
Secretary of State

State of Oregon

DEPARTMENT OF CORRECTIONS

Overtime Special Review



Audits Division

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Overtime Special Review



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Auditing for a Better Oregon

The Honorable John Kitzhaber
Governor of Oregon
State Capitol Building
Salem, Oregon 97310

David S. Cook, Director
Department of Corrections
2575 Center Street NE
Salem, Oregon 97310

During a statewide audit of overtime which included selected transactions at the Department of Corrections, we identified instances of apparent unjustified use of overtime and unreported sick leave. This report contains the results of our inquiry regarding those overtime issues. Upon its completion, the results of the statewide overtime audit will be presented in a separate report.

This special review was limited to the payroll claims of two Department of Corrections employees during the period of April 1995 through December 1995. Our purpose was to determine the validity of reported payroll claims as well as the appropriateness of the related expenditures.

We conducted the review in accordance with generally accepted government auditing standards. In this regard, we made inquiries of agency personnel and examined relevant records and documentation for the payroll claims. We performed the tests and procedures we considered appropriate in the circumstances.

The Department of Corrections should implement independent managerial reviews of unusual or significant overtime use and establish written policies clarifying when employees are required to report sick leave.

OREGON AUDITS DIVISION

Don Waggoner, CPA
State Auditor

Fieldwork Completion Date:
July 25, 1996

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SUMMARY

On June 4, 1996, the Oregon Audits Division began fieldwork at the Department of Corrections (DOC) in conjunction with an audit of the state's use of overtime. In the course of our review, we discovered that the administrator of the agency's training unit authorized apparently unjustified or avoidable overtime to a retiring executive support specialist. In addition, we found that the administrator chose not to report sick leave for his own extended health-related absences from work during December 1995.

The validity of the overtime claimed by the executive support specialist was questionable because it started at the same time this individual's wages were garnished. We were not provided with valid justification of the need for overtime. The cost of this overtime, including retirement benefit transfers and the employer's share of federal payroll tax, totaled \$12,425.

During our discussions with employees, we learned that the administrator was absent for significant periods of time during December 1995 for health-related reasons. However, review of his timesheet showed no sick leave had been reported. In early discussions with the training administrator, he stated that any time he was absent due to medical appointments he made up; therefore, he did not report any sick leave taken in December. However, he refused to answer certain questions or provide documents related to these absences. Because of his resistance, we reviewed his cellular telephone bills to determine when the training administrator was out of the office during the reported time of medical appointments. Based on these records, it appears that the administrator should have reported at least 74 hours of sick leave during December. If standard payroll rates were applied, this unreported sick leave cost the state \$2,490.

The Department of Corrections does not have sufficient written policy regarding when leave must be reported by certain overtime exempt employees.

We recommend the Department of Corrections provide for independent managerial reviews of unusual or significant overtime. In addition, the Department of Corrections' Human Resources section should, in conjunction with the Department of Administrative Services, establish and implement written policies clarifying when overtime exempt employees are required to report sick leave. In its response, the department agreed with the recommendations.

AUDIT RESULTS

BACKGROUND

As part of a statewide audit of overtime use, we selected overtime payments made to Department of Corrections (DOC) employees. One employee included in our sample was the now-retired executive support specialist for the Department of Correction's training unit. Preliminary analysis of her payroll records revealed that she reported extraordinary overtime during her last month before retirement.

The Department of Corrections' training unit is staffed by eight employees consisting of an administrator, one executive support specialist, an office specialist II, and five trainers. The unit also employs experienced employees from other sections of the agency as trainers on a temporary basis. Managers within the DOC are given the responsibility to determine when the use of overtime is justified and appropriate. However, *Oregon Revised Statute (ORS) 279.334* indicates that overtime should be limited to instances of "necessity, emergency, or where the public policy absolutely requires it."

In the course of our review we encountered substantial resistance from the administrator of the unit to our inquiries regarding the questioned overtime. Therefore, we also reviewed payroll records of other employees working in the unit.

UNJUSTIFIED OVERTIME

We examined the timesheets for the executive support specialist for the Department of Corrections training unit for the months beginning May 1994, when she became eligible for overtime, through December 1995. Prior to April 1995, she had no reported overtime. During April, she worked an additional 16 hours; in this month, payroll records indicate the employee's wages were garnished. The executive support specialist had no further overtime until August, when she reported 35 hours. In this month, there was another wage garnishment. From September through November, the employee averaged over 70 hours of overtime each month. In December, her final month before retirement, she reported 193 hours of overtime.

December included another wage garnishment, this one substantially larger than the previous two.

The payroll file also showed that DOC's internal auditor identified a math error in the employee's December timesheet. The error, which overstated the overtime amount by 20 hours, was not recognized by either the employee or her supervisor, the training unit administrator. DOC is currently in the process of collecting these funds from the former employee.

Upon the executive support specialist's retirement, a temporary employee was hired to assist the office until a permanent replacement could be found. During that interim period, the training unit's support staff reported only minor amounts of overtime.

Due to the unusual pattern and amount of overtime, we reviewed the records with the training unit's administrator. The administrator stated that he had authorized the employee to work the overtime. He explained that the overtime was necessary because:

- He was revising lesson plans for 1996 which required special word processing skills that only this employee could provide.
- This employee was in charge of moving the office from a location on Lancaster to a house adjacent to the Oregon State Correctional Institution (OSCI).
- The training unit was operating two employees short.
- He, the administrator, had significant health problems during that period.

At least one other employee in the office had the necessary word processing skills, but no attempt was made to transfer some of the duties reportedly causing the extraordinary overtime, or to offer overtime to other members of the staff. In addition, the supervisor made no attempt to hire a temporary employee to fill the apparent need for word processing the training materials. Preparation for the office relocation occurred over a period of several months, culminating with the move itself on two Saturdays in December 1995. On one of those

Saturdays, the executive support specialist reported working 12 hours of overtime while another employee who assisted her reported only six hours of overtime.

The administrator's justification regarding employee vacancies also appears invalid, since the vacant positions were for trainers, not word processors. Furthermore, only one of these positions was subsequently filled.

It does appear that the administrator was absent for significant periods of time during December, due to health issues. However, his absence would not seem likely to create overtime for the executive support specialist because she did not perform his duties. For these reasons, the authorized overtime does not meet the criteria of ORS 279.334 because it did not appear to be a necessity, an emergency, or required by public policy.

The executive support specialist's overtime totaled 452 hours, costing \$12,425 including the related retirement benefit transfers and the employer's share of federal payroll tax.

We recommend the Department of Corrections consider providing an independent managerial review of significant overtime variances to ensure adequate oversight.

UNREPORTED SICK LEAVE

During our review of the training unit's use of overtime, we reviewed the payroll records of other employees working in the unit. From conversations with the administrator of the unit and members of his staff, we learned that the administrator had numerous medical-related appointments during the month of December 1995. However, his timesheet did not report any sick leave taken during that month.

We asked the administrator on several occasions to provide us his work schedule and information relating to his absences due to medical appointments during December. In all instances, he refused to provide this information, indicating that his work during December was sufficient to preclude the need for reporting sick leave.

The administrator's supervisor, the DOC deputy director, had not signed the administrator's timesheet for December 1995. We asked the deputy director and the personnel director about the department's policy regarding the reporting of sick leave for employees who are exempt from overtime provisions of the Fair Labor Standards Act (FLSA). They indicated the DOC had no written policy specifically addressing this issue.

Because of the administrator's resistance to our request for information regarding his work schedule, we used alternate procedures to determine when he apparently was at medical appointments. Other staff members commented that the administrator's medical appointments were on Mondays, Wednesdays, and Fridays, sometimes lasting the majority of the day. The administrator's cellular telephone records verified that he was in Portland on these weekdays for several hours each. Since the administrator would not voluntarily provide more specific records, using these cell phone calls, we estimate that the administrator should have reported 74 hours of sick leave for December. Therefore, this unreported sick leave cost the state \$2,490.

Managers and other salaried employees should be required by the employing agency to use accrued leave for a partial day absence for doctor appointments or for other personal reasons, except where, in recognition of the extra hours worked by the manager on the day such leave would otherwise be taken, the employee's use of accrued leave on the day in question is not required by higher managers. For salaried employees working a "professional work week," it is understood that hour-for-hour time reporting may not be deemed appropriate by the department. However, we recommend some time reporting system be established by the department to avoid a situation such as existed here where the manager appears to have taken approximately 74 hours off work for doctor appointments in a single month without using any sick leave, without the specific

knowledge of higher managers, and without any accounting for his actual time.

We recommend the Department of Corrections work with the Department of Administrative Services' Human Resource Management Division to establish and implement written policies clarifying overtime exempt employees' obligation and the agency's expectations regarding the reporting of sick leave.

REPORT DISTRIBUTION

This report is a public record and is intended for the information of the Department of Corrections management, the governor of the state of Oregon, the Oregon legislative assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by the officials and employees of the Department of Corrections during the course of our audit were very commendable and are sincerely appreciated.

AUDIT TEAM

Nancy Buffinton-Kelm, CPA, CISA, Audit Administrator
Neal Weatherspoon
Curtis Hartinger

**DEPARTMENT OF CORRECTIONS'
RESPONSE
TO THE AUDIT REPORT**

November 20, 1996

DEPARTMENT OF
CORRECTIONS

OFFICE OF
THE DIRECTOR

Don Waggoner, State Auditor
Secretary of State
Audits Division
Public Service Bldg., Ste. 500
Salem, OR 97310

Dear Mr. Waggoner:

This is in response to the Audit Division's special review and recommendations regarding use of overtime and unreported sick leave of two Department of Corrections employees.

Specifically, the following is our response to your conclusions and recommendations:

UNJUSTIFIED OVERTIME:

The Department of Corrections agrees that it was an extraordinary amount of overtime and that such situations should be avoided whenever possible and alternatives are available to complete the work. However, the training unit administrator had the responsibility and authority to use department resources as necessary for the timely completion of the training material needed to deliver the training scheduled for January 8, 1996.

The department does agree with the recommendation. The department's Internal Audit Program will be tasked to implement periodic reviews of significant overtime use to assist department management in making the most cost effective use of its human resources.

UNREPORTED SICK LEAVE:

The department does not agree with the auditor's conclusion, based primarily on the employee's cell phone records, that the employee should have reported 74 hours of sick leave in December 1995. First, an off-site location of an employee does not necessarily mean the employee is not working and second, the employee's cell phone records in fact show that he made a number of work-related phone calls during the days in question. Further, the department believes the

John A. Kitzhaber
Governor

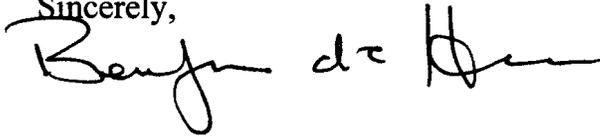


2575 Center Street NE
Salem, OR 97310
(503) 945-0920
FAX (503) 373-1173

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employee worked professional work weeks during December 1995 and his flexible work schedule had his supervisor's general understanding. The department believes that the state benefits considerably from the many additional hours of his work, well beyond the normal professional work week expectation of 40 hours.

The department agrees with the auditor's recommendation to work with the Department of Administrative Services to establish and implement a written policy clarifying overtime exempt employees' obligations and the agency's expectations regarding the reporting of sick leave.

Sincerely,


Benjamin de Haan
Deputy Director

BD:aw