COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

December 22, 2010

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FINAL REPORT ON PROBATION DEPARTMENT'S STAFF ACCOUNTABILITY AND POSITION/ITEM CONTROL**

Based on your Board's concerns over Probation staff accountability and the lack of an accurate Position/Item Control, Auditor-Controller (A-C) staff, with the assistance of 22 other County departments, formed multiple review teams and began an employee verification process at Probation starting on June 28, 2010. The process was intended to:

- Ensure all staff on Probation's payroll were bona fide employees, and
- Obtain key employee information needed to update Probation's Position/Item Control.

In the August 10, 2010 report on Probation's use of $79 million and staff accountability, we described the process of validating Probation's Item Control to ensure all staff on Probation's payroll were bona fide employees. This report provides our review summary, including findings and recommendations.

Review Summary

The review teams interviewed 5,570 (93%) of the 5,970 Probation employees on the Department's payroll as of June 28, 2010. The remaining 400 (7%) employees were

either on extended leave or had left Probation after we started our review. Although we were not able to interview these 400 employees directly, we performed alternative procedures (e.g., reviewed their personnel files and a sample of timecards, etc.) to gain assurance that these employees were in fact bona fide. In summary, our review did not disclose any "ghost employees" within Probation.

However, we referred four employee issues to the A-C's Office of County Investigations (OCI) for further review. We noted that these employees were paid their full County salaries, but did not report to work or only reported to work on a limited basis. As noted below, one or possibly two of the four employees may have been improperly paid.

Employees Interviewed

The review teams interviewed 5,570 Probation employees, and reviewed each employee's picture identification (e.g., County identification badge, driver's license, etc.). The teams also documented each employee's assigned work unit, physical work location, name of supervisor, etc. We have sent this information to the Department of Human Resources (DHR) and Probation to update Probation's Position/Item Control. Probation indicated that they have completed Phase 1 of the Position/Item Control Project, which included updating the Item Control to reflect employees' current work locations/assignments, and reconciling the budgeted positions with the Fiscal Year 2010-11 Final Adopted Budget. Phase 2 of the Project is currently in progress. Details of the actions taken during Phase 1 and the actions to be completed during Phase 2 were provided to your Board in two reports dated September 30, 2010 and October 29, 2010, respectively.

We found no evidence of "ghost employees" in this category.

Employees Not Interviewed

We were unable to directly interview 400 Probation employees because they were either on extended leave (e.g., industrial accident, long-term sick leave, family leave, military leave, administrative leave, etc.) or had left the Department **after** we started our review. To ensure that these 400 employees were bona fide County employees, we reviewed their personnel folders, a sample of timecards, leave files and attendance records in the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). We also interviewed some of the employees' supervisors. We found no evidence of "ghost employees" in this category.

In addition, we identified and reviewed approximately 160 employees who terminated their employment with Probation **before** our review to ensure these employees were not "ghost employees". These 160 employees were in addition to the 5,970 employees at Probation at the start of our review. We also reviewed a list of employees whom, according to CWTAPPS records, took no benefit time (vacation or sick) off for an

extended period of time, as this could be a possible indication of "ghost" or "fictitious" employees. Finally, we analyzed payroll records to ensure that no one individual received multiple paychecks. We found no evidence of "ghost employees" in this category.

Employee Issues Referred to OCI

OCI investigated four employees who were paid, but did not report to work on a full-time basis. OCI determined the following:

- One employee inappropriately received regular paychecks for at least ten months without reporting to work.
- Two Probation employees worked most or all of their time on employee union-related duties. The County/Union Memorandum of Understanding allows one employee to work exclusively on union business, and the other employee is allowed to work up to six hours a month on union activities.
- One employee worked full-time during County work hours on Los Angeles County Employee Retirement Association (LACERA) business as an elected member of the Board of Retirement. According to Government Code, this activity is allowed.

Other Issues

The review teams observed some instances where supervisors, camp directors, etc., were not always able to locate staff for interviews. It appears some of these instances may have been the result of supervision and/or item control/accountability issues. We will report the details of our observations to Probation management separately. Since our review, the Department has made significant progress in correcting their Item Control, which should improve the Department's ability to supervise staff. Probation management indicated that they are aware of the issues and, in addition to the Item Control clean up, are in the process of addressing them.

We also noted that Probation needs to ensure that employee termination transactions are processed on-time, and that all employee timecards are accounted for and processed accurately.

The details of our findings and observations are discussed below.

Findings and Recommendations

Although we concluded that there is no evidence of "ghost employees" at Probation, we noted the following areas that warranted further investigation and/or corrective action by Probation management:

Employee Issues - OCI Investigated Cases

A-C's Finding: OCI concluded that one employee did not report to work between November 2009 and August 2010 but inappropriately received at least ten months of full-pay, totaling approximately $37,000, plus employee benefits. The employee's supervisor stated that she thought the employee was on Industrial Accident (IA) leave. OCI also contacted the Chief Executive Office's Worker's Compensation Claims Division and the contract Third Party Administrator. Neither of them had any documentation that the employee was on IA leave for the period in question.

OCI only found a medical release form for one week from October 2009, and documentation that the employee was cleared to return to work (performing restricted duties) effective December 2009. However, Probation did not bring this employee back to work right after the clearance and therefore, the employee was overpaid.

Probation contacted the employee to determine why he had not been reporting to work. The employee initially indicated that he thought he was authorized to be off work on IA leave. However, when the Department tried to contact the employee a few days later, the employee's telephone was disconnected and the Department was unable to reach him. Probation later terminated his pay, effective September 2010.

A-C's Recommendation to Probation Management:

1. **Work with the Chief Executive Office, County Counsel, and the Department of Human Resources to determine the appropriate action and the feasibility of recovering salary overpayments, if any, for the cases reviewed by OCI, and report the results of their actions to the Board within 90 days.**

Probation's attached response indicates that the employee was unaware that he needed to provide additional medical certifications. Probation has requested the documents from the employee and will work with the A-C to take action to recover any overpayments that may have occurred.

A-C's Finding: OCI investigated two Probation employees who received their full County salary while they spent most or all of their time performing union-related duties, as opposed to Probation duties. Specifically, camp supervisors indicated that employees who work on union-related activities frequently do not report to their assigned work location. OCI found that one employee is allowed to work exclusively on

union business because the employee is the First Vice President and Chief Steward. This is allowed under the employee's Memorandum of Understanding (MOU).

For the second employee, OCI noted that the MOU limits the employee to no more than six hours a month on union activities. We noted that the employee is scheduled to work a 56-hour shift at a Probation camp each week. However, according to the employee's supervisor and the Camp Director, the employee only reports to work on Sundays, claiming that he performs union work during the remainder of his shift. We also noted that the employee received "night shift bonuses", even though his supervisor indicated that he does not work his night shift at the camp. In addition, this employee's supervisor indicated that the employee's frequent absence from work often causes staffing shortages.

Probation management needs to ensure they monitor employees' union activities and ensure the time spent complies with the appropriate MOU. While our review was limited to Probation, the issue of employees spending more time than what is allowed under the MOU on union activities could apply to other departments. We will recommend to CEO Employee Relations that they work with County departments to review employee time spent on union-related activities.

In addition, the timecards for employees performing union work are approved by supervisors who cannot attest to the accuracy of their time, because the employees are frequently not at their assigned work location. Probation management should consider having these employees report to Headquarters.

We also noted that at times there has been an agreement between the union and the County for the union to reimburse the County for employee salaries for time spent on union business. For example, the union reimbursed Probation approximately $40,000 for one employee's time spent on union duties in 2005. However, it appears that the union has not reimbursed the Department since 2005, even though the employee continued to perform union-related duties. The Department was unable to locate the agreements between the union and the County for reimbursing the County for the two employees reviewed. Probation indicated that they do bill the union for some employees who perform union work. However, the Department should have reimbursement agreements for all employees who work on union-related duties.

A-C's Recommendation to Probation Management:

2. **Establish mechanisms to monitor employee time spent on union-related activities. Consider having these employees report to Probation Headquarters, instead of working in Camps and Halls, etc. Develop reimbursement agreements for all employees who work on union-related duties.**

Probation's attached response indicates that they believe their practice complies with CEO Employee Relations past practice. The Department also indicated that they will work with CEO Employee Relations and Union leadership to establish reimbursement agreements and have the employees report to the Department's Headquarters. The Department will report back on any overpayment recoveries within 90 days.

Termination Transactions

A-C's Finding: We noted one employee, who we could not locate for an interview, should have been terminated on June 5, 2010. However, the termination was not processed on the County payroll system (CWTAPPS/eHR) until August 2010, when we brought this issue to the Department's attention. As a result, the employee continued to receive regular paychecks for two months, totaling approximately $7,400, after he left the Department. We reviewed a sample of 42 terminations and noted that four (10%) were not processed timely, resulting in overpayments for three cases, totaling approximately $18,000.

A-C's Recommendation to Probation Management:

3. **Ensure that all personnel transactions are entered into CWTAPPS/eHR and processed timely.**

Probation's attached response indicates that they are taking action to improve controls over the processing of personnel termination transactions.

Timecard Processing

A-C's Finding: We noted that, for 23 (7%) of 332 employees on extended leave during the period of our review, the information on the employees' timecards either did not agree with CWTAPPS/eHR, or there were no timecards, and the employees were paid regular wages when they should have been paid consistent with their leaves. It appears these errors occurred because the Department did not have controls in place to ensure that all timecards were accounted for and that all variances were entered into CWTAPPS. Since our review, Probation management indicated that procedures have been developed to ensure all timecards are accounted for and variances are entered into CWTAPPS.

It should be noted that our review was limited primarily to our interview period (June through August 2010), so there may be additional time periods and/or employees with inaccurate CWTAPPS time records. Probation should determine the amount of overpayments made to the employees in our sample, and/or adjust the employees' pay and benefit balances accordingly.

A-C's Recommendations to Probation Management:

4. **Ensure pay locations account for all employee timecards, and that all timecard variances (e.g., vacation, sick leave, etc.) are correctly entered into CWTAPPS/eHR.**

5. **For the discrepancies noted above, identify all inaccurate CWTAPPS time records and recover any overpayments. Adjust the employees' pay and leave benefit balances accordingly.**

Probation's attached response indicates that they are taking action to improve controls over timecards and will investigate the cases identified in the audit and take action to recover all overpayments.

Telecommuting Agreements

A-C's Finding: We observed that approximately 40 employees were not initially available for interview because they were telecommuting. We noted that Probation did not have signed/approved telecommuting agreements for four (10%) of the 40 employees. In addition, we noted that the agreements did not contain all details required by Board of Supervisors Policy 9.090 on telecommuting (i.e., number of days per week each employee telecommutes).

A-C's Recommendation to Probation Management:

6. **Revise the Department's telecommuting policy to ensure compliance with Board of Supervisors Policy 9.090, ensure agreements are completed, signed, and approved for all employees, and that only approved employees telecommute.**

Probation's attached response indicates that they will update the telecommuting agreements and ensure all employees who telecommute sign the agreements by January 31, 2011. Probation also plans to keep a log of all telecommuting assignments and a central file of signed agreements.

Review of Report

We discussed the results of our review with Probation management on September 22, 2010. The Department's response (attached) indicates they are in agreement with our findings and recommendations. We thank Probation management and staff for their cooperation and assistance throughout our review.

We would also like to thank DHR management and staff for their significant contributions and all other County departments and staff for their assistance in this Countywide effort.

Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:TK

Attachment

c: William T Fujioka, Chief Executive Officer
Donald H. Blevins, Chief Probation Officer
Lisa Garrett, Director of Personnel
Audit Committee
Public Information Office

COUNTY OF LOS ANGELES
PROBATION DEPARTMENT

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

DONALD H. BLEVINS
Chief Probation Officer

December 9, 2010

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Donald H. Blevins
Chief Probation Officer

SUBJECT: **RESPONSE TO AUDITOR CONTROLLER'S FINAL REPORT ON PROBATION DEPARTMENT'S STAFF ACCOUNTABILITY AND POSITION / ITEM CONTROL**

We appreciate the assistance provided by your management and staff during their verification of Probation's employees and their work locations. We are pleased that the Auditor-Controller's review found no evidence of "ghost employees" within the Probation Department.

Attached is my Department's response to your report. We generally agree with your findings and recommendations, and have either implemented or initiated implementation of the recommendations. We are committed to ensuring that the findings identified in the report are properly addressed and the recommendations are fully implemented.

We also appreciate the opportunity to include our response with your report. If you have any questions, please contact me or your staff may contact DeWitt Roberts, Acting Administrative Deputy at (562) 940-2516.

DHB:DR:cn

Attachment

ATTACHMENT

RESPONSE TO AUDITOR CONTROLLER'S FINAL REPORT ON PROBATION DEPARTMENT'S STAFF ACCOUNTABILITY AND POSITION / ITEM CONTROL

AUDITOR-CONTROLLER RECOMMENDATION - #1 and #2

Work with the Chief Executive Office, County Counsel, and the Department of Human Resources to determine the appropriate action and the feasibility of recovering salary overpayments, if any, for the cases reviewed by OCI, and report the results of their actions to the Board within 90 days.

Establish mechanisms to monitor employee time spent on union-related activities. Consider having these employees report to Probation headquarters, instead of working in Camps and Halls, etc. Develop reimbursement agreements for all employees who work on union-related duties.

Response – Agree

The Department will implement these recommendations as indicated above. The Auditor Controller's report identified one, possibly two, cases which may involve overpayments.

In one case discussed in the audit, an employee did not report to work since at least November 2009. The employee claims he went out on industrial injury, but, he was not aware that additional medical certifications were necessary to properly approve his absence after he filed for Workers' Compensation. The Department has since sent him a letter requesting he provide acceptable medical certification for the period of his disability. Should the employee fail to provide the required certification, Probation will work with the Auditor-Controller to make payroll adjustments, follow County overpayment procedures, and take other action deemed appropriate.

In regards to the other case, the Department has historically, and in the case cited in the audit, relied upon established precedent and the expertise of the Chief Executive Office, Employee Relations staff, in its handling of Probation employee time off for Union business. In addition, the Department has mechanisms in place to seek and receive reimbursement for time spent on Union business such as union training and conferences. However, the need for more careful monitoring of time used for union business, such as employee advocacy, is clear. To that end the Department will work with the Chief Executive Office, Employee Relations and appropriate Union leadership to explore developing written agreements to supplement those currently in place and to have these employees report to Probation Headquarters, as suggested above.

As recommended, the Department will provide follow-up information to the Board regarding actions take to recover overpayments (if any) within 90 days.

AUDITOR-CONTROLLER RECOMMENDATION - #3 and #4

Ensure that all personnel transactions are entered into CWTAPPS/eHR and processed timely.

Account for all employee timecards, and ensure that all timecard variances (e.g. vacation, sick leave, etc.) are correctly entered into CWTAPPS/eHR.

Response – Agree

The Department is implementing these recommendations in a combination of ways. We implemented logs and timeliness standards for Payroll processing designed to enable monitoring of personnel transactions to ensure they are entered into CWTAPPS/eHR and processed timely. In addition, at the December 8, 2010, Executive Leadership Team meeting, the need for strict adherence to payroll deadlines and established timekeeping procedures was re-emphasized to managers. Additionally, they will be provided regular reports on "missing" timecards so that appropriate follow up and/or disciplinary action can be initiated as warranted.

To ensure that timecard variances are correctly entered into CWTAPPS/eHR, timekeepers receive ongoing training the most recent of which occurred in October 2010. In addition, future trainings will be provided to all timekeepers as eHR continues to be implemented.

Additionally, the Department is reviewing the organization and staffing levels of the Human Resources Division to identify and address workflow and communication improvements between employees in the field, Return-to-Work, and Payroll. Both the CEO and DHR recognize that the Department has fewer Return-to-Work and Payroll staff than required by the size of our employee population and complexity of our operations. Therefore, as part of our efforts to fully address concerns noted in your report, and to strengthen our administrative controls, we will be submitting a request for necessary staffs in the upcoming budget process.

AUDITOR-CONTROLLER RECOMMENDATION - #5

Identify all inaccurate CWTAPPS time records and recover any overpayments. Adjust the employees' pay and leave benefit balances accordingly and timely.

Response – Agree

This recommendation is being implemented. The Department will investigate the cases identified in the audit and take action to recover all overpayments. Moving forward, Probation is implementing this recommendation on an ongoing basis. Overpayments and underpayments are being addressed as each instance is identified. Management is reviewing ways to address the need for better oversight of the payroll function, such as, stronger supervision and training, in addition to periodic audits of timecards.

The Department's payroll reflects a level of complexity that is typically found in large, geographically wide spread, 24-hour operations that include such variables as 56 hour shifts. In order to address some of these issues, the Department's timekeeper program is being strengthened. In addition, as mentioned above, staffing levels are under review to remedy staffing deficiencies in the Payroll Unit through the budget process.

While overpayments and underpayments are not acceptable, errors in payroll do occur, and the Department, following established County processes, is addressing each instance of inaccurate pay records on a flow basis.

AUDITOR-CONTROLLER RECOMMENDATION - #6

Revise the Department's telecommuting policy to ensure compliance with Board of Supervisors policy 9.090, ensure agreements are completed, signed, and approved for all employees, and that only approved employees telecommute.

Response – Agree

This recommendation is being implemented. In the past, the Department incorporated Board policy by reference in telecommuting contracts. The Department has drafted a revised telecommuting policy that fully meets the requirements of the Board of Supervisor's policy 9.090. All current telecommuters will be required to sign new contracts by January 31, 2011. As part of the implementation of this policy, the Department will require that employees do not begin telecommuting assignments until the agreement has been fully signed.

In addition, the Department now has, and will maintain, an up-to-date log of telecommuting assignments and a central file of signed agreements to ensure accuracy in our telecommuting reports and more fully comply with the intent of Board policy.