

OFFICE OF AUDITS & ADVISORY SERVICES

BUDGET PROCESS – SALARIES & BENEFITS

FINAL REPORT



Chief of Audits: [Juan R. Perez](#)
Audit Manager: [Christopher Efird, CPA](#)
Senior Auditor: [Sawako Kobayashi, CPA](#)
Senior Auditor: [Wasim Akand, CIA, CGAP](#)
Auditor II: [Mercedes Pereira-Trent, MBA](#)

Intentionally Left Blank



TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 20, 2025

TO: Dr. Kimberly Giardina, Deputy Chief Administrative Officer
Health and Human Service Agency

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: BUDGET PROCESS – SALARIES & BENEFITS AUDIT

Enclosed is our report on the Budget Process – Salaries & Benefits Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

Juan R. Perez

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Patty Kay Danon, Chief Operations Officer, Health and Human Services Agency
Amy Thompson, Chief Financial Officer, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Charissa Japlit, Group Finance Director, Health and Human Services Agency
Christy Carlson, Director, Business Assurance and Compliance, HHSA



TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 20, 2025

TO: Kelly A. Martinez, Sheriff
Office of the Sheriff

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: BUDGET PROCESS – SALARIES & BENEFITS AUDIT

Enclosed is our report on the Budget Process – Salaries & Benefits Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

Juan R. Perez

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Andrew Strong, Deputy Chief Administrative Officer, Public Safety Group
Kathleen Flannery, Chief Operations Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Lisa Keller-Chiodo, Group Finance Director, Public Safety Group



TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 20, 2025

TO: Vince Nicoletti, Director
Planning and Development Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: BUDGET PROCESS – SALARIES & BENEFITS AUDIT

Enclosed is our report on the Budget Process – Salaries & Benefits Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

Juan R. Perez

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Dahvia Lynch, Deputy Chief Administrative Officer, Land Use and Environment Group
Jennifer Lawson, Chief Operations Officer, Land Use and Environment Group
Tracy Drager, Auditor and Controller
Aimee Leighton, Group Finance Director, Land Use and Environment Group



TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 20, 2025

TO: Damien Quinn, Director
Office of Financial Planning

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: BUDGET PROCESS – SALARIES & BENEFITS AUDIT

Enclosed is our report on the Budget Process – Salaries & Benefits Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

Juan R. Perez

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Carrie Hoff, Chief Operations Officer, Finance and General Government Group
Joan Bracci, Chief Financial Officer, Finance and General Government Group
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group



TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 20, 2025

TO: Claudia Silva
County Counsel

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: BUDGET PROCESS – SALARIES & BENEFITS AUDIT

Enclosed is our report on the Budget Process – Salaries & Benefits Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

Juan R. Perez

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Carrie Hoff, Chief Operations Officer, Finance and General Government Group
Joan Bracci, Chief Financial Officer, Finance and General Government Group
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.



AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) completed an audit of the Budget Process – Salaries & Benefits. The objective of the audit was to review departments' salaries and benefits budgeting methodologies to assess compliance with applicable policies and best practices and to identify improvement opportunities.

The scope of the audit covered fiscal years 2022-23 and 2023-24, focusing on the salary and benefits budgeting methodologies used across County departments. The review included an assessment of budgeting practices, vacancy assumptions, and salary adjustments to determine compliance with applicable policies and procedures.

A department from three of the four County groups was selected for detailed evaluation:

- County Counsel (Finance and General Government Group)
- Sheriff's Department (Public Safety Group)
- Planning and Development Services (Land Use and Environment Group)

In addition, the Health and Human Services Agency (HHSA) was assessed at the group level to provide insights into its budget development processes and oversight mechanisms.

AUDIT RESULTS

Based on our review, the salaries and benefits budgeting methodologies used by HHSA and the selected departments are generally consistent with applicable policies and aligned with recognized best practices for effective salary and wage budgeting as outlined by the Government Finance Officers Association (GFOA).

BACKGROUND

Salaries and benefits represent a significant portion of the County's overall budget and play a crucial role in maintaining effective government operations. Proper budgeting for these expenditures ensures that departments allocate resources efficiently while complying with County policies, labor agreements, and best practices established by the GFOA. The County's budget development process is guided by established policies and procedures, including the Administrative Manual 0400-13: Budget Guidelines for Staffing and the Operational Plan Instructions (FY 2024-26), both of which outline the framework for salary and benefits forecasting, vacancy rate assumptions, and financial oversight.

The Operational Plan Instructions (FY 2024-26) further establish the County's budgeting process for salaries and benefits, outlining financial planning methodologies used to prepare the two-year Operational Plan. The document mandates that budgets be structurally balanced, requiring ongoing revenues to cover ongoing expenditures. Salary and benefits projections must incorporate negotiated wage increases, pension contributions, and other benefit costs. Additionally, PeopleSoft serves as the system of record for staffing and salary budgeting, ensuring accurate position tracking.

A 4% vacancy rate policy is reiterated in the Operational Plan Instructions, reinforcing the expectation that departments adjust their salary budgets accordingly. However, this policy applies only to departments with more than 20 Full-Time Equivalents (FTE), as smaller departments can experience disproportionate impacts from even minimal vacancies. For instance, a single vacancy in a 20-FTE department equates to a vacancy rate of 5%, already exceeding the targeted 4%. Therefore, applying this policy to smaller departments is impractical.

County departments utilize vacancy forecasting, hiring lag estimates, and attrition rates as part of their budget development process. Furthermore, some departments also budget for underfilled positions, where roles may be classified at higher salary levels but initially filled at lower levels, resulting in salary cost variances.

Salary and benefits adjustments are managed through two key budget accounts:

- Account 51740 (Positive Adjustments): Used for rehiring retirees, temporary hiring, and dual-fill positions that are not automatically accounted for in the budget system.
- Account 51830 (Negative Adjustments): Used to offset vacancies due to recruitment delays, underfilled positions, or hard-to-recruit roles.

Departments that rely on program-specific revenue sources must balance salary costs with revenue availability, as vacancy savings in these departments often translate into reduced program revenue rather than direct savings to the County's General Fund. In contrast, departments primarily funded by the General Fund must carefully manage vacancy assumptions to align with financial constraints while maintaining service levels.

Some County operations have staffing levels mandated by regulatory or legislative requirements, meaning that vacancies in these areas often require backfilling with overtime or temporary staff to ensure continuity of services. These include areas such as detention facilities, probation services, and specialized regulatory programs. Additionally, positions in election services, for example, require a high volume of temporary hires to meet short-term staffing needs.

While departments assess their staffing needs based on service demands, formalized workforce analysis is limited at the group level. The need for specific staffing levels is often determined by operational service requirements, Board-directed initiatives, or regulatory obligations rather than standardized workload assessments. In some cases, annual fee schedule reviews help align staffing costs with revenue-generating services, ensuring that fees appropriately reflect service delivery costs.

The County uses PeopleSoft and the Performance Budgeting (PB) system to track position status, salary costs, and benefits. Changes to FTE counts must be submitted through Classification Activity Request (CAR) forms, which require approval from Department Heads, Group Finance Directors, and Department of Human Resources before being reflected in the system. If departments fail to submit required forms, staffing data may not align with approved budgets, creating discrepancies between reported and actual positions. Additionally, the County utilizes a Workforce Analytics Dashboard, which provides real-time data on workforce statistics compared to budgeted staffing levels.

Hard-to-recruit positions pose another budgeting challenge, as prolonged vacancies in these roles can create service gaps or require additional financial incentives to attract qualified candidates. The County maintains a list of designated hard-to-recruit positions, which includes various

healthcare professionals, engineers, deputy sheriffs, and other specialized roles. Some of these positions qualify for hiring incentives negotiated through labor agreements, further impacting the cost of salary and benefits projections.

Vacancy rates and staffing challenges vary by department, with some departments experiencing higher-than-average vacancy levels, particularly in public safety roles. In such cases, vacancy-related budget assumptions must be closely monitored to ensure that actual staffing levels remain aligned with operational needs.

METHODOLOGY

OAAS performed the audit using the following methods:

- **Review of Policies and Procedures** – Examined County budget policies and processes, including the Operational Plan Instructions (FY 2024-26) and departmental and group-level budgeting procedures to evaluate compliance with established financial guidelines.
- **Interviews with Key Personnel** – Conducted interviews with staff from the Office of Financial Planning, Department of Human Resources, Group Executive Offices, and department personnel responsible for budget development and salary forecasting. These interviews provided insights into budgeting methodologies, vacancy forecasting, position management, and financial oversight.
- **Analysis of FTE Increases and Position Changes** – Reviewed requested FTE increases and position changes submitted during the FY 2024-26 Operational Planning cycle to assess the rationale and approval process for staffing adjustments.
- **Vacancy Data Review** – Evaluated vacancy data and justifications to determine how departments account for staffing fluctuations, attrition, and hiring delays in salary and benefits budgeting.
- **Review of Salary Adjustments** –
 - Negative Salary Adjustments (Account 51830): Analyzed justifications for negative salary adjustments used to offset recruitment delays, underfilled positions, or anticipated vacancies.
 - Positive Salary Adjustments (Account 51740): Assessed approvals and justifications for rehiring retirees, temporary hiring, and dual-fill positions to ensure compliance with budgetary controls.
- Verified that the positions data load from PeopleSoft to PB was done with accuracy and completeness.
- Confirmed that budget forms were not submitted beyond the closing date in PB.