

Table B
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed laws and regulations applicable to the LCO's processing of wage claims and enforcement of judgments against employers.</p>
<p>2 To the extent that data is available, determine the following:</p>	
<p>a. The size of any current backlog of wage theft claims as well as the size of any backlogs that have existed over the past five years.</p>	<ul style="list-style-type: none"> • Obtained the LCO's wage claim data from January 1, 2018, through November 1, 2023. Analyzed the data to determine the size of the backlog for each year during this period. • Interviewed LCO staff to confirm the LCO's definition of backlogged cases and determine the LCO's efforts to resolve the backlog. • Performed a qualitative review of the LCO's case management system to identify missing and erroneous data. • Tested a sample of 48 cases with potentially erroneous data to determine the frequency of data-entry errors. • Tested the LCO's case management system reporting functionality to identify any gaps in reports that limit LCO's oversight and monitoring of its backlog.
<p>b. The median time to adjudicate and close claims.</p>	<ul style="list-style-type: none"> • Completed additional analyses on the LCO's wage claim data to determine the median time to adjudicate and close claims during the past six years. • Conducted further analyses to determine median and average times for the LCO to complete certain stages of the wage claim process, including the time to close a claim, the time to hold a settlement conference, the time to hold a hearing, and the time to close claims.
<p>c. The extent to which new laws that have increased worker protections have affected any backlog of claims.</p>	<ul style="list-style-type: none"> • Reviewed new laws to identify increased worker protections that may directly affect wage claim processing and backlog. • Interviewed LCO staff to identify and assess the LCO's methodology for projecting and tracking the effect of new laws on the wage claim process. • Reviewed the LCO's wage claim data and determined that the LCO did not track data that would allow for an analysis of the effect of new laws on the backlog.

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AUDIT OBJECTIVE	METHOD
3 Assess staffing levels and salaries within the LCO's wage claims unit by determining the following:	
a. The current workload assigned to each employee versus the LCO's ideal or optimal workload standard.	<ul style="list-style-type: none"> Analyzed the LCO's historical and current staffing data showing filled and vacant positions, the LCO's workload expectations memos, budget change proposal workload projections, and data on the wage claim backlog to determine optimal workload standards.
b. Current employee turnover.	<ul style="list-style-type: none"> Obtained and analyzed the LCO's historical and current staffing data and budgets, including authorized and vacant position reports and budget change proposals, to identify current staffing levels and vacancies. Compared fiscal year 2023–24 filled and vacant positions with fiscal year 2022–23 filled and vacant positions to determine current employee turnover.
c. The number of personnel needed to meet the statutorily required claims processing time frames.	<ul style="list-style-type: none"> Obtained and analyzed the LCO's historical and current staffing data and budgets, including authorized and vacant position reports and budget change proposals, to identify current staffing levels and vacancies. Interviewed LCO staff to determine whether the current authorized position classifications are sufficient to meet statutory processing times. Analyzed staffing data and backlog data to estimate the number of personnel required to meet statutory processing times and resolve the existing backlog according to the optimal workload standard identified in Objective 3(a).
d. The current number of employees and vacancies, and the number of new employees hired in the last 12 months.	<ul style="list-style-type: none"> Using the data obtained in Objective 3(c), identified the current number of employees and vacant positions. Compared fiscal year 2023–24 filled and vacant positions with fiscal year 2022–23 filled and vacant positions and reviewed the number of staff hired during fiscal year 2022–23.
e. Whether employee salaries within the wage claims unit are equitable.	<ul style="list-style-type: none"> Reviewed salaries, minimum requirements, and typical duties of key positions in the Adjudication Unit, specifically the office technician, industrial relations representative, deputy, and hearing officer. Identified comparable positions at the state level by reviewing minimum requirements, typical duties, and level of supervision. Compared salaries to Adjudication Unit salaries. For three geographic areas near the LCO field offices in Stockton, Oakland, and Los Angeles, identified comparable positions at city or county governments by reviewing minimum requirements, typical duties, and level of supervision. Compared salaries to Adjudication Unit salaries.
f. To the extent possible, whether employee retention would improve as a result of increasing salaries or reclassifying positions.	<ul style="list-style-type: none"> Haphazardly selected 20 staff from seven field offices, specifically five office technicians, four industrial relations representatives, five deputies, and six hearing officers. Interviewed these staff about whether they believed the salaries for their positions were competitive. Interviewed LCO management to determine what actions they had taken or were taking to analyze retention and salaries. Reviewed exit interviews conducted by DIR since August 2022 to determine the reasons that staff resigned.

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<p>4 Review and assess training procedures and content for new employees in the wage claims unit.</p>	<ul style="list-style-type: none"> • Interviewed LCO management and staff in the LCO's training unit and reviewed training materials to determine the procedures for training new employees and newly promoted employees. • As part of the interviews with 20 field office staff performed for Objective 3(f), asked questions regarding the training these employees had received as new hires and whether they were familiar with statutory time frames for processing claims. • Haphazardly selected 10 employees hired between 2018 and 2023 in the positions of office technician, industrial relations representative, deputy, and hearing officer. Identified and reviewed the training records for these employees to determine dates of training and training content. • Reviewed training materials and manuals for office technicians, industrial relations representatives, deputies, and hearing officers to determine whether these materials contained information on the statutory time frames for processing wage claims and best practices related to each position's duties.
<p>5 Evaluate the review process for wage theft claims, identify areas of inefficiency and, if applicable, recommend changes in those areas.</p>	<ul style="list-style-type: none"> • Using the data obtained for Objective 2(a), identified the field offices with the largest wage claim backlogs or a significant percentage increase in the backlog between 2020 and 2022. Selected five claims each from the field offices in Los Angeles, Oakland, Long Beach, Sacramento, San Diego, San Bernardino, Stockton, and Santa Rosa. Used the following criteria to select the five claims: one claim that was settled at conference but took significantly longer than the 30-day requirement, one backlogged claim that was closed but was open longer than 120 days, and three backlogged claims that proceeded to a hearing but took longer than the 120-day requirement. Reviewed the records for each claim to determine the length of time it took to process the claim and any delays. • Interviewed field office supervisors of selected offices to determine the cause of delays in processing the selected claims. • As part of the interviews with 20 field office staff performed for Objective 3(f), obtained staff's perspective on the reasons for the backlog and whether LCO management was taking appropriate actions to address the backlog.
<p>6 To the extent possible, determine the number of workers who are able to collect their owed wages following a judgment and the percentage of those workers who received no wages, only partial wages, or all wages owed by employers.</p>	<p>Downloaded data from the LCO case management system showing cases referred to the Enforcement Unit between January 2018 and November 2023. Analyzed the data to determine the percentage of cases in which the workers received no wages, only partial wages, or all wages owed by employers.</p>
<p>7 Assess the reasons why workers cannot collect wages owed to them after a judgment and determine whether the LCO can improve the resources available to workers seeking to recover those wages.</p>	<ul style="list-style-type: none"> • Interviewed Enforcement Unit staff and reviewed policies and procedures to determine the process for collecting judgments. • Judgmentally selected 50 cases closed by the Adjudication Unit on or after January 1, 2018, that were referred to the Enforcement Unit, including cases with no collection, cases with complete collection, and cases with some payments collected. Reviewed these cases to determine the methods employed by the Enforcement Unit to attempt to collect payment. • Interviewed Enforcement Unit staff and reviewed data on staffing levels in the Enforcement Unit to determine whether staffing affected collection.

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<p>8 Determine the extent of the LCO's authority to compel employers to pay owed wages after a judgment. Determine how the LCO uses its authority and whether the State may improve on that authority.</p>	<ul style="list-style-type: none"> • Interviewed Enforcement Unit management and legal staff to determine the LCO's existing legal authority to collect judgments. • As part of our review for Objective 7 of 50 judgments referred to the Enforcement Unit, identified successful enforcement methods and interviewed Enforcement Unit staff to determine whether some methods could be expanded. Also identified barriers to enforcement and interviewed staff to determine whether additional authority could remove these barriers.
<p>9 Review and assess any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> • Interviewed Human Resources staff at DIR and the LCO and reviewed recruitment documentation to determine how DIR and the LCO process recruitments for open positions. • Obtained data from the LCO showing recruitments for positions from October 2020 through December 2023. Using these data, selected 13 recruitments for further review. Specifically, three open recruitments, five completed recruitments, and five canceled recruitments. Reviewed records for each recruitment to determine how long each recruitment took and the reasons for the success or failure of each recruitment. Interviewed DIR and LCO Human Resources staff to determine the cause for delays in the recruitment process. • Using the data described above, calculated the number of canceled recruitments from October 2020 through December 2023.

Source: Audit workpapers.