

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



July 17, 2006

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building, Suite 600  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mayor Williams:

In our continuing effort to alert agency heads of issues requiring their attention, I am providing this Management Implication Report (MIR 06-A-01) to advise you of internal control weaknesses over the use and accountability of overtime. Findings identified in a recent audit provide reasons to believe that these internal control weaknesses may exist in other District agencies. Awareness of the District's history of excessive overtime cost and innovative approaches now used by other municipalities to reduce overtime also provide District agencies with opportunities for assessing the adequacy of their internal controls and initiating actions to better manage and reduce overtime cost. Conservatively, we estimate that the District can reduce overtime cost by at least 10 to 15 percent or between \$5.5 million and \$8.2 million based on the successes achieved by other municipalities' overtime cost reduction efforts.

*Recent Overtime Report*

Our review of overtime use in the District of Columbia Public Schools disclosed that improvements were needed over (1) the overtime approval process; (2) the training of payroll technicians, timekeepers, and supervisors; (3) the maintenance of documentation supporting overtime work; (4) the necessity of overtime requested and paid; and (5) the development and implementation of overtime policies and procedures. As a result of these weaknesses, there was no assurance that overtime payments were always valid, or that overtime was needed to fulfill genuine work requirements. Some of the deficiencies in overtime management included:

*Overtime Paid Instead of Basic Pay.* Employees received overtime payments when the hours worked should have been paid as basic pay. Specifically, employees were paid overtime where basic pay should have been paid on the same day that the employees were on annual leave.

*Overtime Approvals and Supervisory Monitoring.* Overtime had been paid although the overtime request form had not been approved by an authorizing official. Additionally, written supervisory approval authorizing employees to work overtime had not been obtained in advance. Lastly, we noted instances where overtime was being paid for work already covered by a contract and the overtime planned for was work that was not adequately performed.

*Missing and Maintenance of Records.* The documentation needed to support overtime for employees was missing (timesheets and/or overtime request forms and justifications).

*Employee Training.* Payroll technicians, timekeepers, and authorizing officials had not received adequate training to provide them with the knowledge and skills required to maintain and support payroll operations, including overtime.

*Policies and Procedures.* During our review, we noted that there were insufficient policies and procedures regarding the accountability and use of overtime. For example, the procedures documenting the payroll process were outdated and not applicable to the payroll systems currently in use.

#### *Historical Perspective on Overtime*

In September 1997, the Government Accountability Office (GAO) issued a report entitled, "District of Columbia Government Overtime Costs Exceed Those of Neighboring Governments," Report Number GAO/GGD-97-159BR. The report found that, when compared to the city of Baltimore, Montgomery County, Prince George's County, and Fairfax County, the District's overtime cost for FY 1996 was \$82.9 million or about 6.0 percent of total salary costs as opposed to 5 percent, 5.3 percent, 2.8 percent, and 2.0 percent in the respective neighboring jurisdictions. GAO noted that the preponderant use of overtime occurred in the Metropolitan Police Department, the Department of Corrections, the Department of Human Services, the Water and Sewer Authority, the Fire and Emergency Medical Services Department and the District of Columbia Public Schools. These agencies collectively accounted for 87 percent of the overtime dollars. The overtime dollars GAO reported were in local funds, exclusive of federal grant dollars. In response to the concerns about escalating overtime costs, the District of Columbia Financial Responsibility and Management Assistance Authority (the Authority) characterized the problem with overtime costs as "staggering and not well planned" and issued an order to revise the personnel regulations to reduce overtime costs by 13-14 percent or \$8.8 million. GAO noted that the Authority's report on overtime stated that the "District as a whole does not adequately budget for overtime and that much of this overtime was frequently authorized for the same employees each pay period."

Nearly 10 years have passed since the GAO study. Accordingly, we analyzed and compared overtime data for the past 6 complete years (fiscal years 2000 through 2005) to evaluate the overtime status through the most recent complete year and see how overtime was trending,

whether agency budgets reflected adequate amounts for budgeted overtime and what overtime represented as a percent of total salary.

*FY 2000 through FY 2005*

The District's FY 2007 Proposed Budget and Financial Plan provides a record of overtime costs for the 6-year period for FYs 2000 through 2005, as shown below.

**Overtime Expenditures from Local Funds**

(Dollars in thousands)

Agency Name	2000	2001	2002	2003	2004	2005
Metropolitan Police Department	20,175	22,211	24,221	11,096	11,469	22,813
Fire and Emergency Medical Services	13,293	12,185	15,758	8,255	12,191	8,052
District of Columbia Public Schools	5,310	8,535	4,678	6,208	6,705	5,777
Department of Corrections	4,713	4,006	2,824	4,389	2,884	1,301
Department of Human Services	2,874	2,858	2,794	2,914	3,497	4,894
Department of Transportation	3,190	3,329	2,484	413	400	109
Child and Family Services	695	1,880	1,965	1,838	2,640	787
Department of Mental Health	2,490	2,054	1,701	803	2,767	4,600
Department of Public Works	0	0	0	2,603	2,453	3,512
All other Agencies	3,216	4,365	3,671	2,806	3,048	3,453
<b>Total</b>	<b>55,956</b>	<b>61,424</b>	<b>60,096</b>	<b>41,325</b>	<b>48,054</b>	<b>55,298</b>

The FY 2005 overtime amount of \$55,298,000 reflects local dollar overtime expenditures, which when expanded to include grant funds, special purpose revenue funds, intra-district funds and other non-local funding, amounts to \$81,181,879. For comparison and trending purposes, we are comparing local dollars; however, the total amount of overtime spending should be considered in implementing measures to reduce overtime. The above table shows that overtime has come down from the FY 1996 high of \$82.9 million and that the change in personnel rules did work to reduce overtime. However, the trend in the most recent 3 years shows increases in overtime of 16 percent and 15 percent between FYs 2003 and 2004 and FYs 2004 and 2005. Further, FY 2005 local funding for overtime appears to be under budgeted, especially for the agencies with the highest overtime expenditures, as shown below:

District Agency	Approved Overtime Budget (millions)	Actual Overtime Costs (millions)
Metropolitan Police Department	\$19.6	22.8
Fire and Emergency Medical Services Department	6.0	8.1
District of Columbia Public Schools	3.3	5.8
Department of Human Services	2.5	4.9
Department of Mental Health	3.4	4.6

It should be noted that under budgeting overtime was a condition noted in the previously mentioned GAO report.

*Other Local Governments, Similar Problems-Innovative Solutions*

Similar to the District, other municipalities have faced problems in managing and controlling overtime costs. Some jurisdictions and private organizations have taken proactive measures to significantly reduce overtime costs by enforcing strict overtime policies, using overtime goals as performance measures, and other innovative approaches. Some of the solutions for addressing overtime management are listed below:

- The State of New Jersey found that by filling vacant positions on a timely basis, it was able to reduce overtime use in the Human Services area.<sup>1</sup>
- Fairfax County, Virginia has established and enforced a zero overtime policy for certain programs. For example, adjustment of school bus driver schedules allowed the county to enforce a zero overtime policy.<sup>2</sup>
- A leading company has decided to assign a measurable value to overtime reduction which is then reflected in the performance measures of departmental budgets. The company achieved a 20-percent reduction in overtime in call center operations<sup>3</sup>
- An overtime study for a local municipality recommended that the jurisdiction consider applying fees for local events that generate overtime requirements for police, fire, EMS and other municipal personnel.<sup>4</sup>
- The same study also recommended that state agencies be required to submit monthly reports that identified each employee who earned overtime in excess of 16 percent of base pay.
- The Minneapolis Police Department reduced its \$5.0 million overtime costs by \$1.4 million, to \$3.6 million, by using an innovative software solution to better track and schedule work.<sup>5</sup>
- Snohomish County, State of Washington, achieved a reduction of up to 10 percent in the Sheriff's Department overtime costs by improving communication with the

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<sup>1</sup> Office of the State Auditor, State of New Jersey, Audit of the Department of Human Services, Division of Developmental Disabilities, November 29, 2000.

<sup>2</sup> Kronos Corporation article, "Municipalities Struggle to Control Overtime Leading to Budget Deficits," May 8, 2006.

<sup>3</sup> Case Study by Contract Center World.com, AAA's Insurance and Travel Operations.

<sup>4</sup> Overtime Study Performed for the State of California, 1999-2000.

<sup>5</sup> Microsoft Visual Studio.NET Customer Solution Case Study, (undated).

courts and correctional facilities, thus improving work schedules and saving overtime dollars.<sup>6</sup>

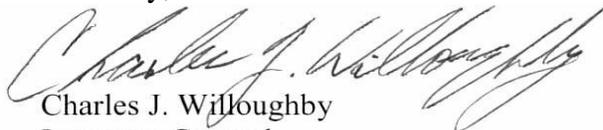
- A power generating company reduced overtime by 55 percent by implementing an innovative, flexible staffing program at its customer service facilities.<sup>7</sup>
- The City of Baltimore reduced overtime by \$5.8 million and \$10.8 million respectively in FYs 2001 and 2002 by implanting a four-phased CitiStat program that included continuous audit/EIS; automating citizen requests; expanding 311 services, and communication and awareness programs.<sup>8</sup>

The overtime reduction efforts cited above are a sampling of the hundreds of innovative tools and successful approaches available for improving overtime management and reducing or controlling overtime costs. With a growing trend in overtime payments for the last three fiscal years, we recommend that District agency officials perform assessments of their agency's overtime use to determine if the conditions noted in our recent audit extend to their operations and if so, to take preemptive action to better manage and control overtime costs. In addition, District agencies need to consider many of the available solutions for curtailing overtime growth, especially in those District agencies that consume the greatest portion of the city's overtime expenditures.

This Management Implication Report provides District managers with information about conditions that may exist at their agencies. It is my hope that managers will find this information useful in detecting and correcting similar conditions should they exist within their own agencies.

If you have questions about this report, please contact William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

CJW/ws

cc: See Distribution List

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<sup>6</sup> Snohomish County Auditor, Sheriff's Overtime Report (undated).

<sup>7</sup> Power Report: Portland General Electric Company, April/May 2006

<sup>8</sup> Baltimore CitiStat article, Elliot H. Schlanger, CIO, Baltimore, MD.

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