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COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

January 31, 2008

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

FROM: J. Tyler McCauley FOR
Auditor-Controller

SUBJECT: **COUNTYWIDE PAYROLL/PERSONNEL RISK ASSESSMENT AND AUDIT PLAN (Board Agenda Item No. 49-A, September 11, 2007)**

On September 11, 2007, based on issues identified in our audit of the Department of Children and Family Services (DCFS) payroll/personnel operations, your Board directed the Auditor-Controller, in conjunction with the Chief Executive Officer (CEO), to report back on how the Auditor-Controller's regular audit function can be utilized to more directly address Countywide or multi-departmental payroll/personnel problems.

As part of our review, we conducted a risk assessment of the payroll/personnel operations of 34 County departments. Our assessment did not include DCFS, the Department of Public Social Services, the Department of Mental Health or the Registrar-Recorder/County Clerk because these departments were either recently audited or are currently being audited. We evaluated the 34 departments based on specific factors and discussed the results of our assessment with the CEO, the Department of Human Resources (DHR) and the Auditor-Controller's Countywide Payroll and Systems (eCAPS) Divisions.

To address the Board's concerns, we plan to conduct payroll/personnel audits of the 34 departments according to potential risk. Based on our assessment, the Departments of Health Services, Probation, Sheriff, and Internal Services have the highest potential risk and will be reviewed first.

We estimate that completing payroll/personnel audits of all 34 County departments will take approximately six years. Additional time may be required depending on the number of future Board/Special assignments, available staff resources and possible changes in audit priorities over the next six years.

Selection Criteria and Scope of Future Audits

We developed a checklist of 13 factors to evaluate the risk of payroll/personnel issues in County departments. For example, we considered the number of budgeted positions, total salary and wage expense, overtime, including overtime budget variances, the number of employees receiving sick and/or industrial accident pay, allegations substantiated by the Office of County Investigations, etc. We also considered the number of material Internal Control Certification Program (ICCP) payroll/personnel weaknesses reported by the departments, and the time since the last payroll/personnel audit, including the materiality and type of prior findings and recommendations. The ICCP is a questionnaire developed by the Auditor-Controller to enable County department managers to evaluate internal controls in all their fiscal areas, to reduce the risk of error, fraud and other improper activities.

Our proposed payroll/personnel audits will include evaluating departments' compliance with County payroll and personnel policies in areas such as overtime, leave accounting, industrial accidents, time reporting and processing, bonus eligibility and approval, etc. The audits will include departments' regional offices, if applicable.

We will continue to review departments' reported payroll/personnel weaknesses identified on their ICCP on an ongoing basis and will follow up with departments who report material weaknesses. Other existing resources, such as the County Fiscal Manual and DHR's Interpretive Manual are also available to departments.

In addition, DHR conducts regular and special audits of County departments' payroll and personnel activities to ensure compliance with the Charter, Civil Service Rules, and policy guidelines. We will continue to work with DHR and ensure that our proposed audits include all critical payroll/personnel areas, without duplicating efforts.

Countywide Training

As part of our payroll/personnel audits, we will evaluate whether departmental staff would benefit from training in any specific areas and ensure the needed training is provided. For example, in November 2007, we provided training to DCFS payroll staff focusing on the most significant areas identified during our audit of the Department. In addition, the Auditor-Controller Countywide Payroll Division is developing a payroll training program which will be offered to all departments starting April 2008. We will

continue to work with County departments to schedule ongoing and annual refresher payroll training as necessary.

Implementation of eCAPS Modules

The Auditor-Controller is in the process of implementing the Time Collection and the eHR modules as part of Phase II and III of the eCAPS project. These modules will help reduce risks in some payroll areas, such as time card preparation and overtime controls. For example, the eCAPS Time Collection module provides a web-based, electronic timesheet with automated approvals, which will eliminate manual steps to process timesheets and prevent employees from changing their approved timesheets. As the eCAPS modules are implemented, we will modify our audit procedures and training program accordingly.

We discussed our risk assessment and audit plan with the CEO, DHR, and our Countywide Payroll and Systems (eCAPS) Divisions. They generally agree with our risk assessment and audit plan.

Please call me if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer
Michael J. Henry, Director of Personnel, Department of Human Resources
Department Heads
Department Administrative Deputies
Public Information Office
Audit Committee

Attachment

AUDITOR-CONTROLLER
PAYROLL/PERSONNEL RISK ASSESSMENT RESULTS

High Risk Departments

1. Health Services
2. Probation
3. Sheriff
4. Internal Services
5. Fire
6. Public Health
7. Child Support Services
8. Parks and Recreation
9. Assessor
10. Public Works

Medium Risk Departments

11. District Attorney
12. Public Defender
13. Office of Public Safety
14. Community and Senior Services
15. Treasurer and Tax Collector
16. Public Library
17. Agricultural Commissioner/Weight & Measures
18. Chief Executive Office
19. County Counsel
20. Alternate Public Defender
21. Museum of Art
22. Consumer Affairs

Low Risk Departments

23. Animal Care and Control
24. Coroner
25. Museum of Natural History
26. Military and Veterans Affairs
27. Beaches and Harbors
28. Executive Office of the Board of Supervisors
29. Human Resources
30. Office of Affirmative Action Compliance
31. Office of Ombudsman
32. Chief Information Office
33. Human Relations Commission
34. Regional Planning

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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 25, 2008

To: Supervisor Yvonne Burke, Chair
Supervisor Gloria Molina, First District
Supervisor Zev Yaroslavsky, Third District
Supervisor Don Knabe, Fourth District
Supervisor Michael D. Antonovich, Fifth District

From: William T Fujioka
Chief Executive Officer

REPORT ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE PAYROLL AUDIT OF THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES

On September 11, 2007, on motion of Supervisor Michael D. Antonovich, the Board directed the Chief Executive Officer, in conjunction with the Auditor-Controller (Auditor) and the Director of Children and Family Services (DCFS) to report back in 30 days on: 1) The progress in implementing the specific recommendations of the Auditor's report on DCFS; and 2) Identifying an existing budgeted item and expediting the hiring of a manager at the appropriate level to implement the quality assurance program for the DCFS payroll and procurement operations reviewed in the Auditor's report. In addition, the Board instructed the CEO, in conjunction with the Auditor, to report back in 30 days on whether and how the Auditor's regular audit function can be utilized to more directly address countywide, or multi-departmental, payroll, personnel and other problems.

We have been working with the Auditor and DCFS to address the various issues identified in response to the recent audit of DCFS' payroll and personnel functions. DCFS has made significant progress in addressing many of the deficiencies identified by the Auditor and we feel confident that their efforts will bring the Department into compliance with County payroll and personnel guidelines.

Implementation of Audit Recommendations

On January 4, 2008, DCFS issued their response to the payroll and personnel audit conducted by the Auditor. The Department agreed with all 42 of the Auditor's recommendations and has already implemented 28 of them and is in the process of

putting the remainder into practice. In addition, the Probation Department has loaned a member of their staff to assist DCFS in updating their payroll and personnel policies and procedures manual.

Attached for your information, is DCFS' response to the audit. We have reviewed the Department's response and believe DCFS is taking appropriate actions to comply with the audit recommendations and to strengthen its payroll and personnel operations.

Quality Assurance Program

As reported to you in our November 21, 2007 report on the audit of DCFS' procurement operation, the Department has reassigned an Administrative Services Manager I position to implement the recommended quality control function over the procurement, payroll and personnel operations. The Department is in the process of recruiting a permanent position for this function and anticipates having a candidate selected and in place by February 2008.

Specialized Payroll and Personnel Audits of County Departments

The Auditor has assessed how its regular audit function can be utilized to more directly address countywide, or multi-departmental, payroll, personnel and other problems and will be reporting their recommendations directly to your Board under separate cover. In summary, the Auditor is proposing a plan to audit payroll and personnel operations in all County departments based on their relative risk, with the Departments of Health Services, Probation, Sheriff and Internal Services having the highest potential for risk. As the automated Time Collection and eHR systems are implemented, the Auditor will modify their audit procedures accordingly.

If you have any questions or need additional information, please contact me, or your staff may contact Brian Mahan at (213) 974-1318.

WTF:SRH:MS
GP:BM:cvb

Attachment

c: Auditor-Controller
Department of Children and Family Services
Executive Office, Board of Supervisors

ATTACHMENT

AUDIT RESPONSE
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
PAYROLL/PERSONNEL REVIEW

PART I – PAYROLL EXCEPTIONS

RECOMMENDATION 1: DCFS management correct the exceptions identified in this report by recovering overpayments, issuing supplemental warrants and adjusting employee leave benefit balances as necessary.

Response: We agree with this recommendation.

Status: In progress - Individual exceptions are being reviewed and adjustments are being processed. This is a manual search and correction effort, and the estimated completion date is January 31, 2008.

PART II – OVERTIME

RECOMMENDATION 2: Ensure overtime is approved by managers who can verify the overtime hours worked.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded of the proper procedures for approving overtime through a written memorandum. The memorandum emphasized the importance of overtime being approved by managers at the appropriate level and who have first-hand knowledge of the work to be performed.

DCFS redirected a staff position to implement a quality assurance process involving a monthly random sample of Payroll, Procurement and Accounts Payable transactions to ensure compliance with County policies and procedures. This position is in the process of being filled, and the quality assurance process will be implemented within two months of filling the position. (Two months will be needed to develop the sampling tools for each of the areas to be sampled.)

RECOMMENDATION 3: Ensure approved overtime forms are not returned to or accessible to employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that hard copies of overtime reports must not be returned or accessible to employees. As DCFS continues its transition to the use of the eCAPS Time Collection System for time entry and approval, and the subsequent expanded countywide implementation of the eCAPS ESS (Employee Self Service) functionality allowing online entry of time off and overtime requests, handling of hard copy documents in relation to overtime and all time reporting will be eliminated.

Additionally, implementation of the quality assurance process will ensure non-compliance is immediately identified throughout these corrective measures and the continued implementation of eCAPS Time Collection.

RECOMMENDATION 4: For employees working overtime while not at their regular pay location, ensure approved overtime forms are submitted timely and directly to the employees' pay location supervisor.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that overtime forms must be submitted timely and directly to the employee's pay location supervisor.

RECOMMENDATION 5: Ensure all non-emergency overtime is approved before it is worked.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that all non-emergent overtime requires approval in advance of working overtime. Managers and supervisors are now required to include the approval date on the overtime request forms.

RECOMMENDATION 6: Modify the Request for Overtime form to include the approval date.

Response: We agree that the overtime approval date should be included on the Request for Overtime form.

Status: In progress – The eCAPS Time Collection System will be implemented department-wide by December 2008. Rather than modifying the form prior to department-wide implementation of the eCAPS Time Collection System, all DCFS managers/supervisors were informed through a written memorandum to include the approval date on the Request of Overtime form until the form is revised to include a specific space for the approval date.

PART III – LEAVE ACCOUNTING

RECOMMENDATION 7: Train Payroll Section staff on the rules and coding for part-pay sick leave.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Training for timekeepers on procedures and rules for coding part-pay sick leave was conducted in April 2007 and October 2007. Ongoing training is being provided to Payroll staff by supervisors through periodic meetings. In addition, a request for formal training on this and related topics was provided by the Auditor-Controller on November 8, 2007.

RECOMMENDATION 8: Monitor Payroll Section staff to ensure correct leave codes are used while employees are on extended sick leave.

Response: We agree with this recommendation.

Status: In progress – In January 2008, payroll supervisors and managers will begin randomly sampling ten percent of records for employees on extended sick leave to ensure that correct codes are used by Payroll staff. The results of this random sampling will be used to identify additional training needs and to initiate progressive discipline measures, as appropriate.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 9: Ensure employees meet the five-day waiting period before allowing use of part-pay sick leave.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors have been reminded through a written memorandum of the five-day rule. DCFS Payroll staff will partner with DCFS managers and supervisors to ensure that five-day waiting periods are observed.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 10: **Ensure proper approvals are obtained before employees use full-pay leave (e.g., full-pay sick leave, vacation, holiday earned, etc.) when employees are on part-pay or absent-without-pay status.**

Response: We agree with this recommendation.

Status: Implemented and ongoing – By February 29, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of required approvals for an employee to use full-pay leave when the employee is on part-pay or absent-without-pay status.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

PART IV - INDUSTRIAL ACCIDENTS (IA)

RECOMMENDATION 11: Ensure Payroll Section staff correctly enter all key Industrial Accident dates into CWTAPPS.

Response: We agree with this recommendation.

Status: In progress – DCFS Payroll and Health and Safety supervisors are working together to finalize a process to ensure IA and leave information is shared timely, that the information is entered timely into CWTAPPS, and that related pay adjustments are made.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 12: Ensure bilingual bonuses are suspended when an employee is absent for more than 60 consecutive calendar days.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A review of records was conducted to identify employees who are on leave and still receiving bilingual bonuses. Suspension of inappropriate bonuses identified in the review is in progress. DCFS Payroll, Personnel Processing and Classification/Compensation supervisors have established a process to ensure bilingual bonus information is shared timely, the information is input timely to CWTAPPS, and related pay adjustments are made.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 13: Ensure the Health and Safety Unit notifies Payroll within 24 hours when employees are placed on IA leave. Payroll staff should confirm, in writing, with the Health and Safety Unit that they have receive the Notice of Benefits.

Response: We agree with this recommendation.

Status: Implemented and ongoing – DCFS Payroll and Health and Safety supervisors have established a process to ensure timely notification that an employee has been placed on IA leave and that Notices of Benefits have been received.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 14: Provide training to Payroll staff to ensure staff correctly calculate supplemental payments for employees receiving temporary disability (TD) payments during the post salary continuation period (PSCP).

Response: We agree with this recommendation.

Status: Implemented – Training of payroll managers, supervisors and staff was provided on November 8, 2007 by the Auditor-Controller.

RECOMMENDATION 15: Develop and implement written desk procedures for processing and monitoring Industrial Accident cases, including a requirement to notify the third party administrator (TPA) within 24 hours of employees returning to work.

Response: We agree with this recommendation.

Status: In progress – Procedures for Payroll staff for processing IA cases have been drafted and are currently in the review and clearance process. Upon finalization of the procedures, they will be provided to Payroll staff. Procedures for Health and Safety staff will be developed by January 31, 2008.

PART V - TIME AND ATTENDANCE

RECOMMENDATION 16: Ensure that employees certify the accuracy of their reported time by completing and signing time cards.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum of the requirement that employees ensure accuracy of their reported time by completing and signing their time cards for employees not yet on the eCAPS Time Collection System.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With the implementation of the eCAPS Time Collection System, this issue will not exist. The Time Collection application is based on the use of an electronic signature for employee submission of a timesheet. The employee logs into the application with his/her User ID and Password. Upon completion of the timesheet, the employee must check a box certifying the accuracy of the time recorded and then submit the timesheet for their supervisor's approval. The timesheets are routed electronically, and the supervisor's approval is also an electronic signature using his/her own User ID and Password. The application maintains logs of who took the action and when it was taken.

RECOMMENDATION 17: Ensure supervisors review and sign employee time cards/Daily Attendance Reports (DARs).

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum of the requirement that supervisors review and sign time cards and DARs.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. Under this system, in order for the timesheet to be submitted for payroll processing, it must receive an authorized electronic approval. The application has standard reports available to assist timekeepers with monitoring the timely submission of timesheets and which timesheets have not yet been processed.

RECOMMENDATION 18: Ensure that approved time cards/DARs are not returned to employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that approved time cards must not be returned to employees.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. The use of the electronic workflow functionality in the eCAPS/eHR application ensures that timesheets are not returned to employees after approval. In addition, the employee may view the timesheet online; but once approved, the timesheet is final and cannot be modified. To make timesheet adjustments, a second adjusting document must be processed in eCAPS or an approved adjustment must be processed through the timekeeper directly into CWTAPPS.

RECOMMENDATION 19: Ensure that adjustments to approved time cards/DARs are subsequently approved by a supervisor.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that adjustments to time cards/DARs must be approved by a supervisor.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 20: Develop and implement procedures for preparing and approving time cards/DARs to ensure consistency throughout the Department and monitor for compliance.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that procedures for preparing and approving time cards/DARs are on the Department's internal website.

Implementation of the monthly QA process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. This is one benefit of using the eCAPs/eHR application. IT will improve on DCFS establishing a consistent approach to timesheet preparation throughout the Department.

RECOMMENDATION 21: Reinforce the requirement that time records are to be maintained for at least five years.

Response: We agree with this recommendation.

Status: In progress – By February 15, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of the requirement to maintain time records for at least five years. In addition, Payroll managers will partner with departmental managers to standardize payroll records retention procedures in the various DCFS offices.

With the implementation of the eCAPS Time Collection System, this issue will not exist. The TIMEI documents (timesheets) prepared in the eCAPS/eHR application will be maintained according to prescribed County timelines.

RECOMMENDATION 22: Implement controls to ensure time cards and DARs are complete and accurate, and that payroll information is entered correctly into CWTAPPS.

Response: We agree with this recommendation.

Status: Implemented and ongoing – An adjustment form was created to assist with reconciling and tracking discrepancies between DARs and time cards.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist.

RECOMMENDATION 23: Investigate and resolve the discrepancies identified in our review.

Response: We agree with this recommendation.

Status: In progress – By January 31, 2008, DCFS Payroll staff will complete an investigation and reconciliation of the discrepancies identified in the Auditor-

Controller's report (the 19 DARs that did not agree with CWTAPPS, the 37 time cards that did not agree with CWTAPPs, and the 37 DARs that did not agree with the time cards).

RECOMMENDATION 24: Ensure unclaimed payroll warrants and notices of direct deposit are kept in a locked cabinet/safe inaccessible to Payroll/Personnel employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Arrangements have been made to store unclaimed payroll warrants and notices of direct deposit in a locked location inaccessible to Payroll/Personnel employees.

RECOMMENDATION 25: Ensure unclaimed warrants and notices of direct deposit are returned and investigated by someone independent of Payroll/ Personnel.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/ Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe.

RECOMMENDATION 26: Ensure unclaimed warrants and notices of direct deposit are investigated with 20 calendar days of issuance.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe.

RECOMMENDATION 27: Void and timely return all undeliverable warrants to the Auditor-Controller's Countywide Payroll Division.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe, and to void and return undeliverable warrants to the Auditor-Controller in a timely manner.

RECOMMENDATION 28: Ensure payoffs are conducted at all pay locations at least annually.

Response: We agree with this recommendation.

Status: In progress and ongoing – Annual payoffs will be conducted at all pay locations beginning January 2008. A team has been formed to implement this procedure.

RECOMMENDATION 29: DCFS management ensure that staff independent of personnel/payroll functions verifies written approval for each supplemental warrant on the CWPAY Report of Supplemental Payroll warrants Issued.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to verify written approval of each supplemental warrant on the report of supplemental payroll warrants issued.

PART VI - BONUSES

RECOMMENDATION 30: DCFS management establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadline.

Response: We agree with this recommendation.

Status: In progress – By the end of January 2008, procedures will be finalized to ensure timely entry of bonus transactions into CWTAPPS.

RECOMMENDATION 31: Ensure someone that does not enter data on CWTAPPS annually reviews the work assignments of employees receiving a bonus to verify they continue to be eligible for the bonus.

Response: We agree with this recommendation.

Status: In progress – Beginning January 2008, the DCFS Classification/ Compensation unit will conduct annual reviews of work assignments to verify employees' continued eligibility to bonuses.

RECOMMENDATION 32: Ensure Personnel completes and retains documentation of employee bonus eligibility.

Response: We agree with this recommendation.

Status: Implemented and ongoing – DCFS Classification/Compensation staff have been reminded to complete documentation of eligibility to bonuses and to ensure documentation is on file for all employees receiving bonuses. Beginning March 2008, the supervisor of DCFS' Classification/Compensation unit will conduct a random sample quarterly to ensure compliance with the documentation retention requirement.

RECOMMENDATION 33: Monitor standby earnings to ensure employees do not earn more than the hourly rate allowed and the monthly maximum.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Until an automated system can be developed to ensure employees do not earn more than the maximum allowed, a manual control system has been implemented. Additionally, beginning February 2008, a supervisor in DCFS Human Resources will conduct a random sample monthly to ensure compliance.

RECOMMENDATION 34: Ensure that annual authorization is obtained from the CEO for standby rates, when required.

Response: We agree with this recommendation.

Status: Implemented and ongoing – The standby rate for the physician employee has been terminated. However, DCFS Classification/Compensation staff have been instructed to request annual authorization from CEO for standby rates when required, such as physician standby pay.

PART VII - EMPLOYEE TERMINATIONS

RECOMMENDATION 35: DCFS management monitor to ensure terminations are processed timely.

Response: We agree with this recommendation.

Status: Implemented and ongoing – By February 15, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of the requirement to submit employee termination information to Human Resources in a timely manner. DCFS Payroll/Personnel staff have been reminded of the requirement to process terminations timely.

Additionally, implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 36: DCFS management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after an employee terminates.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the DCFS Payroll/Personnel units has been identified to conduct these traces for terminated employees.

PART VIII – DATA ACCESS

RECOMMENDATION 37: DCFS management ensure that all employees with access to County computer data sign the security violation policy.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All new hires are required to sign security violation policy forms during their departmental orientation session. Additionally, in September 2007, all staff were required to complete and submit a new security violation policy form.

RECOMMENDATION 38: DCFS management periodically review employees' CWTAPPS access, restrict access based on the employee job duties, and remove employees whom no longer require access.

Response: We agree with this recommendation.

Status: In progress and ongoing – A report of all staff with CWTAPPS access, justification for the access, and level of access will be submitted to the Deputy Director, Bureau of Finance and Administration by the last day of each quarter beginning the first quarter of 2008. All new requests for access to CWTAPPS will continue to require the approval of the Deputy Director, Bureau of Finance and Administration.

RECOMMENDATION 39: DCFS management use processing centers so that staff do not have access to their own personnel/payroll information on CWTAPPS.

Response: We agree with this recommendation.

Status: In progress – DCFS has had preliminary discussion with the Auditor-Controller regarding the creation of processing centers. DCFS managers will work closely with Auditor-Controller staff to devise procedures to establish processing centers for implementation by April 2008.

PART X – CWTAPPS REPORTS

RECOMMENDATION 41: DCFS management use CWTAPPS reports to monitor the Department's payroll operations and ensure the Payroll Supervisor reviews the reports as required by the County Fiscal Manual.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Payroll staff has been reminded of the requirement to review exception reports each pay period and to immediately process any necessary adjustments, annotate the exception reports with the disposition, and to sign and date the reports. Payroll supervisors have been reminded they must also review the reports and ensure adjustments are made promptly and correctly and sign and date the reports. Copies of all exception reports are now being provided to the Human Resources Division Chief's secretary to control for receipt of annotated, signed and dated exception reports from the Payroll supervisor.

PART XI – RECORD KEEPING

RECOMMENDATION 42: DCFS management ensure that all supporting documents are retained for at least five years for audit purposes, except for non-critical CWTAPPS reports which should be retained at least two years.

Response: We agree with this recommendation.

Status: In progress – By February 2008, procedures will be written and distributed department-wide for appropriate standardized retention of payroll records and supporting documents.

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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June 4, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PROBATION DEPARTMENT – PAYROLL/PERSONNEL REVIEW**

As requested by your Board and as part of our risk-based audit plan, we have completed a review of the Probation Department's (Probation or Department) compliance with County payroll and personnel policies and use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as industrial accident payments, leave accounting, overtime usage, monitoring bonus eligibility, recording time and attendance, processing terminations and data security.

Summary of Findings

Probation needs to strengthen its controls over payroll/personnel operations and use of CWTAPPS. The following are examples of areas where the Department can improve:

- Probation should reevaluate its overtime budget, monitor its usage and comply with overtime policies.
    - The Department exceeded its overtime budget by an average of 126% in each of the last five fiscal years, or an average of approximately $9.8 million per year. Their overtime budget is between $6.7 million to $8.8 million per year and the actual expenditure is between $13.3 million to $21.0 million per year.

- Probation needs to monitor overtime at the juvenile halls to ensure it is only worked when needed. From July 2007 to May 2008, Probation added more than 170 Detention Services Officers (DSO) to address staff shortages and reduce overtime. However, overtime increased from $1.14 million to $1.28 million a month, even though the number of juveniles in the halls remained unchanged.

- Eighteen of 21 (86%) employees we reviewed exceeded Probation's overtime limits, and ten employees worked over 1,000 hours of overtime in a year. Non-emergency overtime is not always pre-approved or properly justified, and some employees worked overtime at other County jobs (e.g., a Supply Officer worked overtime painting a building, etc.).

- Probation needs to monitor Industrial Accident cases to ensure employees are properly paid. We noted five employees who were overpaid approximately $7,000, or an average of $1,400 per employee. These overpayments occurred because Probation did not immediately notify the Third Party Administrator when the employees had returned to work, or because Probation Payroll staff did not properly compute the employees' supplemental earnings.

- Probation needs to ensure that employees' time cards are accurate. We noted that information on sampled time cards did not always agree to supporting documents (e.g., daily overtime reports, etc.) and CWTAPPS. In addition, supervisors and/or timekeepers sometimes change employee time cards without the employee's knowledge.

- Probation needs to ensure that employees on extended sick leave are paid accurately. Twelve of 30 (40%) employees we reviewed were incorrectly paid a total of $3,700.

- Probation needs to improve security over CWTAPPS.

  - Department management needs to restrict access to the system and remove employees who no longer require access. We noted nine CWTAPPS users can change their own payroll/personnel information.

  - Probation needs to ensure employees with access to County computer data do not share passwords.

- To ensure timely and accurate payments, Probation needs to ensure employee terminations are processed within Auditor-Controller deadlines. We noted that Probation entered ten of 30 (33%) terminations we reviewed into CWTAPPS an average of 42 days after the deadlines.

Although this report is a review of Probation's Payroll/Personnel operations, we recommend that other County departments review the findings in this report and ensure the necessary controls are in place.

Details of these and other findings and recommendations are included in the attached report.

Review of Report

We discussed our report with Probation management on October 30, 2008. The Department's attached response indicates general agreement with our findings and recommendations. The Department will provide a detailed response to the Board of Supervisors within 60 days.

We thank Probation management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Terri Kasman at (213) 253-0103.

WLW:MMO:JLS:TK

Attachment

c: William T Fujioka, Chief Executive Officer
Robert B. Taylor, Chief Probation Officer
Lisa M. Garrett, Acting Director, Department of Human Resources
Department Heads
Public Information Office
Audit Committee

PROBATION DEPARTMENT
PAYROLL/PERSONNEL REVIEW

Background

The Probation Department (Probation) has approximately 6,400 employees in more than 50 locations. Probation's Human Resources Management Office, in the Administrative Services Bureau, includes the Payroll and Personnel units. The Payroll unit has 13 employees and the Personnel unit has 89.

Payroll clerks at Probation headquarters enter employee time information into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Probation also uses CWTAPPS to process personnel actions, such as hires/terminations, and maintain personnel data, including hire dates, social security numbers and County job history. CWTAPPS also maintains employee leave balances and industrial accident information.

Scope

We reviewed Probation's compliance with County payroll and personnel processing policies, including compliance with the County Fiscal Manual (CFM). Our review included interviews with staff and covered areas such as industrial accident payments, leave accounting, overtime usage, monitoring bonus eligibility, recording time and attendance, processing terminations and data security.

COMMENTS AND RECOMMENDATIONS

Payroll Exceptions

Our review disclosed a number of over and under payments due to incorrect time cards, CWTAPPS input errors, and misapplications of payroll rules and regulations. We provided Probation with a list of these exceptions. Probation management should correct the exceptions by recovering overpayments, issuing supplemental warrants to correct underpayments and adjusting employee leave benefit balances as necessary.

Recommendation

1. **Probation management correct the exceptions identified in this report by recovering overpayments, issuing supplemental warrants and adjusting employee leave balances.**

Overtime

Overtime Budget

We compared the Department's budgeted and actual overtime for fiscal year (FY) 2004-05 through FY 2008-09 and noted that Probation exceeded its overtime budget by an average of 126% in each of the last five fiscal years, or an average of approximately $9.8 million per year.

Fiscal Year	Budget	Actual	Over/(Under)	% Over/(Under) Budget
2004-05	$ 6,670,000	$ 13,297,079	$ 6,627,079	99%
2005-06	6,797,000	20,491,946	13,694,946	201%
2006-07	8,736,000	19,115,000	10,379,000	119%
2007-08	8,736,000	21,008,968	12,272,968	140%
2008-09	8,736,000	14,999,821[1]	6,263,821	72%

[1] This figure includes estimated expenditures for June 2009.

The ongoing actual overtime costs in excess of budget between 72% to 201% indicate a need to reevaluate the Department's overtime budget. The Department's FY 2008-09 overtime budget of $8,736,000 remain the same as the FY 2007-08 budget, even though the FY 2007-08 actual expenditure exceeded the budget by more than $10 million. Management should work with the Chief Executive Office (CEO) to reevaluate the Department's overtime budget.

Recommendation

2. **Probation management work with the CEO to reevaluate the Department's overtime budget and realign the budget amount to better reflect actual expenditure and needs.**

Overtime at the Juvenile Halls

Probation incurs approximately $1 million of overtime a month at the juvenile halls (halls). State regulations require specific ratios of the number of Probation staff to the number of minors at the halls. For example, when minors are awake, the Department must have at least one staff for every ten minors.

Staff and supervisors at the halls indicated that most of their overtime is due to staff shortages and to meet the State staffing ratios. Probation staff also indicated that they may need more staff than required by the State regulations (e.g., one staff for every seven minors) because of the types of juveniles in detention, the number of incidents, etc. However, the Department does not always document the reasons for having more staff (i.e., higher staffing ratios) than required by the State regulations.

We also noted that, while Probation increased the number of Detention Services Officers (DSOs) at the halls from July 2007 to May 2008 by more than 170, overtime still increased from $1.14 million to $1.28 million a month, even though the number of juveniles in the halls remained unchanged. Although the additional staff may be required, adding staff without a reduction in overtime indicates that overtime needs to be carefully monitored.

Recommendations

Probation management:

3. **Ensure the juvenile halls document the reasons each time more staff are needed than required by State regulations.**

4. **Closely monitor overtime and ensure that overtime is used only when necessary.**

Overtime Controls

We reviewed a sample of 21 employees from ten pay locations who earned an average of $42,600 in overtime during 2007, and noted the following:

- **Employees "shop" for overtime** – Four of 16 (25%) employees and three of 13 (23%) supervisors interviewed indicated that some employees report to other work locations (i.e., not their usual work location) on their days off, or call, to ask if overtime is available (referred to as "shopping for overtime"). Probation's overtime policy prohibits employees from going to other work locations without their direct supervisor's knowledge to "shop" for overtime opportunities. One employee indicated that he and his coworkers also hold competitions to determine who can work the most overtime. Another employee indicated that he works a significant amount of overtime so he can purchase a home.

- **Overtime limit** – Probation policy limits overtime to 24 hours in any seven consecutive days. However, 18 of 21 (33%) employees we reviewed exceeded this limit.

- **Excessive overtime** – A number of employees worked excessive overtime. For example, one employee worked 220 hours of overtime a month for five months. This employee worked 72 consecutive days over the five-month period without a day off. Department-wide, 366 employees worked over 300 overtime hours during 2007. Eighty-two of these employees worked 600 hours of overtime, and ten employees worked over 1,000 hours of overtime (equal to more than six months of full-time work). Employees working excessive amounts of overtime may not be physically alert and/or mentally capable of performing their jobs.

- **Employees work overtime performing duties outside their normal work** – For example, a Supply Officer worked overtime to paint a building. The employee's salary was approximately $5,000 per month, but his overtime rate was $7,500 per month. The County pays entry level painters approximately $2,100 a month and painter supervisors $4,900 a month. Allowing employees to work overtime outside their normal work can result in additional cost to the Department.

- **Non-emergency overtime is not always pre-approved –** Probation policy requires non-emergency overtime to be pre-approved. However, we noted that most non-emergency overtime was approved after it was worked. In addition, the Department does not have a standardized overtime pre-approval form.

- **The need for overtime is not documented or accurate –** Probation policy requires overtime pre-approvals to specifically document the reason for the overtime. For example, when overtime is worked to meet required staffing ratios, the approval documents should indicate the number of staff and minors in the facility. If overtime is required to "cover" for an absent or late employee, the approval should include the name of the absent/late employee. We noted that approval documents do not always indicate the number of staff and minors in the facility, as required. In addition, we reviewed 22 instances in which overtime was worked to "cover" for an absent employee, and noted that in ten cases (45%), the absent employee was shown as being at work, according to CWTAPPS.

- **Approved overtime verification forms are returned to employees –** Some Probation employees work overtime away from their regular pay location. After an employee works overtime, the supervisor where the overtime was worked signs the Intradepartmental Verification Form and returns it to the employee. The employee submits the approved verification form to his/her regular pay location supervisor. In these instances, the employee could alter the approved verification form before turning it in.

Recommendations

Probation management:

5. **Ensure employees work overtime only when necessary to meet business needs.**

6. **Monitor to ensure employees and supervisors comply with the Department's overtime limit.**

7. **Ensure employees do not work overtime performing duties outside their normal work.**

8. **Use a standardized overtime pre-approval form and ensure that non-emergency overtime is pre-approved.**

9. **Ensure overtime pre-approvals accurately document the need for the overtime.**

10. **Ensure approved overtime verification forms are not returned to or accessible to employees.**

Excessive Compensatory Time Off

County policy allows Fair Labor Standards Act (FLSA) exempt, non-represented employees to accrue up to 160 hours of Compensatory Time Off (CTO). Departments must monitor CTO balances in CWTAPPS to ensure employees do not accrue excess hours. CTO hours in excess of the limit must be forfeited (i.e., reduced manually in CWTAPPS).

Probation does not monitor CTO balances, and as a result, we identified ten employees who exceeded the limit. Five of the ten (50%) employees used CTO balances which should have been forfeited.

The Auditor-Controller instructed County departments' payroll managers in 2006 and 2007 to reduce the CTO balances for employees with excessive hours, including the ten employees noted in our review.

Recommendation

11. **Probation management require employees to develop a plan to immediately reduce Compensatory Time Off balances for employees who exceed the limit and closely monitor Compensatory Time Off balances.**

Time and Attendance

Time Card Submission Controls

CFM Section 3.1.6 requires employees to certify their reported time by completing and signing monthly/daily time records. Supervisors must certify the accuracy of employees' time. After approving time cards, supervisors should send them directly to timekeepers. Approved original time cards should not be returned to employees.

We noted the following deficiencies at various pay locations:

- **Supervisors and/or employees do not initial on changes to time cards.** Employees and supervisors should initial on changes to time cards to certify the accuracy of the changes.

- **Supervisors and/or timekeepers change employees' time cards without the employee's knowledge.** Some employees indicated that supervisors and timekeepers change their time cards, but do not always inform them of the changes. Some supervisors indicated that they do not always give a copy of the revised time card to the employees.

- **There is a lack of physical security over approved time cards.** For example, timekeepers have access to their own approved time cards, and some supervisors return approved time cards to employees.

Recommendations

Probation management:

12. **Require supervisors and employees to approve changes to time cards.**

13. **Ensure approved time cards are not returned to or accessible to employees.**

Time Card Processing

We compared a sample of 84 time cards to CWTAPPS and supporting documents (e.g., daily overtime reports, etc.), and noted the following:

- The overtime hours on 20 time cards (24%) did not agree with the hours on the daily overtime reports. For example, one time card reported 16 hours of overtime for one day, but the overtime report did not show any overtime. The Department could not provide overtime pre-approval forms for the 20 time cards.

- For 21 time cards (25%), Probation could not locate daily overtime reports to support 587 overtime hours. We also could not find overtime pre-approval forms for these overtime hours.

- Five time cards (6%) did not agree with CWTAPPS. For example, one time card did not show hours worked for three days, but CWTAPPS showed eight hours of regular earnings for each of the three days.

It appears that some of the discrepancies has resulted in incorrect payments. However, because it is unclear which time records are correct (i.e., the daily overtime report or the time card), we could not determine what under or over payments may have occurred.

CFM Section 3.1.6 requires persons independent of payroll/personnel functions to select a random sample of employee time cards each quarter and compare the information on the time cards to CWTAPPS, verify that the time cards contain the appropriate approvals, and ensure the employees are bona fide by tracing their names to personnel records. We noted that Probation does not perform this function.

Recommendations

Probation management:

14. **Ensure time cards are complete and accurate, and that payroll information is entered correctly into CWTAPPS.**

15. **Ensure supervisors reconcile employee time cards to the daily overtime reports and other variance reports before approving time cards.**

16. **Require staff independent of payroll/personnel functions to select a random sample of employee time cards quarterly and comply with the CFM Section 3.1.6 requirements.**

Payroll Distribution

Probation's payroll distribution controls do not comply with the CFM:

- Payroll staff receive, sort, and distribute payroll warrants and notices of direct deposit. Payroll staff should never be directly involved in handling warrants/notices of direct deposits.

- Someone independent of Payroll/Personnel does not investigate unclaimed warrants/notices of direct deposit. Payroll/Personnel staff conduct the investigations.

- Investigations and release of unclaimed warrants/notices of direct deposit are not completed within the 20-day guideline. Personnel had one unclaimed warrant, dated May 30, 2006, and 390 notices of direct deposit, the oldest dating back to July 2003. The unclaimed warrant expired two years after the issue date. If warrants cannot be delivered, they should be voided and returned timely to the Auditor-Controller's Countywide Payroll Division (A-C Countywide Payroll).

- Payroll staff voids undeliverable warrants, requests reissuance of the voided warrants from the A-C Countywide Payroll, and receives/distributes the reissued warrants. Payroll/Personnel staff should never be involved in voiding and reissuing unclaimed warrants.

- Payoffs are not conducted at least annually at all pay locations. We also noted that some pay locations mailed unclaimed warrants/notices of direct deposit from payoffs to employees. This practice defeats the purpose of the payoffs.

Recommendations

Probation management:

17. **Ensure staff with no payroll/personnel responsibilities receive, sort and distribute payroll warrants and notices of direct deposit.**

18. **Ensure unclaimed warrants and notices of direct deposit are returned and investigated by someone independent of Payroll/Personnel.**

19. **Ensure unclaimed warrants and notices of direct deposit are investigated within 20 calendar days of issuance.**

20. **Void and timely return all undeliverable warrants to the Auditor-Controller's Countywide Payroll Division.**

21. **Ensure payoffs are conducted at all pay locations at least annually and that unclaimed warrants/notices of direct deposit from payoffs are not mailed to employees.**

Supplemental Warrants

Supplemental payroll warrants are issued to correct underpayment errors. CFM Section 3.2.3 requires the payroll supervisor to approve requests for supplemental warrants in writing before entering the request in CWTAPPS. In addition, an employee independent of the payroll/personnel function should subsequently verify written approval for each supplemental warrant on the CWPAY Report of Supplemental Payroll Warrants Issued.

Eleven of 17 (65%) supplemental warrants we reviewed, totaling approximately $145,000, did not have written approval from the payroll supervisor. In some instances, we noted that payroll staff approved the supplemental warrants. Probation also does not ensure someone independent of the payroll/personnel function subsequently verifies written approval for each supplemental warrant issued.

Recommendations

Probation management:

22. **Ensure the payroll supervisor approves all requests for supplemental warrants.**

23. **Ensure staff independent of the payroll/personnel functions verifies written approval for each supplemental warrant on the CWPAY Report of Supplemental Payroll Warrants Issued.**

Industrial Accidents

County employees who are unable to work because of work-related injuries (i.e., industrial accidents (IA)) may receive temporary disability (TD) benefits. The benefits are authorized by one of the County's Third Party Administrators (TPA). If an employee's disability continues after one year, the post salary continuation period (PSCP) begins. Employees can use accumulated benefits (e.g., sick leave, vacation, etc.) to supplement the TD benefits, to receive up to 100% of their regular pay during the PSCP.

We reviewed 14 PSCP cases and noted that five (36%) employees were overpaid approximately $7,000, or an average of $1,400 per employee. Three of the five employees continued to receive TD benefits after they returned to work and two employees received more than 100% of their regular pay.

These overpayments occurred because Probation did not immediately notify the TPA when the employees had returned to work, or because Payroll did not recalculate the supplemental earnings when the employee's salary rate or the TD rate changed.

Payroll/Personnel staff indicated that the Department has approximately 572 open IA cases, but does not have written desk procedures for processing the cases. The errors noted during our review might have been avoided if Payroll/Personnel staff had written procedures.

Recommendations

Probation management:

24. Ensure the TPA is immediately notified when employees return to work.

25. Ensure staff calculates supplemental payments correctly for employees receiving TD payments.

26. Develop and implement written desk procedures for processing and monitoring IA cases, including a requirement to notify the TPA immediately when employees return to work.

Leave Accounting

Employees who are out sick can use full or part-pay sick leave to get paid for their absence. However, employees cannot use part-pay sick leave until they have been absent for five consecutive days and have used all their full-pay sick leave. When an employee's continuous sick leave extends into the following calendar year, the employee can only use full or part-pay sick leave that they had when their absence began. Once an employee begins using part-pay sick leave, the employee cannot use

full-pay leave (e.g., vacation, holiday, full-pay sick leave, etc.) unless specifically authorized by the Department Head. In addition, employees do not accrue holiday time while on part-pay sick leave.

We reviewed CWTAPPS data for 30 employees on extended sick leave and noted 12 employees (40%) were paid incorrectly:

- Seven employees used part-pay sick leave before using all of their full-pay sick leave. This resulted in underpayments of $578 and incorrect benefit balances.

- Four employees went from using part-pay sick leave to other full-pay leave (e.g., vacation, holiday earned, etc.), without Department Head approval. This resulted in overpayments of approximately $2,300 and incorrect leave benefit balances.

- Three employees continued to receive a bilingual bonus even though they were absent for more than 60 consecutive days, resulting in overpayments of $800. According to the Pay and Benefit Interpretive Manual, employees who are absent more than 60 consecutive calendar days should not receive a bilingual bonus.

We also noted instances where employees on part-pay sick leave received full-pay on weekends, or where employees inappropriately used new sick leave balances to which they were not entitled without returning to work. The Department should determine the amount of over/under payments made to these employees and adjust the employees' pay and benefit balances accordingly.

Recommendations

Probation management:

27. Train Payroll Section staff on the rules for coding part-pay sick leave.

28. Monitor Payroll Section staff to ensure correct leave codes are used while employees are on extended sick leave.

29. Ensure bilingual bonuses are suspended when an employee is absent for more than 60 consecutive calendar days.

30. Ensure proper approvals are obtained before employees use full-pay leave (e.g., vacation, holiday earned, etc.) when employees are on part-pay status.

Overpayment Recovery

CFM Section 3.3.0 requires departments to notify employees in writing of overpayments, and to initiate collection efforts immediately after the overpayments occur. If the employee is still in service (or on an extended leave without pay),

overpayments are recovered automatically as a deduction from subsequent salary payments. If the employee has left County service and will not receive any more salary payments, the overpayment must be recovered manually.

We reviewed 19 overpayments totaling $15,269, and noted that Probation had only sent overpayment letters to seven (37%) of the 19 employees and had only recovered two overpayments totaling $1,613. In addition, the Department recovered eight other overpayments, totaling approximately $5,755 through payroll deductions or adjustments to the employees' termination pay.

We also noted that all seven overpayment letters were prepared late. For example, three letters were prepared an average of 700 days after the overpayment, and one was prepared approximately four years after the overpayment.

Recommendation

31. Probation management ensure Payroll staff timely notify employees of overpayments and follow up to ensure overpayments are collected.

Bonuses

Timeliness of Payments

To ensure employees are paid properly, departments must enter bonus information into CWTAPPS within the Auditor-Controller deadlines each pay period. We noted that 19 of 30 (63%) bonuses we reviewed were not input timely due to delays at both the Personnel Section and the outlying pay locations. On average, the bonuses were entered 60 days late, resulting in untimely payments.

Recommendation

32. Probation management establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadline.

Standby Pay

Standby bonuses are paid to employees assigned to be available when they are not scheduled to be at work. Standby pay is based on the employee's personnel item and ranges from $0.25 to $1.00 an hour for most Probation employees, with a monthly maximum of $50 to no limit, respectively.

We noted that six of 21 (29%) employees with a monthly standby limit exceeded their limit by a total of $4,300 during 2006 and 2007.

Recommendation

33. Probation management monitor standby earnings to ensure employees do not earn more than the monthly maximum.

Data Access

Profiles

Profiles determine which CWTAPPS screens a user can access and the specific actions (e.g., inquire, add, update, delete, etc.) they can process. CFM Section 3.1.5 requires departments to restrict profiles to the scope of the employee's job responsibilities. Profiles that permit changes to both payroll and personnel information should be restricted to management and high level supervisory personnel.

We noted the following deviations from CWTAPPS access requirements:

- Two employees (a Payroll and a Personnel supervisor) have access which allows them to view and perform all payroll and personnel functions in CWTAPPS. One employee has the ability to change his/her own information.

- Three employees have not logged onto the system from one to four years.

Recommendation

34. Probation management periodically review employees' CWTAPPS access, restrict access based on the employee job duties, and remove employees who no longer require access.

Processing Centers

CFM Section 3.1.5 states that processing centers should be used so that Payroll and Personnel staff do not have access to their own payroll/personnel information. Probation can group employees into CWTAPPS processing centers by pay location, division, etc., to ensure Payroll/Personnel employees do not have access to their payroll or personnel information.

We noted 31 of 89 (35%) CWTAPPS users have access to their own processing centers, including nine (10%) who can change their own payroll/personnel information. We discussed our findings with the Department's CWTAPPS coordinator who subsequently prepared CWTAPPS change forms to ensure staff do not have access to their own processing centers. However, we noted that the coordinator approved her own CWTAPPS change form and also approved the form that gave her initial access to perform all functions in CWTAPPS.

Recommendations

Probation management:

35. **Use processing centers so that staff do not have access to their own payroll/personnel information on CWTAPPS.**

36. **Ensure staff do not approve their own CWTAPPS access forms.**

Password Sharing

CFM Section 8.6.4 and Board of Supervisors Policy 6.101 state that passwords should not be shared. Three employees with CWTAPPS access stated that they regularly shared their passwords (network passwords for e-mail or CWTAPPS) with other employees, if their assigned access profile did not allow them to perform certain job functions or if there was a shortage in staff. Sharing passwords circumvents a number of system controls, including controls to restrict profiles to the scope of the employee's job responsibilities.

Recommendation

37. **Probation management ensure that employees with access to County computer data do not share passwords.**

Employee Terminations

When an employee terminates County employment, Personnel staff enter the required information into CWTAPPS. With certain exceptions (e.g., Megaflex elective leave, etc.), CWTAPPS calculates the terminated employee's final paycheck. It is important that departments enter terminations into the system before the Auditor-Controller deadlines. Terminations entered after the deadline must be processed manually and may result in incorrect final payments.

Timeliness of Terminations

Ten of 30 (33%) terminations we tested were not processed within the Auditor-Controller deadline. These terminations were entered into CWTAPPS an average of 42 days late. Although we found no payment errors, the delays resulted in employees being paid late, and Probation incurred additional charges for CWTAPPS adjustment transactions.

Personnel Section staff indicated that the processing delays are due to the pay locations submitting termination documents late. However, Personnel Section staff did not always date stamp the termination documents upon receipt, so we were unable to confirm where the delays occurred. Personnel Section staff should date stamp all payroll/personnel documents upon receipt to improve accountability.

Recommendations

Probation management:

38. Monitor to ensure terminations are processed timely.

39. Ensure Payroll/Personnel staff date stamp all payroll/personnel documents upon receipt from the pay locations.

Verification of Terminations on CWTAPPS

CFM Section 3.1.7 requires Personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) to keep a list of terminated employees and trace the terminated employees' names to the Payroll Sequence Register for at least three consecutive months to ensure that out-of-service employees are not being paid. Probation does not perform this function.

Recommendation

40. Probation management ensure Personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after the employees terminate.

CWTAPPS Reports

CWTAPPS automatically generates reports to assist managers in monitoring payroll/personnel operations. Payroll staff are required to investigate exceptions on some reports (e.g., Time Card Error Report, etc.) and immediately process any necessary adjustments. Payroll staff should annotate the report to document the disposition of each entry and sign and date the report. The Payroll Supervisor should also review the reports each pay period to ensure that adjustments are made promptly and correctly. The Supervisor should also sign and date the reports.

Probation Payroll staff and management do not regularly review CWTAPPS reports. The Department could not provide 70% of the reports we requested. Of the reports the Department provided, 27% did not have any annotations and 14% were only partially annotated to indicate that they were reviewed and/or exceptions were corrected. Many of the problems and discrepancies in this audit report might have been avoided or detected if the Department reviewed CWTAPPS reports on a regular basis.

Recommendation

41. **Probation management use CWTAPPS reports to monitor the Department's payroll operations and ensure the Payroll Supervisors and staff review the reports as required by the CFM.**

Attachment

COUNTY OF LOS ANGELES
PROBATION DEPARTMENT

9150 EAST IMPERIAL HIGHWAY – DOWNEY, CALIFORNIA 90242
(562) 940-2501

ROBERT B. TAYLOR
Chief Probation Officer

November 07, 2008

TO: Wendy Watanabe
Acting Auditor-Controller

FROM: Robert Taylor
Chief Probation Officer

SUBJECT: PAYROLL, BONUS, AND OVERTIME AUDIT

This is in response to your audit of the Probation Department's payroll, bonuses, and overtime. The Probation Department agrees with the audit findings, and within 60-days of report issuance will provide the Board of Supervisors and your office with a status report on each of the audit recommendations.

The Probation Department appreciates the collaborative audit techniques your audit team utilized to ensure development of practical recommendations to improve our operations. If you have questions, please let me know or contact Robert Smythe at (562) 940-2516.

RT:RS:gj