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

February 1, 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 – HARBOR/UCLA 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 – Harbor/UCLA Medical Center's (HUMC) use of the County-wide Timekeeping and Payroll/Personnel System (CWTAPPS). Our initial audit, completed in March 2000, covered areas such as terminations, bonuses, payroll processing, leave accounting, overpayment recoveries, overtime and data security. Our follow-up review was intended to assess the Department's progress in implementing the 25 recommendations from our prior report.

Status of Recommendations

Overall, HUMC is taking action to implement the recommendations from our prior report and has strengthened its payroll operations by fully implementing 16 of the recommendations. However, six recommendations are not implemented and three recommendations are partially implemented. HUMC management needs to increase its monitoring to ensure that all the recommendations are implemented and remain implemented.

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

Recommendation #4

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

Current Status: NOT IMPLEMENTED

This control is intended to ensure that terminated employees are not paid after they are terminated. HUMC management indicated that an employee has not been assigned the responsibility of tracing terminated employees' names to the Payroll Sequence Register for three consecutive months after termination. HUMC management needs to ensure staff implements this procedure.

Recommendation #6

HUMC *management instruct Payroll staff to not process time cards with alterations unless they have been initialed by the employee and supervisor.*

Current Status: NOT IMPLEMENTED

HUMC issued a memo restating the Department's policy that employees and supervisors must initial time card alterations. We reviewed 20 time cards and noted eight had alterations. In all eight instances, neither the employee nor the supervisor initialed the alteration, but payroll staff still processed the time card. HUMC management needs to ensure Payroll staff do not process time cards with alterations, unless they have been initialed by the employee and supervisor.

Recommendation #10

HUMC management monitor standby hours scheduled/worked to ensure employees do not earn more than their maximum allowable amount per month.

Current Status**:** NOT IMPLEMENTED

HUMC still does not monitor standby pay earnings to ensure employees do not receive more than their maximum monthly allowable amount. As a result, four employees exceeded their allowable amount for at least one month during the first half of 2001, resulting in small overpayments.

Recommendation #16

HUMC management ensure payoffs are conducted at least twice a year at all pay locations.

Current Status**:** NOT IMPLEMENTED

County Fiscal Manual 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 payoffs were not conducted at four of six locations reviewed. Since our initial audit, the Department has conducted payoffs at only three of its 157 pay locations. HUMC needs to ensure that semi-annual payoffs are conducted at all pay locations.

Recommendation #17

HUMC management ensure that 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.

Current Status**:** NOT IMPLEMENTED

The purpose of this control is to ensure that supplemental warrants are properly approved and are issued for valid reasons. The Department still does not perform this function. HUMC 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 #18

HUMC management ensure that correct leave codes are used while employees are on extended sick leave.

Current Status**:** PARTIALLY IMPLEMENTED

The Department now performs post audits of time cards. Each pay period, payroll clerks select 30 time cards entered into CWTAPPS by another clerk to ensure that the information was coded correctly. However, these procedures do not specifically focus on time cards coded for employees on extended sick leave. As a result, we continued to find errors. We found four (27%) of 15 employees tested were coded improperly. This resulted in incorrect leave balances and payment errors ranging from a $148 overpayment to a $54 underpayment.

Recommendation #19

HUMC management ensure overtime worked is pre-approved. In emergencies, the approval should be obtained as soon as possible after the overtime is worked.

Current Status: PARTIALLY IMPLEMENTED

DHS policy requires all overtime to be pre-approved by the Department head or designee, except in emergencies. In emergencies, the approval should be obtained as soon as possible after the overtime is worked. HUMC delegates pre-approval of overtime to lower level management.

HUMC reissued its overtime policy to staff. To determine if guidelines are followed, we reviewed 127 overtime days worked. We found that 46 (36%) days were not supported by authorization forms and 59 (46%) days were approved an average of 17 days after the overtime was worked. Although HUMC reissued its overtime policy to staff, management still needs to monitor to ensure that staff complies with the policy.

Recommendation #22

HUMC management periodically review employees' profile assignments for appropriateness. Employees who no longer require CWTAPPS access should be deleted from the system.

Current Status: PARTIALLY IMPLEMENTED

In our follow-up, we noted three employees who have inappropriate CWTAPPS access based on their job responsibilities. For example, two Personnel Section employees have the ability to make changes to payroll data. HUMC reviews security listings to identify employees whose CWTAPPS access should be canceled because they have terminated or transferred. However, this review does not include reviewing whether current employees' profile assignments are appropriate.

Recommendation #23

HUMC management utilize processing centers so that staff cannot access their own personnel/payroll information on CWTAPPS.

Current Status: NOT IMPLEMENTED

Employees can be grouped into processing centers (e.g., by pay location, division, etc.) to further control the payroll and personnel information accessible to each user. Processing centers help ensure that payroll and personnel staff do not have access to their own payroll/personnel information on CWTAPPS. HUMC management has not set up its processing centers to comply with this recommendation and should do so immediately.

Review of Report

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

We would like to thank HUMC 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 Garthwaite, Director
Sachi Hamai, Inspection & Audit Division
Tecla Mickoseff, HUMC Administrator
Public Information Office
Audit Committee

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FRED LEAF, Acting Director

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

January 18, 2002

TO: J. Tyler McCauley
Auditor-Controller

FROM: Fred Leaf
Acting Director

SUBJECT: **HARBOR-UCLA MEDICAL CENTER 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 Harbor-UCLA Medical Center. The follow up review was designed to determine Harbor-UCLA's progress in implementing recommendations issued as a result of an initial review in March 2000. Of twenty-five recommendations issued, nine recommendations were found to be partially implemented or not implemented. As a result, the following actions will be taken to bring our facility into full compliance with the pending recommendations:

Recommendation No. 4.

HUMC management ensure someone with no payroll responsibility traces terminated employee's names to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: NOT IMPLEMENTED

Corrective Action.

We Concur with this recommendation and assigned Staff from Human Resources Administration who had no payroll responsibility to trace employee's names on the Payroll Sequence Register for at least three consecutive months. However, due to the high number of terminations (physician residents, etc.) the process could not be sustained. We will work with the Auditor-Controller to meet the intent of the recommendation. We recommend the use of a 25% random sample of the monthly

terminations for auditing purposes. If the Auditor-Controller agrees, we will start the audit in February 2002 for January 2002 terminations.

Target Date of Implementation: February 2002

Recommendation No. 6.

HUMC management instruct Payroll staff to not process time cards with alterations unless they have been initialed by the employee and supervisor.

Current Status: NOT IMPLEMENTED

Corrective Action:

We continue to concur. HUMC Management will ensure that Payroll Staff do not process time cards with alterations not initialed by the employee and the supervisor. A quarterly audit will be conducted by HR Management to ensure compliance.

Target Date of Implementation: February 1, 2002

Recommendation No. 10.

HUMC management monitor standby hours scheduled/worked to ensure employees do not earn more than their maximum allowable per month.

Current Status: NOT IMPLEMENTED

Corrective Action:

We continue to concur. HUMC Management will ensure that employees do not earn more standby than the maximum allowed. Higher accountability will be placed on employees and supervisors to assure compliance with policy.

Target Date of Implementation: February 1, 2002

Recommendation No. 16.

HUMC Management ensure payoffs are conducted at least twice a year at all pay locations.

Current Status: NOT IMPLEMENTED

Corrective Action:

We continue to concur. HUMC will work with the Auditor-Controller to meet the intent of this recommendation. HUMC is a 24 hour, 7 days per week operation and we do not have the staff to audit all pay locations at least twice per year (157 locations).

We have tried to comply with the recommendation but it is not possible given our resources. We recommend the use of a random sample audit of the pay locations given the nature of our health care business.

Target Date of Implementation: To be determined in future discussions with the Auditor-Controller's Office.

Recommendation No. 17.

HUMC management ensure that 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. Payroll will provide necessary technical support.

Current Status: NOT IMPLEMENTED

Corrective Action

We concur. Effective January 15, 2002, Expenditure Management staff will verify that written approval exist for each supplemental warrant issued.

Target Date of Implementation: January 15, 2002

Recommendation No. 18.

HUMC management ensure that correct leave codes are used while employees are on extended sick leave.

Current Status: PARTIALLY IMPLEMENTED

Corrective Action:

We concur. The Payroll Supervisor will provide an in-service to the payroll clerks on coding for employees who are on extended leaves of absence. To assure compliance, the Payroll Supervisor and Assistant Supervisor will monitor the coding and provide individual training, as necessary.

Target Date of Implementation: February 1, 2002

Recommendation No. 19.

HUMC management ensure overtime worked is pre-approved. In emergencies, the approval should be obtained as soon as possible after the overtime is worked.

Current Status: PARTIALLY IMPLEMENTED

Corrective Action:

We concur. However, our experience demonstrates that compliance with the policy presents significant logistic problems. Employees, oftentimes, are required to work overtime on an emergent basis to provide services to our patients. Approval is initially provided by the supervisor on site but final approval is sought, as soon as possible, from executive level individuals several organizational layers above the line operation.

Overtime documents take several days to navigate the organizational structure for final approval. We will work with the Auditor-Controller to define a reasonable amount of time that may be considered "as soon as possible" and will reiterate the policy to staff within these new defined guidelines.

Target Date of Implementation: April 1, 2002

Recommendation No. 22.

HUMC management periodically review employee's profile assignments for appropriateness. Employees who no longer require CWTAPPS access should be deleted from the system.

Current Status: PARTIALLY IMPLEMENTED

Corrective Action:

We concur. Human Resources Management will conduct quarterly reviews of the employee profile assignments to ensure that access to CWTAPPS is appropriate. A base review will be conducted by January 15 and the first quarterly review is to be done by March 2002.

Target Date of Implementation: March 2002

Recommendation No. 23.

HUMC management utilize processing centers so that staff cannot access their own personnel/payroll information on CWTAPPS.

Current Status: NOT IMPLEMENTED

Corrective Action:

We concur. HUMC management will request assistance from DHS Corporate Office of Human Resources in identifying the procedures to be followed for the establishment of processing centers as recommended. This recommendation will be implemented by March 31, 2002.

Target Date of Implementation: March 31, 2002

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

FL:SH:g
Attachment