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DEPARTMENT OF AUDITOR-CONTROLLER**

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August 28, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
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Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – RANCHO LOS AMIGOS
NATIONAL REHABILITATION CENTER PAYROLL/PERSONNEL
REVIEW**

On September 11, 2007, based on issues noted in a payroll/personnel review in one 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 Department of Health Services (DHS) Rancho Los Amigos National Rehabilitation Center's (RLANRC) compliance with County payroll and personnel policies and their use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as monitoring bonus eligibility, overtime usage, recording time and attendance, industrial accident payments, leave accounting, recovering overpayments, processing employee terminations and data security.

DHS Administration Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including RLANRC, is responsible for all other payroll/personnel functions, such as monitoring overtime usage, approving timecards, etc. The recommendations in this report are directed to DHS HR, unless specifically addressed to RLANRC management.

Summary of Findings

We noted that DHS HR and RLANRC have proper security over CWTAPPS data and completed their payroll control section of the Internal Control Certification Program accurately. However, DHS HR and RLANRC need to strengthen their controls over payroll/personnel operations and use of CWTAPPS. The following are examples of areas for improvement:

- DHS HR needs to reevaluate the employee bonus monitoring process to prevent overpayments. We noted the following areas where bonus monitoring needs to be improved:
 - DHS HR needs to ensure that employee bonuses are paid appropriately. From October 1, 2006 to December 31, 2008, approximately 1,000 DHS relief nurses (about 700 of which are currently active County employees) were overpaid approximately \$2 million in manpower shortage bonuses (MS bonus), including \$126,000 overpaid to employees who worked at RLANRC as relief nurses. The overpayments occurred because the bonuses were not stopped when a new Memorandum of Understanding (MOU), on labor negotiation that terminated the bonus, became effective.

It appears this error occurred partially due to a communication breakdown between the Chief Executive Office Compensation Policy Division (CEO-Comp) and the Auditor-Controller Countywide Payroll (A-C Payroll) staff. While CEO Employee Relations Division (CEO-ER) staff advised A-C Payroll staff to stop the bonus, CEO-Comp staff told A-C Payroll to continue paying the MS bonus until further notice. A-C Payroll staff did not persistently follow up with the CEO-Comp staff to see if the bonus should be stopped. As a result, the County continued to pay the MS bonus to the relief nurses until we brought this issue to CEO management during the RLANRC Payroll audit. The MS bonuses were immediately terminated with an effective date of January 1, 2009.

The CEO and A-C have jointly developed a corrective action plan (attached) outlining each department's responsibilities to prevent similar overpayments from occurring in the future.

The overpayments could have been detected earlier if DHS HR had reviewed employee bonuses annually as required by the County Fiscal Manual. We also recommend that DHS HR work with the CEO and County Counsel to determine the feasibility of recovering MS bonus overpayments.

- DHS HR needs to ensure standby bonuses do not exceed the monthly limits. We noted that 11 of 30 (37%) employees reviewed exceeded their monthly standby limits by a total of \$9,146 in 2006 and 2007.
- DHS HR needs to enter bonus information into CWTAPPS within the Auditor-Controller deadlines. We noted that 21 of 40 (53%) bonuses reviewed were entered an average of 78 days late, resulting in untimely payments to employees.
- RLANRC needs to ensure that overtime is properly approved, and that staff do not exceed the monthly overtime limit. Thirty-one of 120 (26%) instances of non-emergency and emergency overtime did not have any overtime approvals. In addition, nine of 12 (75%) employees who worked over 600 hours of overtime exceeded the monthly overtime limit of 96 hours up to five times in a year.
- DHS HR needs to closely monitor Industrial Accident cases to ensure employees are properly paid. Three of eight (38%) employees reviewed, who received disability payments from 2006 to 2008, were overpaid a total of approximately \$3,800 because they received more than 100% of their regular pay during their disability period, or they continued to receive disability payments after they returned to work.
- DHS HR needs to ensure that employees on extended sick leave are paid accurately. Six of 31 (19%) employees reviewed incorrectly used new sick leave balances to which they were not entitled, or continued to receive bilingual bonuses even though they were absent for more than 60 consecutive days.

We also noted that DHS HR can improve their internal controls over employee terminations, overpayment recoveries and CWTAPPS reports. Details of these and other findings and recommendations are attached.

Although this report is a review of DHS HR/RLANRC's payroll/personnel operations, we recommend that other County departments review the findings in this report and ensure the necessary controls are in place.

Review of Report

We discussed our report with DHS HR management on April 2, 2009. We also discussed the MS bonus section of the report with CEO management and staff on July 17, 2009. DHS' attached response indicates general agreement with our findings and recommendations. DHS HR/RLANRC will provide a detailed response to the Board of Supervisors within 60 days of issuance of this report. The CEO and A-C have jointly developed a corrective action plan to prevent future errors and outline each department's responsibilities for implementing future MOU payroll changes. The CEO

will also work with DHS HR and County Counsel to determine the feasibility of recovering the MS bonus overpayments.

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

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
John F. Schunhoff, Ph.D., Interim Director, Department of Health Services
Jorge Orozco, Chief Executive Officer, RLANRC
Department Heads
Public Information Office
Audit Committee

**DEPARTMENT OF HEALTH SERVICES
RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER
PAYROLL/PERSONNEL REVIEW**

Background

The Department of Health Services' (DHS) Rancho Los Amigos National Rehabilitation Center (RLANRC) has approximately 1,500 employees. DHS Administration Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including RLANRC, is responsible for all other payroll/personnel functions, such as monitoring overtime usage, approving time cards, etc. RLANRC HR, which reports to DHS Administration HR, includes the Payroll and Personnel Sections. The Payroll Section has five employees and the Personnel Section has six. A Supervising Payroll Clerk III oversees the Payroll Section and an Administrative Services Manager II supervises the Personnel Section.

RLANRC has timekeepers at its various pay locations who review time cards for accuracy and appropriate signatures before sending the time cards to Payroll for entry into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). DHS HR uses CWTAPPS to process personnel actions, such as hires/terminations, and maintain personnel data, including hire dates, social security numbers and County job history. CWTAPPS also maintains employee leave balances and industrial accident information.

Scope

We reviewed DHS HR and RLANRC's compliance with County payroll and personnel processing policies, including compliance with the County Fiscal Manual. Our review included interviews with staff and tests of employee bonuses, overtime, time records, industrial accident and termination payments, warrant distribution, overpayment recovery and data security.

COMMENTS AND RECOMMENDATIONS

Payroll Exceptions

As discussed below, our review disclosed a number of over and under payments due to CWTAPPS input errors and misapplications of payroll rules and regulations. We provided DHS HR with a list of the exceptions found during our review. DHS HR management should correct the exceptions by recovering overpayments, issuing supplemental warrants to correct underpayments and adjusting employee leave benefit balances as necessary.

Recommendation

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

Bonuses**Manpower Shortage**

According to County Code, the Chief Executive Office (CEO) can authorize manpower shortage bonuses (MS bonus) if there is a critical shortage of certain staff and the County is having difficulty filling the positions. In March 2005, the CEO approved a 4% MS bonus for registered nurses (RNs), including relief nurses, retroactive from January 1, 2005. In November 2006, the County approved a new Memorandum of Understanding (MOU) for RNs, effective October 1, 2006, which increased relief nurse salaries/hourly rates by approximately 8% and replaced all previous wages/bonuses, including the 4% MS bonus.

However, during our review, we noted that relief nurses throughout DHS continued to receive the MS bonus after the new MOU became effective. As a result, more than 1,000 DHS relief nurses (about 700 of which are currently active County employees) were overpaid a total of approximately \$2 million over 27 months, including \$126,000 overpaid to employees who worked at RLANRC as relief nurses. We immediately notified DHS, CEO and the Auditor-Controller Countywide Payroll Division (A-C Payroll) when we identified the overpayments and the bonus was stopped, effective January 1, 2009. DHS should work with the CEO and County Counsel to determine the feasibility of recovering the MS bonus overpayments.

It appears this error occurred partially due to a communication breakdown between the Chief Executive Office Compensation Policy Division (CEO-Comp) and the A-C Payroll staff. While CEO Employee Relations Division (CEO-ER) staff advised A-C Payroll staff to stop the bonus, CEO-Comp staff told A-C Payroll to continue paying the MS bonus until further notice. A-C Payroll staff did not persistently follow up with the CEO-Comp staff to see if the bonus should be stopped. As a result, the County continued to pay the MS bonus to the relief nurses until we brought this issue to CEO management during the RLANRC Payroll audit. The MS bonuses were immediately terminated with an effective date of January 1, 2009.

Written procedures outlining each department's responsibilities for processing changes from new MOUs could have prevented or minimized the error. The CEO and A-C have jointly developed a corrective action plan (attached) outlining each department's responsibilities to prevent similar overpayments from occurring in the future.

In addition, County Fiscal Manual Section 3.1.8 requires County departments to verify employees' qualifications for their bonuses annually. As discussed below, the MS

bonus overpayments could have been detected earlier if DHS had performed the required annual reviews.

Recommendation

- 2. DHS HR work with the CEO and County Counsel to determine the feasibility of recovering MS bonus overpayments.**

Bonus Eligibility and Approval

As noted earlier, County Fiscal Manual Section 3.1.8 requires personnel units to review work assignments, personnel files and eligibility documents annually to ensure employees still qualify for their bonuses. DHS HR is responsible for monitoring employee bonuses for all DHS facilities.

DHS HR did not review employee bonuses in 2006 or 2007. In 2008, DHS HR staff indicated they only reviewed bonuses for a few employees/personnel items. As a result, DHS HR could not provide documentation that they had reviewed 11 of the 17 (65%) bonuses we reviewed for RLANRC.

In addition, we noted that personnel files did not always contain the required documentation of bonus eligibility. For example, two of nine (22%) employees we reviewed for the RN Advance Educational Degree Bonus did not have copies of their diplomas or transcripts in their personnel files.

Finally, we noted that DHS did not comply with the Department of Human Resources' (DHR) Interpretive Manual, which indicates that out-of-class bonuses should only be used temporarily until the employee is appointed to a new position or returned to his/her previous position. Our review of all RLANRC employees identified ten employees who received out-of-class bonuses for more than one year. For example, one employee has been receiving an out-of-class bonus for nine years.

Recommendations

DHS HR:

- 3. Require someone who does not enter data in CWTAPPS to review the work assignment, personnel files and eligibility documents of all employees receiving bonuses annually to ensure employees still qualify for the bonuses.**
- 4. Verify that documentation of bonus eligibility is maintained in employee personnel files.**

5. **Ensure out-of-class bonuses are only used temporarily until employees are appointed to a new position or returned to their previous position.**

Timeliness of Payments

To ensure employees are paid properly, departments must enter bonus information into CWTAPPS within the Auditor-Controller deadlines each pay period. We noted that 21 of 40 (53%) bonuses we reviewed were not input timely due to delays at both the Personnel Section and the outlying pay locations. On average, the bonuses were entered 78 days late, resulting in untimely payments to employees.

Recommendation

6. **DHS HR establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.**

Standby Pay

Standby bonuses are paid to employees assigned to be available when they are not scheduled to be at work. Standby pay is based on the employee's personnel item and ranges from \$0.25 to \$7.30 an hour for most RLANRC employees, with a monthly maximum of \$50 to no limit, respectively.

We noted 11 of 30 (37%) employees exceeded their limit by a total of \$9,146 in 2006 and 2007.

Recommendation

7. **DHS HR monitor standby earnings to ensure employees do not earn more than the monthly maximum.**

Overtime

Overtime Controls

We reviewed a sample of 30 RLANRC employees who worked overtime in 2007 and noted the following:

- **Overtime limit** – DHS policy limits overtime to 96 hours per month, unless approved in writing by the appropriate manager, the Director of Health Services and the Board of Supervisors. We reviewed all 12 RLANRC employees who worked over 600 overtime hours in 2007 and noted that nine of the 12 (75%) exceeded the monthly limit up to five times. We then reviewed four of the nine employees who exceeded

the limit during two sample months, and noted that none of them had the required written approval to exceed the limit.

- **Overtime approval** – RLANRC policy requires non-emergency overtime to be pre-approved by the RLANRC's Chief Executive Officer. In emergencies, managers may approve overtime after it is worked. We reviewed 120 instances of non-emergency and emergency overtime and noted that 31 (26%) had no approvals.
- **Overtime requests** – DHS requires all overtime requests to include a description of the task, the number of hours to complete the task and the reason(s) the overtime is required. We noted that none of the approved overtime documents we reviewed indicated the reason for the overtime.
- **Informal overtime policy** - In addition to the DHS policy, RLANRC's Nursing Department managers indicated they have an informal overtime policy limiting nursing employees to no more than 24 hours of overtime a week. RLANRC should formalize the policy in writing and develop procedures to monitor for compliance.

Recommendations

RLANRC management:

8. **Monitor to ensure employees and supervisors comply with the Department's overtime limit.**
9. **Ensure employees do not exceed the overtime limit without the required authorizations.**
10. **Ensure all overtime is properly approved.**
11. **Require written overtime requests to include the reason for the overtime.**
12. **Formalize the Nursing Department's 24-hours-a-week overtime limit in writing and monitor for compliance.**

Excessive Compensatory Time Off

County policy allows employees who are Fair Labor Standard Act (FLSA) exempt, non-represented to accrue up to 160 hours of Compensatory Time Off (CTO). Departments must monitor CTO balances in CWTAPPS to ensure employees do not accrue excess hours. CTO hours in excess of the limit must be forfeited (i.e., reduced manually in CWTAPPS). Our review indicated that DHS HR does not monitor CTO balances and we identified five employees who exceeded the limit. One of the five employees used CTO balances which should have been forfeited.

Recommendation

13. DHS HR develop a plan to immediately reduce Compensatory Time Off balances for employees who exceed the limit and closely monitor Compensatory Time Off balances.

Time and Attendance**Time Card Processing**

County Fiscal Manual Section 3.1.6 requires that someone independent of the payroll/personnel functions should compare the information on a sample of time cards to CWTAPPS, verify that the time cards have been approved and that the employees are bona fide by tracing their names to personnel records. We noted that DHS HR does not perform this function.

We compared a sample of 120 time cards to CWTAPPS, supporting documents (e.g., overtime authorization forms, etc.), and to any subsequent adjustments, and noted that 13 (11%) time cards did not agree with the information posted to CWTAPPS due to data entry errors. For example, one time card had five days of vacation and one day of jury duty, but CWTAPPS showed eight hours of regular earnings for each of the six days.

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

Recommendations

DHS HR:

14. Ensure payroll information is entered correctly into CWTAPPS.
15. Require staff independent of payroll/personnel functions to select a random sample of employee time cards and comply with the County Fiscal Manual Section 3.1.6 requirements.

Payroll Distribution

Payroll distribution controls for RLANRC do not comply with the County Fiscal Manual (CFM):

- CFM indicates that Payroll staff should never be directly involved in handling warrants and notices of direct deposit. RLANRC Payroll/Personnel staff receive, sort and distribute payroll warrants and notices of direct deposit.

- CFM indicates that someone independent of Payroll/Personnel should investigate unclaimed warrants. We noted that RLANRC Payroll/Personnel staff conduct the investigations.
- CFM indicates that Payroll/Personnel staff should not be involved in voiding and reissuing unclaimed warrants. RLANRC Payroll staff void undeliverable warrants, request reissuance of the voided warrants from the A-C Countywide Payroll and receive/distribute the reissued warrants.

Recommendations

DHS HR:

- 16. Ensure staff with no payroll/personnel responsibilities receive, sort and distribute payroll warrants and notices of direct deposit.**
- 17. Ensure unclaimed warrants and notices of direct deposit are returned to and investigated by someone independent of Payroll/Personnel.**

Industrial Accidents

County employees who are unable to work because of work-related injuries (i.e., industrial accidents (IA)) may receive temporary disability (TD) benefits. The benefits are authorized by one of the County's Third-Party Administrators (TPA). The first year after the injury is known as the salary continuation period.

If an employee's disability continues after one year, the post salary continuation period (PSCP) begins. During the PSCP, employees can use accumulated benefits (e.g., sick leave, vacation, etc.) to supplement the TD benefits, to receive up to 100% of their regular pay. Departments are supposed to notify employees that they can use accumulated benefits to supplement their TD benefits one month before the start of the PSCP.

Post Salary Continuation Period

We reviewed eight PSCP cases and noted that three (38%) employees, who received disability payments from 2006 to 2008, were overpaid a total of approximately \$3,800. One employee continued to receive TD benefits after she returned to work and two employees received more than 100% of their regular pay.

The overpayments occurred because DHS' Return to Work Unit did not notify the TPA when one employee had returned to work, and Payroll did not properly calculate the supplemental earnings for another employee. For one case, Payroll staff assumed the employee had returned to work and inaccurately coded time in CWTAPPS, resulting in the employee receiving both TD payments and regular pay.

In addition, for six of eight (75%) PSCP cases, we could not verify if DHS had notified the employees, as required, one month prior to the PSCP that they could use accumulated benefits to supplement their TD benefits. As a result, the six employees either did not supplement their TD benefits or supplemented their TD benefits after the PSCP started.

To assist County departments with monitoring PSCP TD payments, the Auditor-Controller's Countywide Payroll Division provides a monthly report (i.e., Temporary Disability Report) with the TD amount, period of coverage, date, etc. The errors mentioned above might have been avoided or detected if the Payroll Section regularly reviewed and compared this report to CWTAPPS.

Recommendations

DHS HR:

- 18. Require Return to Work Unit to notify the TPA immediately when employees return to work.**
- 19. Ensure Payroll staff calculate supplemental payments correctly for employees receiving TD payments.**
- 20. Ensure Payroll staff verify with the Return to Work Unit whenever an employee's return-to-work status is uncertain.**
- 21. Establish controls and monitor to ensure the Return to Work Unit notifies employees at least one month prior to the PSCP that they can use accumulated benefits to supplement TD benefits.**
- 22. Ensure Payroll staff review and compare the monthly Temporary Disability Report to CWTAPPS.**
- 23. Train Payroll staff on the rules for ensuring accurate TD benefit payments and monitor for compliance.**

Leave Accounting

Employees who are out sick can use full or part-pay sick leave to get paid for their absence. However, employees cannot use part-pay sick leave until they have been absent for five consecutive days and have used all their full-pay sick leave. When an employee's continuous sick leave extends into the following calendar year, the employee can only use full or part-pay sick leave that they had when their absence began. Once an employee begins using part-pay sick leave, the employee cannot use full-pay leave (e.g., vacation, holiday, full-pay sick leave, etc.) unless specifically authorized by the Department Head. In addition, bilingual bonuses should be cancelled when employees are absent for more than 60 calendar days.

We reviewed CWTAPPS data for 31 employees on extended sick leave and noted six (19%) employees were paid incorrectly:

- Three employees used new sick leave balances they were not entitled to use without returning to work. This resulted in overpayments totaling approximately \$500.
- Three employees continued to receive bilingual bonuses even though they were absent for more than 60 consecutive days, resulting in overpayments totaling \$350.
- One employee received part-pay sick leave before meeting the five-day waiting period. This resulted in incorrect payments to the employee and incorrect sick leave balances.

DHS HR should determine the over/under payments to these employees, and adjust the employees' pay and benefit balances accordingly.

Recommendations

DHS HR:

- 24. Train and monitor Payroll staff to ensure they use correct leave codes when employees are on extended sick leave.**
- 25. Train and monitor Payroll staff to ensure they suspend bilingual bonuses when employees are absent for more than 60 consecutive days.**
- 26. Ensure employees meet the five-day waiting period before using part-pay sick leave.**

Overpayment Recovery

County Fiscal Manual Section 3.3.0 requires departments to notify employees in writing of overpayments, and initiate collection efforts immediately after the overpayments occur. If the employee is still in service (or on an extended leave without pay), overpayments are automatically recovered as a deduction from subsequent salary payments. If the employee has left County service and will not receive any more salary payments, the overpayment must be recovered manually.

We reviewed five overpayments totaling \$3,091, and noted that DHS HR had sent overpayment letters to only two (40%) employees, resulting in the recovery of \$1,535. However, the two overpayment letters were prepared approximately one and four years

after the overpayments. DHS HR recovered the remaining three overpayments, totaling \$1,556, through payroll deductions or adjustments to the employees' termination pay.

Recommendation

- 27. DHS HR ensure Payroll staff timely notify employees of overpayments and follow up to ensure overpayments are collected.**

Employee Terminations

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

Timeliness of Terminations

Seven of 30 (23%) terminations we tested were not processed within the Auditor-Controller deadlines. These terminations were entered into CWTAPPS an average of 30 days late. In addition, two of the seven manually processed terminations resulted in underpayments totaling \$2,530. We discussed the underpayments with DHS staff and Payroll subsequently issued supplemental warrants to correct the underpayments.

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

Recommendations

DHS HR:

- 28. Monitor to ensure terminations are processed timely.**
- 29. Ensure Payroll/Personnel staff date stamp all payroll/personnel documents upon receipt from the pay locations.**

Verification of Terminations on CWTAPPS

County Fiscal Manual 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 out-of-service employees are not being paid. DHS HR does not perform this function.

Recommendation

- 30. DHS HR ensure personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after an employee terminates.**

CWTAPPS Reports

CWTAPPS automatically generates a number of reports to assist managers in monitoring payroll/personnel operations. County Fiscal Manual Section 3.1.0 specifically 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 must annotate the report to document the disposition of each entry and sign and date the report. The payroll supervisor should also review the reports each pay period to ensure that adjustments are made promptly and correctly. The supervisor should also sign and date the reports.

It appears DHS Payroll staff and management review and annotate the reports. However, DHS Payroll could not provide four of 32 reports (13%) we requested for RLANRC. Payroll staff indicated that the reports are missing because they do not keep blank reports (reports without exceptions). For audit purposes, at a minimum, DHS Payroll should keep the eight CWTAPPS reports for at least five years.

Recommendation

- 31. DHS Payroll keep the required CWTAPPS reports for at least five years.**



May 7, 2009

Los Angeles County
Board of Supervisors

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Second District

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Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Wendy L. Watanabe
Auditor-Controller

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

SUBJECT: **RESPONSE TO THE RANCHO LOS AMIGOS
NATIONAL REHABILITATION CENTER
PAYROLL/PERSONNEL REVIEW**

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

This is in response to your audit of the Department of Health Services' payroll and personnel review. We concur with the recommendations contained in the report and have implemented a number of corrective action plans to address the issues raised. Within 60 days of report issuance we will provide the Board of Supervisors and your office with a status report on each of the audit recommendations.

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If you have any questions, please let me know or your staff may contact Ann Marinovich, Human Resources Administrator at (323) 869-7135.

JFS:lr

*To improve health
through leadership,
service and education.*



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August 21, 2009

To: Wendy L. Watanabe
Auditor-Controller

Sharon R. Harper, Chief Deputy
Chief Executive Office

From: Debbie I. Lizzari, Senior Assistant Chief Executive Officer
Chief Executive Office

Robert A. Davis, Assistant Auditor-Controller -
Auditor Controller

**CORRECTIVE ACTION PLAN IN RESPONSE TO AUDITOR-CONTROLLER AUDIT
FINDINGS REGARDING MANPOWER SHORTAGE RANGE ADJUSTMENTS
OVERPAYMENTS**

The following are the corrective action measures by the Chief Executive Office (CEO) and the Auditor-Controller to prevent overpayments of Manpower Shortage Range adjustments similar to the recent occurrence with Relief Nurses.

Manpower Shortage Range adjustments (Manpower adjustments) are alternative salary ranges established by the CEO upon determination that a critical manpower shortage exists for certain positions. The adjustments are initiated and terminated manually by Auditor-Controller Payroll Division staff in response to specific direction from the CEO.

In the majority of cases, as a result of salary negotiations, the Manpower adjustment ultimately becomes part of the position's salary base. When that happens, the Manpower adjustment should be terminated and effectively folded into the base salary. In the case with the Relief Nurses, the error occurred due to a communication breakdown resulting in a lack of direction from CEO to Auditor-Controller staff to terminate the Manpower adjustment. The error was corrected when the communication did occur, but to prevent future breakdowns in communication, the CEO and the Auditor-Controller are implementing system and procedural measures to periodically review and ensure range adjustments are made timely.

"To Enrich Lives Through Effective And Caring Service"

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Wendy L. Watanabe/Sharon R. Harper
August 21, 2009
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Within the CEO Employee Relations Division (CEO-ER), procedural changes are being made which will require analysts to send notification to the Auditor-Controller Payroll Division to terminate the Manpower adjustments when agreement has been reached to fold the adjustment into the salary base.

Similar measures are also being implemented within CEO Compensation Policy Division (CEO-Comp). Since CEO-Comp is responsible for drafting the salary articles for the revised MOU, a copy of the notification from CEO-ER to the Auditor-Controller will be required before the revised salary article is provided. CEO-Comp management approval will be required for all salary articles provided to CEO-ER and part of the approval requires verification that proper notification has been sent to the Auditor-Controller Payroll Division.

Internal controls within CEO-Comp and Auditor-Controller systems will provide additional measures for preventing overpayments of Manpower adjustments. Classes with Manpower adjustments will be identified in the CEO-Comp system and flags and alerts will be utilized to trigger a secondary notification to the Auditor-Controller Payroll Division when Manpower adjustments are added to the salary base. The Auditor-Controller Payroll Division will also utilize system controls and generate exception reports for ongoing review of Manpower adjustments.

Furthermore, realizing that effective communication between the CEO and the Payroll Division is critical, CEO-Comp and CEO-ER Divisions and the Auditor-Controller's Payroll Division have begun to meet semi-monthly to address and resolve general compensation issues. Salary adjustments, among other concerns, are part of the group's focus to further ensure that advance measures are taken to prevent overpayments from occurring.

WTF:SRH
WGL:NV:df