an Employee Assistance Program (EAP) and better supervisor training will positively impact employee performance and satisfaction.

It has become evident that the implementation of policies and procedures related to performance audit in offices has a positive impact on employee satisfaction, department performance, and productivity.
Conclusion And Recommendations

In most organizations the scope of the audit functions are mainly financial. In this paper, the non-financial aspect of auditing is analyzed with respect to incompetency. A general hypothesis is constructed to test the relationship between the lack of a performance audit plan in a public organization, employee satisfaction and productivity. To test this hypothesis, two similar public organizations, Riverside and San Bernardino Counties, are selected as an empirical case study. These two counties are selected because they are as closely comparable as possible, and both counties follow the laws and regulation of State of California. A set of questionnaires was mailed to the employees of both counties randomly. The summation of the scores of the employee questionnaires are compared to test the hypothesis. By applying the F test and using the average scores per question for both counties, the result indicates that Riverside County employees are more satisfied with the policy and procedures related to troubled employees. It is concluded that policies such as Employee Assistance Programs (EAP) and better supervisor training will positively impact employee performance and satisfaction. This leads to the rejection of the general null hypothesis of the paper which indicates that there is no statistically significant relationship between the lack of a performance audit plan in a public organization and
employee satisfaction and productivity.

Internal auditors who are experienced in performance auditing are in a position to make recommendations to management. There should be a close coordination by the audit department, with both personnel and medical departments, to establish polices and procedures for troubled employees. Furthermore, drug and alcohol addiction can best be dealt with through employee educational programs. These educational efforts can come in the forms of booklets or seminars.

Troubled employees can be divided into two groups. The first group are those employees who have been with the organization for a period of time. During this period they experience one of the above mentioned problems (neuroses, personality disorders, and psychoses). The second group are the new employees who already had a problem when the organization hired them. Initially we consider the first group. By examining the signals and clues to detect the troubled employees (previous sections and appendices), it is realized that, no matter what form of abnormal behavior the troubled employee has, his/her performance is negatively affected. (Therefore, internal auditors should help the human resources department to develop a comprehensive performance appraisal program). To help detect the troubled employee, a solid and comprehensive performance appraisal should consist
of four essential activities\textsuperscript{43}.

1. Establishment of work expectations - This part of performance appraisal involves discussion and agreement of specific performance expectations that are compatible with job responsibilities and the achievement of organizational objectives.

2. Ongoing review and discussion - This consists of the provision of specific information regarding the current performance of the employee and adjustment and refinement of work expectations.

3. Evaluation of performance - This includes the discussion and recording of performance results and end of the review period.

4. Monitoring and evaluation of the performance appraisal process - This involves the monitoring of the completion rate of appraisal.

One of the major objectives of the internal auditor is to determine whether the performance appraisal process (1-4) is implemented and monitored properly. A solid and comprehensive performance appraisal program can help an organization to detect the troubled employees.

The second group of troubled employees are the new employees who had the problem when they were hired by the

organization. Internal auditors and personnel departments should coordinate their efforts to improve their staffing policies and procedures. Staffing, which includes both recruitment and selection, is the process an organization uses to obtain qualified people. If the staffing process is appropriate, the organization will be able to screen the candidate more effectively and efficiently. According to Marilyn Dolenko internal auditors should determine whether the personnel department's staffing process provides the organization with qualified staff to meet the needs of management. Recruitment activities should maximize the likelihood of attracting qualified candidates at a reasonable cost, within a reasonable period of time and with due regard to equality of access. The most important factors in staffing are the screening process and procedure. An effective and comprehensive screening procedure will help the personnel department to detect some of the troubled employees before hiring them. (Internal auditors should help the personnel department to set up an effective selection procedure to screen the applicants.) This may include different tests or checking references.

44 Marilyn Dolenko, pp.11.
Other recommendations are:

1. The organization should establish an in-house counseling program. This program should be confidential.

2. The organization should establish a company "hotline" which can be in the form of a telephone number of medical or personnel department.45

3. It is recommended that one or more personnel employees be educated on the topic of abnormal behavior and be trained professionally how to detect troubled employees.

4. One member of the internal audit department should be selected to become knowledgeable on the subject of abnormal behavior. The employee with the problem may be very negative on the idea of seeking help. Therefore, when an employee is suspected of showing abnormal behavior, this employee is employee should be approached cautiously and confidentially.

5. An Employee Assistance program (EAP) should be established. These programs are designed to deal with employees whose alcohol, drug, or other forms of abnormal behavior are affecting their job

performance. This helps to rehabilitate the troubled employees to full productivity. The philosophy of the EAP is that if a worker is not performing in accordance with agreed standards, then the employer is justified taking corrective action. Through EAP the employer is able to intervene in a positive and rehabilitative manner. The employees are motivated to self-improvement because they know that they may lose their jobs.\textsuperscript{46}

In terms of dollars saved and misery avoided by workers and their families, an "audit" of personnel procedures relative to the troubled employee situation may be the single most valuable benefit internal audit professionals can provide for their organization.

\textsuperscript{46} Chambers and R. Heckman, "Employee Drug Abuse," \textit{Accountancy}, (September 1990), pp. 141-144
Appendix A

James C. Coleman explains five common forms of neuroses as follows.

1) Anxiety
This is the manifestation of unpleasant expectations of what is to me. Employee feel unpleasant feeling of fear or apprehension. It is popular today to attribute the cause of anxiety to the pressures of the modern and industrial environment.

In order to detect this type of troubled employee, internal auditors should look for symptoms such as: increased and rapid heartbeat resulting in hyperactivity and flushed face, signing, shortness of breath, extreme nervousness, loss of appetite, sweating, cold hands and feet, fainting, dizziness, and sleeplessness.

2) Phobias
This is an excessive fear in the absence of any real threat to discomfort or harm. Phobias are often considered anxieties which are associated with particular objects such as fear of heights, open places, dirt and germs, or even being touched. The degree to which any phobia manifests itself may vary from simple uneasiness to terrifying panic.

47 James C. Coleman, pp.128.
To detect employees with this type of illness, the internal auditors should look for symptoms such as: extreme avoidance of open places and heights, chronic washing of hands, refusing food in containers and avoidance of bodily contact such as shaking hands.

3) **Obsessive-Compulsive Reactions**

Individual with this type of illness display by orderliness and rigid behavior patterns. There are three possible distinctions of this abnormal behavior: I. Obsessions - This refers to recurring thoughts. II. Compulsions - Persistently recurring. III. Obsession-Compulsions - The combination of I and II.

In order to spot employee with this abnormal behavior, the auditors should look for clues such as: continual hand washing, chronic sleeping on the job, and continual movement of certain parts of the body.

4) **Hypochondriasis**

This type of employee generally complain about illness for which there is no physical basis. These employees usually, and repeatedly, seek medical help and are disappointed when no physical problem is found.

To detect employees with this type of abnormal behavior, auditors should look for symptoms such as: employee complaining of uncomfortable and painful feelings in the stomach, chest or other bodily areas, reading popular
magazines on medical topics consistently, and preoccupied with bodily processes.

5) **Neurasthenic Disorder**

This neurosis can be diagnosed as chronic mental and physical fatigue. Employees with this abnormal behavior generally do not show interest in life. This may be as a result of prolonged frustration and discouragement in the work place. This type of maladjusted behavior is frequently seen among young employees.

To detect this type of illness, auditors should look for symptoms such as: complaints of chronic tiredness, lack of concentration, extra amounts of sleeping, and feeling of frustration.
Appendix B

Robert P. Moffie, Dannie Moffie and Ralph B. Tower categorize these personality disorders as alcoholism, drug dependency, antisocial personality, passive-aggressive personality, and compulsive personality48.

1) Alcoholism

This is a progressive disease where an employee loses control over the intake of alcohol to the degree that it seriously interferes with life, job, health, and family. This disease can take as long as seven years to develop to the point of having considerable impact on the employee's performance. Some experts feel that alcoholism is the fourth most serious health problem in the United States after cancer, cardiovascular disease, and mental illness. An alcoholic may be an executive or clerical worker, skilled or semi-skilled with an average age of thirty five to forty years.

To provide support to management in dealing with alcoholic employee, the internal auditors must be well informed about the signals he/she receives from the employee. Following are some of the important signals.

A. The alcoholic misses more work than a usual employee. He/she makes suspicious excuses and in a

pattern.

B. The alcoholic reports late to work more frequently, not only at the start of the workday, but after lunch periods and breaks.

C. The alcoholic shows a low frustration tolerance.

D. Alcoholics tend to be involved in more lost time accidents.

E. Alcoholic workers act impulsively. They show a lack of judgement in making decisions and making more mistakes.

F. Alcoholic workers produce less than an average worker. Often they are working with hangovers.

For any organization, the early detection of an employee with a drinking problem is crucial. Some of the more specific signs of a drinking problem are: employee leaves the job post temporarily. Absenteeism for one day at a time, often Monday, Friday or the day adjoining a holiday or absenteeism for half-day periods. The quality of the employee keep decreasing and employee's mood changes after lunch. Alcoholic employees talk loud and takes longer lunch periods and drink during lunch time. They make frequent trips to the bathroom. Their eyes are red or bleary and their hands tremors.

2) **Drug Dependency**

This form of addictive behavior is tied closely with alcoholism. Drug addiction comes in many forms and is not limited to illegal drugs. The misuse of prescription and non-prescription medication is another form of drug dependency. The problem is that the addicted employees show behavioral changes later and not at early stages of their habits. If drug-dependent employees can be spotted in the early stages of their habit, the likelihood of recovery without relapse is better. The cost of rehabilitation is also less.

Indicators for spotting drug-dependent employees are very similar to those found in alcoholic employees. They experience frequent absenteeism or are unable to sit at a job for long periods of time. They have erratic moods and experience slurred speech. Trembling hands, frequent trips to the bathroom, heightened irritability, lack of alertness, and loss of interest in the job are other signals.

3) **Antisocial Personality**

Employees with this disorder are extremely self-serving and they are often at conflict with society. These individuals are often intelligent and may be quite

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charming at first in dealing with other employees. They have long histories of bizarre or even criminal behavior. They do not have long-term personal commitments with family or friends. These employees are a threat to the organization because they often commit fraud or sabotage against the company. These individuals show the following signals: Lack of conscience, failure to learn from mistakes, impulsiveness, lack of emotional ties to others, daring, thrill-seeking, charm, and ability to make a good impression on others\(^ {51}\).

4) **Passive-Aggressive Personality**

The employees with this type of illness think and sometimes act hostile toward the organization. This hostility may be the result of being dependent on others or the job for well-being. The employee will show hostility in a passive and nonviolent behavior. These indirect ways of expressing hostility are the clues that point out this type of employee to the internal auditors. The clues are: procrastination of duties, dotting, obstructing the work of others, stubbornness, intentional inefficiency, and forgetfulness\(^ {52}\).

5) **Compulsive Personality**

\(^{51}\) James C. Colman, pp.135.

\(^{52}\) James C. Coleman, pp.127.
These employees are "workaholics" who live for their job. These people take their jobs "too seriously". They may be very successful in their work but at great personal cost. The symptoms are: stiff interpersonal relationships, preoccupation with detail, being perfectionistic, external routine oriented, and have difficulty relaxing\(^\text{53}\).

\(^{53}\) James C. Coleman, pp.129.
Appendix C

Different forms of psychoses are summarized in this section.

1) Schizophrenia

This can be described as a psychotic disorder which is characterized by a gross distortion of reality. These distortions are attributed to a mental deterioration which begins in childhood. An employee with this illness is fragmented from normal thought by disturbed thinking. This form of disorder along with the related paranoid symptoms are the most advanced form of psychological breakdown. The symptoms can be very extreme. There are several indicators for spotting an employee with this types of illness in the workplace.

A. Absenteeism from work or social events—evidence of withdrawal for some reason.
B. Voice inflections at inappropriate spots in discourse.
C. Obvious neglect of personal hygiene and appearance.
D. Parasitic clinging to others possibly followed by evasion or repulsion of them.
E. Uncontrolled laughter.
F. Silly mannerisms and inexplicable gestures.

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54 Robert Diegelman, pp.67.
G. Daydreaming.

2) Paranoia

A paranoid individual is bothered by the feeling that he or she is being singled out, mistreated, ignored or plotted against. Paranoia, in the acute form, is considered a psychosis. Signals for spotting this type of employee are as follows: coldness and harshness in interpersonal relations, avoidance of eye contact, rigid, tense and unnatural body movement, rare expression of warmth, rare laughter, suspicious facial expression and body posture, and false feeling of superiority.

3) Depression

A depressed employee is similar to a paranoid one. A depressed person's verbal communication may consist of pessimistic predictions of the future, gloomy appraisal of the past, disinterest in the present, and excuses for all such feelings. There are several clues to spot these employees.

A. Great reduction in activity.

B. Great increase in sleep need, but sleep is disturbed.

C. Sudden weight loss or pain.

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55 Robert Degelman, pp.68.

56 James C. Coleman, pp.132.
D. Crying, agitation.
E. Hunched body posture.
F. Little eye contact.
G. Social withdrawal.
H. Striking or beating, mostly of self, sometimes of others.
I. General sad facial expressions.

4) **Suicidal Tendencies**

Recognizing suicidal tendencies is extremely important because suicide ranks high as a cause of death in the U.S. Suicide is often considered as outcome of depression. Thus, the indicators for spotting depression may also be considered as symptoms of suicide. An internal auditor should watch for history of attempted suicide or cries for help. The majority of this type of employee who attempted suicide want their intentions be known as warning. Most of them suddenly increase to use alcohol consumption. They increase their participation of careless or dangerous activities. Other symptoms are increased interest in the collection of suicide tools such as knives, razors, and ropes.

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57 James C. Coleman, pp.136.
Bibliography


Bibliography


