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March 21, 2011

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

FROM: Wendy L. Watanabe
        Auditor-Controller

SUBJECT: **OFFICE OF THE ASSESSOR – PAYROLL/PERSONNEL REVIEW**

In 2007, your Board instructed the Auditor-Controller (A-C) 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 Office of the Assessor's (Assessor or Department) 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 recording time and attendance, overtime approval, leave accounting, monitoring bonus eligibility, processing employee terminations and data security.

Summary of Findings

Assessor management and staff have sufficient procedures to enter terminations and bonuses in CWTAPPS timely, ensure all CWTAPPS users sign a security policy, and review bonuses annually. However, Assessor needs to strengthen its controls over payroll/personnel operations and the use of CWTAPPS.

The following are examples of the areas for improvement:

- Assessor needs to use signed time records to record time worked in CWTAPPS or in eHR Time Collection for each employee. Currently, Assessor timekeepers use Daily Personnel Absence Reports (Absence Reports) to enter time in CWTAPPS or eHR Time Collection. However, the Absence Reports do not have some of the required internal control elements of time cards. For example, employees do not sign the Absence Reports, secretaries often approve Absence Reports instead of

employees' supervisors, some secretaries/supervisors approve their own Absence Reports, and Absence Reports do not list all employees at a pay location, their time worked or the employee's regular work schedule; it only lists employees' time off.

Assessor's Response – Assessor indicates they will implement our recommendations when eHR Time Collection is implemented Department-wide in September 2011. Assessor's response also indicates that employees and supervisors electronically certify time entered in their independent Time and Volume System (TVS), from which Absence Reports are issued, implying that it's not necessary to send signed timesheets to Payroll.

Auditor's Response – Employees do not certify the accuracy of reported time worked (i.e., overtime) in TVS, just submit requests for time off. In addition, supervisors may not approve the time off in TVS as Assessor states, since secretaries may act as back-up approvers. Therefore, until Assessor fully implements eHR Time Collection, it's important that Absence Reports are properly approved, since they are used to enter time in the payroll system.

- Assessor needs to ensure supervisors/managers approve all non-emergency overtime before it is worked. Managers did not pre-approve overtime for two (13%) of the 15 employees we reviewed. In addition, staff copied and pasted managers' signatures onto the electronic version of the Overtime Authorization Reports to pre-approve overtime for nine (60%) of the 15 employees. Therefore, there was no documentation that the managers had pre-approved the overtime.

Assessor's Response – Assessor indicates the Department has implemented a new process for managers to pre-approve overtime and to prevent the "cutting and pasting" practice.

- Assessor changed the Fair Labor Standards Act (FLSA) status from exempt to covered for 26 employees, but was unable to provide documentation that the Chief Executive Office (CEO) approved the changes, as required. Assessor should work with the CEO to determine the appropriate overtime status and pay method for these employees, and change the status back to exempt for any changes the CEO does not approve.

Assessor's Response – Assessor is working with the CEO to review employee classifications Assessor has designated as exempt.

- Assessor needs to ensure that out-of-class bonuses are not used for long periods of time and that bonuses are reviewed annually to ensure employees still qualify. We noted nine Assessor employees have been receiving out-of-class bonuses for more than one year, including one employee who has been receiving an out-of-class bonus for 18 years, and two employees who have been receiving an out-of-class

bonus for eight years. If an active eligible list exists, Assessor must use the list to make an appointment to the out-of-class position, and discontinue the bonus.

Assessor's Response – Assessor indicates the Department will give employees an opportunity to compete for permanent appointment to the out-of-class positions.

- Assessor management needs to periodically review employees' CWTAPPS access and restrict access based on employee job duties. We noted that four employees have access that is outside the scope of their responsibilities, seven non-management employees can perform all payroll and personnel functions in CWTAPPS, and seven employees can change their own payroll/personnel information.

Assessor's Response – Assessor has revised employees' CWTAPPS access to restrict their access based on employee job duties. Assessor has also changed the processing center for four of seven employees and will make changes to the processing centers for the remaining three employees. Assessor will ensure employees do not have access to enter both personnel and payroll transactions in CWTAPPS when the Department is able to hire additional staff.

Auditor's Response – We believe Assessor can separate the personnel and payroll duties by reassigning tasks among existing staff, and they should do so immediately to provide the appropriate separation of duties.

We also noted that Assessor can improve internal controls over payroll distribution, employee terminations and industrial accidents. Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed our report with Assessor management. The Department's response (Attachment II) indicates general agreement with our findings and recommendations.

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

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
   John R. Noguez, Assessor
   Department Heads
   Public Information Office
   Audit Committee

OFFICE OF THE ASSESSOR
PAYROLL/PERSONNEL REVIEW

Background

The Department of Assessor (Assessor or Department) has approximately 1,450 employees in seven locations. Assessor's Human Resources (HR) Division has 13 employees who handle payroll and personnel functions for the Department. Assessor staff enters timekeeping information and other employee information centrally at its headquarters into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS).

Assessor also uses CWTAPPS to process personnel actions, such as hires/terminations, and to maintain personnel data, including hire dates, social security numbers and County job history. CWTAPPS also maintains employee leave balances and industrial accident information.

Additionally, Assessor employees enter hours worked and time off in a Time and Volume System (TVS), which is an independent system that generates employee Absence Reports. Assessor management uses TVS to track time worked and work completed on various tasks.

Scope

We reviewed Assessor'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 time records, overtime, data security, employee bonuses, leave accounting, processing terminations and overpayment recovery.

COMMENTS AND RECOMMENDATIONS

Employee Time Records

CFM Section 3.1.6 requires employees to complete and sign their time records. Supervisors must also certify the accuracy of employees' time. After approving employee time records, supervisors should forward them directly to timekeepers.

The Assessor does not use time cards to enter time in the County's payroll system. Instead, Assessor employees enter hours worked and time off in the TVS. Supervisors at each pay location electronically approve time in the TVS system and generate a Daily Personnel Absence Report (Absence Report or DAR), which lists employees absent at each pay location each day. Pay locations send the approved DARs to the HR Division to enter absences (e.g., vacation, sick leave, etc.) into CWTAPPS. Pay locations also send an approved Overtime Authorization report to HR Division to enter overtime in CWTAPPS. Assessor prints time cards from TVS, and supervisors and employees sign

these time cards to certify the accuracy of the reported time. However, these time cards are not sent to Payroll or used to enter time in CWTAPPS. We noted the following issues with Assessor's procedures:

- Employees do not certify the accuracy of hours they worked on records used to enter time into CWTAPPS. Assessor's response indicates that employees electronically certify the time entered in TVS, and also certify time worked on paper timesheets printed from TVS. However, we noted employees do not certify the accuracy of time worked (including overtime) in TVS, just submit requests for time off. In addition, the paper timesheets are not sent to the HR Division or used to enter time in CWTAPPS or eHR Time Collection.

- Supervisors do not always sign DARs to certify they are accurate and complete. This is a significant flaw because Assessor assumes employees worked their regularly scheduled hours unless time off is recorded on a DAR. We reviewed DARs for 15 employees for one month and noted that secretaries or clerks signed 102 (42%) of 241 DARs. In addition, staff signed two DARs to approve their Division Chief's absence, one DAR was not signed, three DARs were approved using a stamp instead of an original signature, and one DAR disagreed with information in CWTAPPS. We noted that supervisors generally approve the requested time off in TVS before DARs are printed. To provide better control, supervisors should also sign DARs because they are the official timekeeping document used to enter time in CWTAPPS. It should be noted that our review scope did not cover system controls in TVS. Therefore, it is unclear what controls TVS has over entering and approving time.

- Some secretaries act as back-ups for supervisors to approve time reported in TVS. As a result, some supervisors may not approve employee time, since secretaries may also approve the DARs that are generated from the TVS System. Assessor's response indicates that TVS is designed to only allow supervisors within the chain-of-command to approve employees' time off requests. However, based on our staff interviews, some secretaries act as back-up approvers in TVS for their supervisors.

- Assessor's DARs only indicate names of employees who were absent. There is no record sent to Payroll indicating names of employees who worked a regular day. As a result, Payroll does not have time records for each employee for each pay period, and time off could be overlooked. As noted earlier, CFM Section 3.1.6 requires timekeeping records to include the employee name, employee number, total hours worked each day and total variances.

- Each DAR is for all employees at a pay location, in some cases including the supervisor or secretary who approves DARs. As a result, some supervisors or secretaries who sign DARs are approving their own time.

We noted that Assessor's district offices reconcile TVS to a CWTAPPS benefit time used report monthly to ensure time off was entered correctly into CWTAPPS. If there are variances, Assessor uses the DAR to determine whether CWTAPPS should be revised. However, Assessor does not have formal procedures for reconciling TVS and CWTAPPS. We noted that reviewers did not sign or date the report, and it does not appear that anyone checks to ensure staff performs the reconciliation. We also noted that Assessor does not reconcile overtime in CWTAPPS to TVS. Assessor's response indicates that, subsequent to our review, Assessor implemented new procedures to formally reconcile CWTAPPS reports to TVS for both benefit time used and overtime.

To ensure employee time is accurately recorded in the County's payroll system, Assessor needs to address the issues identified above. For example, we noted that, prior to our review, Assessor substantiated an allegation that a supervisor submitted incorrect time records to Payroll for one of her staff, and, as a result, time off recorded in CWTAPPS was less than time off reported in TVS. It appears that some of the issues we identified during our review contributed to the incorrect CWTAPPS time records. For example, the staff in question signed her own DAR, and staff did not reconcile CWTAPPS to TVS.

Assessor started phasing in the eHR Time Collection System during 2010. After Assessor completes implementation of Time Collection throughout the Department in 2011, there will be some improvement because employees and supervisors will certify the accuracy of reported time in eHR. However, Assessor's current procedures relating to DARs will remain in place except that division timekeepers will enter absences from DARs into eHR instead of CWTAPPS. Because DARs are still the input document, Assessor needs to ensure they have proper controls over DARs, as discussed throughout this report. Assessor plans to discontinue use of TVS sometime in 2012. In the meantime, Assessor needs to ensure the Department's controls over the time records are sufficient.

Recommendations

Assessor management:

1. **Ensure employees and supervisors certify the accuracy of reported time on official time records.**

2. **Ensure employees and supervisors do not approve their own time on Daily Absence Reports.**

3. **Assign backups for approving employee time at the appropriate supervisory level.**

4. **Until eHR Time Collection is fully implemented,**

a. Continue to reconcile TVS to monthly CWTAPPS benefit time used reports, and ensure staff performing reconciliations and their supervisors sign and date the reconciliations.

b. Ensure staff reconciles overtime recorded in CWTAPPS to overtime in TVS.

Overtime

Overtime Budget

We noted the Department's actual overtime was approximately 50% less than budgeted for FY 2006-07 and FY 2007-08. According to Assessor, this occurred because a higher amount of overtime was budgeted at the beginning of these years for a project that was cancelled. However, in FY 2008-09, an unanticipated increase in property appraisals due to declining property values resulted in additional overtime, and the Department exceeded its annual overtime budget for FY 2008-09 by $2 million, or approximately 158%. We noted that the Department appropriately obtained approval for their estimated additional overtime from the Chief Executive Office (CEO), but exceeded the approved estimated overtime by $493,000. The Department was able to cover all of the excess overtime with savings from its Salary & Employee Benefits budget. Overall, our review of the Assessor's overtime budget and actual overtime indicates that the budget/actual variances are reasonable.

Overtime Controls

Assessor guidelines and County procedures require managers to pre-approve all non-emergency overtime on an Overtime Authorization Report. Managers also approve total hours worked on the report after the employee works overtime.

We reviewed a sample of 15 employees who earned an average of $17,000 in overtime in 2008 and noted that the managers did not pre-approve overtime for two (13%) of the 15 employees on eight of nine days the employees worked overtime during the months reviewed. Assessor management indicated that the employee's supervisor did not pre-approve the overtime on three of the eight days because the supervisor was absent. Assessor management should identify backup supervisors to approve overtime when regular supervisors are absent.

We also noted that staff copied and pasted the managers' signatures onto the electronic version of the Overtime Authorization Reports for nine (60%) of 15 employees we reviewed, to pre-approve overtime. Although one secretary we interviewed stated she obtained her manager's verbal approval before pasting his signature onto the forms, there is no documentation that the manager approved the overtime. As a result, we were unable to determine if the manager pre-approved the overtime as required by the Assessor's procedures. Assessor needs to eliminate the practice of "cutting and

pasting" overtime approvals and require staff to obtain the manager's approval of overtime.

Assessor's attached response indicates that, subsequent to our review, Assessor implemented new procedures to require managers to justify any overtime not approved in advance and to eliminate the "cutting and pasting" practice.

Recommendations

Assessor management:

5.   **Ensure managers pre-approve all non-emergency overtime.**

6.   **Eliminate the practice of "cutting and pasting" overtime approvals and require staff to obtain the manager's approval of overtime.**

Overtime Status Codes

The Federal Fair Labor Standards Act (FLSA) governs how employees are compensated for overtime (e.g., time and a half, compensatory time off, etc.). The Chief Executive Office determines which employee classes are covered or are exempt from FLSA provisions, and enters this information in CWTAPPS. Departments can change the FLSA status for individual employees, with CEO approval.

We noted that Assessor changed the FLSA status in CWTAPPS from exempt to covered for 26 employees in 12 classes. Assessor believes they had the CEO's approval many years ago to make these overrides. However, neither Assessor nor CEO had documentation of the approval. The Assessor is currently working with the CEO to confirm CEO agrees with the overrides. If CEO does not agree with the overrides for any of the employee classes, Assessor will need to change the employees' status back to exempt and calculate any pay discrepancies.

As noted above, the CEO is responsible for determining the appropriate FLSA status for County employee classes, and for approving FLSA status overrides for individual employees. Therefore, it may be appropriate for the CEO to change the FLSA status in CWTAPPS for individual employees, instead of allowing departments to make the changes. We are working with the CEO and Auditor-Controller Countywide Payroll to determine whether current County policy for changing FLSA status should be revised.

Recommendation

7.   **Assessor management continue to work with the CEO to obtain documented approval for changes to employees' FLSA status in CWTAPPS, reverse the FLSA status as required if the CEO does not approve and determine if there were pay discrepancies.**

<u>Bonuses</u>

Employees can receive bonuses for special job skills (e.g., bilingual bonus, out-of-class assignments, etc.).

<u>Bonus Eligibility and Approval</u>

CFM Section 3.1.11 requires departments to keep documentation of employee bonus eligibility in the employee's personnel file. The Assessor was unable to locate bonus approval forms for two (12%) of the 17 employees we reviewed.

We also noted that Assessor is not complying with the Department of Human Resources (DHR) Interpretive Manual, which states 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. We noted nine Assessor employees who received out-of-class bonuses for more than one year, including one employee who has been receiving an out-of-class bonus for 18 years, and two employees who have been receiving an out-of-class bonus for eight years.

Of the nine employees, four are performing the duties of a higher class position, but are unwilling or unable to pass the exam for the position. Two employees passed the tests, but were not reachable for promotion. However, per DHR, if an active eligible list exists, departments must use the list to make an appointment to the out-of-class position. Therefore, if there is an active eligible list for these positions, Assessor should promote qualified individuals from the list and discontinue the bonus for these six employees that were either unwilling or unable to pass the exam, or not reachable. In addition, the 2001 bonus verification form for one employee indicated the bonus should be stopped because the employee was not performing the duties of the out-of-class position. However, Assessor continued to pay the bonus to that employee. Assessor management stated the employee's duties changed in 2009 and the employee is now performing the duties of the out-of-class position. However, Assessor should have stopped the bonus in 2001 to prevent the inappropriate overpayment for eight years.

Recommendations

Assessor management:

8. **Ensure the Human Resources Division retains documentation of employee bonus eligibility.**

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

10. **Ensure bonuses are stopped timely when employees no longer qualify.**

Industrial Accidents

County employees who are unable to work because of work-related injuries (i.e., industrial accidents) may receive temporary disability (TD) benefits. If an employee's disability continues after one year, the post salary continuation period (PSCP) begins. During the PSCP, employees receive TD payments from a Third Party Administrator (TPA), and can use accumulated benefits (e.g., sick leave, vacation, etc.) to supplement the TD benefits and receive up to 100% of their regular pay.

Departments are supposed to notify employees in writing that they can use accumulated benefits to supplement their TD benefits one month before the start of the PSCP. However, Assessor staff stated that they notify employees by telephone, not in writing as required. Assessor staff also stated that they notify employees only after they get a notice from the TPA that the employee is eligible for TD benefits. As a result, Assessor may not notify employees until after the PSCP has already started.

To assist County departments with monitoring PSCP TD payments, the Auditor-Controller's Countywide Payroll Division provides a Temporary Disability Payments Report with the TD amount, period of coverage, etc. We noted that Assessor has procedures for reviewing this report. However, it appears the review may not be sufficient. For example, we noted that one employee received TD payments for nine months and was coded in CWTAPPS with eight hours per day of full-pay or part-pay leave for approximately four of the nine months, resulting in overpayments and incorrect leave balances. We reviewed four TD payments reports issued during this period and noted that the employee was listed as receiving TD payments. Although Assessor management and staff initialed the reports, they did not identify or resolve the incorrect payments. If Assessor had compared the TD report to CWTAPPS, they should have identified this problem. Assessor's attached response indicates staff have received additional training to ensure proper review of CWTAPPS reports. Assessor should also calculate the employee's pay and leave balances to determine the amount of any overpayment, and collect the overpayment if any.

Recommendations

Assessor management:

11. **Ensure staff notifies employees in writing at least one month prior to the PSCP that they can use accumulated benefits to supplement TD benefits.**

12. **Ensure staff reviews and compares the TD Payments Report to CWTAPPS and corrects/resolves incorrect payments.**

Data Access

Profiles

Profiles determine which CWTAPPS screens a user can access and the specific actions (e.g., inquire, add, update, delete, etc.) they can process. CFM Section 3.1.5 requires departments to restrict profiles to the scope of the employee's job responsibilities. Profiles that permit changes to both payroll and personnel information should be restricted to management and high level supervisory personnel.

We noted the following deviations from CWTAPPS access requirements:

- Four employees have access to perform payroll or personnel functions that are outside the scope of their responsibilities.

- Seven employees (five payroll clerks and two payroll supervisors) have access which allows them to view and perform all payroll and personnel functions in CWTAPPS. Two of these employees can also change their own information in CWTAPPS.

The Department does not separate the personnel and payroll functions in CWTAPPS. The Department's Personnel Section processes documentation for personnel transactions, such as hires and terminations, then gives the paperwork to Payroll for entry in CWTAPPS. Although Assessor has various alternate controls in place to detect unauthorized transactions, for greater control and more efficient operations, Assessor should separate the personnel and payroll duties in CWTAPPS. Assessor's response indicates that the Department will ensure employees do not have access to enter both personnel and payroll transactions in CWTAPPS when they can hire additional staff. However, we note that Assessor could accomplish this separation by reassigning duties among existing staff.

Recommendations

Assessor management:

13. **Periodically review employees' CWTAPPS access and restrict access based on the employees' job duties.**

14. **Ensure employees do not have access to enter both personnel and payroll transactions in CWTAPPS.**

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. Assessor can group employees into CWTAPPS processing centers by pay

location, division, etc., to ensure Payroll/Personnel employees do not have access to their own payroll or personnel information.

We noted 14 (74%) of 19 CWTAPPS users have access to their own processing center, including seven who can change their own payroll/personnel information. Subsequent to our review, Assessor management indicated they have already changed the processing center for four of the seven employees, and will change the processing center for the remaining three employees.

Recommendation

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

Record Security

CFM Sections 3.1.3 and 3.1.10 require departments to have adequate security over payroll and personnel records, restrict access to authorized personnel and maintain payroll records separate from personnel records.

We noted that Assessor stores personnel files, DARs and Overtime Authorization Reports in an area that is accessible to both Payroll and Personnel staff. Therefore, Payroll and Personnel staff have access to both payroll and personnel files, including their own files.

Recommendation

16. **Assessor management restrict access to personnel and payroll files to appropriate staff and ensure employees do not have access to their own files.**

Employee Terminations

When an employee terminates County employment, HR Division staff enters the required information into CWTAPPS. With certain exceptions (e.g., Megaflex elective leave, etc.), CWTAPPS calculates the terminated employee's final paycheck.

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 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. Assessor stated Personnel staff performs this function annually. Although we did not note any inappropriate payments to terminated employees, Assessor should perform this function at least quarterly, as stated in the CFM, to detect

inappropriate payments timely. In addition, in accordance with the CFM, someone other than Personnel staff should perform this function.

Recommendation

17. **Assessor management 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.**

Other Payroll Controls

Holidays

For employees covered by FLSA, the DHR Interpretive Manual states that if a holiday occurs on a day when an employee would have worked more than eight hours, the employee has to use leave time to cover the additional hours. For example, if a holiday falls on a day an employee is scheduled to work nine hours, the employee's time should be coded as eight hours holiday time and one hour of other leave time, (e.g., vacation or unpaid leave). However, we noted that the Assessor codes these employees as having worked one hour on the holiday, instead of having them use other leave time. Assessor management indicated the employees make up the time by working an extra hour on another day. This practice does not meet DHR guidelines. In addition, there is no record that the employees actually work the extra hour. Assessor's attached response indicates that, subsequent to our review, the Department implemented this recommendation.

Recommendation

18. **Assessor management require covered employees to use leave time to cover hours they are scheduled to work in excess of eight hours on holidays.**

Payroll Distribution

Assessor's payroll distribution controls do not comply with the CFM. Specifically:

- The CFM indicates that Payroll staff should never be directly involved in handling warrants and notices of direct deposit. Assessor staff with personnel responsibilities receive and distribute warrants and direct deposit notices for the HR Division. In addition, three payroll or personnel section employees have access to the safe where warrants are stored for HR Division employees.

- The CFM indicates that payoffs should be conducted at least annually. However, we noted Assessor has been conducting payoffs every two years, not annually as required.

Recommendations

Assessor management:

19. **Ensure staff with no other payroll or personnel responsibilities handle warrants and direct deposit notices.**

20. **Conduct unannounced payoffs at all pay locations at least annually.**

Supplemental Warrants

Supplemental payroll warrants are issued to correct underpayment errors. CFM Section 3.2.3 requires payroll supervisors 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 written approval exists for each supplemental warrant on the Countywide Pay (CWPAY) Supplemental Department Warrant Register. The HR Division Chief stated she approves all supplemental warrant requests and reviews reports to ensure each supplemental warrant issued was approved. However, Assessor does not require someone independent of the payroll/personnel function to verify written approval for each supplemental warrant issued. Assessor's attached response indicates an Administrative Services Manager II without any payroll and personnel function reviews the Supplemental Department Warrant Register to verify written approval exists for each supplemental warrant. However, we noted that this individual supervises the Personnel section and has CWTAPPS access that allows him to perform all personnel and payroll functions. Therefore, this individual is not independent of the payroll/personnel function.

Recommendation

21. **Assessor management ensure that staff independent of the payroll/personnel function verifies written approval for each supplemental warrant on the CWPAY Supplemental Department Warrant Register.**

CWTAPPS Reports

CWTAPPS automatically generates a number of reports to assist County department managers in monitoring payroll/personnel operations. CFM 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

In addition, CFM Section 3.1.3 states that Payroll staff should also review the weekly CWTAPPS Leave Balance Audit Trail Report to verify the validity and accuracy of manual adjustments to leave balances in CWTAPPS.

Payroll staff should annotate the reports to document the disposition of each entry and sign and date the reports. 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.

Assessor HR Division staff and management adequately annotated their review of 29 (78%) of the 37 CWTAPPS reports we requested. However, Assessor was unable to provide the remaining eight reports. Therefore, we were unable to determine whether Assessor reviewed the reports.

Recommendation

22. **Assessor management ensure payroll staff use CWTAPPS reports to monitor the Department's payroll operations and retain the reports at least five years.**

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JOHN R. NOGUEZ
ASSESSOR

December 6, 2010

TO: Wendy L. Watanabe
           Auditor-Controller

FROM: John Noguez
           Assessor

SUBJECT: **RESPONSE TO THE A-C PAYROLL/PERSONNEL REVIEW**

Attached are our responses to the findings and recommendations contained in your report.

We thank your audit staff for their professionalism and objectivity during the review. If you need any additional information, please contact me or your staff may contact Anne Suarez at (213) 974-3182 or via email at msuarez@assessor.lacounty.gov.

RQ:AS:GM

ASSESSOR DEPARTMENT

RESPONSE TO THE AUDITOR – CONTROLLER AUDIT REPORT
PAYROLL/PERSONNEL REVIEW

Recommendation 1: Ensure employees and supervisors certify the accuracy of reported time on official time records.

Recommendation 2: Ensure employees and supervisors do not approve their own time on Daily Absence Reports.

Recommendation 3:   Assign backups for approving employee time at the appropriate supervisory level.

Recommendation 4: Until eCAPS Time Collection is fully implemented,

> **a.   Continue to reconcile TVS to monthly CWTAPPS benefit time used reports, and ensure staff performing reconciliations and their supervisors sign and date the reconciliations.**

> **b.   Ensure staff reconciles overtime recorded in CWTAPPS to overtime in TVS.**

Assessor Response:

Fiscal Manual Chapter 3.1, states that internal controls are established to ensure the integrity of the payroll/personnel process. It also states that the degree and nature of controls may vary by department depending on the department's business needs.   It also states that management must carefully scrutinize any deviations from the controls to ensure that compensating alternate checks and balances are established to ensure the continuous integrity of the department's payroll/personnel operations.

To meet the business needs of the Department, we developed and implemented our customized Time and Volume System (TVS) to reduce paper in processing an employee's time record and to document individual and departmental production. The systems' design has features that are similar to the countywide time collection system. The system allows employees to request time off electronically, eliminating the paper request.   Both employees and supervisors within the chain-of-command electronically certify the time entered on the TVS. The system automatically creates a Daily Absence Report (DAR) of all approved benefit time used. The DAR is submitted to payroll for processing to CWTAPPS.

Furthermore, after each production period, employees print their timesheets using TVS. Employees verify the accuracy of their time and production including overtime worked by signing the printed timesheet. The signed timesheets are submitted to the supervisors for final approval. Approved timesheets are then submitted to the timekeepers for reconciliation purposes.

To ensure that accurate reporting of time is maintained, the department distributes on a monthly basis the Benefit Time Used Report. This report is used to reconcile benefit time reported in CWTAPPS against employee's timesheets and DARS submitted to the Payroll Unit. To further strengthen the integrity of the payroll/personnel process, on June 15, 2010 the Department implemented a new procedure in reconciling the Benefit Time Used Report process. Each section manager, secretary/timekeeper must review the benefit time used report, sign and submit to Payroll. Payroll reviews and logs every report to ensure all divisions are in compliance and processes any discrepancy in CWTAPPS. In addition to the Benefit Time Used Report reconciliation process, we also implemented a monthly overtime report reconciliation procedure. Each section manager and secretary also must review the overtime report to ensure the accuracy of CWTAPPS data. The division also signs and submits the reconciled overtime report to Payroll.

We agree with the Auditor-Controller's recommendations. These recommendations will be in place when Time Collection is fully implemented in 2011. The Department is implementing Time Collection in phases. Currently, one-fourth of departmental employees are in Time Collection.

Recommendation 5: Ensures managers pre-approve all non emergency overtime.

Assessor Response:

We agree with the recommendation. The Department is enforcing a mandatory justification from managers when necessary approvals are not obtained before working overtime.

Recommendation 6: Eliminate the practice of "cutting and pasting" overtime approvals and require staff to obtain the manager's approval of overtime.

Assessor Response:

We agree with the recommendation. The Department implemented a new process allowing Directors or designees to approve overtime to ensure timeliness and prevent the "cutting and pasting" practice.

Recommendation 7: Assessor management continue to work with the CEO to obtain documented approval for changes to employees' FLSA status in CWTAPPS, change the FLSA status as required if the CEO does not approve and determine if the employees were overpaid.

Assessor Response:

Our Department is working with the CEO to review "exempt" classifications designated by the Department.

Recommendation 8: Ensure the Human Resources Division retains documentation of employee bonus eligibility.

Assessor Response:

We agree with the recommendation. Human Resources already retains documentation of employee bonus eligibility in employee's personnel file and will continue to enforce the annual bonus certification procedure.

Recommendation 9: Ensure out-of-class bonuses are only used temporarily until employees are appointed to a new position or returned to their previous position.

Assessor Response:

We agree with the recommendation. The Department will give employees an opportunity to compete for their respective out-of-class examinations to be permanently appointed. Most exams are not available for filing at this time.

Recommendation 10: Ensure bonuses are stopped timely when employees no longer qualify.

Assessor Response:

We agree with the recommendation.

Recommendation 11: Ensure staff notifies employees in writing at least one month before the PSCP that they can use accumulated benefits to supplement TD benefits.

Assessor Response:

We agree with the recommendation. Employees will be informed verbally and in writing about the use of benefit time during PSCP.

Recommendation 12: Ensure staff reviews and compares the TD Payment Report to CWTAPPS and corrects/resolves incorrect payments.

Assessor Response:

We agree with the recommendation. Return-to-work and payroll staff were provided additional training to ensure proper review of CWTAPPS reports to prevent or resolve incorrect payments.

Recommendation 13: Periodically review employees' CWTAPPS access to restrict access based on the employees' job duties.

Assessor Response:

We agree with the recommendation. The access for every employee was reviewed and changed accordingly. Two managers monitor and review monthly reports generated by CWTAPPS.

Recommendation 14: Ensure employees do not have access to enter both personnel and payroll transactions in CWTAPPS.

Assessor Response:

We agree with the recommendation. We will implement the recommendation when the Department is able to hire additional staff.

Recommendation 15: Assessor management uses processing centers so staff does not have access to their own payroll/personnel information on CWTAPPS.

Assessor Response:

We agree with the recommendation. The Department has changed the processing center for four of the seven employees so they no longer have access to change their own information, and will make changes to the processing centers for the remaining three employees.

Recommendation 16: Assessor management restricts access to personnel and payroll files to appropriate staff and ensures employees do not have access to their own files.

Assessor Response:

We agree with the recommendation. However due to limits in physical space, we are unable to comply at this time.

Recommendation 17: Assessor management ensure personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) traces terminated employee' names to the Payroll Sequence Register for at least three consecutive months after an employee terminates.

Assessor Response:

We agree with the recommendation. The monthly attrition report will be reviewed quarterly against the employee sequence registers.

Recommendation 18: Assessor management require covered employees to use leave time to cover hours they are scheduled to work in excess of eight hours on holidays.

Assessor Response:

We agree with the recommendation. Effective April 1, 2010, the Department required all employees to use leave time to cover hours they are scheduled to work in excess of eight hours on holidays.

Recommendation 19: Ensure staff with no other payroll or personnel responsibilities handles warrants and direct deposit notices.

Assessor Response:

We agree with the recommendation. Effective September 30, 2009, staff in HR without payroll or personnel responsibilities handles warrants and direct deposit notices. Warrants and direct deposits not distributed on paydays are returned to the Assessor's Accounting section and no longer remain in HR.

Recommendation 20: Conduct unannounced payoffs at all pay locations at least annually.

Assessor Response:

We agree with the recommendation. The Assessor's Accounting section has implemented a new procedure for conducting payoffs annually.

Recommendation 21:   Assessor management ensures that staff independent of the payroll/personnel function verifies written approval for each supplemental warrant on the CWPAY Supplemental Department Warrant Register.

Assessor Response:

The Department has procedures in place to ensure that supplemental warrants are requested for legitimate purposes only. The paperwork to process a supplemental warrant is reviewed and approved by the lead payroll staff and by the Payroll Manager before final approval by the Division Chief. The highest level of management in the division approves the timeroll and the outgoing report to the Auditor-Controller for underpayments or time certificates for employees leaving County service. This is the front-end control. The Administrative Services Manager II without any payroll and personnel function reviews the Supplemental Department Warrant Register to ensure that approval and valid documentation is in file. This is the back-end control.

These are two high level management personnel responsible for ensuring that valid written approval for each supplemental warrant exists.

Recommendation 22: Assessor management ensures payroll staff uses CWTAPPS reports to monitor the Department's payroll operations and retain the reports at least five years.

Assessor Response:

We agree with the recommendation. Payroll staff will continue to use CWTAPPS reports to monitor the Department's payroll operations and retain the reports at least five years.