



California Department of Corrections and Rehabilitation, and California Correctional Health Care Services

Both Agencies Wasted State Resources by Improperly Accounting for Leave Taken by Their Employees

Report I2010-1045

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June 20, 2013

I2010-1045

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Pursuant to the California Whistleblower Protection Act, the California State Auditor presents this investigative report concerning the California Department of Corrections and Rehabilitation, and California Correctional Health Care Services (Correctional Agencies) undercharging the leave balances of certain employees for workdays that they missed.

This report concludes that the Correctional Agencies wasted \$169,541 in state resources by improperly charging leave hours for 128 of the 170 employees whose leave usage we reviewed over a 12-month period. Most of these improperly charged hours resulted from the Correctional Agencies charging employees' leave balances only eight hours for each workday missed. Because these employees were working nine or 10 hour workdays, they should have been charged nine or 10 hours of leave for each workday that they missed. The remaining mischarged leave hours resulted from the Correctional Agencies' personnel specialists making clerical errors when entering information into the agencies' leave accounting system. We further conclude that, in addition to wasting state resources at the six correctional facilities we visited, the Correctional Agencies likely wasted a substantial amount of state resources in a similar manner at their 27 other adult correctional facilities.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Investigative Results

Results in Brief

The California Whistleblower Protection Act empowers the California State Auditor (state auditor) to investigate and report on improper governmental activities by state agencies and employees.¹ The state auditor initiated this investigation of the California Department of Corrections and Rehabilitation, and California Correctional Health Care Services (Correctional Agencies) in response to allegations that they improperly undercharged the leave balances of certain employees for workdays they had missed.

Our investigation revealed that the Correctional Agencies wasted state resources by improperly accounting for time off taken by nonmanagerial employees from October 2010 through September 2011. Of the 170 employees whose time sheets and leave records we reviewed during this investigation, we found that the Correctional Agencies failed to charge leave accurately for 128 of the employees, mischarging them by 3,685 hours and costing the State \$169,541. The majority of these mischarged hours resulted from the Correctional Agencies charging employees' leave balances only eight hours for each workday missed. Because the employees were scheduled to work nine- or 10-hour workdays, they should have been charged nine or 10 hours of leave for each workday that they missed, in accordance with the policies of the California Department of Personnel Administration (Personnel Administration).² This type of undercharging leave occurred for 110 of the 170 employees whose time sheets and leave balances we examined and cost the State \$146,527.

The undercharging of leave for employees working a scheduled nine- or 10-hour workday was caused by the Correctional Agencies' poor oversight of the manner in which personnel staff performed leave accounting at California's adult correctional facilities. Many of the supervising personnel officers at the adult correctional facilities we visited during this investigation did not have an accurate understanding of how to charge leave balances for certain employees. As a result, the personnel specialists that they supervised did not charge employee leave balances correctly. However, even at facilities where the supervising personnel officers had an accurate understanding of how to charge leave properly, we still found

Investigative Highlights . . .

Our investigation at the California Department of Corrections and Rehabilitation, and California Correctional Health Care Services (Correctional Agencies) substantiated the following:

- » *The Correctional Agencies wasted state resources by improperly accounting for leave taken by employees, costing the State \$169,541.*
- » *Personnel specialists did not charge employee leave balances correctly due to a lack of understanding and poor oversight.*
 - *They undercharged leave for employees working alternate work schedules.*
 - *They made numerous clerical errors in entering time sheet information into the agencies' leave accounting system.*
- » *The Correctional Agencies likely undercharged leave at the other 27 correctional facilities.*
- » *Substantial undercharging of leave has continued at adult correctional facilities.*

¹ For the definition of an "improper governmental activity" and more information about the state auditor's investigative authority, please refer to the Appendix.

² Effective July 1, 2012, Personnel Administration was incorporated into a new state department called the California Department of Human Resources.

For the 170 employees whose time sheets and leave records we examined, the net cost of clerical errors to the State was \$23,014.

the personnel specialists charging leave balances incorrectly, as this understanding was not shared with or implemented by all subordinate personnel specialists.

The remaining undercharged leave occurred because the Correctional Agencies' personnel specialists made numerous clerical errors when entering information into the leave accounting system used by these agencies. Although some of the errors made by personnel specialists disadvantaged the Correctional Agencies' employees by charging their leave balances for time they were not absent from work, the majority of the clerical errors disadvantaged the State by undercharging the employees' leave balances for time they were absent from work. For the 170 employees whose time sheets and leave records we examined, the net cost of clerical errors to the State was \$23,014. The Correctional Agencies' poor oversight over personnel specialists also facilitated this problem.

Having identified substantial undercharging of the leave balances of certain employees working at the six adult correctional facilities we visited for this investigation, we performed a further analysis of the information we gathered at those facilities to identify factors associated with the undercharging of leave that might indicate the extent to which the undercharging of leave may be a systemic problem occurring at other adult correctional facilities throughout the State. In examining the information, we identified two factors strongly associated with the employees being undercharged leave for any workday missed. After identifying these factors, we conducted research regarding the remaining 27 adult correctional facilities to obtain a broad understanding of the extent to which those same factors were present at the remaining facilities. As part of that research, we surveyed supervising personnel officers at the 27 remaining facilities regarding their understanding of how to charge leave. Through our research, we found that at least one of the two factors associated with the undercharging of leave was present at all 27 facilities, and that supervising personnel officers at seven of these facilities had an incorrect understanding of how to charge leave properly. We thus concluded that in addition to wasting \$169,541 in state resources during a 12-month period at the six facilities we visited, the Correctional Agencies likely also wasted a substantial amount of state resources at the remaining adult correctional facilities through the undercharging of leave. We estimated that the amount of the waste could have been more than \$400,000 from October 2010 through September 2011, although this is just an estimate, and the actual amount of waste could be significantly higher or lower.

After completing our analysis of 2010 and 2011 data, we obtained 2012 time sheets and leave records for the eight employees at California Correctional Institution (CCI) and the eight employees

at California State Prison, San Quentin (San Quentin) who were undercharged the largest number of leave hours during our previous review period to assess whether the undercharging of leave persisted. We found that the Correctional Agencies continued to undercharge leave for these employees, with the eight employees at CCI being undercharged 200 hours of leave at a cost to the State of \$9,707 and the eight employees at San Quentin being undercharged 124 hours of leave at a cost of \$4,505. Our review of the 2012 information suggests that the substantial undercharging of leave continued at the State's adult correctional facilities in an amount similar to what we found in 2010 and 2011.

Background

As of December 2012 the Correctional Agencies had more than 36,000 employees at California's 33 adult correctional facilities, who, among other things, supervised offenders or provided them with rehabilitation and treatment services. Some of these employees, including medical staff, teachers, and chaplains, are classified as being exempt from the Fair Labor Standards Act (exempt). Exempt employees are not compensated with a wage that is based on how many hours they work. Instead, they are compensated with a salary that is based on completing specified job duties regardless of how many hours it takes. Thus, exempt employees are expected to work as many hours as necessary to fulfill their job duties, even if that means working more than a standard 40-hour workweek. On such occasions, an exempt employee is not entitled to receive any extra compensation, commonly called "overtime pay," for working more than 40 hours.

Many state employees, including exempt employees, are permitted to work an alternate work schedule that differs from a standard work schedule of five eight-hour days per week. Common alternate work schedules include working four 10-hour days over a one-week period (a 4/10/40 schedule) or working eight nine-hour days and one eight-hour day over a two-week period (a 9/8/80 schedule).

According to policies issued by Personnel Administration and applicable provisions of the collective bargaining agreements in effect with the Correctional Agencies' employees, nonmanagerial exempt employees are required to use leave only when they miss an entire day of work, and they may use leave only in whole-day increments. While the term "whole-day increments" could appear somewhat unclear as it applies to employees working an alternate schedule, a 2004 arbitration decision resolving a dispute between the State and an employee bargaining unit that included employees of the California Department of Corrections and Rehabilitation (Corrections) clarified

The Correctional Agencies continued to undercharge leave in 2012. Eight employees at CCI were undercharged 200 hours at a cost to the State of \$9,707 and eight employees at San Quentin were undercharged 124 hours at a cost of \$4,505.

In March 2006 the state auditor issued a report after finding that an adult correctional facility was not charging employee leave balances as mandated by Personnel Administration.

the meaning of that term. The arbitration decision interpreted “whole-day increments” to mean the regularly scheduled daily work hours for a nonmanagerial employee, which is nine or 10 hours for any exempt, nonmanagerial employee working an alternate work schedule.³

In the aftermath of that decision, in 2005 Personnel Administration distributed two directives to personnel officers at all state departments, including Corrections, explaining the arbitration decision, including the definition of “whole-day increments,” and instructing personnel officers to charge employee leave balances in accordance with the arbitration decision.⁴ Then, in March 2006, the state auditor issued a report after finding that an adult correctional facility was not charging employee leave balances as mandated by Personnel Administration.⁵ The report declared that by charging an exempt employee working an alternate work schedule only eight hours of leave for missing a scheduled nine- or 10-hour workday, Corrections was engaging in a wasteful practice. This is because leave not properly deducted from an employee’s leave balance remains available for the employee to use for additional paid time off from work or for conversion to a cash payment when leaving state service. Moreover, employees’ rates of compensation tend to increase over time as their careers advance in state service; therefore, when employees are paid for accumulated leave upon departing state service, they generally are paid at a higher rate than they were being paid at the time the leave was accrued. Based on the arbitration decision, Personnel Administration’s directives, and the state auditor’s report, Corrections was placed on notice that it should charge its nonmanagerial, exempt employees working an alternate schedule an amount of leave equal to their regularly scheduled hours when missing a workday, and that failing to do this constitutes a waste of state resources.

Corrections is responsible for keeping track of the attendance and leave usage of the vast majority of employees at California’s adult correctional facilities. Under the direction of the chief personnel officer at Corrections’ headquarters, each facility’s head of personnel administration (institutional personnel officer) oversees

³ For a state holiday, nonmanagerial employees receive eight hours of holiday leave credit. Accordingly, when a nonmanagerial employee working an alternate schedule is absent from work because the workday is a holiday, the employee must be charged one or two additional hours of leave, depending on the employee’s alternate work schedule, to cover the absence.

⁴ California Correctional Health Care Services (Correctional Health Services) had not been established when these memoranda were distributed.

⁵ This report is titled *Investigations of Improper Activities by State Employees: July 2005 Through December 2005* (I2006-1).

the personnel specialists at the facility who enter attendance and leave information into Corrections' leave accounting system for employees at the facility who work under Corrections' supervision.

In addition to the attendance and leave accounting performed by Corrections at the State's adult correctional facilities, under a pilot program that began in 2008, Correctional Health Services took over responsibility for performing attendance and leave accounting for medical service providers at San Quentin. This attendance and leave accounting has been performed by personnel specialists working under the supervision of a chief personnel officer at Correctional Health Services' headquarters in Sacramento. The pilot program subsequently expanded on January 1, 2012, and now requires Correctional Health Services to track the attendance and leave usage of medical service providers at a total of four adult correctional facilities. However, in executing this responsibility, Correctional Health Services simply has been following the policies and practices of Corrections.

Investigative Approach

Upon receiving complaints alleging that exempt employees working an alternate schedule were being undercharged leave at multiple adult correctional facilities, we decided to examine leave accounting practices at a variety of adult correctional facilities to develop a sense of the extent to which the alleged undercharging of leave could be occurring at the State's 33 adult correctional facilities. We therefore selected a diverse sample of six adult correctional facilities to examine their leave accounting practices. The facilities we selected were CCI; California Medical Facility; California State Prison, Centinela (Centinela); San Quentin; California Substance Abuse Treatment Facility (Treatment Facility); and Sierra Conservation Center.

The six facilities we selected are located throughout California and differ significantly in the number of nonmanagerial, exempt employees working at them. As shown in the Figure on the following page, the facilities we selected are located in both Northern and Southern California, along the coast, in the Central Valley, and on the eastern side of the State. Three of the facilities had a relatively large number of nonmanagerial, exempt employees, while two facilities had a relatively small number of these employees. The remaining facility had a moderate number of nonmanagerial, exempt employees.

Figure
Map of Selected Facilities



Source: California Department of Corrections and Rehabilitation.

After selecting the six facilities, we visited each one to gather information about leave accounting for all nonmanagerial, exempt employees working an alternate schedule at the facility. We reviewed the time sheets for these employees covering a 12-month period that ran from October 2010 through September 2011 and compared the information on the time sheets to the employees' leave usage as recorded in the leave accounting system used by Corrections and Correctional Health Services. This comparison allowed us to determine whether the Correctional Agencies charged each employee's leave balance the correct number of leave hours whenever the employee took a day off work. We also interviewed personnel staff for each facility regarding the timekeeping and leave accounting practices at the facility. Through this process, we reviewed

the attendance and leave information during the 12-month period previously stated for a total of 170 employees of the Correctional Agencies. We then conducted an analysis of the information to identify trends that could help us assess the extent to which the undercharging of leave for nonmanagerial, exempt employees working an alternate schedule could be causing a significant waste of state resources throughout the State's 33 adult correctional facilities.

Facts and Analysis

At the six correctional facilities we visited, we found that the Correctional Agencies wasted state resources worth \$169,541 over a 12-month period by improperly accounting for leave taken by their employees. The Correctional Agencies often charged the leave balances of employees who worked alternate work schedules only eight hours per workday missed, instead of the nine or 10 hours that constituted their normal workdays, resulting in the waste of state resources. This problem was caused by the Correctional Agencies' poor oversight of their leave accounting practices. In addition, the Correctional Agencies' personnel specialists made a significant number of clerical errors when they entered information into their leave accounting system, which was facilitated by the Correctional Agencies' lack of oversight to ensure that information was being entered correctly.

The Correctional Agencies Undercharged Leave Balances for Nonmanagerial, Exempt Employees Who Worked Alternate Work Schedules

We found that at each of the six facilities we visited, the Correctional Agencies wasted state resources by failing to charge employee leave balances the correct amount of leave when a nonmanagerial, exempt employee working an alternate schedule missed a day of work. Of the 170 employees whose time sheets and leave records we examined, the Correctional Agencies undercharged leave for 110 of them by charging the employees only eight hours of leave when they missed a day of work that was regularly scheduled to be nine or 10 hours. Because of this practice, the Correctional Agencies failed to charge the 110 employees' leave balances for 2,861 hours of missed work, at a cost to the State of \$146,527 over the 12-month period we reviewed.

As shown in Table 1 on the following page, the six facilities varied significantly in the extent to which they undercharged employee leave balances. In particular, Corrections' personnel staff at CCI undercharged the facility's employees 1,368 hours of leave, which

Over the 12-month period we reviewed, the Correctional Agencies failed to charge 110 employees' leave balances for 2,861 hours of missed work, at a cost to the State of \$146,527.

is almost as many hours as were undercharged by the other five facilities combined. These uncharged hours at CCI cost the State \$70,094 over the 12-month period we reviewed. On average, these 38 employees at CCI each were undercharged 36 hours of leave, worth \$1,845. In one egregious example, Corrections' personnel specialists failed to charge a CCI employee leave for 116 hours of time missed, at a cost to the State of \$5,697.

Table 1

**Leave Hours Not Charged for Employees Who Worked Alternate Work Schedules
October 2010 Through September 2011**

FACILITY	NUMBER OF EMPLOYEES REVIEWED	NUMBER OF EMPLOYEES WITH UNDERCHARGED HOURS	NUMBER OF UNDERCHARGED HOURS	COST OF UNDERCHARGED HOURS
California Correctional Institution	38	29	1,368	\$70,094
California Medical Facility	33	8	62	3,550
California State Prison, Centinela	8	3	4	174
California State Prison, San Quentin (San Quentin)*	39	34	801	35,368
California Substance Abuse Treatment Facility	39	32	574	32,206
Sierra Conservation Center	13	4	52	5,135
Totals	170	110	2,861	\$146,527

Sources: California State Auditor's analysis of documents provided by the California Department of Corrections and Rehabilitation (Corrections), and the California State Controller's Office.

* Unlike the other listed facilities whose time sheets were processed solely by Corrections, California Correctional Health Care Services processed time sheets for 38 of the 39 employees that we reviewed at San Quentin.

Similarly, personnel specialists performing leave accounting duties at San Quentin failed to charge most of the 39 employees we reviewed in a manner consistent with their alternate work schedules. In total, they undercharged them by 801 leave hours, worth \$35,368. Correctional Health Services had leave accounting duties for 38 of the 39 employees whose time sheets and leave records we reviewed at San Quentin. For one of these employees, Correctional Health Services failed to charge 56 hours of leave, at a cost to the State of \$2,192.

Poor Oversight Facilitated the Undercharging of Leave

The Correctional Agencies' chief personnel officers and institutional personnel officers facilitated the undercharging of leave balances by failing to ensure that personnel specialists at

each facility understood Personnel Administration's guidance regarding the charging of leave and properly implementing that guidance. Personnel Administration distributed two guidance documents in 2005 to state agencies' personnel officers explaining that certain exempt employees should be charged leave in whole-day increments when missing a day of work, and that a whole-day increment is the number of hours the employee was scheduled to work on the workday missed. Although Corrections' chief personnel officer issued a guidance memorandum in 2004 with similar instructions, neither Corrections nor Correctional Health Services provided further guidance to its personnel staff prior to our initiating this investigation in 2010.

In the absence of any additional direction from the Correctional Agencies' chief personnel officers, we found that personnel staff at the facilities we visited had an inconsistent understanding of Personnel Administration's guidance regarding the charging of leave. To better understand why there was such an inconsistent understanding of how leave should be charged, we surveyed Corrections' institutional personnel officers at the six facilities and Correctional Health Services' chief personnel officer for medical services providers at San Quentin regarding their understanding and practices concerning the charging of leave. This survey was conducted several months after we visited the six facilities, so the institutional personnel officers and chief personnel officer had time to obtain clarification regarding the rules for charging leave prior to answering the survey. Nonetheless, the understanding of three of the institutional personnel officers regarding the charging of leave for nonmanagerial, exempt employees working an alternate work schedule was inconsistent with Personnel Administration's directives. These institutional personnel officers did not believe they always should charge these employees' leave balances for missed workdays in accordance with the number of hours the employees were scheduled to work on a given day.

The Treatment Facility's institutional personnel officer believed an employee should be charged only eight hours of leave for each regular workday missed but 10 hours when the employee missed a day of work because it was a holiday. CCI's institutional personnel officer believed that a nonmanagerial, exempt employee working an alternate schedule should be charged only eight hours for each workday missed, including any workday missed because it was a holiday. Corrections' institutional personnel officer at San Quentin similarly believed that a nonmanagerial, exempt employee working an alternate schedule should be charged only eight hours of leave for each workday missed, but Correctional Health Services' personnel officer for San Quentin did not share this misunderstanding.

Personnel staff at the facilities we visited had an inconsistent understanding of Personnel Administration's guidance regarding the charging of leave.

The Correctional Agencies' chief personnel officers also facilitated the undercharging of leave balances by failing to monitor the leave-charging practices of the personnel staff operating under their supervision at the adult correctional facilities. We found no evidence that the chief personnel officers of Corrections or Correctional Health Services had undertaken any monitoring of the leave-charging practices at the six adult correctional facilities that we visited to ensure that personnel specialists at those facilities were charging leave balances properly. Moreover, Corrections' headquarters did not know whether this lack of monitoring extended to the institutional personnel officers as well. Even at the three facilities where we found an institutional personnel officer who generally had a correct understanding of how the leave balance of a nonmanagerial, exempt employee working an alternate schedule should be charged when the employee misses a day of work, the personnel specialists at those facilities did not charge employee leave balances consistently in accordance with the institutional personnel officer's understanding. Had the chief personnel officers and institutional personnel officers been more aware of the leave charging practices and level of understanding among the personnel specialists working for them, they might have taken the initiative to ensure that their practices were consistent with Personnel Administration guidance.

Clerical Errors Resulted in Incorrectly Charged Leave Hours

In addition to leave hours being undercharged because of misunderstandings about how to charge leave for nonmanagerial, exempt employees working an alternate schedule, the Correctional Agencies incorrectly charged the leave balances of 47 employees by a total of 824 hours of leave due to clerical errors made by their personnel specialists at the six correctional facilities we visited. These incorrectly charged hours resulted from personnel specialists making miscalculations and typographical errors when they entered leave hours into the Correctional Agencies' leave accounting system. As shown in Table 2, some of these clerical errors disadvantaged employees by charging them a total of 197 hours of leave for time they were not absent from work, although a majority of the errors disadvantaged the State by undercharging employees' leave balances for 627 hours when they were absent from work. The net loss to the State for these clerical errors was \$23,014 over the 12-month period we reviewed.

As a result of clerical errors, Corrections charged one psychiatrist 23 hours of leave for time that he was working, costing this employee the equivalent of \$2,832 in compensated time off.

As a result of clerical errors, Corrections charged one psychiatrist at the Treatment Facility 23 hours of leave for time that he was working, costing this employee the equivalent of \$2,832 in compensated time off. As another example, Corrections failed to charge the leave balance of a psychiatrist at CCI for 40 hours of time off he had taken,

at a cost to the State of \$4,304. In another instance, clerical errors caused Correctional Health Services to undercharge the leave balance of a vocational instructor at San Quentin by 90 hours for time off he had taken, at a cost to the State of \$2,549.

Table 2
Incorrectly Charged Hours Resulting From Clerical Errors
October 2010 Through September 2011

FACILITY	EMPLOYEES WITH CLERICAL ERRORS ON LEAVE BALANCES	UNDERCHARGED HOURS	COST OF UNDERCHARGED HOURS	OVERCHARGED HOURS	COST OF OVERCHARGED HOURS
California Correctional Institution	7	112	\$7,841	11	\$1,173
California Medical Facility	4	36	2,844	11	727
California State Prison, Centinela	1	0	0	8	393
California State Prison, San Quentin (San Quentin)*	13	245	10,051	47	2,187
California Substance Abuse Treatment Facility	13	166	14,243	53	5,681
Sierra Conservation Center	9	68	2,995	67	4,799
Totals	47	627	\$37,974	197	\$14,960

Sources: California State Auditor's analysis of time sheets and leave balances provided by the California Department of Corrections and Rehabilitation (Corrections), and the California State Controller's Office.

* Unlike the other listed facilities whose time sheets were processed solely by Corrections, California Correctional Health Care Services processed time sheets for 38 of the 39 employees that we reviewed at San Quentin.

The Correctional Agencies' Lack of Oversight Facilitated the Clerical Errors

Although clerical errors made by personnel specialists were the immediate cause of these incorrectly charged leave hours, the failure of the Correctional Agencies' chief personnel officers and institutional personnel officers to institute a process for reviewing the information entered into the leave accounting system by the personnel specialists facilitated the errors. At the time of this investigation, the Correctional Agencies simply trusted that personnel specialists were entering information into the leave accounting system correctly. There was no process in place at the adult correctional facilities we visited requiring anyone to perform a subsequent review of the information being entered into the leave accounting system to ensure that the information was being entered accurately.

Two other state agencies that we contacted told us they have a review process in place as a regular part of their timekeeping procedures, which is designed to ensure that clerical errors are identified and addressed. The process used at these state agencies involves supervisory personnel comparing a report generated by the State Controller's Office, which identifies the leave hours used by each employee, to the time sheets that each

Had the chief personnel officers and institutional personnel officers for the Correctional Agencies established a review process, the number of clerical errors likely would have been reduced significantly.

employee has completed. Additionally, staff at these agencies perform periodic audits by comparing hours entered into the timekeeping system to employee time sheets. Upon identifying discrepancies between the time off reported on the time sheets and the amount of leave charged for the time off, supervisory staff can readily identify leave accounting errors. Once the errors are identified, the agency's supervisory staff reviews the errors with the responsible personnel specialists as a means of training them and then corrects the errors in the leave accounting system. Had the chief personnel officers and institutional personnel officers for the Correctional Agencies taken either or both of these steps, or established a comparable review process, the number of leave hours improperly charged due to clerical errors likely would have been reduced significantly.

Factors Related to Leave Undercharging at the Six Facilities Indicate Problems at Other Facilities

Having identified substantial undercharging of the leave balances of nonmanagerial, exempt employees working an alternate schedule at the six adult correctional facilities we visited for this investigation, we performed a further analysis of the information we gathered at those facilities to identify factors associated with the undercharging of leave that might indicate the extent to which the undercharging of leave may be a systemic problem occurring at other adult correctional facilities throughout the State. Examining the information, we identified two factors strongly associated with nonmanagerial, exempt employees working an alternate schedule being undercharged leave for any workday missed. The first factor was the institutional personnel officer for a facility not understanding the proper way to charge leave, as directed by Personnel Administration, for nonmanagerial, exempt employees working an alternate schedule. The second factor was the absence of an effective review process, mandated for each adult correctional facility, to minimize the incorrect charging of leave due to clerical errors.

We found that at the six facilities we visited, when the facility's institutional personnel officer did not have a correct understanding of the proper amount of leave to charge a nonmanagerial, exempt employee working an alternate schedule, the employees were undercharged leave at a rate that was approximately 10 times higher than the rate at facilities where the institutional personnel officer had a correct understanding of the proper amount of leave to charge. Specifically, nonmanagerial employees at facilities where the institutional personnel officer had an incorrect understanding were undercharged leave by an average of 23.65 hours per employee over the 12-month period, compared to 2.19 hours per employee at

facilities where the institutional personnel officer had a correct understanding. This difference is not surprising given that each institutional personnel officer is responsible for training and overseeing the work of the personnel specialists stationed at the facility. However, it is notable that even where the institutional personnel officer had a correct understanding of the proper amount of leave to charge, we nonetheless found that some personnel specialists were not charging leave in accordance with the institutional personnel officer's understanding. Similarly, at facilities where the institutional personnel officer had an incorrect understanding of the proper amount of leave to charge, we nonetheless found that a few personnel specialists were charging leave correctly. This reflects the lack of oversight and accountability of personnel specialists that we observed at the six facilities we visited.

We also found that in the absence of an effective process for reviewing the accuracy of leave information entered into the Correctional Agencies' leave accounting system at the six facilities, the personnel specialists undercharged leave at an average rate of 3.7 hours per employee and overcharged leave at an average rate of 1.2 hours per employee, for a net average of 2.5 hours of leave undercharged per employee during the 12-month period we reviewed. As clerical errors were common at each of the six facilities, we did not identify any deviation in the practices of the facilities that corresponded to clerical errors being more or less prevalent at one facility versus another. We simply found that, without an effective review process in place, clerical errors were prevalent at all facilities.

Upon identifying the two factors described above, which corresponded to substantial undercharging of leave at the six facilities we visited, we conducted research regarding the remaining 27 adult correctional facilities to obtain a broad understanding of the extent to which those same factors were present at the other facilities. To find out the degree to which the institutional personnel officers at the remaining facilities had a correct or incorrect understanding of the proper amount of leave to charge a nonmanagerial, exempt employee working an alternate schedule who takes a day off, we conducted a survey of the institutional personnel officers at the facilities as well as the chief personnel officer for medical services personnel at San Quentin. In the survey we asked the institutional personnel officers how they charged leave for exempt employees. The survey revealed that at least seven of the institutional personnel officers had an incorrect understanding of the amount of leave to charge.

To ascertain whether there is a review process in place at any of the facilities to ensure that the information is entered correctly into the Correctional Agencies' leave accounting system, we

As a result of clerical errors, the personnel specialists at the six facilities undercharged leave at an average rate of 3.7 hours per employee and overcharged leave at an average rate of 1.2 hours per employee.

spoke with the chief personnel officers for both Corrections and Correctional Health Services. Each advised us that there is no mandatory review process in place to ensure that personnel specialists enter information correctly.

Through our research, we found that at least one of the two factors associated with the undercharging of leave was present at all of the facilities. This led us to conclude that in addition to wasting \$169,541 in state resources during a 12-month period at the six facilities we visited, the Correctional Agencies likely wasted a substantial amount of state resources at the remaining adult correctional facilities by undercharging leave.

Because we did not examine the time sheets and leave records at the remaining 27 facilities, as we did at the six facilities we visited, we do not know the precise amount of state resources wasted at those facilities through the undercharging of leave. However, if we were to assume that during the period of our review the leave of nonmanagerial, exempt employees working an alternate schedule was undercharged at the remaining facilities at the same rate it was being undercharged at the six facilities we visited, the amount of waste could be more than \$400,000. While many additional factors could come into play that might cause the actual amount of waste to be significantly higher or lower, it is likely that the annual amount of waste was substantial.

Subsequent Actions Have Been Insufficient to Resolve the Wasteful Practices

After we initiated our investigation at the six adult correctional facilities, Corrections' chief personnel officer issued additional guidance to personnel staff at the State's 33 adult correctional facilities regarding how to charge leave for nonmanagerial, exempt employees working an alternate work schedule. In April 2011 the chief personnel officer issued an e-mail providing guidance, and in January 2012 issued a policy incorporating the same guidance provided in the e-mail. The chief personnel officer sent both to all personnel officers at the 33 adult correctional facilities. The guidance stated that a nonmanagerial, exempt employee working an alternate schedule who is represented by a collective bargaining agreement should be charged leave for any workday missed in an amount equal to the length of the employee's scheduled workday—for example, 10 hours if the employee normally works a 10-hour workday and nine hours if the employee normally works a nine-hour workday. This direction accurately reflected Personnel Administration's guidance.

To evaluate whether the additional guidance affected the Correctional Agencies' charging of leave balances, we obtained time sheets and leave records spanning the period from January through December 2012 for the eight employees at CCI and eight employees at San Quentin who had the most undercharged leave hours during our previous October 2010 through September 2011 review period.⁶ Upon analyzing the 2012 information for the employees at CCI, we found Corrections generally still charged these eight exempt employees working an alternate schedule only eight hours of leave for any workday they missed. The undercharged leave hours for these eight employees totaled 200 hours, worth \$9,707, which averages 25 hours of undercharged leave per employee over the 12-month period. This average shows only limited improvement in the charging of leave for these eight employees. From October 2010 through September 2011 CCI undercharged the employees we reviewed by an average of 36 hours per employee. Thus, the additional guidance failed to reduce the average amount of undercharged leave per employee even by half.

In addition, we found that in 2012, Corrections' personnel specialists at CCI continued to undercharge leave balances due to clerical errors. Corrections undercharged the leave balances of the eight employees by an average of 3.3 hours per employee due to clerical errors. This was slightly worse than the average of 3.2 hours per employee that we originally found at CCI during our earlier review period. As such, the problem of clerical errors is continuing.

When we analyzed the 2012 information for the eight medical services employees at San Quentin, we found that Correctional Health Services sometimes continued to charge these employees who worked alternate schedules only eight hours of leave for each workday missed. In 2012 Correctional Health Services undercharged the eight employees by a total of 124 hours, worth \$4,505, which constitutes an average undercharge of 15.5 hours per employee. Although this is an improvement over the average of 20.5 hours of undercharged leave per employee that we found at San Quentin during our earlier review from October 2010 through September 2011, the problem persists to a significant degree. We also found that a high rate of clerical errors continued to occur. For the eight employees we reviewed in 2012, Correctional Health Services mischarged the employees' leave balances an average of 25.8 hours per employee as a result of clerical errors. This is significantly higher than the average of 7.5 hours per employee

Although Corrections issued guidance to personnel officers on appropriately charging leave, we found it still undercharged eight exempt employees at CCI 200 hours, costing the State \$9,707.

⁶ We excluded employees who no longer work at the facilities or who no longer have alternate work schedules.

Without additional direction to personnel staff and improved oversight, we believe the Correctional Agencies will continue to waste state resources through the undercharging of leave.

we found at San Quentin during our previous review, and indicates that clerical errors persist in causing leave balances to be misstated by Correctional Health Services.

Our limited review of 2012 information at CCI and San Quentin indicates that the Correctional Agencies continued to undercharge leave for nonmanagerial, exempt employees working an alternate work schedule. Without additional direction to personnel staff and improved monitoring of the work that staff performs, we believe the Correctional Agencies will continue to waste state resources through the undercharging of leave. Further, an amount akin to the single-year cost that we estimated from October 2010 through September 2011 may be repeated every year going forward until the Correctional Agencies take the critical remedial actions recommended in this report.

Recommendations

To remedy the effects of wasteful leave accounting practices described in this report, and to prevent them from recurring, we make the following recommendations to Corrections and Correctional Health Services.

To reduce the loss to the State brought about by undercharging the leave balances of nonmanagerial, exempt employees working an alternate schedule:

- Conduct an audit of the leave accounting system during the past three years to identify instances of nonmanagerial, exempt employees working an alternate schedule at an adult correctional facility being charged incorrect amounts of leave for missed days of work.
- Adjust current employees' leave balances in the leave accounting system to correct any improper charging of leave identified by the audit.
- In instances where the audit has determined that an employee's leave balance was mischarged but the employee subsequently departed state service, take appropriate measures to remedy any resulting incorrect compensation of the employee for unused leave upon his or her departure, including by seeking repayment of any amount overpaid to the employee.

To reduce future undercharging of leave balances of nonmanagerial, exempt employees working an alternate schedule:

- Train all personnel staff regarding the proper amount of leave to charge those exempt employees working an alternate schedule who miss a day of work.

- Train all nonmanagerial, exempt employees eligible to work an alternate schedule regarding the proper completion of a time sheet to ensure the employees' leave balances are charged correctly for an absence from work.
- Establish a system of oversight at headquarters and at each adult correctional facility to ensure that personnel specialists are charging the correct number of leave hours for those nonmanagerial, exempt employees working an alternate work schedule.

To reduce the number of clerical errors made by personnel specialists at adult correctional facilities:

- Establish a system of supervisory oversight that involves reviewing employees' time sheets and leave balances to ensure that personnel specialists are entering information into the leave accounting system correctly.
- Establish a system for correcting mischarged leave in the leave accounting system and for reviewing errors with the responsible employee whenever mischarged leave hours are discovered.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: June 20, 2013

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For questions regarding the contents of this report, do not contact the above-listed staff. Please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

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Appendix

THE INVESTIGATIONS PROGRAM

The California Whistleblower Protection Act (Whistleblower Act) contained in the California Government Code, beginning with Section 8547, authorizes the California State Auditor (state auditor) to investigate allegations of improper governmental activities by agencies and employees of the State. Under the Whistleblower Act, an improper governmental activity, as defined by Government Code section 8547.2, subdivision (c), includes any action by a state agency, or by a state employee in connection with his or her employment, that violates a state or federal law; violates an executive order of the governor, a California Rule of Court, or a policy or procedure mandated by the *State Administrative Manual* or *State Contracting Manual*; is economically wasteful; or involves gross misconduct, incompetence, or inefficiency. To enable state employees and the public to report suspected improper governmental activities, the state auditor maintains a toll-free Whistleblower Hotline: (800) 952-5665. The state auditor also accepts reports of improper governmental activities by mail and over the Internet at www.auditor.ca.gov.

Although the California State Auditor's Office conducts investigations, it does not have enforcement powers. When it substantiates an improper governmental activity, the state auditor reports confidentially the details to the head of the state agency or to the appointing authority responsible for taking corrective action. The Whistleblower Act requires the agency or appointing authority to notify the state auditor of any corrective action taken, including disciplinary action, no later than 60 days after transmittal of the confidential investigative report and monthly thereafter until the corrective action concludes. The Whistleblower Act authorizes the state auditor to report publicly on substantiated allegations of improper governmental activities as necessary to serve the State's interests. The state auditor may also report improper governmental activities to other authorities, such as law enforcement agencies, when appropriate.

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Summary of Agency Responses

The California Department of Corrections and Rehabilitation (Corrections) agreed with each of the recommendations in this investigative report and has begun to take some corrective actions to address the improper leave accounting that we found. Corrections stated that it has distributed time sheet training documents and procedures to its correctional facilities. Further, Corrections stated that it will work with California Correctional Health Care Services (Correctional Health Services) to (1) investigate more fully the employees whose time sheets we reviewed during the investigation; (2) ensure that the institutional personnel officers and other personnel staff have in their possession the most current timekeeping policies by redistributing Corrections' timekeeping manual to them; and (3) provide timekeeping training to Corrections' institutional personnel officers, other personnel staff, supervisors, and managers.

Correctional Health Services also agreed with the conclusions and recommendations in our report. Correctional Health Services agreed to correct mischarged hours in its leave accounting system. It also agreed to establish a system of supervisory oversight to ensure that information is entered correctly into its leave accounting system.

cc: Members of the Legislature
Office of the Lieutenant Governor
Little Hoover Commission
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press