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Controller Releases Payroll Audits For Two State Agencies

Finds Problems with Payroll Resulting in Improper Payments

SACRAMENTO – State Controller John Chiang today released the results of his audits of the payroll processes and practices of California State Prison – Sacramento (CSP-Sacramento) and the California Department of State Hospitals - Patton (DSH – Patton). Both audits found payroll management practices at the two agencies to lack fundamental internal controls which resulted in improper employee compensation. The audits covered a three-year period, from July 1, 2010, through June 30, 2013.

"The 2012 Department of Parks and Recreation scandal demonstrated how lax oversight in managing payroll invites malfeasance at the expense of taxpayers," said Chiang. "Regrettably, we've identified two additional state agencies that have related internal control problems causing employees to be overpaid."

The Controller's review found that [DSH-Patton](#):

- 1 Lacked adequate segregation of duties within its payroll transactions unit and had poor oversight of the unit, which contributed to two fraud cases previously uncovered by DSH-Patton that resulted in more than \$900,000 in false payments.
- 1 Misstated the leave balances for 25 of the 98 employees reviewed resulting in a net total overstatement of approximately \$27,834.
- 1 Did not adhere to its existing policies and procedures related to attendance reporting.
- 1 Did not adhere to its existing policies and procedures regarding out of class compensation.

The Controller's review found that [CSP-Sacramento](#):

- 1 Inappropriately bought back approximately \$40,574 in vacation and personal leave credits from 10 employees, in violation of collective bargaining agreements and state law, or without authorization from the California Department of Human Resources (CalHR).
- 1 Made improper payments for institutional worker supervision pay (IWSP) totaling approximately \$64,635 to employees who did not fulfill the requirements to receive the pay under collective bargaining agreements and state policy.
- 1 Made improper payments for uniform allowance totaling \$2,960 to 6 of the 35 employees reviewed.
- 1 Paid approximately \$11,142 for other types of premium pay to 6 of the 15 employees reviewed who lacked proper documentation or were not eligible to receive pay.
- 1 Misstated the holiday credits for 10 of the 19 employees reviewed, resulting in overstatement in leave balances of approximately \$6,402.

CSP-Sacramento has indicated they are working on setting up accounts receivables where appropriate for the above findings.

In 2012, multiple investigations of the California Department of Parks and Recreation, including by Controller Chiang, exposed gross mismanagement and poor oversight allowing, among other improprieties, an unlawful vacation buy-back program and miscalculations of various forms of employee compensation.

In 2013, Controller Chiang successfully worked with Governor Brown and the Legislature to resurrect a defunct program that existed during the 1980s aimed at auditing state agencies to ensure compliance with all state laws and protect the state's payroll from waste, fraud, and abuse. These are the first two of 14 payroll audits that will be completed this year.

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