



The Fair Labor Standards Act (FLSA) mandates that covered non-exempt employees must receive overtime pay for hours worked over 40 per workweek at a rate not less than one and one-half times the regular rate of pay. In a school division, nonexempt employees include school bus drivers and other School Transportation employees.

School Board Policy Appendix A section 21 requires that all nonexempt employees complete a timesheet each pay period. Time worked beyond normal hours is compensated at the regular rate of pay for hours worked up to 40. Beyond 40 hours worked, the employee is eligible for overtime pay at time and one-half. It also outlines that when an employee uses paid leave time (sick, annual, holiday or personal) during the workweek, those hours do not count toward 40. "Wait time" represents paid hours worked for employees "waiting" to work. For example, a bus driver waiting for children at a field trip or athletic event. A nonexempt employee who is free to leave the work area, and who is not "on call" during lunch is not required to be paid for lunchtime and should be considered "off the clock".

The policy goes on to say that "overtime work must be authorized in advance. Supervisors must not allow employees to work overtime without authorization." The Board approved compensation plan explains that "all timesheets on which overtime is reported must be forwarded to the Payroll department on a weekly basis."

Each week, nonexempt employees manually complete a timesheet and submit to their supervisor for approval. After approval, time is manually entered by "timekeepers" into ONESolution and the timesheets are maintained at the employees' location. Timekeepers enter time on an exception basis which results in timekeepers calculating and entering overtime hours.

## **OBJECTIVES, SCOPE & METHODOLOGY**

### **Objectives:**

To examine timesheets provided by management to evaluate overtime processing and payment procedures for accuracy and policy compliance.

### **Scope:**

Our scope included 99 payments provided by school management for 43 employees who had the highest overtime earnings over 9 pay periods from July 12, 2018 to November 15, 2018. After discarding payments that were missing one or more timesheets, we used available timesheets to recalculate and analyze 83 payments for 36 employees.

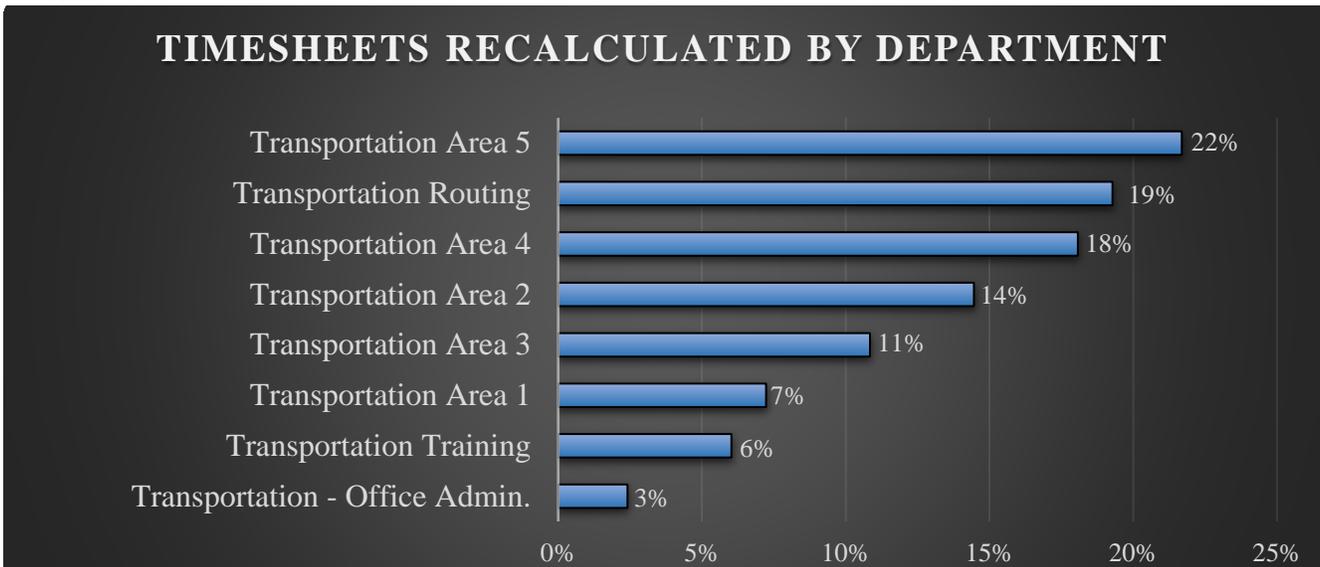
### **Methodology:**

Our methodology included:

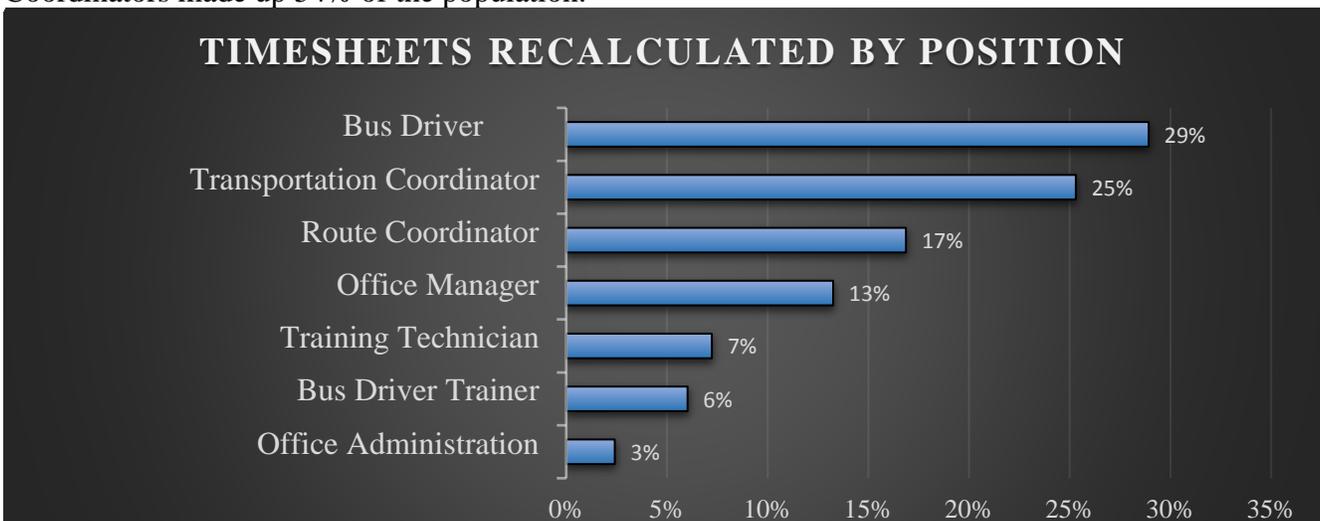
- Analytically reviewed year-to date overtime and payroll expenditures FY19, FY18, and FY17.
- Analytically reviewed overtime and payroll expenditures from date of management request (November 28, 2018) thru March 31, 2019.
- Recalculated overtime hours from paper timesheets. We compared our calculated totals to the timesheet and analyzed differences. Then, we compared the timesheet totals to overtime entries in the payroll system. Finally, we reviewed the check stub to compare the amount of overtime paid to the hours worked.

We conducted this special project as a performance audit in accordance with generally accepted government auditing standards, except the risk and internal control assessment was more targeted to the specific allegations versus a comprehensive evaluation of the program. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Khara Lounsbury, Technology Audit Manager and Christian Wingfield, Staff Auditor performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

The payments provided for review were from various Transportation departments. Transportation Area 5, Transportation Area 4, and Transportation Routing make up approximately 59% of the payments we examined.

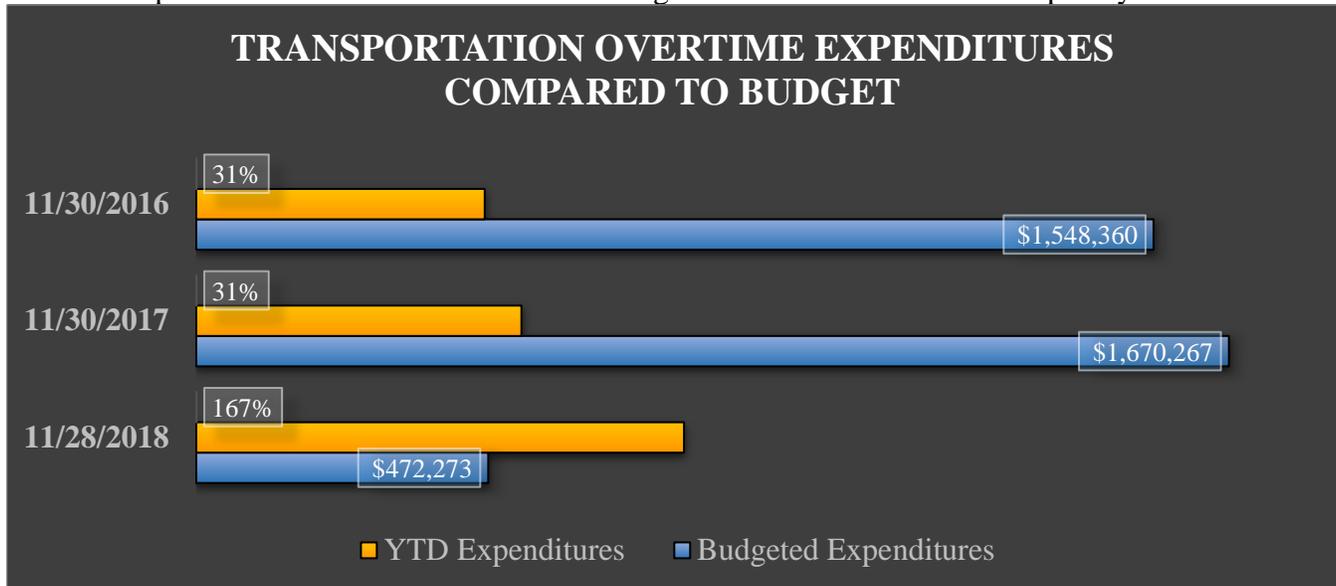


The payments provided for review included various position titles. Bus Drivers and Transportation Coordinators made up 54% of the population.

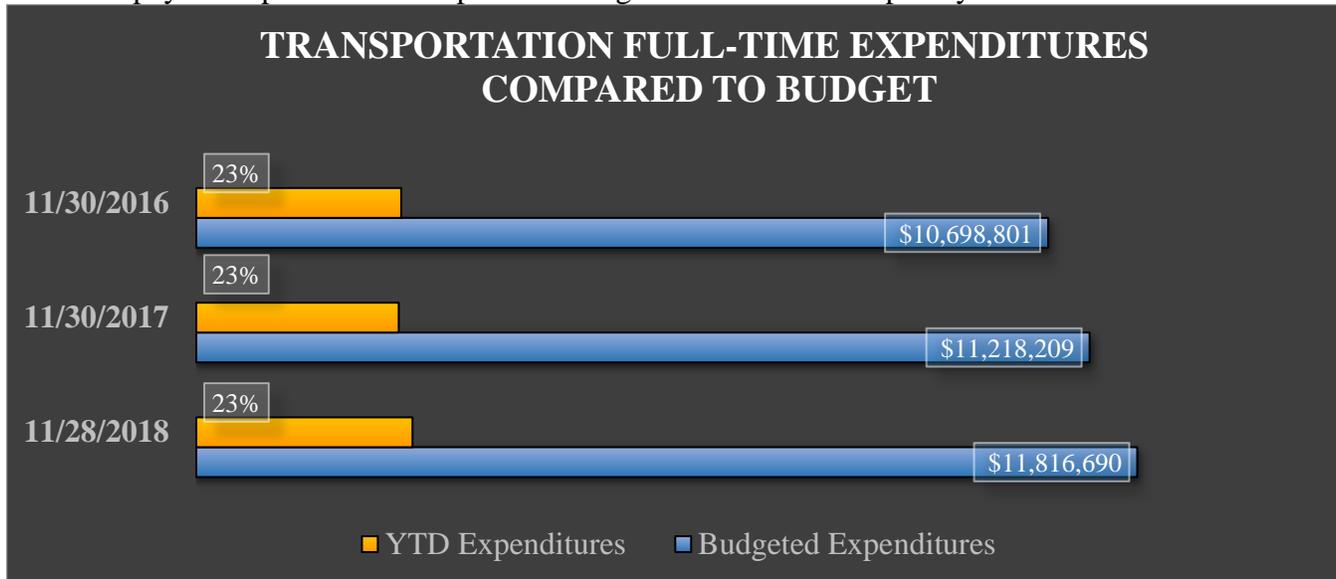


**FINDINGS**

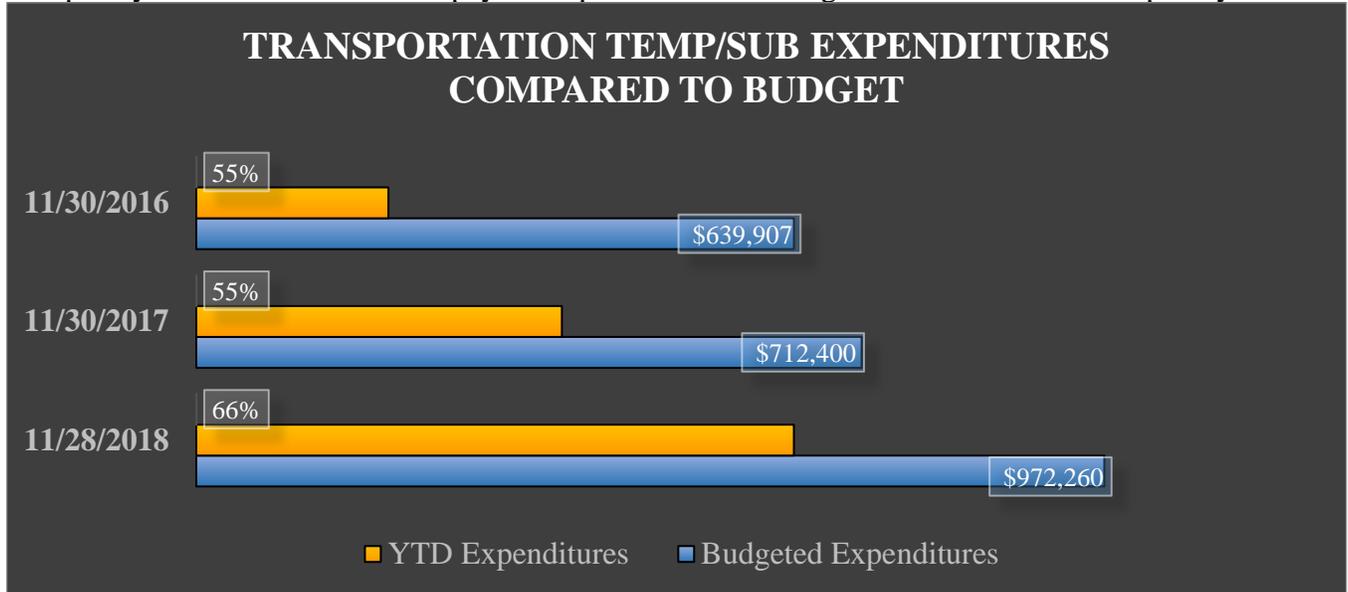
We analytically examined fiscal year to date payroll and overtime expenses in the Transportation area (keys 9440001, 9440002, 9440003, 944004, 944005, and 9440320) through November 2018 to November 2017 and 2016. We noted that fiscal year 2018 overtime expenditures were significantly higher than previous years, with no noteworthy change in full-time payroll expenditures and an insignificant increase in temporary and substitute payroll expenses. At November 2018, overtime expenditures were 167% the revised FY19 budget of \$472,273. An increase in overtime expenditures seems reasonable since there was a shortage of bus drivers at the beginning of the school year. However, it is also important to note that FY19 overtime budget was 72% lower than in the prior years.



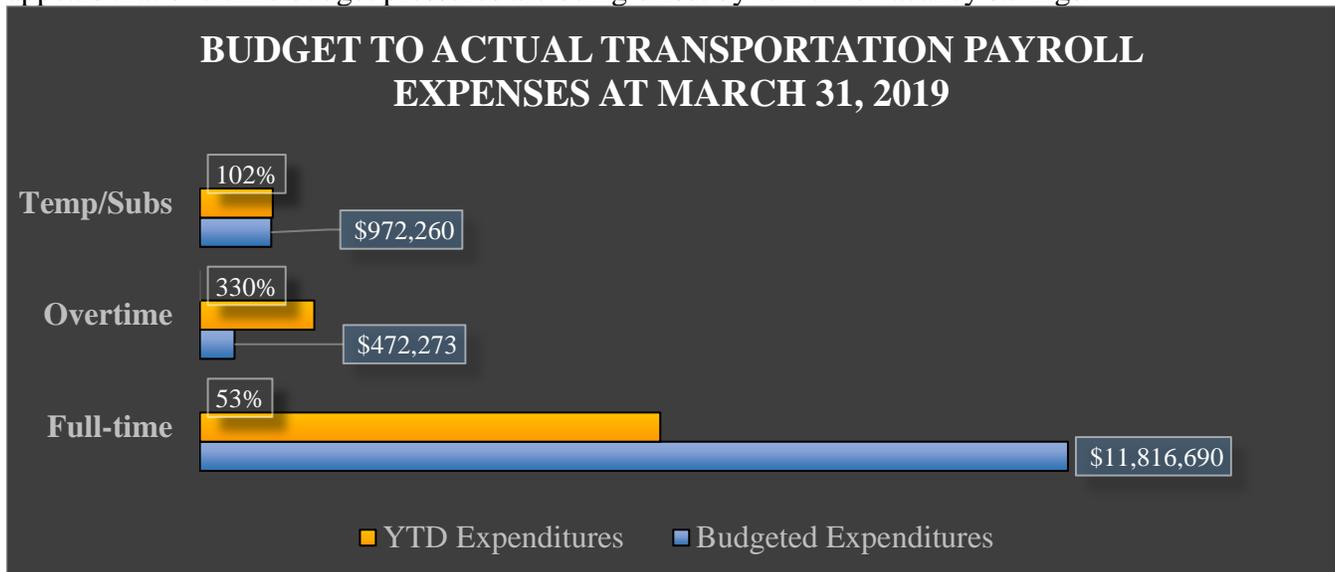
Full-time payroll expenditures compared to budget were in line with prior years.



Temporary workers and substitute payroll expenditures and budgets have increased from prior years.

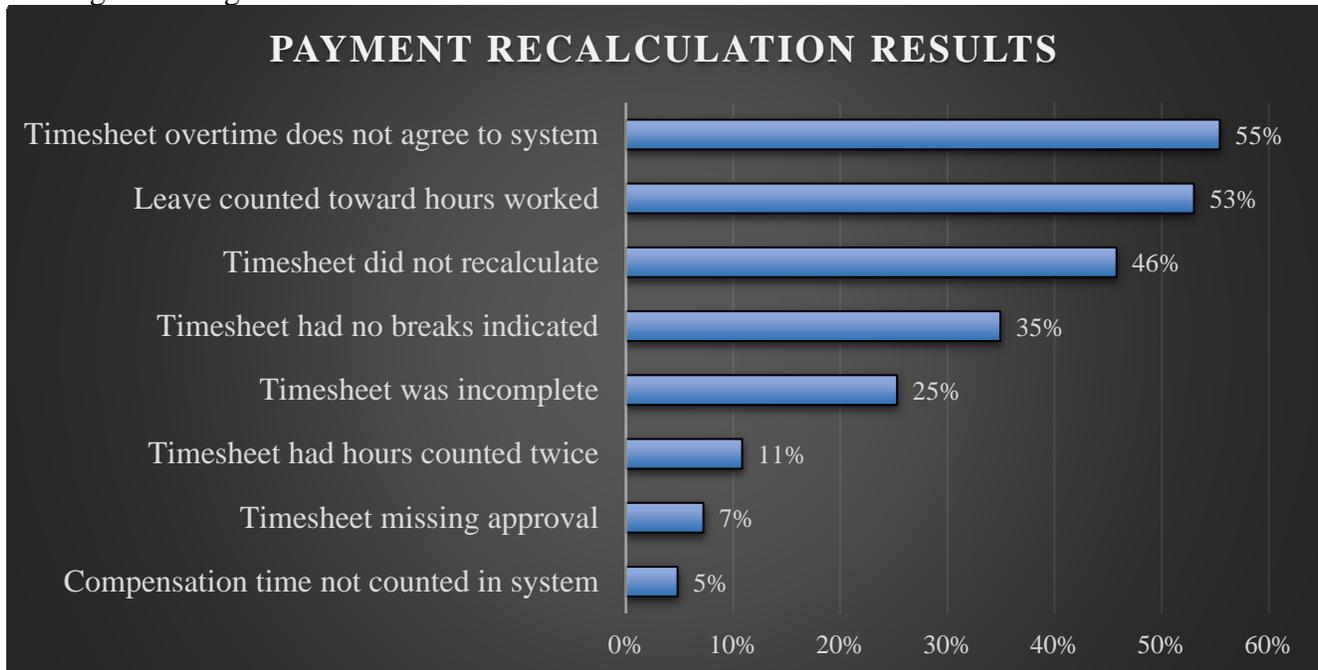


At March 31, 2019, Transportation overtime expenditures were \$1,557,691 (330% of budget). The additional use of temporary workers and substitutes is also apparent at \$992,414 or 102% of budget. However, combined salary expenditures for categories below of \$8,817,541 are only 66% of budget. It appears that overtime budget pressures are being offset by full-time vacancy savings.



Management asked us to review 99 overtime payments across 9 pay periods from July 12, 2018 through November 15, 2018. Schools could not provide timesheets for 16 payments. We recalculated the remaining 83 payments with \$64,000 overtime (184 timesheets) and found problems with 70 payments (84%). Internal Audit calculated 2,115 overtime hours, 14% less than reported on manual employee timesheets (2,471 hours) and 25% less than paid (2,814 hours). We estimate overpayment at \$14,000 for 36 employees, ranging from \$6 to \$1,398. Tested payments were about 8% of Transportation overtime expenditures during the period.

Findings are categorized in the chart below.



When we compared the timesheet hours to the payroll system entry, we found differences in 46 of the 83 (55%) payments tested. Differences include timekeepers entering all hours worked as overtime rather than hours over base contracted hours and posting certain overtime hours as a lump sum (i.e. for multiple days), rather than recording daily. In total, the timesheets indicated 2,471 overtime hours compared to ONESolution with 2,814 overtime hours posted (14% increase over timesheets). The current timesheet format does not demonstrate regular hours versus overtime hours worked. We also noted that overtime hours entered into the system are not reconciled back to the manual timesheets to ensure accuracy.

Internal Audit recalculated hours worked for each payment. We noted in 44 of the 83 payments (53%), paid leave time (such as sick, personal leave or vacation) and time not working (such as days schools were closed due to inclement weather) were considered hours worked for overtime calculation. This results in overpayment.

Each payperiod, school timekeepers manually add up each employees' hours worked from the timesheet. Internal Audit used a spreadsheet to recalculate total hours worked for each employee and had a different calculation for 38 of the 83 payments (46%) tested. Employees and timekeepers were inconsistent with time standard to report hours; for example, some use minutes and others use percentages for portions of hours, some use a 12-hour clock, and others a 24-hour clock (i.e. military time). We also discovered hour totals listed on timesheets did not agree with the in-and-out times reported by the employee. In addition, there were instances where only totals were written without providing in-and-out times.

School board policy allows for employees to be paid for "Wait time" (time spent by the employee while "waiting" to work). However, we noted that in 29 of 83 payments (35%), employees worked long hours with no break recorded. We routinely noted employees counting more than 14 hours worked with no break.

In 21 of the 83 payments (25%) recalculated, we determined that the timesheet was not complete. There were timesheets with no daily hour totals or weekly hours totals.

In 9 of 83 payments (11%), it appeared that there was double counting of hours. For example, we noted some bus drivers counted “instructor time” as well as “ride-a-long” time in addition to regular bus route hours worked. This results in overpayment.

In 6 of 83 payments (7%), we noted that timesheets did not have a supervisor’s approval. In addition, we did not see evidence of overtime authorization made in advance for each employee. We also discovered that timesheets with overtime are not being sent to the Payroll office as required in the compensation plan. Without the timesheets, there is no way for Payroll to verify reported overtime.

In 4 of 83 payments (5%), compensation time was taken on the timesheet but not recorded in the system.

**RECOMMENDATION(S):**

We recommend:

1. HR/Finance/Payroll implement changes for employees to electronically report hours worked for supervisory approval. **(repeat finding from report dated 12/22/16 - #1).**
2. Finance/Payroll develop periodic reporting for overtime monitoring by departments, with detail by employee. **(repeat finding from report dated 12/22/16 - #11).**
3. HR consider policy changes to establish an overtime hour limit per employee.
4. Finance/Payroll provide training to timekeepers to reinforce that paid leave time is not counted towards hours worked.
5. Finance/Payroll revise timesheets to identify overtime and leave hours for OneSolution entry by day (i.e. rather than just showing total hours worked).
6. Finance/Payroll develop procedures for timekeepers and supervisors to document reconciliation of timesheet overtime hours with overtime hours submitted to payroll on “register of hours” report.
7. Finance/Payroll reinforce policy of supervisor pre-approval of overtime and retain documentation.
8. Compensation and Benefits enforce existing procedure of sending timesheets with overtime to the payroll department or develop a policy which includes a central review of overtime for reasonableness.

**MANAGEMENT’S RESPONSE(S):**

1. *Concur. Finance Director, Paula Aldous, in conjunction with Chief Operations Officer are responsible for implementing by June 30, 2020. Efforts are under way to create timesheets specific to the nature of the bus driver schedule. Access to technology for this stakeholder group continue to be a challenge for reporting hours electronically. If alternative options that facilitate the same goal and are more palatable to the stakeholder group are found, they will be adopted in place of digital timesheets.*
2. *Concur. Finance Director, Paula Aldous, is responsible for implementation. Overtime reports were put into place by late 2018. Target audience groups include Transportation, Special Education, Facilities and Budget. These reports are generated after each pay cycle or twice per month. Primary stakeholders are notified through email when reports are ready.*

***Auditor comment:** New overtime reporting occurred after this project scope had ended (i.e. November 15<sup>th</sup>). Audit will evaluate new reporting through FY2020 recommendation follow-up.*

3. *Do not concur. All employees should be communicating with supervisors in situations where overtime is needed. Supervisors have the authority to approve overtime as needed. If an employee works overtime, we cannot withhold payment. Also, limiting per employee would be nearly impossible within a division of our size. It is the responsibility of the supervisors to authorize overtime to get the business of the division completed efficiently and effectively.*  
**Auditor Comment:** *There are inherent risks associated with prolonged work shifts. An overtime hour policy limit could provide a benchmark for department monitoring to help ensure the safety of employees and others. For example, Chesterfield County policy CAP 6-17 currently limits County employees to 700 overtime hours and 1,050 overtime hours for Fire and EMS employees.*
4. *Concur. Finance Director, Paula Aldous, and Payroll Manager are responsible for implementing by June 30, 2020. The finance team will be developing video training modules to support timekeepers in the appropriate calculations on timesheets. Additionally, the finance team will be developing timesheets that are automated with calculations. Training will be provided to all timekeepers to make sure the policies and procedures are understood by all.*
5. *Concur. Finance Director, Paula Aldous, in conjunction with Chief Operating Officer are responsible for implementing June 30, 2020 unless the efforts for recommendation #1 result in an alternative solution. Efforts are under way to create timesheets that factor in calculations that align with FLSA.*
6. *Concur. Finance Director, Paula Aldous, and Payroll Manager will take immediate steps to modify the register of hours to include overtime hours to be implemented by October 31, 2019. In addition, options will be evaluated to develop procedures for timekeepers and supervisors to document reconciliation of timesheet overtime hours by June 30, 2020.*
7. *Concur. Finance Director, Paula Aldous, and Payroll Manager are responsible for implementation July 1, 2019. Policy reinforcement will occur at the beginning of the school year (September 2019) and subsequent quarterly reminders. These reminders will be sent to all supervisors and timekeepers throughout Chesterfield County Public Schools.*
8. *Concur. Director of Compensation and Benefits, Kim Carter, in conjunction with the Finance Director, Budget Director and other primary directors are responsible for implementation by June 30, 2020. Policy will be modified to remove requirement that all timesheets with overtime be sent to central office for reviews. Instead, policy will be reinforced quarterly, Overtime reports will be provided semi-monthly, Budget will review reports monthly and meet with necessary stakeholder groups to discuss reasonableness as necessary.*

## **CLOSING**

We appreciate the cooperation and assistance received from School management and staff throughout this audit.

cc: Thomas Taylor, Chief of Staff  
 Christina Berta, Chief Financial Officer  
 Nita Mensia-Joseph, Chief Operations Officer