



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-206535

MARCH 16, 1982

The Honorable Anne M. Gorsuch
Administrator, Environmental
Protection Agency



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Dear Mrs. Gorsuch:

Subject: Overtime Management and Controls at the
~~EPA Environmental Protection Agency~~ Headquarters
Are Deficient (FPCD-82-34)

We reviewed overtime management and controls at the Environmental Protection Agency (EPA) as part of an ongoing review of overtime usage at several agencies. This report summarizes the problems we identified at EPA and contains recommendations for corrective action.

EPA headquarters managers and supervisors do not appear to be managing overtime to insure that the work is necessary. Much of the overtime we reviewed was for nonpriority administrative work which did not meet EPA's criteria for justifying overtime. Furthermore, over 60 percent of the overtime paid to EPA headquarters employees in our sample was not documented with overtime authorizations. In addition, overtime system controls did not insure that overtime claims were legitimate. Finally, EPA's system, as implemented, does not fully meet title 6 standards of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies in developing and operating payroll systems.

EPA employees have been able to submit fraudulent overtime claims and may have worked overtime unnecessarily. Our review identified two possible cases of overtime fraud which we referred to the Department of Justice and the EPA Inspector General. The EPA Inspector General has recently substantiated five additional cases of overtime fraud.

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OBJECTIVES, SCOPE, AND METHODOLOGY

Overtime comprised about 3.7 percent of total Federal payroll costs in fiscal year 1980, the latest year for which Government-wide data is available. Payroll preparation, processing, distribution, and related activities are areas susceptible to fraud, waste, and abuse, of which working hour abuses and false statements on time and attendance documents are the most frequent problems.

The objectives of our review at EPA were to

- analyze the use and justification of overtime worked and
- evaluate the control system for approving, monitoring, and auditing overtime.

We discussed the management and control of overtime with managers and supervisors in various EPA headquarters offices to ascertain EPA's procedures for determining the need for and authorization of overtime. We also reviewed EPA's overtime regulations included in the Pay Administration and Timekeeping Manuals.

EPA paid about \$1.2 million of overtime to 1,558 headquarters employees during fiscal year 1981. To evaluate overtime management and controls, we selected a judgmental sample of high users. Our sample consisted of 56 employees who were paid \$284,676--about one-fourth of the total headquarters overtime expenditures--during the fiscal year.

We reviewed timecards and overtime authorizations, where available, for support and justification of overtime claims. For employees whose timecards appeared to contain alterations or irregularities, we compared timekeepers' copies with the actual timecards processed by the payroll office. Our review was conducted at EPA headquarters from October through December 1981.

We made our review in accordance with our Office's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

NEED FOR OVERTIME FREQUENTLY
WAS NOT ADEQUATELY JUSTIFIED

Overtime should generally be used to meet temporary needs during emergencies or for certain special projects which cannot

be completed within normal work hours. When a particular individual or group is working an inordinate amount of overtime, it may indicate that either the staff is not large enough or the staff is not performing efficiently. While we recognize that certain situations will arise from time to time which require overtime, if such situations occur consistently, it is management's responsibility to correct them.

According to EPA's Pay Administration Manual, overtime should be used judiciously. The manual states "that overtime be held to a minimum" and "irregular or occasional overtime will be approved only when necessary to avoid serious backlogging of regular work, or to meet some special workload peak, unforeseen development or circumstances."

However, we found extensive use of overtime for apparent nonpriority work, and many of the overtime claims we reviewed were not properly justified. Most of the authorizations simply indicated that the overtime was for "typing," "filing," "secretarial duties," etc., with no indication of the urgency of the work. These general descriptions do not satisfy EPA's criteria for the need and use of overtime.

One employee in our sample was paid for 1,273 hours of overtime in fiscal year 1981. Much of the overtime was not worked in the employee's regular office but in various offices throughout EPA headquarters. Also, most of the overtime authorized was not for priority work. We discussed this overtime use with the employee's division director. At the time of our discussion, the director said that he noticed the employee's productivity had diminished and only recently learned of this employee's extraordinary amount of overtime.

In addition, we learned that this employee had health problems and was advanced 240 hours of sick leave prior to fiscal year 1981. The employee was also given additional advanced sick leave during fiscal year 1981. The additional leave was given during pay periods in which the employee worked overtime. For example, the employee worked 52 hours of overtime during the second week of one pay period after having been advanced 32 hours of sick leave in the first week of the pay period.

We believe this raises questions concerning overtime as well as leave management. According to the EPA Pay Administration Manual, a supervisor should not authorize overtime if the health or efficiency of the employee may be impaired.

We also found that this employee used leave and worked overtime on the same day on several occasions. This was not an atypical situation at EPA. On numerous occasions, 30 of the 56 employees in our sample used leave and worked overtime on the same day. While regulations do not prohibit this, it raises a question as to whether overtime is being properly managed. Also, the Pay Administration Manual states that overtime and leave on the same day should be avoided. We realize that situations may arise from time to time in which an employee must use leave and work overtime on the same day. However, we believe that this should only occur in emergency situations and on a limited basis.

OVERTIME CONTROLS WERE NOT ADEQUATE TO
INSURE PROPRIETY OF OVERTIME CLAIMS

Each executive agency head is responsible for establishing and maintaining an adequate payroll system as part of the system of accounting and internal control required by section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 65 et seq.). Agency systems must conform to the principles and standards prescribed by the Comptroller General in title 6 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies for developing and operating payroll systems. EPA overtime policy and regulations which meet title 6 requirements are incorporated in chapter 4 of the EPA Pay Administration Manual and the Time-keeping Manual.

A number of essential controls and requirements were not being followed at EPA by supervisors and timekeepers. For example,

- over 60 percent of the overtime claimed by the employees in our sample was not previously authorized and properly approved,
- adequate separation of duties did not exist in many offices,
- procedures were not followed to insure that changes made on timecards had been approved by supervisors, and
- overtime usage (feedback) reports were not being used by supervisors to verify overtime payments.

Overtime not being authorized
and approved in writing

Chapter 4 of EPA's Pay Administration Manual requires that "overtime should be authorized in writing on EPA Form 2560-7 * * * by a responsible official before it is performed." Retroactive approval is permitted in situations where it is impossible or impractical to obtain prior approval. Under the Fair Labor Standards Act, overtime can be worked without advance approval. If supervisors allow employees covered by the act to work longer than their normal duty hours, overtime must be paid even though it was not specifically approved in advance. However, all overtime should be documented by authorizations and the documentation should be systematically maintained.

Overtime is generally requested by immediate supervisors and approved by officials designated by EPA to approve overtime. Supervisors are required to establish necessary controls to insure the validity of time and attendance reported by employees, including proper documentation of overtime approval. Such documentation must be given to timekeepers to support entries on timecards. EPA regulations require that the overtime authorizations be maintained by timekeepers for 3 years or until audited by our Office, whichever is sooner.

Timekeepers provided us with only 39 percent of the 1,163 overtime authorization forms needed to document the overtime claims of the employees in our sample. Accordingly, most of the overtime claimed by the employees in our sample had not been properly approved. Supervisors gave us several reasons for not having overtime authorized and approved in writing.

- The overtime form was useless because it was an estimate of overtime to be worked, not a record of overtime incurred, and, therefore, did not serve a beneficial purpose.
- The certification by the supervisor on the timecard was sufficient approval and authorization.
- Certain supervisors were not aware that overtime should be authorized in writing.

Of the 457 overtime authorization forms provided to us, 29 (6 percent) had no approving signature and 23 (5 percent) contained no justification or reason for the overtime.

Inadequate separation of duties
compromised the integrity of the
overtime control system

Adequate separation of duties does not exist in many EPA offices. Title 6 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies states that:

"* * * responsibility for duties and functions should be appropriately segregated between authorization, performance, keeping of records, custody of resources, and review, so as to provide proper internal checks on performance and to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts."

Contrary to this requirement, EPA timekeepers are frequently responsible for maintaining their own timecards. Timekeepers have access to their timecards after they have been certified by the supervisor. When employees, particularly timekeepers, have access to timecards after certification, opportunity for fraud or other unauthorized actions exists.

Procedures were not followed to
verify changes on timecards

Chapter 3 of the EPA Timekeeping Manual states that:

"* * * correction of entries on timecards should be made by crossing out incorrect information and inserting correct information. Erasures and opaque material are not to be used to correct entries."

Our review of the timecards of high overtime users showed that many timecards processed by the payroll office contained erasures, alterations, and write-overs, with no indications that the changes had been approved by the employees' supervisors. Seldom were the changes and alterations initialed, either by a supervisor or timeclerk.

Feedback reports were not
used to monitor overtime

Title 6 of our Policy and Procedures Manual for Guidance of Federal Agencies does not require that source documents (overtime authorizations) be transmitted to the payroll office as long as the pay entitlement data is controlled by feedback reports. EPA procedures do not require that overtime authorizations be transmitted to payroll with timecards.

Therefore, if feedback reports were used, they could serve as a check on the validity of overtime payments.

The EPA accounting office prepares and disseminates bi-weekly payroll reports to the various offices after each pay period. These documents show, along with accounting and other data, overtime payments to each employee in the office.

We found that most administrative officers did not circulate these reports to supervisors to confirm overtime payments. Therefore, supervisors did not routinely receive feedback reports on overtime which could enable them to detect erroneous payments or fraudulently claimed hours.

We believe feedback reports should be circulated to knowledgeable supervisors immediately after each pay period, and the supervisors should be required to certify these reports, indicating that they have reviewed the reports and overtime payments made were authorized and approved.

These reports can function both as preventative and detective controls. If timecards are altered after the supervisor's certification, a feedback document would disclose the discrepancy to the supervisor. Employees are less likely to fraudulently change or manipulate their timecards if they are aware that their supervisors will receive documentation identifying the changes.

WEAK OVERTIME CONTROLS HAVE
LED TO APPARENT OVERTIME ABUSE

Two employees at EPA headquarters were paid a total of about \$9,000 for 835 hours of unauthorized overtime claims during fiscal years 1980 and 1981. We referred these cases on December 11, 1981, to the Department of Justice and the EPA Inspector General for investigation. In both cases, the employees had access to their timecards after they were certified by the supervisor. If feedback reports had been provided to the supervisor, earlier detection of these unauthorized overtime payments may have occurred.

Also, the EPA Inspector General has investigated 17 other cases of alleged overtime abuse over the past 2 years. These investigations resulted in five employees being fired because of fraudulent overtime claims.

CONCLUSIONS

Only 39 percent of the overtime claims we reviewed were supported by overtime authorizations. Moreover, much of this overtime was for nonpriority administrative work which did not meet EPA's criteria for justifying overtime. We question whether a large part of the overtime paid to EPA headquarters employees in our sample was really needed.

Overtime controls and management at EPA headquarters do not insure that overtime is actually needed or worked. Supervisors and timekeepers are not using established procedures in requesting, authorizing, and documenting overtime. The EPA overtime control system, as implemented, does not satisfy the requirements of title 6 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. As a result, employees may have submitted and received payment for fraudulent overtime claims.

RECOMMENDATIONS

We recommend that, to improve the overtime control and management at EPA, the Administrator, EPA:

- Reinforce agency requirements that overtime be held to a minimum and be approved only when absolutely necessary to avoid serious backlogs or to meet special workload peaks and unforeseen circumstances.
- Emphasize to managers that overtime and leave on the same day should only be authorized on rare occasions when there is no other alternative.
- Emphasize the importance of the requirement to managers, supervisors, and timekeepers that all overtime must be properly documented and approved.
- Establish procedures to prevent employees and timekeepers from gaining access to their timecards after certification.
- Reaffirm to timekeepers and payroll clerks that all changes on timecards must be approved and initialed by the supervisor and that the original entries must remain legible.
- Require administrative officers to disseminate the bi-weekly feedback reports to first-line supervisors and require the supervisors to certify these reports. The

certified feedback reports should be retained for 3 years by the administrative officers for audit and verification purposes.

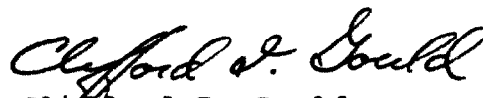
We discussed a draft of this report with EPA officials. They agreed with our findings and recommendations and stated that they have already started to implement corrective actions addressing our recommendations.

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Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations. This written statement must be sent to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report. A written statement must also be sent to the House and Senate Committees on Appropriations with an agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Directors, Office of Management and Budget and Office of Personnel Management, and to the Chairmen, Senate Committee on Governmental Affairs and House Committee on Government Operations, House and Senate Committees on Appropriations, and House Committee on Post Office and Civil Service.

Sincerely yours,


Clifford I. Gould
Director