



THE CITY OF SAN DIEGO

June 16, 2009

**Honorable Mayor and Members of the City Council
City of San Diego, California**

**AUDIT OF ACCOUNTS OF
WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR,
ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER,
JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND
JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER**

Article VII, Section 111 of the City Charter, requires that upon the death, resignation or removal of any officer of the City, an audit and investigation of the accounts of such officer be made and a report provided to the Manager and the Council. To comply with this requirement, the Office of the City Auditor performed close-out audits of: Ms. Wendi Brick, former Customer Services Director; Mr. Elmer Heap, former Deputy Chief Operating Officer, Community Services; Ms. Jill Olen, former Deputy Chief Operating Officer, Public Safety and Homeland Security; and Ms. Joanne SawyerKnoll, former Deputy Chief Operating Officer, Office of Ethics and Integrity. Pay period end January 9, 2009 was the last pay period as an active employee for these individuals.

We found that these individuals do not have any outstanding debt to the City. However, during our audit we also reviewed the return of the employees' City identification cards and their use of terminal leave after their last day of work. Based on our audit we found some weaknesses in the administration of City policies regarding these two issues as noted below.

- **City identification cards:** City Administrative Regulation (AR) 95.10 requires that when an employee terminates City employment, identification cards shall be returned to the Personnel Department for deactivation. During our review it was determined that the identification cards belonging to Ms. Olen and Ms. Brick were not returned. Terminated employees maintaining ownership of a City identification card may pose a security risk; individuals with City identification cards can enter the City Administration Building without going through the security check.
- **Terminal leave:** All four of the employees we reviewed used terminal leave. Terminal leave is defined as the cumulative unused leave hours (vacation/sick leave hours) that were granted to employees as part of their compensation during their tenure as a City



employee. The leave hours that they accrued were not paid out to them in a lump sum, but instead they were granted terminal leave. While the last day worked for these employees was during pay period ending (PPE) January 9, 2009, each employee remained on the City payroll until their annual leave hours were exhausted. This resulted in the following termination dates for these employees:

Employee	Cumulative Annual Leave Balance at PPE 1/9/09¹	Termination Date
Wendi Brick	135 Hours	February 4, 2009
Jill Olen	223 Hours	February 20, 2009
Joanne SawyerKnoll	317 Hours	March 4, 2009
Elmer Heap	503 Hours	April 13, 2009

Our review of the terminal leave revealed conflicting City policies regarding the use of terminal leave and whether it is allowed. City AR 95.60 states that upon retirement or termination, a lump sum payment will be made to the terminating employee for annual leave payoffs. This AR also references Index Code I-2 of the Personnel Manual and Civil Service Rule X, Section 3 and both of these documents state that an employee can be placed on terminal annual leave.

Per the fiscal year 2009 Salary Ordinance, an employee who is placed on terminal leave prior to termination of City service, is still considered an employee, and as a result they continue to receive benefits such as holiday pay and other fringe benefits such as workers compensation, disability insurance, and employer retirement contributions. Based on this information, we expanded our review to determine the additional cost to the City to allow employees to be placed on terminal annual leave prior to their termination of City service.

We found that during the period July 1, 2008 through March 20, 2009, approximately 33,000 hours of terminal leave were used by 111 employees at a cost of approximately \$1.9 million. Of this amount, approximately \$660,000 was paid in fringe benefits, add-on pays and holiday pay, which would not have been paid had these employees received a lump sum payment for their annual leave payoff as required by AR 95.60. In addition, the average number of terminal leave hours used was 300 per employee which would extend the years of service by approximately 2 months, thereby increasing any retirement pension allowance.

In comparison, during this same period, approximately 62,600 hours of annual leave was paid via lump sum payments to 558 employees at a cost of \$2.6 million. If these employees had gone on terminal leave instead of receiving a lump sum payment, the estimated cost to the City would have been an additional \$890,000².

¹ Annual leave balance is rounded to the nearest whole hour.

² This calculation is based on the percentage of the additional cost the City paid to those 111 employees who went on terminal leave.

Depending on the years of service, City employees accrue between 5.24 hours (17 days per year) and 8.31 hours (27 days per year) each bi-weekly pay period. The maximum hours allowed to be accrued per employee is 350 to 700 hours (depending on hire date and years of service).

In addition, we noted that the auto allowance that was paid to Mr. Heap and Ms. Olen was not stopped when these employees were placed on terminal leave. After we notified the Comptroller's Payroll Division, the auto allowance payments were suspended and the previous payments recouped. However, without our notification, the City could have potentially overpaid Mr. Heap \$1,554 and Ms. Olen \$765 in disallowed auto allowance payments.

Based on our audit we recommend:

1. The City Administration should ensure that the policies and procedures governing terminating employees are followed specifically pertaining to the return of City identification cards and the stopping of auto allowances on employees last day of work.
2. The City Administration should ensure that all unclassified employees who are terminating City employment receive a lump sum payment for their accrued annual leave hours in compliance with AR 95.60 rather than receiving terminal leave.
3. The Personnel Department and City Administration should review the conflicting policies governing the use of terminal leave, and ensure that all policies are consistent and applied appropriately. Due to the additional costs associated with terminal leave, work to modify the Personnel Regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment.

The City Administration's and Personnel Department's responses to our audit recommendations are shown below:

Recommendation #1:

Management agrees with this recommendation and will take additional steps to ensure that all required identification cards are returned and that auto allowances are stopped upon the last day of work.

Recommendation #2:

To be consistent with the new Memorandum of Understandings reached with three of the City's labor organizations as well as the new agreements imposed on the other two labor groups, City employees, including unclassified employees will no longer be eligible to receive terminal leave upon leaving the City. The only exception will be if an employee is laid off due to budget cuts. All other situations will result in the unused accrued leave being paid off at the time of termination.

Recommendation #3:

Administration Response

Management agrees with this recommendation and will work with the Personnel Director. Many of the issues identified have been addressed through the recent labor negotiations.

Personnel Department Response

The Personnel Department is in the process of recommending to the Civil Service Commission revisions to the Civil Service Rule X, Section3(3) and the appropriate Personnel Regulations in order to eliminate Terminal Leave.

No other issues came to our attention requiring further review. To reach these conclusions, we reviewed financial records, including payroll, travel advances, and procurement card activity. Additionally, audit staff has verified that system access and payment approval authority was revoked.

We conducted this performance audit in accordance with 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We evaluated specific internal controls related to the audit objectives, and our conclusions on the effectiveness of the controls we reviewed related to the close-out procedures are detailed in our audit report.

Respectfully submitted,



Eduardo Luna
City Auditor

cc: Jay M. Goldstone, Chief Operating Officer
Jan Goldsmith, City Attorney
Steve Grant, Audit Committee Member
Wade McKnight, Audit Committee Member
Charles Sellers, Audit Committee Member
Hadi Deghani, Personnel Director
Scott Chadwick, Human Resources Director
Stanley Keller, Independent Oversight Monitor
Andrea Tevlin, IBA