

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**SOME INSTITUTIONS WITHIN THE CALIFORNIA
DEPARTMENT OF CORRECTIONS NEED TO IMPROVE
THEIR DISABILITY PAYROLL PROCEDURES**

**Some Institutions Within the California
Department of Corrections Need To Improve
Their Disability Payroll Procedures**

F-059, August 1991

**Office of the Auditor General
California**



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August 29, 1991

F-059

Honorable Robert J. Campbell, Chairman
Members, Joint Legislative Audit Committee
State Capitol, Room 2163
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the California Department of Correction's need to improve its controls over the processing and payment of disability claims. The report also discusses the department's need to improve its system for establishing and collecting disability accounts receivable.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kurt R. Sjoberg".

KURTR.SJOBERG
Auditor General (acting)

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Summary

Results in Brief

We reviewed the system for processing disability claims at the California Institution for Men, the California Institution for Women, and the California Rehabilitation Center, which are administered by the California Department of Corrections. During our review at these three institutions, we found that management is appropriately notifying employees of their right to receive disability benefits. However, our review of the institutions' procedures for processing employee disability claims disclosed that the institutions do not always comply with applicable state laws and regulations. The institutions also do not always comply with provisions of the collective bargaining agreement with employees who are in Bargaining Unit 6, nor do they always follow their own policies related to the establishment and collection of accounts receivable from employees on disability leave. During our review of the institutions, we noted the following specific conditions:

- The institutions do not always ensure that workers' compensation claims are promptly submitted to the State Compensation Insurance Fund;
- The institutions need to improve their procedures for informing injured employees of the benefit options available;
- The institutions do not always promptly submit pay requests for approved disability claims to the State Controller's Office; and

- The institutions need to improve their controls over establishing and collecting employee accounts receivable.

Background The California Institution for Men (CIM), the California Institution for Women (CIW), and the California Rehabilitation Center (CRC) comprise 3 of the 19 adult correctional facilities in California.

Because they are employed by the State of California, employees at the institutions are eligible to receive compensation for work- and nonwork-related injuries. The State Compensation Insurance Fund provides compensation for work-related injuries, and the Employment Development Department provides compensation for nonwork-related injuries.

Workers' Compensation Claims Are Submitted Late The institutions do not always submit workers' compensation claim forms to the State Compensation Insurance Fund (SCIF) within the required time. In our review of workers' compensation cases, approximately 67 percent of the claim forms were submitted late. For example, at the CIM, 21 of the 27 claim forms were submitted late. Until the SCIF has approved their claims, employees can not begin receiving benefits. Thus, delays in submitting the claim forms to the SCIF may result in financial hardship for the employees.

Injured Employees Are Not Informed of Their Benefit Options The institutions do not always provide information on workers' compensation benefits to injured employees as required. In our review of workers' compensation cases, the institutions did not provide the benefit information to employees in approximately 71 percent of the cases. When the institutions do not provide injured employees with this required information, employees may not be able to make informed choices when selecting benefit

options. Also, there is no assurance that the institutions are requesting disability pay from the State Controller's Office based on the benefit options desired by the employees. The institutions may also incur additional administrative costs when revised benefit information must be processed for employees.

**Disability Pay
Requests Are
Submitted Late**

The institutions do not always promptly submit monthly pay requests to the State Controller's Office. In our review of pay requests, the institutions submitted approximately 40 percent of the requests late. Until the State Controller's Office has received a pay request, it will not issue an employee's disability pay. Thus, these delays may cause financial hardship for the employee. Late pay requests may also result in additional administrative costs to the institutions.

**Improvement
Needed
for Establishing
and Collecting
Disability
Accounts
Receivable**

The institutions do not always comply with the collective bargaining agreement between the institutions and employees or with their own policies when collecting outstanding receivables from employees on disability leave. Receivables can accrue when an employee is overpaid or receives a salary advance that exceeds the salary due to the employee. In our review of 33 accounts receivable, the institutions could not provide evidence that employees were given the required written notification before withholding the employees' pay in 12 instances. The institutions also could not provide evidence that employees were given a choice of how to repay outstanding receivables for 13 of the 33 receivables, as required. Finally, the CIW did not always limit the amount of employees' monthly earnings it withheld to eliminate outstanding receivables, as required by the collective bargaining agreement.

Recommendations To improve its control over processing and paying disability claims, the department should take the following actions:

- Ensure that workers' compensation claims are submitted to the SCIF within the required deadline;
- Ensure that injured employees are notified of the available benefit options within 15 days after the SCIF accepts a claim; and
- Ensure that pay requests are promptly submitted to the State Controller's Office.

To improve its system for establishing and collecting accounts receivable from employees on disability leave, the department should take the following actions:

- Inform employees, in writing, before establishing accounts receivable;
- Inform employees, in writing, of outstanding accounts receivable before deducting the receivables from the employees' pay;
- Seek an agreement with the employee on a method of repaying an account receivable; and
- Ensure that amounts withheld from an employee's pay for the collection of a receivable do not exceed the allowed amount.

Introduction

The California Department of Corrections is responsible for the administration of California's adult correctional facilities. Currently, California has 19 adult correctional facilities, including the California Institution for Men (CIM), the California Institution for Women (CIW), and the California Rehabilitation Center (CRC).

Established in 1941, the CIM is located near Chino, California. It is a four-facility complex that currently houses 6,529 inmates. The CIM has approximately 1,642 full-time employees, including 936 correctional officers. From July 1, 1988, through May 23, 1991, CIM employees filed 1,544 workers' compensation claims with the State Compensation Insurance Fund (SCIF).

Established in 1952, the CIW is located near Corona, California and houses minimum through maximum security inmates. The CIW currently has 2,658 inmates and approximately 678 employees, including 418 correctional officers. From July 1, 1988, through May 23, 1991, CIW employees filed 846 workers' compensation claims with the SCIF.

Established in 1962, the CRC is located near Norco, California. It is a medium security prison housing approximately 4,800 male and female inmates. The CRC has approximately 1,300 employees, including 750 correctional officers. From July 1, 1988, through May 23, 1991, CIW employees filed 717 workers' compensation claims with the SCIF.

The California Labor Code requires that all employers, including the State of California's departments and agencies, to furnish a complete system of workers' compensation. Such a system must provide fully for the medical, surgical, hospital, and other remedial treatment necessary to cure and relieve the effects of injuries.

Enacted by legislation in 1943 to provide workers' compensation insurance for public employees, the State Compensation Insurance Fund was designated as the insurance carrier for most departments and agencies of the State, including such institutions as the CIM, the CIW, and the CRC. The SCIF has the administrative responsibility for reviewing all workers' compensation claims and medical reports and for determining and approving benefit periods. The institutions are responsible for reporting injuries to the SCIF and for requesting benefit payments from the State Controller's Office (SCO) upon approval from the SCIF.

In addition to workers' compensation insurance, public employees are entitled to receive nonindustrial disability insurance. Established under legislation in 1976, nonindustrial disability insurance provides compensation to employees who are unable to perform their duties as a result of any injury or illness whether or not the injury or illness is job related.

The Employment Development Department is the state agency responsible for processing and approving claims for nonindustrial disability insurance. Individual employees are responsible for submitting NDI claim forms to the Employment Development Department. The institutions' responsibility is generally limited to assisting employees in completing the claim forms and requesting benefit payments from the SCO upon approval from the Employment Development Department.

**Scope and
Methodology**

The purpose of our review was to evaluate the procedures for allocating money to the three institutions' employees for industrial injury leave through workers' compensation and for nonindustrial disability leave and to assess the institutions' methods for establishing and collecting salary accounts receivable from employees on disability leave. We accomplished our objective by reviewing the institutions' procedures for processing workers' compensation and nonindustrial disability claims, their personnel and payroll transactions, and their procedures for collecting salary advances and accounts receivable.

During our review, we assessed compliance with the California Government Code, the State Administrative Manual, applicable collective bargaining agreements, the State Payroll Procedures Manual, and each institution's policies and procedures. We limited our review of the institutions' records to the period from May 1988 through April 1991.

To determine whether employees were adequately notified of their right to receive disability benefits, we examined disability brochures provided to employees and public notices displayed in each institution.

To determine whether the institutions were promptly submitting the required forms to the SCIF, we reviewed selected employees' workers' compensation files and examined the required forms received by the SCIF.

To determine whether the institutions have adequate procedures for informing injured employees of the various benefit options available under workers' compensation, we reviewed claim files for workers' compensation at each institution. Also, we examined the related personnel files to determine whether employees have been provided the information necessary to select a benefit option.

To determine whether the institutions were promptly submitting the Industrial/Nonindustrial Disability Pay Requests (pay requests) to the SCO, we compared the dates when claims were approved by the SCIF or the Employment Development Department to the dates when the institutions submitted the pay requests to the SCO.

We reviewed the pay requests submitted to the SCO to determine whether the institutions used the employees' correct pay information, the appropriate disability pay rates, and the benefit options selected by the employees.

To determine whether the institutions were properly establishing and collecting salary accounts receivable from employees, we reviewed disability claims at each institution that resulted in, or were reduced by, salary accounts receivable. We verified that the amounts of the receivables were accurate and determined whether the institutions had adhered to applicable state law, bargaining unit agreements, and their own policies when establishing the receivables and collecting the amounts from employees.

**Chapter The California Department of Corrections Needs
To Ensure That the Institutions Follow State
Procedures for Processing Disability Claims**

**Chapter
Summary** The three institutions we reviewed, the California Institution for Men (CIM), the California Institution for Women (CIW), and the California Rehabilitation Center (CRC), do not always comply with applicable state laws and regulations for processing employee disability claims. For example, we found that the institutions do not always submit workers' compensation claim forms to the State Compensation Insurance Fund (SCIF) within five days of learning of an employee's injury or death, as state regulations require. Late reporting of injuries may result in delayed employee benefits. To assist employees in selecting the proper benefits, the institutions are required to provide injured employees with information describing the available disability benefits. However, the institutions do not always provide injured employees with information regarding their choice of benefit options. The institutions also do not always promptly submit pay requests to the State Controller's Office (SCO) after a claim has been approved by the SCIF or the Employment Development Department. The pay requests are necessary to initiate employees' disability benefit payments.

We also found that the institutions do not always comply with provisions of a collective bargaining unit agreement between the State and employees, nor do they always comply with their own policies regarding the establishment and collection of accounts receivable from employees on disability leave. For example, they could not provide evidence that they inform employees, in writing, that a receivable is to be established. They also could not provide evidence that they notify employees or provide them with repayment options before they withhold a portion of the

employee's pay to eliminate the receivable. Finally, the CIW does not always limit the amount it withholds from an employee's pay to the amount specified in the bargaining unit agreement.

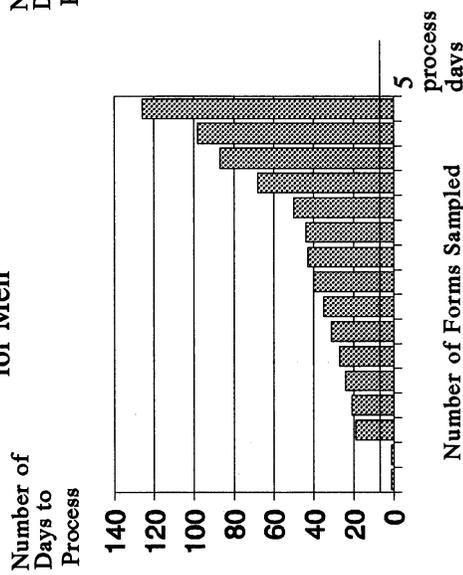
**Workers'
Compensation
Claims Are
Submitted Late**

The State Administrative Manual, Section 2581.3, requires state agencies to submit the Employer's Report of Occupational Injury or Illness (Form 3067) and the Employee's Claim for Workers' Compensation Benefits (Form 3301) to the SCIF as soon as possible but no later than five days after learning of an employee's injury or death.

However, the three institutions we reviewed do not always ensure that the forms are promptly submitted to the SCIF. We reviewed 50 workers' compensation cases at the three institutions, which required the institutions to submit Form 3067s to the SCIF. For 36 of these 50 cases, the institutions did not submit the forms within the required five days. The delays ranged from one day to 121 days. (See Figure 1 for results by institution.)

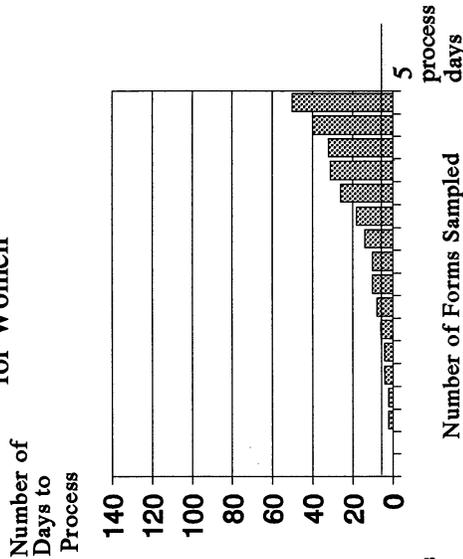
Delays in Submitting Form 3067

**California
Institution
for Men**



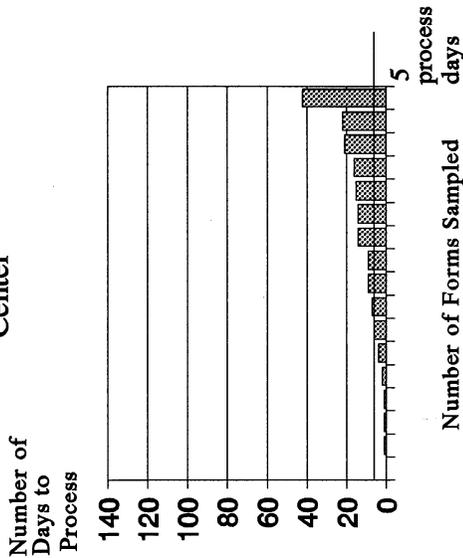
Total number late	14
Total number tested	16
Average number of days to submit	44.7

**California
Institution
for Women**



Total number late	11
Total number tested	17
Average number of days to submit	15.1

**California
Rehabilitation
Center**



Total number late	11
Total number tested	17
Average number of days to submit	10.8

Figure 1

Similarly, the three institutions do not always ensure that Form 3301s are promptly submitted. We reviewed 35 workers' compensation cases that required this form. (Form 3301 was required for injuries occurring only on or after January 1, 1990.) For 21 of the 35 cases that required Form 3301, the three institutions did not submit the form within the required five days. The delays ranged from 2 to 82 days. (See Figure 2 for results by institution.)

Delays in Submitting Form 3301

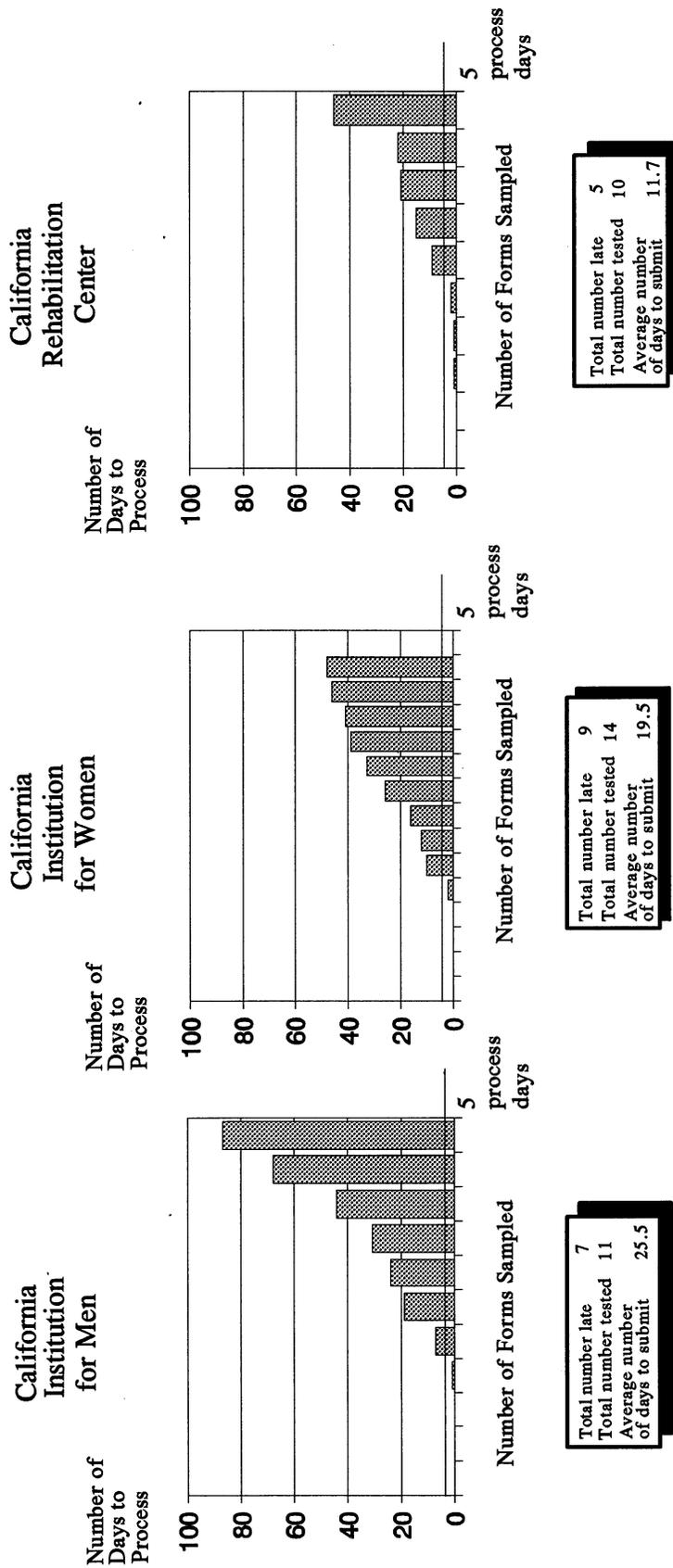


Figure 2

Before the SCIF can pay medical expenses or verify temporary disability, it must have a completed Form 3067. After the SCIF has received this form and approved the claim, it sends a form called a Temporary Disability Verification of State Employee to the institution. This form tells the institution that the SCIF has approved a claim and allows them to submit Industrial/Nonindustrial Disability Pay Requests (pay requests) to the SCO. The SCO will not issue disability payments to employees until it receives the pay requests. Therefore, delays in submitting a Form 3067 to the SCIF may result in financial hardship for the injured employee because of the subsequent delay in receiving employee benefits.

According to the CIM's and CRC's return-to-work coordinators and the CIW's personnel officer, a major cause of the delays in filing workers' compensation claims is a lack of communication between the injured employee's immediate supervisor and the health and safety office. When employees are injured on the job, they are instructed to report the injury to their supervisors. It is then the supervisors' responsibility to immediately report the injuries to the return-to-work coordinators. If the injuries are not immediately reported, the required information will not be promptly submitted to the SCIF.

**Injured
Employees Are
Not Informed
of Their Benefit
Options**

The State Administrative Manual, Section 2581.9, requires that state departmental personnel offices provide employees with the Industrial Disability Benefits Information (Form 619) and the Benefits Option Selection Sheet (Form 618) within 15 days after the date the SCIF accepts a claim. Form 618 gives employees the opportunity to select the benefit option plan they feel is best suited to them. Departments must complete the Benefit Payment Options Comparison Chart, on the reverse of Form 618, providing employees with an estimate of what their disability payments will be under each option. Form 619 briefly describes each available option and includes the amount of the benefit payment, the effect on State's health insurance contributions, and the effect on the employee's accumulation of sick leave and vacation credits.

The three institutions we reviewed do not consistently provide Form 618 or Form 619 to injured employees. Specifically, the CIM did not provide either form as required to employees for 14 of the 16 workers' compensation cases we reviewed. Also, in one of the two instances when the forms were provided, the CIM did not provide them until approximately five months after the SCIF had approved the claim. At the CIW, the employees were not provided either form, as required, for 14 of the 18 workers' compensation cases we reviewed. In one of the 4 cases when the forms were provided, they were not provided until approximately 38 days after the claim was approved. At the CRC, employees were not provided either form in 8 of the 17 workers' compensation cases we reviewed. Additionally, for 4 of the 9 cases when the forms were provided, they were not given to the employee until 18 to 224 days after the SCIF had accepted the claim.

When injured employees are not given the required benefit option information, employees may not be able to make informed choices when selecting benefit options. Also, there is no assurance that the institutions are requesting payments from the SCO based on the benefit option desired by the employee. The institutions may also incur additional administrative costs when subsequent benefit-selection forms are processed for the employee. For example, in one instance, the CIW did not provide Form 618 to an employee before submitting pay requests to the SCO. Based on the pay requests submitted, the employee was entitled to receive disability payments equivalent to two-thirds of her normal salary. However, because of a delay in the claim being approved by the SCIF, the employee had already received full payment, using her accumulated leave credits, for a pay period in which she was entitled to only two-thirds pay. In response, the CIW established a receivable to recover the difference from the employee. When the employee was notified of the receivable, she contacted the CIW personnel office and claimed that she had not been given a choice of benefit options. The CIW provided her with the required forms, and the employee elected to be paid under an alternative benefit option that entitled her to full payment and thus would eliminate the receivable. The CIW then had to submit adjusted pay requests to the SCO for the 4 months that the employee was being paid at two-thirds of her normal salary.

If the CIW had properly informed this employee of the available benefit options within the required 15 days of receiving the SCIF approval, it would not have needed to establish and subsequently reverse the employee receivable. Additionally, it would not have needed to submit revised pay requests to the SCO. A similar situation occurred for a CIM employee who was not provided either Form 618 or Form 619 within 15 days of CIM receiving SCIF approval.

According to the CIM's and CRC's personnel officers, because workers' compensation benefits are paid at an employee's full salary rate for the first 22 days, the personnel offices' policy has been to provide Forms 618 and 619 to employees only if the period of disability exceeds 22 days. However, in 17 of the instances when the forms were not provided, the period of disability was more than 22 days. Also, the three institutions' personnel officers stated that in many cases, the benefit options are discussed with employees in lieu of providing them with Forms 618 and 619. Nevertheless, the State Administrative Manual requires the institutions' personnel offices to provide these forms to injured employees.

**Disability Pay
Requests Are
Submitted Late**

After a disability claim has been approved by the SCIF or the Employment Development Department, the institutions' personnel offices must notify the SCO to place the employee on workers' compensation or nonindustrial disability leave. As a result of this transaction, a normal payroll warrant will not be generated because the employee is now on "off pay status." The personnel office must then submit a pay request to the SCO for each pay period to request the disability pay.

We reviewed the State Payroll Procedures Manual, Sections E112 and E411, to determine the information required to complete the pay requests and to determine whether the information is available to the institutions. With the exception of the period of disability being approved, the information needed to complete a pay request is available to the institutions before

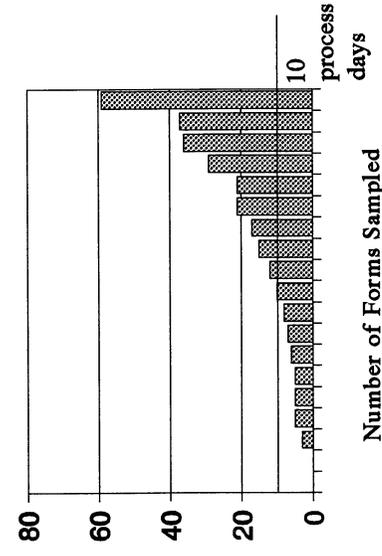
the claim is approved. The period of disability approved is noted on the approval document received from the SCIF or the Employment Development Department.

Based on our review, we believe that ten working days after the institutions have received approval of a claim is a reasonable time to complete and submit the pay request. However, we found that the institutions do not always submit the pay requests to the SCO within ten working days. We reviewed 58 pay requests for timeliness and found that the institutions did not submit 23 of the pay requests within ten working days. The delays ranged from 2 to 59 days. (See Figure 3 for results by institution.)

Delays in Processing Disability Pay Requests

**California
Institution
for Men**

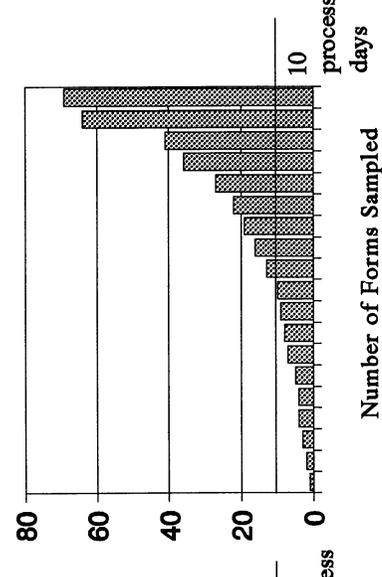
Number of
Days to
Process



Total number late	9
Total number tested	19
Average number of days to submit	15.6

**California
Institution
for Women**

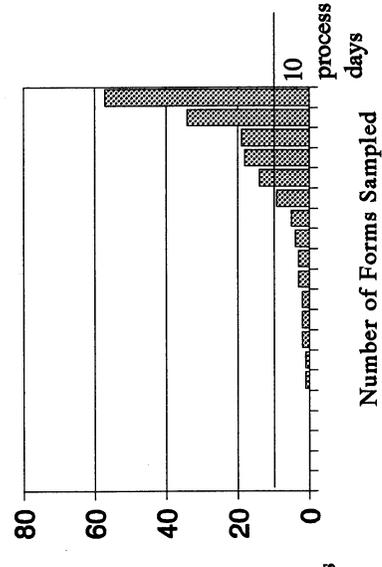
Number of
Days to
Process



Total number late	9
Total number tested	19
Average number of days to submit	18.9

**California
Rehabilitation
Center**

Number of
Days to
Process



Total number late	5
Total number tested	20
Average number of days to submit	8.7

Figure 3

Because the SCO will not issue an employee's disability payment until a pay request has been submitted, delays in submitting the required pay information to the SCO may result in financial hardship to the employee. Additionally, delays may result in added administrative costs to the institutions. For example, for one employee, the CIW did not submit a pay request to the SCO until approximately three months after it had received approval from the SCIF. In lieu of her workers' compensation pay, the CIW issued the employee salary advances each month. When the pay requests were submitted, the CIW used the SCO warrants to offset the advances. This may have caused the CIW to incur additional administrative costs. A similar situation occurred at the CIM.

According to the CIM's and CIW's personnel officers, other workload priorities may prevent the pay requests from being promptly submitted. The CRC's personnel officer stated that delays in submitting the pay requests result from delays in receiving the notification from the SCO that an employee has been taken off the normal payroll and placed on off pay status. However, when we determined delays in submitting the pay requests, we eliminated any delays caused by the SCO.

**Improvement
Needed
for Establishing
and Collecting
Disability
Accounts
Receivable**

Employee receivables can accrue when the SCO overpays an employee or when an employee receives a salary advance from the institution that exceeds the salary due to the employee. Section 16.11(b) of the Agreement Between the State Of California and California Correctional Peace Officers Association, Bargaining Unit 6 (Bargaining Unit 6 agreement), requires the institutions to give employees reasonable written notice before establishing accounts receivable.

However, the institutions could not always provide evidence that written notification was given to Bargaining Unit 6 employees on disability leave, before establishing accounts receivable. We tested 27 receivables relating to Bargaining Unit 6 employees at the three institutions. For 13 of the 27 receivables, we could not

find evidence that the employees were given prior written notification. (See the following table for results by institution.) For example, in one instance, a CIM employee who was on temporary disability was overpaid approximately \$2,900 over three months. The CIM requested the SCO to establish a receivable that the CIM would collect. After the receivable was established, the CIM withheld all or part of three temporary disability checks issued by the SCIF and two payroll warrants issued by the SCO. The funds withheld covered the period from October 1, 1990, through December 13, 1990. The CIM could not provide us with any documentation to show that it had notified the employee in writing before the receivable was established. Also, the CIM could not provide us with documentation to show that it had notified the employee that funds would be withheld to collect the receivable.

**Weakness in Establishing and Collecting
Employee Accounts Receivable**

	Receivables Tested	Number of Occurrences of Noncompliance	
		No Evidence of Written Notification Before Collection	No Evidence That Repayment Options Were Provided
CIM	15	6	7
CIW	8	2	2
CRC	10	4	4
Total	33	12	13

	Unit 6 Employee Receivables Tested	No Evidence of Written Notification Before Receivable Was Established
CIM	13	7
CIW	8	4
CRC	6	2
Total	27	13

The institutions' policy regarding the collection of employee accounts receivable is to provide written notification to all employees and give them the option of selecting a method of repayment before attempting to collect the receivables. However, based on our review, the institutions are not adhering to this policy for employees on disability leave. Specifically, for 12 of the 33 receivables we tested, the institutions could not provide evidence that employees were given written notification of the receivables before the institutions implemented collection procedures. (See the preceding table for results by institution.) Additionally, for 13 of the receivables, the institutions could not provide evidence that employees were given a choice of how to repay the amounts owed before the institutions implemented collection procedures. (See the preceding table for results by institution.) According to the institutions' personnel officers, notification of outstanding receivables is often done verbally.

The Bargaining Unit 6 agreement, Section 16.11c(3), states that no more than 25 percent of an employee's disposable earnings can be withheld to liquidate receivables. However, we found that the CIW does not always limit the amount withheld from an employee's disposable earnings. In one instance, a Bargaining Unit 6 employee was injured and was subsequently placed on nonindustrial disability leave. She elected to use her accumulated leave credits to obtain a full paycheck for the first month she was injured. After releasing the SCO warrant to the employee, the CIW determined that she did not have enough leave credits. To collect the overpayment, the CIW established a receivable, withholding the employee's payments for nonindustrial disability leave over seven consecutive months and using them to offset the receivable. Consequently, the employee did not receive any form of pay for seven months.

In another instance, the CIW withheld approximately 99 percent of an employee's nonindustrial disability leave payment, issuing the employee a replacement check for \$3.80. This amount represents the difference between the amount the employee was previously overpaid and the amount of the disability payment.

The State Administrative Manual, Section 8710.1, requires each department to develop collection procedures that will ensure prompt follow-up on receivables. However, for two accounts receivable tested at the CRC, the institution did not promptly followup on the transactions to ensure that collection was made. For example, in one instance, an employee was overpaid approximately \$1,400 in September 1990. However, the CRC did not establish an account receivable until March 1991. Moreover, the CRC had not attempted any collection efforts as of May 1991. If the CRC does not promptly followup on receivables, it increases the risk that accounts receivable will become uncollectible.

Conclusion

The three institutions we reviewed do not always comply with state laws and regulations when processing employee disability claims. Specifically, we found that the institutions do not always submit workers' compensation claim forms to the SCIF within five days of learning of an injury or death, as required. According to officials of the institutions, claims are submitted late because they are not always promptly notified of injuries. The institutions also do not always provide injured employees with information regarding the choice of workers' compensation benefit options. The personnel officers at the CIM and the CIW stated that employees who are off work less than 22 days are not always provided the information because workers' compensation benefits are paid at 100 percent of an employee's salary for the first 22 days. The personnel officers at the three institutions also stated that benefits are often verbally discussed with employees in lieu of providing the required documentation. We also found that the institutions do not always promptly submit disability pay requests to the SCO. The personnel officers at the CIM and the CIW stated that processing other payroll transactions is often a higher priority than processing pay requests. Finally, we found that the institutions do not always give employees on disability leave written notification before establishing and collecting accounts receivable. According to the institutions' personnel officers, notification of outstanding receivables is often done

verbally. Finally, the CIW does not always limit the amount of funds withheld from employees, as required by the Bargaining Unit 6 agreement, when collecting outstanding accounts receivable.

Recommendations

To improve its control over the processing and payment of disability claims, the California Department of Corrections should take the following actions:

- Submit a workers' compensation claim to the SCIF no later than five days after learning of an employee's injury or death;
- Notify injured employees of the benefit options within 15 days after the SCIF approves claims; and
- Promptly submit disability pay requests to the SCO.

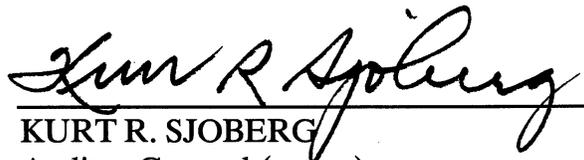
To improve its system for establishing and collecting accounts receivable from employees on disability leave, the California Department of Corrections should take the following actions:

- Inform Bargaining Unit 6 employees, in writing, before accounts receivable are established;
- Inform employees, in writing, of outstanding accounts receivable before deducting the receivables from the employees' pay;
- Attempt to reach a mutually agreed upon method of repaying accounts receivable; and
- Ensure that amounts withheld from employees' pay for the collection of receivables do not exceed allowed amounts.

Additionally, since we found instances of noncompliance at all three institutions we reviewed, the California Department of Corrections should determine whether similar problems are occurring at the remaining 16 institutions.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


KURT R. SJOBERG
Auditor General (acting)

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August 19, 1991

Kurt R. Sjoberg
Auditor General (Acting)
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Dear Mr. Sjoberg:

Thank you for the opportunity to review your August 1991 draft report entitled "Some Institutions Within the California Department of Corrections Need to Improve Their Disability Payroll Procedures." In order to provide comments in the most comprehensive, useful and constructive manner, responses from the California Rehabilitation Center (CRC), the California Institution for Men (CIM), the California Institution for Women (CIW) and the California Department of Corrections (CDC) headquarters have been incorporated in this response.

The following corrective action efforts have recently been implemented in the three institutions referenced in this report:

California Institution for Women:

- A log system has been developed to ensure the Employer's First Report of Injury (Form 3067) is completed and mailed to the State Compensation Fund (SCIF) within the five-day requirement.
- Written procedures have been established to ensure the personnel office provides injured employees with the Forms 618 and 619 along with a cover memorandum of instructions stating the employee they will be placed on the payment schedule most advantageous to them.
- Monthly internal audits will be performed on random disability cases by the personnel supervisor in order to ensure that this time frame is being met.
- Personnel staff will follow the same procedures for "disability accounts receivables" as they do for regular accounts receivables. Effective May 6, 1991 a special "disability accounts receivable" memorandum was created

in order to inform employees of their pending accounts receivable and pay back options. This will be sent to the employee prior to the pay request being sent to SCO in which SCO automatically sets up the receivable. The employee will have 15 days to respond to this memorandum to indicate their choice. If they do not respond within the allotted time, the entire amount will be taken as long as it does not exceed 25 percent of the disposable monthly earnings.

California Institution for Men:

- A memorandum to all staff will be distributed with the next payroll explaining the employee and supervisor responsibilities.
- New procedures for processing the Forms 3067 and 3301 will be implemented immediately to meet the applicable time frames.
- Mandatory supervisor training classes will be given to assist staff in completion and submission of the forms.
- The Return-to-Work Coordinator will monitor the program on a monthly basis to make sure time frames are being met.
- Accounts receivables from employees on disability have been included under CIM's formal accounts receivables procedures. This implementation occurred immediately upon notification of the findings by the Auditor General's auditors.

California Rehabilitation Center:

- Additional training for supervisors has been scheduled for the first two weeks in September.
- Patton State Hospital will telefax Forms 3067 to CRC within 24 hours to ensure forwarding to SCIF within five days.
- Health and Safety office will telefax all Forms 3067 to SCIF to ensure timely reporting.
- Personnel staff will follow the same procedures for "disability accounts receivables" as they do for regular accounts receivables.

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Similar efforts to improve CDC's workers' compensation systems are occurring throughout all of their facilities. In recent months, they have become very proactive amongst State governmental agencies in attempting to address statewide workers' compensation concerns and, should you desire, would welcome the opportunity to share these concerns with you.

Again, thank you very much for sharing this draft report with us and considering our responses.

Should you have any questions or wish to discuss this matter in greater detail, please contact James E. Tilton, Deputy Director, Administrative Services Division, at 323-4185.

Sincerely,



JOE G. SANDOVAL
Secretary
Youth and Adult Correctional Agency

**cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps**