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DEPARTMENT OF AUDITOR-CONTROLLER

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March 18, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **ALTERNATE PUBLIC DEFENDER - PAYROLL/PERSONNEL REVIEW**

In 2007, your Board instructed the Auditor-Controller (A-C) to develop a risk-based plan to audit payroll/personnel operations in all County departments. In accordance with the developed plan, we completed a review of the Alternate Public Defender's (APD or Department) compliance with County payroll and personnel policies, and use of the County's electronic Human Resources (eHR) system.

Some APD payroll related functions, such as processing timesheet adjustments, issuing supplemental warrants, monitoring industrial accidents, and recovering overpayments, are performed by the A-C's Shared Services Division (SSD). However, APD staff is responsible for other payroll and personnel functions, such as controlling overtime, recording time and attendance, verifying bonus eligibility, conducting payroll payoffs, and processing employee terminations. This review was limited to the payroll and personnel functions performed by APD.

Summary of Findings

We noted that APD appropriately verifies bonus eligibility for employees and maintains appropriate security over personnel files. However, APD needs to strengthen its controls over other areas of their payroll/personnel operations, and their use of the eHR system. The following are examples of areas for improvement:

- The Department needs to ensure that overtime is properly documented, and authorization forms are pre-approved and verified by supervisors. We noted that in 11 (50%) of the 22 overtime occurrences reviewed, the Department did not have overtime authorization forms. In addition, for the remaining 11 occurrences where an overtime authorization form existed, we noted five (45%) were not appropriately pre-approved by a supervisor.

  APD's attached response indicates that they now ensure supervisors provide pre-approval of all overtime requests. In addition, they are implementing an electronic form for processing and approving overtime requests.

- The Department needs to ensure that all timesheet adjustments are reviewed and certified by the employees and their supervisors. We noted that 21 (95%) of the 22 timesheet adjustments reviewed did not have an employee or supervisor signature.

  APD's attached response indicates that they now ensure employees and supervisors sign the timesheet adjustments to certify the accuracy of changes made to previously approved timesheets.

- The Department needs to ensure that payroll payoffs are conducted on an unannounced basis at least once every 12 months by personnel with no other payroll or personnel responsibilities. APD indicated that their last payroll payoff was completed in Fiscal Year 2013-14. However, the Department was unable to provide documentation supporting that the payroll payoff was conducted.

  APD's attached response indicates that they have conducted a payroll payoff review subsequent to our audit. The Department will continue to conduct unannounced payoffs every 12 months by personnel with no other payroll or personnel responsibilities, and will retain documentation in a centralized file.

- The Department needs to ensure that all timesheets completed by proxies (i.e., designated staff allowed to prepare other employees' timesheets) on behalf of employees are subsequently reviewed and certified by the employees. We noted that for two (15%) of the 13 proxied timesheets reviewed, the employees did not certify the accuracy of their reported time.

  APD's attached response indicates that they now ensure employees certify the accuracy of their proxied timesheets by signing a hard copy of their timesheets.

We also noted that APD can improve its controls and monitoring over payroll exception reports and system security. Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed the results of our review with APD management. They generally agreed with our findings and recommendations. The Department's attached response (Attachment II) describes the corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank APD management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:JU

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Janice Y Fukai, Alternate Public Defender
Public Information Office
Audit Committee

ALTERNATE PUBLIC DEFENDER
PAYROLL/PERSONNEL REVIEW

Background

The Alternate Public Defender (APD or Department) has approximately 280 employees in 22 offices throughout the County. APD employees enter their time information directly into the County's electronic Human Resources (eHR) system. The Department's Administrative Services Division utilizes eHR to obtain employee leave balances; process personnel actions, such as hires/terminations; verify bonuses; and maintain personnel data, including hire dates and County employment history.

Scope

APD is responsible for payroll and personnel functions, such as controlling overtime, recording time and attendance, verifying bonus eligibility, conducting payroll payoffs, and processing employee terminations. Other APD related payroll functions, such as processing timesheet amendments, issuing supplemental warrants, monitoring industrial accident payments, etc., are performed by the Auditor-Controller's (A-C) Shared Services Division (SSD). This review was limited to the payroll and personnel functions performed by APD.

We reviewed APD's compliance with County payroll and personnel policies, including the County Fiscal Manual (CFM), and use of eHR. Our review included interviews with APD management and staff, and tests of payroll and personnel transactions.

COMMENTS AND RECOMMENDATIONS

Overtime Approval

CFM Section 3.1.9 requires employees to scan and attach overtime pre-approval documentation to their web-based timesheets (TIMEI). The Department's overtime authorization form requires two supervisory approvals, including a pre-approval signature for the overtime, and a verification signature after the overtime is worked verifying that the employee worked the overtime authorized on the form.

We reviewed the 22 occurrences of overtime claimed by APD employees in Fiscal Year (FY) 2013-14. At the time of our review, since APD had not yet incurred overtime in FY 2014-15, we tested the most current overtime claims available. We noted that in 11 (50%) of the 22 occurrences, the Department did not have overtime authorization forms. APD management indicated that each of the 11 employees did not complete authorization forms since they were already required by management to assist with human resource related exams after their normal hours, and/or on days when they normally would be off. However, APD should ensure that all overtime authorization forms are completed and attached to employee timesheets, as required.

In addition, for the 11 cases in which the Department maintained an overtime authorization form, we noted that five (45%) forms did not include a supervisor's pre-approval signature. In these cases, the overtime was approved only after the overtime was worked. We also noted that for two (33%) of the remaining six forms which had pre-approval signatures, the verifying signature was dated prior to the overtime actually being worked. As a result, we were unable to determine whether the hours worked for these two employees were accurately reported.

Recommendations

Alternate Public Defender management:

1. **Ensure overtime authorization forms are properly maintained and attached to employees' timesheets.**

2. **Ensure all overtime pre-approvals and verifications are appropriately documented by their supervisors.**

Time and Attendance

Proxied Timesheet Certification and Controls

CFM Sections 3.1.6 and 3.1.7 require employees to certify the accuracy of their reported time. If an employee is not available or does not have access to a computer, a proxy (i.e., designated staff allowed to prepare other employees' timesheets) can prepare/submit a timesheet on the employee's behalf. Employees are required to subsequently review any timesheet prepared by a proxy, and certify the accuracy of the reported time by signing a hard copy timesheet.

Our review noted that APD employees did not review/certify two (15%) of the 13 proxied timesheets we reviewed. APD management should ensure that employees certify the accuracy of proxied timesheets by signing a hard copy of their timesheets, as required by County policy.

Recommendation

3. **Alternate Public Defender management ensure employees certify the accuracy of proxied timesheets by signing a hard copy of their timesheets.**

Timecard Adjustments

CFM Section 3.1.7 requires employees and supervisors to sign the Timesheet Correction Form to verify any changes to an employee's hours worked as reported on a previously approved timesheet. If the employee is not available to sign the form, the supervisor should provide the employee with a copy of the Timesheet Correction Form

before the end of the following pay period for the employee to review and certify the changes.

We reviewed 22 timesheet adjustments made in FY 2014-15, and noted that 21 (95%) Timesheet Correction Forms completed did not have the employee's and/or the supervisor's signature. APD management indicated that it is not the practice for the employees or supervisors to sign the form since they are usually out in the field, and SSD requires the adjustments immediately. However, without the employee's and/or supervisor's verification, APD cannot ensure the accuracy of the timesheet adjustments.

Recommendation

4. **Alternate Public Defender management ensure that employees and supervisors sign Timesheet Correction Forms to certify the accuracy of changes made to previously approved timesheets.**

eHR Time Collection Exception Reports

CFM Section 3.1.7 requires departments to generate eHR exception reports, follow up on noted exceptions, and document the results of their reviews. Since SSD handles some of APD's payroll functions, SSD generates the exception reports and forwards to APD only the reports for which APD is responsible.

We reviewed APD's Single Approver Report and Audit Trail Report, and noted that SSD reviews these reports on APD's behalf, and properly maintains them on file. We also reviewed the Missing Timesheet Report, which APD is responsible for reviewing, to identify all missing timecards for the pay period. We noted that APD did not have a copy of the report on file, or any support indicating their review was performed. Although SSD maintains an anchor copy of all APD exception reports, APD should retain annotated, signed, and dated copies on file of all eHR exception reports they are responsible for to confirm their disposition of any reported exceptions.

Recommendation

5. **Alternate Public Defender management retain annotated, signed, and dated copies on file of all eHR exception reports they are responsible for to confirm their disposition of any reported exceptions.**

Employee Payroll Payoffs

CFM Section 3.1.12 requires departments to conduct unannounced payroll payoffs at least once every 12 months by personnel with no other payroll or personnel responsibilities to ensure that all employees are bona fide. During the payoffs, employees are required to show proper identification and sign payoff documentation. APD indicated that their last payroll payoff was completed in FY 2013-14. However, the Department was not able to provide documentation supporting the payroll payoff was

conducted. As a result of our review, APD conducted a payroll payoff of their employees in January 2016.

Recommendation

6. **Alternate Public Defender management ensure payroll payoffs are conducted on an unannounced basis at least once every 12 months by personnel with no other payroll or personnel responsibilities, and retain documentation demonstrating the payoff was conducted.**

Time Reporting Policies and Procedures

CFM Section 3.1.6 requires employees to sign an acknowledgment that they have received and reviewed a copy of the department's Time Reporting Policies and Procedures. In addition, in December 2009, the A-C recommended that all departments develop specific desk procedures for all functions, including payroll and personnel assignments, to outline employees' duties, and the steps required to complete assignments. Desk procedures can help employees maintain consistency, effectiveness, and compliance with County policies and procedures.

APD has not developed Time Reporting Policies and Procedures or specific desk procedures for payroll and personnel assignments. APD management indicated that employees already have access to various County manuals, such as the CFM and eHR manuals. However, County manuals do not outline employees' duties and steps required to complete assignments. Some of our findings noted in APD's payroll and personnel operations, such as not reviewing monthly exception reports or not obtaining employees' signatures for proxied timesheets, may have been minimized if the Department established proper desk procedures.

Recommendations

Alternate Public Defender management:

7. **Develop Time Reporting Policies and Procedures, and require employees to sign an acknowledgement that they have received and reviewed a copy of the procedures.**

8. **Develop desk procedures for payroll and personnel assignments.**

Payroll System Security Policies

Board of Supervisors' Policy 6.101 requires employees with access to County computer data to acknowledge and adhere to County Information Technology (IT) resources policies, standards, and procedures, and County IT security policies, and sign the County Acceptable Use Agreement. In addition, CFM Section 8.3.0 requires

management to develop and aggressively enforce a formal, written security violation policy.

We noted that two (10%) of the 20 APD payroll system users reviewed did not have a signed County Acceptable Use Agreement on file, and one (5%) agreement did not include a supervisor's signature. In addition, APD does not have a formal, written security violation policy in place.

Recommendations

Alternate Public Defender management:

9. **Ensure all employees have a signed County Acceptable Use Agreement on file.**

10. **Develop and implement a formal, written security violation policy.**

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Alternate Public Defender

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Janice Y. Fukai
Alternate Public Defender

March 1, 2016

To: John Naimo
Auditor-Controller

From: Janice Y Fukai
Alternate Public Defender

Subject: **ALTERNATE PUBLIC DEFENDER RESPONSE TO PAYROLL/PERSONNEL REVIEW**

The Alternate Public Defender is submitting the attached response to the 10 recommendations contained in the Auditor-Controller's report of the Payroll/Personnel Review.

We have implemented many of the recommendations and are committed to taking the necessary steps to fully implement the Auditor-Controller's recommendations. We have developed new policies and procedures to ensure effective controls are in place and being followed.

We appreciate the professionalism of the Auditor-Controller's team who conducted the payroll/personnel review and look forward to working with your team in the future.

Please contact me at 213-974-8163 if you have any questions.

ALTERNATE PUBLIC DEFENDER PAYROLL/PERSONNEL REVIEW RESPONSE

Overtime Approval

Recommendation 1: Ensure overtime authorization forms are properly maintained and attached to employees' timesheets.

APD Response to Recommendation 1. Agree and implementation in progress.

The Department is implementing an electronic form for processing and approval of overtime requests which then can be uploaded to the employee's timesheet.

Recommendation 2: Ensure all overtime pre-approvals and verifications are appropriately documented by their supervisors.

APD Response to Recommendation 2. Agree and implemented.

The Department now ensures that both employees and supervisors provide pre-approval of overtime for all overtime requests.

Time and Attendance

Recommendation 3: APD management ensure employees certify the accuracy of proxied timesheets by signing a hard copy of their timesheets.

APD Response to Recommendation 3. Agree and implemented.

The Department now ensures employees certify the accuracy of proxied timesheets by signing a hard copy of their timesheets.

Recommendation 4: APD management ensure that employees and supervisors sign Timesheet Correction Forms to certify the accuracy of changes made to previously approved timesheets.

APD Response to Recommendation 4: Agree and implemented.

The Department has ensured that employees and supervisors sign Timesheet Correction Forms (Time Card Adjustments) to certify the accuracy of changes made to previously approved timesheets. The Auditor-Controller's Shared Services Division also notifies APD payroll staff of the needed changes to employees' timesheets.

Recommendation 5: APD management retain annotated, signed, and dated copies on file of all eHR exception reports they are responsible for to confirm their disposition of any reported exceptions.

APD Response to Recommendation 5: Agree and Implemented.

The Department is now retaining annotated, signed, and dated copies of all eHR exception reports to confirm the disposition of any reported exceptions.

Employee Payroll Payoffs

Recommendation 6: APD management ensure payroll payoffs are conducted on an unannounced basis at least once every twelve months by personnel with no other payroll or personnel responsibilities, and retain documentation demonstrating the payoff was conducted.

APD Response to Recommendation 6: Agree and implemented.

The Department has already completed its payroll payoff review and will continue to conduct unannounced reviews every twelve months by personnel with no other payroll or personnel responsibilities. The Department will maintain a centralized file and retain documentation to ensure the payoff was conducted. Such file will also be scanned and maintained by administrative staff.

Time Reporting Policies and Procedures

Recommendation 7: APD management develop time reporting policies and procedures, and require employees to sign an acknowledgement that they have received and reviewed a copy of the procedures.

APD Response to Recommendation 8: Agree and currently being developed with implementation to follow.

The Department will develop time reporting policies and procedures. In addition, the Department will develop a form that ensures all employees

acknowledge that they have received and reviewed a copy of the procedures.

Recommendation 8: APD management develop desk procedures for payroll and personnel assignments.

APD Response to Recommendation 8: Agree and currently being implemented.

The Department is developing desk procedures for payroll and personnel assignments. These desk procedures will be maintained and filed centrally for Departmental use.

Payroll System Security Policies

Recommendation 9: APD management ensure all employees have a signed County Acceptable Use Agreement on file.

APD Response to Recommendation 9: Agree and implemented.

The Department requires all employees to sign a County Acceptable Use Agreement annually. All supervisors are required to review the signed agreement to ensure the employee has actually signed it.

Recommendation 10: APD management develop and implement a formal, written security violation policy.

APD Response to Recommendation 10: Agree and implemented.

The Department has developed and implemented a formal, written security violation policy.