

DEPARTMENT OF CORRECTIONS

Poor Management Practices Have Resulted in Excessive Personnel Costs

REPORT NUMBER 99026, JANUARY 2000

Audit Highlights . . .

Our review of personnel management practices at the California Department of Corrections' (department) prison facilities disclosed:

- It would save between \$17 million and \$29 million a year by being more effective in curbing excessive sick leave use.***
 - Additional savings of at least \$5.5 million a year could be realized by optimizing its mix of full-time relief officers and permanent intermittent employees to fill in for predictable absences.***
 - The department has no strategy for ensuring that custody staff take time off for holidays and other leave they earn each year. As a result, it is faced with a \$79 million liability that is growing by more than \$8 million each year.***
 - Poor management information has hindered the department's ability to better control and contain personnel costs.***
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As required by the Budget Act of 1999, we reviewed the management of personnel at prison facilities operated by the California Department of Corrections (department). Specifically, we were asked to review personnel practices at a sample of state prisons and recommend what changes, if any, were warranted to hold down state overtime and other personnel costs, comply with state civil service laws and professional management practices, and ensure good employee relations.

Our audit revealed problems in the department's management of sick leave usage and leave programs and addressed high overtime costs largely driven by the significant use of sick leave at the department's prison facilities. To determine the department's progress in implementing our recommendations and improving its management of personnel resources, we made limited inquiries and performed a limited review of documents at department headquarters. We found that the department has not fully implemented the majority of our recommendations. In addition, the actions the department has taken to address its problems have been ineffective, as both sick leave usage and overtime costs have increased since we conducted our audit.

After we issued our February 2001 special report to the Assembly Budget Subcommittee Number 4, titled *Implementation of State Auditor's Recommendations*, the department sent us a response on April 5, 2001. We sent a follow-up letter to the department on June 29, 2001, to provide clarity and perspective on a number of the comments the department made in its response. For example, our report identified a growing liability for unused vacation and holiday leave for custody employees. We identified two cost-effective ways to address this problem; namely, hiring entry-level custody staff or reducing the liability by cashing out the leave at straight time. Instead, the department indicated that it is reducing the liability by paying overtime, which is more costly than either of the methods we recommended. Since the department's April 5 letter generally indicated no change regarding the status

of implementation of our recommendations, below we present the same summary of the issues as we reported them in February 2001, except as indicated on the following pages.

In addition, item 5240-001-0001 of the supplemental report of the 2001 Budget Act required the department to report to the Joint Legislative Budget Committee and the fiscal committees of both houses by January 10, 2002, on its effectiveness in reducing sick leave usage, increasing the appropriate usage of budgeted vacation and other leave time, and on its estimate of the net fiscal effect of these changes on department personnel expenditures and the outstanding fiscal liability related to the vacation and holiday leave obligations. As of February 8, 2002, we understand from the Legislative Analyst's Office that the department has not yet delivered the report.

Finding #1: Poor sick leave management practices have caused excessive overtime costs.

Specifically, we found that the department is not effective in disciplining employees who use excessive sick leave. In addition, the institutions do not analyze sick leave data sufficiently and are not optimizing the use of permanent full-time relief employees and permanent intermittent employees to fill in when certain custody employees are out sick. By being more effective in curbing excessive sick leave, the department could save between \$17 million and \$29 million a year.

We recommended that the department take progressive disciplinary action against employees it believes use excessive sick leave, negotiate with the bargaining unit to establish financial incentives for employees who use less sick leave and disincentives for those whose use is excessive, and collect more information regarding leave usage. In addition, the department should determine an appropriate number of full-time relief employees to cover for sick leave and optimize the use of permanent intermittent employees.



Department Action: Partial corrective action taken.

Contrary to what the department reported in its six-month response to our audit, sick leave usage has continued to rise at the institutions. In its six-month response the department indicated that sick leave usage had declined when comparing the months of January to June 2000. However, the data the department used in its calculations included hours used by administrative employees whose positions do not need to be

filled when they are absent. Instead of simply comparing sick leave usage for two separate months, we calculated an annual average using the first nine months of 2000 and found that sick leave usage by custody staff has increased overall when compared to fiscal year 1998–99. Although the yearly average for sergeants decreased slightly by about 2 hours, the averages for correctional officers increased by about 6 hours and lieutenants by about 13 hours. Because the number of correctional officers is so much larger than the number of sergeants and lieutenants, sick leave use overall increased.

The department indicated that overall the institutions have used disciplinary tools, such as the extraordinary use of sick leave list and counseling, to curtail the use of sick leave. However, we found that some institutions are not as aggressive as others in their use of the tools. In fact, the institutions that have used these tools less extensively are generally paying higher amounts of overtime to cover for sick leave absences.

Regarding the establishment of financial incentives for employees who use less sick leave and disincentives for those whose use is excessive, a department representative indicated that internal discussions have occurred, but there have been no formal negotiations with the union representing custody staff on this issue. The current agreement between the State and the union expired in July 2001.

The department has been collecting from its institutions additional data regarding sick leave usage and the resources and its associated costs. While the department has used this data to generate tables and reports on the amount of sick leave and the various types, the fact that sick leave usage has increased indicates that the department has not successfully utilized the information to better manage sick leave.

When sick leave usage is high, the use of permanent intermittent employees (PIEs) to fill in for absences is an important part of keeping overtime costs down. Although the institutions have begun tracking the hours PIEs work, department headquarters has only recently started to obtain this information. The department also established new procedures requiring wardens or their designees to conduct a daily meeting to discuss the previous day's overtime, PIE usage, and sick leave. However, these meetings do not appear to be having the desired effect. For example, we found that one institution

incurred about \$500,000 in overtime costs even though its reports on PIE usage for the period indicated there were PIEs available almost every day.

Furthermore, the department has not developed scheduling methods that encourage PIEs to work when they are needed, and has not taken steps to eliminate nonresponsive PIEs from the hiring pool. The department reported it is still considering whether to develop different scheduling methods for PIEs. In addition, the department is reluctant to dismiss nonresponsive PIEs because of the 16 weeks it invests in training them. Finally, although it acknowledges more should be done to understand why PIEs are nonresponsive, the department has issued no instructions to the institutions regarding how to deal with this situation.

Finding #2: The department is facing a large liability related to unused leave balances.

We found that the department allows employees to exceed maximum vacation and annual leave balances. In addition, the department has not established practices to ensure that staff use all or most of the leave they earn each year. As a result, the department is faced with a \$79 million liability, with holiday leave alone growing at \$8 million per year. Furthermore, inadequate funding for vacation leave relief and the department's inflexible leave practices related to approving time off curtail opportunities for staff to use their leave time.

We recommended that the department develop a plan to eliminate its significant leave liability, enforce mandatory limits on accumulation of vacation and annual leave, and develop strategies to ensure holiday leave is used during the year it is earned. In addition, the department should seek to adjust its funding for sick and vacation leaves to ensure that its budget is appropriately and sufficiently aligned with the expenditure of personnel resources. The department should also develop more flexible practices for authorizing time off.

Department Action: Pending.

Based on information from the State Controller's Office leave accounting system, total accrued leave balances for custody staff decreased almost 2 percent between March and July 2000. This was mostly attributable to a 3 percent (86,900 hours) decrease in accrued holiday leave. However, accrued vacation increased by 27 percent (49,800 hours) and annual leave

by 12 percent (10,300 hours). The department could provide no explanation for the overall decrease in leave balances during this period as it had taken no specific actions targeted at reducing the balances.

In particular, the department has not required custody employees with large leave balances to take time off. A case went to arbitration over whether management can direct employees to take time off. The California Correctional Peace Officer Association filed a grievance stating the department did not have the right to force employees exceeding or projected to exceed leave caps to use the leave. In January 2001 the arbitrator ruled against the department in this particular case because of the way it scheduled vacations. However, he agreed that the department could develop new procedures for “burning” excess vacation as long as it fulfills its contractual obligation to bargain with the union.¹

In addition, the department indicated it has not been able to hire additional staff to cover for leave absences because the number of PIEs graduating from the academy has not been sufficient to meet additional needs.

Furthermore, the department submitted a proposal to the Department of Finance and Department of Personnel Administration to allow for the buying back of leave. Although its proposal was not approved, the department was included in a statewide leave buyback for all supervisors and managers for fiscal year 2000–01. As of November 30, 2000, custody staff had cashed out 46,040 hours of leave. While this helped in decreasing leave balances, the correctional officer position was not eligible to participate. As a result, leave balances for the largest group of custody employees was not affected. The department stated that it plans to seek approval for another leave buy-back opportunity.

The department disagreed with our recommendation to reduce funding for sick leave usage. According to its six-month response, the department believes that 72 hours of sick leave per year for each posted position is reasonable based on its survey of six metropolitan jails. Accordingly, it asked for and

¹ We added clarifying comments to this paragraph based on the department’s April 5, 2001, response to our special report to Assembly Budget Subcommittee #4 issued in February 2001.

obtained approval for funding at that level. It also received increased funding for vacation relief to match the amount that custody staff earn in a year.

Finally, the department acknowledges that its leave practices have been inflexible. However, it has done little so far to provide staff additional opportunities to take time off. The department has changed the timelines related to requesting leave days on short notice. Previously, some institutions required that bids for leave days on short notice be received as much as 90 days in advance. Since September 2000 all institutions are allowed to accept requests for days off 30 days before the desired date. While this allows staff a better chance to obtain an extra leave day on short notice, it does nothing to increase the number of requests that can be granted. To make matters worse, in researching leave practices at the institutions, the department found that holiday and vacation relief officers are not always being used for the assigned purpose. This practice further limits the opportunity for staff to get days off.

Finding #3: Poor management information prevents the department and its institutions from controlling personnel costs and effectively allocating personnel resources.

Institutions have not adequately studied daily staffing needs and leave patterns to determine the level of relief needed to cover predictable absences. Nor does the department sufficiently link the use of personnel resources to the institutions' budget. In addition, we found that the institutions do not always accurately record the regular overtime activities of their employees, which diminishes the effectiveness of management information.

We recommended that the institutions study their daily resource needs, determine baseline staffing levels, and hire enough permanent full-time employees to meet these minimum daily needs. In addition, we recommended that the department develop an institution-wide system that compares the personnel budget for its major activities to the actual level of effort spent using full-time employees, permanent intermittent employees, and overtime in carrying out those activities. We also recommended that the institutions accurately track and record the regular and overtime activities of their employees.

Department Action: Partial corrective action taken.

The department directed each institution to create an overtime avoidance pool (OTAP). The OTAP is designed to fill vacancies and reduce overtime costs. The number of employees to be included in the OTAP is based on the smallest number of daily sick absences each institution incurred over and above the budgeted relief over the last 6 to 12 months, plus the fewest number of other posts to generate overtime over the past 3 months. However, department data shows that some institutions have not filled all the needed OTAP positions that were identified and overtime costs increased for the fourth consecutive year.



The department indicated in its 6-month response that overtime had decreased when comparing the month of January 2000 to the month of June 2000. However, we found that the department's own data showed that overtime increased on the whole for fiscal year 1999–2000 to the highest level in the last four fiscal years. Further, the data the department used for its calculations included other costs besides the overtime paid to custody staff. When using data on actual overtime paid to custody staff, we found that overtime actually increased from January to June, not decreased as the department reported.

While we recommended the department develop an institution-wide system to compare budgeted personnel for its major activities to the actual level of effort spent using overtime, permanent intermittent employees, and its permanent full-time employees, the department has yet to do so. By not having a process to provide this type of information, managers at institutions cannot know how their resources are being used and how their use compares with the budget.

Finally, to improve the accuracy of information on employee activities, the department indicated that it provided training to staff responsible for recording this information.

