

# California State Auditor

B U R E A U O F S T A T E A U D I T S

## **California Department of Corrections:**

*Poor Management Practices Have Resulted  
in Excessive Personnel Costs*



January 2000  
99026

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# CALIFORNIA STATE AUDITOR

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January 26, 2000

99026

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 required by the 1999-2000 Budget Act (Chapter 50, Statutes of 1999), the Bureau of State Audits presents its audit report concerning personnel management practices of the California Department of Corrections (department).

This report concludes that the department has failed to effectively manage sick leave usage and its holiday and leave programs. As a result, the department is incurring high overtime costs, possibly as much as \$17 million annually, that are largely driven by the significant use of sick leave on the part of custody staff.

Respectfully submitted,

MARY P. NOBLE  
Acting State Auditor

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# SUMMARY

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## **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 used 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.*
- 

## **RESULTS IN BRIEF**

**T**he California Department of Corrections (department) has failed to effectively manage sick leave use, holiday, and other paid leave programs. As a result, the department is incurring excessive overtime costs that are largely driven by the need to cover significant use of sick leave by custody staff. Furthermore, by allowing its custody staff to accumulate large balances of holiday, vacation, and annual leave, the department is faced with a huge and rapidly growing liability that will become increasingly expensive to liquidate.

The department could save about \$17 million a year if average sick leave use among custody staff dropped to 48 hours per year and roughly \$29 million a year if it reduced its average sick leave usage to a level comparable to that of the California Highway Patrol. Besides driving up costs, the extensive use of overtime to cover employees out on sick leave often allows custody staff to earn more than their superiors; many therefore choose not to accept promotions. The department's attempts to discipline staff who claim a lot of sick leave have been ineffective in curbing excessive use. Its efforts to control sick leave costs are hampered because it does not sufficiently track the reasons that custody staff use sick leave to determine a baseline level of back-up relief staff needed and to detect patterns of excessive use.

Furthermore, the department has not made optimum use of permanent full-time relief officers and intermittent staff to cover absences due to sick leave, even though using them costs less than paying others overtime. We estimate that the department could have saved approximately \$5.5 million in fiscal year 1998-99 if it had scheduled permanent full-time relief staff instead of paying for overtime to cover sick leave. If all institutions had optimized the use of their permanent intermittent staff as well, the department could have saved even more money.

The department has also been shortsighted in its management of its holiday, vacation, and annual leave programs. It has allowed staff to accumulate huge balances of holiday leave, as well as vacation and annual leave that exceed mandatory limits. These combined balances (including only the excess

vacation and annual leave, not the full amount) represent a liability exceeding \$79 million, with the liability for holiday leave alone growing at a rate of approximately \$8 million per year. Allowing these balances to accumulate saves money in the short term; however, deferring the usage of, or payment for, leave time to the future, when staff salaries will be higher because of raises and promotions, increases the ultimate cost to the department. The department has not yet developed a strategy to reduce its large accumulated liability.

We estimate that allowing the current holiday leave balances and the excess vacation and annual leave balances to accrue will cost at least an additional \$62 million in just four years. This may also create a cash flow problem if a significant number of employees retire beginning in January 2000, as expected because of enhanced retirement benefits, and cash out their leave balances.

This rapid growth in leave balances has occurred because the department has not established practices to ensure that staff use all or most of the leave they earn each year. The institutions' inflexible practices for approving time off further restrict custody staff's use of leave. Staff also earn more leave than the department has budgeted for fill-in relief staff, which is a concern because employees may then be unable to take time off or cash leave out. When significant numbers of custody staff are unable to take time off, they may be less refreshed and alert when performing their duties.

Poor information hinders management's ability to control and contain the high costs of leave programs. Specifically, management has not studied daily leave patterns to determine the average level of relief needed to cover predictable absences, nor does it sufficiently link the use of personnel resources to the budget for the institutions' major needs. Significant errors in categorizing how staff spend their time further inhibit budgeting for, and effective management of, personnel resources.

## **RECOMMENDATIONS**

To control costs related to sick leave, the department should take progressive disciplinary action against employees it believes use excessive sick leave, negotiate for financial incentives to reward those who use less sick leave and disincentives for those whose use is excessive, and collect more complete information regarding leave usage. In addition, to ensure the use of less costly

alternatives to fill in for staff absences, the department should determine an appropriate number of full-time relief employees to cover for predictable needs, and optimize the use of permanent intermittent employees.

To prevent its personnel costs from rising even higher, the department should develop a plan to eliminate its significant liability for accumulated holiday leave and excess vacation and annual leave balances, enforce the mandatory limits on the accumulation of vacation and annual leave, and develop strategies to ensure that holiday leave is used during the year it is earned. In addition, to encourage staff to use the holiday, vacation, and annual leave balances they have earned, the department should develop more flexible practices for authorizing time off.

To ensure that its budget is aligned with the appropriate expenditure of personnel resources and is sufficient, the department should seek to adjust its funding for sick and vacation leave.

To monitor the sufficiency of its budget and measure the success of its personnel resource allocations, the department should collect accurate management information that compares the personnel budget for its major activities to the cost of using full-time employees, permanent intermittent employees, and overtime in carrying out those activities.

## **AGENCY COMMENTS**

While it did not specifically address our recommendations, the department does recognize that it needs to improve some of its personnel practices and cited various planned and ongoing actions designed to correct problem areas during the next five months. Therefore, we look forward to the department's 60-day, six-month, and one-year responses to the audit to assess the steps it is taking to implement our recommendations. ■

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# INTRODUCTION

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## BACKGROUND

The California Department of Corrections (department) operates 33 prisons located throughout the State. Of the department's 45,597 authorized regular positions for fiscal year 1998-99, 18,783 were custody positions directly responsible for inmate supervision and other activities that require coverage around the clock. Custody positions are referred to as posted positions and filled by correctional officers, sergeants, and lieutenants.

Because of this unique staffing requirement, the department must ensure that there is coverage for any absences in posted positions. Institutions cover absences by using full-time employees known as leave relief officers; permanent intermittent employees, who are called in as needed and paid by the hour; or regular staff, who are paid overtime for extra shifts.

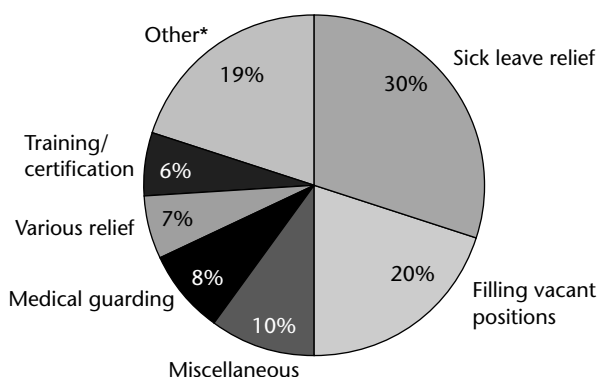
The department's budget provides limited funding to cover costs for overtime and permanent intermittent employees. To cover costs that exceed the budget, the department uses the salary savings it accumulates throughout the year because it has not filled authorized full-time positions. The department budgets enough resources to allow employees in each posted position 13 days of vacation, 13 holidays, and 60 hours of sick leave annually. All full-time custody staff earned 13 days of holiday leave and 96 hours of sick leave in fiscal year 1998-99. In October 1999, a new bargaining unit agreement made custody staff eligible to participate in the State's annual leave program, which enables employees to earn from 12 to 19 hours of leave each month, depending on how many years they have worked in state service. These hours can be used for vacation or sick time. Employees who choose not to participate in this program earn from 8 to 15 hours of vacation each month, depending on their years of service, and also earn 8 hours per month of sick leave. Although employees who choose annual leave earn 4 fewer hours of leave per month—or 48 fewer hours per year—than those who earn separate vacation and sick leave, the annual leave program offers other benefits in compensation, such as improved long-term disability.

Institutions generally establish a certain number of full-time relief officer positions to cover for vacation and holiday leave taken by those in posted positions. For absences not covered by a relief officer, institutions use a pool of permanent intermittent employees. Because of their lower hourly pay rate, permanent intermittent employees are the least expensive means of filling in for absences and short-term vacancies. Their use, however, is constrained by the current bargaining unit agreement covering custody staff, which limits the size of the pool to 12 percent of the budgeted full-time correctional officers at each institution (increased from 10 percent in the previous agreement). The bargaining agreement also restricts each permanent intermittent employee to working no more than 2,000 hours annually (increased from 1,800 hours in the previous agreement), 80 hours less than the maximum number of regular hours that permanent full-time staff can work.

When a relief officer or a permanent intermittent employee cannot fill an absence or vacancy, institutions pay permanent full-time staff the overtime rate of 150 percent. Custody staff are generally offered overtime based on seniority. Figure 1 shows how the institutions categorized their use of permanent intermittent employees and overtime in fiscal year 1998-99. During that year, sick leave relief (30 percent) and filling vacant positions (20 percent) used up the greatest percentages of these hours.

**FIGURE 1**

**Use of Permanent Intermittent Employees and Overtime by Category**



\* Includes all other categories that individually constitute 3 percent or less of the total costs for permanent intermittent employees and overtime. The largest of these is escapes and emergency custody at 3 percent.

Source: Department of Corrections Salaries and Wages Expenditures for Fiscal Year 1998-99.

To monitor sick leave for custody staff, the institutions follow a standard process outlined in the bargaining unit agreement. Those employees who claim excessive sick leave are notified, put on a list, and required to furnish medical verification for any additional sick leave they claim during the next six months after they are identified.

In addition to paid sick leave, an employee can take up to 12 weeks of unpaid leave per 12-month period under the federal Family Medical Leave Act. The act also allows an employee to use hours accumulated under any of the leave programs to cover part or all of the absence. Leave taken under this act requires that the circumstances are documented and the absence approved by a supervisor.

The bargaining unit agreement covering custody staff specifies the rate at which employees earn holiday, vacation, and annual leave and provides guidelines regarding leave usage. Employees are allowed to accumulate up to 400 vacation and 640 annual leave hours. Additionally, institutions are required to have a system in place to allow employees to use all or part of accumulated holiday leave hours. However, the agreement does not place a limit on the number of holiday or sick leave hours an employee can accumulate.

## **SCOPE AND METHODOLOGY**

Chapter 50, Statutes of 1999 (budget act), required the Bureau of State Audits (bureau) to review the management of personnel at prison facilities operated by the California Department of Corrections (department). This legislation required the bureau to review personnel management practices at an appropriate sample of state prisons and recommend what changes, if any, are warranted to hold down state overtime and other personnel costs, comply with state civil service laws and professional personnel management practices, and ensure good employee relations. In addition, the budget act required the bureau to consult with the Department of Personnel Administration in the conduct of the review.

To gain a perspective on managing personnel resources in a prison setting, we interviewed department management and staff at headquarters and selected institutions; representatives from the Legislative Analyst's Office, the Department of Personnel Administration, and the Department of Finance; and members of

the California Correctional Peace Officers Association (CCPOA). We also reviewed the bargaining agreement between the State of California and the CCPOA for custody staff.

To select an appropriate sample of institutions, we compiled and analyzed various data on personnel costs at each institution, including budgeted and actual costs for salaries and wages, overtime costs, sick leave use, number of vacant positions, and use of permanent intermittent employees. We also considered differences in geographical locations, physical facilities, and the risk level of inmates incarcerated in making our selections. After considering these indicators, we selected the following six institutions for further review: Avenal State Prison; California State Prison, Corcoran; Salinas Valley State Prison; Pelican Bay State Prison; Mule Creek State Prison; and California State Prison, Los Angeles County.

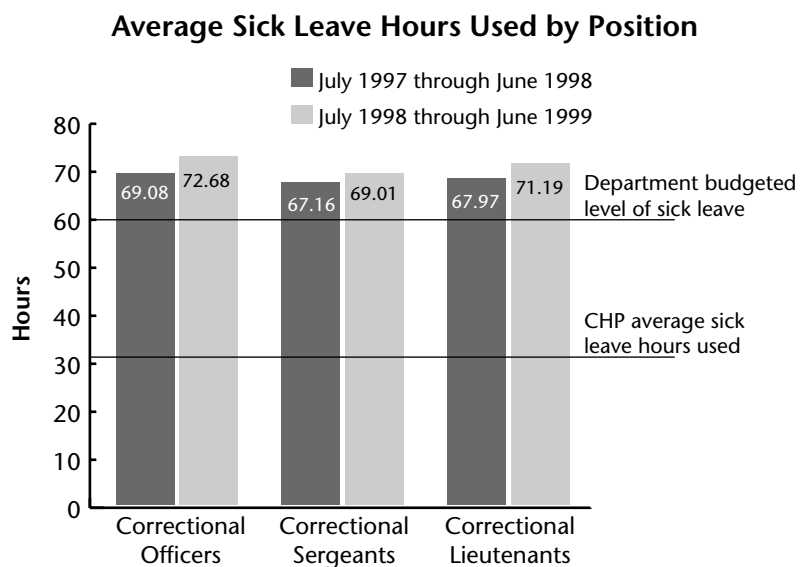
To assess personnel management practices at these institutions, we interviewed prison managers. We obtained their perspectives on managing personnel costs and determined whether any of these managers had identified and analyzed the significant factors that drive personnel costs. We also determined what steps, if any, they had taken to control such costs. In addition, we assessed how the institutions allocate personnel resources to meet custody staffing needs, including the use of permanent full-time relief employees, permanent intermittent employees, and overtime. Further, we reviewed local practices for monitoring employee sick leave usage and for authorizing employee use of holiday, vacation, and annual leave. ■

# AUDIT RESULTS

## SIGNIFICANT USE OF SICK LEAVE IS DRIVING UP COSTS AND CREATING STAFFING PROBLEMS

Statewide, the sick leave prison staff use significantly exceeds the number of days the California Department of Corrections (department) has planned for when it develops its yearly budget; therefore the department incurs unnecessary overtime costs. The department currently budgets 60 hours of yearly sick leave relief for each position requiring continuous coverage, referred to as a posted position. However, as Figure 2 shows, staff in posted positions averaged far more than 60 hours of sick leave in fiscal year 1997-98, and average sick leave use continued to increase in fiscal year 1998-99. Not only did average sick leave often exceed the department's budgeted amount, it also far exceeded the average amount of sick leave used annually by another law enforcement agency, the California Highway Patrol (CHP). Uniformed officers of the CHP averaged 31 hours of annual sick leave in calendar year 1998. We consider annual sick leave of more than 48 hours to be significant, especially in light of the CHP's considerably lower average and the department's own experience at some of its institutions.

FIGURE 2



Source: Department of Corrections' calculations of average sick leave usage by institution.

In our view, budgeting for 48 hours per year is more reasonable because this number falls between the CHP average and the department's current annual budget figure. In fact, the average sick leave usage of correctional officers at one institution, the California Men's Colony, approached this level in fiscal year 1998-99. Furthermore, average sick leave use among the sergeants and lieutenants at various institutions has been below 48 hours during the past two fiscal years. This change should provide additional incentive for the department to control the questionable use of sick leave. However, it needs to be considered in tandem with the increase in vacation relief funding proposed later in the report.

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***The department could save about \$17 million each year if average sick leave use dropped to 48 hours per custody staff, a level that has been achieved for some custody staff at various institutions.***

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Appendix A shows that correctional officers at all but one institution used more sick leave on average than the 60 hours budgeted for sick leave during fiscal year 1998-99 and provides details regarding the average use of sick leave by custody staff in posted positions at each institution for the two fiscal years 1997-98 and 1998-99. Significant use of sick leave may indicate abuse, and the cost can be substantial. For example, the cost of filling in for the sick leave that custody staff took beyond 48 hours amounted to \$17 million, while the cost of filling in beyond the budgeted 60 hours totaled \$8.9 million for fiscal year 1998-99 alone. If we use the CHP's 31-hour annual average as a comparison, the cost of filling in for sick leave rises to \$29 million.

The extensive use of overtime to cover staff out on sick leave clearly has a negative financial impact on the department. It also may create staffing problems in the sergeant and lieutenant ranks and result in a less alert workforce. The department's bargaining unit agreement calls for voluntary overtime to be offered on the basis of seniority, an approach that concentrates overtime at the highest pay ranges. Coupled with the numerous opportunities to work overtime shifts to fill in for sick leave, this policy often enables custody staff to earn more per year than their superiors and may make them disinclined to accept promotions. As Table 1 illustrates, in fiscal year 1998-99, over 5,000 custody staff earned more than their superiors in the next rank at the highest salary step. Of those, 1,937 earned more than superiors two or more ranks above them. In fact, 2 correctional officers earned more than a warden at the top of the pay scale, and 2 sergeants and 2 lieutenants made more than the director of the department.

**TABLE 1****Staff Earning More Than Their Superiors in  
Fiscal Year 1998-99**

Position	Top Step of Salary Range	Correctional Officers	Sergeants	Lieutenants
Department Director	\$107,939	0	2	2
Warden	90,576	2	18	22*
Captain	73,560	316	238*	228†
Lieutenant	61,416	1,677*	913†	-
Sergeant	54,516	3,864†	-	-

\* Total of 1,937 custody staff whose pay exceeded that of their second-level superior.

† Total of 5,005 custody staff whose pay exceeded that of their first-level superior.

With overtime earnings so high, many lower-level custody staff may be content to remain in their present positions and not seek advancement. Higher rank brings more responsibility, which is often more stressful, so many may choose not to compete for promotion. In fact, department officials told us that some sergeants and lieutenants have asked to be demoted to the rank of correctional officer.

### **POOR SICK LEAVE MANAGEMENT PRACTICES HAVE CAUSED THE DEPARTMENT TO PAY EXCESSIVE OVERTIME**

The department is aware of the significant increase in sick leave use and its contribution to its current budget shortfall. To alleviate the situation, the department requested a \$3.6 million funding augmentation to compensate for the increase in sick leave use in a budget change proposal for fiscal year 2000-01. However, a superior solution would be for the department to develop more effective management practices that better control sick leave use, thereby reducing the need to pay fill-in staff overtime.

### **The Department Is Not Effective in Disciplining Employees Who Use Excessive Sick Leave**

The department does not maximize the tools it has to control excessive sick leave use and reduce its overtime costs. Its current bargaining unit agreement with custody staff provides a method

to address “extraordinary” sick leave use, but it has not proven effective. The following are the definitions of extraordinary use of sick leave in the agreement:

- An employee calls in sick more than five times a year and the absences total nine or more days.
- An employee uses sick leave in conjunction with a regular day off three or more times.
- An employee uses sick leave on a day when he or she has already been denied another type of leave.

Employees who use sick leave that meets one of these definitions are placed on a list for six months and must furnish a medical excuse for every absence caused by illness during that time.

Some names recur on the extraordinary sick leave lists, indicating that the list alone is ineffective in curbing excessive use. At the six institutions we reviewed, from 12 to 106 employees appeared on these lists. One employee at Avenal State Prison turned up on the list five times within four years while six others appeared on the lists multiple times. We also found employees at the California State Prison, Los Angeles, who had been on the lists more than once, and one at Salinas Valley State Prison who was on a previous list but continued to abuse sick leave. In spite of these lists, average sick leave usage has continued to increase over the past two fiscal years at most prisons statewide, as illustrated in Appendix A.

The managers at the institutions we reviewed felt that the methods to address extraordinary sick leave in the bargaining unit agreement were not effective in controlling sick leave abuse. However, we found nothing in the agreement that would prevent managers from pursuing more aggressive forms of discipline, such as an adverse action. An adverse action is a formal disciplinary action that can range from a letter of reprimand to the employee’s dismissal from state service. The department’s records show that only 3 adverse actions were taken against employees for excessive use of sick leave in the last two years at the six institutions we reviewed. To put this in context, there were only another 23 such actions taken throughout the department’s 27 other institutions during the same period.

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***Over a two-year period, the department took only 26 adverse actions against employees who overused sick leave.***

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The bargaining unit agreement provides for institutions to recognize excellent attendance by issuing a letter of appreciation to employees who do not miss work because of illness during a 12-month period. While these letters are one way to reward good attendance, they are not accompanied by any financial incentive; for example, giving employees priority when assigning voluntary overtime. Moreover, staff who abuse attendance suffer no real negative consequence or financial disincentive, such as being given last priority to work voluntary overtime. These facts may partially explain why the average sick leave use exceeds 60 hours per year per custody staff at most institutions and is increasing.

### **The Institutions Do Not Analyze Sick Leave Data Sufficiently**

Another factor contributing to excessive overtime is that institutions have not developed sufficient management information to understand the reasons for sick leave usage. For example, while the institutions we reviewed place employees who claim too much sick leave on watch lists, in accordance with their bargaining unit agreement, they have generally not attempted to understand the reasons why. Such information would help to distinguish between the legitimate use of sick leave and patterns that management could control through actions such as counseling employees before placing them on the watch list.

Legitimate sick leave use can range from a few days off due to a short-term illness or injury to extended leave taken under the federal Family Medical Leave Act (FMLA). This act allows employees to take up to 12 weeks of annual unpaid leave to care for their own serious health condition or that of a spouse, child, or parent, and for the birth or adoption of a child. This act also enables employees to use other accumulated leave to offset some or all of the unpaid leave taken. FMLA leave is granted only after an employee submits a formal request through the chain of command to the warden. The employee's supervisor has the right to request medical certification to substantiate the employee's request for this type of leave as well. These controls make this process less susceptible to employee manipulation.

One prison that is trying to analyze its sick leave usage is Mule Creek State Prison (Mule Creek). In an attempt to quantify what sick leave use is legitimate, the managers monitor the sick leave that custody staff use, as well as FMLA leave, and the related

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*Institutions generally do not attempt to understand why employees take sick leave, thus managers are unable to counsel those whose patterns of absences indicate problems.*

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overtime costs needed to cover for these absences. Mule Creek's managers plan to use this data to take more aggressive disciplinary action against employees who may be abusing sick leave.

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*The department asked for an increase of \$3.6 million in sick leave funding even though it does not know how much is needed for the legitimate use of sick leave.*

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Without a means of tracking reasons why employees take sick leave, managers cannot be sure what funding level is appropriate to cover staff out on necessary sick leave, nor can they keep patterns of absenteeism in check. Even though it lacks such information, the department recently asked for a \$3.6 million funding augmentation to pay for employees' increasing use of sick leave. In its request, the department cited changes in state and federal law, such as FMLA, as the reason for the increase and included historical statistics on sick leave use. However, because most institutions do not categorize their employees' sick leave use, the department has no way to know how much funding is needed for the legitimate use of sick leave. If the request is granted, some of these funds will undoubtedly be spent on filling in for the excessive use of sick leave.

### **Institutions Are Not Optimizing the Use of Permanent Full-Time Relief Employees and Permanent Intermittent Employees**

The institutions have not consistently used lower-cost alternatives, such as hiring permanent full-time relief employees and using permanent intermittent employees, to fill in for predictable absences indicated by historical sick leave patterns. The use of such alternatives could greatly reduce the need to pay overtime. For each position requiring continuous coverage, the prisons receive sick leave relief funding for 60 hours of regular pay, which they can use for permanent full-time relief positions, permanent intermittent employees, or overtime. Using overtime to cover for absences is the most costly alternative. If the department had used permanent full-time relief positions instead of overtime for sick leave relief in fiscal year 1998-99, it would have saved approximately \$5.5 million.

Only one of the six institutions we reviewed, Pelican Bay State Prison, used sick leave relief funding to create permanent full-time relief positions. Although this institution also used paid overtime to cover for employees on sick leave, it used substantially less than others we reviewed. For example, during fiscal year 1998-99, Pelican Bay State Prison paid about \$560,000 for overtime to cover for sick leave, while California State Prison, Corcoran (Corcoran State Prison), an institution of similar size and security-risk level, paid almost \$2.7 million for the same

purpose. In Appendix B, we discuss in more detail how the institutions could use more cost-effective methods to cover predictable absences.

Although its policy is to use permanent intermittent employees before paying overtime to cover sick leave, the department is not effectively reaching this goal. Because they are paid at a lower hourly rate, permanent intermittent employees are the least costly alternative, yet institutions are not optimizing their use of these employees.

The bargaining unit agreement imposes some restrictions on staffing permanent intermittent employees. The two primary restrictions are limits on the number an institution may employ and hours they may work in a calendar year. At the time of our fieldwork, the agreement allowed each institution to hire a pool of permanent intermittent employees equal to 10 percent of the institution's budgeted, permanent, full-time correctional officer positions. However, the pool at one institution we reviewed, Salinas Valley State Prison, averaged only about 7 percent for the first nine months of calendar year 1999. The managers of this institution stated that they were unable to meet their target of 10 percent because of the area's high cost of living. To overcome this problem, these managers are trying to work with the department to give permanent intermittent employees the same monthly housing stipend of \$175 recently extended to its full-time employees.

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***Pelican Bay State Prison incurred \$2 million less overtime costs than Corcoran State Prison by using permanent full-time staff to provide sick leave relief.***

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Under the agreement in force at the time of our review, each permanent intermittent employee was allowed to work 1,800 hours per year, which translates to an average of 150 hours per month. However, four of the six institutions we reviewed hired these employees far less often during the first nine months of calendar year 1999, as shown in Table 2. This underuse ranged from 1,889 hours at Pelican Bay State Prison to 14,094 hours at Avenal State Prison.

While optimizing the use of permanent intermittent employees at the institutions shown in Table 2 would not eliminate the use of overtime to fill in for sick leave, it would certainly reduce it. All four of the institutions could have used permanent intermittent employees as well as full-time relief employees to further reduce overtime. For example, if Avenal State Prison had scheduled full-time relief staff to work 52,000 of the hours it paid in overtime and optimized the use of permanent intermittent employees, it would have saved about \$609,200.

**TABLE 2**

**Using Permanent Full-Time Relief and Intermittent Employees Would Have Been Cheaper Than Overtime  
January through September 1999**

Institution	Total Hours of Overtime	Unused PIE* Hours	Savings if PFTs† and PIEs* Used Instead of Overtime
Avenal State Prison	66,053	14,094	\$ 609,211
Corcoran State Prison	283,370	4,477	1,880,673
Pelican Bay State Prison	47,667	1,889	331,226
Salinas Valley State Prison	138,337	6,239	971,175

\* Permanent intermittent employee

† Permanent full-time employee

Source: Institution records of permanent intermittent employee and overtime hours.

Custody staff must call the institution watch officer at least one hour before their shift if they are taking sick leave. The watch officer must then attempt to hire a replacement from the institution’s pool of permanent intermittent employees before scheduling anyone for overtime. However, two of the institutions we reviewed could not substantiate that they followed this procedure because they did not consistently maintain relevant records.

At other institutions we reviewed, permanent intermittent employees were commonly unavailable when called or refused requests to work. Managers at these institutions told us that the watch officer would leave a message on an answering machine but would not get a return call in time for the shift, which our review confirmed. For example, our examination of the daily hiring record at Corcoran State Prison revealed that the watch officer was unable to reach 29 of the 53 permanent intermittent employees on call for one particular day. The managers at Corcoran State Prison stated that they were trying to address this ongoing problem by eliminating from the hiring pool employees who frequently failed to respond to requests. Corcoran State Prison management also recently started assigning permanent intermittent employees to be on call for specific shifts instead of

***Corcoran State Prison was unable to reach 29 of its 53 permanent intermittent employees who were supposed to be on call that day.***

requiring them to be available every shift. Other institutions we reviewed are taking similar steps to make the on-call work more attractive to permanent intermittent employees, such as assigning them to be on call for a specific shift and giving them regular days off so they could plan their time around their work schedules.

While it is unreasonable to expect that every permanent intermittent employee will work exactly 150 hours a month, the fact that those at two institutions were able to average 150 hours of work per month over a nine-month period suggests that improvements can be made in scheduling. Permanent intermittent employees may be underused because all but two of the institutions we reviewed do not adequately monitor the average monthly hours they work. If the prisons do not track this information, they may not be doing all they can to minimize their personnel costs.

## **GROWING LEAVE BALANCES ARE A PROBLEM**

The department is facing a large liability for unused balances of holiday leave, which are growing annually at a significant rate. In addition, the department has allowed many employees to accumulate vacation and annual leave balances that exceed mandatory limits, creating an additional liability for the department. If employees do not take time off or cash out their balances, salary increases and promotions will cause these liabilities to grow. The department could also face a cash flow problem if a significant number of employees retire and cash out their balances because of recent enhancements in retirement benefits.

### **Holiday Leave Liability Is Already High and Is Continuing to Grow**

Department employees are earning many more holiday leave hours than they are using. All department employees earn 13 days of holiday leave each year based on the State's holiday schedule. However, staff in posted positions that require around-the-clock staffing are not able to take the day off unless these holidays fall on their regular day off or they arrange to swap shifts. As a result, staff in posted positions frequently "bank" earned holiday leave hours. Unlike vacation and annual leave, there is no limit to the holiday leave hours an employee can accumulate. This has created a large liability that the department will eventually have to pay, either through granting time off or by cashing out these employees' balances.

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*The department's liability for unused holiday leave earned by correctional officers and sergeants is about \$72.3 million.*

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According to a department study of holiday leave balances, custody staff affected by the bargaining unit agreement had accumulated more than 3.8 million unused holiday leave hours as of May 1999. Of these, 3.4 million hours belonged to correctional officers and sergeants. Based on the entry-level salaries earned by these two groups in July 1999, these hours have a current value of about \$72.3 million. The study included only about 22,000 of the department's 46,000 employees, so the department's total liability for holiday leave is probably higher. We believe that the study represents the majority of the liability, however, because the administrative employees excluded from the study typically do not work on state holidays or bank the holiday leave they earn.

The study also found that holiday leave balances continue to grow each year. Specifically, employees in the study earned about 392,000 more hours of holiday leave from June 1998 through May 1999 than they used. If this pattern continues, the value of accumulated holiday leave will increase by a minimum of \$8.2 million each year, based on the current entry-level wage for a correctional officer. As staff salaries increase because of raises or promotions, this leave will cost the department even more when it is finally taken or cashed out.

The department's study understated the liability for holiday leave balances. It does not include approximately 143,000 holiday leave hours, with a conservative value of at least \$3.6 million, accumulated by employees with balances approaching 999 hours. Because the system is unable to accommodate balances exceeding three digits, between 1996 and the end of 1998, the department reduced the number of hours accumulated by employees whose balances were approaching the system's limit and is tracking them manually. The system manager prepared a report in June 1999 to alert the institutions about employees whose balances were approaching the system limit. According to this report, 426 employees had over 700 hours of holiday leave. The department is in the process of converting to a leave accounting system maintained by the State Controller's Office that can accommodate balances of any size. Once it does, excess balances will no longer cause a tracking problem. However, this is another indicator of how high holiday leave balances have grown.

## **The Department Allows Employees to Exceed Maximum Vacation and Annual Leave Balances**

The department faces an additional liability because it has allowed many employees to accumulate vacation and annual leave balances that exceed maximum limits. According to the bargaining unit agreement with custody staff, employees are allowed to carry over to a subsequent year 400 hours of unused vacation and 640 hours of annual leave. When employees exceed these limits, the agreement encourages managers to require the employees to take time off. Nevertheless, about 3,100 department employees had either vacation or annual leave balances that exceeded these limits as of October 1999. While some employees hold administrative positions that allow them more flexibility in using their leave credits, 1,207 of these employees were correctional officers, sergeants, lieutenants, and captains. This group of custody staff exceeded the maximum balances for vacation or annual leave by a combined total of about 139,400 hours. These balances are a systemwide problem. The numbers of these employees exceeding established limits ranged from 3 at the Northern California Women's Facility to 143 at the R. J. Donovan Correctional Facility. Using the top step salary for a correctional officer, we estimate that the current value of the excess vacation and annual leave accumulated by custody staff is approximately \$3.5 million.

## **Deferring the Use of, or Payment for, Accumulated Leave Balances Will Increase Personnel Costs**

As employees receive raises and promotions, their leave balances will increase in value. If it continues to allow employees to defer them to the future, the department will pay more for current leave balances. The department's costs will increase even more if employees keep banking their accumulated hours at the current rate. Table 3 shows the rate at which the value of holiday leave earned by correctional officers and sergeants will grow, taking into account salary increases and assuming that these employees continue to accumulate holiday leave at the current rate. Because we did not have a breakdown of the hours by custody staff level, the table does not include the 143,000 hours of holiday leave, valued at \$3.6 million, that are no longer reflected in the department's leave accounting system. However, this balance will also continue to increase because of future salary adjustments. As the table shows, after just four years, the liability owed for holiday leave would increase from \$72.3 million to \$127.5 million.

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*If custody staff continue to bank holiday leave as they have in the past, salary increases alone will cause a \$55 million increase in the value of this liability in just four years.*

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**TABLE 3****Projected Growth in Liability for Holiday Leave Balances  
(in Millions)**

	Correctional Officer	Sergeant	Total
<b>Current Balance</b>	<b>\$62.6</b>	<b>\$9.7</b>	<b>\$72.3</b>
Amount After:			
Year 1	75.3	11.4	86.7
Year 2	86.4	12.9	99.3
Year 3	98.3	14.5	112.8
Year 4	111.3	16.2	127.5

Source: Department of Corrections report of holiday leave balances as of May 1999 and State of California civil service pay scales as of February 1999.

Similarly, the \$3.5 million value we estimated for excess vacation and annual leave balances, discussed in the previous section, would also increase; however, the increase would not be as high. These figures highlight the importance of adhering to a systematic method for ensuring that employees use most of the leave they earn.

Changes in the retirement benefits recently negotiated by the bargaining unit representing custody staff make it more likely that the department will have to cash out some of these leave balances soon. Effective January 1, 2000, employees who retire at age 50 will receive 2.4 percent of their highest annual salary level times each year of service, instead of just 2 percent per year of service. The percentages increase with each year beyond age 50 to a maximum benefit of 3 percent per year of service for those 55 and over. Under the previous agreement, employees earned a maximum of 2.5 percent at age 55 and over. As a result, the department is expecting that as many as 1,300 of its employees could be retiring as early as January 2000. In contrast, only 198 employees retired in 1997 and 235 retired in 1998. If the department has to cash out a significant number of leave balances, it may experience a cash flow problem because it has not set aside enough funds for this purpose.

***Payment of accumulated leave to a larger than normal number of retiring employees may create a cash flow problem for the department.***



## **POOR AND INFLEXIBLE LEAVE PRACTICES, ALONG WITH BUDGETARY CONSTRAINTS, LED TO THE GROWING LIABILITY**

The department has not developed a plan to reduce the large holiday, vacation, and annual leave balances it has allowed employees to accumulate. In addition, the department's present practices are inflexible and inadequate in ensuring that staff use their holiday leave when it is earned and in preventing them from accumulating vacation and annual leave in excess of established limits. Further, the department does not currently receive sufficient funding to cover the average vacation and annual leave that custody staff members are earning. As described in the previous sections, these conditions have created large and costly liabilities for unused leave. The inability of staff to use their earned leave time could also lower employee morale and encourage the questionable use of sick leave.

### **The Department Does Not Have a Strategy to Reduce Its Large Leave Liability**

The department has not developed a plan to reduce the large accumulation of holiday, vacation, and annual leave balances. Because these balances have been allowed to grow so large, it is now critical that the department quickly develop a plan of action to address them.

*The department has two options to reduce leave balances:*

- *Require staff to take leave.*
- *Cash out staff's leave balances.*

In our view, only two options are available to reduce these leave balances: require staff to take leave or cash out the balances. The less costly option would be to require custody staff to take leave and use entry-level staff to cover the absences. Cashing out the balances would be more costly because most staff members with large leave balances are at, or near, the top of their pay scale. For example, the difference in hourly pay between the bottom and top steps of the pay scales for correctional officers and sergeants is approximately \$4.60. Multiplying this differential by the 3.4 million hours of holiday leave already accumulated by these two groups produces a potential savings of about \$15.6 million—if the department hires correctional officers and sergeants at the entry level in sufficient numbers and schedules mandatory days off for existing staff, rather than simply cashing out the balances.

To reduce the holiday leave backlog in this way would require hiring an additional 288 correctional officers and 42 sergeants to cover for a combined average of 86,000 additional days of holiday leave taken each year for the next five years. Based on

the department's past attrition rates for correctional officers and sergeants, we estimate that after five years, these additional relief officers could be absorbed into the workforce.

However, the department should first consider cashing out the balances of correctional officers and sergeants who are at the first step of custody staff pay scales. This alternative has two significant advantages. First, the cost would be the same as hiring relief officers at the first step of the pay scale. Second, it would reduce the number of full-time relief officers needed. This alternative should also be considered for correctional officers and sergeants at the second step of the pay scale, despite the slight (5 percent) increase in cost. The procedures we have described here for reducing the holiday leave balance could also be used to reduce the balances of those custody staff who have exceeded the mandatory limits for vacation or annual leave. As we discussed earlier, the longer the department waits to reduce these leave balances, the more expensive the solution becomes.

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*Cashing out leave balances of custody staff who are at the first or second step of their pay scales should be considered first.*

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### **Present Practices Allow Custody Staff to Continue Earning More Holiday Leave Than They Use**

The department's method for scheduling employees' use of holiday leave has not been successful in ensuring that they use all they earn each year. Although the bargaining unit agreement for custody staff requires each institution to schedule the use of all or part of their accumulated holiday leave, their balances continue to grow by more than \$8 million per year. To allow staff to take this leave on other days, the institutions generally use the funds budgeted for holiday relief to hire permanent full-time relief staff. However, even when institutions hire enough relief staff to cover the full 13 days budgeted for each posted position, current practices do not ensure that custody staff use all 13 days.

Each institution approves holiday leave days on a first-come, first-served basis. Staff members must generally request such days off 30 to 90 days in advance, depending on the institution. Each request is time-stamped when it is received. Institutions approve days off for a given shift as long as they have enough holiday relief officers assigned to that shift. Any requests in excess of the number of relief officers assigned are denied. If relief officers are still available, some institutions post a list to let staff know when they may use a day of holiday leave. Other institutions may ask supervisors to tell staff when they can use holiday leave a day or two ahead of time.

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*The institutions have not employed techniques to ensure staff use holiday leave in the year they earn it.*

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Because not all days of the year are equally desirable to have off, employees do not always use all of the available holiday relief slots. However, none of the institutions we visited have tried other approaches, such as assigning mandatory days off or offering to buy back earned leave hours, to ensure that holiday leave is used in the same year it is earned. As we mentioned in the previous section, assigning mandatory days off is the least expensive way to reduce leave balances for individuals at the higher steps of the pay scales. This method would also afford management the opportunity to plan for coverage ahead of time. If holiday leave hours cannot be fully used by assigning mandatory days off, it would be cheaper to cash out any remaining holiday leave for staff at the low end of pay ranges rather than deferring payment to the future.

### **Department Funding for Vacation and Annual Leave Relief Falls Short of the Amounts Staff Earn**

Limited funding prevents institutions from allowing staff to use all of the vacation leave they earn each year. Similar to the way they handle holiday leave relief, the institutions hire permanent full-time relief staff to cover posted positions when employees take vacation. Once a year, employees can apply for weekly vacation slots for a duration of up to four weeks of time off for requested vacations, depending on the institution. Vacation requests are approved on the basis of seniority and the available number of vacation relief officers. The department receives funding each year to provide only 13 days of vacation relief for each custody employee. However, after three years of service, employees can earn 16.5 days of vacation annually. According to fiscal year 1998-99 data from the department's personnel automation branch, correctional officers earn an average of 16.9 vacation days each year, while sergeants and lieutenants average 19.8 days. Therefore, the average accumulation rate for both these groups exceeds the 13 days budgeted. This disparity creates a disincentive for institutions to allow staff to take the leave they are entitled to each year and contributes to the large leave balances the department now faces.

If the institutions were to allow employees to use vacation or annual leave at the rates earned, they would have to use funds intended for some other purpose. For example, for fiscal year 1999-2000, Avenal State Prison proposed using some holiday relief funding so it could allow custody staff to take more vacation or annual leave. While this would enable staff to use more of the vacation or annual leave they earn in that year, it would reduce

the amount of holiday leave staff could use, thereby increasing their holiday leave balances. It would be appropriate for the department to request four additional days of funding per custody staff employee for vacation relief. This would bring funding in line with the average vacation leave earned by correctional officers, the largest group of custody staff. However, increased vacation relief funding should be balanced with an appropriate reduction in funding for sick leave relief, as discussed earlier.

### **Inflexible Authorization Practices Discourage Staff From Using Leave They Have Earned**

Department employees have limited opportunities to use their holiday, vacation, or annual leave beyond the rigid practices previously described, where they must request leave 30 to 90 days in advance. Once the deadline has passed and the number of available leave slots filled, employees have little opportunity to use earned leave, even when important events arise. The institutions do have a procedure allowing staff members to request additional leave on an emergency basis. However, there is no uniform definition on what constitutes an emergency and two of the institutions we visited told us that custody staff make these requests infrequently. None of the institutions we visited allow employees to take leave days on short notice. Although staff members are allowed to swap shifts with fellow employees to avoid working on a desired day off, this does not reduce accumulated leave. These limited opportunities for custody staff to use their accumulated leave on short notice discourages them from using leave, may contribute to low employee morale, and encourages the questionable use of sick leave.

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*None of the institutions we reviewed allowed staff to take leave on short notice.*

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### **INCOMPLETE AND INACCURATE MANAGEMENT INFORMATION PREVENTS THE DEPARTMENT FROM BETTER CONTROLLING PERSONNEL COSTS AND EFFECTIVELY ALLOCATING ITS PERSONNEL RESOURCES**

The high costs associated with the various leave programs we have discussed to this point have arisen partly because the department has not developed sufficiently complete and accurate management information to help it control costs and allocate resources effectively. Institutions have not adequately analyzed daily custody staffing needs over a period of time, which would help them optimize their use of personnel resources. In addition, the department's comparisons of budgeted and

actual results for its personnel allocations at the 33 institutions is not complete and is not organized in a way to aid good management decisions. Finally, errors in how the institutions categorize staff activities jeopardize the integrity of the management information the department receives.

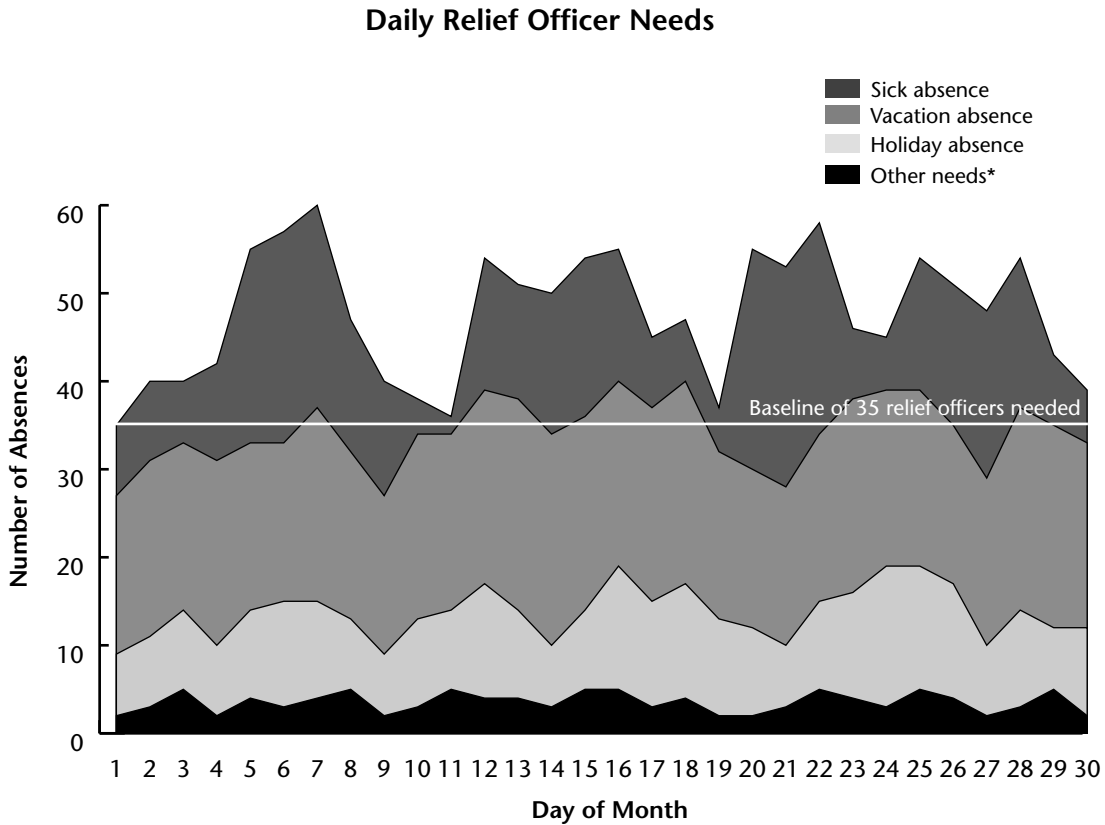
### **The Institutions Have Not Developed an Adequate Understanding of Their Daily Staffing Needs**

*The institutions have not studied their daily leave patterns to determine baseline relief needs to cover for predictable absences.*

The institutions have not tracked their daily custody staffing needs over time to determine how best to use their personnel resources. For example, even though covering for employees out on sick leave accounts for about 30 percent of permanent intermittent employee and overtime hours, the institutions we reviewed have not studied daily leave patterns to determine what baseline level of relief they need each day to cover for predictable absences. While actual usage fluctuates daily, if the institutions were to analyze the leave their employees take over a period of time, they could determine a minimum daily need and hire full-time employees to cover for this portion of predictable leave absences. Permanent intermittent employees and overtime could then cover for absences on those days when usage exceeded the baseline.

Figure 3 gives a theoretical example of the number of leave relief officers an institution might need over a one-month period. According to the theoretical data, at least 35 full-time employees would be needed to act either as leave relief officers to cover anticipated daily absences or be scheduled for other needs, such as medical guarding or training, throughout the period. If a similar pattern emerged over a one-year period, the institution could hire about 35 full-time employees to provide leave relief and be reasonably assured that they would be needed every day. The institution could then use from 1 to 15 permanent intermittent employees each day to cover daily absences exceeding the 35 covered by full-time employees. Finally, after the institution had optimized the mix of full-time employees and permanent intermittent employees, it could use overtime on days of peak need.

**FIGURE 3**



\* Includes relief hours for purposes other than sick, holiday, and vacation leave. It includes relief for vacant positions and for all other activities, such as medical guarding, training, regular days off, military leave, and jury duty.

The experience of one institution demonstrates that the data needed to prepare an analysis similar to our example is available. Corcoran State Prison analyzed daily sick leave usage over a one-year period, quantifying the use of permanent intermittent employees and overtime to fill this daily need. The analysis showed a baseline level of at least 15 sick leave absences on a daily basis. However, rather than using the data to support a decision to hire more permanent full-time relief staff, as we are suggesting, the institution has chosen to use only permanent intermittent employees and overtime to cover for sick leave absences. We estimate that Corcoran State Prison could have nearly halved the overtime used to cover for sick leave absences if it had hired the 15 relief employees its analysis supported. In addition, since Corcoran State Prison’s analysis related only to sick leave, it did not include other relief needs that should be considered, such as covering for other leave absences or guarding inmates en route to medical facilities.

## **The Department’s Comparisons of Actual to Budgeted Personnel Costs Does Not Facilitate Good Management Decisions**

*The department’s comparisons of budget to actual personnel costs are not grouped in a way that measures the effectiveness of staffing decisions or the sufficiency of the budget.*

The information the department uses to compare budgeted personnel costs to its actual costs is not arrayed in a way to aid good management decisions. Each institution generates a monthly budget report that compares budgeted amounts to actual costs. However, because this information does not group all of the personnel resources needed to carry out each significant activity, these reports are less meaningful. The reports only show the combined effort spent on all prison activities by permanent full-time custody staff rather than breaking costs down by specific activities. Although the reports break down the costs for permanent intermittent employees and overtime into specific activities, they do not group these costs in a way that shows all of the resources needed to carry out each significant activity. Without such information, managers cannot measure the effectiveness of staffing decisions and the sufficiency of the budget.

In Appendix B, we present a theoretical example of how each institution could compile the available data to compare its budget for each significant activity to all of the personnel resources used to carry out the activity. The department could then prepare a composite analysis of how well each institution—and the department as a whole—deploys relief resources. Although the examples provided are theoretical, they highlight the importance of linking actual staff activities to the budget in a manner similar to the array in Appendix B. Moreover, if all of the institutions displayed this information as we suggest, the department could identify both potential problem areas and best practices at the institutions. In addition, the department could better determine the sufficiency of its budget and have a defensible manner to support requests for increased funding should the need arise.

## **Errors in Recording Staff Activities Diminish the Effectiveness of the Department’s Management Information**

The institutions do not always accurately record the activities of their full-time employees when working overtime or the activities of their permanent intermittent employees. For example, managers at two of the six institutions we reviewed indicated that the overtime and permanent intermittent employee hours used to cover for sick leave absences may often be mistakenly recorded as hours covering for a vacant position. The intent of the vacant position category is to measure the effort required to



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*At two institutions, over 28,000 hours, the equivalent of 13 full-time positions, were erroneously charged to the wrong cost category, distorting results and making effective resource management more difficult.*

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fill an authorized full-time position after an employee leaves it because of transfer, promotion, retirement, or resignation. Our analysis of the actual cost incurred to cover for vacant positions confirmed that at two institutions, far more hours were charged than were actually used to cover vacant posts. For example, we found that during a nine-month period, one institution charged 17,441 more hours to this cost category than it should have. These hours represent the equivalent of more than eight full-time staff. The second institution charged in error about 10,700 hours—the equivalent of five full-time staff—as vacant position coverage over an eight-month period. These errors are significant, particularly if the hours charged represent additional hours for sick leave coverage, which is already high. When there are significant errors in recording how employees spend their time, the effective management of personnel costs and resources becomes difficult, if not impossible.

## CONCLUSION

The department has failed to effectively manage sick leave use and its holiday, vacation, and annual leave programs. The average amount of sick leave used by the custody staff at most of the State's 33 prisons exceeds the amount budgeted for this purpose and is much higher than the average used by at least one other law enforcement agency. As a consequence, the department incurs increased overtime costs for filling in when its custody staff call in sick.

In addition, the ready availability of overtime shifts may curtail lower-level staff's interest in seeking promotion because they can easily earn as much as, or more than, their supervisors by working overtime. These problems have occurred in part because the department fails to aggressively manage sick leave to eliminate excess use and better control overtime costs. Institutions also do a poor job of containing overtime costs by using less costly alternatives, such as filling in for absences with full-time relief officers or permanent intermittent employees.

The department has also failed to control costs for its holiday, vacation, and annual leave programs. In particular, the department has allowed its employees' leave balances to increase significantly, in some cases above mandatory limits. The liability represented by these balances is very large and continues to grow. While failing to reduce leave balances may keep current costs down, it creates a liability that will be more expensive in



the future when employees eventually take time off or cash out their leave balances, and it could cause a cash flow problem for the department. The potential cash flow problem is further heightened because the department will likely have to pay more than usual beginning in January 2000 for leave cash-outs if more employees retire as expected because of enhanced retirement benefits. In addition, preventing staff from using their leave time may lower employee morale and encourage the questionable use of sick leave.

These conditions have arisen because the department has failed to successfully manage the accumulation of leave balances by ensuring that staff periodically use or cash out their leave time. Further, inadequate funding for vacation leave relief and the department's inflexible practices related to approving time off curtail opportunities for staff to use their leave time.

The department's difficulties in managing sick leave usage and its leave programs have occurred partly because its institutions have not developed sufficiently complete and accurate information to control costs and effectively allocate resources. Specifically, institutions have not studied daily leave patterns to determine what baseline levels of relief are needed to cover for predictable absences. In addition, the department has not compiled information from its institutions that compares the amounts budgeted for significant activities to the personnel resources actually used to cover those needs. Finally, significant errors in categorizing the hours worked by its employees make effective management of personnel costs and resources difficult, if not impossible.

## **RECOMMENDATIONS**

To control costs related to sick leave absences, the department should do the following:

- Take progressively aggressive disciplinary action against employees it believes use sick leave excessively.
- In the next bargaining unit agreement, negotiate for financial incentives, such as giving employees with excellent attendance priority when assigning voluntary overtime, and financial disincentives, such as giving those employees who use excessive sick leave the last priority to work voluntary overtime.

- Develop more complete information regarding sick leave use so management can implement steps to reduce unnecessary sick leave and choose the most cost-effective ways to cover necessary sick leave.

To ensure the use of less costly alternatives to cover for sick leave use, the department should evaluate sick leave patterns at each institution to determine an appropriate number of permanent full-time relief employees to cover for predictable sick leave, so that permanent intermittent employees can be used for unpredictable sick leave.

To optimize the use of permanent intermittent employees, the department should take the following actions:

- Track the hours that each permanent intermittent employee works each month.
- Develop scheduling methods that encourage permanent intermittent employees to work when they are needed; for example, assigning them to be on call for specific watches with regular days off.
- Eliminate from the hiring pool those permanent intermittent employees who cannot be reached regularly or who do not come into work when called.

To prevent its personnel costs from rising even higher, the department should develop a plan, such as using entry-level employees to cover absences and assigning mandatory days off, to eliminate the significant liability currently owed for accumulated holiday leave, and vacation and annual leave balances that exceed established limits.

To prevent a further increase in the liability for unused balances, the department should enforce the mandatory limits on vacation and annual leave.

To keep holiday leave balances from rising in the future, the department should develop strategies, such as assigning mandatory days off or buying back unused leave, to ensure that holiday leave is used during the year it is earned and funded.

To ensure that its budget is aligned with the appropriate expenditure of personnel resources and is sufficient, the department should seek to adjust its funding for sick and vacation leave.

Specifically, the department should reduce its annual budget for sick leave relief from 60 to 48 hours and increase its annual budget for vacation relief from 13 to 17 days per custody staff member.

To encourage staff to use earned holiday, vacation, and annual leave balances, the department should develop more flexible practices for authorizing leave usage, such as providing opportunities for employees to use leave on short notice.

To maximize their personnel resources and to determine the most cost-effective use of permanent intermittent employees and overtime, the institutions should study their daily resource needs, determine baseline staffing levels to meet minimum daily needs, and hire enough permanent full-time relief staff to cover these minimum daily needs.

To monitor the sufficiency of its budget and measure the success of its personnel resource allocations, the department should develop an institutionwide 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. Among its major activities, the department should include covering for absences due to sick, holiday, vacation, and annual leave.

To ensure that the department has an accurate picture of how personnel resources are used, the institutions should accurately track and record the activities of its permanent full-time employees when working overtime and the activities of its permanent intermittent employees.

We conducted this review 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. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary P Noble". The signature is written in a cursive, slightly slanted style.

MARY P. NOBLE  
Acting State Auditor

Date: January 26, 2000

Staff: Doug Cordiner, Audit Principal  
John F. Collins II, CPA  
Diane C. Eidam, CIA  
Deborah Ciarla  
Chris Shoop

# APPENDIX A

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## ***Average Sick Hours Used by Custody Staff***

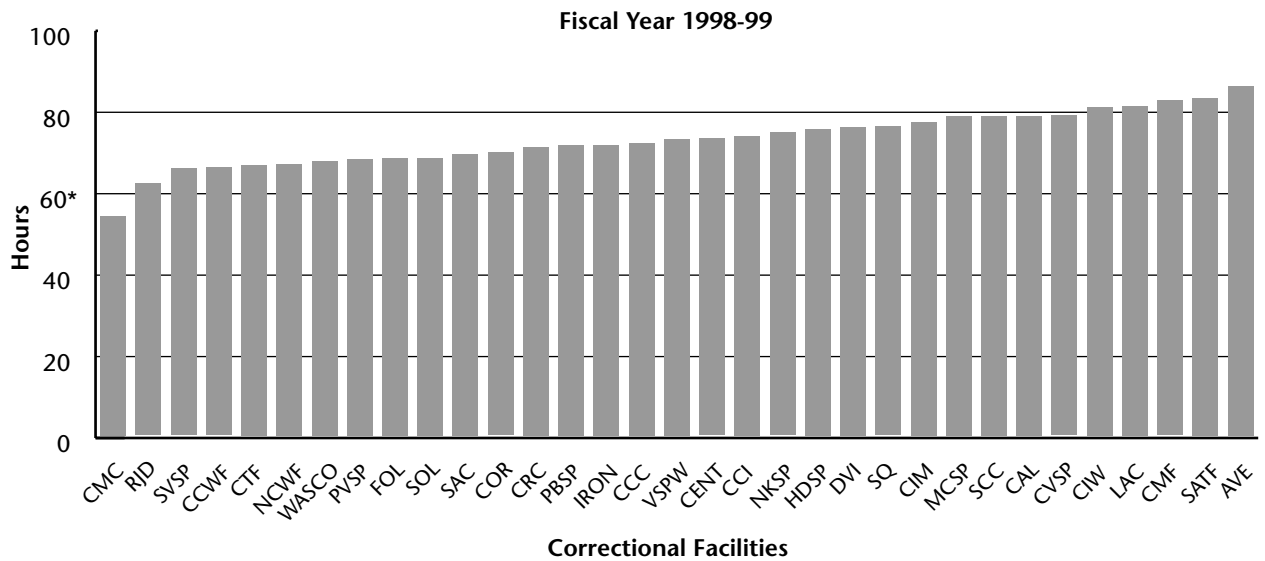
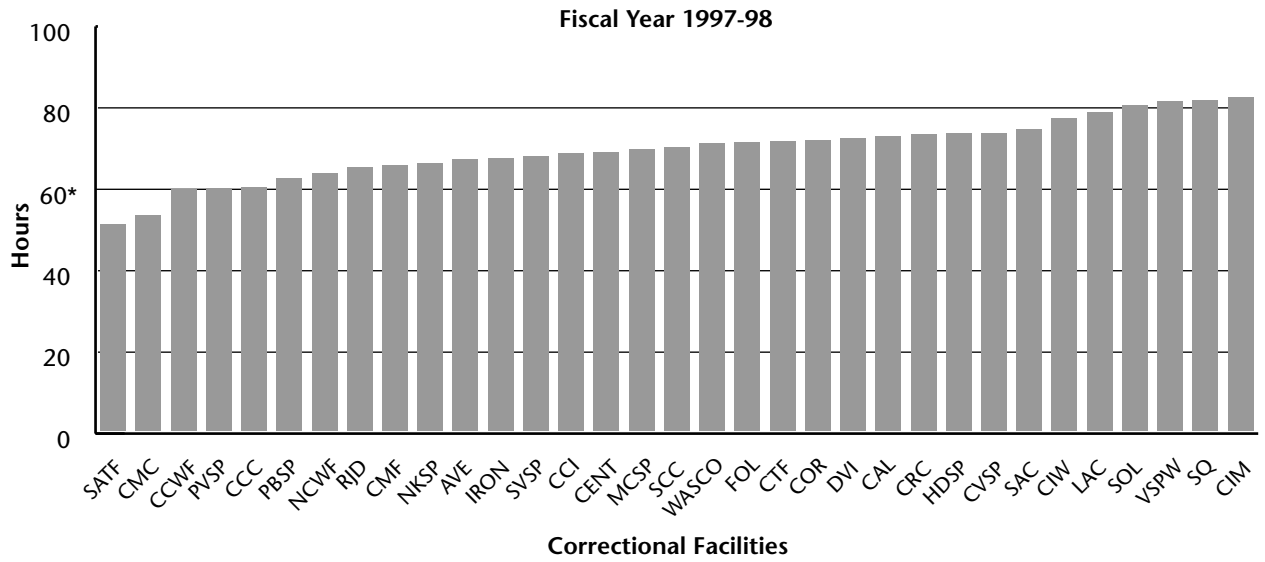
**A**s described in the body of this report, average sick leave usage by custody staff is substantial and increasing. The three figures in this appendix provide the average hours of sick leave used in fiscal years 1997-98 and 1998-99 by correctional officers, sergeants, and lieutenants at each institution. The figures are preceded by an alphabetical listing, as shown in Table 4, of the California Department of Corrections' 33 institutions and the abbreviations used for them in the figures.

**TABLE 4****Alphabetical Listing and Abbreviations of Correctional Facilities**

<b>Correctional Facility</b>	<b>Abbreviation</b>
Avenal State Prison	AVE
California Correctional Center	CCC
California Correctional Institution	CCI
California Institution for Men	CIM
California Institution for Women	CIW
California Medical Facility	CMF
California Men's Colony	CMC
California Rehabilitation Center	CRC
California State Prison, Calipatria	CAL
California State Prison, Centinela	CENT
California State Prison, Corcoran	COR
California State Prison, Los Angeles County	LAC
California State Prison, Sacramento	SAC
California State Prison, San Quentin	SQ
California State Prison, Solano	SOL
California Substance Abuse Treatment Facility and State Prison, Corcoran	SATF
Central California Women's Facility	CCWF
Chuckawalla Valley State Prison	CVSP
Correctional Training Facility	CTF
Deuel Vocational Institution	DVI
Folsom State Prison	FOL
High Desert State Prison	HDSP
Ironwood State Prison	IRON
Mule Creek State Prison	MCSP
Northern California Women's Facility	NCWF
North Kern State Prison	NKSP
Pelican Bay State Prison	PBSP
Pleasant Valley State Prison	PVSP
R.J. Donovan Correctional Facility	RJD
Salinas Valley State Prison	SVSP
Sierra Conservation Center	SCC
Valley State Prison for Women	VSPW
Wasco State Prison	WASCO

**FIGURE 4**

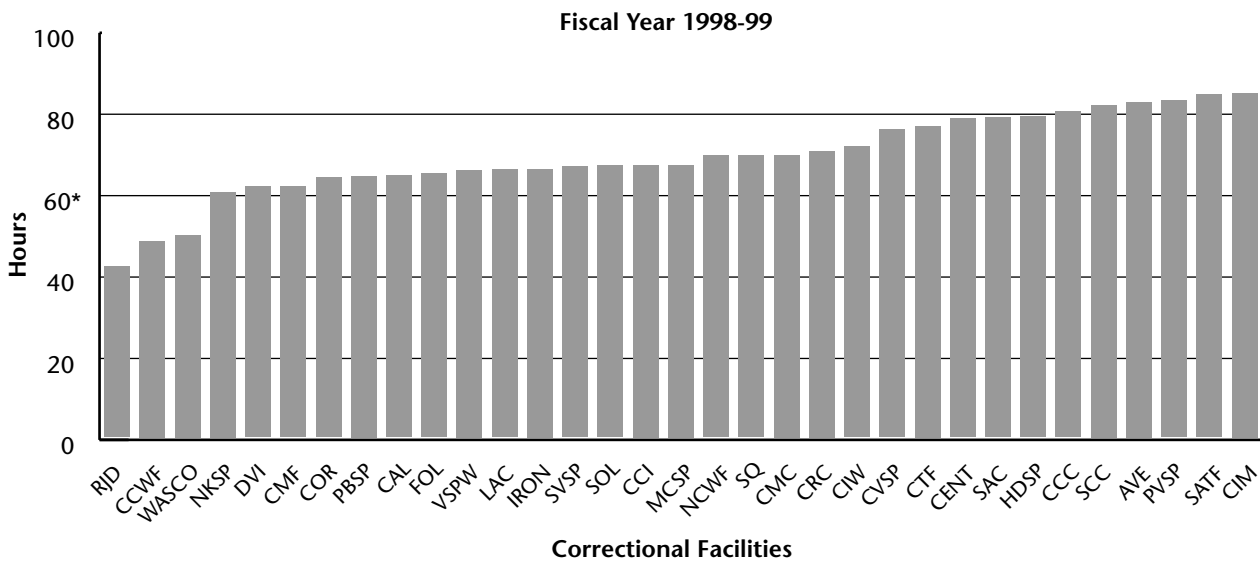
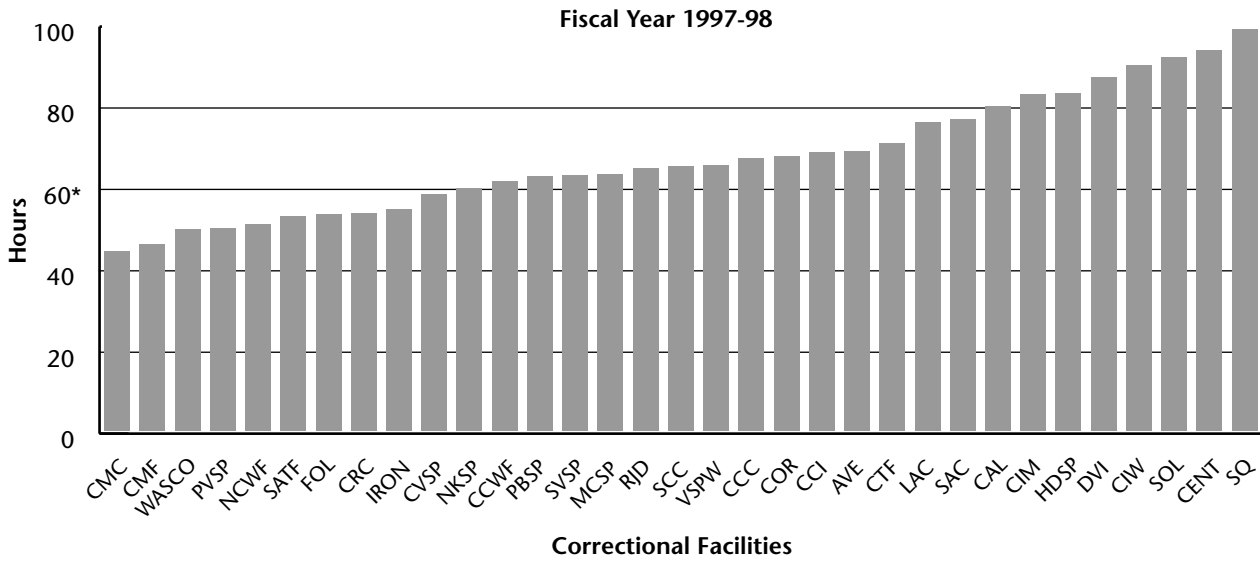
**Average Sick Hours Used by Correctional Officers**



\*Hours currently budgeted for sick leave relief.

**FIGURE 5**

**Average Sick Hours Used by Correctional Sergeants**

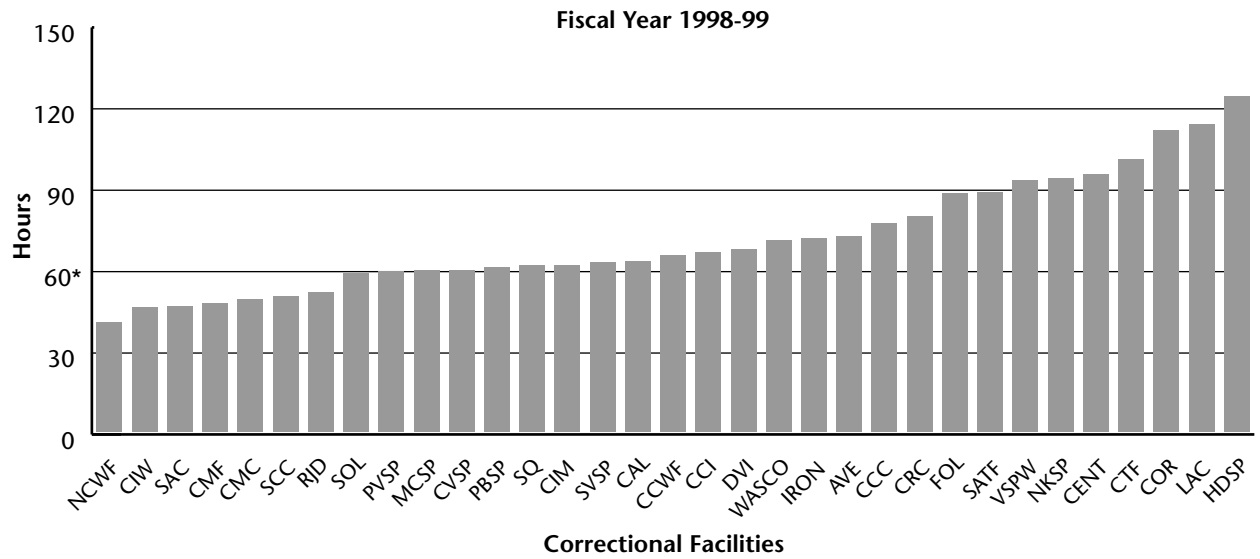
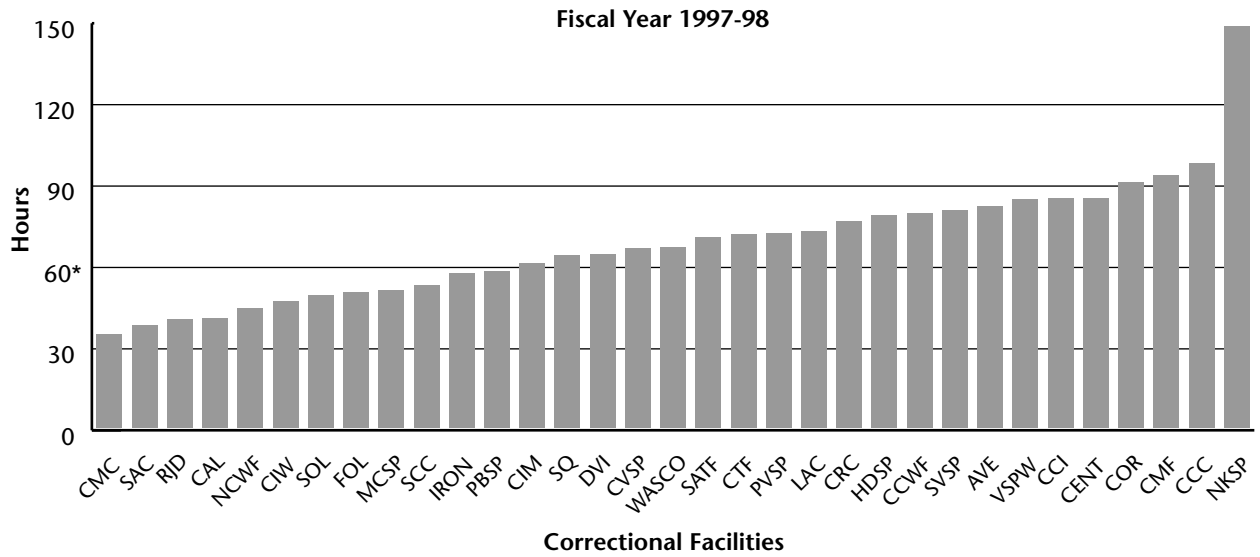


\*Hours currently budgeted for sick leave relief.



**FIGURE 6**

**Average Sick Hours Used by Correctional Lieutenants**



\*Hours currently budgeted for sick leave relief.

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## APPENDIX B

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### ***Recommended Tool for Comparing Budgeted to Actual Personnel Resources***

**A**s described in the report, the California Department of Corrections (department) current methods for comparing actual to budgeted personnel costs do not facilitate good management decisions. In our view, using a method similar to that outlined in Table 5 would help each institution, and the department as a whole, make better decisions. The table contains data for three hypothetical institutions showing how they might use their resources to cover their annual relief needs and comparing their use of these resources to the budget. It also shows the percentage of each type of resource that might be used to cover those needs. The first part of the table focuses on the department's principal leave categories, including sick, holiday, and vacation leave. The budgeted leave relief hours shown for all of the leave examples are based on the number of leave hours currently budgeted for each posted position and assumes that there are 700 custody staff at each institution. The following paragraphs describe three different ways in which an institution might allocate its resources to cover leave absences.

In the first leave example, Institution 1 has attempted to keep sick leave usage at a more reasonable level, so its actual usage has dropped below the amount budgeted. In addition, after studying daily usage patterns, Institution 1 was able to cover 80 percent of actual sick leave absences using permanent full-time relief staff. However, Institution 1 used part of its holiday relief budget to allow staff to take more vacation leave than was budgeted. This is similar to what Avenal State Prison proposed for fiscal year 1999-2000. Under this scenario, while staff used more of the vacation leave that they earned and the institution stayed within its overall leave relief budget in the current year, Institution 1 deferred a significant amount of unfunded holiday leave into the future.

**TABLE 5**

**Suggested Tool to Compare Budgeted to Actual Amounts for Significant Personnel Activities**

Activities	Institution 1		Institution 2		Institution 3	
	Hours	Percent of Actual	Hours	Percent of Actual	Hours	Percent of Actual
<b>Principal Leave Categories:</b>						
<b>Sick Leave Hours Budgeted</b>	<b>42,000</b>		<b>42,000</b>		<b>42,000</b>	
Actuals: Permanent Full-Time	31,920	80%	0	0%	26,880	80%
Permanent Intermittent	5,985	15	20,250	45	5,040	15
Overtime	1,995	5	24,750	55	1,680	5
Total Actuals	39,900		45,000		33,600	
Under/(Over) Budgeted Sick Leave Hours	2,100		(3,000)		8,400	
<b>Holiday Leave Hours Budgeted</b>	<b>72,800</b>		<b>72,800</b>		<b>72,800</b>	
Actuals: Permanent Full-Time	33,852	75	54,600	75	54,600	75
Permanent Intermittent	11,284	25	18,200	25	18,200	25
Overtime	0		0		0	
Total Actuals	45,136		72,800		72,800	
Under/(Over) Budgeted Holiday Leave Hours	27,664		0		0	
<b>Vacation Leave Hours Budgeted</b>	<b>72,800</b>		<b>72,800</b>		<b>72,800</b>	
Actuals: Permanent Full-Time	90,418	90	67,500	90	67,500	90
Permanent Intermittent	8,037	8	6,000	8	7,500	10
Overtime	2,009	2	1,500	2	0	
Total Actuals	100,464		75,000		75,000	
Under/(Over) Budgeted Vacation Leave Hours	(27,664)		(2,200)		(2,200)	
<b>Total Principal Leave Budgeted</b>	<b>187,600</b>		<b>187,600</b>		<b>187,600</b>	
Combined Actuals: Permanent Full-Time	156,190	84	122,100	63	148,980	82
Permanent Intermittent	25,306	14	44,450	23	30,740	17
Overtime	4,004	2	26,250	14	1,680	1
Total Actuals	185,500		192,800		181,400	
Under/(Over) Budgeted Principal Leave Hours	2,100		(5,200)		6,200	
<b>Other Relief Officer Needs Budgeted*</b>	<b>25,000</b>		<b>25,000</b>		<b>25,000</b>	
Actuals:† Permanent Full-Time	0		0		10,000	22
Permanent Intermittent	35,000	64	0		35,000	78
Overtime	20,000	36	60,000	100	0	
Total Actuals	55,000		60,000		45,000	
Under/(Over) Budgeted Relief Officer Needs	(30,000)		(35,000)		(20,000)	
<b>Grand Total Needs Budgeted</b>	<b>212,600</b>		<b>212,600</b>		<b>212,600</b>	
Actuals: Permanent Full-Time	156,190	65	122,100	48	158,980	70
Permanent Intermittent	60,306	25	44,450	18	65,740	29
Overtime	24,004	10	86,250	34	1,680	1
Total Actuals	240,500		252,800		226,400	
Under/(Over) Budgeted Grand Total Needs	(27,900)		(40,200)		(13,800)	

\* Represents budgeted funding for permanent intermittent employees and overtime.

† Includes relief hours for purposes other than sick, holiday, and vacation leave, such as relief for vacant positions, medical guarding, training, regular days off, military leave, and jury duty.

In our second leave example, Institution 2 ensured that employees used all of their holiday leave in the year it was earned, and some employees were required to use more vacation leave than budgeted to keep their balances within the mandatory limits. However, the institution used no permanent full-time relief staff to cover for sick leave absences, but instead used permanent intermittent employees and overtime. In addition, actual sick leave usage exceeded the budget. The impact of this is highlighted in the table under “Total Principal Leave,” which shows a lower percentage of permanent full-time relief staff and a higher percentage of both permanent intermittent employees and overtime compared to our other two examples.

Our last example highlights what we believe all institutions could achieve by better managing their leave programs. Institution 3 took steps to curtail excessive use of sick leave, so its average usage of 48 hours dropped well below the 60 hours currently budgeted for each employee. In addition, it hired enough permanent full-time relief officers to cover 80 percent of sick leave absences, based on a study of daily sick leave patterns. The institution also used a combination of voluntary and mandatory processes to ensure that employees used all the holiday leave they earned during the year. Finally, it enforced the mandatory limits on vacation leave balances by ensuring that employees with high balances used additional vacation leave so as not to exceed those limits. Under this scenario, Institution 3 ended the year within its overall leave relief budget because it curtailed the excessive use of sick leave. It also limited overtime by using more permanent full-time relief staff. In addition, even though it exceeded its budget for vacation leave, Institution 3 could use this data to support a request for additional funding to cover vacation leave at the rates employees actually earn it.

While the first part of our theoretical table deals with the department’s leave programs, the second part focuses on the department’s other daily relief needs, such as covering for custody staff on jury duty or at training. These needs are not usually significant on an individual basis, and they are generally met through the use of permanent intermittent employees and overtime. The department provides a limited budget for permanent intermittent employees and overtime to cover these activities, but most of the funding comes from the budget for full-time employees. Specifically, each institution works out an agreement, referred to as a vacancy plan, with the local custody union representatives to determine how many authorized

full-time custody positions should be left vacant to generate salary savings. Salary savings represent the amount of money that is saved when a position that has been funded for a certain period remains unfilled for part or all of that period. These savings are then used to supplement the amounts budgeted for permanent intermittent employees and overtime. Because of this funding mechanism, all three of our theoretical institutions significantly exceeded their respective budgets for other relief officer needs, with the difference made up primarily in salary savings.

In our first example, Institution 1 did not perform a study of other daily needs to determine whether there was enough aggregate need that would justify using permanent full-time relief staff. However, it did manage to use more permanent intermittent staff than overtime, which is more economical. In the next example, Institution 2 also failed to determine whether it could use some full-time employees and had already used all of its available permanent intermittent employees for other purposes, such as leave coverage. Therefore, it had to resort to overtime exclusively. Finally, Institution 3 studied its daily usage patterns and determined that there was enough daily work in the aggregate to warrant hiring additional full-time relief staff. In addition, because it had optimized the use of full-time employees in other areas, the institution had enough permanent intermittent employees available to cover the remaining need without having to resort to overtime.

*Agency's comments provided as text only.*

Memorandum

California Department of Corrections  
C.A. Terhune  
Director  
1515 S Street  
Sacramento California 95814

Date: January 14, 2000

To: Mary Noble  
State Auditor (A)  
Bureau of State Audits

Subject: **RESPONSE TO BUREAU OF STATE AUDITS REPORT ON CALIFORNIA DEPARTMENT OF CORRECTIONS' MANAGEMENT PRACTICES AND PERSONNEL COSTS**

The departmental response is attached for your review. The audit confirms the need to improve some of the personnel management practices of the California Department of Corrections (CDC). As you will note in our response, the CDC identified many of these deficiencies through a recent review of the personnel management practices at each institution. Thus, we appreciate your input related to areas of deficiency that we had previously identified and are now in the process of correcting.

①\*

Thank you for the opportunity to respond to the issues presented in the audit. We appreciate the constructive recommendations made by your staff. Both your audit and CDC's recent operational reviews emphasize the complexity of the correctional environment and the difficult job institutional staff often face in managing the State's incarcerated felon population and protecting public safety. We are committed to improving our management and personnel practices while fulfilling our public safety mission.

*(Signed By: C.A. Terhune)*

C. A. TERHUNE  
Director  
Department of Corrections

Attachment

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\*California State Auditor's comments begin on page 49.

## RESPONSE TO BUREAU OF STATE AUDITS REPORT ON MANAGEMENT PRACTICES AND PERSONNEL COSTS

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The California Department of Corrections (CDC) is appreciative of the audit report as it validates areas of concern previously identified by the Department and provides specific information that will assist CDC's current efforts to improve operations. These efforts began in May 1999 and are designed to put systems, reporting processes, and standardized practices in place that will enhance current management, personnel and financial practices. The CDC efforts include:

- ① • **Completing a Personnel Management Practice review of each institution which includes reviewing 1) sick leave, holiday, vacation funding and expenditure levels and 2) Institutional Personnel Best Management Practices and deficiency areas.** The review teams have concluded their reviews. This process will require institutions to submit Corrective Action Plans beginning April 1, 2000 and to provide updates thereafter as part of a CDC monthly budget review process.
- **Instituting a mandatory requirement for the creation of a sick leave/overtime committee.** The CDC is establishing a sick leave/overtime committee at each institution to provide a collaborative institutional approach toward reducing sick leave usage and related expenditures.
- **Institutional Fiscal Reviews.** A department-wide fiscal review is scheduled to commence in February 2000. This process will involve the review of institutional expenditures, both Personal Services and Operating Equipment and Expenses, by the Budget Office and specialized teams. The results of the expenditure and Personnel Task Force reviews (Personnel Management Practices) will be discussed and acted on. The Warden of each facility and the Chief Deputy Directors of Support and Operations will chair the formal reviews. Based on the findings, all departmental managers will be held accountable to take the appropriate steps to ensure any identified deficiencies are remedied. Corrective Actions will be reported monthly, beginning April 1, 2000, as part of CDC's monthly budget review process.
- **Training.** An initial financial and personnel management practice training needs assessment has been completed. Training is currently underway and will be completed by June 15, 2000. Headquarters and field staff will partner and provide training to the institutional staff that is responsible for managing personnel/fiscal resources and recording the leave call-ins. This training will enhance management's ability to effectively manage resources through the standardization of policy practices and improve the consistency of collected data. A financial management training manual will be re-issued to the field as a resource tool. Training will be provided to the institutional management teams on new policies as they are developed and on best practices that will assist in the correction of the identified deficiencies.
- **Recruitment.** The FY 2000/01 Governor's Budget includes current and budget year resources to create a new unit focused on recruiting entry level peace officer positions. The Administration recognized the seriousness of CDC's recruitment difficulties in these classes and the potential operational and fiscal impacts.



**BSA's Finding 1: SIGNIFICANT SICK LEAVE USE IS DRIVING UP COSTS AND CREATING STAFFING PROBLEMS**

**Poor Sick Leave Management Practices Have Caused Excessive Overtime**

The Bureau of State Audits (BSA) identified that the CDC exceeds authorized, budgeted yearly sick leave hours and recommends that CDC reduce its annual budget for sick leave relief from 60 to 48 hours per year.

*Audit Findings revealed that: 1) The Department Is Not Effective in Disciplining Employees Who Use Excessive Sick Leave; 2) The Institutions Do Not Analyze Sick Leave Data Sufficiently; and 3) Institutions are Not Optimizing the Use of Permanent Full-Time (PFT) Relief Employees and Permanent Intermittent Employees (PIE).*

CDC's Response: The CDC takes the management of its personnel resources seriously and recently established a Personnel Management Practice/Vacancy Task Force to review personnel and fiscal management practices. In response to sick leave usage patterns, CDC has already initiated corrective action to reduce excessive usage. Further, through a statewide directive, all CDC top management personnel have been directed to focus on the management of this area. ②

CDC is concerned with BSA's comparison of CDC's officer's average annual 72 hours of sick leave usage, to the approximate 31 hours of the California Highway Patrol (CHP). BSA's recommended 48 hour annual usage and subsequent funding level reduction does not take into account the fact that the closed prison work environment differs significantly from the CHP work environment; and CHP's usage is not appropriate for comparison purposes. For example, a preliminary survey of six large city jails revealed the average annual sick leave usage for posted officers ranged from 70 to 148 hours. Additionally, a survey of a state agency with a similar mission indicated their posted staff used on average 86 hours of sick leave annually. Any adjustment of CDC's sick leave factor will require an in depth analysis to determine a reasonable and appropriate number of sick leave hours and corresponding funding level. The Governor's budget does include an adjustment to the budgeted leave level based on recognition of enhanced need. ③

The department is updating its sick leave policy. It will be issued statewide and includes a training component. CDC will also continue

to work collaboratively with administrative agencies to pursue new approaches that will assist our efforts to reduce usage.

Additionally, the conversion to a new leave accounting data base administered by the State Controller's Office will be completed February 1, 2000. This conversion began in August 1999, based on management's recognized need to have statewide access to leave usage and associated costs data.

The Department also identified a need to reduce vacancies and is actively in the process of converting a significant number of PIE employees to PFT. This action will reduce overtime costs. The data has been collected that is necessary to identify the number of PIEs at each institution that will be converted to PFT. This analysis is complete and employees will be converted to PFT by March 1, 2000. This will be an ongoing effort, which will be impacted by the availability of permanent and PIE officers from the Academy. CDC along with most law enforcement agencies is experiencing a serious recruitment problem related to correctional officers. The dedicated recruitment unit authorized in the Governor's Budget will solve significant departmental recruitment issues for both PIE and PFT officers.

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CDC currently compiles a report that identifies the number of hours that each PIE works per month. An analysis is underway that identifies which institution's PIEs are not working the maximum number of hours. The CDC will take necessary corrective steps to ensure employees are making themselves available to work when needed. In addition, the CDC is developing a statewide policy that reinforces the expectation of maximum PIE utilization.

**BSA's Finding 2: GROWING LEAVE BALANCES ARE A PROBLEM**

*Audit Findings revealed that: 1) Holiday Leave Liability Is Already High and Is Continuing to Grow; 2) The Department Allows Employees to Exceed Maximum Vacation and Annual Leave Balances; and 3) Deferring the Use of or Payment for Accumulated Leave Balances Will Increase Personnel Costs.*

CDC's Response: The CDC recognizes the fiscal liability associated with high Holiday Leave balances and recently issued a statewide directive to enhance management of holiday leave usage. As part of this effort, the Department is reviewing statewide institutional holiday leave practices and will implement a standardized holiday leave usage program by

July 1, 2000. It should be noted earning and usage requirements related to holiday leave credits are not limited in existing labor agreements.

The Department is also establishing a process to manage employee annual/vacation leave balances. CDC is collecting statewide data that will identify the current annual/vacation leave balances by institution for those employees in excess of the mandatory limits. All institutions have been required to (1) submit a workable action plan to headquarters to identify the scope of fiscal liability and to reduce it; and (2) report progress on a monthly basis on this deficit reduction goals. A directive covering this process has been issued to the field and requires the submission of plans to Headquarters on March 15, 2000. These reports will be updated and progress monitored on a monthly basis.

**BSA's Finding 3: POOR AND INFLEXIBLE LEAVE PRACTICES, ALONG WITH BUDGETARY CONSTRAINTS, LED TO THE GROWING LIABILITY**

*Audit Findings revealed that: 1) The Department Does Not have a Strategy to Reduce Its Large Leave Liability; 2) Present Practices Continue to Allow Custody Staff to Earn More Holiday Leave Than They Use; 3) Department Funding for Vacation and Annual Leave Relief Falls Short of the Amounts Staff Earn; and 4) Inflexible Authorization Practices Discourage Staff From Using Leave They Have Earned.*

CDC's Response: The Department is creating a Holiday Leave Program that enhances our employees' ability to use holiday leave. As part of this effort, CDC will assess and appropriately address any funding issues, such as the need to align funding with earning and usage levels.

**BSA's Finding 4: INCOMPLETE AND INACCURATE MANAGEMENT INFORMATION PREVENTS THE DEPARTMENT FROM BETTER CONTROLLING PERSONNEL COSTS AND EFFECTIVELY ALLOCATING ITS PERSONNEL RESOURCES**

*Audit Findings revealed that: 1) The Institutions Have Not Developed an Adequate Understanding of Their Daily Staffing Needs; 2) The Department's Comparisons of Actual to Budgeted Personnel Costs Does Not Facilitate Good Management Decisions; and 3) Errors in*

*Recording Staff Activities Diminish the Effectiveness of the Department's Management Information.*

CDC's Response: CDC is developing a standardized analysis process for institutions to utilize to assess their ongoing staffing needs. An automated staffing/post management system is currently being migrated to the 33 institutions. Twenty-three institutions have been trained on the new system; nine systems are operational. This information system includes a standardized call-in tracking component. Programming adjustments will be made to this system to ensure that a staffing analysis is prepared on an ongoing basis that will minimize institution overtime needs and maximize use of staff resources. It is anticipated that programming adjustments and the installation of all systems will be completed by June 1, 2000.

# COMMENTS

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## ***California State Auditor's Comments on the Response From the California Department of Corrections***

To provide clarity and perspective, we are commenting on the response to our audit report from the California Department of Corrections (department). The numbers below correspond to the numbers we have placed in the response.

- ① As stated on pages 7 and 8, at various times throughout our fieldwork we interviewed managers at the department's headquarters and at the six institutions we reviewed to obtain their views of what were the significant factors driving personnel costs and what steps they had taken to control such costs. As of January 5, 2000, the date of our exit conference, the department had not offered any solutions to the problems we discuss in our report. In fact, according to its response, the department will not be soliciting corrective action plans from its institutions until April 1, 2000, regarding deficiencies in personnel practices.
- ② As stated on pages 11 and 12, the department has been ineffective in reducing excessive sick leave use and has not shared with us any corrective actions it has taken to reduce such use during the course of the audit.
- ③ We recognize that comparing the department and its institutions with the California Highway Patrol (CHP) is not ideal because of the differences between the two entities. To compensate for the differences in the two environments, we limited our comparison to a discussion of the potential savings the department could obtain if it were to significantly reduce its sick leave use to that of the CHP. However, our recommendation to reduce its annual budget for sick leave relief to 48 hours per custody employee is based on a level of sick leave use that is more than 50 percent higher than that experienced by the CHP. Also, as we show in Appendix A, it is a level nearly achieved by the correctional officers at the California Substance Abuse Treatment Facility and State Prison, Corcoran, in fiscal year 1997-98, and by the correctional officers at the California Men's Colony in fiscal year 1998-99. Moreover, for those same two fiscal years, the sergeants at four institutions and the lieutenants at six institutions

averaged 48 hours or less of annual sick leave. Thus, we believe it is a level attainable in a correctional setting by all custody staff.

- ④ As stated on page 17, only two of the six institutions we reviewed produced reports designed to track the average hours that permanent intermittent employees work.

cc: Members of the Legislature  
Office of the Lieutenant Governor  
Attorney General  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps