COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

August 20, 2008

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

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – REVIEW OF EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS**

We have completed a review of the Department of Children and Family Services' (DCFS or Department) reimbursements to employees for work-related damage to the employees' vehicles. The County Code allows the County to reimburse employees for work-related damage to their vehicles.

Background

DCFS has over 3,000 social workers who are responsible for visiting children and families in their own homes, schools and communities. According to the County's payroll records, DCFS employees received approximately $6 million in mileage reimbursements in 2007, representing 35% of the total mileage reimbursement paid to all County employees. From July 2005 to November 2007, DCFS paid approximately $1.1 million in employee vehicle damage claims (claims). Each department records payments for employee vehicle damage differently, so it is difficult to determine the total County vehicle damage reimbursements. However, the amount of DCFS' claims may be proportionally higher than other County departments, due in part to the amount of driving DCFS employees are required to do on County business.

Summary of Findings

We evaluated DCFS' claims processing to determine if the claims were appropriate and internal controls were in place. We interviewed DCFS Health and Safety Management personnel and reviewed a sample of vehicle damage claims.

Our review indicates that DCFS needs to strengthen its controls over employee vehicle damage reimbursements. Specifically:

- DCFS paid 28 of 58 employee damage claims (48%) we reviewed without all required documents and approvals.

- 360 of 690 claims filed between July 2005 and November 2007 were for single-vehicle accidents (only one car involved in the accidents). Because single-vehicle accident claims are approved in most cases based solely on the employees' own statements that the accidents are work-related, these claims should be scrutinized to ensure the damage is work-related. In addition, 80 DCFS employees filed approximately 170 claims, an average of two or more claims per employee. For example, one employee submitted four claims in one year, all single-vehicle accidents, totaling approximately $6,000. DCFS needs to carefully scrutinize single-vehicle accident claims and multiple claims for employees.

- Claims for some windshield damage appeared excessive. DCFS paid an average of $950 each for six windshield claims we reviewed, while the estimates we obtained from ten vendors averaged $265 for window repairs. More than 120 DCFS employees filed at least 140 windshield damage claims between July 2005 and November 2007.

- Two claims from one employee, totaling $5,800, were for damage that occurred on days the employee's timecards indicated she was not at work. Another employee was reimbursed $10,000, even though the estimate did not appear consistent with the pictures of the damage, the police report and the employee's accident description. Also, the employee did not provide the required second estimate.

- County Code requires employees to submit claim forms within ten business days of when the damage occurred. Thirty one of the 49 claims (63%) we reviewed were submitted an average of 25 days after the ten-day time limit.

Details of these and other findings and recommendations are attached.

Although our review was limited to DCFS, other County departments should review the findings in this report and ensure necessary controls and procedures are in place. We reviewed eCAPS records on employee property claims and noted only seven departments reported such expenditures. One reason is that some departments may

be using the incorrect eCAPS code when recording these claims. All County departments should ensure employee vehicle damage reimbursements are recorded properly.

Review of Report

We discussed the results of our review with management from DCFS and the Chief Executive Office's Risk Management Branch. DCFS' response (Attachment 1) indicates general agreement with our findings and recommendations and that the Department has developed a Corrective Action Plan. The Department also indicated that they strengthened management controls by elevating claims approval authority to the Risk Management Division Chief and Senior Deputy Director level. In addition, the Director of DCFS issued a memo instructing all Department managers to closely monitor vehicle damage claims (Attachment 2).

We thank DCFS and CEO personnel for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Susan Kerr, Senior Deputy Director, Department of Children and Family Services
Tom Tindall, Interim Director, Internal Services Department
All Department Heads
Public Information Office
Audit Committee

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS

Background

The County reimburses employees for mileage and parking for driving on County business in their own vehicles. County Code Section 5.85 allows the County to reimburse employees for work-related damage to their vehicles. The County reimburses the employee the lower of two required repair estimates. The County also pays for incidental expenses, such as rental car, towing, storage, etc., up to the limits in the County Code. Employees may not be reimbursed by the County if they are reimbursed by another source (e.g., their own insurance, etc.).

The Department of Children and Family Services (DCFS) has over 3,000 social workers who are responsible for visiting children and families in their own homes, schools and communities. According to the County's payroll records, DCFS employees received approximately $6 million in mileage reimbursements in 2007, representing 35% of the total mileage reimbursement paid to all County employees. From July 2005 to November 2007, DCFS also paid approximately $1.1 million in employee vehicle damage claims (claims). Each department records payments for employee vehicle damage differently, so it is difficult to determine the total County vehicle damage reimbursement. However, the amount of DCFS' claims may be proportionally higher than other County departments, due in part to the amount of driving DCFS employees are required to do on County business. DCFS employee claims are processed by the Health and Safety Management (HSM) unit.

Claim Documentation

Claim Documents

The Chief Executive Office's (CEO) Self-Insurance Program requires employees to submit various documents when filing a vehicle damage claim (e.g., a damage claim, a vehicle accident report, estimates from two licensed repair shops, a California Traffic Accident Report Form (SR1) when property damage exceeds $750 or if anyone is injured, etc.). DCFS' claim procedures require employees to submit additional documents (e.g., pictures of damaged vehicle, police report for hit-and-run accidents, proof of insurance, approved field itinerary for caseworkers and a mileage claim for the day of the accident, etc.).

We reviewed a sample of 58 claims DCFS reimbursed from July 2005 to November 2007, and noted the following:

- **Missing required documents** - DCFS paid 28 employee damage claims (48%) without all required documents. We noted claims that did not have the required pictures, two estimates, proof of insurance, police report and SR1.

- **Missing approvals** – On five claims (9%), the required claim documents were not approved by the employees' supervisors or division chief. For example, an employee approved her own field itinerary by signing her supervisor's name and putting her initials next to the signature. Another claim had three different signatures for the division chief, but the division chief only signed one of the forms. The other two forms were signed by other personnel without the division chief's permission.

- **Inconsistent photographs** - On at least ten claims (17%), the pictures did not show the damages claimed, or were not consistent with the estimate. For example, one claim indicated the driver's side mirror needed to be replaced. However, the two pictures submitted did not show the damaged mirror. On several other claims, the pictures only showed a limited view of the vehicle (i.e., no license plate or other parts of the vehicle) so the vehicle's make and model could not be determined.

- **Inconsistent odometer readings and accident dates** - Employees are required to provide odometer readings and accident dates on various claim documents. We noted that some claims had inconsistent odometer readings and/or accident dates. For example, on one claim, an employee indicated three different odometer readings (45,674 miles on the mileage claim; 44,952 miles on the Claim for Damage to Personal Vehicle; and 51,618 miles on the estimates and on a picture of the odometer). At a minimum, HSM staff should have detected and inquired about the inconsistencies before approving the claims.

- **No proof of insurance** – As noted earlier, DCFS requires proof of insurance to be submitted with employee damage claims. However, the proof of insurance submitted with eight claims (14%) indicated the policy was not effective when the accident occurred and, for one claim, the proof of insurance was for a different vehicle.

- **Vehicle registration** - County Code Section 5.85.010 indicates that employees may only be reimbursed for damage to their personally owned or leased vehicles. DCFS does not require employees to submit a copy of their vehicle registration. HSM staff indicated that they do not verify if the employees submitting the claims own/lease the damaged vehicles.

- **Incomplete claim documents** - Fifteen claims (26%) had incomplete documents. For example, we found missing odometer readings; field itineraries without a location, time, and/or case name; and mileage claims without dates, arrival times, etc. Incomplete documentation makes it difficult to determine if the accidents are work-related.

HSM should only process claims that include all required documents that are complete, consistent and contain proper approvals.

We also noted that HSM has many different versions of a claim document checklist, but not all claim files contained a checklist. In addition, some versions of the checklist did not include all required documents. HSM should standardize the checklist to include all required documents and use it for every claim.

Recommendations

DCFS management:

1. **Ensure HSM only processes claims that include all required documents that are complete, consistent and contain proper approvals.**

2. **Ensure HSM staff require employees to submit damage pictures showing the entire vehicle and the license plate, and reject claims if the pictures are not consistent with the damage estimates and descriptions.**

3. **Ensure HSM staff obtain proof of insurance and a copy of the vehicle registration for all claims, covering the damaged vehicle at the time of the accident, before approving claims for payment.**

4. **Require HSM to standardize the vehicle claim checklist to include all required documents, and use the checklist for every claim.**

Procedures for Document Submission

HSM receives approved claim forms from either the employee making the claim or the employee's supervisor/division chief. To prevent inappropriate changes to approved claim forms, supervisors/division chiefs approving the forms should submit the original forms directly to HSM, and not return the approved original forms to employees. (The employees should be given copies of the approved forms.) This requirement should be specified in the Department's claim procedures.

Recommendation

5. **DCFS management develop and implement claim processing procedures requiring supervisors to submit the approved original claim forms directly to HSM, and not return the original forms to employees.**

Questionable Claims

We noted the following questionable claims that were approved for payment:

- One employee had two claims, totaling $5,800, but the employee's timecard indicated that the employee was not at work the days of the accidents. In both instances, the employee submitted a mileage claim and a field itinerary for the day of the accident. The Department should investigate these claims to determine if the

employee actually worked and recover any inappropriate payments. To ensure the Department only pays for eligible claims, HSM should require supervisors/division chiefs to submit a copy of the Daily Absent Report (DAR) and employee timecard for each claim.

- The repair estimate for one claim exceeded $10,000 and the vehicle was considered "totaled", since the repair estimate exceeded the vehicle's fair market value. However, the pictures submitted to HMS showed only "minor" bumper damage and deployed air bags. The police report also called the damage "minor" and the employee's accident description confirmed that the employee was involved in a minor "fender bender", traveling at approximately 10 to 15 miles per hour. The employee claimed that she could not provide a second estimate because the vehicle was not drivable. Based on the documentation, the $10,000 estimate and claim that the car was "totaled" appear unreasonable.

- An employee received over $600 reimbursement for rental car expenses, covering 23 days, which appeared excessive. The employee's vehicle required minor bumper repairs for $1,100, which included eight hours of labor.

Recommendations

DCFS management:

6. **Investigate the claims where it appears the employee did not work on the days of the accidents and recover any inappropriate payments.**

7. **Require supervisors/division chiefs to submit a copy of the employee's approved timecard/DAR for all claims and ensure that employees worked the day of the accident.**

8. **Ensure repair estimates and rental car claims are reasonable, and consistent with the claim documents and pictures.**

Single-Vehicle Accidents

Approximately 360 of 690 incidents filed between July 2005 and November 2007 were single-vehicle accidents. These claims are approved based on claimants' own statements that the accidents were work-related. Many of the single-vehicle incident/accident claims were for windshield and tire damage, vandalism or damage from an employee's driving error (e.g., running over parking lot spikes, backing into a pole, etc.). HSM should scrutinize single-vehicle accident claims to ensure they are work-related, and that claim documents and employee statements related to the accidents are complete, accurate and consistent.

We also noted that 80 DCFS employees filed approximately 170 claims, some involving other vehicles, between July 2005 and November 2007. For example, one employee submitted four claims in one year, all single-vehicle accidents, totaling approximately $6,000. HSM should also scrutinize claims from employees who file claims frequently.

Recommendation

9. **DCFS management ensure that HSM scrutinizes all single-vehicle claims and claims from employees who file claims frequently to ensure that the incidents/accidents are work-related and properly supported.**

Windshield Damage Claims

Approximately 140 of the 360 single-vehicle accident claims were for windshield damage. DCFS paid an average of $950 for six claims we reviewed, but the estimates we obtained from ten windshield repair companies averaged $265 for the identical vehicles. It also appears some employees submitted claims for windshield replacement, when they may have only had minor damage (e.g., a chip, etc.) that could have been repaired for less.

A number of mobile windshield repair businesses can repair/replace windshields at employees' work locations. DCFS should work with the Internal Services Department (ISD) and the CEO Risk Management Branch (RMB) to establish agreements with these vendors. In addition to reducing repair costs, using these vendors will eliminate the need for employees to obtain estimates or take their vehicles to be repaired.

Recommendation

10. **DCFS management work with ISD and CEO RMB to establish agreements for on-site windshield repair/replacement, and use the agreement vendors for windshield damage claims.**

Timeliness of Claims

County Code Section 5.85.050 requires employees to submit claim forms to their supervisor within ten business days from the date of damage to the vehicle. The Code also indicates that departments can deny late claims and the departments' decision is final and not subject to review.

We reviewed 49 claims and found that 31 were submitted an average of 25 business days late, with one claim submitted 76 days late. DCFS management should remind employees that their claims may be denied if they are not submitted within the required time. HSM should deny late claims, unless justification for the late submission is provided by the employee and approved by the Department Head.

Recommendations

DCFS management:

11. **Remind employees that their vehicle damage claims may be denied if not submitted to their supervisor within ten business days.**

12. **Ensure that HSM denies late claims, unless justification for the late submission is provided by the employee and approved by the Department Head.**

Reimbursement from Other Sources

County Code Section 5.85.050 indicates that an employee is not entitled to reimbursement from the County if he/she has already received reimbursement from another source (e.g., insurance, etc.). This requirement is also outlined on the claim forms. We contacted the employees' insurance companies for 26 claims and confirmed that none of the employees received reimbursement from their insurance.

However, HSM staff told us that they do not contact insurance companies to determine whether the employees received reimbursement for the same incident/accident. HSM should periodically select a sample of claims and confirm that employees did not receive reimbursement from another source.

Recommendation

13. **DCFS management require HSM to periodically select a sample of claims and confirm that employees did not receive reimbursement from another source.**

Attachment I

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PATRICIA S. PLOEHN, LCSW
Director

Board of Supervisors
GLORIA MOLINA
First District
YVONNE B. BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

July 21, 2008

To: Wendy L. Watanabe
Acting Auditor-Controller

From: Patricia S. Ploehn, Director
Department of Children and Family Services

RESPONSE TO REVIEW OF EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS

Thank you for the opportunity to review the draft report of the Auditor-Controller's review of the Department of Children and Family Services' (DCFS) employee vehicle damage reimbursement claims process.

This review was welcomed by DCFS Risk Management Division managers and staff, who consider the review as a foundation upon which to improve internal operations. We generally agree with the recommendations contained in the report and have strengthened management controls over the reimbursement claims process by elevating claim approval authority to the Risk Management Division Chief and Senior Deputy Director level. Additionally, a Corrective Action Plan (CAP) developed in response to the review will be implemented on August 1, 2008. This CAP includes the updating of vehicle damage reimbursement claim policies, procedures and claim forms, as well as the issuance of a management directive, which collectively will incorporate the recommendations contained in the draft report.

We thank you and your staff for the considerable time and resources devoted to the review of our operation.

If you have any questions, please call me or your staff may contact Susan Kerr, Senior Deputy Director, at (213) 351-5711.

PSP:SK
JB:bv

Attachment II

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PATRICIA S. PLOEHN, LCSW
Director

Board of Supervisors
GLORIA MOLINA
First District
YVONNE B. BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

August 6, 2008

To: All Managers

From: Patricia S. Ploehn, LCSW
Director

VEHICLE DAMAGE REIMBURSEMENT AND FISCAL OVERSIGHT

The Auditor-Controller recently conducted a review of our Department's compliance with policies and procedures related to employee reimbursement for vehicle damage. The review found we were lax in our fiscal oversight and authorized a number of reimbursements without ensuring the required procedures were followed. This failure to follow procedure negatively impacts our integrity as a fiscally responsible agency. This is especially troublesome at a time when we are expecting reductions in our County and Department budget.

Presently, I don't believe the Auditor-Controller's review reflects fraud or malfeasance on the part of our managers, but poor control and oversight. This cannot continue. As managers, I expect all of us to do our jobs with honesty and integrity. This means, in part, carefully monitoring our financial resources. It should help to keep in mind that mismanagement of our funds has a direct negative impact on services to our children.

To prioritize and promote fiscal oversight, I expect everyone to monitor this process much more closely in the future to ensure the most appropriate use of the Department's financial resources. All managers will support this goal by closely monitoring the use of funds under their purview. If you need any assistance in this matter, please consult your manager.

Thank you for your attention to this very important matter.

PP:pp