

California Department of Corrections and Rehabilitation

It Must Improve Legal Compliance and Administrative Oversight of Its Employment of Retired Annuitants and Use of State-Owned Vehicles

Report 2014-117

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March 17, 2015

2014-117

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol

Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the California Department of Corrections and Rehabilitation (Corrections). This report concludes that Corrections must improve legal compliance and administrative oversight of its employment of retired annuitants and use of state-owned vehicles. Specifically, Corrections has sometimes failed to follow state laws and its own policies when hiring retired state employees to function in managerial positions (managerial retired annuitants) and when assigning and monitoring its employees' use of state-owned vehicles (vehicles).

State law permits retiree employment either during emergency situations that could stop public business or when retirees have specialized skills needed to perform work of limited duration. Also, state law limits the number of hours retired annuitants can work to 960 hours per fiscal year. Although Corrections' policy requires hiring managers to document a description of the emergency or short-term need to hire retired annuitants, our examination of the managerial retired annuitants' hiring documents showed that Corrections sometimes did not document the short-term nature of the work for the managerial retired annuitants. Additionally, Corrections did not obtain timely approvals for hiring most of the managerial retired annuitants we reviewed. Furthermore, Corrections did not adequately monitor its retirees' work hours. In fact, Corrections' poor oversight allowed some retired annuitants to work beyond the 960-hour limit. When Corrections does not complete documentation and fails to fulfill requirements for overseeing managerial retired annuitants, it risks the possibility that both Corrections and its retired annuitants may face severe financial penalties for unlawful employment that include reimbursing the California Public Employees' Retirement System.

Similarly, Corrections' records showed that for the fiscal years under review, Corrections was deficient in assigning and monitoring vehicles driven by its managerial employees and its retired annuitants. Although state regulations direct state agencies to document justifications on vehicle home storage permits (permits) for the assignment of vehicles, Corrections allowed some employees to use vehicles—sometimes for several months—without sufficient justification and before the employees received official approval to do so. Finally, although state regulations and Corrections' policies require employees to document vehicle use by completing and retaining travel logs both for vehicles assigned to them and for pooled vehicles—those vehicles housed at Corrections' locations for everyday use by multiple staff—travel logs were frequently incomplete or nonexistent. Without proper documentation for its assigned and pooled vehicles, Corrections cannot be certain that it is managing its vehicle fleet in a cost-effective way.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

The California Department of Corrections and Rehabilitation (Corrections) has sometimes failed to follow state laws and its own policies when hiring retired state employees to function in managerial positions (managerial retired annuitants) and when assigning and monitoring its employees' use of state-owned vehicles (vehicles). According to our review of the relevant records for fiscal years 2010–11 through 2013–14, Corrections' documentation related to the hiring of managerial retired annuitants and to its employees' use of vehicles reveals gaps and inconsistencies.

State law permits retiree employment either during emergency situations that could stop public business or because the retirees have specialized skills needed to perform work of limited duration. Also, state law limits the number of hours retired annuitants can work to 960 hours per fiscal year. Although Corrections' policy requires hiring managers to document a description of the emergency or short-term need to hire retired annuitants, our examination of the managerial retired annuitants' hiring documents showed that Corrections did not consistently document the short-term nature of the work for nine of the 20 managerial retired annuitants that we reviewed. Additionally, Corrections did not obtain timely approvals for hiring nine of the 20 managerial retired annuitants. Furthermore, Corrections did not adequately monitor its retirees' work hours. In fact, Corrections' poor oversight allowed some managerial retired annuitants to work beyond the 960-hour limit per fiscal year. Specifically, the number of hours worked in excess of the 960-hour limit ranged from one-half hour to 84.5 hours for 12 managerial retired annuitants. One managerial retired annuitant exceeded the limit in both fiscal year 2011–12 and fiscal year 2013–14 by a total of nearly 114 hours for the two fiscal years. When Corrections does not complete documentation and fails to fulfill requirements for overseeing managerial retired annuitants, it risks the possibility that both Corrections and its retired annuitants will face severe financial penalties for unlawful employment that include reimbursing the California Public Employees' Retirement System.

Corrections' records also showed that for the fiscal years under review, Corrections was deficient in assigning and monitoring vehicles driven by its managerial employees and its retired annuitants. Although state regulations and its own policies direct Corrections to document justifications for the assignment of vehicles, Corrections' vehicle records contain many omissions, and it allowed some employees to use vehicles before the employees received official approval to do so. Specifically, for fiscal years 2012–13 through 2013–14, Corrections did not provide

Audit Highlights . . .

Our audit of the California Department of Corrections and Rehabilitation's (Corrections) use of retired annuitants and state-owned vehicles (vehicles) highlighted the following:

- » *Corrections did not always follow state laws and its own policies in hiring retired state employees to function in managerial positions (managerial retired annuitants). Of the 20 managerial retired annuitants we reviewed, Corrections:*
 - *Did not consistently document the short-term nature of the work for nine.*
 - *Did not obtain timely approvals for hiring nine.*
- » *Corrections allowed 12 managerial retired annuitants to work beyond the 960-hour limit per fiscal year.*
- » *Corrections was deficient in assigning and monitoring vehicles driven by its managerial employees and its retired annuitants.*
 - *It did not provide adequate justification for 14 of the 21 vehicle home storage permits (permits) we reviewed.*
 - *It issued 19 permits to employees before approval and thus, some employees used the vehicles for several months before obtaining the required approvals.*
 - *Required travel logs at 11 of 12 Corrections locations we reviewed were often incomplete or nonexistent.*

adequate justification for 14 of the 21 vehicle home storage permits (permits) we reviewed. Corrections issued these permits—which allow employees to store the vehicles at their homes—when it assigned vehicles to employees who claimed their use of those vehicles was cost-effective or essential to their work. Corrections also issued 19 of the 21 permits we reviewed to employees before approving the related permit requests, allowing some employees to use assigned vehicles for several months before they obtained the required approvals.

Although Corrections' policies require employees to document vehicle use by completing and retaining travel logs both for vehicles assigned to them and for pooled vehicles—those vehicles housed at Corrections locations for everyday use by multiple staff—travel logs at 11 of 12 Corrections locations were often incomplete or nonexistent. According to Corrections, its employees have had insufficient training on the requirements and policies related to vehicle use. Nevertheless, we believe that because of the logs' straightforward nature, Corrections should have been able to train its employees easily on the accurate completion of travel logs. This condition was allowed to continue uncorrected because Corrections staff did not review the logs for missing information, an action that could help prevent instances of incomplete and missing logs. Without proper documentation for its assigned and pooled vehicles and training of those employees who use them, Corrections cannot be certain that it is managing its vehicle fleet in a cost-effective way that benefits the State.

Recommendations

To ensure that it complies with state laws and its policies related to retired annuitants' employment, Corrections should provide its hiring managers and staff with guidance on the following:

- Ensure that there is adequate justification for the hiring of retired annuitants.
- Obtain the necessary approvals before hiring retired annuitants.

To ensure that retired annuitants do not work more than the 960-hour limit allowed by law, Corrections should develop and implement a policy for the regular review of the number of hours worked by retired annuitants.

To make sure that permits receive timely and appropriate approval, Corrections should do the following:

- Provide guidance to employees who complete or approve permit requests about the documentation they should include when justifying the need for permits.
- Emphasize the importance of approving permit requests before the department assigns vehicles to employees.

To strengthen its oversight of its employees' use of vehicles, Corrections should do the following:

- Provide training to staff and supervisors about the use and accurate completion of travel logs.
- Require the regular review of the travel logs for pooled vehicles.

Agency Comments

Corrections agreed with our recommendations and stated it has taken actions or plans to take actions to implement them.

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Introduction

Background

The mission of the California Department of Corrections and Rehabilitation (Corrections) is to enhance public safety through safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders back into communities. As the text box shows, Corrections is organized into eight programs. Corrections' fiscal year 2014–15 budget includes approximately 60,600 positions to carry out operations at its headquarters, 34 adult institutions, 42 conservation fire camps, seven community correctional facilities, and four juvenile justice locations. Additionally, Corrections has offices that provide statewide administrative support to custody operations, including accounting, human resources, information technology, and facility management. The State's General Fund has been the primary funding source for Corrections' operations during fiscal years 2012–13 to 2014–15. According to the 2014–15 Governor's Budget, General Fund expenditures made up approximately 98 percent of Corrections' total expenditures, ranging between \$8.5 billion to \$9.5 billion during the three fiscal years.

The California Department of Corrections and Rehabilitation is organized into the following programs:

- Adult Corrections and Rehabilitation Operations
- Adult Parole Operations
- Board of Parole Hearings
- Adult Rehabilitative Programs
- Corrections and Rehabilitation Administration
- Adult Health Care Services
- Juvenile Operations
- Peace Officer Selection and Employee Development

Source: 2014–15 Governor's Budget.

The 2011 Prison Realignment and Resulting Reductions in Corrections' Workforce

To address the impact that recent changes in law have had on its operations, Corrections significantly reduced its workforce over the last four years. Corrections' total authorized positions dropped from 66,837 to 60,663 between fiscal years 2010–11 and 2014–15, a decrease of 9 percent. Chapters 15 and 39 of the Statutes of 2011 (2011 realignment) shifted from the State to the counties the responsibility for managing certain low-level offenders, juvenile offenders, adult parolees, and parole violators. The Legislature enacted the 2011 realignment legislation in an effort to enable the State to comply with a federal court order to reduce overcrowding in the state prison system. In April 2012 Corrections published a comprehensive plan, known as its *blueprint plan*, to modify its operations, facilities, and budget to respond to the impacts of the 2011 realignment and to set budget reduction targets for fiscal years 2012–13 through 2015–16. The plan called for a reduction of \$1.5 billion in Corrections' annual budget and the elimination by fiscal year 2015–16 of 6,630 positions.

Nevertheless, Corrections continues to hire for certain positions and is expanding its Correctional Officer Academy to address an increasing number of vacancies in its entry-level, correctional officer classification due to retirements and other attrition. In recent years, Corrections has also experienced an increase in retirements in its high-level management positions and the related loss of their knowledge and expertise of the correctional system. As a result, Corrections has hired retired state employees (retired annuitants) to perform some management functions and to use their knowledge and experience to complete projects and to mentor new employees.

Restrictions in State Law on Postretirement Employment

Retirees who return to work as retired annuitants can serve as valuable resources, and their institutional knowledge can be critical. However, retiree employment is subject to many restrictions in state law. The Public Employees' Retirement Law (PERL) sets forth requirements for the employment of a state employee after his or her retirement that include restrictions on the nature of the employment, level of compensation, and number of hours a retiree may work in a fiscal year. Specifically, PERL allows retirees to work for state agencies either during an emergency to prevent the stoppage of public business or because the retired person has specialized skills needed to perform work of limited duration. Additionally, PERL mandates that hourly compensation cannot exceed the maximum monthly base salary, computed as an hourly rate, paid to other employees who perform comparable duties. Retirees can perform this limited-duration work for no more than 960 hours per fiscal year.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) contains additional postretirement employment requirements for individuals who, on or after January 1, 2013, receive retirement benefits from a public retirement system, such as the California Public Employees' Retirement System. Among other things, PEPRA requires that these retirees wait 180 days following their retirement date to return to work as retired annuitants, but certain exceptions apply for some positions, including those of public safety officers. Corrections' classifications that fall under the category of public safety officer include correctional administrators, parole administrators, and correctional officers.

Corrections' Use of Retired Annuitants in Managerial Positions

Corrections employed between 434 and 984 retired annuitants annually during fiscal years 2010–11 through 2013–14. As Table 1 shows, the number of retired annuitants that Corrections employed in managerial positions each year during this period decreased from 84 in fiscal year 2010–11 to 54 in fiscal year 2013–14.

Table 1
Number of Retired Annuitants Employed by the California Department of Corrections and Rehabilitation
Fiscal Years 2010–11 Through 2013–14

POSITION LEVEL	FISCAL YEAR			
	2010–11	2011–12	2012–13	2013–14
Managerial	84	69	53	54
Staff	900	669	381	510
Totals*	984	738	434	564

Sources: California State Auditor’s analysis of the California Department of Corrections and Rehabilitation’s employment history and payroll data obtained from the California State Controller’s Office’s Employment History System and Uniform State Payroll System.

Note: We excluded retired annuitants who worked for California Correctional Health Care Services, which is under the control of a federal receiver.

* The number of unique retired annuitants may be less because the same retired annuitants may have worked in both staff and managerial positions during a fiscal year.

Corrections hired retired annuitants with managerial experience to work in its headquarters’ offices, adult institutions, and other locations. Nearly two-thirds of the retired annuitants Corrections employed in managerial positions—such as a chief deputy administrator, correctional administrator, and captain—worked at its headquarters’ offices. The number of retired annuitants in managerial positions at Corrections’ headquarters ranged between 36 and 50 during fiscal years 2010–11 through 2013–14. During fiscal year 2013–14, 78 percent of Corrections’ retired annuitants in managerial positions worked at headquarters.

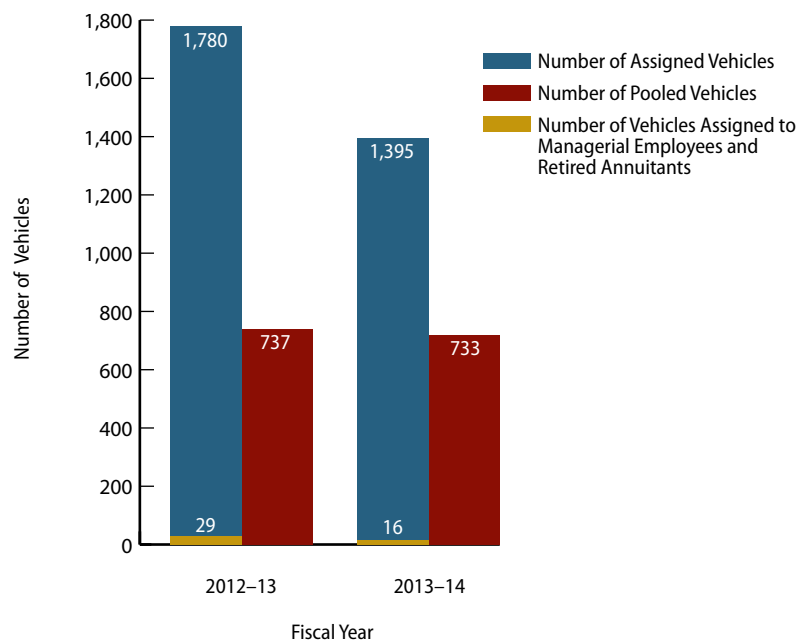
Corrections’ Use of State-Owned Vehicles

According to Corrections, as of January 2015 it oversaw the assignment and use of approximately 7,000 state-owned vehicles (vehicles). These vehicles are assigned to individual employees, designated as *pooled vehicles*, or used for facilities and transportation purposes. To assign vehicles to its employees, Corrections issues vehicle home storage permits (permits), and it bases these vehicle assignments on employees’ job functions. Available for daily staff activities, pooled vehicles are located and remain housed at Corrections’ offices and institutions, and staff can use these vehicles to perform state business, such as traveling to off-site meetings and trainings. The vehicles in the final category—facilities and transportation vehicles—typically remain at Corrections’ institutions and are used by maintenance, operations, fire department, and medical staff.

Under state regulations, employees who frequently store vehicles at or near their homes must request and obtain approval for permits in advance from their state agencies. In contrast, we identified no state regulations prescribing a formal approval process for employees' use of pooled vehicles. For that reason, when Corrections employees need to use pooled vehicles, they follow the policies or procedures for requesting to use these vehicles that are in place at their respective offices or institutions.

For a small number of its vehicles, Corrections issued permits to managerial employees and retired annuitants. Specifically, Corrections issued 17 permits to managerial employees and 12 to retired annuitants in fiscal year 2012–13, but it issued only nine permits to managerial employees and seven to retired annuitants in fiscal year 2013–14. Figure 1 shows the number of assigned and pooled vehicles at Corrections during fiscal years 2012–13 and 2013–14. Corrections issued most of these permits to employees working in adult parole operations: approximately 1,410 permits in fiscal year 2012–13 and 1,070 in fiscal year 2013–14.

Figure 1
Numbers of Assigned and Pooled Vehicles at the California Department of Corrections and Rehabilitation
Fiscal Years 2012–13 and 2013–14



Sources: List of vehicle home storage permits from the California Department of Corrections and Rehabilitation's (Corrections) office of business services and lists of pooled vehicles from Corrections' institutions and offices.

Notes: This figure does not include the numbers of vehicles used for facilities and transportation purposes because this audit's objectives do not call for information on those vehicles.

The number of assigned vehicles is based on the number of employees with permits in effect throughout the two fiscal years.

To track the usage of assigned and pooled vehicles, Corrections requires each of its more than 50 locations to complete and retain for each of its vehicles monthly travel logs (travel logs) recorded on a form that the California Department of General Services (General Services) prescribes. Consistent with state regulations, Corrections requires employees who use vehicles to record information daily on the travel log forms and to identify all of the information specified in the text box.

Oversight Structure for Assigned and Pooled Vehicles

General Services’ Office of Fleet and Asset Management takes the lead role in managing the State’s transportation strategy and developing requirements for the use of vehicles, while state agencies are responsible for ensuring proper use of vehicles in their fleets. Although Corrections has a vehicle management unit in its office of business services that provides general oversight of the department’s vehicle usage, each of Corrections’ institutions and offices is responsible for monitoring its employees’ use of assigned and pooled vehicles. Table 2 illustrates the distribution of vehicle oversight responsibilities at Corrections.

Requirements for Completing a State-Owned Vehicle’s Monthly Travel Log

Each entry in the monthly travel log must include all of the following information:

- Date and time of travel
- A record of daily mileage traveled
- Starting and ending odometer readings
- The trip’s itinerary
- Information regarding overnight storage
- The printed name of the driver

Sources: California Code of Regulations, Section 599.807, and the monthly travel log from the California Department of General Services’ Office of Fleet and Asset Management.

Table 2
Roles and Responsibilities Related to the Assignment and Use of State-Owned Vehicles at the California Department of Corrections and Rehabilitation

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION’S (CORRECTIONS) UNIT, OFFICE, OR INSTITUTION	ROLES AND RESPONSIBILITIES
Office of business services— vehicle management unit	<ul style="list-style-type: none"> • Oversee and manage Corrections’ vehicle fleet. • Develop and update policies and procedures for state-owned vehicle (vehicle) management. • Provide guidance to Corrections’ institutions and offices on vehicle usage throughout the department. • Submit vehicle reports to the California Department of General Services.
All institutions and offices	<ul style="list-style-type: none"> • Determine vehicle needs specific to each location and employee. • Assign vehicles to employees. • Process vehicle home storage permits. • Maintain pooled vehicles for employees’ use. • Maintain monthly travel logs for all vehicles.

Sources: Interviews and documents provided by the business operations section chief for Corrections’ office of business services.

State Requirements for the Assignment of Vehicle Home Storage Permits

A state agency may issue vehicle home storage permits (permits) only to employees who use state-owned vehicles (vehicles) for either *cost-effective* or *essential* purposes.

In issuing a permit for *cost-effective* use of a vehicle, the state agency must determine that the employee's operation of that vehicle meets all of the following criteria:

- The employee has a department-approved home office separate from the department's facility or the vehicle is essentially the employee's office (that is, the employee performs daily requisite duties in the field directly from his or her home).
- The employee's job as reflected on his or her duty statement requires substantial fieldwork (greater than 50 percent), and it is more efficient for the employee to travel directly to fieldwork locations. Otherwise, the employee drives directly to the field from home and/or has work-related after-hours activities that account for 50 percent or more of work days within a given month.

In issuing a permit for *essential* use of a vehicle, the state agency must determine that the employee's operation of that vehicle meets all of the following criteria:

- The employee must respond to emergency events after hours as a primary responder, and only take the assigned vehicle home when functioning as a primary responder.
- The emergency responder must respond to the field, rather than to a state facility where the vehicle could be stored, and must be able to reach the emergency event within one hour.
- The emergency response must be for health and safety purposes and require specialized equipment that is not transferrable to a personal vehicle, or entail an activity that the employee cannot reasonably accomplish in a personal vehicle (such as taking a felon into custody).
- The employee must respond to a minimum of 24 emergency responses per year, unless the department can demonstrate that there will be a significant health and safety risk to the public if the individual does not have a permit.

Source: *State Administrative Manual, Management Memo 13-03.*

The 2011 Vehicle Reduction Executive Order

In January 2011 the governor issued Executive Order B-2-11 (order) requiring all state agencies to determine the necessity for and the cost-effectiveness of the vehicles in their fleets. The order further requires state agencies to review their permits and to withdraw those associated with cost-ineffective and nonessential vehicle use. In accordance with this order, General Services developed criteria to assist state agencies in their determinations of cost-effective and essential permits. The text box outlines the criteria; state agencies can assign permits to employees only after the agencies determine that employees' vehicle usage meets these requirements.

The implementation guide for the order also required state agencies to update by February 15, 2011, their vehicle information in General Services' Fleet and Asset Management System. According to the deputy director of General Services' interagency support division, once Corrections accomplished this task, it worked with General Services to determine which permits and vehicles Corrections needed to relinquish. General Services assisted Corrections—and other state agencies—by hiring a consultant to facilitate the analysis required to determine the purposes of, the necessity for, and the cost-effectiveness of the vehicles in each state agency's fleet. General Services used this analysis to create a plan intended to meet both the order and each state agency's business needs. In October 2011 General Services sent agency directors a list of permits and vehicles to retain or eliminate by February 2012. Corrections requested and received approval to postpone the deadline for permit and vehicle reduction; however, by March 2014, Corrections certified that it had retained 1,271 permits¹ of the 2,592 permits it had in March 2011.

¹ This figure reflects a point in time and is less than the total number of assigned vehicles shown in Figure 1 on page 8 for fiscal year 2013–14. The latter total includes all permits in effect during the year, some of which expired or Corrections cancelled.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor to perform an audit of Corrections’ use of retired annuitants and state-owned vehicles. Table 3 outlines the audit committee’s objectives and our methods for addressing them.

Table 3
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	We identified, reviewed, and evaluated relevant laws, rules, and regulations.
2 Determine how many retired annuitants the California Department of Corrections and Rehabilitation (Corrections) employed in its administration during fiscal years 2010–11 through 2013–14. Determine how many of the retired annuitants were functioning in managerial positions during this period.	<ul style="list-style-type: none"> Defined those <i>employed in its administration</i>—in this and other audit objectives—as employees with managerial classifications. We did not include in the scope of the audit retired annuitants who did not have managerial classifications (except when addressing Objective 7, which calls for all retired annuitants) or those who worked for California Correctional Health Care Services, which is under the control of a federal receiver. Used Corrections’ payroll and employment history data to determine how many retired annuitants were employed in managerial positions.
3 For the retired annuitants whom Corrections employed in its administration during the most recent two fiscal years, identify the following: <ol style="list-style-type: none"> Their job classifications, job duties, and pay, as well as whether their job duties are consistent with their classifications and pay. The sources of funds used to pay their salaries. 	<ul style="list-style-type: none"> Judgmentally selected 20 retired state employees functioning in managerial positions (managerial retired annuitants) in fiscal years 2012–13 and 2013–14. Identified job classifications for the selected managerial retired annuitants using Corrections’ employment history and payroll data. Compared the job duties listed on Corrections’ documentation for the selected managerial retired annuitants to the job duties for the job classifications specified by the California Department of Human Resources (CalHR). Compared the pay for the selected managerial retired annuitants to the pay scale for their job classifications. <p>For all of the 20 managerial retired annuitants we reviewed, we found that their job duties were consistent with their job classifications and pay.</p> <p>Identified Corrections’ funding sources in the governor’s budgets for fiscal years 2012–13 and 2013–14.</p>
4 Review Corrections’ process for hiring retired annuitants and determine whether the process adheres to all relevant state laws, regulations, and agency policies.	<ul style="list-style-type: none"> Obtained documentation of Corrections’ policies and procedures and compared them to relevant state laws and regulations. Interviewed managers responsible for hiring to obtain an understanding of Corrections’ process and controls related to hiring retired annuitants. Obtained hiring documents for the 20 selected managerial retired annuitants and determined whether Corrections followed state laws, regulations, its own policies, and other policies set forth by CalHR and the California Public Employees’ Retirement System (CalPERS) related to hiring retired annuitants.
5 Determine and evaluate Corrections’ efforts to recruit permanent employees for the administration positions held by retired annuitants.	<ul style="list-style-type: none"> Obtained documentation regarding Corrections’ recruitment policy and procedures. Interviewed Corrections’ managers to obtain an understanding of its efforts to recruit permanent employees for the managerial positions held by retired annuitants. Obtained recruitment documentation for vacant managerial positions filled by retired annuitants selected for our testing. <p>Of the 20 retired annuitant positions we reviewed, we identified four positions that Corrections could recruit to fill on a permanent basis. Based on our review, Corrections’ recruitment efforts were reasonable for three of the four positions filled by retired annuitants. We discuss the fourth in the Audit Results section of this report.</p>

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AUDIT OBJECTIVE	METHOD
<p>6 Determine whether Corrections' policies and procedures related to administration employees' use of state-owned vehicles (vehicles) are consistent with state laws and regulations and whether Corrections is adhering to those policies and procedures.</p>	<ul style="list-style-type: none"> • Obtained documentation specifying Corrections' policies and procedures and compared them to relevant state laws and regulations. • Interviewed relevant staff at Corrections to determine what oversight practices are in place for reviewing employees' use of vehicles. • Obtained and reviewed documentation of vehicle assignments and used this documentation to determine whether Corrections adhered to its policies and procedures.
<p>7 For the most recent two fiscal years, identify the number of Corrections' administration employees and retired annuitants who were assigned vehicles.</p> <p>Determine the classifications and job duties of the employees and retired annuitants assigned or consistently using vehicles and whether the assignments and use of vehicles were justified.</p>	<p>Identified the managerial employees and retired annuitants with assigned vehicles during fiscal years 2012–13 and 2013–14 using Corrections' list of employees with vehicle home storage permits (permits) during those fiscal years, employment history and payroll data, and CalHR's pay scale.</p> <p>To determine whether the assignments of vehicles were justified, we performed the following procedures:</p> <ul style="list-style-type: none"> • Judgmentally selected 19 managerial employees and nine retired annuitants and reviewed the employees' permits, job duty statements and classifications, and monthly travel logs (travel logs) for assigned vehicles. • Evaluated whether evidence gathered from our review adhered to the criteria related to the assignment of vehicles. <p>To determine whether the use of pooled vehicles by Corrections' employees was justified, we performed the following procedures:</p> <ul style="list-style-type: none"> • Judgmentally selected five Corrections offices and five Corrections institutions. • Reviewed the travel logs at the selected locations to determine whether Corrections employees completed and maintained the travel logs, as regulations require. • Interviewed relevant staff about the use of pooled vehicles, pooled vehicle tracking tools, and related oversight processes. <p>We were unable to determine which Corrections employees were consistently using pooled vehicles because Corrections does not track this information.</p>
<p>8 Review and assess any other issues that are significant to Corrections' hiring of retired annuitants and its use of state-owned vehicles.</p>	<p>We did not identify any other significant issues.</p>

Sources: California State Auditor's analysis of the Joint Legislative Audit Committee's audit request number 2014-117, and analysis of information and documentation identified in the column titled *Method*.

Methods to Assess Data Reliability

In performing this audit, we obtained electronic data files extracted from the information systems listed in Table 4. The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. Table 4 describes the analyses we conducted using data from these information systems, our methodology for testing them, and the conclusions we reached as to the reliability of the data. Although these determinations may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

Table 4
Methods to Assess Data Reliability

INFORMATION SYSTEM	PURPOSE	METHOD AND RESULT	CONCLUSION
California Department of Corrections and Rehabilitation (Corrections) Uniform State Payroll System Corrections' payroll data as maintained by the California State Controller's Office (state controller) for July 1, 2010, through June 30, 2014	<ul style="list-style-type: none"> • To determine how many retired annuitants received pay from Corrections during fiscal years 2010–11 through 2013–14. • To identify managers who received pay from Corrections during fiscal years 2012–13 through 2013–14. • To determine the number of hours worked by each managerial retired annuitant at Corrections during fiscal years 2010–11 through 2013–14. 	<ul style="list-style-type: none"> • We performed data-set verification procedures and electronic testing of key data elements and did not identify any issues. • We relied on the completeness testing performed as part of the State's annual financial audit for payroll transactions between January 2008 and June 2013. Because we found the payroll data to be complete between January 2008 and June 2013, we have reasonable assurance that the payroll data for July 2013 through June 2014 are also complete. • We did not conduct accuracy testing on these data because the source documents required for this testing are stored at various locations throughout the State, making such testing cost-prohibitive. 	Undetermined reliability for the purposes of this audit. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.
Corrections Employment History System Corrections' employee history data as maintained by the state controller for positions held between July 1, 2010, and June 30, 2014	<ul style="list-style-type: none"> • To identify the positions of retired annuitants at Corrections during fiscal years 2010–11 through 2013–14. • To identify the positions of managers at Corrections during fiscal years 2012–13 through 2013–14. 	<ul style="list-style-type: none"> • We performed data-set verification procedures and electronic testing of key data elements and did not identify any issues. • We did not conduct accuracy or completeness testing on these data because the source documents required for this testing are stored at various locations throughout the State, making such testing cost-prohibitive. 	Undetermined reliability for the purposes of this audit. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.
Corrections The vehicle management unit's list of vehicle home storage permits (permits) Corrections' Excel spreadsheet containing all permits issued between July 1, 2012, and June 30, 2014	To identify Corrections' managerial employees and retired annuitants who had permits during fiscal years 2012–13 and 2013–14.	<ul style="list-style-type: none"> • To test the accuracy of Corrections' permits data, we traced key data elements to supporting documentation for a selection of 29 permits for fiscal years 2012–13 through 2013–14 and found no errors. • To test the completeness of the permits data, we traced 29 haphazardly selected permits for fiscal years 2012–13 through 2013–14 to the permits data and found no errors. 	Sufficiently reliable for the purposes of this audit.

Sources: California State Auditor's analysis of various documents and data obtained from Corrections and the state controller.

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Audit Results

The California Department of Corrections and Rehabilitation Has Sometimes Failed to Comply With Certain State Laws and Its Own Policies Regarding Employment of Retired Annuitants

During fiscal years 2010–11 through 2013–14, the California Department of Corrections and Rehabilitation (Corrections) sometimes did not follow certain state laws and its own policies for retiree employment. According to our review, Corrections' hiring managers did not consistently complete and approve hiring documents specific to hiring retired annuitants when the hiring managers employed retired state employees functioning in managerial positions (managerial retired annuitants). Corrections uses this documentation to ensure that it has proper justification for hiring retired annuitants. Corrections' hiring managers also allowed some managerial retired annuitants to begin working before Corrections had obtained all necessary approvals. When hiring managers do not properly complete the hiring forms or obtain necessary approvals, Corrections cannot be certain that it is employing retired annuitants legally. Corrections also appears to employ some managerial retired annuitants to work in ongoing operations or projects year after year rather than for limited durations, as state law requires. Furthermore, Corrections did not adequately monitor retired annuitants' hours worked, allowing some managerial retired annuitants to work more hours in a year than permitted by law. Finally, Corrections did not consistently verify that retirees met certain eligibility requirements, such as the condition that retirees may not receive unemployment benefits in the 12 months preceding the retirees' rehiring by the State. By not ensuring that it has complied with restrictions on retiree employment, both Corrections and the retired annuitants it employs could face stiff penalties for unlawful employment.

Corrections Has Not Consistently Documented That It Followed Certain State Laws and Its Own Policies for Hiring Retirees

For the period we reviewed, Corrections sometimes allowed managerial retired annuitants to work in situations that it did not describe as having limited durations. Specifically, Corrections lacked documentation justifying the hiring for nine of the 20 managerial retired annuitants that we reviewed. As the Introduction explains, state law permits retiree employment either during an emergency to prevent stoppage of public business or because the retired person has specialized skills needed to perform work that has a limited duration. Corrections' policy for hiring a retired annuitant requires the hiring manager to complete a hiring form that includes a description of the emergency or

short-term specialized need. Additionally, the policy limits retired annuitant appointments to one fiscal year; however, the policy allows retired annuitants to return for the following fiscal year. In the case of a returning retired annuitant, the institution's personnel officer or personnel liaison (personnel staff) completes a renewal worksheet—which must include a justification for the rehire—instead of the hiring form.

Corrections did not, however, include complete justifications on its hiring forms, renewal worksheets, or other related hiring documents for these nine managerial retired annuitants. We expected to see a description of the specialized skills necessary and the short-term nature of the work. However, we found two managerial retired annuitants with no justifications at all on their hiring documents, and seven whose justifications did not demonstrate the limited duration of the work. Furthermore, as we describe in the next section of the report, we found that five of these nine worked in situations that did not appear to have limited durations. When hiring managers do not adequately document the reasons for hiring retired annuitants, Corrections' executive management cannot ensure that its hiring practices comply with state law and with its own policies related to retired annuitants.

State law imposes penalties on both state agencies and retirees who violate requirements of the retiree employment law. For example, retirees are subject to mandatory reinstatement to active employment from retirement. Retirees are also required to reimburse the California Public Employees' Retirement System (CalPERS) for retirement benefit payments and retroactive member contributions for the period of unlawful employment, and the reinstated employees must also pay interest on these amounts. Likewise, public agencies that employ retirees unlawfully are required to reimburse CalPERS for employer contributions—plus interest—that the agencies otherwise would have paid during the period of unlawful employment. Both state agencies and retirees may also be required to reimburse CalPERS for administrative costs related to processing a reinstatement.

Corrections also allowed some managerial retired annuitants to begin working before it obtained all necessary approvals. Corrections' policies require hiring managers to complete the hiring forms discussed previously and to obtain approvals from Corrections' executive management, such as the secretary or a director, before hiring retired annuitants. Three of the 20 retired annuitants whose hiring files we reviewed began working before hiring managers approved their initial appointments. Specifically, Corrections' hiring managers approved the hiring forms in the month after these three retirees began working. According to a manager in Corrections' executive appointments unit, Corrections

Three of the 20 retired annuitants whose hiring files we reviewed began working before hiring managers approved their initial appointments.

may have approved the hiring forms late because of delays in processing the hiring forms, but she claims that Corrections may have needed to immediately use the retired annuitants' services. Nevertheless, allowing retired annuitants to begin working before obtaining all required approvals violated Corrections' policies.

Furthermore, of the 20 retired annuitants at Corrections whose employment files we reviewed, three retired annuitants who returned in fiscal year 2012–13 and another three who returned in fiscal year 2013–14 began working before their renewals were approved. Personnel staff must complete renewal worksheets for returning retired annuitants to justify the rehiring because the retired annuitants' appointments are limited to one fiscal year. However, Corrections' policy is silent regarding review and approval of these renewal appointments. According to a section chief for Corrections' office of personnel services, personnel staff submit their completed renewal worksheets to headquarters, where executive management is supposed to review these renewal appointments. For fiscal year 2012–13, Corrections did not approve renewal appointments for the three retired annuitants in question until the beginning of November 2012, about four months after their effective hire date of July 1. Moreover, Corrections was unable to provide any documentation that it had approved the three fiscal year 2013–14 renewal appointments. Despite this failure to obtain approvals, Corrections had these retired annuitants work during the first part of fiscal year 2012–13 and throughout fiscal year 2013–14. According to Corrections' deputy director of human resources, Corrections' program directors and undersecretaries may have had discussions related to renewing the retired annuitants' appointments for fiscal years 2012–13 and 2013–14; however, for the years in question, she was unable to provide any written documentation of Corrections' approval process for renewal appointments. Corrections' failure to oversee its hiring practices in a timely and effective manner allowed retired annuitants to work without proper justification or approval. If hiring managers do not obtain the appropriate approvals, executive management cannot be sure that the department is legally employing retired annuitants.

Six retired annuitants began working before Corrections approved their renewal appointments.

Some Retired Annuitants Have Worked More Than Permitted by State Law

Corrections allowed some managerial retired annuitants to work in situations that do not appear to meet the limited-duration requirement. Specifically, we found that six of the 20 retired annuitants whose files we reviewed had returned to work year after year between fiscal years 2011–12 and 2013–14 and had also worked for substantial amounts of time—at least 650 hours each year. CalPERS' policy states that a retired annuitant's appointment should

Corrections appears to be allowing some of its retired annuitants to work indefinitely in certain management positions.

have a beginning and ending date. While Corrections' process for renewing retired annuitant appointments includes documenting end dates, Corrections renewed the retirees' appointments year after year—a practice that in essence made these employees' end dates meaningless. According to Corrections' renewal worksheets, five of the six were also slated to return in fiscal year 2014–15. A state agency can hire retirees to perform work of limited duration, such as helping to eliminate backlogs or performing special project work; however, the limited-duration requirement does not permit appointments for indefinite periods. CalPERS' policy states that retired annuitants should neither be considered permanent solutions to business needs nor be allowed to work indefinitely. Despite this limited-duration requirement, Corrections appears to be allowing some of its retired annuitants to work indefinitely in certain management positions.

For example, three of the retired annuitants discussed previously are among eight managerial retired annuitants working in Corrections' Class Action Management Unit (unit). The three retired annuitants worked in the unit during fiscal years 2012–13 and 2013–14, and they were still working there as of January 2015. These three retired annuitants' job duties consist of assisting in the management of the day-to-day operations of the unit, including the review and implementation of policies, procedures, and training. CalPERS' policy states that *limited-duration work* means that the job appointment is not for an indefinite period and that the work a retiree performs should supplement the work of regular staff. According to the chief deputy administrator who oversees the unit and who is one of the unit's managerial retired annuitants, the unit has numerous positions that it cannot fill permanently because Corrections does not have the authority. He said that the managerial retired annuitants are performing the duties of these positions. In January 2015 Corrections requested authority for one managerial position for the unit. However, given the apparent number of managers required by the unit, Corrections needs to take further action to avoid relying on retired annuitants to manage the operations of the unit indefinitely.

In another instance, Corrections hired a retired annuitant in January 2012 to work on special assignments for the Division of Adult Institutions. However, the retired annuitant has worked more than 915 hours each fiscal year from 2011–12 through 2013–14. According to the division's assistant deputy director of operations support, since 2012 the retired annuitant has been working on the same project: developing a pilot program and revising Corrections' regulations and policies related to inmates housed in security housing units. The retired annuitant is currently performing a case-by-case review of those inmates to plan for their release to general-population facilities. The assistant deputy director of

operations support told us that Corrections is in the process of training two wardens to assume the duties of the retired annuitant; however, Corrections intends to continue using the retired annuitant for these duties through December 2015. Consequently, the retired annuitant will have worked continuously for four years on the same project. By relying on retired annuitants to manage its day-to-day operations and to work on projects that take several years to complete, both Corrections and retired annuitants risk claims that the recurring appointments violate state law.

Finally, Corrections did not adequately monitor retired annuitants' work hours, paying some managerial retired annuitants for more work hours per year than state law allows. State law prohibits retired annuitants from working more than 960 hours each fiscal year. According to CalPERS policies, retired annuitants who work more than the 960-hour maximum per fiscal year are subject to mandatory reinstatement as employees. Retired annuitants who are employed in violation of state law risk no longer receiving retirement benefit payments, and they are required—along with the department—to reimburse CalPERS, as discussed on page 16. As shown in Table 5, between one and six managerial retired annuitants worked more than the 960-hour limit in each fiscal year covered by our audit. The number of hours beyond the 960-hour limit ranged from one-half hour to 84.5 hours for 12 managerial retired annuitants, and one managerial retired annuitant exceeded the limit in both fiscal year 2011–12 and fiscal year 2013–14 by a total of nearly 114 hours for the two fiscal years.

Table 5
Number of Hours Worked by Managerial Retired Annuitants
Fiscal Years 2010–11 Through 2013–14

HOURS WORKED	NUMBER OF EMPLOYEES BY FISCAL YEAR			
	2010–11	2011–12	2012–13	2013–14
Between 1 and 320	28	16	15	8
Between 321 and 640	12	6	11	7
Between 641 and 960	41	44	26	33
Over 960	3	3	1	6
Totals	84	69	53	54

Source: California State Auditor's analysis of the California Department of Corrections and Rehabilitation's employment history and payroll data obtained from the California State Controller's Office's Employment History System and Uniform State Payroll System.

Note: Our analysis includes all retired annuitants who held a managerial position during a fiscal year. However, for these employees, we summed the total number of hours they worked as a retired annuitant in either a staff or managerial position.

Corrections' policy places responsibility on the retired annuitant, the retired annuitant's supervisor, and a personnel specialist to track the retired annuitant's hours, as well as provides an attendance record form for tracking purposes. Despite this, some retired annuitants still exceeded the 960-hour limit. By not effectively monitoring retired annuitants' hours worked, Corrections puts itself at risk of paying unnecessary costs and puts these employees at risk of being reinstated and having to reimburse CalPERS. According to the chief of the office of personnel services, Corrections plans to notify CalPERS regarding the retired annuitants we identified that worked more than 960 hours during fiscal year 2013-14 to determine what steps Corrections must take to address these instances. Corrections must do more to ensure that such instances are not repeated in the future.

Corrections Sometimes Failed to Meet Additional Hiring Requirements

Corrections did not consistently verify that the retirees it hired were eligible for employment, and it did not seek a permanent employee instead of a retired annuitant for at least one managerial position.

Not only did Corrections fail to monitor the number of hours that some retired annuitants worked, but it also did not consistently verify that the retirees it hired were eligible for employment, and it did not seek a permanent employee instead of a retired annuitant for at least one managerial position. State law prohibits a person from being reemployed as a retired annuitant if the person received unemployment insurance compensation arising from employment as a retired annuitant with the same public entity within the past 12 months. State policy requires retired annuitants to complete an Employment Development Department (EDD) form. State agencies then forward this form to EDD so that it can verify that the retirees have not received unemployment compensation within the prescribed time frame. Corrections lacked documentation of EDD's verification for six of the 20 retired annuitants whose hiring files we reviewed. State law penalizes retired annuitants who have received unemployment compensation in this manner by requiring them to end their employment on the last day of their current pay period and prohibiting them from accepting reappointment for the 12 months following that date. As such, without EDD's verification, Corrections cannot ensure it is lawfully employing retired annuitants.

Furthermore, for one managerial position, Corrections also did not try to recruit a permanent employee before relying on a retired annuitant. Corrections' policy permits hiring a retired annuitant based on a compelling operational need, such as a recruitment deficiency. However, Corrections made no effort to permanently fill this vacant position. Specifically, this individual retired as the acting associate director for a branch within the Facility Planning, Construction and Management Division (division) on April 7, 2014, and the individual returned to the same position the next day as

a retired annuitant. As of December 31, 2014, the individual still held that position, and Corrections had not yet started to recruit a full-time replacement. According to the acting deputy director of the division (deputy director), he has not tried to fill the position permanently because he does not believe he can do so given the job's current level of pay. He further stated that he is waiting for the department to merge the branch with another program unit, which has an associate director with a higher level of pay, but that the merger must be approved by California Correctional Health Care Services, an organization under the direction of a court-appointed federal receiver. The deputy director said that he plans to continue using the retired annuitant to fill the position until the two units are consolidated, but he also said that Corrections does not have an estimated time frame for this consolidation. Given this situation, Corrections needs to evaluate alternatives in order to avoid relying on a retired annuitant to manage the operations of the branch indefinitely.

Corrections needs to evaluate alternatives in order to avoid relying on a retired annuitant to manage the operations of the branch indefinitely.

Corrections' Oversight of Its Vehicle Assignments and Use Has Been Poor

Corrections could do more to ensure that it justifies vehicle assignments and that it collects and reports complete information on vehicle use. During fiscal years 2012–13 and 2013–14, Corrections often assigned state-owned vehicles (vehicles) to employees without making certain that the employees met the requirements for vehicle assignment, and it frequently approved vehicle home storage permits (permits) after their effective dates, meaning employees were allowed to store the vehicles at their home prior to obtaining the required approval. Further, Corrections' policies require employees with assigned vehicles to report personal vehicle use and to record accurately in monthly travel logs (travel logs) the use of these vehicles. This second requirement also applies to Corrections' pooled vehicles—those vehicles that remain housed at Corrections' facilities for everyday staff use. Corrections employees often failed to meet these reporting requirements for both assigned and pooled vehicles and did not consistently complete travel logs. By not ensuring that its employees are adhering to these requirements, Corrections cannot be certain its employees are appropriately using the vehicles. In addition, Corrections typically did not review the travel logs for missing information. Finally, Corrections often did not provide the California Department of General Services (General Services) with required monthly updates on its vehicle use. According to the business operations section chief of Corrections' office of business services, Corrections did not report to General Services due to the personnel and technical limitations it encountered.

Corrections Has Not Adequately Documented Its Justifications for Issuing Permits for Vehicles

Corrections often did not adequately document the cost-effective or essential nature of the permits it issued to employees. When employees need to take vehicles home frequently, regulations require these employees to obtain permits. As the Introduction explains, a January 2011 executive order requires state agencies to withdraw all permits associated with vehicle use that is not cost-effective or essential. During the process to obtain permits, state employees must indicate whether their planned vehicle use is cost-effective or essential, and they must document the purpose of their travel and the nature of their work. As of January 2013, General Services also requires state agencies to record enough information to support the issuance of each cost-effective or essential permit. Any absence of justifications for vehicle assignments exposes Corrections to the risk that it is spending taxpayers' money on vehicles that do not significantly benefit the State.

Of the 10 cost-effective permits we reviewed, nine permits lacked support; these nine included only vague descriptions for the purposes of employees' travel and the nature of their work.

However, for most of the cost-effective permits we tested, Corrections lacked adequate support for its claims of cost-effectiveness. Specifically, of the 10 such permits we reviewed, nine permits lacked support; these nine included only vague descriptions for the purposes of employees' travel and the nature of their work. Eight listed only "parole hearings" and the ninth noted only "conduct administrative hearings" as the justification for the permits. We expected to find details on the permit requests noting that the employees' homes or vehicles are essentially their offices and that the employees' jobs require substantial fieldwork (greater than 50 percent of their time) or that the employees drive directly to the field from home and engage in work-related activities after hours. Corrections issued these permits to commissioners of the Board of Parole Hearings and the Division of Juvenile Justice. According to the board's chief of administration, any analysis of the cost-effectiveness of providing vehicles to commissioners would have been documented many years ago, and the board would no longer have that analysis because of its records retention policies. In our review of the related employees' duty statements, we found that their job functions do require a considerable amount of travel. Nevertheless, the justifications provided in the permit requests do not demonstrate how the employees met the requirements for cost-effective permits. In contrast, the final cost-effective permit that we reviewed appropriately described the employee's job functions and the employee's engagement in work-related activities after hours.

Similarly, the information we reviewed for two of the three permit requests claiming essential use was insufficient to justify assignment of the vehicles. Corrections issued these two permits to parole agents of the Division of Adult Parole Operations (parole operations). Although the permit requests described the agents' need for travel, the permits did not describe essential use of the vehicles, such as the employees' need to act frequently as timely primary responders to emergency events occurring in the field. Corrections issued the third of these essential use permits to a special agent of the Office of Correctional Safety, an individual who locates, pursues, and apprehends parolees, inmate escapees, or other fugitives. This employee's permit request included a narrative that described how the nature of the employee's work necessitated an essential use permit.

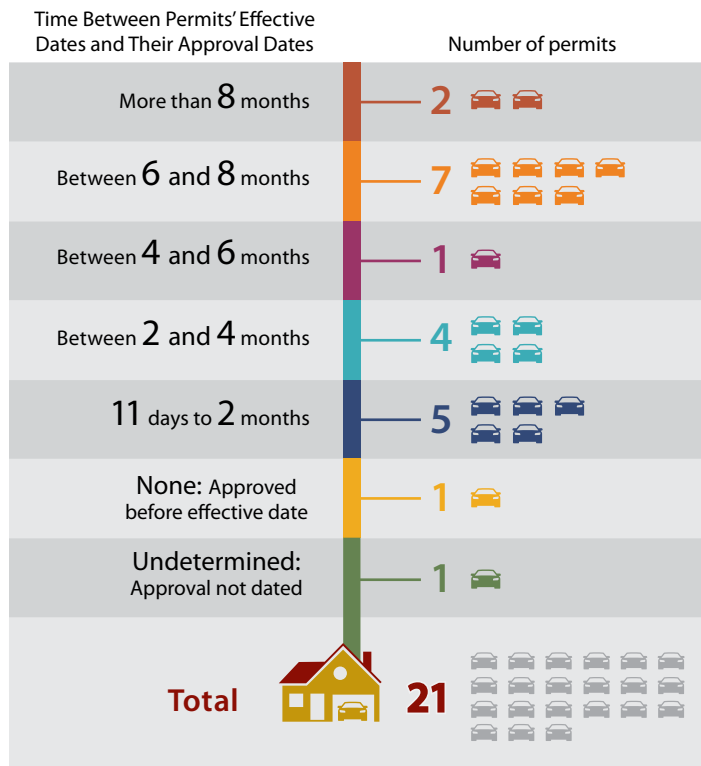
We also found that Corrections did not sufficiently support its issuance of permits to three additional employees. We reviewed eight permits that Corrections issued before General Services established the cost-effective and essential permit criteria in January 2013. In these cases, we still expected to find sufficient explanations on the permit requests supporting why the employees' circumstances necessitated home storage. Three of the eight permit requests, however, did not clearly describe how the employees' travel needs met the conditions for home storage. For example, one of the permit requests included only the phrase "on special assignment from headquarters" as the purpose for travel and the nature of the employee's work. The form also had a box checked indicating that the employee departs or returns regularly from official trips away from his headquarters under circumstances that make it impractical for him to use other means of transportation. Despite this claim, we did not find the information on the permit request sufficient to explain why this employee required a permit. On the other hand, the remaining five permits issued before January 2013 clearly identified and documented a need for the employees' home storage of vehicles.

Three of the eight permit requests did not clearly describe how the employees' travel needs met the conditions for home storage.

Lack of Timely Permit Approval Led to Unauthorized Vehicle Use

For most permits we tested, we also found significant discrepancies between effective dates and approval dates. Before a state agency can issue a permit, the state agency's relevant head, deputy, or chief administrative officer (authorized approver) must sign it. For 19 of the 21 permits we reviewed, however, the approvers signed the permits after the permits' effective dates. For fiscal years 2012–13 and 2013–14, the delays in approval ranged between 11 days to just over eight months, as Figure 2 on the following page indicates.

Figure 2
Amounts of Time (Delay) Between the Effective Dates and the Approval Dates for 21 Vehicle Home Storage Permits Issued by the California Department of Corrections and Rehabilitation



Source: California State Auditor's analysis of a selection of the California Department of Corrections and Rehabilitation's vehicle home storage permits for fiscal years 2012-13 and 2013-14.

Because of the discrepancies between approval and effective dates, employees could use vehicles without proper authorization, and many did. According to the business operations section chief of the office of business services, regardless of the effective dates indicated on the permits, Corrections locations should only allow employees to take the vehicles home after the approval of the related permits. However, we found evidence that 11 of the 19 employees with delayed permit approvals used their vehicles and took them home before obtaining approval. For example, eight commissioners of the Board of Parole Hearings used and stored their vehicles at home between six and eight months before their permits were approved. During that time, those employees reported mileage on their travel logs, and Corrections reported the employees to General Services as the vehicles' operators. Similarly, one parole agent received approval for his permit only after he had used a vehicle for six months and then stopped working for Corrections.

In addition to the employees who used vehicles before receiving approval to do so, we found instances in which employees used assigned vehicles without ever receiving permit approvals. For reasons that included vehicle reductions and retirements, seven employees who had begun the permit request process never received approved permits from their work locations. For instance, Corrections never approved the permit requests of three parole administrators, but they had already used their vehicles between six and 12 months each. We also found three instances in which employees did not submit new permit requests but continued to use their assigned vehicles through the end of a fiscal year, after their permits had expired. Without better monitoring of assigned vehicle drivers and permit issuance, the department risks allowing employees to use state vehicles without justification.

Finally, similar to state regulations, Corrections' policy identifies directors or equivalent employees as the authorized approvers who must sign the permits. As such, we expected to find that only employees at this level approved vehicle assignments. However, we found six instances in which a regional parole administrator—a position that is at least two classifications below that of a director—approved permits. According to the business operations section chief of the office of business services, regional parole administrators signed the permits because they have hiring responsibility over the related employees and are the highest level of executive management in a region. She said the management of the office of business services will revise Corrections' policy to ensure that the highest level of executive management approves the permits after Corrections' executive management approves the revision. Nevertheless, to ensure employees' proper use of resources until such a revision becomes effective, only the appropriate authorized approvers should review and approve the permits to prevent the issuance of permits that are not justified.

Corrections' Reporting Related to Assigned Vehicle Use Was Incomplete

Additionally, for the period we reviewed, most of the Corrections employees with assigned vehicles that we tested failed to submit monthly reports of fringe benefits associated with their personal use of vehicles. The value of all personal use of vehicles—including commutes between home and office—is taxable income. State policy requires state agencies to report this information to the California State Controller's Office (state controller). To ensure accurate reporting, Corrections requires all employees with assigned vehicles to submit monthly certifications of personal use (certifications) along with supervisor-approved travel logs to Corrections' accounting office. This requirement applies even to those employees who use their vehicles only for nonpersonal purposes and would therefore

Without better monitoring of assigned vehicle drivers and permit issuance, the department risks allowing employees to use state vehicles without justification.

report no taxable fringe benefits. The accounting office then reports to the state controller the information in the monthly certifications. However, only three of the 28 managerial employees and retired annuitants whose records we reviewed submitted all the required certifications. Although two of the remaining 25 employees submitted certifications for some months, the rest did not submit any certifications. Finally, none of the 28 employees submitted to the accounting office a travel log with his or her certification as policy requires.

It appears that employees may not have submitted the required documents to the accounting office because they were unaware of the requirement to report even when no personal use occurred. For example, none of the Board of Parole Hearings' 12 commissioners submitted the required documents to the accounting office. According to the board's chief of administration, the commissioners did not submit the documents because, with their homes serving as their headquarters, they would report no taxable use every month. However, Corrections' policy still requires these employees to submit monthly certifications and travel logs to that effect. Additionally, contrary to Corrections' departmentwide policy, internal policies at a few Corrections locations specifically instruct employees that they do not need to report their commutes as personal use on these documents. Because Corrections employees failed to submit these certifications, Corrections could not ensure that it accurately and completely reported its employees' vehicle-related taxable fringe benefit amounts to the state controller. Further, employees who misrepresent their taxable incomes may be subject to tax penalties.

In addition to not submitting to the state controller reports about employees' personal use of vehicles, Corrections sometimes failed to submit required monthly mileage reports to General Services.

In addition to not submitting to the state controller reports about employees' personal use of vehicles, Corrections sometimes failed to submit required monthly mileage reports to General Services. All state agencies are required to provide General Services with monthly updates on their fleet use. When we reviewed General Services' spreadsheets for vehicle-use tracking that list each of Corrections' vehicles for fiscal years 2012-13 and 2013-14, we found that some fields that should have contained monthly mileage information were blank. Specifically, for seven of the 28 managerial employees and retired annuitants whose records we reviewed, General Services did not have complete monthly mileage records for their assigned vehicles. According to the deputy director of General Services' Interagency Support Division, General Services frequently requested Corrections' missing data, and it has continued to do so, yet Corrections has not provided this vehicle usage information. The business operations section chief of Corrections' office of business services stated that Corrections lacked staff to complete these reports in fiscal year 2012-13 and that it encountered computer-related technical issues that prevented it

from providing General Services with the vehicle usage data in fiscal year 2013–14. She further said that Corrections has resolved its technical issues and that it is now working to provide its 2013 vehicle usage data. The business operations section chief also stated that Corrections had collected its 2014 vehicle usage data and planned to provide it to General Services after performing a review of the data.

Corrections' Completion of Travel Logs Has Been Inconsistent, and Its Related Oversight Has Been Flawed

Corrections employees did not complete required travel logs consistently. When using assigned or pooled vehicles, state employees are to record their daily mileage in travel logs prescribed by General Services. Employees use pooled vehicles—which are usually stored at Corrections' offices or institutions—for short-term state business, such as off-site meetings or training. For the two fiscal years under review, employees at most of the 12 offices and institutions we visited used travel logs to some extent. However, the travel logs we reviewed were frequently incomplete, missing such information as the miles traveled, times of the travel, and locations where the vehicles were stored overnight. In addition, instead of showing the printed names of drivers, the logs often displayed the hard-to-decipher signatures of the employees who used the vehicles. According to our review, employees did not comply consistently with the requirements to complete the travel logs. In explaining the main reasons for failing to complete the travel logs, Corrections cited both the drivers' need for further training about the use and accurate completion of travel logs and Corrections' lack of staff who can ensure the completeness of the travel logs. Nevertheless, due to the straightforward nature of the logs, we believe that Corrections should easily have been able to train its employees on the accurate completion of travel logs. According to the deputy director of General Services' Interagency Support Division, travel logs are a means for state agencies to collect vehicle usage data to help the agencies make decisions related to further usage or assignment of vehicles as well as to identify potential vehicle misuse. Without complete and accurate travel logs, Corrections cannot make fully informed decisions related to the management of its vehicle fleet.

In addition to having incomplete travel logs, several offices and institutions we visited were missing some of these records. State regulations require agencies to retain travel logs for each vehicle for the current and preceding fiscal years and to make these logs available to General Services upon request. However, parole operations' Sacramento headquarters did not retain any of its completed travel logs, keeping only its last, incomplete travel

The travel logs we reviewed were frequently incomplete, missing such information as the miles traveled, times of the travel, and locations where the vehicles were stored overnight, and names of drivers were often hard-to-decipher.

log sheet. The support services section manager at this location stated that the staff assigned to maintaining the travel logs were unaware of retention requirements and shredded the completed log sheets once they were completely filled out. Another division, Juvenile Justice, did not maintain travel logs for a vehicle assigned to a managerial employee. According to the manager for the division's program support unit, the employee left the logs inside the vehicle when returning it to General Services, and they were never recovered.

The Board of Parole Hearings also did not consistently maintain travel logs for vehicles assigned to eight of its commissioners. According to the board's chief of administration, General Services gave its approval to allow these employees to e-mail their beginning and ending mileage instead of completing travel logs. However, the board could not provide evidence of this approval, and could provide documented copies of only a few of the employees' e-mailed mileage reports. In addition, we found that the California Substance Abuse Treatment Facility and State Prison at Corcoran did not maintain travel logs for one of its four pooled vehicles. The institution's business manager stated that employees did not monitor the vehicle's daily usage while it was out on special assignment to the associate director's office. Lastly, Wasco State Prison (Wasco) did not have most of the travel logs for three of its pooled vehicles. According to the procurement and services officer of Wasco, this situation occurred because the institution lacked staff responsible for ensuring the completeness of the institution's travel logs. Although we found instances of skipped or missing pages or entries at the remaining Corrections locations we visited, these offices and institutions appeared to retain travel logs, as regulations require.

Corrections could reduce instances of incomplete and missing travel logs by reviewing the logs periodically. During our testing period, Corrections did not have a policy requiring regular review of travel logs to determine whether employees are filling them out accurately and completely. We found incomplete or missing travel logs at 11 of the 12 locations we reviewed. Although a few locations stated that their supervisors or staff review the travel logs informally, we found no evidence of reviews occurring at any of the locations. For instance, the correctional business manager at Wasco stated that procurement staff spot-check travel logs for completion, yet we still found incomplete travel logs at this location. In November 2014 Corrections started requiring supervisors to review for legibility and accuracy the travel logs for assigned vehicles. However, Corrections still lacks a policy for the review of travel logs for pooled vehicles. Without travel logs that meet requirements, Corrections lacks necessary information to manage its vehicle fleet in the most cost-effective way.

We found incomplete or missing travel logs at 11 of the 12 locations we reviewed and no evidence of review at any of the locations.

Recommendations

To ensure that it complies with state laws and its policies related to retired annuitants' employment, Corrections should provide its hiring managers and staff with guidance by June 2015 on the following:

- Including an adequate justification on the hiring form for retired annuitants.
- Obtaining necessary approvals before retired annuitants begin work.
- Verifying and maintaining EDD forms indicating that retirees have not received unemployment compensation in the 12 months preceding their hire.

To make certain that its employment of returning retired annuitants complies with state laws, by June 2015 Corrections should do the following:

- Provide training on what constitutes limited duration and how to appropriately document it.
- Develop and implement a policy for reviewing and approving renewal appointments and spreadsheets.
- Designate in policy the position responsible for reviewing and approving the renewal appointments.

To ensure that retired annuitants do not work beyond their 960-hour limit per fiscal year, by September 2015 Corrections should do the following:

- Develop a policy for a monthly management review and approval of retired annuitant attendance records.
- Review its payroll records from fiscal year 2010–11 to present to identify any retired annuitants who exceeded the 960-hour limit and report these employees to CalPERS.

To make sure that permits receive prompt and appropriate approval, by June 2015 Corrections should do the following:

- Provide guidance to employees who complete permit requests regarding the documentation they should include when justifying the need for permits.

- Review the justifications on permit requests to ensure they are appropriate before granting approval.
- Emphasize among its authorized approvers the importance of approving permit requests before allowing the use of vehicles.

To ensure that all employees with assigned vehicles submit the required documents, Corrections should provide training and guidance to staff and supervisors on its policy for monthly reporting of the personal use of vehicles to both its accounting office and the state controller by June 2015.

To strengthen its oversight of its employees' use of vehicles, by September 2015 Corrections should do the following:

- Provide training to staff and supervisors about the use and accurate completion of travel logs.
- Require regular review of the travel logs for pooled vehicles.
- Provide training and guidance to staff and supervisors about monthly mileage reporting to General Services and about retention requirements for travel logs.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the scope section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: March 17, 2015

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

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STATE OF CALIFORNIA — DEPARTMENT OF CORRECTIONS AND REHABILITATION

EDMUND G. BROWN JR., GOVERNOR

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February 26, 2015

Ms. Elaine M. Howle, State Auditor
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Ms. Howle:

The California Department of Corrections and Rehabilitation (CDCR) is submitting this letter in response to the California State Auditor's (CSA) audit titled "California Department of Corrections and Rehabilitation: It Must Improve Legal Compliance and Administrative Oversight of Its Employment of Retired Annuitants and Use of State-Owned Vehicles."

The report outlines several concerns relative to the Department's hiring of retired annuitants into managerial positions, and the assigning and monitoring of employees' use of state-owned vehicles. CDCR agrees it can strengthen internal controls in both areas to ensure compliance with state laws and departmental policies. To address retired annuitant hiring issues, CDCR is currently revising its policy and approval forms for hiring and renewing retired annuitants which will include comprehensive justification requirements. Training curriculum will be developed on this revised policy, and processes will be implemented to ensure appropriate forms and documents are completed and submitted. In addition, CDCR will develop a standardized form to track and monitor retired annuitant work hours. Further, to address the Department's managerial vacancies, CDCR continues to work with the California Department of Human Resources on a succession management plan.

Finally, to ensure that all CDCR programs with assigned vehicles submit required documents and monitor monthly reporting, the Department will provide training and guidance to staff and supervisors on state vehicle usage policies. Toward this end, CDCR recently issued a Financial Information Memo clarifying the taxable fringe benefit reporting requirements to the State Controller's Office, and detailing what the Internal Revenue Service Code of Federal Regulations Title 26 qualifies as "exempt" in the use of unmarked law enforcement vehicles.

We would like to thank CSA for their work on this report and will address the specific recommendations in a corrective action plan within the timelines outlined in the report. If you have further questions, please contact me at (916) 323-6001.

Sincerely,

DIANA TOCHE
Undersecretary (A)
Administration & Offender Services