COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

April 30, 2002

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – LAC+USC MEDICAL CENTER COUNTY-WIDE TIMEKEEPING AND PAYROLL/PERSONNEL SYSTEM FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Health Services – LAC+USC Medical Center's (LAC+USC) use of the County-wide Timekeeping and Payroll/Personnel System (CWTAPPS). Our initial audit, completed in August 2000, covered areas such as payroll processing, terminations, bonuses, time and attendance, overpayment processing, leave accounting and data security. Our follow-up review was intended to assess the Department's progress in implementing the 23 recommendations from our prior report.

Status of Recommendations

Overall, LAC+USC is taking action to implement the recommendations from our prior report and strengthened its payroll controls by fully implementing 13 of the recommendations. However, three recommendations are partially implemented and seven have not been implemented. LAC+USC management needs to continue monitoring to ensure that all recommendations are implemented and remain implemented.

The status of the three partially implemented and seven not implemented recommendations is discussed below:

Recommendation #4

LAC+USC management ensure someone with no payroll responsibilities traces the names of terminated employees to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: PARTIALLY IMPLEMENTED

This control is intended to ensure that employees are not paid after they are terminated. LAC+USC has begun developing a computer program to match CWTAPPS data against records on the County-wide Payroll System (CWPAY) to identify employees who were paid after their termination date. LAC+USC will review this report quarterly to verify the validity of the payments.

Recommendation #8

LAC+USC management ensure bilingual bonuses are suspended when an employee is on an extended leave of absence for more than 60 calendar days.

Current Status: NOT IMPLEMENTED

We sampled 15 employees whose bilingual bonus should have been suspended because they were on an extended leave of absence for more than 60 calendar days. Of the 15 employees, 14 (93%) were either not stopped or were stopped late, resulting in overpayments of $5,450.

Recommendation #9

LAC+USC management require employees and their supervisors to properly initial alterations on their time cards.

Current Status: NOT IMPLEMENTED

LAC+USC issued a memo restating the Department's policy that employees and supervisors initial alterations on time cards. However, controls have not been established to ensure that staff adheres to this policy. We reviewed 15 time cards with alterations and found 11 (73%) were not initialed. LAC+USC management needs to ensure staff complies with established procedures.

Recommendation #11

LAC+USC management monitor employee time cards to ensure they are accurately completed and that information entered into CWTAPPS is reconciled to the time cards.

Current Status: PARTIALLY IMPLEMENTED

Although LAC+USC now monitors time cards to ensure they are accurately completed, it does not reconcile the information entered into CWTAPPS to the time cards. We reviewed 20 time cards and found that two (10%) were coded incorrectly in CWTAPPS resulting in a total overpayment of $73. LAC+USC management needs to ensure that it fully implements this recommendation by reconciling time card information to data entered into CWTAPPS.

Recommendation #14

LAC+USC management ensure payoffs are conducted at least twice a year at all pay locations by individuals with no payroll or personnel responsibilities.

Current Status: NOT IMPLEMENTED

County Fiscal Manual (CFM) Section 3.1.11 requires semi-annual payoffs, where payroll warrants and notices of direct deposit are released to employees only after each employee has shown proper identification and signs for the warrant/notice. Our initial audit found that LAC+USC did not conduct payoffs. Since our initial audit, the Department has conducted payoffs at only four of its 156 pay locations. LAC+USC management needs to prepare a pay location payoff schedule and ensure payoffs are conducted in accordance with CFM requirements.

Recommendation #15

LAC+USC management ensure that staff independent of payroll/personnel functions, verifies that written approval exists for each supplemental warrant listed on the CWPAY Report of Supplemental Payroll Warrants Issued.

Current Status: NOT IMPLEMENTED

The purpose of this control is to ensure that supplemental warrants are properly approved and are issued for valid reasons. LAC+USC management has not assigned responsibility for performing this function. LAC+USC management needs to ensure staff independent of personnel/payroll functions verifies that written approval exists for each supplemental warrant issued and listed on the CWPAY Report of Supplemental Payroll Warrants Issued.

Recommendation #16

LAC+USC management ensure that correct leave codes are used while employees are on extended sick leave.

Current Status: NOT IMPLEMENTED

Payroll clerks are responsible for ensuring that correct leave codes are used while employees are on extended leave. However, LAC+USC has not established controls to ensure that payroll clerks properly code these employees. Consequently, eight (53%) of 15 employees tested were improperly coded, resulting in a net underpayment of $3,519 and incorrect leave balances.

Recommendation #17

LAC+USC management obtain proper approvals for employees using 100% sick time after exhausting their part-pay sick leave balances.

Current Status: NOT IMPLEMENTED

Payroll clerks should notify timekeepers and supervisors when employees on extended sick leave have exhausted their part-pay sick leave and request to use 100% time. LAC+USC has not established controls to ensure that this notification is given. As a result, an employee continued to receive unauthorized 100% time. LAC+USC management needs to obtain proper approvals for employees using 100% sick time after exhausting their part-pay sick leave balances.

Recommendation #18

LAC+USC management ensure overtime worked is pre-approved and documented on an Overtime Authorization Form. In emergencies, approval should be obtained as soon as possible after the overtime is worked.

Current Status: PARTIALLY IMPLEMENTED

LAC+USC's overtime guidelines require that all overtime be pre-approved on an overtime authorization form by the Department head or designee. LAC+USC delegates pre-approval of overtime to lower level management. If overtime is not pre-approved, it should be approved within 24 hours.

Our initial audit found that, for 94% of overtime days tested, LAC+USC did not have a supporting overtime authorization form. To determine if LAC+USC now properly approves overtime, we reviewed 108 days of overtime worked. We found that 20 (19%) overtime days were not supported by authorization forms. In addition, 19 (18%) overtime days were approved up to ten days after the overtime was worked. Although LAC+USC has made substantial improvements, it needs to continue to ensure that overtime is pre-approved or approved within 24 hours.

Recommendation #23

LAC+USC management ensure Payroll Unit staff performs a documented review of CWTAPPS reports and that the Payroll Supervisor reviews the reports to ensure exceptions are resolved correctly.

Current Status: NOT IMPLEMENTED

The CFM requires departments to investigate exceptions on several payroll exception reports and immediately process any necessary adjustments. These reviews help ensure accurate payments to employees. The reports should be annotated to document the disposition of each entry, and be signed and dated by the Payroll Unit staff performing the investigation. The Payroll Supervisor should review these reports each pay period to ensure that exceptions are corrected promptly and accurately. The Supervisor should then sign and date the report to indicate it has been reviewed.

We reviewed 28 exception reports (four months for seven different reports) and noted that none were signed and dated by the staff performing the review or by the Payroll Supervisor. In addition, we tested 25 exceptions from these reports to determine whether items on the reports were properly corrected. We found that four (16%) exceptions were not properly adjusted in CWTAPPS, resulting in a total overpayment of $81.

Review of Report

We discussed our report with LAC+USC management and provided the Department with a listing of overpayments and underpayments so it can investigate and take appropriate actions. The Department's response, attached, indicates that it will fully implement all recommendations by July 1, 2002.

We would like to thank LAC+USC management and staff for their cooperation and assistance during our audit. If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Department of Health Services
Thomas A. Garthwaite, M.D., Director and Chief Medical Officer
Sachi Hamai, Inspection & Audit Division
Dave Runke, LAC+USC Medical Center
Public Information Office
Audit Committee

BOARD OF SUPERVISORS

Gloria Molina
First District

Yvonne Brathwaite Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

April 24, 2002

TO: J. Tyler McCauley
Auditor-Controller

FROM: Thomas A. Garthwaite, M. D.
Director and Chief Medical Officer

Subject: **DEPARTMENT OF HEALTH SERVICES/LAC+USC HEALTHCARE NETWORK/CWTAPPS FOLLOW-UP REVIEW**

This is in response to the Auditor-Controller's report related to their follow-up review of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) at LAC+USC Healthcare Network (LAC+USC). The follow-up review was designed to determine LAC+USC's progress in implementing recommendations issued as a result of an initial review in August 2000. Of 23 recommendations issued, ten recommendations were found to be partially implemented or not implemented. As a result, the following actions will be taken to bring LAC+USC into full compliance with the pending recommendations.

RECOMMENDATION #4:

LAC+USC management ensures someone with no payroll responsibilities traces the names of terminated employees to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: **PARTIALLY IMPLEMENTED**

Corrective Action:

Financial Management provides the Office of Human Resources with a report that identifies terminated employees that still receive a warrant. The Office of Human Resources will provide Financial Management with approval documentation for each warrant issued after the employee is terminated. Financial Management will review that approval documentation exists for each warrant

issued after termination, except for Time Certificates and final regular paycheck issued in the month following the termination.

Target implementation date: **July 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #8:

LAC+USC management ensures bilingual bonuses are suspended when employee is on extended leave of more than 60 calendar days.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

The Office of Human Resources will send out a reminder to the Network Executive Committee to verify their staff is eligible for continued bonus payments and to notify the Office of Human Resources of any ineligibility. Office of Human Resources will work with Information Systems to develop a monthly report to monitor employees who receive bilingual bonus and are on extended leave for 60 days in order to suspend bonus payments in a timely manner.

Target implementation date: **July 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #9:

LAC+USC management requires employees and their supervisors to properly initial alterations on their time cards.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

The Office of Human Resources will notify the Network Executive Committee (NEC) that effective June 1, 2002, time cards that are not properly completed will not be processed. When the Payroll Office receives an incomplete time card, they will notify the NEC member. It will be the responsibility of the NEC member to ensure that the time card is properly completed prior to processing by the Payroll Office.

Target implementation date: **June 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #11:

LAC+USC management monitor employee time cards to ensure they are accurately completed and that information entered into CWTAPPS is reconciled to the time cards.

Current Status: **PARTIALLY IMPLEMENTED**

Corrective Action:

The Office of Human Resources will establish procedures for post-audit which consist of payroll clerks reviewing sample time cards of other payroll clerks and reporting findings to Payroll Supervisors for required follow-up.

Target implementation date: **June 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #14:

LAC+USC management ensures individuals with no payroll or personnel responsibilities conduct payoffs at least twice a year at all pay locations.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

Financial Management will develop procedures for payroll audits, train auditors, which will consist of administrative staff, and monitor compliance.

Target implementation date: **July 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #15:

LAC+USC management ensures that staff independent of payroll/personnel functions, verifies that written approval exists for each supplemental warrant listed on the CWPAY Report of Supplemental Payroll Warrants Issued.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

Financial Management will develop a report that identifies supplemental warrants. The Office of Human Resources will provide Financial Management with documentation that authorizes the Supplemental Payroll Warrants. Financial Management will review documentation that approval exists for each Supplemental Payroll Warrant.

Target implementation date: **July 1, 2002**

AUDITOR -CONTROLLER RECOMMENDATION #16:

LAC+USC management ensures that correct leave codes are used while employees are on extended sick leave.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

Payroll Supervisors will remind payroll clerks to use correct leave codes for employees on extended sick leave. Post-audits conducted by payroll clerks outlined in Recommendation #11 will ensure compliance.

Target implementation date: **June 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #17:

LAC+USC management obtains proper approvals for employees using 100% sick time after exhausting their part-pay sick leave balances.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

Payroll Supervisors will remind payroll clerks to verify that proper approvals are on file for employees using 100% sick time after exhausting part-pay sick leave balances. Post-audits conducted by payroll clerks outlined in Recommendation #11 will ensure compliance with this recommendation.

Target implementation date: **June 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #18:

LAC+USC management ensures overtime worked is pre-approved and documented on Overtime Authorization Form. In emergencies, approval should be obtained as soon as possible after the overtime is worked.

Current Status: **PARTIALLY IMPLEMENTED**

Corrective Action:

Office of Human Resources will remind the Network Executive Committee of their accountability that overtime is approved in advance of being worked and in emergencies, approved as soon as possible after the overtime is worked. The post audit conducted by payroll clerks of time cards in Recommendation #11 will ensure compliance with this recommendation.

Target implementation date: **June 1, 2002**

AUDITOR-CONTROLLER RECOMMENDATION #23:

LAC+USC management ensures Payroll Unit staff performs a documented review of CWTAPPS reports and that the Payroll Supervisor reviews the reports to ensure exceptions are resolved correctly.

Current Status: **NOT IMPLEMENTED**

Corrective Action:

Payroll Supervisors will ensure that payroll staff review and correct forms. Payroll Supervisors will monitor progress and take corrective action as necessary. Payroll Supervisors will initial to ensure that corrections are completed accurately. The Office of Human Resources and Financial Management will explore feasibility of generating report within Dept. 160. CWTAPPS report is currently sent to Dept. 295.

Target Implementation Date: **July 1, 2002**

If you have any questions or require additional information, please contact John Mayemura, Acting Chief, Inspection and Audit Division, at (213) 240-7901.

TG:JM:gm

c: Fred Leaf
Sachi Hamai