



Health Services
LOS ANGELES COUNTY

POLICIES AND PROCEDURES

SUBJECT: ADMINISTRATIVE PROCEDURE: PAYROLL PAYOFF AUDIT

POLICY NO: 621

PURPOSE:

To ensure the Department adheres to County Fiscal Manual guidelines and to delineate responsibility for payroll payoff audits.

POLICY:

Per the **County Fiscal Manual, Section 3.1.11, Warrant Distribution Controls**, Payroll Payoff Audits are to be conducted, as stated:

Payroll distribution payoffs should be conducted on an unannounced basis at least once every 12 months by personnel with no other payroll or personnel responsibilities to ensure that all employees receiving warrants or notices of direct deposits are bona fide. (A payoff is a process whereby warrants/notices are released to employees only after each employee has shown proper identification and has signed for the warrant/notice.)

It is Department of Health Services' policy to adhere to all County Code and Fiscal Manual guidelines and standards. It is the Department's expectation that all DHS facilities and programs cooperate with and respond to all audit processes in accordance with County guidelines.

Each Facility shall designate a Facility Payroll Payoff Audit Coordinator responsible for coordinating audit activities within their respective Facility. Each Facility shall also designate one or more representative employees to act as auditors to conduct audits of pay locations within their Facility.

GUIDE:

Unclaimed warrants and notices of direct deposit (NDD) are prime indicators of possible payroll irregularities. Individuals involved with the payroll audit must not have any other personnel or payroll responsibilities. Investigations of unclaimed warrants/NDD must be conducted by someone who does not work in the payroll or personnel areas and is knowledgeable about personnel and payroll functions. In accordance with the County Fiscal Manual, Section 3.1, payroll audits will be performed as outlined below. The audit will include all DHS employees, as per the Board mandate of 100% compliance of all County Departments.

APPROVED BY:
REVIEW
DATES:

EFFECTIVE DATE: September 1, 2010

SUPERSEDES:

DEPARTMENT OF HEALTH SERVICES COUNTY OF LOS ANGELES

SUBJECT: ADMINISTRATIVE PROCEDURE: PAYROLL PAYOFF AUDIT

POLICY NO.: 621

PROCEDURE:

A. Days Prior to Audit:

1. Facility Payroll Payoff Audit Coordinators will develop an audit schedule that includes the dates each pay location will be audited during the fiscal year. [Note: Employee W-2s are distributed annually in late January; this provides an added opportunity for broader distribution warrants/NDD.]
2. Facility Payroll Payoff Audit Coordinators must notify the appropriate DHS Human Resources (HR) – Payroll Manager in writing, at least 3 business days in advance, that an audit will be conducted. The notice shall list the names of the auditors, by pay location, who will pick up the warrant bags (Attachment A). This will allow enough time for Payroll to prepare the warrants/NDD for the auditors. It will also serve as notice to the Payroll staff to only release the warrant bag to the auditors on the audit date.
3. Facility Payroll Payoff Audit Coordinators must contact the Facility auditors at least one week in advance to make them aware of the pay location(s) they are responsible to audit. The facility Auditors will prepare the Notification Letter (Attachment B) to the pay location(s) supervisor(s). **The Facility Payroll Payoff Audit Coordinator must ensure the auditor does not audit his own pay location.**
4. Auditors will prepare Payroll Payoff Audit Notification letters for the Supervisor of the Pay Location (P/L) being audited (Attachment B). The letters are held for distribution on the date of audit.

B. Day of Audit (Payday):

I. **ARRIVAL AT DHS HR PAYROLL OFFICE**

- A. Auditors must obtain the warrant bag no later than 8:00 a.m. from Payroll by presenting proper identification (i.e., County badge or California Driver's License). The warrant bag will contain the Warrants/NDD to be distributed, the Warrant/NDD Distribution Register, and the Timecards and handouts, if applicable.
- B. Verify warrants for distribution:
 1. Auditors must count the number of warrants/NDD to be distributed for the P/L, and compare it to the number indicated on the Warrant/NDD Distribution Register.
 2. Auditors must verify a warrant/NDD is included for distribution for each name on the Warrant/NDD Distribution Register. If a warrant/NDD is not included, inform the appropriate Payroll Supervisor, and note the reason why the warrant was not included next to employee's name. (Note: Employees listed as "000000" means that the employee was not issued a warrant this pay period.)

EFFECTIVE

DATE: September 1, 2010

SUPERSEDES:

PAGE 2 OF 5

DEPARTMENT OF HEALTH SERVICES COUNTY OF LOS ANGELES

SUBJECT: ADMINISTRATIVE PROCEDURE: PAYROLL PAYOFF AUDIT

POLICY NO.: 621

3. Auditors must sign for receipt of the warrant bag, after reconciling the number of warrants/NDD with the Warrant/NDD Distribution Register.

II. **ARRIVAL AT THE DESIGNATED PAY LOCATION**

- A. Auditors will request to speak to the P/L Supervisor being audited upon arrival at the P/L. Auditors will present their County Badge as identification.
- B. Auditors will present the Payroll Payoff Audit Notification letter(s) (Attachment B) to the P/L Supervisor.
- C. Auditors will ask the P/L Supervisor to designate a location to distribute the warrants/NDD to employees. **Only the auditor will distribute the warrants/NDD.** Auditors will ensure that every possible effort is made to distribute warrants (i.e., live checks) to employees. **(NOTE: Auditors will not audit their own P/L.)**

III. **DISTRIBUTION OF WARRANTS/NDD AT PAY LOCATION**

A. **Day of Audit (Payday):**

1. Auditors will obtain photo identification (i.e., County Badge or California Driver's License) to verify that the employee claiming the warrant/NDD is the employee named to receive it. Under no circumstances should employees be permitted to sign for another employee's warrant/NDD. This procedure is necessary to ensure that there are no fictitious or terminated employees receiving County pay.
2. Auditors will obtain signature of employee on the Warrant/NDD Distribution Register.
3. Auditors will distribute warrants/NDD for approximately 3 hours (i.e., 9 a.m. – 12 p.m.).

B. **At the end of the audit period:**

1. For unclaimed warrants/NDD, Auditor must ask the P/L Supervisor why the employee(s) has not claimed their warrant(s)/NDD, and when the employee(s) will be available.
 - a. After the 3 hour distribution period, Auditor will advise the P/L Supervisor that unclaimed warrants/NDD can be collected at the office of the Facility Payroll Payoff Audit Coordinator. Request immediate employee pick-up.
 - b. For employees on an Authorized Leave of Absence, the Auditors must indicate the appropriate type of leave (i.e., Family Medical Leave (FMLA), Long-Term Leave (LTL), or Disciplinary Leave) on the "Unclaimed Warrant/NDD" form (Attachment D).

EFFECTIVE

DATE: September 1, 2010

SUPERSEDES:

PAGE 3 OF 5

DEPARTMENT OF HEALTH SERVICES COUNTY OF LOS ANGELES

SUBJECT: ADMINISTRATIVE PROCEDURE: PAYROLL PAYOFF AUDIT

POLICY NO.: 621

2. For unclaimed warrants/NDD at the completion of the audit period, the Auditor must complete the "Unclaimed Warrant/NDD" form (Attachment D). NOTE: Timecards and handouts are to be left with the P/L Warrant Distributor.
 - a. The Auditor signs on the "Returned By" line and the Facility Payroll Payoff Audit Coordinator signs on the "Received By" line of the "Unclaimed Warrants/NDD" form (Attachment D).
 - b. Auditors will make copies of the "Unclaimed Warrants/NDD" form (Attachment D) and the signed Warrant/NDD Distribution Register.
 - c. Auditors will return the warrant bag, the original signed Warrant/NDD Distribution Register, and a copy of the completed "Unclaimed Warrants/NDD" form (Attachment D) to the Payroll Office.
 - d. Auditors will return the unclaimed warrants/NDD, a copy of the signed Warrant/NDD Distribution Register, and the original completed "Unclaimed Warrants/NDD" form (Attachment D) to the Facility Payroll Payoff Audit Coordinator.
 - e. The Facility Payroll Payoff Audit Coordinator must reconcile the unclaimed warrants/NDD with the Warrant/NDD Distribution Register (i.e., the number of unclaimed warrants/NDD and the signatures on the Warrant/NDD Distribution Register should equal the total number of warrants/NDD for the P/L).

C. Days After Audit:

- I. To track unclaimed NDD, each Facility Payroll Payoff Audit Coordinator will have employees sign and date the "Unclaimed Warrant/NDD" form (Attachment D), when they claim their warrant/NDD.
 - A. For employees on an Authorized Leave of Absence, each Facility Payroll Payoff Audit Coordinator will e-mail the appropriate DHS-HR Division to confirm if an employee is on an Authorized Leave of Absence. Once confirmed, the unclaimed NDDs for these employees are to be returned to their P/L to be distributed as usual. The Facility Payroll Payoff Audit Coordinator will print a copy of this e-mail confirmation to keep as documentation. DHS Human Resources will designate a contact from the DHS HR FMLA Unit, Leave Management Unit, and Performance Leave Unit to verify employee leave status.
 - B. The Facility Payroll Payoff Audit Coordinator will e-mail the P/L Supervisor, once a week for 3 consecutive weeks, to indicate which employees still have an unclaimed NDD. The P/L Supervisor will instruct employees with unclaimed NDD to claim them immediately.
 1. After 20 calendar days, the P/L Supervisor will complete an "Employee Validation Form" (Attachment C) for each employee with an unclaimed warrant/NDD. These forms must be signed by the employee's immediate supervisor and their supervisor's supervisor. **NOTE: Do Not Use the "Employee Validation Form" for employees on an authorized Leave of Absence.**

EFFECTIVE

DATE: September 1, 2010

SUPERSEDES:

PAGE 4 OF 5

DEPARTMENT OF HEALTH SERVICES COUNTY OF LOS ANGELES

SUBJECT: ADMINISTRATIVE PROCEDURE: PAYROLL PAYOFF AUDIT

POLICY NO.: 621

2. The P/L Supervisor must send completed forms to the Facility Payroll Payoff Audit Coordinator within five business days after the third notice.
- C. Each Facility Payroll Payoff Audit Coordinator will update the DHS Payroll Payoff Audit Coordinator, once a month, with the most recent numbers of claimed warrants/NDD by P/L. The investigation and release of unclaimed warrants/NDD should be completed within 20 calendar days of the warrant's issue date (per County Fiscal Manual, Section 3.1.13). A list of employees with unclaimed warrants/NDD will be forwarded to DHS Audit and Compliance.
- D. Each Facility Payroll Payoff Audit Coordinator will store unclaimed warrants/NDD in a safe or double-locked file cabinet. These will be filed by month and kept for one year (per County Fiscal Manual, Section 3.1.13).
 1. For unclaimed NDD older than 1 year: The unclaimed NDD from the prior year may be shredded (per County Fiscal Manual, Section 3.1.13).
 2. For unclaimed warrants (i.e., live checks) older than 20 calendar days: return to the Countywide Payroll Division. If a final determination to void a warrant is made sooner, the voided warrant should be returned immediately (per County Fiscal Manual, 3.1.12.2, Voiding Warrants).

IV. PAYROLL PAYOFF AUDIT REPORT PREPARATION

- A. After 30 calendar days from the audit date, each Facility Payroll Payoff Audit Coordinator will generate and send a Payroll Payoff Audit Report Letter (Attachment E) to each Supervisor whose Pay Location was audited.
- B. The DHS Payroll Payoff Audit Coordinator will report the Payroll Payoff Audit results to DHS Management, who will inform the CEO, Los Angeles County.

AUTHORITY:

Los Angeles County Fiscal Manual

**EFFECTIVE
DATE:**

September 1, 2010

SUPERSEDES:

PAGE 5 OF 5