



EXECUTIVE SUMMARY

OPA Report No. 03-03

May 2003

Department of Corrections
Investigative Audit on Payroll and Overtime Practices
October 1, 2000 through June 30, 2002

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The Office of the Public Auditor (OPA) initiated an investigative audit into the Department of Corrections' (DOC) payroll and overtime practices in June 2002 on the basis of a series of OPA Hotline tips that there were improper payroll activities at DOC. Our audit focused specifically on payroll and overtime practices and the internal controls associated with them. The scope of the audit covered the 21 months from October 1, 2000 through June 30, 2002.

An interim report issued in November 2002, alerted the Attorney General, the Legislature, and the Governor to possible continuing violations of law resulting in the expenditure of as much as **\$4 million in unaccounted work hours**.

Our audit disclosed significant discrepancies between the hours reported on DOC employee time sheets and the hours worked as documented in the Central Control Blotters. We found that nearly all DOC officers did not report or secure from duty at Central Control as required by DOC Unit Directive ACF 2000-04. Our testing of DOC employee time sheets for two pay periods in 2002 revealed **11,223 hours reported on time sheets that could not be verified**. The dollar value of the unaccounted hours is \$176,846. If these unaccounted hours reflect the conditions during the 46 pay periods within our scope, the dollar value of unaccounted hours could be as high as \$4,063,272.

We found that employees were receiving two to three times the amount of their base annual salary. Employees not only received overtime pay, but also night differential, hazardous, and when available, holiday pay. For example, a Corrections Supervisor III with a base salary of \$33,259 was paid \$102,546 in 2002 and \$75,729 in 2001. A Security Guard with a base salary of \$31,408 was paid \$81,636 in 2002, \$96,306 in 2001 and \$90,407 in 2000. Payroll for 216 employees in 2002 amounted to \$9,889,901 for an average salary of \$45,787 and \$10,461,099 for 233 employees in 2001 for an average salary of \$44,897.

The findings indicate a serious disregard and neglect of fiduciary duties by DOC management. There was a complete breakdown of internal controls over payroll timekeeping in the areas of regular hours, overtime, holiday pay, night differential, and hazardous pay. Factors that may have led to the breakdown of controls include:

- Lack of a reliable timekeeping system. DOC utilizes the Central Control Blotters, a voluminous and cumbersome document whose main purpose is to track operational activities at the correctional and detention facilities.
- No objective verification of hours claimed on employees' time sheets. Supervisors rely on personal recollections in verifying the correct number of hours worked by each employee under their authority. In other instances the Facility Superintendent or Correction Officer Supervisors signed time sheets for employees they did not directly supervise.

- Lack of management of payroll. We found no evidence that DOC management reviewed reports of payroll information, monitored overtime costs, or performed budget-to-actual comparisons.

Our audit also found that a number of DOC employees are consistently incurring overtime in excess of the regularly scheduled 12 hours per day and we found little to no evidence that management took any steps to control overtime costs. Overtime hours of 153,856 were charged in FY 2001 and 88,323 hours were charged for the nine months ending June 30, 2002. In 2001 a Detention Facility Guard, a Security Guard, and a Corrections Officer III charged 2,966, 2,816, and 2,079 overtime hours, respectively. For the nine months ending June 30, 2002, a Detention Facility Guard and a Security Guard had already charged 2,311 and 1,445 overtime hours, respectively.

DOC contends that overtime hours were mandated by Executive Orders 96-35 and 2000-06. Management, in particular the Facility Superintendent, believed the E.O.'s relieved them of responsibility for controlling or justifying overtime. References to E.O.'s 96-35 and 2000-06 were preprinted on the time sheets. Upon the issuance of E.O. 2000-06, previously exempted employees were **paid retroactively for overtime** claimed during a time when overtime was prohibited to them.

In several instances close family members were employed at DOC in possible violation of the nepotism rule. In two cases, a supervisor approved the time sheet of his/her sibling. The Acting Director approved the overtime requests of his stepson.

Although many people were in a position to know that abuses were taking place at DOC with respect to overtime and hours worked, we found little evidence that anyone questioned the authority of the Facility Superintendent, certain supervisors, and other personnel to incur apparently excessive overtime. A large number of people were responsible for the breakdown of controls that appear to have resulted in significant indications of possible fraud, waste and abuse of government funds.

Based on our findings we recommend:

- The Director of DOC implement a reliable and independent timekeeping system and improve on the overall control environment. See details in the report.
- The Governor and the Legislature thoroughly scrutinize any request for a supplemental appropriation to pay claimed past due overtime.
- The Legislature enact legislation discontinuing the practice of allowing non-base pay, which includes overtime and other supplementary pay, to be included in the three highest years for the calculation of a retiree's annuity for members of the Defined Benefit Plan.
- The Attorney General determine if any of the activities constitute illegal acts and conduct a further investigation into overtime activities at DOC.

The new DOC Director generally concurred with our findings and recommendations.



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