COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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November 23, 2010

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – HARBOR-UCLA MEDICAL CENTER 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 Department of Health Services (DHS) Harbor-UCLA Medical Center's (Harbor) compliance with County payroll policies and their use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as overtime controls, time and attendance, leave accounting and warrant distribution.

DHS Administration Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including Harbor, is responsible for certain payroll/personnel functions, such as maintaining documents related to employees' leave of absence, monitoring overtime usage, approving time cards, etc.

In our payroll/personnel reviews of other DHS facilities, we have previously reported on the payroll/personnel functions handled centrally by DHS HR. With the exception of a few payroll functions handled centrally by DHS HR, this review focused on the payroll/personnel functions handled by Harbor and Harbor Payroll. The

recommendations in this report are directed to Harbor management, unless specifically addressed to DHS HR.

Summary of Findings

We noted that Harbor and DHS HR completed the payroll control section of their Internal Control Certification Program (ICCP) worksheets accurately. However, Harbor needs to strengthen controls over certain areas of their payroll/personnel operations, such as overtime and leave accounting documentation. DHS HR needs to strengthen controls over the entering of data into CWTAPPS. The following are examples of areas for improvement:

- Harbor needs to ensure that overtime is properly approved. We noted that 65 (52%) of 126 instances of overtime had no approvals. In addition, 43 (88%) of 49 overtime requests we reviewed did not indicate the reason for the overtime.

  DHS' attached response indicates that they re-issued the Department's policy on time reporting and overtime and issues a Management Bulletin on overtime approval requirements.

- Harbor needs to ensure staff do not exceed DHS' overtime limit of 96 hours per month without required approvals. We reviewed a sample of four employees who exceeded the limit and noted that all four (100%) did not have the required authorizations.

  DHS' attached response indicates that the Department recently issued overtime related Management Bulletins, which indicate that the managers will be responsible for ensuring that staff do not exceed the overtime limit without required approvals.

- Harbor needs to ensure that employees do not record overtime on time cards until it is worked. We reviewed eight time cards and noted that five had planned overtime recorded. One employee in our sample did not actually work the planned overtime, resulting in an overpayment of $363. The Department subsequently recovered the overpayment after we brought it to their attention. While our sample size and the number of exceptions in our testwork is small, we believe the practice of pre-recording anticipated overtime could result in overpayments and should be eliminated.

  DHS' attached response indicates that Harbor management will issue a notice to all employees reminding staff not to record planned overtime on their time cards and that overtime verification forms must be signed after overtime is worked.

- DHS HR needs to ensure payroll information is entered into CWTAPPS correctly. We reviewed a sample of 25 time cards and noted that eight (32%) did not agree with CWTAPPS, which may have resulted in over/under payments. For example, on one time card, an employee reported 16 hours of overtime, but CWTAPPS did not show any overtime.

DHS' attached response indicates that Payroll staff were re-trained on correct coding of time card information into CWTAPPS. In addition, the response indicates that they have began random audits of time cards each quarter to ensure compliance.

- Harbor needs to maintain required documents for employees' leave of absence. We reviewed eight instances of bereavement leave and noted five (63%) did not have the required documents. In addition, we reviewed 143 days of jury duty service and noted that Harbor did not have proof of services for 33 days (23%).

  DHS' attached response indicates that timekeepers were instructed to collect required documents related to leave of absence and forward them to DHS HR Payroll.

As noted above, our review identified several possible overpayments, underpayments and incorrect leave balances. County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR should research the individual cases in this report and work with the Department of Human Resources, the Auditor-Controller's Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

Although this report is a review of Harbor'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 in Attachment 1.

Review of Report

We discussed our report with DHS HR and Harbor management. DHS' response (Attachment 2) indicates general agreement with our findings and recommendations.

We thank DHS HR and Harbor 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

Attachments

c: William T Fujioka, Chief Executive Officer
John F. Schunhoff, Ph.D., Interim Director, Department of Health Services
Miguel Ortiz-Marroquin, Chief Executive Officer, Harbor
Department Heads
Public Information Office
Audit Committee

DEPARTMENT OF HEALTH SERVICES
HARBOR-UCLA MEDICAL CENTER
PAYROLL/PERSONNEL REVIEW

Background

The Department of Health Services' (DHS) Harbor-UCLA Medical Center (Harbor) has approximately 4,000 employees. DHS Administration Human Resources (DHS HR) handles most payroll functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including Harbor, is responsible for other payroll functions, such as maintaining documents related to employees' leave of absence, monitoring overtime usage, approving time cards, etc. Harbor Payroll, which reports to DHS HR, has seven employees and is supervised by a Supervising Payroll Clerk III.

Harbor has timekeepers at various pay locations who review time cards for accuracy and appropriate signatures before sending the time cards to Payroll for entry into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). DHS HR 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 Harbor's compliance with County payroll and personnel processing policies, including compliance with the County Fiscal Manual (CFM). Our review included interviews with staff and tests of overtime usage and controls, employee time records, warrant distribution process, and leave of absence records. We did not review payroll/personnel functions handled centrally by DHS HR since we have reviewed them in our previous payroll/personnel reviews. With the exception of some payroll/personnel functions handled centrally by DHS HR, our review focused on the functions handled by Harbor and Harbor Payroll.

COMMENTS AND RECOMMENDATIONS

Payroll Exceptions

Our review disclosed a number of errors, such as incorrect time cards, CWTAPPS input errors and misapplication of County payroll rules and regulations. These errors have resulted in possible overpayments, underpayments and incorrect leave balances. Some of the errors may have only been documentation or procedural errors and not overpayments that would require employees to repay the amounts.

County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR management should research the individual cases noted in this report and work with the Department of Human Resources (DHR), the Auditor-Controller's (A-C) Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

Recommendation

1. **DHS HR management research the exceptions identified throughout this report, and work with DHR, A-C Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.**

Overtime

Overtime Controls

We reviewed a sample of 15 Harbor employees who worked overtime in 2009 and noted the following:

- **Overtime approval** – County and DHS policies require non-emergency overtime to be approved in advance. Emergency overtime may be approved after it is worked. We reviewed 126 instances of non-emergency and emergency overtime, and corresponding overtime authorizations and noted that 65 (52%) had no approvals. In addition, we noted that non-emergency overtime is not always pre-approved.

- **Overtime requests** – DHS requires all overtime requests to include a description of the task, the number of hours to complete the task and the reason(s) the overtime is required. We reviewed 49 overtime requests and noted that 43 (88%) did not indicate the reason for the overtime.

- **Overtime limit** – DHS policy limits overtime to 96 hours per month, unless approved in writing by the appropriate manager, the Director of DHS and the Board of Supervisors. We reviewed a sample of four employees who exceeded the limit in 2009, and noted that none of them had the required authorizations.

- **Pre-recording planned overtime** - We reviewed eight time cards and noted that five had planned overtime recorded, including one employee who submitted a time card with 16 hours of planned overtime. The employee subsequently did not work the overtime because the shifts were cancelled, but was paid for the planned overtime, resulting in an overpayment of $363. The Department subsequently recovered the overpayment after we brought it to their attention. We also noted that in some instances, supervisors sign overtime verification forms before employees

actually work the overtime. Overtime verification forms should be approved after employees work the overtime.

- **Approved overtime authorization forms are returned to employees** – Staff indicated that, in some instances, approved overtime authorization forms are returned to the employees for submission. This could allow employees to alter the approved authorization form before submission.

We also noted that some supervisors do not track the overtime employees work. Harbor should maintain documentation (e.g., overtime logs) to monitor the overtime limit and use it to reconcile to time cards as necessary. In addition, Harbor does not have a standardized overtime authorization form. Harbor should use a standardized overtime authorization form.

Recommendations

Harbor management ensure:

2. **All overtime requests are properly approved.**

3. **Employees do not exceed the overtime limit without the required authorizations.**

4. **Employees do not record planned overtime hours on their time cards and that supervisors only sign overtime verification forms after employees work the overtime.**

5. **Written overtime requests include the reason for the overtime.**

6. **Approved overtime authorization forms are not returned to or accessible to employees.**

7. **Supervisors maintain documentation (e.g., overtime logs) to effectively monitor overtime.**

8. **A standardized overtime authorization form is used**

Time and Attendance

Time Card Submission Controls

CFM Section 3.1.6 requires employees to complete and sign their time cards and supervisors to 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 issues at various pay locations:

- **Supervisors and/or employees do not ensure time cards are completed accurately.** For example, on one time card, an employee reported working overtime by including the overtime code, but did not indicate the number of overtime hours worked. Based on the clock in/out times on the back of the time card and the overtime approval form, the employee worked eight hours of overtime. In this case, the employee was underpaid by eight hours of overtime since Payroll staff did not enter any overtime hours in CWTAPPS.

- **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.

- **Employees' signatures are not obtained on Time Card Correction Forms.** Of the 25 time cards we reviewed, two required time card correction forms, but the correction forms were not signed by the employees. Some employees indicated that time card correction forms are submitted without their signature and they do not always receive a copy of the form.

- **Supervisors and/or employees do not initial changes to time cards.** Four (44%) of the nine time cards with changes we reviewed did not have both the supervisor's and employee's initials to certify the accuracy of the changes.

Recommendations

Harbor management ensure:

9. **Supervisors and employees review time cards for accuracy before signing/approving.**

10. **Employees do not have access to their approved time cards.**

11. **All Time Card Correction Forms are signed by employees.**

12. **Employees and supervisors initial and approve all time card changes.**

Time Card Processing

We compared a sample of 25 time cards to CWTAPPS, supporting documents (e.g., overtime authorization forms, etc.), and subsequent adjustments, and noted that eight (32%) time cards did not agree with CWTAPPS due to data entry errors and/or inaccurate time cards. For example, on one time card, an employee reported 16 hours of overtime, but CWTAPPS did not show any overtime.

It appears that some of the discrepancies resulted in incorrect payments and benefit balances. DHS HR should determine the amount of over/under payments made to these employees and adjust the employees' pay and benefit balances accordingly.

Recommendation

13. DHS HR ensure payroll information is entered correctly into CWTAPPS.

Leave Accounting

Bereavement Leave

County Code 6.20.08 indicates that full-time permanent employees who are absent from work because of the death of a qualifying relative may use up to three days of bereavement leave. If the employee is required to travel more than 500 miles one way, they may use up to five days.

We reviewed eight instances of bereavement leave and noted that five (63%) did not have any supporting documents, including four that were for five days. We also noted that one employee received five days of paid bereavement leave on two separate occasions, but did not travel more than 500 miles for either occasion, resulting in a potential overpayment.

Jury Duty

County Code 6.20.08 indicates that any employee in a permanent position is allowed to be absent from work at regular pay to serve on a jury. We reviewed 143 days of jury duty service for five employees and noted that for 33 days (23%), Harbor could not provide proof of service.

Recommendation

14. Harbor management maintain supporting documentation for all bereavement and jury duty leaves.

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To improve health through leadership, service and education

September 27, 2010

TO: Wendy L. Watanabe
Auditor-Controller

FROM: John F. Schunhoff, Ph.D.
Interim Director

SUBJECT: **HARBOR/UCLA MEDICAL CENTER (H/UCLA MC) PAYROLL/PERSONNEL REVIEW**

Attached is the Department of Health Services' response to the recommendations made in the Auditor-Controller's draft report of its Payroll/Personnel Review at H/UCLA MC. We concur with the recommendations contained in the report and have implemented each of them, with the exception of two recommendations that will be fully implemented by September 30, 2010.

If you have any questions or require additional information, please let me know or you may contact Sharon Ryzak at (213) 240-7901.

JFS:sr

Attachment

c: Miguel Ortiz-Marroquin
Ann Marinovich
Gregory C. Polk
Sharon Ryzak

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COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES

RESPONSE TO AUDITOR-CONTROLLER PAYROLL/PERSONNEL REVIEW

HARBOR-UCLA MEDICAL CENTER (HARBOR-UCLA)

AUDITOR CONTROLLER RECOMMENDATION #1

DHS HR management research the exceptions identified throughout this report, and work with DHR, Auditor-Controller Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

DHS response:

We agree and have implemented this recommendation. As of July 15, 2010, DHS HR has corrected the exceptions identified in this report. As of July 31, 2010, DHS HR worked with DHR, Auditor-Controller Countywide Payroll, and County Counsel as necessary, and recovered overpayments and adjusted employee leave balances as appropriate. Adjustments were made to employees regular pay warrants as of July 31, 2010; therefore, supplemental warrants were not issued.

AUDITOR CONTROLLER RECOMMENDATION #2

Harbor-UCLA management ensures that all overtime requests are properly approved.

DHS response:

We agree and have implemented this recommendation. At the August 4, 2010, Operations Implementation Committee (OIC) meeting, the audit findings and recommendations were discussed in detail and the DHS Time Reporting Policy No. 610 and DHS Overtime Policy No. 753 were re-issued.

AUDITOR CONTROLLER RECOMMENDATION #3

Harbor-UCLA management ensure that employees do not exceed the overtime limit without the required authorizations.

DHS response:

We agree and have implemented this recommendation. On August 18, 2010, Harbor Management Bulletin No. 10-60, Overtime Approvals, effective August 16, 2010, was issued along with Harbor Management Bulletin No. 09-57, Overtime, effective August 3, 2009, and Harbor Overtime Policy No. 203, revised October 2004, which indicate

Managers authorized to approve overtime will be held accountable for ensuring that paid overtime in excess of 96 hours per month is kept to a minimum and that appropriate internal control procedures are developed to ensure that Board approval is obtained prior to an employee exceeding the 96 hour limitation.

AUDITOR CONTROLLER RECOMMENDATION #4

Harbor-UCLA management ensure that employees do not record planned overtime hours on their time cards and that supervisors only sign overtime verification forms after employees work the overtime.

DHS response:

We agree. By September 30, 2010, Harbor Management will issue a notice to all employees with payroll warrants and by e-mail reminding staff not to record planned overtime on their time card and that overtime verification forms must be signed after overtime is worked.

AUDITOR CONTROLLER RECOMMENDATION #5

Harbor-UCLA management ensure that written overtime requests include the reason for the overtime.

DHS response:

We agree and have implemented this recommendation. Harbor Management Bulletin No. 10-60, Overtime Approvals, effective August 16, 2010 and issued August 18, 2010, indicates the reason for overtime must be clearly written on the request form. Harbor Overtime Policy No. 203, revised October 2004 and re-issued August 18, 2010, indicates that request(s) for accrued and paid overtime must be in writing and include the reason(s) for the overtime.

AUDITOR CONTROLLER RECOMMENDATION #6

Harbor-UCLA management ensure that approved overtime authorization forms are not returned to or accessible to employees.

DHS response:

We agree and have implemented this recommendation. At the August 4, 2010 OIC meeting, this recommendation was discussed and managers were advised to maintain approved overtime requests in a secure area not accessible to employees. Harbor Management Bulletin No. 10-60, Overtime Approvals, effective August 16, 2010 and issued August 18, 2010, indicates that once approved, overtime request forms are not to

be returned to or accessible to the employee and should be maintained by the unit supervisor.

AUDITOR CONTROLLER RECOMMENDATION #7

Harbor-UCLA management ensure that supervisors maintain documentation (e.g., overtime logs) to effectively monitor overtime.

DHS response:

We agree and have implemented this recommendation. Harbor Management Bulletin No. 10-60, Overtime Approvals, effective August 16, 2010 and issued August 18, 2010, indicates managers must monitor overtime utilization to ensure the department/service overtime budget is not exceeded. Harbor Overtime Policy No. 203, revised October 2004 and re-issued August 18, 2010, indicates that each Service/Department will be responsible for maintaining records of overtime approvals that should be readily accessible for audits or reviews. DHS Overtime Policy No. 753 re-issued on August 4, 2010, indicates overtime must be verified when completed at the end of the overtime.

AUDITOR CONTROLLER RECOMMENDATION #8

Harbor-UCLA management ensure that a standardized overtime authorization form is used.

DHS response:

We agree and have implemented this recommendation. Harbor Management Bulletin, No. 09-57 Overtime, re-issued August 18, 2010, includes planned and emergent overtime request forms.

AUDITOR CONTROLLER RECOMMENDATION #9

Harbor-UCLA management ensure that supervisors and employees review time cards for accuracy before signing/approving.

DHS response:

We agree and have implemented this recommendation. This recommendation was discussed at the August 4, 2010 OIC meeting and the DHS Time Reporting Policy No. 610 was re-issued. During eCAPS training classes from May 21, 2010 through June 24, 2010, employees and managers were reminded that electronic timecards are legal documents and they must make sure the information is accurate before authorizing, signing and/or submitting.

AUDITOR CONTROLLER RECOMMENDATION #10

Harbor-UCLA management ensure that employees do not have access to their approved time cards.

DHS response:

We agree and have implemented this recommendation. The implementation of eCAPS on July 1, 2010 has resolved this issue.

AUDITOR CONTROLLER RECOMMENDATION #11

Harbor-UCLA management ensure that all Time Card Correction Forms are signed by employees.

DHS response:

We agree and have implemented this recommendation. During the August 4, 2010, OIC meeting this recommendation was discussed and managers were advised to implement this recommendation immediately. DHS Time Reporting Policy No. 610 which was re-issued during the August 4, 2010 meeting, indicates that the employee must sign the Time Card Correction Form; if the employee is not available to sign the form prior to submission to Payroll, the supervisor must notify the employee and subsequently provide Payroll with a copy signed by the employee.

AUDITOR CONTROLLER RECOMMENDATION #12

Harbor-UCLA management ensure that employees and supervisors initial and approve all time card changes.

DHS response:

We agree. By September 30, 2010, Harbor Management will issue the DHS Time Reporting – Web-Based Time Collection System Policy No. 610.001 to all employees with their payroll warrants. DHS Policy No. 610.001 indicates if a proxy submits the web-based timesheet on an employee's behalf, the supervisor must provide the employee with a printout of the submitted web-based timesheet upon his/her return, and subsequently provide Payroll with a copy signed by the employee.

AUDITOR CONTROLLER RECOMMENDATION #13

DHS HR ensure payroll information is entered correctly into CWTAPPS.

DHS response:

We agree and have implemented this recommendation. On January 14, 2010, the Payroll staff were re-trained on correct coding of time card information into CWTAPPS. In November 2009, the Payroll Supervisor began random audits of timecards each quarter to verify accuracy and make a comparison to coding in CWTAPPS to ensure compliance.

AUDITOR CONTROLLER RECOMMENDATION #14

Harbor-UCLA management maintain supporting documentation for all bereavement and jury duty leaves.

DHS response:

We agree and have implemented this recommendation. On June 29, 2010, the unit timekeepers attended an in-service related to timekeeping duties and responsibilities. They were instructed to collect supporting documentation and forward it to DHS HR Payroll whenever an employee is absent due to bereavement, jury duty or witness leave.