

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Kelly Shirk, Director, Human Resources Division

Date: May 4, 2012

From: Christine L. Cohen

Subject: **ACTING DEPARTMENT HEAD ASSIGNMENT PAY AUTHORIZATION ISSUES ARISING FROM THE AUDITS OF CHANGE IN DEPARTMENT HEAD FOR THE COUNTY CLERK AND RECORDER AND THE TREASURER-TAX COLLECTOR**

We have completed limited audit procedures applied to the County Executive Office-Human Resources Division ("CEO-HR") to address acting department head assignment pay authorization issues that were noted during our audits of the change in department head for the County Clerk and Recorder ("CCR") and the Treasurer-Tax Collector ("TTC"). The results of our limited audit procedures are summarized below.

BACKGROUND

The CEO-HR is responsible for administering the County's system of employee classification and compensation. Compensation for County management employees is controlled by the Management, Confidential Clerical and Other Unrepresented Employees Resolution ("Management Resolution"). Section 407 of the Management Resolution sets forth the guidelines for acting department head assignment pay. Upon designation by the CEO, acting department heads may receive acting department head assignment pay of up to 10 percent above the maximum of the employee's current salary range. Management Resolution Section 407 became effective on December 27, 2009.

SCOPE

Although the overall objective of our audits was to determine whether appropriate actions had been taken to transfer accountability and administrative functions from the preceding to the succeeding department heads, we noted certain matters that pertained to the CEO-HR. As a result, additional limited audit procedures were necessary to address the issues noted below. The additional procedures included reviews of certain acting department head assignment pay authorization procedures and discussion with CEO-HR staff. Our limited procedures did not constitute an audit of the CEO-HR's acting department head assignment pay authorization process.

The audits of the change in department head for the CCR and TTC were performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. For our CCR change in department head audit, we used documents and records for the period March 2007 through November 2011. For our TTC audit, we used documents and records for the period August 2002 through October 2011.

FINDINGS

During our audits of the change in department head for the CCR and the TTC, we noted areas that needed to be addressed by the CEO-HR, specifically regarding acting department head assignment pay. The lack of formal processes to properly designate an acting department head and timely revoke acting department head assignment pay resulted in employee overpayments exceeding \$16,000 with potential effects on retirement compensation. Following are details of the areas where improvements were needed. CEO-HR management initiated corrective action as noted.

1. **CEO Designation for the Assistant CCR.** Documentation did not support that the CEO formally designated the Assistant CCR as acting department head to establish the authority for the acting department head assignment pay. The Personnel Action Form was approved by the prior HR Director to begin the acting department head assignment pay on January 10, 2010, and stated that the personnel action was "per the CEO". However, the form was not signed by the prior CEO nor did formal written designation by the prior CEO exist to support that the assignment pay was expressly permitted.

Management Action. CEO-HR management stated: "The Human Resources Division of the CEO's office has created a form (please see Exhibit) specifically for the granting and tracking of Acting Department Head pay to be utilized by the County Executive Officer. This form will be effective immediately and will create a written record of the CEO granting the incentive. It can also be used to identify an end date. Additionally, we have created a tracking spreadsheet to identify those receiving pay to provide better controls. Those receiving the pay are verified each pay period. A sample form is attached to this report. This formalized process will help to eliminate any confusion regarding Acting Department Head Pay and preclude this from occurring again. Our goal is to tighten procedures and more effectively track this incentive pay."

2. **Assignment Pay Time Period.** The CEO-HR had not taken sufficient action to ensure timely revocation of acting department head assignment pay for the Assistant CCR and the Assistant TTC. Details for each position are provided below.

- A. **Assistant CCR.** Although the newly elected CCR took office on July 27, 2010, the acting department head assignment pay for the Assistant CCR continued until June 12, 2011. The Assistant CCR was delegated by the CEO all the duties and responsibilities of the CCR upon the retirement of the prior CCR on January 4, 2009. Management Resolution Section 407 allowing acting department head assignment pay went into effect in December 2009, and the Assistant CCR began receiving the acting department head assignment pay on January 10, 2010. Although the intent of the CEO-HR by extending the assignment pay was to effectively retroactively compensate the Assistant CCR back to January 2009, retroactive application was not allowed by the Management Resolution. Therefore, the Assistant CCR received over 10 months of acting department head assignment pay amounting to over \$11,000 that was not appropriate.

Management Action. CEO-HR management stated: "Disagree in part. The language in the Management Resolution Article 4, Section 407 does not specifically identify the length of time that the incentive should be effective. Clarification will be made in upcoming language changes to the

Management Resolution. It is our understanding the prior CEO elected to continue to compensate the employee for an extended period to allow for the period of time in which they did not receive the compensation. This approval was done verbally from Marty Robinson to John Nicoll. HR will utilize the new form to assist in tracking this specialized pay."

Auditor's Comment. We have noted in the CEO-HR's response that management does not address the concern of repayment. However, we were informed by CEO-HR management that the matter is currently being reviewed by County Counsel.

- B. **Assistant TTC.** Although the Assistant TTC's designation as acting department head had expired upon the newly elected TTC taking office on January 3, 2011, the acting department head assignment pay continued until June 12, 2011. A memorandum from the prior CEO to the prior HR Director specifically stated that the assignment pay will continue only until such time as a new TTC takes office. As a result, the Assistant TTC received approximately 5 months of acting department head assignment pay amounting to over \$5,000 that was not appropriate.

Management Action. CEO-HR management stated: "As indicated above, a new tracking system has been created to better define and track employees that are receiving the Acting Department Head pay."

Auditor's Comment. We have noted in the CEO-HR's response that management does not address the concern of repayment. However, we were informed by CEO-HR management that the matter is currently being reviewed by County Counsel.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions were responsive to the findings. Although management stated that corrective actions have been completed as of the date of this report, we have noted that the matter of repayment is currently under review.

We appreciate the cooperation and assistance extended by you and your staff during our performance of these limited audit procedures.

Exhibit

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors
Honorable Peter C. Foy, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable Mark A. Lunn, County Clerk and Recorder
Honorable Steven Hintz, Treasurer-Tax Collector
Michael Powers, County Executive Officer

ACTING DEPARTMENT HEAD PAY

Department Name: _____

Employee Name: _____

Employee ID #: _____ Employee Current Class: _____

Amount of Incentive: _____% (up to 10% above current class top step)

Effective Date: _____

- End Date: _____ (if known)
- Date Department Head is Appointed
- 2 Pay Periods Following Department Head Appointment
- Other

Notes:

Approval: _____

Recommendation: _____

Director – Human Resources

Mike Powers
County Executive Officer