



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

December 24, 2002

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

FROM: J. Tyler McCauley *J. Tyler McCauley*
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – KING-DREW MEDICAL
CENTER COUNTY-WIDE TIMEKEEPING AND PAYROLL/PERSONNEL
SYSTEM FOLLOW-UP REVIEW**

At the request of the Audit Committee, we have completed a follow-up review on the Department of Health Services' King-Drew Medical Center's (KDMC) implementation of the recommendations in our July 1999 County-wide Timekeeping and Payroll/Personnel System (CWTAPPS) Review. This is our second follow-up review.

Background and Purpose

Our initial audit contained 39 recommendations for improvement and covered areas such as payroll processing, terminations, bonuses, time and attendance, overpayment processing, industrial accidents and data security. In our prior follow-up review, we verified that KDMC had taken action to implement 27 recommendations. The purpose of this follow-up review was to assess KDMC's progress in implementing the remaining 12 recommendations (See attachment).

Status of Recommendations

Overall, KDMC has taken action to implement five (42%) of the 12 outstanding recommendations. Five (42%) recommendations remain partially implemented and two (16%) remain not implemented. KDMC management needs to increase its monitoring to ensure that all outstanding recommendations are fully implemented.

The status of the five partially implemented and two not implemented recommendations are discussed below:

Recommendation #9

KDMC management ensure staff who have no other payroll responsibilities trace terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: PARTIALLY IMPLEMENTED

This control is intended to ensure that employees are not paid after they leave County service. KDMC management has assigned staff with no payroll responsibilities to trace terminated employees' names to the Payroll Sequence Register. However, as of August 2002, KDMC staff had only reviewed the sequence register for staff who terminated in January 2002. Although our sample of five terminated employees did not disclose any unauthorized payments, KDMC management needs to ensure that terminated employees' names are traced to the Payroll Sequence Register for at least three months as required. KDMC management stated it will ensure that the staff assigned to monitor terminated employees perform the monitoring on an ongoing basis.

Recommendation #13

KDMC management ensure a payroll distribution payoff is conducted at least once a year by employees with no other payroll or personnel responsibilities.

Current Status: PARTIALLY IMPLEMENTED

Unannounced payroll distribution payoffs should be conducted at least once a year by employees with no payroll or personnel responsibilities. Warrants and notices of direct deposit should be released to employees only after each employee has shown proper identification and has signed for the warrant/notice. Our initial review found that KDMC had not conducted a payoff since 1995.

During fiscal year 2001-02, KDMC conducted payroll distribution payoffs at only two of its 56 pay locations. In addition, when conducting the payoffs, KDMC only required employees to sign for notices of direct deposit, not payroll warrants. KDMC management should ensure that unannounced payroll distribution payoffs are conducted at least once a year at all pay locations and that employees are required to show identification and sign for their warrants/direct deposit notices.

Recommendation #22

KDMC management ensure overtime is pre-approved or approved within 24 hours in cases of emergency and proper authorization procedures are followed.

Current Status: PARTIALLY IMPLEMENTED

DHS policy requires all overtime to be pre-approved by the department head or designee, except in emergencies. In emergencies, the approval should be obtained within 24 hours after the overtime is worked. KDMC delegates pre-approval of overtime to lower level management.

In January 2002, KDMC issued a memo restating DHS' policy regarding the use of overtime. We performed testwork on 2,351 hours of overtime worked by 25 KDMC employees in February and March 2002. We noted 10 employees had worked a total of 256 (11%) hours of overtime without approval. KDMC management needs to increase its monitoring of overtime worked to ensure overtime is approved as required.

Recommendation #24

KDMC management ensure bonuses are processed within the Auditor-Controller deadlines.

Current Status: PARTIALLY IMPLEMENTED

To ensure timely and accurate payments to employees, departments must comply with Auditor-Controller deadlines for inputting personnel and payroll transactions into CWTAPPS. Failure to meet these deadlines could result in late or incorrect payments to employees. When bonus transactions are not entered timely, CWTAPPS' automatic retroactive processing features are triggered, requiring additional adjustment transactions.

In November 2001, KDMC issued a memo restating the Department's policy regarding the timely submission of documents to request bonuses. We reviewed 10 bonuses to determine whether the bonus transactions were processed timely. Eight (80%) bonuses were entered in CWTAPPS an average of 48 days late. In some cases, delays in processing bonuses occur before Payroll receives the documents or other information needed to process the bonuses. KDMC management needs to increase its monitoring to ensure bonuses are processed within the Auditor-Controller deadlines.

Recommendation #25

KDMC management conduct an annual review to ensure employees receiving bonuses are eligible.

Current Status: NOT IMPLEMENTED

KDMC management stated that it had conducted a review to verify eligibility of employees receiving bonuses. However, KDMC management could not provide any

documentation of their review. We sampled 10 employees receiving bonuses and noted five who were not eligible to receive the bonuses. KDMC management needs to review employee bonuses annually to ensure the employees are still eligible. We provided KDMC management with a list of the five ineligible employees receiving bonuses.

Recommendation #26

KDMC management ensure payroll clerks verify employees have Industrial Accident (IA) earnings during the entire compensability period.

Current Status: PARTIALLY IMPLEMENTED

KDMC management indicated that the Payroll Supervisor was verifying that employees have IA earnings during the entire compensability period and that Payroll management was training the payroll clerks to conduct this review. However, we reviewed the report of employees receiving IA benefits and found no documentation to show that KDMC staff reviewed the reports. We also tested nine employees receiving IA benefits and noted one that was not coded properly, resulting in a \$93 overpayment. KDMC management needs to ensure that payroll clerks verify employees have IA earnings during the entire compensability period and document their review on the report of employees receiving IA benefits.

Recommendation #31

KDMC management ensure the Payroll Manager and/or Supervisor review the required CWTAPPS reports each pay period and make appropriate corrections.

Current Status: NOT IMPLEMENTED

The County Fiscal Manual requires departments to investigate exceptions on several payroll exception reports and immediately process any necessary adjustments. These reviews help ensure accurate payments to employees. The reports should be annotated to document the disposition of each entry and be signed and dated by the Payroll Section staff performing the investigation. The Payroll Supervisor should also review the reports each pay period to ensure that exceptions are corrected promptly and accurately. The Payroll Supervisor should then sign and date the report to indicate it has been reviewed.

We reviewed two CWTAPPS exception reports (i.e., Excessive Compensation Earned/Regular Hours and Time Card Leave Defaulting Report) and reviewed four exceptions to determine whether reports were reviewed and necessary corrections made. For both reports, we noted that there was no indication of management or supervisory review. We also noted that the four exceptions had not been adjusted or corrected. KDMC management needs to take action to ensure that the payroll

exception reports are reviewed and documented and necessary adjustments are processed timely.

Review of Report

We discussed our report with KDMC management. DHS will provide your Board with a written response within 60 days.

We thank KDMC management and staff for their cooperation and assistance during our review. If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
Department of Health Services
Thomas Garthwaite, M.D., Director and Chief Medical Officer
Willie T. May, CEO, KDMC
John Mayemura, Inspection and Audit Division
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**Department of Health Services – King-Drew Medical Center
CWTAPPS Follow-Up Review
Status of Recommendations**

Partially Implemented Recommendations

1. KDMC management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination. (#9)
2. KDMC management ensure a payroll distribution payoff is conducted at least twice a year by employees with no payroll or personnel responsibilities. (#13)
3. KDMC management ensure overtime is pre-approved or approved within 24 hours in cases of emergency and proper authorization procedures are followed. (#22)
4. KDMC management ensure bonuses are processed within the Auditor-Controller deadlines. (#24)
5. KDMC management ensure payroll clerks verify employees have IA earnings during the entire compensability period. (#26)

Not Implemented Recommendations

1. KDMC management conduct an annual review to ensure employees receiving bonuses are eligible. (#25)
2. KDMC management ensure the Payroll Manager and/or Supervisor review the required CWTAPPS reports each pay period and make appropriate corrections. (#31)

Implemented Recommendations

1. KDMC management ensure overpayment letters are prepared in a timely manner. (#6)
2. KDMC management ensure that warrants unclaimed for more than 20 days are stamped as "unclaimed" and returned to the Auditor-Controller. (#12)
3. KDMC management investigate the ESA report and determine whether overpayments occurred. (#19)

Attachment

4. KDMC management ensure the Payroll Section completes the Overtime Authorization Exception Report and secures all overtime authorizations. (#20)
5. KDMC management retain CWTAPPS reports at least five years for audit purposes. (#32)