

SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

329



FROM: County Auditor-Controller

SUBMITTAL DATE:  
January 18, 2011

SUBJECT: Internal Audit Report: 2010-009: Department of Mental Health, Overtime Usage.

RECOMMENDED MOTION: Receive and file Internal Audit Report: 2010-009: Department of Mental Health, Overtime Usage.

BACKGROUND: The Auditor-Controller has completed an audit of the Department of Mental Health's overtime usage. The audit objective was to independently assess the adequacy of internal controls over overtime usage. We conducted the audit during the period March 31, 2010, through July 20, 2010, for operations of January 1, 2007, to December 31, 2009.

Based upon the results of the audit, overtime hours were properly paid. However, we identified improvements for the internal controls over overtime usage.  
(Continued)

*Paul Angulo*

Paul Angulo, CPA, MA  
County Auditor-Controller

FINANCIAL  
DATA

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30 ☐

Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

*Karen L. Johnson*  
Karen L. Johnson

County Executive Office Signature

Dep't Recomm.: ☐ Policy  
Per Exec. Ofc.: ☐ Policy

☒ Consent  
☒ Consent

Dep't Recomm.:  
Per Exec. Ofc.:

Prev. Agn. Ref.:

District: All

Agenda Number:

2.3

**BACKGROUND continued:**

We also identified improvements for the monitoring of per diem employees which was discussed in a separate meeting with the Human Resources Department in May 2010. The Human Resources Department took immediate corrective action to address the improvements noted.

We will follow-up with the department in one year to determine if actions were taken to correct the finding noted.



# **County of Riverside**

## **INTERNAL AUDIT REPORT**

**2010-009**

### **Department of Mental Health**

#### **Overtime Usage**

**November 29, 2010**

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER**

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4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



**COUNTY OF RIVERSIDE  
AUDITOR-CONTROLLER**  
Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER

November 29, 2010

Mr. Jerry Wengerd, Director  
Mental Health Department  
4095 County Circle Drive  
Riverside, CA 92513

**Subject: Internal Audit Report 2010-009: Department of Mental Health, Overtime Usage**

Dear Mr. Wengerd:

The Internal Audit Division of the Auditor-Controller's Office has completed an audit of the Department of Mental Health's overtime usage. The audit objective was to independently assess the adequacy of internal controls over overtime usage. We conducted the audit during the period March 31, 2010, through July 20, 2010, for operations of January 1, 2007, to December 31, 2009.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to evaluate the internal controls.

Based upon the results of our audit, overtime hours were properly paid. However, we identified improvements for the internal controls over overtime usage. We also identified improvements for the monitoring of per diem employees which was discussed in a separate meeting with the Human Resources Department in May 2010. The Human Resources Department took immediate corrective action to address the improvements noted.

During the course of our audit, we met with management and staff of the Department of Mental Health to discuss the results of the audit.

We thank the Department of Mental Health management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Robert E. Byrd, CGFM  
County Auditor-Controller

A handwritten signature in black ink that reads "Melissa S. Bender". The signature is written in a cursive style with a large, stylized "M" and "B".

By: Melissa S. Bender, CIA  
Audit Manager

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## **Executive Summary**

### **Overview**

The federal Fair Labor Standards Act (FLSA) was first enacted in 1938 to establish minimum wage, overtime pay, record keeping and child labor standards for full and part-time employees working in the private sector as well as federal, state and local governments. The act establishes criteria to determine whether an employee is considered an exempt or non-exempt employee. The act stipulates that all non-exempt employees be paid overtime when they work more than 40 hours in a week at a rate not less than one and a half times their regular rate of pay.

The county's policy towards overtime is based upon the classification (exempt or non-exempt) of each individual position and establishes different overtime rates for all eligible positions. Department of Mental Health Policy 326 (Employee Attendance) was instituted to guide the use of overtime.

### **Audit Objective**

Our primary audit objective was to evaluate the internal controls over the department's overtime usage. Specifically, to determine if the internal controls were adequate and effective to ensure: overtime hours were properly justified by supporting documentation, department management properly reviews and authorizes overtime usage and scheduling and staffing were evaluated to determine the need for overtime.

### **Audit Highlights**

We identified improvements for the internal controls over overtime usage; as a result, we were unable to verify if staff worked the overtime hours paid. Specifically, 29 (50%) of 58 pay periods tested did not have the reason and justification documentation to support the overtime hours recorded by the employee and 15 (50%) of the 30 pay periods tested with 16 or more hours of overtime did not have department head approval as required by the department's policy.

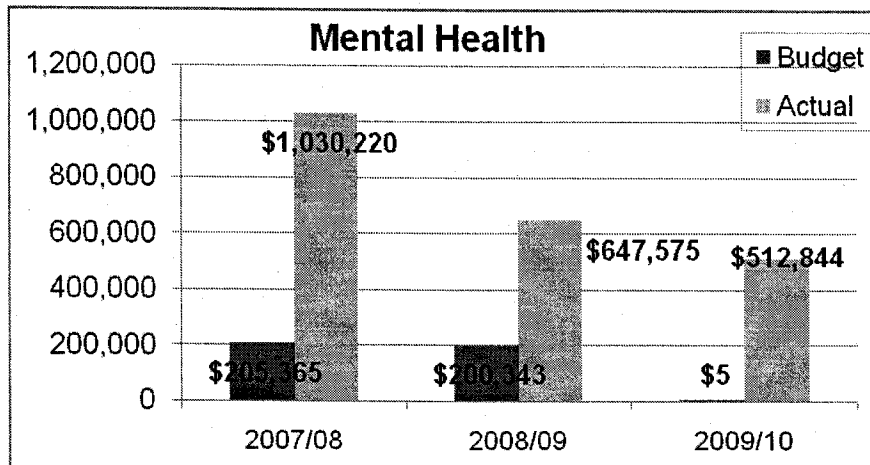
### **Audit Conclusion**

Based upon the results of our audit, overtime hours were properly paid. However, we identified improvements for the internal controls over overtime usage.

## Overtime Usage

### Background

The Department of Mental Health spent \$1,030,220, \$657,575 and \$512,844 on overtime during fiscal years 2007/08 through 2009/10. Actual overtime exceeded budgeted overtime by \$825,855, \$447,232 and \$512,839 respectively during those periods.



### Objective

Our primary audit objective was to evaluate the internal controls over the department's overtime usage. Specifically, to determine if the internal controls were adequate and effective to ensure: overtime hours were properly justified by supporting documentation, department management properly reviews and authorizes overtime usage and scheduling and staffing were evaluated to determine the need for overtime.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, and applicable policies and procedures;
- Compared budget vs. actual overtime usage;
- Performed analysis to identify divisions with excessive overtime hours;
- Evaluated scheduling as a contributing factor to the overtime usage;
- Compared the cost of overtime to the cost of new positions including benefits;
- Reviewed the FLSA classification of each position in the audit sample;

- Identified the overtime rate for each position in the audit sample;
- Performed detailed testing of a sample of employees whose overtime hours exceed 208 hours in any year and performed detailed testing to ensure: overtime hours were accurately recorded and calculated, hours were justified by supporting documentation such as log records or badge access readers, overtime hours were properly paid, and overtime hours were approved by management.

## **Results**

Based upon the results of our audit, overtime hours were properly paid. However, internal controls over overtime usage were not adequate and effective.

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### **Finding 1**

We identified improvements for the internal controls over overtime usage; as a result, we were unable to verify if staff worked the overtime hours paid. Specifically, 29 (50%) of 58 pay periods tested did not have the reason and justification documentation to support the overtime hours recorded by the employee and 15 (50%) of the 30 pay periods tested with 16 or more hours of overtime did not have department head approval as required by the department's policy.

### **Management's Response**

"Concur. While each employee's timecard with overtime worked was approved by their direct supervisor, the Department concurs that internal controls would be improved if the reason for the overtime was documented in the system and overtime in excess of 16 hours had department head approval."

### **Recommendation 1.1**

Update department's policy regarding justifications and reasonableness of overtime usage.

### **Management's Response**

"Concur. The Department concurs with the recommendation and will update its policy."

### **Recommendation 1.2**

Ensure the overtime justification and reason codes are documented in the department's timekeeping system.

**Management's Response**

"Concur. The Department concurs with this finding and has reminded staff of this requirement."

**Recommendation 1.3**

Require all supervisors to review the justification and reason codes prior to overtime approval.

**Management's Response**

"Concur. The Department concurs with this finding and has reminded staff of this requirement."

**Recommendation 1.4**

Obtain department head approval for all pay periods in which overtime hours exceeds 16 hours.

**Management's Response**

"Concur. The Department concurs with this finding and has reminded staff of this requirement."

**Recommendation 1.5**

Maintain all supporting documentation regarding overtime justifications within the county's records retention policies.

**Management's Response**

"Concur. The Department had two programs close and one program relocate which contributed to the Department being unable to locate all of the documents requested. The Department understands the importance of maintaining records in accordance with the county's records retention policies."



## RIVERSIDE COUNTY DEPARTMENT OF MENTAL HEALTH

*Jerry A. Wengerd, Director*

DATE: October 26, 2010  
TO: Auditor-Controller's Office  
Audits and Specialized Accounting Division  
FROM: Jerry Wengerd, Director  
Department of Mental Health *Jerry Wengerd*  
SUBJECT: Reply to Draft Audit Report 2010-009: DMH, Overtime Usage

### Finding 1:

We identified improvements for the internal controls over overtime usage; as a result, we were unable to verify if staff worked the overtime hours paid. Specifically, 29 (50%) of 58 pay periods tested did not have the reason and justification documentation to support the overtime hours recorded by the employee and 15 (50%) of the 30 pay periods tested with 16 or more hours of overtime did not have department head approval as required by the department's policy.

**Management position concerning the finding: Concur**

### Comments:

While each employee's timecard with overtime worked was approved by their direct supervisor, the Department concurs that internal controls would be improved if the reason for the overtime was documented in the system and overtime in excess of 16 hours had department head approval.

### Recommendation 1.1:

Update department's policy regarding justifications and reasonableness of overtime usage.

**Management position concerning the recommendation: Concur**

### Comments:

The Department concurs with the recommendation and will update its policy.

**Recommendation 1.2:**

Ensure the overtime justification and reason codes are documented in the department's timekeeping system.

**Management position concerning the recommendation:** Concur

**Comments:**

The Department concurs with this finding and has reminded staff of this requirement.

**Recommendation 1.3:**

Require all supervisors to review the justification and reason codes prior to overtime approval.

**Management position concerning the recommendation:** Concur

**Comments:**

The Department concurs with this finding and has reminded staff of this requirement.

**Recommendation 1.4:**

Obtain department head approval for all pay periods in which overtime hours exceeds 16 hours.

**Management position concerning the recommendation:** Concur

**Comments:**

The Department concurs with this finding and has reminded staff of this requirement.

**Recommendation 1.5:**

Maintain all supporting documentation regarding overtime justifications within the county's records retention policies.

**Management position concerning the recommendation:** Concur

**Comments:**

The Department had two programs close and one program relocate which contributed to the Department being unable to locate all of the documents requested. The Department understands the importance of maintaining records in accordance with the county's records retention policies.