



David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

June 9, 2006

Assignment 10112

To: Distribution List

Subject: Negative Leave Balances

Internal Audit has completed an audit of Negative Leave Balances for the pay period ending April 9, 2006. We conducted the audit during the month of April 2006.

We thank the Controller-Treasurer Payroll Department for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signatures on file

David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

Distribution List:

John V. Guthrie, Director, Finance Agency

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COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT - INTERNAL AUDIT DIVISION

**Negative Leave Balances  
Internal Audit Division**



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## Executive Summary

**Conclusion** The Negative Leave Balance audit was on Internal Audit's FY2006 audit plan. It was placed on the plan because of the concern that employees could unilaterally take their leave balances negative. During FY2006, the Controller-Treasurer significantly improved the internal controls related to negative leave balances and reduced the number of negative leave balances outstanding. Internal Audit reviewed these new policies and procedures. In our opinion, the Controller-Treasurer has implemented adequate internal controls and is properly managing the negative leave balances.

There were no findings and recommendations for this audit.

**Audit Background** Prior to the new policies and procedures introduced in January 2006, employees could charge leave time, and a timekeeper could override the warning on the timekeeping system that the employee did not have enough leave bank hours to cover the data entered. This created the situation where the leave balances could become negative. The new policies and procedures require authorization prior to an employee being permitted to take their leave balance negative. Therefore, without proper prior approval, the entry is rejected at the timekeeper level and cannot be overridden.

As of the May 25, 2005 pay period there were 352 negative leave balances. At the April 9, 2006 pay period there were 31 negative leave balances. Some of these balances were carried over from the prior 352 and some were recently properly approved.

**Audit Objective** The objective of the audit was to determine the appropriateness of the negative leave balances carried by employees.

**Audit Scope** The scope of the audit included:

- Reviewing the current policies and procedures applicable to negative leave balances.
- Reviewing the latest analysis done by the Controller-Treasurer Payroll Department of the current negative leave balances.
- Interviewing the Controller-Treasurer Payroll Department's manager and members of their staff.

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Controller-Treasurer

Bill Perrone, CIA  
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