
Secretary of State

State of Oregon

Department of Human Resources

**MENTAL HEALTH AND DEVELOPMENTAL
DISABILITY SERVICES DIVISION**

Overtime Investigation at the Fairview Training Center



Audits Division

Secretary of State

State of Oregon

Department of Human Resources

**MENTAL HEALTH AND DEVELOPMENTAL
DISABILITY SERVICES DIVISION**

Overtime Investigation at the Fairview Training Center



Audits Division

OFFICE OF THE
SECRETARY OF STATE
Phil Keisling
Secretary of State
Suzanne Townsend
Deputy Secretary of State



AUDITS DIVISION
John Lattimer
Director

(503) 986-2255
FAX (503) 378-6767

Auditing for a Better Oregon

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

Gary Weeks, Director
Department of Human Resources
500 Summer Street NE
Salem, Oregon 97310

Barry Kast, Administrator
Mental Health and Developmental Disability Services Division
2575 Bittern Street NE
Salem, Oregon 97310

Jon Cooper, Superintendent
Fairview Training Center
2250 Strong Road SE
Salem, Oregon 97310

At the request of the Fairview Training Center (Fairview), we reviewed the records related to a loss of public funds by a former employee. The purpose of our review was to verify the extent of the loss and examine Fairview's timekeeping procedures related to overtime. This report contains the results of that review.

Fairview lost \$2,453 due to unsupported overtime paid to one of its employees. The details of the loss, which occurred between November 1997 and August 1998, have been given to the Oregon State Police for possible criminal prosecution.

When Fairview became aware of the possible loss, it took immediate action to notify the Department of Justice, Oregon State Police, and the Audits Division. Further, Fairview made certain changes to improve its timekeeping function.

This report provides recommendations to assist Fairview in further improving its controls to reduce the risk of future losses. This report also discusses a related matter concerning the extensive use of overtime at Fairview.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
December 23, 1998

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	vii
INTRODUCTION	
BACKGROUND	1
OBJECTIVES, SCOPE AND METHODOLOGY	1
AUDIT RESULTS	
UNSUPPORTED OVERTIME CLAIMS	3
EXPANDED TESTING OF OVERTIME	5
CAUSES	6
RECOMMENDATIONS	8
OTHER MATTERS	11
COMMENDATION	12
AGENCY'S RESPONSE TO THE AUDIT REPORT	13

SUMMARY

On September 29, 1998, the Fairview Training Center (Fairview) contacted the Audits Division regarding the loss of state funds from inappropriate overtime claims made by an employee of one of the cottages on the Fairview campus. Fairview notified the Audits Division to request assistance in reviewing the overtime claims and to determine the extent of the loss.

Fairview management became aware on September 26 that an employee had improperly received overtime pay for time that was not actually worked. The discovery was made when a shift supervisor at one of Fairview's cottages found an overtime approval slip authorized with her forged signature. The supervisor then notified the cottage manager, who reviewed the employee's overtime approval slips dating back to September 1997. Overtime approval slips with apparently forged supervisor signatures were found beginning in May 1998. The employee's name also did not appear on documentation prepared by Fairview's central staffing office for the dates in question, which indicates that she was not assigned to work those overtime hours.

Our review of Fairview's records confirmed that some overtime claims made by the employee were not supported by central staffing documentation of employees assigned to work overtime. The unsupported overtime salary received by the employee for these unsubstantiated overtime claims totaled \$2,004. Fairview had additional losses of \$449 resulting from the related payroll expenses, such as FICA and Medicare; thus, the total loss incurred by Fairview is \$2,453.

Because of our findings, we reviewed overtime paid to Fairview employees at other cottages for the month of June 1998. Our review of other cottage employees did not reveal a pattern of unsupported overtime shifts; however, there are weaknesses in controls over time reporting that prevent verification as to whether employees actually worked the total amount of hours reported on their overtime approval slips.

This report makes recommendations for improving controls over Fairview's timekeeping process and details the specific loss for the employee's inappropriate overtime claims.

Details of the unsubstantiated overtime paid to this employee have been provided to the Oregon State Police to evaluate for potential criminal prosecution.

AGENCY'S RESPONSE

The Department of Human Resources, Mental Health and Developmental Disability Services Division, agreed with all recommendations in this report, with the exception of the use of time clocks.

INTRODUCTION

BACKGROUND

On September 29, 1998, the Fairview Training Center (Fairview) contacted the Audits Division regarding the loss of state funds from inappropriate overtime claims made by an employee at one of the resident cottages.

Fairview management became aware of the possible misappropriation on September 26, 1998, when a shift supervisor at one of the cottages found an overtime approval slip on which her signature had been forged. After reviewing this employee's overtime approval slips back to September 1997, the cottage manager discovered more overtime approval slips containing apparent forgeries of supervisor signatures. Fairview then notified the Audits Division to request assistance in reviewing the overtime claims and to determine the extent of the loss.

The Fairview Training Center is part of the Mental Health and Developmental Disability Services Division. Fairview serves developmentally disabled adult residents and provides 24-hour supervision in a campus setting located in Salem, Oregon. The eleven buildings that house the residents are referred to as "cottages."

Fairview is scheduled to close in June 2000. To prepare for the closure, Fairview is gradually transitioning residents to group homes located in the community.

OBJECTIVES, SCOPE AND METHODOLOGY

This review encompassed the employee's overtime claims from January 1997 through September 1998. We reviewed related documentation from the central staffing office to determine if it supported the overtime hours claimed. We extended our review to include all employees from Fairview cottages who were paid for at least four hours of overtime in any shift during the month of June 1998. We chose to review shifts of at least four hours since overtime of fewer hours are rarely handled by

the central office, and thus would not appear on its staffing documentation.

In performing the review, we obtained and analyzed employee timecards and overtime approval slips. We also obtained staffing documentation, prepared by the central staffing office, to compare with overtime shifts reported on employee timecards.

Further, we interviewed Fairview management, timekeepers, central staffing personnel, and a cottage manager to obtain an understanding of the circumstances surrounding the loss and the policies and procedures in place to help management detect and prevent such losses from occurring in the future.

We conducted this audit in accordance with generally accepted government audit standards.

AUDIT RESULTS

UNSUPPORTED OVERTIME CLAIMS

A former employee at the Social Skills Unit (SSU) cottage, Nancy Bessey, had 14 unsupported overtime claims resulting in over 94 hours of overtime paid which does not appear to have been actually worked. Wages paid to the employee and other payroll expenses paid by the state on her behalf totaled \$2,453.

On September 26, 1998, a shift supervisor at the SSU cottage found an overtime approval slip with her name forged on the signature approval line. The supervisor notified the cottage manager, who then reviewed all of Bessey's overtime approval slips dating back to September 1997. Overtime approval slips with apparently forged supervisor approvals were found beginning in May 1998. Fairview management placed the employee on administrative leave and notified the Audits Division to assist in reviewing her overtime claims and to determine the extent of the loss.

We began our investigation by reviewing all of Bessey's timecards dating from September 1997 to September 1998. For any shift in which she claimed four or more hours of overtime, we reviewed supporting documentation to determine whether Bessey actually worked the overtime hours for which she was paid. Supporting documentation consisted of a staffing worksheet and overtime log prepared by the central staffing office and shift assignment schedules prepared by the cottage shift supervisor.

The central staffing office helps ensure that there is adequate staff available to cover every shift at each of the cottages on Fairview's campus. Cottage shift supervisors call the central staffing office at the beginning of each shift to report any staff shortages. The central office then finds replacements by calling other employees who have indicated their willingness to work overtime. The names of employees agreeing to work overtime are recorded on a staffing worksheet and overtime log. In addition to working overtime assigned by central office staff, an

employee occasionally works a few hours extra on a shift. For instance, an employee may work extra hours to assist residents during an outing. Because the central staffing office does not assign this overtime, these employees are not included on the staffing worksheet or overtime log. We limited our review to instances in which Bessey's overtime exceeded four hours per shift. The central office rarely assigns overtime in increments smaller than four hours; thus, small amounts of overtime would not likely be included on the logs.

Each of the overtime claims identified by the cottage manager as having apparently forged signatures on the overtime approval slips was for more than four hours per shift. We compared these claims to central staff documentation and found that Bessey's name was not included on the overtime logs; thus, it does not appear that Bessey was assigned to work overtime in these instances.

In addition to those previously identified instances, we found a claim for November 29, 1997, which was not supported by central staffing documentation. Upon further review, the cottage manager believes that the supervisor's signature on this overtime approval slip appears to have been forged. We then extended our review of Bessey's overtime hours back to January 1997, but did not identify any more unsupported overtime claims.

We calculated the dollar loss of the unsupported overtime claims to be \$2,453. This amount includes the overtime rate plus the shift differential when applicable. Certain Fairview employees receive an overtime differential for overtime hours worked between the hours of 6:00 p.m. and 6:00 a.m. or anytime during the weekend. We then calculated the other payroll expenses, such as FICA and Medicare, paid by the state on Bessey's behalf for these unsupported overtime claims. The following table summarizes our calculations:

Summary of Overtime Loss

<u>Date</u>	Unsupported Overtime Hours <u>Claimed</u>	Unsupported Overtime Salary <u>Received</u>	Other Payroll <u>Expenses</u>	Total <u>Loss</u>
11/29/97	7.75	\$150.00	\$34.00	\$184.00
5/23/98	5.75	111.00	25.00	136.00
5/25/98 ¹	7.25	274.00	61.00	335.00
6/19/98	4.75	91.00	21.00	112.00
6/23/98	8.00	155.00	35.00	190.00
7/17/98	7.75	152.00	34.00	186.00
7/24/98	7.75	155.00	35.00	190.00
7/25/98	7.58	154.00	34.00	188.00
8/08/98	4.25	86.00	19.00	105.00
8/13/98	7.00	140.00	31.00	171.00
8/27/98	7.25	144.00	32.00	176.00
8/28/98	7.50	149.00	34.00	183.00
8/29/98	7.50	152.00	34.00	186.00
8/31/98	4.50	91.00	20.00	111.00
TOTAL	<u>94.58</u>	<u>\$2,004.00</u>	<u>\$449.00</u>	<u>\$2,453.00</u>

EXPANDED TESTING OF OVERTIME

Because of these unsupported overtime claims, we expanded our testing to include all employees from Fairview cottages who were paid overtime in excess of four hours in any shift during June 1998. For all instances where overtime exceeded four hours, we compared the related employee timesheets to the staffing worksheets and overtime logs prepared by the central staffing office.

We found one instance in which the central staffing documentation did not support that the employee actually worked. However, this occurrence may have been a clerical error, as records indicated a staff shortage existed

¹ May 25, 1998, was a Memorial Day Holiday. Our calculations included an additional holiday rate paid at one and a half times Bessey's regular salary rate. This holiday rate is paid in addition to the regular overtime rate.

at the particular cottage the employee noted for that shift. We reviewed this employee's overtime for the month of July 1998, as well, and found that both of the overtime shifts she reported that month were supported by documentation from the central staffing office.

The results of our extended testing do not ensure that all overtime claimed and paid during June 1998 was actually worked. As explained in more detail below, due to employees' accessibility to sign-in sheets and signed overtime approval slips at the cottages, it is possible for employees to increase the number of overtime hours reported after receiving approval. Since the actual overtime hours worked are not recorded on the central staffing documentation, it would not be likely to detect instances in which hours claimed exceeded the hours actually worked.

CAUSES

During our review, we identified the following weaknesses in Fairview's time reporting system that allowed Bessey to receive overtime pay for hours not actually worked:

- **Access to Documentation**

Employees have access to blank overtime approval slips and slips that have been signed and approved by the shift supervisor. Prior to the discovery of these incidents, shift supervisors placed the completed overtime approval slips in a mail slot accessible to all Social Skills Unit (SSU) cottage employees until they were picked up the following morning by a timekeeper from the central office. Since the discovery of the inappropriate claims, the SSU cottage now locks the approved overtime slips in the cottage manager's office. We were told that other cottages on campus have not changed their procedures and continue to leave the approved overtime slips accessible to employees.

Blank overtime approval slips are still kept next to the mail slot. Additionally, blank overtime approval forms are not pre-numbered and are easily accessible

throughout the Fairview campus. Employees also have access to the sign-in sheet all day long, which is necessary, as they may need to sign in or out throughout the day.

Fairview relied upon the timekeeper's verification that employee overtime approval slips matched the cottage sign-in sheet. However, since employees have access to both documents, it is possible that an overtime approval slip would match the sign-in sheet even if the hours claimed were not actually worked. As long as overtime hours on the sign-in sheet matched the overtime approval slip, a fraudulent overtime claim would not likely be questioned.

In Bessey's case, the allegedly forged overtime approval slips were apparently added to the stack of other approved slips and overtime hours were added to the sign-in sheet to match. Because the documents properly matched, Bessey's overtime was not questioned and the inappropriate claims were paid.

Since the discovery of the inappropriate overtime claims, the Social Skills Unit cottage has made some improvements in the timekeeping process. In addition to limiting access to completed overtime approval slips, as described previously, the cottage has implemented an overtime summary form. This form lists all employees working overtime and the amount of overtime hours approved on each shift. The timekeeper picks up the form with the overtime approval slips and sign-in sheet the following morning. The timekeeper verifies that all of the overtime approval slips are accounted for properly and follows up on any discrepancies between the summary form and the actual overtime slips submitted. This form is only used at the SSU cottage.

- **Timecard Approval**

A thorough review of employee timecards by an immediate supervisor is an important management monitoring tool. For each month that Bessey had filed unsupported overtime claims, her timecard was signed and approved by the cottage manager. The cottage manager did not directly supervise Bessey, however;

therefore, she could not know if the hours on the timecard were actually worked. Furthermore, as explained in the “Other Matters” section of this report, we found that 34 employees each claimed in excess of 80 hours of overtime during the month of June 1998. Since Bessey’s overtime claims were minimal in comparison to overtime routinely claimed at Fairview, her claims may not have raised any management concerns.

RECOMMENDATIONS

We recommend that Fairview strengthen controls over the timekeeping process by implementing the following procedures:

- **Restrict Access to Overtime Approval Slips**

We recommend that each cottage on the Fairview campus restrict employees’ access to overtime approval slips. Shift supervisors should place signed overtime approval slips in a lock box or other secure location until the central office timekeeper collects them. Fairview also should consider using pre-numbered overtime approval slips to assist in tracking the forms.

- **Use Overtime Summary Forms**

We recommend that all cottages at Fairview use an overtime summary form similar to that used by the SSU cottage after the discovery of the unsupported overtime claims. Cottage shift supervisors should prepare this form, which lists all employees working overtime and the amount of overtime hours actually worked. The timekeeper should then verify that all overtime approval slips are accounted for properly and follow up on any discrepancies between the summary form and the actual overtime slips submitted.

- **Review Timecards**

We also recommend that employee timecards be reviewed more closely. Since employees working overtime may work for several different shift supervisors, it may not be practical to have an employee's immediate supervisors review his or her timecard. Therefore, we recommend cottage managers compare overtime hours to the overtime summary forms mentioned above. As a practical matter, cottage managers could verify overtime hours paid on a test basis rather than reviewing every overtime claim.

- **Consider Using Time Clocks**

Fairview may want to consider using time clocks, which require an employee to punch a timecard when arriving and leaving work, to help better track hours. Time clock information could then be checked against signed overtime approval slips for accuracy.

OTHER MATTERS

We noted other matters that warrant mentioning in this report. During our expanded testing of other cottage employees at Fairview, we found several employees working excessive amounts of overtime. For example, during June 1998, we found one employee who worked more than 200 hours of overtime.

Fairview was included in a review of overtime practices at state agencies conducted by the Audits Division. In the 1997 report², Fairview was mentioned as allowing its employees to work unreasonable amounts of overtime. Excessive overtime was considered to be more than 80 hours per month. We noted that during the month of June 1998, 34 employees at Fairview worked in excess of 80 hours of overtime.

The report also noted that working unreasonable overtime hours increases the risk that employees' overall performance may be diminished. This may be particularly significant given the fact that the employees working unreasonable hours at Fairview were involved in direct patient care.

In response to the audit report, the Department of Human Resources noted that Fairview completed a study which found no correlation between overtime hours worked and client and staff injury or other incident rates. The response also noted that the agency would continue to perform checks to ensure that client and staff safety is not jeopardized.

We recommend that Fairview management continue to review overtime practices, as suggested in our previous audit report. In addition to reviewing client and staff injury and other incident rates, management should consider other employee job performance measures.

² See Overtime Practices, Oregon Audits Division Report 97-16.

COMMENDATION

The courtesies and cooperation extended by the officials and staff of the Fairview Training Center were commendable and much appreciated.

AUDIT TEAM

Drummond E. Kahn, MS, CGFM, Audit Administrator
Sandra K. Horst, CPA
Jason M. Stanley, CPA

AGENCY'S RESPONSE TO THE AUDIT REPORT



Oregon

John A. Kitzhaber, M.D., Governor

Department of Human Resources

Office of the Director
500 Summer Street, NE
Salem, OR 97310-1012
(503) 945-5944
FAX: (503) 378-2897
TTY: (503) 945-5928

March 24, 1999

Drummond E. Kahn
Audit Administrator
Oregon Audits Division
255 Capitol Street NE Suite 500
Salem, OR 97310

Dear Mr. Kahn:

Thank you for the opportunity to respond to the recommendations made as a result of the overtime investigation at the Fairview Training Center. We are always appreciative of any assistance we receive and recommendations from the Secretary of State, Audits Division.

We agree with all of the recommendations with the exception of the use of time clocks. Research into time clocks indicated this was not a cost effective system given the long-range plan to close Fairview in the year 2000.

Restrict Access to Overtime Approval Slips

By April 1, 1999, Fairview will assure that all cottages are meeting this recommendation. Monitoring will be done by Central Staffing Supervisors and Timekeepers. Written reports of deficiencies will be submitted to Operations Director immediately for appropriate action.

By April 1, 1999, a secure area will be identified on each cottage for placement of signed slips. Central Staffing Supervisors and Operations Director meeting with each cottage management team will do this. Timekeepers will monitor to assure the identified area is being used for this purpose. Written reports of deficiencies will be submitted to Operations Director immediately for appropriate action.

Assisting People to Become Independent, Healthy and Safe
An Equal Opportunity Employer



Pre-numbered overtime approval slips may not be feasible or prudent at this time. Currently, the stock on hand of these slips should last through the closure of Fairview.

Use Overtime Summary Forms

By April 1, 1999, all Social Skills Units (SSU) will use the Overtime Summary form. All other areas will use the form established by SSU, with minimal changes. Written protocol for use of this form will be in place on the same date. Timekeepers will verify that all overtime approval slips are accounted for. They will follow up on any discrepancies and will notify Operations Director in writing on outcome of follow up.

Review Timecards

Central Staffing Supervisor will work with Payroll Director for DHR to establish training format on what cottage management should look for when reviewing timecards. Training will be completed by May 1, 1999.

Consider Using Time Clocks

Fairview researched two timekeeping systems four years ago. One system maintained staff schedules and required each employee to scan an ID card each time they came to and left work. Although this system provided excellent control, its cost was prohibitive at approximately \$226,000. The second system was the old-fashioned stamped time clock. This system provided minor added control as long as each clock was supervised. The added security was not deemed cost effective. The additional cost came to \$6,800 plus installation costs. Each of these systems would be even less cost effective with the Long-Range Plan for closing Fairview in the year 2000.

We Recommend Fairview Management Continue Review of Overtime

Fairview has worked for over ten years to develop what is currently considered a state-of-the-art management system to monitor both staff injury and resident incidents. Both of these systems, administered by the Quality Assurance and Safety Departments, immediately notify Fairview Administration if there are any issues surrounding injuries or incidents. Studies of overtime/injury data have been conducted three times during the last ten years, and each time the information analyzed showed a negative correlation between overtime hours worked and both client and staff injury rates. In addition, twice per year the Health Care Financing Administration conducts performance audits and quarterly reviews are conducted by a USDOJ court monitor. These audits have not identified overtime as negative to quality individual care.

If you have additional questions or need more information please contact Cynthia Scheick, DHR Internal Audit Director, at (503) 945-6700.

Sincerely,



Gary K. Weeks
Director

cc: Cynthia Scheick, Internal Auditor
Barry Kast, Administrator, MHDDSD

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to “Protect the Public Interest and Improve Oregon Government.” The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

DIRECTORY OF KEY OFFICIALS

Director

Deputy Director

Deputy Director

John N. Lattimer

Catherine E. Pollino, CGFM

Sharron E. Walker, CPA, CFE



This report, which is a public record, is intended to promote the best possible management of public resources.

If you received a copy of an audit and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation will help us save on printing costs.

Oregon Audits Division
Public Service Building
Salem, Oregon 97310

503-986-2255

We invite comments on our reports through our Hotline or Internet address.

Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us
<http://www.sos.state.or.us/audits/audithp.htm>

Auditing to Protect the Public Interest and Improve Oregon Government