



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

**OSCAR VALDEZ**  
AUDITOR-CONTROLLER

**CONNIE YEE**  
CHIEF DEPUTY AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS

**MAJIDA ADNAN**  
**RACHELLE ANEMA**  
**ROBERT G. CAMPBELL**

June 17, 2025

TO: Each Supervisor

FROM: Oscar Valdez  
Auditor-Controller

Robert G. Campbell  
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **DEPARTMENT OF HEALTH SERVICES - PERSONNEL RECURRING BONUSES, PROMOTIONS, STEP PLACEMENTS, TERMINATIONS, AND FILE SECURITY REVIEW (REPORT #K22DH) - FIRST FOLLOW-UP REVIEW**

We completed a follow-up review of the Department of Health Services (DHS or Department) - Personnel Recurring Bonuses, Promotions, Step Placements, Terminations, and File Security Review dated July 25, 2023 (Report #K22DH). As summarized in Table 1, DHS fully implemented five and partially implemented five recommendations to enhance their personnel processes. DHS should fully implement the five outstanding recommendations to strengthen controls and monitoring over their personnel processes.

**Table 1 - Results of First Follow-up Review**

| RECOMMENDATION IMPLEMENTATION STATUS |             |                   |                             |                 |
|--------------------------------------|-------------|-------------------|-----------------------------|-----------------|
| PRIORITY RANKINGS                    | TOTAL RECOS | FULLY IMPLEMENTED | OUTSTANDING RECOMMENDATIONS |                 |
|                                      |             |                   | PARTIALLY IMPLEMENTED       | NOT IMPLEMENTED |
| PRIORITY 1                           | 1           | 1                 | 0                           | 0               |
| PRIORITY 2                           | 7           | 2                 | 5                           | 0               |
| PRIORITY 3                           | 2           | 2                 | 0                           | 0               |
| TOTAL                                | 10          | 5                 | 5                           | 0               |
|                                      |             |                   | 5                           |                 |

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For details of our review and the Department's corrective actions, see Attachment. We will follow up and report back on the five outstanding Priority 2 recommendations.

We thank DHS management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Jesse Urbano at [jurbano@auditor.lacounty.gov](mailto:jurbano@auditor.lacounty.gov).

OV:CY:RGC:JU:gu

Attachment

c: Fesia A. Davenport, Chief Executive Officer  
Edward Yen, Executive Officer, Board of Supervisors  
Christina R. Ghaly, M.D., Director, Department of Health Services

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment  
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**Robert G. Campbell**  
ASSISTANT AUDITOR-CONTROLLER

**Jesse Urbano**  
CHIEF ACCOUNTANT-AUDITOR

## AUDIT DIVISION

Report #K25CU

### DEPARTMENT OF HEALTH SERVICES PERSONNEL RECURRING BONUSES, PROMOTIONS, STEP PLACEMENTS, TERMINATIONS, AND FILE SECURITY REVIEW (REPORT #K22DH) FIRST FOLLOW-UP REVIEW

| RECOMMENDATION  | A-C COMMENTS   |
|---|--|
| <p><b>1</b> <b>Bilingual Bonus Annual Recertification (Priority 1)</b> - The Department of Health Services (DHS or Department) management re-instruct the Human Resources (HR) Division, Personnel Operations (Personnel or Unit) Section staff on the bonus recertification process and ensure that every employee receiving a bilingual bonus is subject to annual recertification, including obtaining confirmation from the employee's supervisor that the employee continues to qualify for the bonus.</p> <p><b>Original Issue/Impact:</b> County policy provides for bilingual bonus pay to eligible employees who have passed a proficiency examination conducted by an authorized County Bilingual Examiner and possess a Language Proficiency Certificate. We reviewed DHS' processes for initially granting bilingual bonuses and noted they are adequate.</p> <p>DHS Policy 731 requires supervisors of employees receiving bilingual bonuses to annually re-certify the bonus by responding to an e-mail from Personnel and confirming whether the employee is still entitled to it.</p> <p>However, Personnel management informed us they do not send out recertification confirmation e-mails to supervisors, as required by the Policy. Management monitoring of controls could have also detected this noncompliance issue, which we address in Issue No. 5.</p> <p>Subsequent to our review, DHS management stated that they began following their bilingual bonus recertification policy. We will evaluate this during our follow-up review.</p> <p>As of November 2022, DHS had over 3,800 employees receiving bilingual bonuses at a total cost of approximately \$4.6 million annually. This weakness increased the risk of staff potentially</p> | <p><b>Recommendation Status: Implemented</b></p> <p>We confirmed that DHS re-instructed Personnel staff on the bonus recertification processes to ensure that every employee receiving a bilingual bonus is annually certified by the employee supervisor/manager by reviewing their Bilingual Bonus Recertification lists.</p> <p>We also confirmed that staff are following their procedures by reviewing examples of their recently completed annual bilingual bonus recertification reports, which included confirmations indicating that each employee on the list continued to qualify for the bonus, the supervisor's approval, and the date of the review.</p> |

**Priority Ranking:** Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

| RECOMMENDATION |   | A-C COMMENTS   |
|----------------|---|--|
|                | receiving bilingual bonuses when they were ineligible for them.   |  |
| 2              | <p><b>Physician Board Certification Bonus Notification (Priority 2)</b> - DHS management:</p> <ul style="list-style-type: none"> <li>a) Work with the Chief Executive Office (CEO) to determine if any additional required action(s) are needed for all physician American Medical Specialty Board (Board) certification bonus recipients for whom the required notifications were not previously made.</li> <li>b) Develop and implement a documented process to notify the CEO of physicians who qualify for Board certification bonuses.</li> </ul> <p><b>Original Issue/Impact:</b> County Interpretive Manual Chapter III, Section G requires departments to notify the CEO of special bonuses for Board certifications. In addition, the Interpretive Manual requires that the Board certification bonus not be payable before the first day of the month the department head notifies the CEO of the eligibility of the physician who qualifies.</p> <p>During our review, we noted that the Department's process for authorizing and paying physician bonus certifications is generally appropriate. However, DHS does not have a process to notify the CEO of physicians who are eligible for the physician Board certification bonus, as required by the County Interpretive Manual Chapter III, Section G.</p> <p>As of November 2022, DHS had 850 physicians receiving a physician Board certification bonus at an annual cost of approximately \$18 million. This weakness increased the risk of overpayments at the initiation of the bonus since it was not payable before the first day of the month the department head notified the CEO. In addition, prevented the CEO from potentially accounting for these bonuses during the budgetary process.</p> | <p><b>Recommendation Status: Implemented</b></p> <p>We confirmed that DHS management worked with the CEO to determine if additional actions were needed for physician Board certification bonus notifications by reviewing various communications between the Department and the CEO.</p> <p>In addition, we confirmed that DHS management implemented a documented process to notify the CEO of physicians who qualify for Board certification bonuses by reviewing their Physician Board Certification Bonus Annual Notification document.</p> |
| 3              | <p><b>Separation of Duties (Priority 2)</b> - DHS management develop and implement processes to maintain an appropriate separation of duties over key personnel functions by ensuring that:</p> <ul style="list-style-type: none"> <li>a) Staff who review active recurring bonuses are independent of entering job data into the</li> </ul>  | <p><b>Recommendation Status: Implemented</b></p> <p>We confirmed that DHS management implemented separation of duties processes to ensure that staff who review recurring bonuses are independent from those entering job data into eHR by reviewing their Bonus</p>   |

| RECOMMENDATION  | A-C COMMENTS  |
|---|---|
| <p>County's electronic Human Resources (eHR) system.</p> <p>b) Staff responsible for maintaining the terminations list are independent of timecard adjustments, terminations in eHR, and approval of terminations.</p> <p><b>Original Issue/Impact:</b> County Fiscal Manual (CFM) Section 3.1.8 requires Personnel management or someone independent of entering job data in eHR to review the work assignments of all employees receiving bonuses annually to ensure bonuses are still applicable. Independent Personnel management is also responsible for maintaining the list of terminated employees to ensure the terminations have been processed, and that the terminated employees do not continue to receive pay.</p> <p>During our review, we found that Personnel management does not ensure adequate separation of duties over termination-related functions. Specifically, during our process walkthrough, we noted that staff assigned to review active recurring bonuses and maintain the list of terminated employees also have access to enter job data/adjustments into eHR, such as timecard adjustments and terminations, and to approve terminations.</p> <p>This weakness increased the risk of paying unauthorized and inappropriate bonuses, and of improper changes to the list of terminated employees. In addition, this weakness reduced the chances that bonus additions, deletions, and modifications were appropriately identified and addressed timely.</p> | <p>Unit Supervisor's Procedures and a listing of staff who regularly review recurring bonuses.</p> <p>In addition, we confirmed that DHS management implemented processes to ensure that staff responsible for maintaining the terminations list are independent of timecard adjustments, terminations in eHR, and approval of terminations by reviewing their Termination and Release Unit Procedures and a listing of staff who are independent of timecard adjustments, terminations in eHR, and approval of terminations.</p>   |
| <p><b>4</b> <b>Written Standards and Procedures (Priority 2)</b> - DHS management develop written standards and procedures to adequately guide supervisors and staff in performing their personnel duties, including those areas noted in our review.</p> <p><b>Original Issue/Impact:</b> DHS management needs to ensure that detailed written standards and procedures adequately guide supervisors and staff in the performance of their duties for all key personnel processes and controls.</p> <p>DHS follows various County and/or departmental guidelines for Personnel operations. However,</p>  | <p><b>Recommendation Status: Partially Implemented</b></p> <p>We confirmed that DHS management developed detailed steps for bonus terminations by reviewing Personnel's Bonus Unit General Procedures. We also confirmed that terminations/transfers are communicated and processed appropriately by reviewing their Termination and Release Unit Procedures.</p> <p>In addition, we confirmed that DHS management developed guidelines for assigning records access to managers and staff by reviewing their ePersonnel Records (ePR) Management Solution User Training Manual. However, while DHS Policy 731, Bilingual Bonus</p> |

| RECOMMENDATION  | A-C COMMENTS   |
|---|--|
| <p>during our review, we noted that written procedures do not include important and relevant details on day-to-day activities/processes. For example:</p> <ul style="list-style-type: none"> <li>• Procedures for canceling bonuses do not describe the notification process and the steps needed to be performed to terminate the bonus.</li> <li>• Procedures for terminations do not describe the process for communicating terminations/ transfers to security administrators and for removing or reviewing the appropriateness of the user's system access.</li> <li>• Procedures for Personnel records access do not provide guidelines on identifying how access should be assigned.</li> </ul> <p>Standards and procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and require an audit trail of key events where practical.</p> <p>Potential for inconsistent and/or unclear understanding of Personnel operations by new staff and management. In addition, prevented management from effectively evaluating the process/control environment.</p> | <p>Plan requires managers to inform DHS HR Operations when the employee no longer qualifies and/or needs to be terminated from the bonus plan program, the policy only applies to bilingual bonuses and does not include all other applicable bonuses, such as out-of-class, superior-subordinate pay, and additional responsibilities bonuses.</p> <p>DHS stated that they will develop detailed written procedures on the employee supervisor's bonus cancellation notification processes, and plan to fully implement this recommendation by September 30, 2025.</p>  |
| <p><b>5</b> <b>Management Monitoring of Internal Controls (Priority 2)</b> - DHS management implement ongoing documented self-monitoring processes that include:</p> <ul style="list-style-type: none"> <li>a) Examining process/control activities, such as reviewing an adequate number of transactions on a regular basis to ensure adherence to established procedures and internal controls, County rules, and best practices.</li> <li>b) Documenting the monitoring activity and retaining evidence so it can be validated.</li> <li>c) Elevating material exceptions timely so management is aware of control risks and can take appropriate corrective actions.</li> </ul> <p><b>Original Issue/Impact:</b> DHS needs to develop ongoing self-monitoring processes, to regularly evaluate and document that the following</p>  | <p><b>Recommendation Status: Partially Implemented</b></p> <p>We confirmed that DHS management developed ongoing self-monitoring processes to regularly evaluate and document that control processes are working as intended by reviewing their Personnel Operations Self-Monitoring Procedural Guide.</p> <p>In addition, we reviewed the Quarterly Self-Monitoring - Fourth Quarter of Fiscal Year (FY) 2023 24 memos sent from the Chief of Personnel Operations to the Assistant Human Resources Director indicating the self-monitoring results. However, DHS management did not maintain adequate documentation (e.g., signed, dated, and annotated) to support the self-monitoring evaluations/conclusions. For example, while the monitoring activity evaluation of bonuses stated that all transactions reviewed were without errors, the</p> |



| RECOMMENDATION   | A-C COMMENTS   |
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| <p>processes and controls are working as intended, as required by CFM Section 1.0.2:</p> <ul style="list-style-type: none"> <li>• Recurring Bonuses</li> <li>• Promotions</li> <li>• Step Placements</li> <li>• Terminations</li> <li>• File Security and Maintenance</li> </ul> <p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., a representative sample) and proper completion of required documentation, such as the Personnel Action Request Form, used to ensure the timely processing of salary and bonus calculations/changes and the Notice of Termination/Transfer Form, used to process employee termination/transfer, etc., to ensure adherence to policy, and documenting and retaining evidence of this review in such a manner that a third party can validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.</p> <p>This weakness prevented management from promptly identifying and correcting process/control weaknesses or instances of noncompliance with County personnel rules.</p> | <p>Department could not provide supporting documents of the reviews.</p> <p>DHS stated that they will conduct and retain documented reviews as recommended, and plan to fully implement this recommendation by September 30, 2025.</p>   |
| <p><b>6</b> <b>Key Performance Indicators (Priority 2)</b> - DHS management establish documented processes/controls to ensure that the Department:</p> <ol style="list-style-type: none"> <li>Develops Key Performance Indicators (KPIs) and other performance measures to track and evaluate the effectiveness of their Personnel operations.</li> <li>Periodically evaluate Personnel processes with established KPIs and take corrective action as needed.</li> </ol> <p><b>Original Issue/Impact:</b> A KPI is a type of quantifiable performance measurement that is used to evaluate the success of an organization or of a particular activity in which it engages. Each department should establish KPIs and periodically review them against the applicable activity to</p>   | <p><b>Recommendation Status: Partially Implemented</b></p> <p>We confirmed that DHS management developed guidelines for KPIs by reviewing their Personnel Operations KPIs, which require Personnel management to periodically review Termination Logs, Bilingual Bonus Processing Times, etc. We also confirmed that DHS management started conducting quarterly reviews of their KPIs, by reviewing their KPI evaluations for the period of January to September 2024. However, we noted that the Department did not properly document the corrective actions taken in instances where shortfalls were identified, such as in areas related to Bilingual Bonus Processing Time, Hiring Process and Onboarding Timeframe, and Help Desk Tickets.</p> |

| RECOMMENDATION   | A-C COMMENTS  |
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| <p>evaluate the efficiency and effectiveness of the activity, identify weaknesses and areas for improvement, etc.</p> <p>During our review, we noted that Personnel does not have established KPIs over their Personnel operations to monitor and evaluate the Unit's ongoing efforts in meeting their goals and objectives. Examples of KPIs the Department could develop include target times for staff processing required documents for recurring bonuses, promotions, step placements, and terminations.</p> <p>This weakness prevented management from measuring and evaluating the level of success for their operations and taking any needed corrective actions.</p>  | <p>DHS stated that they will conduct the documented reviews as indicated in their KPI guidelines, and plan to fully implement this recommendation by September 30, 2025.</p>  |
| <p><b>7</b> <b>Employee Job Changes Records (Priority 2)</b> - DHS management develop a documented process/control to ensure that Personnel staff forward copies of all hiring, job and salary rate changes, and terminations documents to the Payroll Section for filing in employee payroll files.</p> <p><b>Original Issue/Impact:</b> CFM Section 3.1.8 requires Personnel staff to forward copies of hiring, job and salary rate changes, and termination documents to the Payroll Section for filing in the employees' payroll files. Documents forwarded to Payroll from Personnel are intended to inform the Payroll Section of changes that would impact employees' pay records.</p> <p>During our review, we noted that DHS Personnel has appropriate processes to ensure that salary rate changes, promotions, terminations, etc., are accurately entered and tracked. However, the Department does not have a process to ensure that Personnel forwards copies of required documents to the Payroll Unit for filing in the employees' payroll files, as required by CFM Section 3.1.8.</p> <p>This weakness increased the risk of incomplete/inadequate maintenance of employee records by the Department. This could have resulted in pay records inconsistencies and erroneous payments to terminated employees.</p> | <p><b>Recommendation Status: Partially Implemented</b></p> <p>We confirmed that DHS management developed a documented process to ensure that Personnel staff forward copies of terminations to Payroll by reviewing their Termination and Release Unit Procedures. We also confirmed that Personnel staff forward copies of employee job change records once processed to the Payroll Section by reviewing a completed example of a Notice of Termination/Transfer form.</p> <p>In addition, we confirmed that Personnel shares all hiring, job and salary rate changes with the Payroll Section by reviewing their DHS Joint HR Onboarding Log. However, the Department did not develop documented processes for the above-mentioned areas.</p> <p>DHS stated that they will develop the procedures for the remaining processes as recommended, and plan to fully implement this recommendation by September 30, 2025.</p> |



| RECOMMENDATION   | A-C COMMENTS  |
|--|---|
| <p><b>8</b> <b>Recurring Bonus Signoffs (Priority 2)</b> - DHS management re-instruct Personnel management to sign-off/approve and date their annual bonus reviews.</p> <p><b>Original Issue/Impact:</b> CFM Section 3.1.8 requires that Personnel management review the work assignments of all employees receiving recurring bonuses (e.g., out-of-class, superior-subordinate pay, and additional responsibilities) annually to ensure that the bonuses are still applicable, and that the employee is still eligible. The report also is required to be signed and dated by the person performing the review.</p> <p>Based on our process walkthrough and review of documentation, the Department's process is to perform a documented annual review of recurring bonuses that are set to expire and verify the eligibility of the bonuses that should be continued or discontinued.</p> <p>Although the verification of bonus eligibility process is reasonably well designed, based on documentation provided, both the staff performing and the manager/supervisor approving the reviews were missing either electronic or hard copy signoffs. In addition, some of the dates of the reviews performed by staff were missing. Management monitoring of controls could have detected this noncompliance problem. See Issue No. 5.</p> <p>For FY 2021-22, DHS had over 4,800 employees receiving recurring bonuses totaling over \$97.1 million. This weakness increased the risk of improper bonus payments. In addition, increased risk that recurring bonuses were not being properly reviewed and/or approved timely.</p> | <p><b>Recommendation Status: Partially Implemented</b></p> <p>We confirmed that DHS management re-instructed Personnel management to sign off/approve and date their Bilingual Bonus listing reviews by reviewing their Bilingual Bonus Recertification lists. However, the Department did not conduct reviews of recurring bonuses such as out-of-class, superior-subordinate pay, and additional responsibilities.</p> <p>DHS stated that they will conduct and retain documented reviews of these bonuses as recommended, and plan to fully implement this recommendation by September 30, 2025.</p> |
| <p><b>9</b> <b>Personnel Records Controls (Priority 3)</b> - DHS management enhance their records maintenance process to ensure that the personnel files of all employees who are out of service or in an inactive file are purged at least annually.</p> <p><b>Original Issue/Impact:</b> CFM Section 3.1.11 requires that departments purge personnel files at least annually by transferring the files of employees who are out of service or who have transferred from the Department to an inactive file.</p>   | <p><b>Recommendation Status: Implemented</b></p> <p>We confirmed that DHS management enhanced their records maintenance processes to ensure that the personnel files of all employees who are out of service or in an inactive file are purged at least annually by reviewing various documents, such as the Report of Files Disposed and the ePR Instructional Guide for New Employees.</p>  |

| RECOMMENDATION |   | A-C COMMENTS   |
|----------------|---|--|
|                | <p>Based on our process walkthrough, management stated that while they do transfer all out of service employee files to an inactive status file, they do not document the process. In addition, they do not purge the files at least annually.</p> <p>This weakness increased the risk that records of employees who were no longer with the Department were inappropriately accessed.</p>  |  |
| <b>10</b>      | <p><b>Employee Status Change Monitoring (Priority 3)</b> - DHS management enhance their status review process/controls to ensure that their reviews of employee status changes are appropriately documented.</p> <p><b>Original Issue/Impact:</b> CFM Section 3.1.3 requires that management review employee changes of status at least quarterly for appropriateness of the transactions entered into eHR. Changes in status include promotions, terminations, and transfers.</p> <p>Based on our process walkthrough, Personnel management stated that they review a list of employee change of status transactions every two months to ensure that transactions entered into eHR are processed correctly and before the payroll deadline. However, these reviews are not documented.</p> <p>This weakness increased the risk that inaccuracies and errors in employee changes of status were not being identified and corrected timely, and could have resulted in over/underpayments.</p> | <p><b>Recommendation Status: Implemented</b></p> <p>We confirmed that DHS management reviews of employee status changes are appropriately documented by reviewing their DHS Joint HR Onboarding Log which details all essential employee information such as transaction types (e.g., promotions, transfers, rehires), classification, name of the analyst, and HR comments.</p> |

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit [auditor.lacounty.gov/audit-process-information](http://auditor.lacounty.gov/audit-process-information).