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May 25, 2007

Assignment 10138

To: Distribution List

Subject: Internal Audit Report – Overtime Audit of Social Services Agency

We have completed the Overtime Audit of Social Services Agency. We conducted the audit during October 2006 through March 2007 covering fiscal year 2006.

We thank the Social Services Agency and the Controller-Treasurer Department for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signatures on file

David G. Elledge  
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COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT – INTERNAL AUDIT DIVISION

## **INTERNAL AUDIT REPORT**

### **Overtime Audit of Social Services Agency**



Assignment 10138  
May 25, 2007

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## Executive Summary

**Conclusion** Based upon the results of our testing, the tested Social Services Agency (SSA) offices properly approved and paid overtime hours worked. The reviewed SSA departments have established a satisfactory control environment for overtime payments. The reasons for the overtime worked appeared reasonable. However, SSA needs to improve on the overtime preapproval process and the review of management information reports. SSA overtime expenditures increased approximately 30% in FY 05 and approximately 40% in FY 06, as compared to FY 04, primarily due to the preparation for and implementation of the CalWIN system. See Attachment A for a summary of the overtime costs.

The Social Services Agency is in agreement with all our findings and recommendations contained in this report.

**Audit Objectives** The objectives of the audit were to determine whether the Social Services Agency properly preapproved, approved, and paid overtime hours worked and whether overtime expenditures were properly managed.

**Audit Scope** The scope of the audit included:

- FY 06 overtime costs recorded in general ledger account number 5103000 (Overtime)
- Department of Employment and Benefit Services cost centers 5300 (Benefit Services), 4810 (Benefits Support Staff), and 5200 (Employment Services)
- Department of Family and Children's Services cost centers 5400 (Children's Services) and 4803 (Family & Children's Services Administration)
- Department of Aging and Adult Services cost center 4710 (Aging and Adult Caseworkers)
- Social Services Agency employees whose overtime earnings were more than 50% of their regular pay
- Reviewing the reason for the overtime worked

The audit did not include determining whether the overtime hours worked were necessary based on staffing and workload.

**Audit Background** We conducted this audit based on the results of our Macro Risk Assessment for FY 06. We conducted our audit in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

Details about our findings and recommendations are provided below.

Signatures on file

David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

## Findings and Recommendations

**Finding 1**                      **The Department of Family and Children’s Services needs to improve its overtime preapproval process.**

The Department of Family and Children’s Services (DFCS) was not pre-approving non-emergency overtime hours. Overtime hours were approved after they were worked. All overtime hours should be pre-approved (unless it is an emergency) in accordance with the DFCS policy dated November 21, 2002. In addition, the preapproval of overtime is an important control activity. There was a lack of management oversight to ensure that the policies and procedures established for overtime authorization were properly carried out. Pre-approval of overtime (except in emergencies) assists management in controlling overtime costs by preventing unnecessary overtime hours from being worked. DFCS’s overtime expenditures for FY 06 was approximately \$2.9 million.

Although all non-emergency overtime should be preapproved, there may be instances where there is not sufficient time to complete the overtime authorization form and obtain the supervisor or manager’s signature. In those instances, a verbal preapproval can be given provided the supervisor or manager subsequently documents the verbal preapproval on the overtime authorization form. If the supervisor or manager cannot be reached for a preapproval, a voice message should be sent to the supervisor or manager informing him/her of the overtime.

**Recommendation 1**        The Department of Family and Children’s Services supervisor or manager should preapprove all non-emergency overtime hours by signing and dating the overtime authorization form prior to the overtime being worked. [Priority 2]

**Finding 2**                      **The Department of Employment and Benefit Services should retain documents supporting overtime work for the same time frame as timecards.**

The Department of Employment and Benefit Services (DEBS) does not retain all documents needed to support overtime hours worked during our audit period and for prior years. The various supporting documents available and the record retention period was inconsistent among the different DEBS offices. All documents supporting overtime pay should be retained for the appropriate time period. Since DEBS policy requires keeping the timecards and leave requests for five years, the overtime supporting documents should be kept for the same time frame. The DEBS offices were not aware of the timeframe and type of supporting documents to retain for overtime. If the necessary documents are not retained for the appropriate time frame, the County will be unable to

support the overtime hours paid. DEBS' overtime expenditures for FY 06 was approximately \$8.1 million.

**Recommendation 2** The Department of Employment and Benefit Services should retain documents supporting overtime pay for five years, the same time frame that timecards are kept. [Priority 2]

**Finding 3** **Management information reports should be reviewed to assist managers in the monitoring of overtime usage.**

The Department of Family and Children's Services does not consistently review overtime usage reports. In addition, the Department of Aging and Adult Services (DAAS), with the exception of the Public Administrator/Guardian/Conservator, does not review any management information reports on overtime. In the integrated framework for internal controls, one of the five components for an effective internal control system is monitoring. Thus, it is important for management to review information reports on a regular basis as part of the overtime monitoring process. In DFCS, the Social Services Program Managers (SSPM) review overtime usage reports whenever it is provided by the director's office, but the current DFCS overtime report lists employees for the entire department rather than by bureau (as identified by the Time Capture Number in the time and attendance system). In DAAS, no overtime reports are generated. The overtime usage report can be generated in the KRONOS time and attendance system.

Beginning in January 2007, DFCS Administration requested each bureau to submit all overtime authorization forms so that the reason for overtime can be tracked. DFCS's and DAAS' overtime expenditures for FY 06 are approximately \$2.9 million and \$500,000, respectively.

**Recommendation 3.1** The Department of Family and Children's Services Director and Social Services Program Managers should review a year-to-date overtime usage report on a biweekly or monthly basis. If the current overtime report will be used, it should be revised to show individual overtime by bureau. [Priority 2]

**Recommendation 3.2** The Department of Aging and Adult Services Director and Social Services Program Managers should generate and review a year-to-date overtime usage reports on a biweekly or monthly basis. [Priority 2]

**Finding 4** **The documents supporting overtime hours worked were not always accurate.**

In DEBS, the overtime sign-in/out sheets do not always accurately reflect the overtime hours worked. These documents are sometimes incomplete because employees do not sign in and out. In DFCS and

DAAS, the start and end times reported on the overtime forms do not always match the total overtime hours worked. For example, the employee writes down the start time as 9:00 a.m. and the end time as 10:00 a.m. but 2 hours of overtime were claimed instead of 1 hour. In these instances, we determined that the hours paid were proper by reviewing other supporting documents; however, all documents supporting overtime pay should be accurate. Staff rushes when filling out sign-in/out sheets, time cards, and overtime forms and supervisors do not thoroughly check the accuracy of these documents prior to signing off on the timecards. Without complete and accurate documents, the County is unable to support the overtime hours paid.

**Recommendation 4** The Department of Employment and Benefit Services, Department of Family and Children’s Services, and Department of Aging and Adult Services supervisors should ensure that all overtime supporting documents accurately reflect the times and hours worked. [Priority 2]

**Finding 5** **The employees in the departments tested were not aware of the overtime meal reimbursement process.**

During our testing, we noted that there was a lack of awareness from the employees regarding the department’s overtime meal reimbursement process. In certain departments, there was a lack of clear process and procedures for reimbursing employees overtime meals. Local 715, Local 535 Worker Chapter, and Local 535 Supervisory Chapter of the SEIU contracts state that employees are eligible for overtime meal reimbursement when a certain number of overtime hours are worked contiguous to their regular schedule. There should be clear process and procedures for reimbursing employees for overtime meals. These procedures should be part of each department’s policies and procedures on overtime. Although it is the employee’s responsibility to read the union contracts and be familiar with his/her benefits, it is our opinion that management should establish and communicate to the employees the processes set forth to comply with contract requirements.

**Recommendation 5.1** The Social Services Agency Administration should refer to the Claims Manual regarding the reimbursement procedures (Claims Manual pages 53 and 57) for reimbursing overtime meals. [Priority 2]

**Recommendation 5.2** All Social Services Agency departments should follow these established procedures to ensure consistency in the application of overtime meal reimbursement. [Priority 2]

**Recommendation 5.3** The Social Services Agency departments should incorporate the overtime meal reimbursement process into its policies and procedures on overtime. [Priority 2]

**ATTACHMENT A**  
**Summary of Social Services Agency Overtime Costs\***

<b>Department</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07**</b>	<b>Total</b>
Administration Office	\$122,238	\$308,171	\$386,742	\$355,497	\$1,172,647
Employment and Benefit Services	\$5,874,157	\$8,025,266	\$8,129,741	\$5,155,851	\$27,185,016 ***
Family and Children's Services	\$1,968,057	\$2,390,223	\$2,870,687	\$3,057,858	\$10,286,826
Aging and Adult Services	\$678,454	\$441,547	\$532,799	\$609,183	\$2,261,983
<b>Total Social Services Agency</b>	<b>\$8,642,906</b>	<b>\$11,165,207</b>	<b>\$11,919,969</b>	<b>\$9,178,389</b>	<b>\$40,906,471</b>

\* Costs show only the overtime tested, as recorded in GL 5103000 (Overtime).

\*\* FY 07 overtime costs were obtained for 9 months and then annualized.

\*\*\* The overtime costs for the Department of Employment and Benefit Services increased in FY 05 and FY 06 due to the preparation for and the implementation of the CalWIN system.



# County of Santa Clara

Social Services Agency

333 West Julian Street  
San Jose, California 95110-2335



May 22, 2007

Mr. David Elledge  
Santa Clara County Controller-Treasurer  
70 W. Hedding Street, 2<sup>nd</sup> Floor, E. Wing  
San Jose, CA 95110

We appreciate the chance to respond to the recent audit of our overtime control environment. The Social Services Agency concurs with the findings of this audit and is already in the process of implementing all of the audit recommendations. Our response to each recommendation is addressed below:

**Recommendation 1** The Department of Family and Children's Services supervisor or manager should pre-approve all non-emergency overtime hours by signing and dating the overtime authorization form prior to the overtime being worked. [Priority 2]

**SSA Response:**

The Agency has already adjusted its overtime approval practices in the Department of Family and Children's Services to address the concerns of Recommendation 1.

**Recommendation 2** The Department of Employment and Benefit Services should retain documents supporting overtime pay for five years, the same time frame that timecards are kept. [Priority 2]

**SSA Response:**

The Agency will retain overtime work documents for five years for all departments to address the concerns of Recommendation 2.

**Recommendation 3.1** The Department of Family and Children's Services Director and Social Services Program Managers should review a year to date overtime usage report on a biweekly or monthly basis. If the

current overtime report will be used, it should be revised to show individual overtime by bureau. [Priority 2]

**Recommendation 3.2** The Department of Aging and Adult Services Director and Social Services Program Managers should generate and review a year to date overtime usage reports on a biweekly or monthly basis. [Priority 2]

**SSA Response:**

The Agency has begun a project to align cost centers for overtime with our organizational structure to improve the oversight and monitoring of overtime authorization. The goal of this effort will be to improve oversight and also potentially identify areas where cost savings could potential be achieved by either reducing unnecessary overtime or replacing overtime work with additional full-time staff. However, given the nature of our Agency's unpredictable workflow and vacancies that result from limitations in our training and recruitment options, we expect to continue to heavily rely on overtime to address temporary workload needs of our programs. Thus, we will continue to monitor and try to improve our overtime fiscal controls. Because this project will require changes in our internal human resources process and some adjustments to our data in the KRONOS system, we anticipate that this project will not be completed until December 2007.

**Recommendation 4** The Department of Employment and Benefit Services, Department of Family and Children's Services, and Department of Aging and Adult Services supervisors should ensure that all overtime supporting documents accurately reflect the times and hours worked. [Priority 2]

**Recommendation 5.1** The Social Services Agency Administration should refer to the Claims Manual regarding the reimbursement procedures (Claims Manual pages 53 and 57) for reimbursing overtime meals. [Priority 2]

**Recommendation 5.2** All Social Services Agency departments should follow these established procedures to ensure consistency in the application of overtime meal reimbursement. [Priority 2]

**Recommendation 5.3** The Social Services Agency departments should incorporate the overtime meal reimbursement process into its policies and procedures on overtime. [Priority 2]

**SSA Response:**

The Department of Fiscal and Administrative Services will issue guidance by July 1, 2007 to address the audit Recommendations #4 and #5 regarding documentation and overtime meal issues. We will conduct a follow up review in the fall to verify that these inconsistencies have been addressed.

Thank you again for allowing us a chance to respond to your audit. In conclusion, our agency would like to thank Bill Perrone and Jena Trinh from the Internal Audit Division for being helpful and responsive to questions from our Agency.

Respectfully,



Christian Griffith  
Director of Fiscal and Administrative Services

CC: Will Lightbourne, SSA Agency Director  
Sandra Dalida, Chief Fiscal Officer  
Onita Spake, FAS Director  
Norma Doctor Sparks, DFCS Director  
Kathy Buckovetz, DEBS Director  
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