

**Guam Fire Department
Payroll and Special Payments**

**Performance Audit
January 1, 2003 through December 31, 2005**

**OPA Report No. 10-08
November 2011**



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EXECUTIVE SUMMARY

Guam Fire Department Payroll & Special Payments Analysis Report No. 10-08, November 2011

At the request of the Guam Police Department (GPD), in connection with its investigation of a former Guam Fire Department fire chief (chief), the Office of Public Accountability (OPA) conducted a review of the subject chief's payroll records between January 2003 and December 2005. We determined that \$53,909 was paid inappropriately, specifically:

- \$46,692 unauthorized and unexplained retroactive special payments;
- \$4,973 unneeded overtime and night differential special payments; and
- \$2,244 questionable regular bi-weekly payments.

We also found that Department of Administration (DOA) payroll technicians receive, process, and approve timesheets and special payment requests without secondary or management review.

19 Special Payments Totaling \$68,406 Issued

Special payments are any payments made by payroll outside the regular bi-weekly payroll run, such as retroactive payment requests, advance annual leave payments, etc. Both as acting and confirmed department head, the former fire chief received 19 special payments totaling \$68,406 between January 1, 2003 and December 31, 2005. Of the 19, 17 payments totaling \$51,665 were improper. The remaining two payments totaling \$16,741 were authorized for unused annual leave.

The 17 improper payments totaling \$51,665 were initiated by the chief himself. Sixteen payments, totaling \$46,692, lacked supporting documentation, secondary review, and authorization. This lack of thorough independent check on timesheets and special payment requests is indicative of a weak internal control structure. The remaining \$4,973 was authorized special payment for unneeded overtime and night differential pay.

Increased Annual Earnings

As a consequence of special payments, the fire chief made significantly more than the \$74,096 set by law between calendar years 2002 and 2006. The subject made \$71,007 in 2002, prior to his acting appointment. In 2003, as his salary level fluctuated between his regular and acting positions, and his lump sum withdrawal, he made \$87,680. He made \$79,688 in 2004; \$97,871 in 2005; and \$79,599 in 2006.

Unexplained Payments

We found 19 unexplained payments totaling \$53,909, of which 16 were unexplained and unauthorized special payments totaling \$46,692, one was authorized but for unneeded overtime and night differential totaling \$4,973, and two questionable bi-weekly pay

amounts totaling \$2,244 between January 2003 and December 2005 as discussed. With the exception of three special payments, the DOA chief payroll officer was not able to explain the reasons for the payments, detailed below, nor did we find documentation or justification for them. We could not determine the logic behind some of the complicated calculations on these payments. These payments were processed and disbursed without documentation, authorization, and management review and approval. The former chief took advantage of his official position for personal gain.

A discussion of the nature of these payments follows.

Unauthorized Retroactive Overtime and Night Differential Special Payments

1. \$1,475 issued in Check No. 107585 on May 13, 2005; and
2. \$5,450 issued in Check No. 158605 on November 4, 2005.

As a department head, the chief was prohibited by law from receiving overtime and night differential pay and was not entitled to the 106-hour pay period of uniformed firefighters. Yet he received two special payments totaling \$6,925 for overtime and night differential pay from 2003. Additionally, some hours were calculated at the \$74,096 per annum fire chief salary broken down into \$35.62/hour to make his time-and-a-half overtime cost \$53.43/hour.

Unneeded Overtime and Night Differential Special Payment

3. \$4,973 issued in Check No. 103160 on April 22, 2005

Although overtime justification was approved by the former DOA Human Resources Administrator, we still question the \$4,973 paid to the chief. The justifications included attendance of meetings, preparation of budget, and review of policies and procedure, which we deemed to be standard managerial duties and responsibilities of a fire chief. Moreover, if the claimed overtime hours were appropriate, it should have been claimed at the time of occurrence and not almost two years in April 2005, and a month before the former chief resigned from his position.

Unexplained Retroactive Overtime, Night Differential & Typhoon Payments

4. \$1,753 issued in Check No. 360500 on May 2, 2003;
5. \$8,359 issued in Check No. 409371 on October 3, 2003;
6. \$3,231 issued in Check No. 418940 on October 31, 2003;
7. \$1,069 issued in Check No. 423409 on November 14, 2003; and
8. \$6,002 issued in Check No. 11319 on June 11, 2004

Advance Payments

9. \$2,850 issued in Check No. 327496 on June 13, 2003
10. \$2,850 issued in Check No. 376804 on June 27, 2003
11. \$5,699 issued in Check No. 381126 on July 11, 2003
12. \$2,126 issued in Check No. 64088 on December 10, 2004

13. \$724 issued in Check No. 64091 on December 10, 2004
14. \$2,850 issued in Check No. 68191 on December 23, 2004

Retroactive Special Payments

15. \$1,579 issued in Check No. 336509 on February 7, 2003
16. \$452 issued in Check No. 400484 on September 5, 2003
17. \$226 issued in Check No. 404665 on September 12, 2003

Questionable Regular Bi-Weekly Pay

18. On April 25, 2003, the chief received \$926 at \$35.62/hour for 106 hours, the standard two-week pay period for uniformed firefighters; and
19. On April 8, 2005, the chief received \$1,318 at \$35.62/hour for 37 hours of administrative leave between March 28 and April 1, 2005.

Conclusion and Recommendation

Based on our review, we determined that the former fire chief received \$53,909 inappropriately, that payments were processed and disbursed without documentation and authorization, and that this occurred because DOA payroll technicians routinely process timesheets and special payment requests without management review and approval. As such, the payroll system is subject to errors, manipulation, and the risk of abuse and fraud.

We recommend the DOA Director instruct the chief payroll officer to monitor the timesheets of government managers, to include Directors, Deputies, and Controllers, with particular attention to special or retroactive payment requests. A management response provided by DOA stated that they concurred with the audit findings and recommendations. Special payments are now to be approved by the Director and top level agency management requests will be closely monitored by the chief payroll officer. In addition, system controls are being tested that will restrict payroll technicians from processing special payment requests without clearance from the chief payroll officer or payroll supervisor.

This report was completed and provided to the Guam Police Department and Office of the Attorney General in December 2010. Due to the sensitivity of the information, the report was not publicly released to allow time for the Attorney General to take action. After 11 months, we are publicly releasing the report as required by the OPA's enabling act.

Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the results of our review of the payroll records of a former Guam Fire Department (GFD) chief who served both in acting and confirmed capacity. Our review was conducted at the request of a former Guam Police Department (GPD) Acting Chief, to assist in an ongoing investigation of questionable payments made to the former fire chief. GPD alleges the former chief improperly:

1. Received overtime and night differential pay to which he was not entitled;
2. Continued to receive the chief's pay rate beyond his appointment period;
3. Received advance annual leave payments without the approval of the Department of Administration (DOA) Director;
4. Did not submit timesheets signed by the Governor or Lieutenant Governor; and
5. Submitted altered leave forms to obtain additional administrative leave.

Our objective was to determine whether payments made to the former chief were appropriate at that time. Refer to Appendix 2 for the scope, methodology, and prior audit.

Background

Department of Administration Payroll and Human Resources

DOA provides the policies and direction for its Division of Accounts, Payroll, Human Resources, Treasurer of Guam, and General Service Agency. The Payroll Branch processes the payroll, and the Human Resources Division manages personnel for all executive branch departments and agencies of the Government of Guam.

Federal Fair Labor Standards Act (FLSA) and Guam Code Annotated (G.C.A.)

The Federal Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, record keeping standards, limits child labor, and defines full-time and part-time work nationally for both the public and private sectors. The FLSA sets 40 hours as the standard workweek and defines non-exempt employees as those who are paid hourly and who are entitled to night differential and overtime benefits for night hours and work time exceeding 40 hours. Exempt employees are generally those in executive and management positions who are paid an annual salary and who are not entitled to hourly pay privileges.

The Guam Code Annotated (G.C.A.) mirrors the FLSA. Title 4 G.C.A. § 6217 grants all government employees, *except department heads and deputy directors*, night differential pay at their hourly wage plus 10% for work performed between 6 P.M. and 6 A.M. Title 5 G.C.A. § 3105 designates the fire chief as the head of GFD. As with other cabinet positions, the fire chief is appointed by the Governor with the advice and consent of the Legislature. Title 4 G.C.A. § 6219(a) exclusively grants uniformed firefighters a 106-hour pay period, and the provision excludes the fire chief.

Results of Review

We found that \$53,909 was improperly paid to the former fire chief between January 2003 and December 2005. The chief's timesheets and payroll records did not support the validity of these payments which included:

- \$46,692 unauthorized and unexplained retroactive special payments;
- \$4,973 unneeded overtime and night differential special payments; and
- \$2,244 questionable regular bi-weekly payments.

DOA's chief payroll officer concurred with our findings, and was unable to explain the special payments. The payroll technician who processed the former fire chief's payments passed away in 2008. The technician's notes on some of the payments did not detail any justification for the retroactive and special payments. In addition, some retroactive special payments notes made by the technician did not match with the information entered in the AS400 system. We found no evidence or documentation that the payments were independently reviewed and approved.

19 Special Payments Totaling \$68,406

We found that in his capacity as acting and as confirmed head of GFD, the former chief received \$68,406 in 19 separate special payments. Special payments are any payments made by the payroll division outside the regular bi-weekly payroll run, such as retroactive payment requests, advance annual leave payments, etc.

Of the 19, 16 special payments totaling \$46,692¹ were paid without independent review, justification, or supporting documentation. A special payment for \$4,973 was authorized, but was for unneeded overtime and night differential pay. The two remaining payments totaling \$16,741 was for the authorized lump sum for unused annual leave; \$9,974 in March 2005 and \$6,767 in May 2005. See Appendix 3 for details.

Of the 17 special payments:

- Two totaled \$6,925 for retroactive overtime and night differential payments between May and November 2005 while the subject was the fire chief. The fire chief was not eligible for such payments at that time;
- One totaled \$4,973 for retroactive overtime and night differential payment in April 2005. We deemed the overtime justifications to be standard managerial responsibilities of a fire chief;

¹ In May 2005, DOA Payroll recovered \$926 from the Former Fire Chief's annual leave balance cash out of 26 hours calculated at the \$35.62 rate. Therefore, \$926 was not in question.

- Five totaled \$20,414 issued between May 2003 and June 2004 were retroactive overtime, night differential, and typhoon payments without explanation, justification or management approval;
- Six totaled \$17,098 for advances on regular and annual leave issued between June 2003 and December 2004 without the required approval of DOA's Director; and
- Three totaled \$2,257 for unexplained special payments between February and September 2003 with complicated calculations and without explanation, justification or management approval.

Former Fire Chief's Timeline

- January 6, 2003: The subject, an assistant fire chief, is appointed acting fire chief. Personnel Action No. KFB-2003-209 indicates that his salary while in the acting capacity will be \$74,096 per annum, or \$35.62/hour.
- June 23, 2003: The acting appointment is terminated and the subject returns to his assistant fire chief position. Public Law 22-108 restricts initial acting appointments to no more than 90 days plus three legislative days in any 12 month period. July 7, 2003 marked the third legislative day after the initial 90-day appointment.
- June 24, 2003: The subject resigns as assistant fire chief and collects a lump sum payment for unused annual leave.
- June 25, 2003: The subject is appointed and confirmed to the unclassified fire chief position.
- May 3, 2005: The subject resigns as fire chief and again collects a lump sum payment for unused annual leave.²
- May 4, 2005: The subject is reemployed as an assistant fire chief.

The Fire Chief's Salary

Title 5 G.C.A. § 3104 provides for Police or Fire Chief appointees from the ranks to continue classified position pay if greater than the salary established by law for the appointed positions. DOA's Human Resources Manager and the Department of Labor's Wage and Hour Administrator maintained that the law refers only to the base salaries of such appointees and excludes specialty or premium pay (i.e. overtime or night differential pay, hazardous pay, etc.). Table 1 illustrates the pay scale for fire chief and assistant fire chief positions.

² Personnel Action No. A-32851 amended A-32661 to include lump sum payment for any unused annual leave.

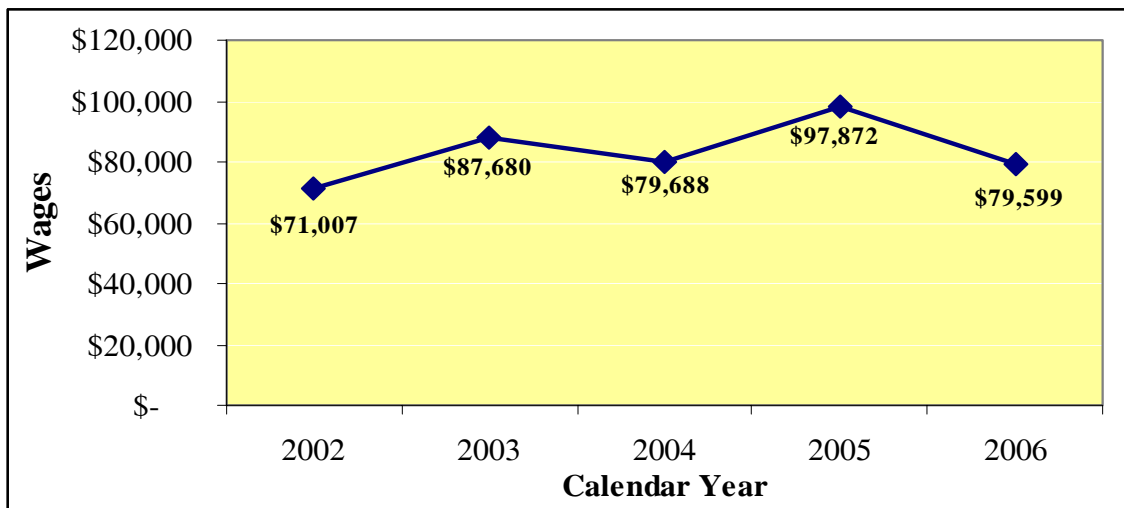
Table 1: Position and Compensation

Position	Per Annum	Per Hour Rate
Assistant Fire Chief	\$ 53,432	\$ 25.69 ³
Fire Chief	\$ 74,096	\$ 35.62

Increased Annual Earnings

Between 2002 and 2006, as a consequence of special payments, the subject fire chief made significantly more than the \$ 74,096 set by law. As illustrated in Chart 1, he made \$71,007 in 2002, prior to his acting appointment. In 2003, as his salary level fluctuated between his regular and acting positions, and his lump sum withdrawal, he made \$87,680. He made \$79,688 in 2004; \$97,872 in 2005; and \$79,599 in 2006. In 2005, he received five special payments totaling \$29,565. Two were for unused annual leave lump sums totaling \$16,741, and three were retroactive overtime payments totaling \$12,824.

Chart 1: Wages from Calendar Year 2002 ~ 2006



Improper Payments

We questioned 19 payments totaling \$53,909, of which 16 were unexplained and unauthorized special payments totaling \$46,692, one payment was authorized but for unneeded overtime and night differential totaling \$4,973, and two questionable bi-weekly pay amounts totaling \$2,244 between January 2003 and December 2005.

With the exception of three special payments, the chief payroll officer was unable to provide an explanation for the reason and rationale for the special payments. We did not find supporting documentation or justification in the timesheet and payroll records for these payment and we were unable to determine the logic behind the complicated calculations on some of these payments. Refer to Appendix 3 for all special payments between January 2003 and December 2005. These payments are discussed below.

³ Received a salary adjustment to \$55,274 per annum, or \$26.57 per hour, effective October 3, 2004 per P.L. 27-106.

\$6,925 Unauthorized Retroactive Overtime and Night Differential Special Payments

1. \$1,475 issued in Check No. 107585 on May 13, 2005; and
2. \$5,450 issued in Check No. 158605 on November 4, 2005.

The Civil Service Commission (CSC) holds that the Fire Chief position is "exempt" and that Guam law and DOA Rules and Regulations do not allow overtime compensation for such positions in the executive, administrative, and professional categories. DOA's Employee Management Relations Officer explained that exempt employees may, with proper authorization, receive overtime if 20% or more of their time is spent on non-exempt work. To qualify, the Governor, through executive orders, must authorize overtime accrual and specialty pay for specific exempt positions or DOA Human Resources must approve the justification for overtime or specialty pay.

While serving in the exempt fire chief position, he received two retroactive payments totaling \$6,925 in 2005. The payments were for overtime and night differential over five pay periods in 2003. The overtime hours were calculated at the \$74,096 per annum fire chief salary broken down into \$35.62/hour to make his time-and-a-half at **\$53.43/hour**, and night differential at 10% of the \$35.62/hour at **\$3.56/hour**. He was not authorized to receive such payments at the time. Moreover, the payments were requested in April 2005 by the Fire Chief to pay himself retroactively nearly two years after they were supposedly earned.

Table 2: Unauthorized Retroactive for Overtime and Night Differential Pay

	Check Number	Check Date	Count	Pay Period Ending	OT Hours	OT Amount	ND Hours	ND Amount	TOTAL
1	107585	5/13/2005	1	1/26/03 - 2/22/03 ⁴	26	\$1,389.18	24	\$85.49	\$1,474.67
Check Number 107585 Total:					26	\$1,389.18	24	\$85.49	\$1,474.67
2	158605	11/4/2005	2	1/26/03 - 2/08/03	25	\$1,335.75	0	\$ -	\$1,335.75
			3	2/09/03 - 2/22/03	25	\$1,335.75	0	\$ -	\$1,335.75
			4	2/23/03 - 3/08/03	26	\$1,389.18	0	\$ -	\$1,389.18
			5	3/09/03 - 3/22/03	26	\$1,389.18	0	\$ -	\$1,389.18
Check Number 158605 Total:					102	\$5,449.86	0	\$ -	\$5,449.86
	TOTAL:				128	\$6,839.04	24	\$85.49	\$6,924.53

NOTE: OVERTIME: OT Rate derived by $\$35.62 \times 1.5 = \53.43

NIGHT DIFFERENTIAL: ND Rate derived by $\$35.62 \times 10\% = \3.562

1. The chief subsequently received a special retroactive overtime payment on May 13, 2005. He received \$1,475 for 26 overtime and 24 night differential hours at the \$53.43 and \$3.56 per hour rate.

⁴ Overtime hours charged for Counts 1 through 3 were for different days within the two pay periods.

The chief payroll officer provided documentation for the overtime payment where the former DOA Human Resources Administrator approved the overtime justifications. However, the date reflected on the administrator's signature is "5/9/09," or almost four years after the payment was made. Therefore, this payment was issued without the approval of the DOA Human Resources and remains a questioned cost.

2. Six months later, on November 4, 2005, the chief again collected retroactive payment for 2003. He received \$5,450 for overtime worked between February 5 and March 22, 2003, as indicated in his Employee Service Card (see Table 2 for details). However, the AS400 system reflected the payment to be for 205 hours at the regular rate of \$26.57 and one hour at the rate of \$3.01 (see Table 3).

DOA's payroll officer could not explain why the AS400 reflected the \$26.57 assistant chief hourly rate when the subject was already serving as acting fire chief and earning the chief's rate.⁵ We could not determine the logic behind the complicated calculation inputted in the AS400 system, as illustrated in the following table.

Table 3: AS400 System Information

Work Date	Hours	Rate	TOTAL
11/14/2005	1	\$ 3.01	\$ 3.01
11/15/2005	205	\$ 26.57	\$ 5,446.85
Total:	206		<u>\$ 5,449.86</u>

The chief payroll officer provided additional documentation for the overtime payment. However, none of the documents provided shows that the former DOA Human Resources Administrator approved the overtime justifications. Therefore, the \$5,450 retroactive payment remains a questioned cost.

\$4,973 Unneeded Overtime and Night Differential Special Payment

3. \$4,973 issued in Check No. 103160 on April 22, 2005

Abuse does not necessarily involve noncompliance with provisions of laws or regulations. It is deficient or improper behavior when compared with behavior that a prudent person would consider reasonable and necessary business practice. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.⁶

On April 22, 2005, the former chief received \$5,899 for 104 overtime and 96 night differential hours claimed over four pay periods between April and June 2003. His

⁵ The subject was appointed Acting Fire Chief on January 6, 2003 and confirmed Fire Chief on June 25, 2003.

⁶ 2011 Internet Version, Chapter 6.33 of the Government Auditing Standards issued by the Comptroller General of the United States.

overtime payment was calculated at \$53.43/hour, one and one-half (1½) times the chief's hourly salary rate of \$35.62. His night differential pay was \$3.56/hour, 10% of his hourly rate. In May 2005, DOA Payroll adjusted the figures for the May 18 to 31, 2003 pay period to 26 hours at \$35.62/hour and recovered \$926 from the fire chief. We deducted \$926 from \$5,899, but question the balance of \$4,973 (see Table 4).

Table 4: Unneeded Overtime and Night Differential Special Payments

Check Number		Check Date	Count	Pay Period Ending	OT Hours	OT Amount	ND Hours	ND Amount	TOTAL
1	103160	4/22/2005	1	4/20/03 - 5/03/03	26	\$1,389.18	24	\$ 85.49	\$1,474.67
			2	5/04/03 - 5/17/03	26	\$1,389.18	24	\$ 85.49	\$1,474.67
			3	5/18/03 - 5/31/03	26	\$1,389.18	24	\$ 85.49	\$1,474.67
			4	6/01/03 - 6/14/03	26	\$1,389.18	24	\$ 85.49	\$1,474.67
Check Number 103160 Total:					104	\$5,556.72	96	\$341.95	\$5,898.68
Adjustment Made on Check Number 103160. Payroll recovered \$926 (26 hours at \$35.62/hour.)									
111661	5/31/2005		5/18/03 - 5/31/03	26	\$ (926.12)	0	\$ -	\$ (926.12)	
TOTAL:					78	\$4,630.60	96	\$341.95	\$4,972.56

The chief payroll officer provided us with supporting documentation showing that the former DOA Human Resources Administrator approved the chief's overtime justifications for \$4,973 (Table 4). However, the justifications included attendance of meetings, preparation of budget, and review of policies and procedure, which we deemed to be standard managerial duties and responsibilities of a fire chief. Moreover, if the claimed overtime hours were appropriate, it should have been requested at the time of occurrence and not almost two years later in April 2005, and a month before the former chief resigned from his position. For these reasons, the fire chief took advantage of his official position for personal gain by generating unneeded overtime between April 20, 2003 and June 14, 2003, thus receiving the retroactive overtime payment while he was the fire chief. The \$4,973 retroactive overtime and night differential payment remains a questioned cost.

\$20,414 Unexplained Retroactive Overtime, Night Differential & Typhoon Payments

4. \$1,753 issued in Check No. 360500 on May 2, 2003;
5. \$8,359 issued in Check No. 409371 on October 3, 2003;
6. \$3,231 issued in Check No. 418940 on October 31, 2003;
7. \$1,069 issued in Check No. 423409 on November 14, 2003; and
8. \$6,002 issued in Check No. 11319 on June 11, 2004.

\$1,753 Retroactive Overtime Payment in May 2003

According to 4 GCA § 6219(a), "firefighters... shall be compensated at one and one-half (1½) times the regular hourly rate for hours worked in excess of one hundred six (106) hours per pay period."

On May 2, 2003, the former fire chief received a retroactive special payment of \$1,753 for 45.5 overtime hours claimed during pay period ending November 2, 2002 while he was an assistant fire chief at the rate of \$25.69. The payroll technician noted in the FY 2003 Employee Service Card that the retroactive payment was for overtime accrued between October 25 and October 31, 2002 as detailed in Table 5.

Table 5: Overtime Retroactive Hours

Date	Hours
10/25/2002	7.0
10/26/2002	22.0
10/27/2002	9.0
10/28/2002	3.0
10/31/2002	4.5
TOTAL:	45.5

The AS400 system reflected that the former fire chief, who was an assistant fire chief during the period claimed for owed overtime, was paid his 106th hour on November 1, 2002 at 5:00 PM. Guam law states that overtime is paid when hours worked are in excess of 106 hours. Therefore, any hours worked by the former fire chief as an assistant fire chief after 5:00 PM on November 1, 2002 would be considered overtime hours worked. However, this is contrary to the payroll technician's notes in the employee service card as overtime noted was accrued between October 25 and 31, before the 106th hour of regular work as an assistant fire chief.

We did not find any supporting documentation or justification in the timesheet and payroll records for the logic behind the 45.5 hours of overtime retroactive payment issued to the former fire chief.

\$11,590 Retroactive Regular and Typhoon Payments in October 2003

The chief was compensated a total of \$17,036 in December 2002, of which \$5,446 was his regular bi-weekly pay and the remaining \$11,590 were two retroactive payments for overtime, night differential, hazard, and typhoon specialty pay for claimed hours worked in December 2002 for Typhoon Pongsona.

On October 3, 2003, the chief received \$8,359 for regular retroactive, overtime, and typhoon pay at the base rate of \$25.69 for hours claimed in December 2002. According to the AS400 system, the work date was December 9, 2002 for overtime, 25% hazard, and 50% typhoon pay. The payroll technician noted in the FY 2003 Employee Service Card that this payment was for varying hours owed for overtime, hazard, and typhoon pay.

Again, on October 31, 2003, the former Fire Chief received a retroactive payment of \$3,231 for overtime, 25% hazard, and 50% typhoon pay for hours worked in December 2002 at the rate of \$9.93. The work date noted in the AS400 system was December 9, 2002 for varying hours as well.

We did not find any notes made by the payroll technician for these payments. We also found no supporting documentation or justification in the timesheets and payroll records. The complicated calculation of hours, dates, rates, and pay categories seemed deliberate, to dissuade close scrutiny. See Table 6 below for the complicated calculations of these two payments.

In addition, the hours for December 2002 were claimed in October 2003, nearly a year later and while he was the fire chief.

Table 6: December 2002 Special Payments Received

	Check Number	Check Date	Periods	Pay Code Description	Specialty Rate	Hours	TOTAL
1	409371	10/03/03	12/07/02 ~ 12/15/02	Overtime	\$ 38.54	118.5	\$ 4,566.40
			12/07/02 ~ 12/15/02	Hazard - 25%	\$ 6.42	171.5	\$ 1,101.46
			12/07/02 ~ 12/09/02	Typhoon - 50%	\$ 12.85	41	\$ 526.65
			12/08/02 ~ 12/15/02	Typhoon - 50%	\$ 12.85	168.5	\$ 2,164.38
Check Number 409371 Total:							\$ 8,358.88
2	418940	10/31/03	12/07/02 ~ 12/15/02	Overtime	\$ 14.90	118.5	\$ 1,765.06
			12/07/02 ~ 12/15/02	Hazard - 25%	\$ 2.48	171.5	\$ 425.75
			12/07/02 ~ 12/09/02	Typhoon - 50%	\$ 4.97	41	\$ 203.57
			12/08/02 ~ 12/15/02	Typhoon - 50%	\$ 4.97	168.5	\$ 836.60
Check Number 418940 Total:							\$ 3,230.97
TOTAL:							\$11,589.86

\$1,069 Retroactive Overtime Special Payment in November 2003

On November 14, 2003, the chief received \$1,069 retroactively for 20 hours of overtime at \$35.62/hour. The payroll technician noted that the payment was for 11 hours on December 21, 2002 and nine hours on December 22, 2002. The AS400 system confirmed the \$35.62/hour. The chief was not appointed to the acting position until January 6, 2003. We found no documentation, justification or authorization in the timesheets and payroll records for using the overtime salary rate of fire chief. As department head, even in an acting capacity, he was not eligible to receive overtime or night differential. See Table 7 for details.

Table 7: AS400 System Payment Overtime Retroactive Payment

Work Date	Pay Code	Pay Code Description	Rate	Specialty Rate	Hours	TOTAL
11/1/2003	6	Overtime (1.5 of rate)	\$35.62	\$ 53.43	20	\$ 1,068.60
TOTAL:						<u>\$ 1,068.60</u>

NOTE: OT Rate derived by \$35.62 x 1.5 = \$53.43

\$6,002 Retroactive Regular and Typhoon Special Payment in June 2004

On June 11, 2004, the chief received \$6,002 for retroactive regular and typhoon pay at rates of \$25.69 and \$3.36 for hours claimed in December 2002, when he was an assistant fire chief. He had already been paid \$13,805 for the same period -- \$5,446, his regular bi-

weekly pay, plus \$8,359 for overtime, night differential, hazard, and typhoon specialty pay for Typhoon Pongsona. We found no supporting documentation or justification for this special payment or why the rates of \$25.69 and \$3.36 were used to calculate payment. Again, there were complicated calculations. See Table 8 for illustration.

Table 8: AS400 System Payment Retroactive Payment

Work Date	Pay Code	Pay Code Description	Hours	Rate	TOTAL
12/12/2002	1	Regular	1.0	\$ 3.36	\$ 3.36
12/13/2002	1	Regular	65.0	\$ 25.69	\$1,669.85
12/14/2002	75	Typhoon - Regular	168.5	\$ 25.69	\$4,328.77
TOTAL:					<u>\$ 6,001.98</u>

\$17,098 Payroll Advances without Required DOA Director Approval

9. \$2,850 from the June 1/14, 2003 pay period received on June 13, 2003;
10. \$2,850 from the June 15/28, 2003 pay period received on June 27, 2003;
11. \$5,699 from the August 24/September 6 *and* September 7/20, 2003 pay periods received on July 11, 2003;
12. \$2,126 from the November 28/December 11, 2004 pay period received on December 10, 2004;
13. \$724 also from the Nov. 28/December 11 pay period received on December 10, 2004 and;
14. \$2,850 from the December 12/25, 2004 pay period and received on December 23, 2004.

According to DOA's chief payroll officer, all special payment requests for advances on regular and annual leave pay must be approved and signed by the DOA Director. We identified six special payments issued between June 2003 and December 2004 without the Director's approval and signature. These payments are illustrated in Table 9.

Table 9: Advance Special Payments Issued

	Check Issue	Check Number	Amount	Pay Periods	Scheduled Pay Period
1	06/13/03	372496	\$ 2,849.60	6/01/03 ~ 6/14/03	06/20/03
2	06/27/03	376804	\$ 2,849.60	6/15/03 ~ 6/28/03	07/04/03
3	07/11/03	381126	\$ 5,699.20	8/24/03 ~ 9/06/03	09/12/03
				9/07/03 ~ 9/20/03	09/26/03
4	12/10/04	64088	\$ 2,125.60	11/28/04 ~ 12/11/04	12/14/04
5	12/10/04	64091	\$ 724.00	11/28/04 ~ 12/11/04	12/14/04
6	12/23/04	68191	\$ 2,849.60	12/12/04 ~ 12/24/04	12/31/04
TOTAL:			<u>\$ 17,097.60</u>		

\$2,257 Unexplained Retroactive Special Payments

15. \$1,579 issued in Check No. 336509 on February 7, 2003;
16. \$452 issued in Check No. 400484 on September 5, 2003; and
17. \$226 issued in Check No. 404665 on September 12, 2003.

\$1,579 Retroactive Payment in February 2003

On February 7, 2003, the chief received a retroactive payment of \$1,579 for 159 hours at the regular rate of \$9.93/hour. We found no supporting documentation or justification for this special payment or why the \$9.93 rate of was used to calculate this amount.

\$678 Retroactive Special Payments in September 2003

The former fire chief received two unexplained retroactive special payment checks totaling \$678 in September 2003 of which (1) \$452 was issued on September 5, 2003 for 45.5 hours claimed calculated at a rate of \$9.93, and (2) \$226 was issued on September 12, 2003 for 6 hours claimed at a rate of \$35.62 and 1 hour claimed at a rate of \$12.19.

A notation made by the payroll technician was found in FY 2003 Employee Service Card for 45.5 hours retroactive payment made on September 5, 2003. However, there was no indication of the applicable period of the claimed hours. Despite this note, we were unable to determine the logic behind the complicated calculations for these two retroactive payments and why three different rates were used. See Table 10 for illustration of the retroactive payments in September 2003.

Table 10: Retroactive Payments in September 2003

Check Number	Check Issue	Work Date	Hours	Rate	TOTAL
400484	09/05/03	08/23/03	45.5	\$ 9.93	\$ 451.82
Subtotal:					\$ 451.82
404665	09/12/03	08/22/03	1	\$ 12.19	\$ 12.19
		08/23/03	6	\$ 35.62	\$ 213.72
Subtotal:					\$ 225.91
TOTAL:					<u>\$ 677.73</u>

Questionable Regular Bi-Weekly Pay

18. On April 25, 2003, the chief received \$926 at \$35.62/hour for 106 hours; and
19. On April 8, 2005, the chief received \$1,318 at \$35.62/hour for 37 hours of administrative leave between March 28 and April 1, 2005.

\$926 Unexplained Regular Pay in April 2003

Because the fire chief holds an “exempt” position and is paid a salary for 80 hour per pay period, the chief should not have been able to accrue overtime, night differential or any other pay privilege, including the 106-hour pay periods afforded exclusively to uniformed firefighters.

However, the chief's April 25, 2003 paycheck amounted to \$3,776, indicating that he was paid the firefighters' 106-hour allowance at his fire chief's salary of \$35.62/hour. Since he was acting fire chief, he should have been paid \$2,850 -- \$35.62/hour x 80 hours. By our calculation, the chief received \$926 more than the law permits. See Table 11 for illustration.

Table 11: Overpayment of 26 Hours at Fire Chief Rate

Description	Hours	Rate	Total Pay
4/25/03 Paycheck (Check # 359523)	106	\$ 35.62	\$ 3,775.72
Less: 4/25/03 Paycheck that should have been issued	80	\$ 35.62	\$ 2,849.60
OVERPAYMENT:			<u>\$ 926.12</u>

\$1,318 Excess Administrative Leave Pay in April 2005

According to DOA Rules and Regulations, absence from administrative duty without loss of pay, such as attendance at official meetings or on or off-island conferences, etc., must be authorized beforehand. Section 8.402 states that "employees shall initiate a written request for an excused absence citing the purpose of the meeting/conference, dates involved and costs, if any, to the appointing authority."

We found a memorandum, dated February 25, 2005, from the chief to then Acting Governor requesting travel authorization to attend a pre-build conference and personal leave time to visit his family. The pre-build conference was for the procurement of two Fire Rescue Pumpers and was slated for March 8 to 11, 2005. In addition to visiting his family, the fire chief also wanted to meet with the Oklahoma City Fire Chief on assessments related to the fire department accreditation. According to the memorandum, which the then Acting Governor approved, the chief was expected to return on March 27, 2005.

Two leave forms dated February 25, 2005 were used by the chief. The first was signed by the Acting Governor approving 80 hours of administrative leave from March 7-20. The chief received \$2,850 administrative leave pay for this pay period. The second leave form was for an additional 40 hours, from March 22-26, using a combination of annual and administrative leave. However, no corresponding hours were indicated. The second leave form was altered to extend leave from March 22 to April 1. The changes were initialed, but we were not able to determine who initialed the changes since the initials were not dated, nor could we determine whether the Acting Governor knew or approved of the changes.

With regard to the second leave form, we calculated that 40 hours for the March 20-26 workweek should have been charged to administrative leave and the time after the 26th should have been deducted from the chief's annual leave balance. The AS400 indicated that the chief was paid \$2,850 on Check No. 98932, dated April 8, 2005, for March 20 to April 2. Of the 80 hours paid, 64 were charged to administrative leave and only 16 to annual leave. The Acting Governor initially approved only 80 hours of administrative leave, from March 7-20, but altogether, the chief was paid 144 hours. Again, we could not ascertain whether the Acting Governor knew or approved of the additional administrative

leave time. The Acting Governor approved the chief's administrative leave to March 27, 2005, but the chief received 37 hours of administrative leave beyond March 27, 2005 at a cost of \$1,318, as illustrated in Table 12.

Table 12: Administrative Leave Paid beyond March 27, 2005

Work Date	Hours	Rate	Total Pay
3/28/2005	8	\$ 35.62	\$ 284.96
3/29/2005	8	\$ 35.62	\$ 284.96
3/30/2005	4	\$ 35.62	\$ 142.48
3/31/2005	10	\$ 35.62	\$ 356.20
4/1/2005	7	\$ 35.62	\$ 249.34
TOTAL:			<u>\$1,317.94</u>

We found no supporting documentation or justification for the administrative leave pay beyond March 27, 2005. In addition, we found it odd that the chief received 4 hours of administrative leave on March 30, 10 hours on March 31, and 7 hours on April 1 when he was on a 40-hour workweek as the agency head. Therefore, we calculated that the chief improperly received \$1,318 for administrative leave pay received beyond March 27, 2005.

Better monitoring by management should detect and help prevent fraud, abuse, and other irregularities. We recommend that the DOA Director direct the chief payroll officer to monitor and review the timesheets of government managers, particularly Directors, Deputy Directors, Controllers, and other senior management, with specific attention to special or retroactive payment requests.

Other Observations

We noted several issues that DOA Payroll needs to address to strengthen its internal controls and to be consistent in their procedures and operations.

Timesheets Lack Authorized Signatures

Of 79 timesheets and pay period records we reviewed, 61 or 77% did not have the required signatures of the certifying officer, timekeeper, supervisor, and employee. That more than half bypassed the requirements indicates carelessness, a lack of discipline, and substandard work performance.

Fire Chief's Leave Forms Not Signed by the Governor

According to the DOA's chief payroll officer, leave requests from agency heads and/or administrators must be approved and signed by the Governor or the Lt. Governor. We found seven leave forms from the chief that were not signed by the Governor or the Lt. Governor.

Timesheet Hours Do Not Correspond with Pay Time History Records

Throughout our review of the fire chief's payroll records, we noted that while the hours worked in a pay period remained the same, the hours in the timesheets did not match the ones noted and paid in the AS400. For example:

1. PPE April 6 ~ 20, 2003: The timesheet indicated that the chief worked from 8:00 a.m. to 12:00 Noon and from 1:00 p.m. to 5:00 p.m. on April 15th. The AS400 indicated that he worked 14 hours -- from 8:00 a.m. to 12:00 a.m.
2. PPE May 30 ~ June 12, 2004: The chief's timesheet reflected that he worked from 8:00 a.m. to 12:00 Noon and from 1:00 p.m. to 5:00 p.m. On June 11th, the AS400 reflected that he worked from 6:00 a.m. to 9:00 p.m. -- 15 hours.

IT Calculation Does Not Compute

While there was no impact on the amount paid to the former fire chief, we noted several instances in which his fire chief's hourly rate of \$35.62 was not indicated on his Employee Earnings Statements (EES) or check stubs. Of the 79 pay periods, we found 44 in which the \$35.62 rate did not reflect the EES generated from the AS400 system. The following are just two examples:

1. PPE June 15, 2003 ~ June 28, 2003: The chief's EES reflected an hourly rate of \$25.69 for 80 hours. The total for this pay period should have been \$2,055 (\$25.69 x 80). However, the total on the EES was \$2,850 (the fire chief rate of \$35.62 x 80).
2. PPE February 6, 2005 ~ February 19, 2005: The chief's EES reflected an hourly rate of \$26.57 for 80 hours. The total for this pay period should have been \$2,126, but total on the EES \$2,850 (\$35.62 x 80).

Calculations in the payroll system should always compute, particularly for employees' bi-weekly earnings statements. The lack of basic mathematical computation control provides opportunities for error and fraud. These arithmetical discrepancies are a reflection of IT controls not properly in place. We recommend that the DOA Director direct the IT manager to review IT payroll controls to ensure basic arithmetical accuracy on all employee earnings statements.

Conclusion and Recommendation

We determined that \$53,909 was improperly paid to the former fire chief between January 2003 and December 2005. This occurred because payroll technicians have the autonomy to process and approve timesheets and special payment requests, such as retroactive payments for directors, deputy directors, controllers, and other senior management without a secondary review. DOA Payroll was unable to explain why payments were made without supporting documentation or an explanation from the former payroll technician who processed the payments. The lack of independent checks on timesheets and special payments processing is indicative of a weak internal control structure.

Payroll and its associated costs comprise the bulk of our government's expenditures. Better monitoring by management should detect and help prevent fraud, abuse, and other irregularities. Employees and vendors are less likely to commit fraud if they know that discrepancies do not escape management attention.⁷ Without periodic monitoring and independent review, the risk of entry errors into the payroll system and the potential for payroll abuse and fraud where employees could make unauthorized changes to the payroll system to enhance pay can go undetected.

We recommend the DOA Director direct the chief payroll officer to monitor and review the timesheets of government managers, particularly Directors, Deputy Directors, Controllers, and other senior management, with specific attention to special or retroactive payment requests. We also recommend that DOA's IT manager review IT payroll controls to ensure basic arithmetical accuracy on all employee earning statements.

⁷ An Elected Official's Guide to Internal Controls and Fraud Prevention, Government Finance Officers Association.

Management Response & OPA Reply

This report was completed and provided to the Guam Police Department and Office of the Attorney General in December 2010. Due to the sensitivity of the information, the report was not publicly released to allow time for the Attorney General to take action. After 11 months, we are publicly releasing the report as required by the OPA's enabling act.

The final report was transmitted to the Department of Administration in October 2011 for their official response. In November 2011, the DOA Director submitted their official response indicating general concurrence with the findings and recommendations of the report. The Chief Payroll Officer provided new supporting documentations for three special payments totaling \$11,897. Based on our review and determination, these special payments remain questioned costs due to the (1) lack of overtime approval by the DOA Human Resources Administrator, (2) overtime approval by the Human Resources Administrator was dated almost four years later after the payment was made, and (3) approved overtime justification were deemed to be standard managerial duties and responsibilities of a fire chief.

According to DOA's management response, all special payment requests are subject to the DOA Director's approval and the chief payroll officer will closely monitor special payment requests made by top level agency management. In addition, system controls are being tested that will restrict payroll technicians from processing special payment requests without a clearance from the Chief Payroll Officer or Payroll Supervisor. See Appendix 4 for DOA's management response.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of the implementation of the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, our office will be contacting DOA to establish target dates and titles of officials responsible for implementing the recommendations.

We appreciate the cooperation and assistance shown by officials from the Guam Police Department, Department of Administration Payroll and Human Resources Divisions, and Office of the Attorney General.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Classification of Monetary Amounts

Findings	Questioned Payments⁸
Unauthorized and unexplained retroactive special payments	\$ 46,692 ⁹
Unneeded overtime and night differential special payments	\$ 4,973 ¹⁰
Questionable regular bi-weekly payments (2 payments)	\$ 2,244
TOTAL:	<u>\$ 53,909</u>

⁸ Payments questioned because they were determined to be unallowed or improper based on available laws, rules and regulations, or does not have adequate support or documentations for the payments.

⁹ Sixteen payments totaling \$46,692 were paid without independent review, justification, or supporting documentation.

¹⁰ Payment questioned as the approved overtime justification included attendance of meetings, preparation of budget, and review of policies and procedure, which we deemed to be standard managerial duties and responsibilities of a fire chief. In addition, the claimed overtime hours should have been claimed at the time of occurrence and not almost two years later in April 2005, a month before the former chief resigned from his position.

Appendix 2:

Scope, Methodology, and Prior Audit

Scope and Methodology

At the request of the then GPD acting Chief, OPA completed its review and calculation of the former GFD Fire Chief's payroll records to determine questionable payments. The scope of this engagement was between January 1, 2003 and December 31, 2005.

The methodology included:

- Reviewing pertinent compensation laws, rules and regulations, policies, manual, and other relevant information;
- Interviewing officials from the Department of Administration Payroll and Human Divisions, Department of Labor Wage and Hour Division, Civil Service Commission, and the Government of Guam Retirement Fund;
- Obtaining a sufficient understanding of the internal controls that are relevant to the allegations of improper payments;
- Reviewing timekeeping records, timesheets, leave forms, and pertinent documents for completeness and appropriate authorization; and
- Analyzing payroll record information of payments made to determine whether payments were appropriate or not.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our assessment and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Prior Audit

Government of Guam Wide Overtime Performance Audit Report No. 08-10

The audit found that the government of Guam General Fund expended \$40 million (M) in overtime in the six-year period from October 1, 2002 to September 30, 2008. Most of the overtime incurred were by the public safety agencies, namely the Guam Police Department (GPD), Guam Fire Department (GFD), and Department of Corrections (DOC). The overtime accrued in these agencies is substantially higher than other United State (U.S.) cities. The average overtime for the three agencies ranged between 15% and 21% of their total personnel costs, more than double other U.S. cities. We found that overtime among like positions in these agencies was inequitably distributed and overtime payments were made up to five months late.

Appendix 3:

Special Payments Summary and Questioned Costs

Page 1 of 8

	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
Unexplained Special Payments						
1	02/07/03	336509	\$ 1,578.87	Retroactive payment for 159 hours of \$9.93, difference from the Fire Chief's pay of \$35.62 to Assistant Fire Chief of \$25.69 between 01/06/03 ~ 01/25/03. The acting Fire Chief was compensated as an Assistant Fire Chief during these periods.	<ul style="list-style-type: none"> Payroll technician processed retroactive payment without a secondary or management review and approval. No supporting documentation in the timesheets and payroll records from the GFD that these hours were not paid to the former Fire Chief. No justification for \$9.93 rate. 	\$1,578.87
2	05/02/03	360500	\$ 1,753.34	Retroactive payment for 45.5 hours of overtime calculated at the Assistant Fire Chief rate of \$25.69 times 1½ or \$38.54 between 10/25/02 ~ 10/31/02.	<ul style="list-style-type: none"> No supporting documentation explaining why the former Fire Chief in his former capacity as the Assistant Fire Chief received 45.5 hours of overtime before earning his 106th work hours. Payroll technician processed retroactive payment without a secondary or management review and approval. 	\$ 1,753.34
3	06/13/03	372496	\$ 2,849.60	Advance on paycheck for pay period 06/01/03 ~ 06/14/03.	<ul style="list-style-type: none"> Processed without a Special Payment Request Form. Payroll technician processed advance payment without a secondary or management review and approval. 	\$ 2,849.60
4	06/27/03	376804	\$ 2,849.60	Advance on paycheck for pay period 06/15/03 ~ 06/28/03.	<ul style="list-style-type: none"> Processed without a Special Payment Request Form. Payroll technician processed advance payment without a secondary or management review and approval. 	\$ 2,849.60

Appendix 3:
Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
5	07/11/03	381126	\$ 5,699.20	Advance on paychecks for two pay periods: (1) 7/27/03 ~ 8/09/03; and (2) 8/10/03 ~ 8/23/03 for \$2,849.60 each.	<ul style="list-style-type: none"> • Processed without a Special Payment Request Form. • Payroll technician processed advance payment without a secondary or management review and approval. 	\$ 5,699.20
6	09/05/03	400484	\$ 451.82	Retroactive payment for 6 hours calculated at the rate of \$35.62 for work date of 8/23/03 and 1 hour at the rate of \$12.19 for work date of 8/22/03.	<ul style="list-style-type: none"> • No supporting documentation explaining this payment and we were unable to determine the logic behind the complicated calculations and why two rates were used. • Payroll technician processed retroactive payment without a secondary or management review and approval. 	\$ 451.82
7	09/12/03	404665	\$ 225.91	Retroactive payment for 45.5 hours calculated at the rate of \$9.93 for work date of 8/23/03.	<ul style="list-style-type: none"> • No supporting documentation explaining this payment and we were unable to determine the logic behind the calculation. • Payroll technician processed retroactive payment without a secondary or management review and approval. 	\$ 225.91

Appendix 3:

Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
8	10/03/03	409371	\$ 8,358.88	Retroactive payment of overtime, typhoon, and hazard work claimed from Typhoon Pongsona at the Assistant Fire Chief base rate of \$25.69 from 12/07/02 ~ 12/15/02. Breakdown of payment per Employee Service Card as follows: (1) 12/07/02 ~ 12/15/02 : 118.5 hours of overtime at a rate of 1½; (2) 12/07/02 ~ 12/15/02 : 171.5 hours of 25% hazard pay; (3) 12/07/02 ~ 12/09/02 : 41 hours of typhoon premium pay of additional 50%; and (4) 12/08/02 ~ 12/15/02: 168.5 hours of typhoon pay of additional 50%	<ul style="list-style-type: none"> Payroll technician processed retroactive payment without a secondary or management review and approval. No supporting documentation in the timesheets and payroll records from the GFD that these hours were not paid to the former Fire Chief. 	\$ 8,358.88
9	10/31/03	418940	\$ 3,230.97	Retroactive payment of overtime, typhoon, and hazard work earned from Typhoon Pongsona at the rate of \$9.93. Breakdown of payment per AS400 system as follows: (1) 12/09/02: 118.5 hours of overtime at a rate of 1½; (2) 12/09/02: 171.5 hours of 25% hazard pay; (3) 12/09/02: 41 hours of typhoon premium pay of additional 50%; and (4) 12/09/02: 168.5 hours of typhoon pay of additional 50%.	<ul style="list-style-type: none"> No supporting documentation explaining this payment and why the \$9.93 rate was used. Unable to determine the logic behind the complicated calculations used. Payroll technician processed retroactive payment without a secondary or management review and approval. No supporting documentation in the payroll records from the GFD that these hours were not paid to the former Fire Chief. 	\$ 3,230.97

Appendix 3:
Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
10	11/14/03	423409	\$ 1,068.60	Retroactive payment for 20 hours of overtime calculated at one and one-half (1½) times the \$35.62 Fire Chief hourly rate or \$53.43 per hour for 11 hours worked on December 21, 2002 and 9 hours worked on December 22, 2002.	<ul style="list-style-type: none"> • Recipient was not appointed as the Acting Fire Chief until January 6, 2003, but the rate used to calculate this overtime was the higher Fire Chief rate of \$53.43. • Payroll technician processed retroactive payment without a secondary or management review and approval. 	\$ 1,068.60
11	06/11/04	11319	\$ 6,001.98	Retroactive payment for regular and typhoon pay at the rates \$25.69 and \$3.36 for work done in December 2002. Breakdown of payment per AS400 system as follows: (1) 12/12/02 : 1 hour of regular pay at rate of \$3.36; (2) 12/13/02 : 65 hours regular pay at the rate of \$25.69; and (3) 12/14/02 : 168.5 hours of regular typhoon pay at the rate of \$25.69.	<ul style="list-style-type: none"> • No supporting documentation explaining this payment. • Unable to determine the logic behind the complicated calculations and two rates used. • Payroll technician processed retroactive payment without a secondary or management review and approval. 	\$ 6,001.98
12	12/10/04	64088	\$ 2,125.60	Advance on payment for pay period 11/28/04 ~ 12/11/04.	<ul style="list-style-type: none"> • Processed although not authorized by the DOA Director. • Payroll technician processed advance payment without a secondary or management review and approval. 	\$ 2,125.60

Appendix 3:**Special Payments Summary and Questioned Costs**

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
13	12/10/04	64091	\$ 724.00	Advance on payment for pay period 11/28/04 ~ 12/11/04.	<ul style="list-style-type: none">• Processed although not authorized by the DOA Director.• Payroll technician processed advance payment without a secondary or management review and approval.	\$ 724.00
14	12/23/04	68191	\$ 2,849.60	Advance on payment for pay period 12/12/04 ~ 12/24/04.	<ul style="list-style-type: none">• Processed although not authorized by the DOA Director.• Payroll technician processed advance payment without a secondary or management review and approval.	\$ 2,849.60
15	03/18/05	91747	\$ 9,973.60	Annual leave balance of 280 hours cash out upon termination as acting Fire Chief effective 6/23/03. Calculated by 280 hours times the \$35.62 Fire Chief rate.	<ul style="list-style-type: none">• Notification Personnel Action A-31572 authorized unused annual leave lump sum payment.• Chief Payroll Officer reviewed unused annual leave balance calculation and payment.	\$ -

Appendix 3:

Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
16	04/22/05	103160	\$ 4,972.55	Retroactive overtime payment of 104 hours at the Fire Chief rate of \$35.62 or \$53.43 and 96 hours of night differential hours calculated at 10% of \$35.62 Fire Chief rate or \$3.56 per hour between the periods of 1/26/03 ~ 3/22/03.	<ul style="list-style-type: none"> Overtime justifications were approved by the DOA HR Administrator. However, the justifications included attendance of meetings, preparation of budget, and review of policies and procedure, which we deemed to be standard managerial duties and responsibilities of a fire chief. Overtime hours were requested for retroactive payment almost two years later in April 2005, a month before the chief resigned from his position. Total gross pay was \$5,898.67. In May 2005, payroll recovered \$926.12 from the former Fire Chief's annual leave balance cash out of 26 hours calculated at the rate \$35.62. Therefore, we deducted \$926.12 from this retroactive payment bringing down the questionable payment to \$4,972.55. 	\$ 4,972.55
17	05/13/05	107585	\$ 1,474.67	Retroactive payment for overtime of 26 hours calculated at the Fire Chief rate of \$35.62 of \$53.43, and 24 hours night differential pay calculated at 10% of \$35.62 per hour.	<ul style="list-style-type: none"> Overtime justifications was approved the former DOA HR Administrator. However, the date reflected on the administrator's signature is "5/9/09," or almost four years later after the payment was made. Therefore, this payment was issued without the approval of the DOA Human Resources and remains a questioned cost. 	\$ 1,474.67

Appendix 3:

Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Special Payment Information	OPA Findings	Questioned Cost
18	05/31/05	111661	\$ 6,767.80	Annual leave balance of 190 hours cash out upon resignation as the confirmed Fire Chief effective 5/03/05. Calculated by 190 hours times the \$35.62 Fire Chief rate.	<ul style="list-style-type: none"> Notification Personnel Action A-32851 authorized unused annual leave lump sum payment. Chief Payroll Officer reviewed unused annual leave balance calculation and payment. 	\$ -
19	11/04/05	158605	\$ 5,449.86	Retroactive overtime payment of 102 hours at the Fire Chief rate of \$35.62 or \$53.43 as noted by the payroll technician in the FY 2003 Employee Service Card between 2/05/03 ~ 3/22/03. However, the AS400 system reflected the payment for 205 hours at the regular rate of \$26.57 and 1 hour at the rate of \$3.01.	<ul style="list-style-type: none"> The Chief Payroll Officer subsequently provided additional documentation for the overtime payment. However, none of the documents provided shows that the DOA Human Resources Administrator approved the overtime justifications. Therefore, the \$5,450 retroactive payment remains a questioned cost. No supporting documentation why the information noted by the payroll technician in the Employee Service Card is different from that of the AS400 system. 	\$ 5,449.86
	Special Payments Subtotal:		<u>\$ 68,406.45</u>	Unexplained Special Payments Questioned Costs:		<u>\$ 51,665.05</u>

Appendix 3:

Special Payments Summary and Questioned Costs

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	Check Date	Check Number	Gross Pay	Payment Information	OPA Findings	Questioned Cost
Questionable Regular Bi-Weekly Pay						
1	04/25/03	359523	\$ 3,775.72	Regular pay for pay period 4/06/03 ~ 4/19/03 was calculated at 106 hours at the Fire Chief rate of \$35.62. The Fire Chief is an exempt position paid on a salaried basis of 80 hours per pay period.	<ul style="list-style-type: none"> Since the former Fire Chief was in the acting capacity between January 6, 2003 and June 23, 2003, his pay should have been \$2,850 calculated at the \$35.62 Fire Chief rate times 80 hours. Therefore we are questioning the difference of \$926.12. 	\$ 926.12
2	04/08/05	98932	\$ 2,849.60	Alterations on the February 25, 2005 leave form where the Acting Governor approved leave until March 27, 2005. Leave dates were changed from "3/22/05 ~ 3/26/05" for "40" hours to "3/22/05 ~ 4/1/05" for "80" hours, an additional 40 hours.	<ul style="list-style-type: none"> No supporting documentation or justification why the former Fire Chief received administrative leave pay beyond March 27, 2005 of 37 hours totaling \$1,317.94. Unable to determine if the Acting Governor was aware of changes made on the leave form request, which extended the former Fire Chief's leave by an additional 40 hours. 	\$ 1,317.94
Regular Bi-Weekly Pay Subtotal:			<u>\$ 6,625.32</u>	Regular Bi-Weekly Pay Questioned Costs:		<u>\$ 2,244.06</u>
TOTAL:			<u>\$ 75,031.77</u>			<u>\$53,909.11</u>

Appendix 4: Management Response



Eddie Baza Calvo
Governor
Ray S. Tenorio
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE
(UFISINAN DIREKTOT)

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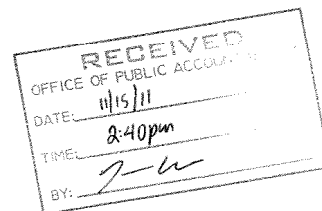


Benita A. Manglona
Director
George A. Santos
Deputy Director

November 07, 2011

MEMORANDUM

To: Public Auditor, Guam Office of Public Accountability
From: Director, Department of Administration
Subject: Response to OPA Report no. 10-08, GFD Payroll and Special Payment Analysis.



Special Payments such as retroactive pay and payroll advances requested by line agency employees, specifically retroactive payments are normally reviewed and audited by the payroll supervisor before it is processed and paid by the payroll technician. On the other hand, special payment requests (advance pay) require DOA appointing authority clearance and concurrence by the chief payroll officer before it is processed for payment. As a standard operating procedure, Payroll technicians are not to process any form of payroll payments without proper documentation from the requesting agency/employee.

DOA Payroll concurs that some of the payments made to the former fire chief between January 2003 and December 2005 did not go through the proper procedure that should have been followed by the payroll technician at that time. However after the audit, the current chief payroll officer decided to conduct its own review and made a discovery of documents to justify three of the Unexplained Payments that were initially discussed on page 7 and 8 of the OPA audit report (see attached).

DOA payroll also acknowledge based on the audit findings, the former fire chief's request for special payments did lacked proper approved signatures yet were still processed and paid by the payroll technician. As recommended, all special payment requests are now subject to DOA's appointing authority approval before it is sent to DOA payroll for processing. In addition, top level agency management requests are now being closely monitored by the Chief Payroll Officer. System controls are also being tested for implementation to restrict payroll technicians from processing special payment requests without a clearance flag from Chief Payroll Officer or Payroll Supervisor.

cc: Chief Payroll Officer

for BENITA A. MANGLONA



**Guam Fire Department
Payroll and Special Payments
Report No. 10-08, November 2011**

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To improve the public trust,
we audit, assess, analyze, and make recommendations
for accountability, transparency,
effectiveness, efficiency, and economy of the government of Guam
independently, impartially, and with integrity.

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