COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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August 5, 2011

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: **FIRE DEPARTMENT PAYROLL/PERSONNEL REVIEW**

In 2007, based on issues noted in our review of payroll/personnel in one County department, your Board instructed the Auditor-Controller 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 Fire Department's (Fire or Department) compliance with County payroll/personnel policies, and their use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as overtime use, recording time and attendance, industrial accident payments, leave accounting, monitoring bonus eligibility, processing employee terminations and data security.

Summary of Findings

Fire appropriately conducts annual payroll distribution payoffs and has improved its budgeting for their overtime. However, Fire needs to strengthen its controls over other areas of their payroll/personnel operations and use of CWTAPPS. The following are examples of areas for improvement:

- Fire needs to maintain adequate documentation for all bonuses, ensure employees are eligible for bonuses they receive, and conduct quarterly reviews to ensure employees remain eligible for the bonuses. We reviewed bonuses for 35 employees and noted that the Department did not have documentation that eight (23%) employees were eligible for the bonuses they were receiving,

resulting in potential overpayments totaling $61,600. In addition, for ten (29%) of the bonuses, Fire was not able to establish that quarterly reviews were completed to ensure that the employees' eligibility has not changed.

Fire response – Fire's attached response indicates they have taken corrective action by requiring their Personnel Operations to review the bonus report quarterly, and certify that the report is valid and that bonuses are appropriately applied.

- Fire needs to ensure that staff do not exceed their overtime limits. We reviewed Fire's CWTAPPS overtime reports, and noted 90 uniformed employees exceeded the Department's annual overtime limits by a total of 3,934 hours (approximately $268,000) in Fiscal Year 2008-09. In addition, we noted that nine employees' combined overtime and regular earnings were double their annual base salary in calendar year 2008.

  Fire response – Fire's attached response indicates they have taken corrective action by requiring non-emergency overtime to be approved by the Chief Deputy three to five days in advance of the scheduled overtime, and published a Department-wide reminder of overtime limits for emergency/operational staff. In addition, Fire developed new overtime policies and established an overtime limit policy for their civilian personnel and is working with the Chief Executive Office (CEO) to review the newly developed policies.

- Fire needs to ensure that employees who are out on extended sick leave are paid accurately. Seven (70%) of the ten employees we reviewed were potentially overpaid a total of $20,400 and underpaid $1,200, since the employees went from using part-pay sick leave to using full-pay leave, received incorrect part-pay leave hours in CWTAPPS, and/or used part-pay leave before exhausting their full-pay leave.

  Fire response – Fire's attached response indicates they have taken corrective action by instructing and re-training their staff to ensure proper documentation is obtained before full-pay sick is used, that correct leave codes are used and that staff are aware of the policies for coding sick leave. Fire has also implemented a log to track employees on leave, is conducting monthly meetings to discuss any issues affecting the payroll processes, and has assigned three supervisors to review the work of the clerks, to minimize and detect any errors.

- Fire needs to monitor Industrial Accident (IA) cases closely to ensure employees are properly paid. We reviewed ten IA cases and noted that five (50%) of the ten employees we reviewed were incorrectly paid, resulting in overpayments totaling $5,500, and an immaterial underpayment. The incorrect payments occurred primarily because the employees continued to receive temporary disability

payments after they were classified as permanently disabled and were paid by Worker's Compensation, or because Payroll did not properly compute the employees' leave benefits.

Fire response – Fire's attached response indicates they have taken corrective action by re-training staff, tracking employees' temporary disability benefits, and assigning assistant supervisors to review the Payroll clerk's temporary disability payments to ensure correct benefit payments.

- Fire management needs to ensure that employees and supervisors consistently review and certify the accuracy of the employees' electronic time records, and regularly distribute exception reports to identify and resolve uncertified/ unapproved time records. Fire management acknowledged that employees and supervisors do not always review/certify the employees' reported time, and Fire does not monitor to ensure all time records have been validated.

  Fire response – Fire's attached response indicates that they are taking corrective action by developing procedures to ensure only certified/approved electronic time records interface with CWTAPPS. In addition, Fire has begun distributing exception reports of all unapproved time records to the Assistant Fire Chiefs a few days prior to the closing of each pay period to identify and resolve uncertified/unapproved time records immediately.

- Fire needs to ensure that supporting documentation is maintained for all time card adjustments. We noted that, for two (20%) of ten time cards reviewed, Fire could not provide documentation to support the variances noted between the information in CWTAPPS and the employees' time cards.

  Fire response – Fire's attached response indicates that they have taken corrective action by instructing their Payroll staff to follow-up on Timesheet Correction Forms for all changes made to employees' time cards. The response also indicates that Payroll staff have increased their review of each other's work to ensure proper entry of information into CWTAPPS.

- Fire needs to improve security over CWTAPPS. Twenty-six (42%) of 62 CWTAPPS users can change their own payroll/personnel information. In addition, four (40%) of ten CWTAPPS users reviewed have access that exceeds their job responsibilities, and two (20%) of the users indicated that they have shared their CWTAPPS passwords with other employees.

  Fire response – Fire's attached response indicates that they have taken corrective action by establishing alternative monitoring plans requiring supervisors and managers to approve all transactions prior to processing, conducting quarterly security reviews of their assigned staff records to ensure

staff do not alter their records, and annually reviewing employees' CWTAPPS access to ensure access is justified based on the employees' job duties. The response also indicates that Fire has instructed their staff not to share passwords and reminded staff that sharing of passwords will lead to disciplinary action.

As indicated, we noted several possible overpayments, underpayments and incorrect leave balances. County policies do not specify when employees are required to repay overpayments because each overpayment is unique. Fire management should research the individual cases in this report, and work with the Department of Human Resources, Auditor-Controller's Countywide Payroll Division and County Counsel to recover overpayments, correct underpayments and/or adjust leave benefit balances.

Although this report is a review of Fire'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 (Attachment I).

Review of Report

We discussed our report with Fire management. Fire's attached response (Attachment II) dated July 27, 2011 indicates general agreement with our findings and recommendations.

We thank Fire management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Daryl L. Osby, Fire Chief
Lisa M. Garrett, Director, Department of Human Resources
Andrea Sheridan Ordin, County Counsel
Department Heads
Audit Committee
Public Information Office

FIRE DEPARTMENT
PAYROLL/PERSONNEL REVIEW

Background

The Fire Department (Fire or Department) has over 4,900 employees in 215 locations. Approximately 55% of Fire's employees use the Electronic Timekeeping System (ETKS) module in the Fire Incident Reporting System (FIRS) to maintain their time records. The time records in ETKS interface electronically with the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) for the employees to be paid. All other Fire employees use manual time cards. Payroll staff in Fire's Human Resources Division's Payroll Section (Payroll) enter these employee's time information into CWTAPPS. Payroll staff also maintain employee leave balances and Industrial Accident (IA) information in CWTAPPS. Fire Personnel Services Section (Personnel) staff use CWTAPPS to process personnel transactions, such as hires/terminations, and maintain personnel data, including hire dates, social security numbers and County job history.

Scope

We reviewed Fire'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, IA payments, bonus eligibility and data security.

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. Fire management should research the individual cases noted in this report and work with the Department of Human Resources (DHR), Auditor-Controller's (A-C) Countywide Payroll Division and County Counsel to recover overpayments, correct underpayments and/or adjust employee leave benefit balances.

Recommendation

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

Bonuses

Bonus Eligibility and Approval

Employees can receive bonuses for special job skills (e.g., bilingual bonus, paramedic bonus, etc.). CFM Section 3.1.8 requires departments to verify employee eligibility for bonuses each year and have appropriate documentation in the employee's personnel file.

Our review of bonuses at Fire disclosed the following exceptions:

- Fire does not always maintain adequate documentation for all bonuses. For eight (23%) of 35 employees reviewed, the Department did not have documentation that the employees were eligible for the bonuses they were receiving, resulting in potential overpayments totaling $61,600. For example, three of the eight employees were receiving shooting bonuses as part of their compensation as arson investigators. However, Fire could not provide documentation that the employees met the requirements for the applicable shooting bonus.

- Fire management indicated that the Department recently adopted a policy of conducting quarterly reviews of employees' bonus eligibility. However, for ten (29%) of the 35 employee bonuses reviewed, Fire did not have documentation that a quarterly review was completed to ensure that the employees' eligibility has not changed.

Recommendation

2. **Fire management ensure Personnel keeps supporting documentation for all bonuses, and review bonuses quarterly to ensure employees still qualify for the bonuses.**

Timeliness

To ensure employees are paid properly, departments must enter bonus information into CWTAPPS within A-C deadlines each pay period. We noted that Fire entered nine (26%) of 35 bonuses reviewed into CWTAPPS an average of 46 days late, resulting in untimely payments to employees.

Recommendation

3. **Fire management ensure Personnel enters bonuses into CWTAPPS by the A-C deadlines and monitor for compliance.**

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 is determined by County Code, or the applicable Memorandum of Understanding. We reviewed ten employees whose standby pay ranged from $1.00 an hour, with a monthly maximum limit of $400, to $2.50 an hour, with no monthly maximum limit. We noted that four (40%) of the ten employees reviewed exceeded their monthly limit by a total of $1,600.

Recommendation

4. **Fire management monitor standby earnings to ensure employees do not earn more than the monthly maximum.**

Overtime

Overtime Controls

We reviewed Fire's overtime records and noted:

- **Overtime Limits -** Department policy limits overtime for Fire Captains and lower level staff who work a 56-hour week schedule to 1,632 hours per fiscal year. Employees who work a 40-hour week schedule are limited to 1,166 hours. In addition, employees on a 56-hour week schedule may not work more than five consecutive full or half 24-hour shifts. Fire indicated that the overtime limits only apply to uniformed personnel (i.e., Fire Fighters, Fire Fighter Specialist, pilots, etc.), and that there are no overtime limits for civilian personnel (i.e., cooks, Fire Suppression Aids, administrative staff, etc.). Fire also indicated that uniformed personnel sometimes exceed overtime limits because of major incidents that are reimbursable by other agencies, such as the Federal Emergency Management Agency, the State, etc.

  We reviewed Fire's CWTAPPS overtime reports and noted 90 uniformed employees exceeded their annual overtime limits by a total of 3,934 hours (approximately $268,000) in Fiscal Year (FY) 2008-09. In addition, we reviewed a sample of ten Fire employees with the highest overtime hours for calendar year 2009, and noted one (10%) employee worked more than five consecutive full 24-hour shifts. While Fire can temporarily suspend the overtime limits for special circumstances (e.g., major incidents, short staff, emergencies, etc.), we confirmed that Fire did not suspend their overtime limits during the period where we noted the exceptions.

- **Excessive Overtime** – CFM Section 3.1.9 indicates that department management should routinely monitor/examine workload and overtime reports to determine the appropriateness of overtime worked, especially for employees accruing high amounts of overtime. We reviewed Fire's CWTAPPS overtime

reports, and noted that nine employees' combined regular and overtime earnings for calendar year 2008 were more than double their annual base salary. In addition, we noted 12 civilian employees, whose overtime earnings were between 86% and 132% of their annual base salary, including two cooks who consistently worked the highest amount of overtime hours in the Department for the last three years. Fire indicated that the excessive overtime for their civilian staff was due to high workload and staffing shortages. As previously indicated, Fire does not have overtime limits for their civilian personnel, but should consider developing limits.

Recommendations

Fire management:

5. **Ensure that unit managers monitor employees' compliance with Departmental overtime limits.**

6. **Consider developing and implementing additional overtime policies and controls (e.g., setting monthly overtime limits, monitoring and evaluating employee overtime usage, etc.) to limit excessive overtime.**

7. **Consider developing overtime limits for civilian personnel.**

Leave Accounting

Employees who are eligible for sick leave and are out sick can use full or part-pay sick leave for their absence. Once an employee begins using part-pay sick leave, County Code Section 6.20.050 prohibits the employee from using any type of full-pay leave (e.g., vacation, full-pay sick leave, etc.) they may have earned while on leave, unless specifically authorized by the Department Head.

We reviewed CWTAPPS for ten employees who were on extended sick leave and noted that seven (70%) employees were paid incorrectly, with multiple errors for some employees:

- Three employees went from using part-pay sick leave to using other full-pay leave (e.g., vacation, full-pay sick leave, etc.), without the required Department Head approval. This resulted in potential overpayments, totaling approximately $19,000, and incorrect benefit balances.

- Three employees' full-pay and/or part-pay sick leave hours were coded incorrectly in CWTAPPS, resulting in potential overpayments, totaling $1,400, and incorrect sick leave balances.

- Four employees used part-pay sick leave before using all of their full-pay sick leave. This resulted in potential underpayments, totaling $1,200, and incorrect benefit balances.

Recommendations

Fire management:

8. **Obtain Department Head approval before employees use full-pay leave when employees are on part-pay status.**

9. **Train and monitor Payroll staff to ensure correct leave codes are used when employees are on extended sick leave.**

Industrial Accidents

County employees who are unable to work because of work-related Industrial Accidents (IAs) may receive temporary disability (TD) benefits. The benefits are authorized by one of the County's contract Third Party Administrators (TPA). The first year of the injury is known as the salary continuation period (SCP).

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 up to 100% of their regular pay during the PSCP. During the PSCP, departments need to recalculate supplemental payments each time an employee's salary rate, TD payment or supplemental benefit rate (e.g., 100%, 65% sick, etc.) changes. The TD and supplemental payments should stop when an employee returns to work or is classified as permanently disabled. Employees generally may not receive PSCP TD benefits during the SCP.

We reviewed ten IA cases and noted multiple payment and CWTAPPS coding errors. Specifically:

- Four (40%) employees were incorrectly paid TD benefits. Three of these employees received PSCP benefits while receiving SCP benefits, or after they were classified as permanently disabled, resulting in overpayments totaling $2,700. The fourth employee was underpaid one day of PSCP benefits, resulting in an immaterial underpayment.

- Payroll staff did not properly compute two employees' supplemental earnings, resulting in potential overpayments, totaling $2,800, and misstated leave balances. For one employee, Payroll staff did not properly calculate the supplemental hours while the employee was on TD. For the second employee, Payroll staff supplemented the employee's hours after the employee was classified as permanently disabled and was paid by Worker's Compensation.

Recommendations

Fire management:

10. **Train Payroll staff on the rules for ensuring accurate TD benefit payments and monitor for compliance.**

11. **Ensure Payroll staff calculate supplemental payments correctly for employees receiving TD payments.**

Time and Attendance

Electronic Time Records

CFM Section 3.1.6 requires employees to certify the accuracy of their reported time by completing and signing their time records. Supervisors are also required to certify the accuracy of the hours recorded on their staffs' time records.

Approximately 55% of Fire's employees (i.e., 56-hour week schedule uniformed personnel) use the ETKS module in FIRS to maintain their time records. All other Fire employees (e.g., Lifeguards, cooks, maintenance staff, etc.) use manual time cards. The time records in ETKS interface electronically with CWTAPPS for the employees to be paid. Fire's Electronic Time Records Policy requires employees and supervisors who use ETKS to electronically certify the time reported on the System.

However, while Fire's policy requires employees to certify the time reported on ETKS, Fire Department management indicated that this is not always done. As a result, employee time records may be sent to CWTAPPS without being certified, which is a violation of County fiscal policy. In addition, we noted that ETKS did not have exception reports to identify time records that were not certified. Finally, we noted that ETKS employee time records do not include an "acknowledgement statement", indicating that, by approving the time record, the employee is certifying that the reported time and leave data are accurate.

We discussed these issues with Fire management. They indicated that they will ensure that only time records certified by the employee and supervisor, or submitted by a proxy with appropriate supporting documentation, are sent from ETKS (or any replacement time keeping system) to CWTAPPS. In addition, they have programmed ETKS to produce exception reports listing time records that have not been certified by the employees and/or supervisors. We will also continue to work with Fire to ensure that employees using ETKS complete an acknowledgement statement.

Recommendations

Fire management:

12. **Ensure that only time records certified by the employee and supervisor, or submitted by a proxy with appropriate supporting documentation, are sent from ETKS (or any replacement time keeping system) to CWTAPPS.**

13. **Regularly distribute exception reports identifying employees/ supervisors who did not certify the employee's time, and ensure the certification is completed.**

14. **Ensure that ETKS time records include an acknowledgement statement for employees to certify their reported time and leave data is accurate.**

Time Card Processing

CFM Section 3.1.7 requires that time card adjustments be immediately reported to the Payroll Section on a Timesheet Correction Form, signed by the employee's supervisor attesting to the changes.

We compared a sample of ten time cards to CWTAPPS and to subsequent adjustments and noted that, for two (20%) of the time cards, Fire did not have documentation to support the variances noted between the information in CWTAPPS and the employees' time card. For example, CWTAPPS indicated 19 hours of overtime worked for one employee, but the employee's time card did not show any hours worked for that day. Fire confirmed that the employee worked the 19 hours of overtime, but the time was incorrectly posted to the wrong day on the original time card. As a result, the error was corrected in CWTAPPS. However, Fire was unable to provide the appropriate Timesheet Correction Form indicating supervisory approval of the adjustment.

It appears that some of the discrepancies resulted in potential overpayments. As indicated in the first recommendation of this report, Fire should determine the amount of any overpayments made to these employees.

Recommendations

Fire management:

15. **Ensure payroll information is entered correctly into CWTAPPS.**

16. **Ensure all time card adjustments are reported on a Timesheet Correction Form signed by the employee's supervisor attesting to the changes and that Timesheet Correction Forms are maintained.**

Supplemental Warrants

Supplemental payroll warrants are issued to correct underpayments to employees. 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 that there is written approval for each supplemental warrant listed on the supplemental warrant register.

We reviewed 13 employees who received supplemental warrants, and noted that staff independent of the payroll/personnel function did not review the supplemental warrant registers to verify that there was written approval for each supplemental warrant. In addition, Fire could not provide the supplemental warrant registers for two (15%) of the 13 employees.

Recommendation

17. Fire management ensure that someone independent of the payroll/personnel function verify that there is written approval for each supplemental warrant listed on the supplemental warrant register and that the registers are maintained.

Data Access

Processing Centers

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

We noted that 26 (42%) of 62 CWTAPPS users can change their own payroll/personnel information.

Recommendation

18. Fire management use processing centers so that staff do not have access to their own payroll/personnel information on CWTAPPS.

Profiles

Profiles determine which CWTAPPS screens a user can access and specific actions (e.g., inquire, add, update, delete, etc.) they can process. CFM Section 3.1.5 indicates that CWTAPPS profile assignments should be as restrictive as possible based on the employee's job responsibilities, and that profiles permitting changes to both payroll and personnel information should be restricted to management and high-level supervisory personnel.
We reviewed CWTAPPS access at Fire and noted the following:

- Four (40%) of ten CWTAPPS users reviewed have access that exceeds their job responsibilities. For example, one employee has the ability to data enter payroll/personnel information. However, the employee's job function only requires the ability to view the information.

- Three (5%) of the 62 users with CWTAPPS access can perform all actions in CWTAPPS (e.g., make updates and/or deletions to both payroll and personnel data, etc.), but are not in a high-level supervisory or managerial position.

Recommendation

19. Fire management periodically review employees' CWTAPPS access and restrict access based on the employee's job duties.

Security Policy

CFM Section 8.6.3 requires that all employees with access to County computer data sign an acknowledgement that they have read and understand the Department's security policy. Fire did not have signed acknowledgements for three (30%) of ten employees reviewed.

Recommendation

20. Fire management ensure that all employees with access to County computer data sign the security policy.

CWTAPPS Password

CFM Section 8.6.4 states that passwords should be unique, not shared with anyone, and not be written on terminals, keyboards, tabletops, post-it notes, etc., as a memory aid. However, two (20%) of the ten employees we interviewed indicated that they have shared their CWTAPPS passwords with other employees.

Recommendation

21. Fire management remind users not to 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 CWTAPPS by the A-C deadlines. Terminations entered after the deadline must be processed manually and may result in incorrect payments.

Timeliness of Terminations

Two (20%) of ten terminations we tested were not processed within the A-C deadline. These terminations were entered into CWTAPPS an average of ten days late. Personnel Section management indicated that processing delays were due to their

Section not receiving the pertinent termination documents timely. Although we found no payment errors, the delays resulted in late payments.

Recommendation

22. Fire management monitor to ensure terminations are processed timely.

Verification of Terminations on CWTAPPS

CFM Section 3.1.8 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 terminated employees are not being paid. While Fire maintains a list of terminated employees, they indicated that they do not trace the terminated employees' names to the Payroll Sequence Register, as required. In addition, the individual assigned to keep the list of terminated employees also processes terminations in CWTAPPS.

Recommendation

23. Fire ensure Personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) keeps a list of terminated employees and traces the terminated employees' names to the Payroll Sequence Register for at least three consecutive months after the employee terminates.

CWTAPPS Reports

Exception Reports

CWTAPPS automatically generates reports to assist managers in monitoring payroll/personnel operations. CFM Section 3.1.0 requires Payroll staff to investigate exceptions on the following eight reports and immediately process any necessary adjustments.

- Time Card Error Report
- Leave Benefit Negative Balance Report
- Time Card Leave Defaulting Report
- Leave Final Pay Exception Report
- Overtime Activity Report
- Change in Overtime History Exception Report
- Excessive Comp Earned/Regular Hours Exception Report
- Premium Overtime Transaction Exception Report

Payroll staff should annotate the reports 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. In addition, CFM Section 3.1.3 requires departments to keep supporting documents for at least five years for audit purposes.

Fire could not provide complete reports for 11 (69%) of the 16 reports we requested. For ten of these reports, Payroll staff indicated that the reports are missing because they do not keep reports that have no exceptions. For the remaining report, pages of the report were missing. As a result, we were unable to determine whether exceptions were reviewed and approved.

In addition, for all five of the completed reports, we noted that some exceptions did not have annotations. The reports were also not signed and/or dated by the reviewer and the Payroll supervisor. As a result, we were unable to determine whether adjustments were made promptly and correctly.

Recommendations

Fire management:

24. **Ensure Payroll staff and supervisors document their review of CWTAPPS reports and ensure exceptions are resolved timely.**

25. **Keep the required CWTAPPS reports for at least five years.**

COUNTY OF LOS ANGELES

FIRE DEPARTMENT

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DARYL L. OSBY
FIRE CHIEF
FORESTER & FIRE WARDEN

July 27, 2011

TO: WENDY L. WATANABE
AUDITOR-CONTROLLER

FROM: FIRE CHIEF DARYL L. OSBY

LOS ANGELES COUNTY FIRE DEPARTMENT – RESPONSE TO THE AUDITOR-CONTROLLER'S PAYROLL AND PERSONNEL REVIEW

Attached is the Fire Department's response to the recommendations made in the Auditor-Controller's report. We thank your audit staff for their professionalism and objectivity during the review.

If you have any questions and/or need additional information, please contact me, or your staff may contact Inas M. Awad, Acting Chief Human Resources Division, at (323) 881-2327, or via email at iawad@fire.lacounty.gov.

DLO:ia

Attachment

LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TO AUDITOR-CONTROLLER PAYROLL/PERSONNEL REVIEW

Payroll Exceptions

AUDITOR-CONTROLLER RECOMMENDATION # 1

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

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. The Fire Department researched and worked with DHR, A-C Countywide Payroll, and County Counsel to correct all the exceptions identified in this audit report relating to recovering overpayments, issuing supplemental warrants for underpayments, and adjusting employee leave benefit balances.

This process has been completed as of March 2011.

Bonuses

AUDITOR-CONTROLLER RECOMMENDATION # 2

Fire management ensure Personnel keeps supporting documentation for all bonuses, and review bonuses quarterly to ensure employees still qualify for the bonuses.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of March 2010, Personnel Operations is reviewing the bonus report quarterly, indicating that they have validated the report and certifying that bonuses are appropriately applied.

Timeliness

AUDITOR-CONTROLLER RECOMMENDATION # 3

Fire management ensure Personnel enters bonuses into CWTAPPS by the A-C deadlines and monitor for compliance.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of March 2010, Personnel Operations began to instruct Department managers of the importance of the timely submission of bonus requests. Personnel Operations continues to monitor for compliance.

Standby Pay

AUDITOR-CONTROLLER RECOMMENDATION # 4

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

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of July 2010, Fire Department is monitoring employee stand-by earnings and has complied with limits set forth in the employee's respective MOUs. Additionally, Payroll staff completed their review of all employees' MOUs to ensure that stand-by limits are being followed.

Overtime Controls

AUDITOR-CONTROLLER RECOMMENDATION # 5

Ensure that unit managers monitor employees' compliance with Departmental overtime limits.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of July 2010, all non-emergency overtime must be approved by the Chief Deputy three to five days in advance of the scheduled overtime. As a result, non-emergency overtime has been significantly reduced from prior years.

A department-wide reminder was published reminding emergency/operational staff of the overtime limits.

AUDITOR-CONTROLLER RECOMMENDATION # 6

Consider developing and implementing additional overtime policies and controls (e.g., setting monthly overtime limits, monitoring and evaluating employee overtime usage, etc.) to limit excessive overtime.

FIRE DEPARTMENT RESPONSE:

Agree. The Fire Department is working collaboratively with the CEO to review the newly developed overtime policy, and will take the appropriate action as needed. The Fire Department has an overtime policy for the safety positions that set a cap on the number of overtime hours worked per fiscal year.

AUDITOR-CONTROLLER RECOMMENDATION # 7

Consider developing overtime limits for civilian personnel.

FIRE DEPARTMENT RESPONSE:

Agree and have been implemented this recommendation. As of July 2010, overtime for civilian staff has been limited, and as indicated above (Recommendation #5), any non-emergency overtime must be preapproved by the Department's Chief Deputy three to five days in advance. Overtime must be justified and alternatives must be explored prior to submission. Additionally, the Department developed an overtime limit policy for civilian personnel, which is currently under the CEO's review.

Leave Accounting

AUDITOR-CONTROLLER RECOMMENDATION # 8

Obtain Department Head approval before employees use full-pay leave when employees are on part-pay status.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll staff has been instructed not to allow employees to use full-pay sick leave without receiving documentation that full-pay leave has been approved by the Department Head. Payroll staff is also using a Leave of Absence log to track employees on leave or using part pay sick leave.

AUDITOR-CONTROLLER RECOMMENDATION # 9

Train and monitor Payroll staff to ensure correct leave codes are used when employees are on extended sick leave.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of February 17, 2010, Payroll staff has been re-trained to ensure correct codes are used when employees are on extended sick leave; and also to ensure that they are aware of the policies which govern coding. Additionally, monthly meetings have been established to discuss any issues affecting the payroll processes. The Department appointed three Assistant Payroll Supervisors to review the work of the Payroll Clerks to minimize and correct any errors.

Industrial Accidents

AUDITOR-CONTROLLER RECOMMENDATION # 10

Train Payroll staff on the rules for ensuring accurate TD benefit payments and monitor for compliance.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of March 16, 2010, Payroll staff established a control for tracking employees' TD to ensure benefits are properly computed. Assistant Supervisors review their assigned Payroll Clerks' TD benefit payments to ensure proper payment.

AUDITOR-CONTROLLER RECOMMENDATION # 11

Ensure Payroll staff calculate supplemental payments correctly for employees receiving TD payments.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. We have re-trained Payroll staff to ensure correct TD benefit payments. Assistant Supervisors are responsible for checking assigned Payroll Clerks' TD benefit payments to ensure proper payment.

Time and Attendance

Electronic Time Keeping

AUDITOR-CONTROLLER RECOMMENDATION # 12

Ensure that only time records certified by the employee and supervisor, or submitted by a proxy with appropriate supporting documentation, are sent from ETKS (or any replacement timekeeping system) to CWTAPPS.

FIRE DEPARTMENT RESPONSE:

Agree: The Department is in the process of developing business procedures to ensure only certified and approved time records are sent from ETKS (IPFIRS) to CWTAPPS/e-HR as discussed and agreed to with the Auditor-Controller's office.

AUDITOR-CONTROLLER RECOMMENDATION # 13

Regularly distribute exception reports identifying any employees/supervisors who did not certify the employee's time, and ensure the certification is completed.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Effective July 16, 2011, exception reports of all unapproved time records will be distributed to Assistant Fire Chiefs few days prior to the closing of each pay period to ensure immediate compliance. In addition, the Fire Department created two new query screens in IPFIRS to assist all personnel to easily locate unapproved records.

AUDITOR-CONTROLLER RECOMMENDATION # 14

Ensure that ETKS time a record includes an acknowledgement statement for employees to certify their reported time and leave data is accurate.

FIRE DEPARTMENT RESPONSE:

Agree. The Department is making modifications to its ETKS (IPFIRS) to include a statement that by approving each shift time record in accordance to policy, the employee is acknowledging and certifying that their reported time and leave data is accurate. In addition, Fire will revise its timekeeping policies and procedures to include this statement.

AUDITOR-CONTROLLER RECOMMENDATION # 15

Ensure payroll information is entered correctly into CWTAPPS.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll staff have intensified the cross checking of each other's work to ensure proper entering of information into CWTAPPS. Each payroll clerk rotates and checks another clerk's timesheets to ensure thorough and correct coding.

AUDITOR-CONTROLLER RECOMMENDATION # 16

Ensure all time card adjustments are reported on a Timesheet Correction Form signed by the employee's supervisor attesting to the changes and that Timesheet Correction Forms are maintained.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll staff has been instructed to follow up on obtaining Timesheet Correction Forms from employees' supervisors in regards to any changes made to the employee's timesheet. Also, they were instructed to check for timesheet adjustments when crosschecking other payroll staff work.

Supplemental Warrants

AUDITOR-CONTROLLER RECOMMENDATION # 17

Fire management ensure that someone independent of the payroll/personnel function verify that there is written approval for each supplemental warrant listed on the supplemental warrant register and that the registers are maintained.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. As of February 1, 2011, a Staff Assistant II/III with responsibilities that are independent of payroll function is responsible for reviewing supplemental warrants issued and requests. In addition, this independent employee maintains a log of all supplemental Warrants issued to the Fire Department.

Data Access

Processing Centers

AUDITOR-CONTROLLER RECOMMENDATION # 18

Fire management uses processing centers so that staff do not have access to their own payroll/personnel information on CWTAPPS.

FIRE DEPARTMENT RESPONSE:

Agree. The Department has established alternative monitoring plans to ensure Payroll/Personnel staff do not alter their own records. Supervisors and managers must approve all transactions prior to processing; additionally they have been instructed to conduct security reviews of their assigned staff records on quarterly basis to ensure staff does not alter their records.

Profiles

AUDITOR-CONTROLLER RECOMMENDATION # 19

Fire management periodically review employees' CWTAPPS access and restrict access based on the employee's job duties.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Fire management will annually review employee CWTAPPS access and ensure access is justified based on the employee's job duties. If any names are to be added, a justification memo will be submitted to Chief of Human Resources Division for approval.

Security Policy

AUDITOR-CONTROLLER RECOMMENDATION # 20

Fire management ensures that all employees with access to County computer data sign the security policy.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. All employees with County computer data access have signed the Department's security policy acknowledgment form and it is placed in their official personnel files.

CWTAPPS Password

AUDITOR-CONTROLLER RECOMMENDATION # 21

Fire management remind users not to share passwords.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll staff has been instructed not to share passwords for any of the various systems that Payroll is utilizing and have been reminded that sharing of passwords will lead to disciplinary action. Actions have been taken to ensure that all employees have their passwords updated and that they are not disclosed.

Employee Terminations

Timeliness of Terminations

AUDITOR-CONTROLLER RECOMMENDATION # 22

Fire management monitor to ensure terminations are processed timely.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. A reminder message was sent to all management staff via email on the importance of timely notification of terminations to HR. In addition, HR staff has been trained on using the Termination Report to ensure timely termination is entered into CWTAPPS.

Verification of Terminations on CWTAPPS

AUDITOR-CONTROLLER RECOMMENDATION # 23

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

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. The responsibilities of tracing terminated employee's names to the payroll sequence register have been assigned to a Departmental Personnel Technician, Employee Benefit Unit, who reports directly to the Personnel Section Manager. This employee is independent of payroll and personnel functions.

CWTAPPS Reports

Exception Reports

AUDITOR-CONTROLLER RECOMMENDATION # 24

Ensure Payroll staff and supervisors document their review of CWTAPPS reports and ensure exceptions are resolved timely.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll staff is monitoring the exception reports and ensuring that all items on the report have been properly reviewed and annotate the reports. Each payroll clerk is responsible for one month of reports and it is their responsibility to ensure all payroll staff has properly checked each report. Upon completion of the report, an Assistant Supervising Payroll Clerk reviews the report to ensure compliance.

AUDITOR-CONTROLLER RECOMMENDATION # 25

Keep the required CWTAPPS reports for at least five years.

FIRE DEPARTMENT RESPONSE:

Agree and have implemented this recommendation. Payroll is now verifying and storing CWTAPPS reports and will keep five years of records. Current reports are stored in the payroll office and archived reports are placed in our secure storage room.