



Secretary of State Audit Report

Oregon State Hospital and the Oregon State Penitentiary: Use of Overtime

Summary

PURPOSE

The purpose of this audit was to determine if state agencies could reduce personnel costs by more effectively managing their use of overtime.

BACKGROUND

In 1997, our office performed an audit of overtime practices (Report No. 97-16) and found that some state agencies were not using overtime in the most cost-effective manner. In that report, we recommended that all agencies using significant amounts of overtime periodically compare the costs of additional permanent staff and other staffing alternatives to the cost of paying overtime. Our audit compared the costs of adding staff, at straight time pay, to the cost of overtime paid for several of the high use agencies.

RESULTS IN BRIEF

We found that two state entities could reduce personnel costs by approximately \$1.7 million per biennium if they more effectively managed their use of overtime. We found that the Oregon State Hospital and the Oregon State Penitentiary were using overtime, paid at time and a half, to fill predictable workload needs. Our audit also identified instances in which individuals worked excessive amounts of overtime. Additional recommendations were conveyed to another state entity, the State Operated Group Homes, in Management Letter 410-2004-01-01.

RECOMMENDATIONS

We recommend that the Oregon State Hospital:

- Develop policies and procedures to assist ward managers in minimizing overtime use.
- Develop and implement central monitoring policies and procedures.
- Analyze staffing needs, fill direct care staff position vacancies, and develop options to meet remaining staff needs.

We recommend that the Department of Corrections:

- Fill security staff vacancies, review the financial impact of staffing options, and implement selected options to meet remaining security staff needs.

We recommend that the Department of Administrative Services:

- Develop policies and guidelines to assist state managers in effectively managing overtime use.

AGENCIES' RESPONSES

The Oregon State Hospital and the Department of Administrative Services agree with the recommendations. The Department of Corrections partially agrees with the recommendations.

Introduction

During the 2001-2003 biennium state agencies incurred approximately \$98 million in overtime expenditures for approximately 2.8 million overtime hours. During our review, we found that state agencies providing services on a 24-hour basis were among the largest users of overtime. For example, the Department of Corrections, with

approximately 12 percent of the state's total overtime hours, spent \$13.8 million in overtime. The Oregon State Hospital, with approximately 11 percent of the state's total overtime hours, spent \$10.2 million in overtime.

Figure 1 on page 2 depicts the distribution of

overtime hours among state agencies for the 2001-2003 biennium.

Audit Results

During our audit we determined that the Oregon State Hospital (state hospital) and the Oregon State Penitentiary (state penitentiary) could reduce personnel costs by more effectively managing their overtime use. We found that the state hospital and the state penitentiary were using overtime, paid at time and a half, to fill expected workload needs.

Replacing Overtime Pay With Straight Time Pay Could Save the State Hospital \$1.25 Million

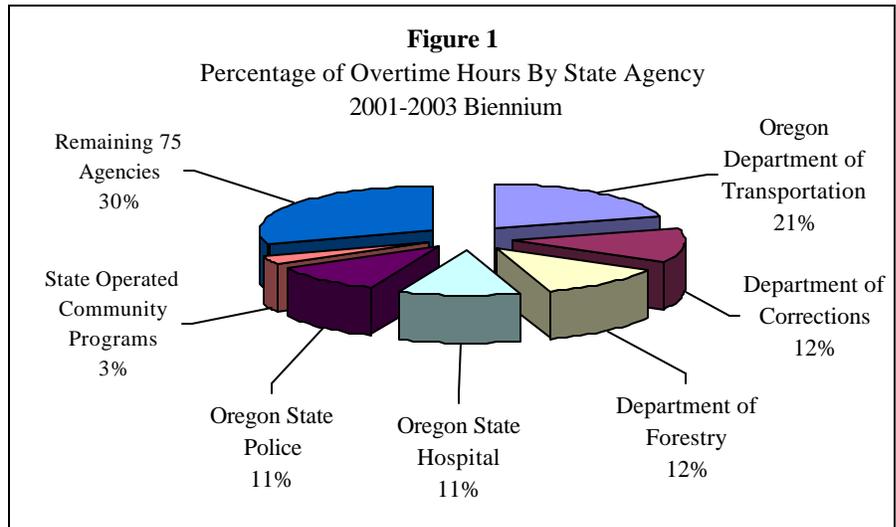
We found that the state hospital spent approximately \$6.1 million during the 2001-2003 biennium on direct care overtime to meet expected workload needs. By replacing this overtime pay, paid at time and a half, with straight time pay, the state hospital could reduce its personnel costs by \$1.25 million per biennium.

As shown in Figure 2, during the 2001-2003 biennium the state hospital routinely incurred a monthly minimum of approximately 7,925 overtime hours. Since these minimum hours were predictable, we considered these hours to be expected workload that could be planned for and better managed.

State Hospital Contributing Factors: Management of Overtime Use Needs Strengthening

The state hospital's management of wards is decentralized to the individual program area. Since state hospital management is decentralized, program managers are responsible for monitoring and controlling overtime use in their wards.

To ensure that overtime is minimized, the state hospital should have policies and procedures that guide program managers in how to control over-



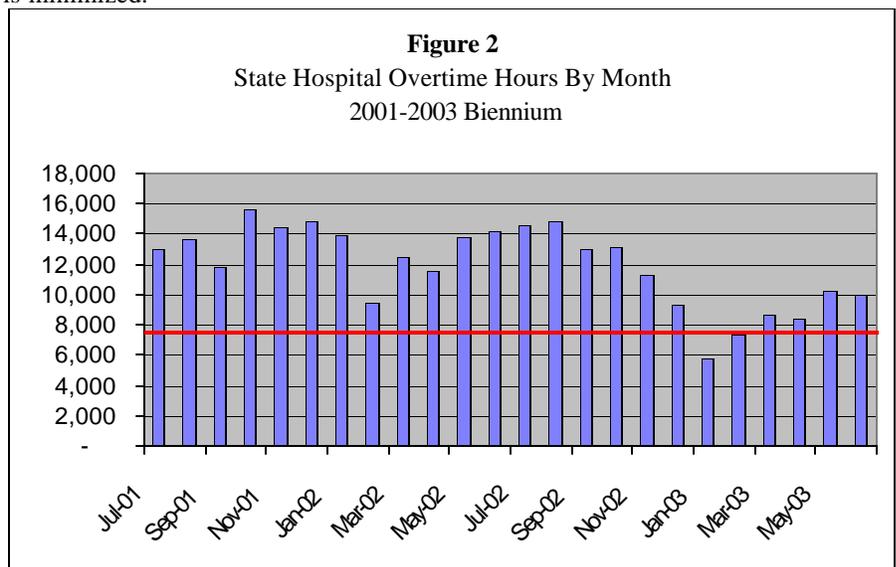
time and minimize its use. In addition, the state hospital should have central monitoring policies and procedures to evaluate how successful program managers are at minimizing overtime.

The state hospital does have some policies and procedures that address overtime use. However, existing policies and procedures focus on controls, such as proper approval of overtime and controlling access to overtime approval forms. While mitigating the risk of inappropriate overtime use is necessary and commendable, these controls do not provide assurance that overtime is minimized.

Staffing Analysis Needed

Once the state hospital establishes better management over its overtime use, it needs to analyze its remaining staffing needs for all wards and determine the most cost-effective way to meet those needs. Our analysis shows that the state hospital could more cost effectively meet its current expected workload needs by filling vacant direct care positions and, if needed, adding additional positions.

As stated earlier, we estimate that the state hospital could have saved approximately \$1.25 million during the



Audit Results (continued)

2001-2003 biennium if additional staff, being paid straight time, were used to meet expected workload demands rather than paying overtime at time and a half. Of the \$1.25 million identified above, \$830,000 could be saved by adding or filling 42 mental health therapist positions and \$420,000 could be saved by adding or filling 11 registered nurse positions.

The \$1.25 million in potential savings is the difference between the cost of the wages and benefits of the additional staff, estimated at \$4.8 million, and the estimated \$6.1 million in overtime paid. During our audit we found that approximately 68 percent of state hospital employees were at or near the top of their salary range. For our analysis, we assumed that mental health therapists could be obtained at an entry-level pay rate. We further assumed that registered nurses could be obtained at a pay rate in the middle of the pay range for the registered nurse classification. According to state hospital management, there is a national shortage of registered nurses. For our analysis, therefore, we used a higher starting pay for registered nurses.

The state hospital currently has enough vacant positions to meet most of its expected workload needs. As of May 2003, the state hospital had 29 mental health therapist and 30 mental health registered nurse positions vacant.

We recommend that the Oregon State Hospital management:

- Develop policies and procedures to assist ward managers and nursing supervisors in minimizing overtime use.

Agency's Response:

Action: Oregon State Hospital currently has staffing guidelines developed for each of its five (5) treatment service areas. OSH leadership will review and revise current policies and procedures as necessary and provide training for responsible staff (Mental Health Supervising Registered Nurses). The training will include providing staff with alternatives

to the use of overtime; for example, appropriate use of our float pool and unfunded positions.

- Develop and implement central monitoring policies and procedures to ensure that ward managers and nursing supervisors are minimizing overtime.

Agency's Response:

Action: Oregon State Hospital will develop and implement central coordination of overtime to make sure overtime is used minimally and effectively. We are considering central staffing for overtime using our float pool positions. This is a standard approach for supervising the approval of overtime and the allocation of resources, but we have to make sure we have the proper management tools and support resources to control overtime without decreasing patient treatment or patient and staff safety.

- Analyze staffing needs for all wards.

Agency's Response:

Action: The Interim Superintendent has assigned the Director of Nursing to analyze current nursing staffing ratios throughout Oregon State Hospital. The nursing staff includes registered nurses, licensed practical nurses, and mental health therapy staff (approximately 600 positions), the classifications primarily incurring overtime. The charge includes making specific recommendations for those areas with more complex patient care needs. We will use the recommendations as a basis to propose a budget concept or other remedies as indicated to reduce and manage overtime.

- Fill direct care staff position vacancies, where possible.

Agency's Response:

Action: Oregon State Hospital has been making a concerted effort to fill current vacancies (with the classifications of Mental Health Therapy Technician, Mental Health Therapist 1 and 2) as a recruitment priority. We have on-

going open recruitment announcements for these classifications available in the Human Resources Office; prospective applicants can obtain information about these positions from the State Job Line, the Department of Human Services Job Line, and the Oregon Employment Department. Additionally, the hospital advertises in local and surrounding area newspapers on a regular basis. (As necessary we extend the areas for placing ads.)

Further, we will sponsor a Certified Nursing Assistant class or classes as necessary to create a pool of qualified applicants. We are presently maintaining information booths at job fairs and contracting with five colleges and universities to use Oregon State Hospital as their psychiatric clinical practicum site.

Even with all the recruitment efforts, some of our positions, such as for nurses and physicians, are hard to fill because of shortages or difficulty in finding appropriate candidates. Filling vacancies is a priority of Oregon State Hospital.

We will continue to participate in the Department of Human Services Recruitment and Retention Workgroup. Additionally, we will continue regularly scheduled meetings of the Oregon State Hospital Overtime Work Group and provide feedback to the Superintendent.

- Develop options to meet remaining direct care staff needs. If a request for additional positions is needed, it should include an analysis showing cost savings that could be realized by replacing overtime hours with regular staff.

Agency's Response:

Action: In the mid-1990's, Oregon State Hospital completed an overtime study. As part of the recommendations, legislators were presented with cost savings in terms of hiring additional

Audit Results (continued)

staff at a lower hourly wage and not using overtime. Although the recommended program was not funded in full, nor were the requested number of positions authorized, there were approximately 42 unfunded positions allocated. Over time, approximately two-thirds of these positions have received funding.

Oregon State Hospital will use this same conceptual framework to study, analyze and make recommendations, including cost savings, to the Governing Body for consideration.

Replacing Overtime Pay With Straight Time Pay at the State Penitentiary Could Save \$462,000

We found that the Oregon State Penitentiary (state penitentiary) spent approximately \$2.1 million during the 2001-2003 biennium on security overtime to meet expected workload needs. In our analysis of the payroll data, we found that the state penitentiary incurred a monthly minimum of approximately 2,500 overtime hours. Since these minimum hours were predictable, we considered these hours to be expected workloads for which the agency could plan. By replacing this overtime pay, paid at time and a half, with straight time pay, the state penitentiary could reduce its personnel costs by \$462,000 per biennium.

The \$462,000 in potential savings is the difference between the cost of wages and benefits for 18 security staff positions estimated at \$1.7 million, and the estimated \$2.1 million in overtime paid. During our audit we found that approximately 66 percent of the state penitentiary employees were at or near the top of their salary range. For our analysis, we assumed that security staff could be obtained at an entry-level pay rate.

Agency's Comment:

We are in disagreement with the audit team conclusion that a portion of the overtime at the Oregon State Penitentiary was predictable and therefore could be planned for and managed more efficiently with straight time pay. While we understand the mathematical predictability of the average minimum portion of the overtime, from a practical perspective it is not predictable as to shift, day of the week or location that may require the overtime. For example, there are specific posts such as the control room or the Intensive Management Unit that require specialized training for staff assignment. As a result, even if the Penitentiary had the additional staff that the team recommends, if those staff were not on duty during the incidents or events that drive this overtime, or able to be assigned to the posts that require overtime, we could have the additional added expenses of the increased straight time staff and the overtime as well.

The audit team estimates that we could save \$462,000 per biennium if we would add 18 security staff positions. They assumed that these additional positions would result in the reduction in the need for overtime. While we agree that the addition of straight time staff used in lieu of overtime would result in overtime reductions, we feel that the potential savings would be less than \$462,000 based on the argument made in the preceding paragraph. I would like to note that we have added six positions to OSP since the period of the audit specifically to reduce the overtime related to hospital watches, and that has had the desired effect in reducing overtime expenses.

Department of Corrections Contributing Factors

We found that the state penitentiary's use of overtime for expected workload was due to insufficient staff available at

regular hours to cover the required workload.

Although the monthly minimum overtime levels are predictable, Department of Corrections management stated that they do not have control over the factors that drive overtime. An overtime summary prepared by the department for the time period January 2002 through March 2003 attributed approximately 30 percent of overtime to employee sick leave use, 16 percent to hospital watches, and 11 percent to staff vacancies. As of March 2003, the penitentiary had 18 vacant security staff positions. Included in the summary was an action plan suggesting filling of vacancies and establishing a temporary hiring pool for hospital watches, long-term illnesses, and other vacancies as a strategy for managing overtime. Also, department management told us that they have not performed a financial analysis of staffing options since 2000.

We recommend that the Department of Corrections management:

- Fill security staff position vacancies.
- Review the financial impact of staffing options.
- Implement selected staffing options to meet remaining security staff needs.

Agency's Response:

We agree in principle that additional staffing if properly deployed could reduce overtime. Currently coverage for overtime is addressed in our factor relief system. We acknowledge that we need to update the calculation of post factor to ensure 24-hour 7-day-per-week coverage. For example, our current post factor for a 7-day post is 1.70, meaning that every post that needs to be filled 7 days per week requires 1.7 staff. Senior staff earn vacation at a greater rate than the availability of funded vacation slots used to calculate the post factor. Additional gaps are

Audit Results (continued)

possible with sick leave accrual, FMLA, training and Military leave. In short, we may not have a high enough relief factor to cover our needs.

We last studied our post factor needs in 2000 and, as suggested by this report, additional staff could provide a more adequate relief factor to cover for vacations, sick leave, holidays and training. Using this approach would also provide a mechanism to assign staff by shift and post and increase the likelihood of successfully reducing overtime by increasing straight time staff for the shifts and posts that drive overtime.

We also agree with the recommendation to fill vacancies but need to note that a difficulty we have DOC-wide with vacancies is the length of time it takes to review applications, complete background checks, conduct interviews, and complete DPSST training. In addi-

tion, during the time frame reviewed by the audit, the department was required to keep some security positions vacant to achieve budget reduction targets. As a result, filling vacancies will always be an issue; however this issue could also be addressed with the updated post factor analysis.

Statewide Overtime Policy Needed

No statewide policy or statute limiting overtime use by state employees exists. There is, however, a statute that state agencies are to follow to limit actions of their contractors. This statute states, “no person shall be required or permitted to labor more than 10 hours in any one day, or 40 hours in any one week, except in cases of necessity, emergency, or where the public policy absolutely requires it.”¹

¹ ORS 279.334(1)(a)

The Department of Administrative Services, whose mission is to provide leadership and accountability in the sound delivery of state government services, does not have a policy or guideline for state agency use of overtime.

We recommend that the Department of Administrative Services management develop policies and guidelines to assist state managers in effectively managing overtime use.

Agency’s Response:

We agree that management of overtime is an important element in effectively managing state resources. To that end, the Department of Administrative Services will review the most appropriate means for guiding agencies in their management of overtime. We will share with your office our recommendations for addressing the issue.

Other Matters

Some State Hospital Direct Care Employees Work Excessive Overtime Hours

During the course of our audit, we noted that some state hospital employees worked excessive overtime hours. For example, we found that 16 of the approximately 1,110 direct care employees averaged more than 100 monthly overtime hours. One of these individuals averaged approximately 152 overtime hours a month. This is equal to 19 extra eight-hour shifts each month. Another individual claimed 259 overtime hours in one month, which is equal to 32 extra eight-hour shifts in that month.

In addition, we found that 10 of the approximately 1,110 direct care employees earned greater than 100 percent of their base salary in overtime pay-

ments. An additional 60 individuals earned at least 50 percent of their base salary in overtime payments. For example, in 11 months, one of these individuals earned \$68,500 in overtime payments with an annual salary of \$47,500.

Our review of professional literature suggests that, in addition to the added costs, excessive overtime may cause employee burnout and an increased risk of safety incidents.

State hospital management stated that they have not been able to identify a correlation between employees working long or extra shifts and safety incidents at the state hospital. We found that in some states, such as New Jersey, new legislation has turned fatalities from auto accidents resulting from drowsy driving into a criminal offense and could significantly increase the legal

risks to employers and employees from excessive overtime worked.²

Some State Penitentiary Employees Work Excessive Overtime Hours

At the state penitentiary, some security staff worked excessive overtime hours. During the 2001-2003 biennium, the state penitentiary employed, on average, approximately 364 security employees. We identified four of these employees who averaged more than 100 monthly overtime hours. In addition, we identified one individual who earned greater than 100 percent of his base salary. In 12 months this individual earned \$55,500 in overtime payments, with an annual salary of \$48,000.

² New Jersey Statute 2C: 11-5

Other Matters (continued)

Labor Contracts Limit Ability to Control Excessive Overtime

The labor contracts do not place limits on the amount of overtime that can be worked by an individual. State hospital management did attempt to limit employee overtime by implementing a directive that limited employee overtime to three shifts a week. An employee grievance and labor contract negotiations led to the retraction of the directive and the inclusion of a statement in the labor contract letter of agreement prohibiting any limitation on an employee's ability to volunteer for overtime within a week.

We recommend that the state hospital and state penitentiary work with the Department of Administrative Services in future labor contract negotiations to consider limits on employee overtime hours.

Department of Human Services' Response:

In 2002, Oregon State Hospital leadership limited overtimes to not exceed three (3) shifts per week. The decision was challenged by labor unions and Oregon State Hospital ultimately had to rescind this decision. We will begin discussions about overtime management options and language suitable for future contract negotiations.

Department of Corrections' Response:

Regarding excessive overtime, we agree we should work with DAS and labor for a remedy. However, it may be difficult to overcome the seniority-based provisions in the labor contracts that cover overtime assignments.

Objectives, Scope and Methodology

The objective of our audit was to determine if state agencies could reduce personnel costs by effectively managing overtime use.

We performed analysis of overtime data to determine if agencies were limiting overtime to cases of necessity or emergency, or if overtime was used to cover predictable workload levels. For purposes of our review we considered compensatory time accruals as overtime payments.

We also analyzed the data for evidence that employees worked excessive overtime. For the purposes of our audit, we considered excessive overtime to be overtime exceeding 100 hours in a month by an individual.

We reviewed pertinent laws, the Oregon State accounting manual, and department policies and procedures.

We interviewed agency staff and managers to gain an understanding of agency operations and activities related to overtime use.

We obtained and reviewed staff schedules, agency budget documents, labor contracts, internal audit reports, and individual timesheets.

We researched overtime best practices.

We reviewed Oregon State Payroll Application data from July 2001 to May 2003 to determine and select the high overtime and compensatory time agencies for analysis. We selected the Oregon State Hospital, Department of Corrections, Oregon Department of Transportation, Department of Forestry, Oregon State Police and the State Operated Community Programs for review.

After identifying those agencies, we selected agencies that have 24-hour operations such as the Department of Corrections, Oregon State Hospital, Oregon State Police, and the State Operated Community Programs.

We determined from our preliminary analysis that these agencies had the potential to realize the largest savings by replacing overtime hours with regular staffing. We analyzed these agencies further to determine if data available was sufficient to identify potential savings. We determined that data was not sufficient for the State Operated Community Programs.

We limited our review of the Oregon State Police to the regional dispatch centers and did not identify significant personnel cost savings by replacing overtime hours with regular hours.

We did not perform in-depth analysis at the Department of Forestry because preliminary payroll data showed that overtime workload was consistent with the forest fire season. We also did not perform an in-depth analysis at the Department of Transportation because the payroll data showed that the overtime was worked at numerous decentralized locations, where staffing alternatives to reduce overtime are limited.

We determined that the data from the OSPA system used in our analysis was sufficiently reliable for our purpose. We based this conclusion on a preliminary assessment of the data and our review of prior application reviews performed by our office. We also traced timesheet information to the OSPA data.

We performed data analysis on the OSPA data to determine the distribution of the overtime within agencies by job classification, department distribution, and by monthly trends.

We conducted our fieldwork from January 2003 to August 2003. Our audit was conducted in accordance with generally accepted government auditing standards.

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The courtesies and cooperation extended by the officials and staff of all the agencies audited were commendable and much appreciated.

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:

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