

# AUDIT REPORT

## Department of Oregon State Police: Payroll Audit



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### Summary

#### PURPOSE

The purpose of our audit was to determine if the Department of Oregon State Police (department) is in compliance with the applicable laws and regulations regarding payroll and to follow up on issues identified in our report entitled *Oregon State Police Personnel Allocation and Deployment*, Report No. 2000-22.

#### RESULTS IN BRIEF

During our testing, we found that the department:

- Overpaid a senior trooper by more than \$3,500.
- Did not maintain adequate documentation of overtime worked by its employees.
- Did not ensure that timesheets were free of calculation errors.
- Did not maintain supporting documentation for the decision to restore lost vacation leave to one employee or to pay the employee for 17.62 hours of vacation leave.
- Did not ensure that separated employees received the correct final payment.

#### Other Matters:

We noted several instances in which employees were scheduled to work overtime shifts without receiving a minimum of a ten-hour consecutive break between shifts.

#### RECOMMENDATIONS

We recommend that the department:

- Take the necessary steps to correct the overpayment. In addition, we recommend that the department monitor

employee pay rates and contracts to ensure that the appropriate payments are made.

- Develop policies and procedures regarding record retention to support its claims of overtime.
- Correct erroneous payments and implement controls to ensure that hours reported by employees are accurate.
- Follow Department of Administrative Services policies regarding vacation payoffs and retain documentation for any deviations from such policies.
- Develop and implement procedures to include an independent verification of the department's Final Pay Checklist to ensure that the employee's final payment at separation is correct. In addition, adequate documentation should be maintained to support adjusting entries. We also recommend that the department review the Terminated Employees Report monthly and take corrective action for those employees with positive or negative leave balances.
- Consider revising its scheduling policies for overtime to ensure that troopers have 10 consecutive hours off between their regularly scheduled shifts.

#### AGENCY RESPONSE

The Department of Oregon State Police generally agrees with the recommendations. "All of the items discussed in the audit report either have been or will soon be corrected and necessary policy changes are in the process of being changed to address these findings."

### Background

The Department of Oregon State Police (department) was created in 1931 to serve as a rural patrol and to assist local law enforcement agencies. The current mission of the department is to develop, promote and maintain protection of people, property and natural resources of the State, and to enhance the safety and livability by serving and protecting its citizens and visitors through

leadership, action and coordination of Oregon's public safety resources.

### Audit Results

#### Pay Rate Error

During our review of the department's pay rates, we noted that one of the 10 employees tested was earning a higher salary than was approved in the appropriate collective bargaining agreement.

The Oregon State Police Officers' Association (OSPOA) collective bargaining agreement, Article 25.1, identifies the wage scales for troopers and senior troopers. We found that one of the senior troopers had been receiving an incorrect pay rate. From January 2000 through May 2001, this trooper received payments totaling \$3,543.89 more than the wage scale allowed.

**We recommend** that the department take the necessary steps

to correct the overpayments. In addition, we recommend that the department monitor employee pay rates and collective bargaining agreements to ensure that appropriate payments are made.

**Agency Response:**

*Agree. Estimated timeframe: Immediately.*

*The Senior Trooper in question was in fact overpaid from January 2000 through May 2001. The Department is in the process of recovering the overpaid money. To ensure such an error will not be repeated, the Department instituted the following review process:*

*a. An immediate review of all OSPOA-represented employees was conducted to verify each is currently at the correct step on the State's PPDB System. OSPOA-represented employees were specified because OSPOA employees are the only employees with longevity/merit increases that occur on other than an annual basis.*

*b. Effective with the June 5, 2001 DAS Report on Agency Merit Increases, and repeated monthly, the step and pay status of each OSP employee is verified by the appropriate Human Resource Assistant and reviewed by the Human Resource Analyst responsible for PPDB processing.*

### **Lack of Overtime Documentation**

During our testing of the department's overtime payments, we noted several employees with large amounts of overtime. We requested supporting documentation from the department to determine whether prior approval or the necessity of overtime worked was documented. The department was unable to provide appropriate documentation for five of the 15 months tested.

According to Department of Administrative Services policies and the department's collective

bargaining agreements, all overtime must be approved prior to being worked. Best practices for overtime would include the retention of records and schedules identifying the necessity for overtime worked.

**We recommend** that the department develop policies and procedures for record retention to support claims that overtime is approved and necessary.

**Agency Response:**

*Agree. Estimated timeframe: Completed.*

*Overtime hours are recorded on the employee timesheets and are retained at general headquarters in accordance with the state archives retention policy. OSP has developed and implemented a new method of tracking activities performed during overtime hours worked. This information will be sent monthly to managers throughout the department.*

*Our new method requires the supervisor to authorize each incident involving overtime—bearing in mind that sometimes this authorization takes place after the overtime is worked.*

*The new policy and procedures require employees to record detailed information on the back of the new timesheet the reason for all overtime worked that is shown on the front of the timesheet. The supervisor is required to initial each line of detail for overtime on the back of the timesheet. This is in addition to the supervisor's signature on the front of the timesheet that shows all time worked and time taken off.*

### **Time Sheet Calculation Errors**

During our review of the Oregon State Payroll System (OSPS) timesheets for the department, we noted numerous calculation errors. In a sample of 15 timesheets for 10 employees, we found 10 calculation errors. Miscalculations were made

when calculating shift differential, training hours, overtime, and total hours worked.

Supervisory reviews should include reviewing timesheets for mathematical accuracy. The aggregate effect of these 10 errors total \$97.

**We recommend** that the department take the necessary steps to correct the mispayments. In addition, we recommend that the department implement controls to ensure that hours reported by employees are accurate.

**Agency Response:**

*Agree. Estimated timeframe: In Process.*

*The Superintendent sent a memo to all employees emphasizing their responsibility for submitting correctly added timesheets. In addition, OSP has developed an internal payroll procedure to audit timesheets twice a month. Any errors found are documented and if repeated errors are found from a particular office, then further action is taken.*

*The errors specifically identified by the auditor(s) are in the process of being corrected. Overpayments to employees will be recovered and underpayments will be paid to those employees.*

### **Inappropriate Vacation Payoff**

During our review, we identified an employee who may have received an inappropriate payment for vacation hours that were no longer covered under the employee's collective bargaining agreement.

On February 1, 2000, the employee's position changed from a management position to Senior Trooper. In his new position, the employee was subject to the OSPOA collective bargaining agreement. Under this agreement, the employee could only accrue up to 250 hours of vacation leave. His vacation leave

balance as of January 31, 2000 was 267.62 hours. The employee was informed that any vacation hours in excess of 250 would be lost at the end of January when his position changed. On February 29, 2000, the department's payroll unit made the adjusting entry to remove 17.62 hours of vacation leave from the employee's vacation leave balance, bringing the employee into compliance with the terms of the OSPOA agreement.

Later, according to the department, its Labor Relations Representative verbally instructed the department's payroll unit to restore the 17.62 hours of vacation that had been dropped and to pay the employee for the 17.62 hours. The employee subsequently received a payment of \$581.11 for these hours. The department had no supporting documentation for the decision to restore the lost vacation leave or to pay for the 17.62 hours of vacation leave.

Department of Administrative Services policy 60.000.05 (9) states, "An employee who moves from management or executive service to classified service, for any reason, shall only retain a maximum of 250 hours of vacation leave upon landing in the classified service. Any hours beyond the 250 hour cap not paid under section (6)(b) of this policy shall be lost." Section (6)(b) states, "an employee...may request use of vacation leave to prevent its loss. The appointing authority, upon determining that granting of vacation leave is not appropriate, shall authorize cash payment for 40 hours. The supervisor must document that the request for vacation leave has been denied."

The department could not provide documentation that the employee requested the vacation time off or that the request was denied. As a result, the department made a payment for a vacation payoff that may not have been appropriate.

**We recommend** that the department follow Department of Administrative Services policies regarding vacation payoffs and retain documentation for any deviations from such policies.

**Agency Response:**

*Agree. Estimated timeframe: Immediately, policy approval pending.*

*OSP has revised an internal policy governing vacation payoffs. OSP has also developed a new form that requires multiple authorizations prior to payoff. This form is retained in the payroll office with the timesheets for retention in conformance with the DAS policy.*

### **Inaccurate Leave Balances**

We reviewed the department's Terminated Employees Report for March 31, 2001. The report listed 30 terminated employees with remaining balances (both positive and negative). As a result of these balances, it is possible that separated employees did not receive the correct final payment amount. According to the department, some of these errors may have been the result of a system calculation error.

When an employee receives final payment, he or she should not have leave balances remaining.

**We recommend** that the department review the Terminated Employees Report monthly and take corrective action for those employees with remaining leave balances.

**Agency Response:**

*Agree. Estimated timeframe: Completed.*

*Most of these errors were due to rounding and re-opening old records to comply with a retroactive labor contract. When the old records were opened, DAS also opened the accrued leave file, which resulted in numerous accrued leave errors.*

*OSP has developed and implemented a procedure for auditing final pay checklist. Each month, the payroll office audits the terminated employee leave report and takes any corrective action necessary for employees with positive and negative ending balances. The Personnel Director, who now supervises the Payroll section manager, independently verifies the report and corrective actions. Documentation supporting any adjusting entries is maintained in the Payroll section.*

### **Follow Up to Prior Findings**

During our review, we also followed up on the status of findings and recommendations reported in Oregon Audits Division report No. 2000-22, entitled *Oregon State Police: Personnel Allocation and Deployment*.

The staffing models used to determine the number of state police personnel needed for optimal police coverage is expected to be updated later this year. Many of the recommendations we made involved the use of and improvements in the documentation related to the use of these models. Thus, we were unable to determine if the department had implemented our recommendations at this time. We will conduct additional follow up in future audits.

### **Other Matters**

#### **Scheduled Overtime**

During our review of 15 timesheets for 10 employees, we noted 25 instances in which troopers worked scheduled overtime and did not have a minimum of 10 consecutive hours off before their next shift.

Per discussion with personnel in the department's Labor Relations Unit, the intent of the 10 consecutive hours off between scheduled shifts is an issue of public safety.

We suggest that the department review the practice of scheduling overtime shifts to ensure that it does not compromise public safety.

**Agency Response:**

*Agree. Estimated timeframe: Completed.*

*The audit report focused on the way Troopers sign up for voluntary overtime and not on the unforeseen events that require overtime in the normal course of regular shift assignments. The ten-hour break between shifts is the subject of the OSPOA labor contract Article 14.5.3. The contract states, "There will be a minimum of ten (10) hours off between scheduled shifts and/or adjusted shifts." The issue of employees volunteering for overtime is different from the regular scheduled shift.*

*The audit report recommends OSP consider revising its scheduling policies for overtime to ensure that troopers have 10 consecutive hours off between their regularly scheduled shifts. OSP will review the current overtime policies and may revise if determined to be necessary.*

## Objectives, Scope and Methodology

This audit was conducted to determine the department's

compliance with applicable laws and regulations relating to payroll, and to follow up on prior audit findings. Our audit period was February 2000 to January 2001. Specifically, we:

- Determined if there were unusual patterns of overtime, and reviewed documentation to determine whether overtime was approved prior to being worked.
- Determined if employee pay rates were in compliance with payment rates established in the collective bargaining agreements to which the department is bound.
- Determined if the OSPS timesheets were mathematically accurate and had been reviewed by the employee's supervisor.
- Determined if vacation payoffs met criteria and had appropriate supporting documentation and were in compliance with the department's vacation payoff policy and the Department of Administrative Services policies.
- Determined if the maximum accruals and use of vacation leave, sick leave, and personal business leave were in compliance with the department's policy and the Department of Administrative Services policies.

- Determined if the allowable limits of pre-retirement leave and paid military leave were in compliance with the department's policy and the Department of Administrative Services policies.

We reviewed the Oregon State Payroll System data files and made inquiries of the department's payroll staff, as well as other personnel and employees associated with the payroll process. We also reviewed the agency's payroll records and supporting documentation.

To determine compliance with applicable laws and regulations, we reviewed the agency's collective bargaining agreements, the Oregon State Police Human Resource policies and procedures, Department of Administrative Services Human Resources policies and procedures, applicable sections of the *Oregon Revised Statutes*, Oregon Administrative Rules and Fair Labor Standards Act.

The audit was conducted from April 2001 through June 2001 in accordance with generally accepted government auditing standards.

*This report, which is a public record, is intended to promote the best possible management of public resources. Copies may be obtained by mail at Oregon Audits Division, Public Service Building, Salem, Oregon 97310, by phone at 503-986-2255 and 800-336-8218 (hotline), or internet at [Audits.Hotline@state.or.us](mailto:Audits.Hotline@state.or.us) and <http://www.sos.state.or.us/audits/auditthp.htm>*

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*The courtesies and cooperation extended by the officials and staff of the Department of Oregon State Police were commendable and much appreciated.*

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