



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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David Boesch, County Executive Officer
County Executive Office, Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Re: Countywide Time Entry Review

Dear Mr. Boesch:

The Internal Audit Division of the Auditor-Controller's Office has completed our review of Countywide Time Entry practices. The objectives of our review were to ensure (a) proper department internal controls regarding timekeeping and payroll processing have been designed to safeguard County assets and detect fraud and/or abuse and prevent it from occurring, and that internal controls have been placed into operation and are operating as designed; and (b) timekeeping and payroll processing procedures continue to be followed in accordance with the Placer Administrative Manual, Placer County Code Chapter 3 (Chapter 3) along with specific memorandums of understanding and labor contracts.

The County currently has several types of employee job status. These include represented classified, unrepresented classified, classified management, unclassified management, and unclassified non-management. It is important to note that the labor contracts and Chapter 3 apply to represented, sections of Chapter 3 apply directly to classified unrepresented and management, and unclassified are generally not governed by Chapter 3 or labor contracts.

For each department, we interviewed key department time entry and payroll personnel, documented their processes and internal control procedures, and tested a sample of their timesheets for adherence to established policies and procedures. The sample of 263 selected included timesheets from every County department for May 7, 2011 through June 3, 2011 (pay periods 25 and 26) and represents less than 5% of the total timesheets submitted. For these two pay periods, there were approximately 5,600 timesheets for over 2,800 employees employed in the County at the time.

Our report is divided into three sections. First, we noted numerous control deficiencies during our testing of timesheets in many departments throughout the County. Second, we noted inconsistencies or incorrect application of many sections of Chapter 3, due to ambiguous

language that has not been updated to accurately reflect current accepted practices as well as varying interpretations by County staff. Several of these findings and recommendations have labor implications and therefore, may require negotiations in order for the County to implement any changes. Lastly, we found errors in timekeeping and payroll processing that resulted in overpayments to employees.

Our findings and recommendations are as follows:

Part I: Timesheets and supporting documentation

This consolidated list of control deficiencies represents areas where internal controls related to time keeping and payroll processing could be strengthened. We noted the following during our testing of the 263 timesheets (number of instances is in parentheses):

Problems with supporting documentation:

- Lack of employee or supervisor signature or date on timesheets (18),
- Missing, inaccurate, incomplete, or unapproved leave forms (19),
- Missing Overtime Exception Forms (2),
- Overtime Exception Forms not signed by supervisors approving the overtime (4),
- Approved overtime hours didn't match dates on timesheet (2),
- Some timesheets lacked a place for the date next to the employee and supervisor signature lines (1 department: 4 timesheet types noted),
- Taxable meals paid without stated County business justification or the County's Claim Payment Statement form (3),
- Taxable meals taken outside normal meal periods without sufficient explanation (3),
- Dates on receipts for taxable meals did not match the Credit Card Reconciliation (3),
- Taxable meal purchases lacked a detailed receipt as required by the Credit Card Program Manual (6),

Violations of County policy, procedures or best practices:

- Another employee signed a timesheet for an unavailable employee (1),
- Floating Holiday taken in a five hour increment in violation of County Code (1),
- Payable Time Report not being certified (3),
- Payroll Register not being reviewed (numerous departments),
- Taxable meals were entered on to employees' timecards without notification or acknowledgment by the employee (2),
- Procedures for lost or misplaced meal receipts not followed as required by the Credit Card Program Manual for Missing Receipts (1),
- Employees receiving special pays, which are input as a Time Reporting Code (TRC) in ACORN, lacked formal documentation authorizing the pay (1), and
- One department utilized County employees who are currently assigned to other departments, to work in their department after hours and on weekends in violation of Chapter 3, 3.04.070 – "Holding more than one county position: No full-time county

employee shall be permitted to hold any other full-time, part-time, intermittent, or seasonal employment with the County of Placer” (1).

We recommend department staff thoroughly review all timesheets for completeness, proper approval, and inclusion of all the necessary documentation in accordance with County policies to support all TRCs entered on the timesheets. In addition, the Payable Time Report needs to be certified timely each pay period and the Payroll Register should occasionally be “spot checked” for unusual or erroneous payments.

County Executive Office Response:

The County Executive Office recommends that training be conducted by both the Auditor-Controller and Personnel Department representatives for department payroll processors, accounting staff and supervisors related to time sheet practices and procedures, county leave management policies and internal control practices. In addition, this item should be added to the next Personnel Department Liaison Meeting Agenda.

Part II: County Code, Policies and Memorandums of Understanding

The following findings suggest revision of existing County policies and memorandums of understanding (MOU) with the various employee groups to strengthen internal controls and ensure consistent application Countywide.

Timesheet Perjury Statement

County departments have created their own versions of timesheets and many of the perjury statements added to the manual timesheets are not the same as the County approved perjury statement currently on ACORN timesheets. During our review, we noted nearly thirty (30) different versions of timesheets utilized by County departments. During the course of this review, the Auditor, Personnel and County Counsel’s offices created a revised statement as follows. “I certify under penalty of perjury that I have accurately reported all compensable hours worked, including overtime, if applicable, leave time in accordance with County policy, units reported and amounts claimed.”

We recommend CEO approve this revised perjury statement and all manual type timesheets be updated to have the correct perjury statement for the employees to sign. In addition, we recommend the County work towards more consistent use of timesheets and encourage departments to utilize the ACORN application’s self-service functionality to minimize discrepancies and timekeeping costs.

County Executive Office Response:

Recommendation #1:

The ACORN time sheet perjury statement should be updated as noted in the report.

Recommendation #2:

Personnel Department representatives will send an email to all department liaisons and payroll processors to inform them that the perjury statement is required on every timesheet, ACORN system generated or otherwise. Add this item to next Personnel Department Liaison Meeting Agenda and include in the recommended training as noted in "Timesheets and Supporting Documentation" response above.

Estimating Time

For two departments, we noted the deadline for employees to turn in their timesheets to supervisors is before the end of the pay period (Friday at 5:00 pm), so employees must estimate time worked at the end of the pay period in order to comply with the departments' deadline. This practice violates the Auditor's policy and the timesheet penalty of perjury statement.

One of these departments has since changed their internal policies in order to comply with the Auditor's policy. We recommend the remaining department adjusts its internal processes of time entry in order to give employees time to accurately report actual time worked after the close of the pay period.

County Executive Office Response:

Concur with Auditor recommendation that employees should turn in their timesheets to the supervisor after the end of the pay period, or on their last day of work if the employee will be on an approved leave when the timesheet is due. Add item to next Personnel Department Liaison Meeting Agenda and include in the recommended training as noted in "Timesheets and Supporting Documentation" response above.

Inconsistent Use of Leave Forms

The County currently utilizes an "Employee Request for Leave" form which documents employee's requested use of leave balances and the supervisor's approval or disapproval. However, we noted inconsistent use of this form amongst County departments. Some departments require the form for all absences, some only for absences of four hours or more, some only if the absence is requested in advance, and some based on management's preference. These inconsistencies were noted amongst both exempt and non-exempt employees.

We recommend CEO consider the proper use of this form and provide clarifying guidance and formal policy for use Countywide.

County Executive Office Response:

Departments are not required to use the "Employee Request for Leave" form to document employee leaves, so its use or the use of another form is appropriate.

Employees should complete a written "form" in advance of taking time off, signed by the employee and approved with signature by the supervisor, for all hours that are to be paid as "leave". Forms should also be completed upon an employee's return from sick leave or other unplanned or unanticipated absence when the form was not completed in advance.

Department heads manage and monitor employee leaves and while the "Employee Request For Leave" form is available for use and recommended, CEO does not prescribe that it is the only method that must be used. The department head is responsible for making sure leaves are approved and reported correctly, the form used to document such is at their discretion.

Revisions to Chapter 3

We noted numerous instances in which Chapter 3 is either outdated or is no longer being adhered to in practice, even though there have been no formal changes. During the course of our audit, Personnel staff also provided us with "Administrative Procedures" negotiated between the County and PPEO that are not published where employees could find them on iPlacer or the County's V: drive.

We recommend Chapter 3 be revised to reflect any outdated language that may exist upon a detailed review by Personnel office staff. In addition, we recommend the aforementioned Administrative Procedures be centrally located on iPlacer so they are easily accessible to employees.

County Executive Office Response:

Revisions to Chapter 3: The County labor team is currently in negotiations with PPEO and is working to update outdated language as applicable to that bargaining group. Classified management, unclassified management and confidential language will be updated at the same time.

ACCESS Unit Pay

Per Chapter 3, 3.12.020.4, "designated employees shall be paid five percent if they have been assigned to field activities of the ACCESS Unit." The ACCESS unit is a division within HHS in which employees assigned to the unit receive ACCESS Unit Pay (AUP) on all TRCs, including Compensatory Time Earned (CTE) and Compensatory Time Taken (CTT). When employees earn AUP on both CTE and CTT, they are in essence being paid the extra pay twice on the same hours. We noted AUP on CTT for these two pay periods was 152.5 hours at a cost to the County of \$287.58.

We recommend the County revise the Administrative Procedure governing ACCESS Unit Pay to remove the pay from the Compensatory Time Taken TRC to avoid paying employees this pay twice on the same hours worked.

County Executive Office Response:

The County's labor negotiating team discussed the procedure for ACCESS Unit pay with the Placer Public Employee Organization (PPEO) business representatives with the goal to eliminate the duplicate pay. As a result of these discussions, given that it was never intended to apply this ACCESS Unit pay twice, it was agreed that the procedure would be revised to eliminate the duplication in pay and the Auditor-Controller's Office, Health and Human Services and Personnel Departments have implemented this change.

Bilingual Pay

Per Chapter 3, 3.12.020.11 "...designated employees shall be paid an additional five percent for the use of a second language in the normal course and scope of work." In order to qualify for the pay initially, classified employees are required to pass a proficiency exam. However, once obtained, the pay does not appear to be evaluated on a regular basis to determine whether employees are still using it in the normal course and scope of work. This is especially true for employees who have switched job classifications and continue to receive the pay in their new position. In addition, unclassified contract employees' second language proficiency was not tested when they were hired on and hasn't been since they have been working for the County.

We recommend all employees receiving this additional pay be reviewed as soon as possible to ensure the second language is necessary for the department's efficient conduct of County business and that Chapter 3 be revised to require the pay be reviewed annually during the employee's performance review and adjusted, if necessary.

County Executive Office Response:

As of pay period 19, with a pay period end date of 2/24/12, 68 employees earned bilingual pay in the following direct customer service departments: Revenue Services, District Attorney, Facilities, Probation, Personnel, Sheriff, Health and Human Services and Child Support Services.

The county code requires that the department head specifically request bi-lingual pay for an employee and that it must be approved by the personnel director so it is fair to conclude that when the pay is initially assigned the decision is thoroughly vetted before it is granted. If an employee changes positions the assignment of bi-lingual pay should be re-evaluated and approved or disapproved to continue, at that time, by the department head and personnel director.

The County Executive Office recommends that the Personnel Department evaluate current recipients of bi-lingual pay and determine, for employees who have changed job functions since

starting to receive bilingual pay, if that employee still utilizes the second language in their current position and, if the answer to the first question is yes, confirm that the department head continues to deem this skill necessary in that role. This review should occur prospectively, with all future employee transitions into new job functions, when the PAF is received by the Personnel Department for processing.

Call-back Pay

Per Chapter 3, 3.04.280, "When an employee is called back to work after he or she has completed an assigned shift, the employee shall receive a minimum of two hours of call-back pay at one and one-half times the employee's hourly rate. Time worked for which the employee is entitled compensation shall include reasonable travel to the worksite . . . Call-back pay at the minimum rate of one hour at one and one-half times the employee's hourly rate shall apply to those situations where an employee performs authorized work on behalf of the county without being required to physically return to work." During our sample, we noted numerous instances in which employees spent just a few minutes on the phone after hours conducting County business, however, they were paid a minimum of one hour of call-back pay for each phone call (if occurring an hour apart) based on the code.

We recommend the County review the call-back pay provisions for off-site work since this is an area of potential cost savings.

County Executive Office Response:

A minimum of one hour, paid at one and one-half times the employee's hourly rate, applies to situations where an employee performs authorized work on behalf of the County without being required to physically return to work. These processes, and corresponding pay, are managed at the department level at the direction of the appointing authority. To support clarification and implementation of the current policy, it is recommended that this item be added to next Personnel Department Liaison Meeting Agenda and include with the training as noted in "Timesheets and Supporting Documentation" response above.

Revisions to the Call-back one hour minimum, or any change to how the minimum is applied, would be subject to labor meet and confer requirements as they would change the terms and conditions of employment.

Special Compensation

Incentive pays for certificates or education for department heads are not being consistently applied throughout the County. Some department heads do not receive an incentive pay that is applicable to all employees.

We recommend the County review all incentive pays for existing department heads to ensure they are all being applied appropriately and document the intent to apply each benefit by classification.

County Executive Office Response:

Two department heads currently receive incentive pays as were approved by adoption of an ordinance by the Board of Supervisors: The Sheriff receives 15% POST and \$75 per pay period for a Bachelors Degree (County Code 3.12.20 2(d) and (f)) as well as the Uniform Allowance (3.12.20 (1)) and Wellness Incentive (3.12.20 (25)). The Public Health Officer and Health and Human Services Department Director receives a 20 percent pay differential for board certification as recognized by the American Board of Medical Specialists (County Code 3.12.030). It should be noted that the Public Health Officer received this pay because this certification is required in that position, and he continues to receive the pay as he remains in that position as well as that of the Health and Human Services Department Director. It is the County Executive Office's position that incentive pays are being applied appropriately and that no other department heads are eligible to receive special compensation.

In order for other, additional department heads to receive special compensation, the Board would need to adopt a new ordinance that specifically define which incentive pay be applied to what department head position.

Inmate Oversight Pay

Per Chapter 3, 3.12.020.24, "employees will be eligible for additional compensation of five percent if it is determined by the appointing authority that their regular work assignment requires the coordination, oversight, supervision and/or management of inmate workers for a minimum of fifty (50) percent of their assigned work hours on a regular basis." However, the policy doesn't address when employees are covering shifts for the employee who regularly oversees inmates.

We recommend Chapter 3 be more clearly defined in regards to this pay, including clarifying "regular basis", as well as including a provision for employees who fill in for absences of other employees who routinely receive the pay, in order to ensure all departments and employees are applying the provisions of the pay consistently and with the intent in which it was negotiated.

County Executive Office Response:

Inmate Oversight Pay is evaluated every pay period since the employee must record it on their time sheet in order to receive it. To adhere to internal control policies, timesheets are signed by the employee and then reviewed and approved by the employee's supervisor and appointing authority. Each pay period, by signing the timesheet the Approver authorizes inmate oversight pay.

The "Payroll Administrative Procedures" clarify that inmate oversight pay is not an incumbent part of working conditions and, as a result, it is only paid on actual hours worked performing inmate supervision duties. Inmate oversight pay is not applied to non-productive hours such as vacation, sick leave, or comp time taken. Using this procedure, inmate oversight pay is applied appropriately to staff that regularly provide this service and to staff that fill behind an employee that regularly provides this service, but only on hours worked providing the function.

The "Payroll Administrative Procedures" will be updated in a labor side table at a later date. At the conclusion of that process, after being thoroughly vetted, the procedures can then be placed on iPlacer. The addition of procedural language to the County Code is not recommended.

Jail Supervisor Pay

Jail Supervisor Pay (ACORN earning code A02) is 5% differential pay currently earned by four employees in the Sheriff's Office. However, there is no reference to this extra pay in Chapter 3. Jail Assignment Pay (ACORN earning code A01) is included in Chapter 3, 3.12.020.21. We recommend Chapter 3 be updated to include this Jail Supervisor Pay, if applicable.

County Executive Office Response:

In 2008 the language for Jail Supervisor Pay was omitted from the County Code in error. In accordance with Ordinance #5230-B adopted by the Board of Supervisors on 2/18/03, the language shall be added back to County Code 3.12.020 Footnote 21 as follows:

Senior Administrative Legal Clerks assigned to work as shift supervisors will receive an additional 5% of base salary.

Jury Duty Pay

Per Chapter 3 3.04.770, "any officer or employee required to serve on a jury shall receive his or her regular pay for such time, provided he or she reimburses the county in the amount of any fees received for such jury duty." Jury Duty leaves currently do not require any sort of supporting documentation to validate and account for the employee's time off from work.

We recommend employees be required to attach the Juror Validation – Jury Attendance Verification form, or other similar document received at the courts with their timesheet as supporting documentation evidencing their required attendance at jury duty.

County Executive Office Response:

County Executive Office concurs with the Auditor recommendation. Recommend adding this item to next Personnel Department Liaison Meeting Agenda and include in the recommended training as noted in "Timesheets and Supporting Documentation" response above.

Stand-by Pay

Per Chapter 3 3.04.290, "stand-by duty shall be compensated at a flat rate of twenty-one dollars (\$21.00) for weekdays and twenty-four dollars (\$24.00) for weekends and holidays, for eight hours (one normal shift) of stand-by duty, or any portion thereof, and shall be paid in the pay period it is earned." We noted stand-by pay shifts are inconsistently applied throughout the County. For some departments the weekend begins at 5 p.m. on Friday and ends at 8 a.m. on Monday morning, while others use calendar days to determine weekday vs. weekend stand-by shifts. In addition, it is unclear which application of stand-by pay time reporting period should be utilized for holidays.

We recommend the code be changed to define start and end times of the weekday, weekend and holiday stand-by pay.

County Executive Office Response:

The County Executive Office concurs that in order to assure consistency in application by all departments it would be best to have weekday, weekend and holiday defined for purposes of stand-by pay. This item has been added to the PPEO Contract Meet and Confer sessions since changes to how departments are implementing stand-by pay could result in changes to current business practices and require meet and confer.

Wellness Incentive Pay

DSA and Management Safety employees can receive Wellness Incentive Pay as described in Chapter 3.12.020.25. The Wellness Incentive is given to DSA employees if they annually provide "competent proof via County/DSA approved form, that he or she has had a physical exam consistent with the physical exam guidelines set forth by the United States Department of Health and Human Services and the U.S. Preventive Services Task Force." We noted employees whose current forms on file do not have a physician's signature as required.

This form also needs to be re-submitted yearly in order to receive the extra pay: "In order to continue to qualify for and receive the wellness incentive each employee shall annually present to his or her department head, or designee, competent proof via a county/DSA-approved form, that he or she has had a physical exam consistent with the physical exam guidelines...", and "if an employee fails to meet the annual required deadline of December 31st he or she will not continue to receive the wellness incentive effective the first full pay period after December 31..." We noted numerous instances in which employees were well overdue submitting the required wellness form on an annual basis.

In addition, the current schedule of recommended clinical preventive services (back of negotiated form) is no longer used by U.S. Preventive Services Task Force.

We recommend the County review all employees receiving Wellness Incentive Pay to determine they have the proper forms on file and calculate and collect overpayments as discovered during this process. In addition, we recommend forms be revised to simply require an annual physical with a physician's signature denoting if the employee is eligible for participation in the wellness program.

County Executive Office Response:

Changes in current business practice related to how this incentive pay is managed require meet and confer. The item will be added to the Deputy Sheriff Association Contract Meet and Confer list that is scheduled to begin in June 2012.

Time Off for Union Business

Employees in various employee groups are allowed to take time off from work to conduct union business and code their time to Union Business Hours (UBH) in accordance with the MOU and other side letter agreements. However, we noted the hours are not being tracked adequately within the departments and direction as to the appropriate number of hours spent with the Union is not clearly stated. In the course of our review, we were notified that employees had been paid overtime to conduct Union Business on weekends, which included collecting raffle prizes for an upcoming golf tournament. In addition, we were told employees who are officers are allowed to perform their officer functions, such as paying union bills and bookkeeping on County time. One employee spent 14% of his time during the pay periods conducting union business, which seems unreasonable. We noted that for two pay periods, 144 hours were coded to UBH with a cost of \$5,634 paid to absent employees.

We recommend a form be adopted Countywide where supervisors or managers are approving reasonable time spent away from the employee's assigned positions. New reporting codes should be created and utilized in ACORN for the time off and only for the specifically identified activities in the side letter agreement: Grievance, Negotiations, and Board Meetings. We further recommend acceptable duties be defined within the MOUs along with maximum reasonable hours.

County Executive Office Response:

Time off for union business is coded to "UBH" on the employee's time sheet in accordance with the adopted agreements with labor organizations. Time spent under the DSA agreement is very flexible and subject to department head or designee approval which is documented with their signature on the employee's time sheet. Time spent under the PPEO agreement is less flexible, but can be used for grievance activities, labor negotiations and/or PPEO Board Meetings. This time is also subject to the department head or designee's approval, documented by their signature on the employee's time sheet. In both cases, release time is to be coordinated by the employee, and approved, in advance of being taken.

County Executive Office recommends adding this item to next Personnel Department Liaison Meeting Agenda and include in the training as noted in "Timesheets and Supporting Documentation" response above.

Documentation for Extra Pays

We noted discrepancies between Personnel and the departments' retention and tracking of employee certifications along with extra pay documentation. Departments appeared to be under the impression that Personnel is retaining certificates and ensuring that re-certification dates are being tracked, whereas Personnel stated this is the responsibility of the departments.

We recommend Personnel send a list out to all department payroll contacts annually so the departments can verify the employees are still eligible for extra pays.

County Executive Office Response:

Departments should retain copies of employee certificates and ensure that re-certification dates are tracked and that their employee's are notified of such. The Personnel Department can send reminders as needed for department review.

The County Executive Office recommends adding this item to next Personnel Department Liaison Meeting Agenda and that this item is included in the training as noted above.

Part III: Overpayments made to employees

The following findings discovered during our review resulted in overpayments to employees and required funds to be reimbursed, which totaled \$390.54. Several of these instances were due to unusual circumstances; however, the others appeared to be due to lack of supervisor oversight or misunderstanding of County policy.

- An employee included three stand-by shifts instead of two on his timesheet and was erroneously paid for this extra stand-by pay shift during the week. Overpayment: \$21.00,
- Regular Pay – Consecutive Shift was erroneously paid to an employee during an emergency instead of Regular Pay – Extended Shift. Overpayment: \$71.06,
- Employee received dispatch training pay for training another employee; however the employee's timesheet conflicts with the trainer's and therefore the trainer was overpaid. Overpayment: \$5.44,
- An employee was overpaid four hours when he received 8 hours of Compensatory Time Earned (time and a half rate) in lieu of 8 hours of Holiday Credit Earned (straight time). Overpayment: \$169.35,
- Taxable meal per diem expense for employees paid when not eligible (not over 30 miles from work location, not working two hours past normal shift): Overpayment: \$98.00,

- Night shift differential paid to an employee for hours not eligible for night shift.
Overpayment: \$20.25.

All of the aforementioned overpayments have been collected from the employees via a prior period payroll adjustment.

County Executive Office Response:

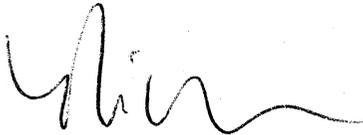
Since all overpayments were collected back from the employees via a payroll adjustment, the County Executive Office believes the County's payroll internal control processes are working effectively.

The County Executive Office recommends adding this item to next Personnel Department Liaison Meeting Agenda and that this item is included in the training as noted above.

The responses to the recommendations identified in our review are described above. We did not audit the responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance of staff from each Department throughout the course of our review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Holly Heinzen, Chief Assistant County Executive Officer
Andrew Sisk, Auditor-Controller
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