

Naval Audit Service



Audit Report



Internal Controls for Overtime Procedures at Navy Region Mid-Atlantic

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N2009-0010
7 November 2008

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MEMORANDUM FOR COMMANDER, NAVY REGION MID-ATLANTIC

Subj: **INTERNAL CONTROLS FOR OVERTIME PROCEDURES
AT NAVY REGION MID-ATLANTIC (AUDIT REPORT N2009-0010)**

Ref: (a) NAVAUDSVC memo, 7510 N2007-NMC000-0115.000 dated 15 Jun 07
(b) NAVAUDSVC memo, 7510 N2007-NMC000-0115.000 dated 9 Sep 08
(c) SECNAV Instruction 7510.7E, "Department of the Navy Internal Audit"

1. This report provides results of the subject audit announced by reference (a) and utilized in reference (b). Section A of this report provides our findings and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendix.

2. Actions taken or planned by the Commander, Navy Region, Mid-Atlantic, meet the intent of all the recommendations. Recommendations 2 and 4 are considered closed and no further action is required on them. Recommendations 1, 3 5, and 6 are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (c). Management should provide a written status report on the recommendations either upon completion of agreed-to actions or within 30 days after target completion dates. Please provide all correspondence to the Assistant Auditor General for Internal Control and Command Support, [REDACTED], at [REDACTED] with a copy to the Director, Policy and Oversight, [REDACTED]. Please ensure that the electronic version is on letterhead and includes a scanned signature. If you have any questions, please contact [REDACTED] at the e-mail address above or [REDACTED] or the Audit Director, [REDACTED] or [REDACTED].

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3. Any request for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (c). This report is also subject to followup in accordance with reference (c).

Subj: **INTERNAL CONTROLS FOR OVERTIME PROCEDURES
AT NAVY REGION MID-ATLANTIC (AUDIT REPORT N2009-0010)**

4. We appreciate the cooperation and courtesies extended to our auditors.



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Executive Summary

Overview

It is the Department of the Navy's (DON's) policy that the approval of civilian overtime and compensatory time shall be limited to cases of necessity, such as fleet readiness, emergencies, safeguarding life and property, and individual incidents in which savings can be clearly demonstrated. Overtime is time worked in addition to an employee's normal workday. Each employing activity is responsible for controlling overtime. An authorized official (preferably the official most knowledgeable of the employee's time worked) shall approve any overtime, compensatory time, or holiday work. The documented approval shall be retained in accordance with the provisions of Department of Defense (DoD) Financial Management Regulations (FMR).

We evaluated management practices and internal controls for overtime worked in Navy Region Mid-Atlantic primarily from 15 October 2005 through 31 March 2007. We reviewed written guidance, overtime pre- and post-approval, segregation of duties, retention of documentation, and supervisory reviews of overtime for a sample of 27 individuals who earned about 4,900 hours of overtime during the period under review.

Objective

The audit objective was to verify that personnel management practices and internal controls governing overtime procedures are in place and functioning within Navy Region Mid-Atlantic operations.

Conclusions

The Office of the Commander, Navy Region Mid-Atlantic (CNRMA) did not have adequate controls over the overtime approval and review process. We determined that overtime was not consistently approved in a timely manner; timekeepers and not supervisors were approving overtime; documentation was not retained as required; and supervisors often did not review overtime to ensure it was actually needed or worked. Specific details of these control weaknesses are included in Section A of the report. Overtime is an area that, if not properly controlled, is very susceptible to fraud and abuse. It is essential that clear guidelines are established and communicated to all personnel, that

appropriate management approves the need to work overtime, and that overtime claimed is checked by managers against supporting documentation before authorization to pay is approved.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of the agency's internal and accounting system controls. During this audit, we identified internal control weaknesses in the review, verification, and approval processes of overtime hours. In our professional judgment, the control weaknesses identified are significant enough to be considered for inclusion in the Auditor General's annual FMFIA memorandum identifying material management control weaknesses to the Secretary of the Navy.

Corrective Actions

To correct the conditions noted in this report, we made six recommendations to CNRMA that, when implemented, should establish adequate controls over the overtime approval and review process. We recommend developing and distributing guidance that establishes standardized procedures for overtime administration; training supervisors and timekeeping personnel in rules for overtime administration; establishing procedures and controls for proper maintenance of timekeeping records; establishing a senior official to provide oversight of overtime and compensatory time; and performing a one-time review of all existing approvals for Administratively Uncontrollable Overtime.

Management took or plans to take appropriate corrective actions that meet the intent of the recommendations. Our recommendations and summarized management responses are in Section A of the report. The complete text of the management responses is in the Appendix.

Section A:

Finding, Recommendations, and Corrective Actions

Finding: Management of Overtime at CNRMA

Synopsis

Opportunities exist to improve the management of overtime practices and internal controls for overtime at Commander, Navy Region Mid-Atlantic (CNRMA). The Department of Defense (DoD) Financial Management Regulations (FMR) establish policies for overtime management, including responsibilities for recording and reporting of time and attendance. Our review of CNRMA's management of overtime determined that: (1) supervisors and timekeepers at four of the five locations visited were not aware of required overtime approval and documentation requirements; (2) controls for managing overtime at the five locations visited were not in place or not functioning properly; (3) overtime documentation either did not exist or did not consistently contain evidence of supervisory oversight for 26 percent of the total overtime hours reviewed; and (4) there was no evidence that timesheets were periodically reviewed to ensure overtime input into the timekeeping system was actually worked. These conditions existed because supervisors and timekeepers were not trained regarding the pertinent policies and regulations governing overtime procedures. Further, supervisors relied significantly on employee honesty and integrity. We identified 1,040 overtime hours – or 21 percent of overtime reviewed – that was not supported by sufficient documentation, supervisory review, or prior approval. Weak internal controls increase the risk that management may not be aware of personnel who could be incorrectly paid for overtime that has not been worked.

Discussion of Details

Background

The total CNRMA payroll from 15 October 2005 through 31 March 2007 was almost \$292 million, of which almost \$9 million was paid overtime. This overtime represented nearly 3 percent of total payroll. Approximately 76 percent of the paid overtime was earned in the following 4 job series:

Series Title	Overtime \$	Percentage of Total
Police Officers/Detectives	\$4,760,799	55
Firefighters	\$1,230,725	14
Dispatchers	\$410,992	5
Security Assistant	\$174,461	2
Total	\$6,576,977	76

Overtime work consists of hours of work that are officially ordered in advance that are in excess of 8 hours in a single day or 40 hours in a week. Paid leave, holidays, and compensatory time are credited as work when computing overtime entitlement. Pay is computed at one-and-one-half times the employee's basic rate up to General Schedule (GS) Grade 10, Step 1.

A Federal employee may elect to earn and use compensatory time that is granted, in an amount equal to the amount of overtime worked, in lieu of payment for overtime hours worked. Compensatory time must be used by the end of the 26th pay period after it is earned. Compensatory time not used during this time period will be paid at the overtime rate at which it was earned.

Pertinent Guidance

DoD FMR Volume 8, Chapter 2, paragraph 020102 establishes responsibilities for the employing activity, approving official, and timekeeping. It states that supervisors shall ensure that: (1) individuals recording and approving time and attendance have been properly trained; (2) the recording and approval of time and attendance are performed timely and accurately, as required by responsible individuals; (3) all required supporting documentation is available for audit purposes; and (4) procedural guidance is clear and adequate to ensure that timekeeping and time and attendance certification are correctly performed. Individuals performing the timekeeping function are responsible for ensuring that all entries for overtime and compensatory time earned have been approved, and that totals are correct before certification.

DoD FMR Volume 8, Chapter 2, section 020208 states that an authorized official (preferably the official most knowledgeable of the time worked by the employee) shall approve any overtime, compensatory time, or holiday work. The approval, which shall be documented electronically or in writing, shall be retained in accordance with the provisions of section 0207, Retention of Records. Approval shall be granted before the hours are worked whenever feasible, or when not feasible, as soon as possible after the work has been performed. In granting such approval, care must be taken to distinguish between regular overtime and irregular or occasional overtime in order to properly determine an employee's overtime entitlement. Compensatory time earned may be

granted for irregular and occasional overtime work only; it is not authorized for regularly scheduled overtime work.

DoD FMR Volume 8, Chapter 2, section 0204 states that the certification of time and attendance is an authorization for the expenditure of Government funds. Each employee's time and attendance report shall be certified as correct at the end of the pay period by the employee's supervisor, acting supervisor, or other designated representative authorized to act as an alternate certifier. Certification ordinarily shall not be made earlier than the last workday of a pay period. All time and attendance reports and other supporting documents shall be reviewed and approved by a designated approving official. This official shall be aware of his or her responsibilities for ensuring accuracy of the reports, and shall have knowledge of the time worked and absence of employees for whom approval is given.

Certification of time and attendance documents shall be based on: (1) knowledge from personal observation, work output, and timekeeper verification; (2) checking data against other independent sources (such as validating starting and ending times of work using sign-in and sign-out sheets or time clock entries); (3) reliance on other internal controls; or (4) a combination of controls. Approving officials shall have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance when they do not have positive, personal knowledge of the presence and absence of, or other information concerning, employees whose time and attendance documents are being approved. This basis shall involve periodic testing of internal controls to ensure that they are working as intended.

DoD FMR Volume 8, Chapter 2 section 020703 states that time and attendance reports and all other payroll records shall be kept in accordance with records retention requirements as explained in the General Records Schedule 2. This schedule requires time and attendance reports and other supporting documents to be kept available for Government Accountability Office (GAO) audit, or for 6 years, whichever occurs first.

Audit Results

Audit Tests of Internal Controls

Opportunities exist to improve the management of overtime practices and internal controls for overtime at CNRMA. We concluded that: (1) supervisors and timekeepers at 4 of the 5 locations visited were not aware of required overtime approval and documentation requirements; (2) controls for managing overtime at the 5 locations visited were either not in place or functioning properly; (3) documentation either did not exist or did not consistently contain evidence of supervisory oversight for 26 percent of the total overtime hours reviewed; and/or (4) there was no evidence of a periodic timesheet review

process to ensure that the overtime input into the timekeeping system was actually worked. During the course of the audit, we informed the appropriate management personnel of the results of our finding. We briefed the Deputy Regional Security Director on 11 February 2008. Results of the audit were provided to CNRMA's Chief of Staff and the office of Inspector General on 15 May 2008. The discussion draft was issued on 7 August 2008. A summary of the control weaknesses for the activities, personnel, and hours reviewed is included in Exhibit E.

We selected a judgmental sample of individuals earning more than 950 hours of overtime at 5 activities in the Mid-Atlantic region from 15 October 2005 to 31 March 2007 (39 pay periods). This represented almost 14 percent of the \$6.6 million of overtime paid to public safety personnel that included police officers, firefighters, dispatchers, and security assistants, or 11 percent of the total \$8.6 million in paid overtime for this period. The specific activities visited or contacted are listed in Exhibit C. The number of individuals selected, their total overtime hours and dollars earned, and the number of hours reviewed are shown in Table 1.

Table 1. CNRMA Personnel and Overtime Hours and Dollars Earned.

	NAS Oceana	NAB Little Creek	NS Norfolk	Norfolk Naval Shipyard	NSA Lakehurst	Total
Individuals selected earning more than 950 hours						
Police Off/Detectives	3	1	12	5	2	23
Dispatchers	0		0	3	0	3
Security Asst.	0		1	0	0	1
Total	3	1	13	8	2	27
Individuals selected total hours and total dollars						
Overtime Hours	4,239	1,080	15,949	9,660	2,165	33,093
Overtime Amount	\$129,898	\$36,256	\$437,167	\$263,006	\$80,871	\$947,198
Total Hours reviewed for overtime procedures						
Hours reviewed for 3 pay periods	532	95	2,293	1,615	399	4,934

Note: NAS = Naval Air Station; NAB = Naval Amphibious Base; NS = Naval Station; NSA = Naval Support Activity

We reviewed payroll overtime work codes to identify potentially questionable overtime use. The data was obtained from the Total Workforce Management Services system (TWMS), as provided by Commander, Navy Installations Command. TWMS retrieves time and attendance data from the Standard Accounting and Reporting System and Defense Civilian Payroll System and personnel data from Defense Civilian Personnel Data System. The TWMS data contained payroll data (regular hours/dollars, overtime hours/dollars, other deductions, etc.) as identified by Defense Civilian Payroll System work codes.

In addition, there was one police officer that we reviewed who automatically received Administratively Uncontrollable Overtime (AUO), which was a 25 percent increase in the individual's base pay. According to the FMR, Volume 8, section 030307, AUO is a premium pay that may be paid on an annual basis when an employee is in a position in which the hours of duty cannot be controlled administratively. The guidance states that to qualify for AUO, the position requires substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited. Annual premium pay for AUO is calculated as a percentage (not less than 10 percent or more than 25 percent) of the employee's rate of basic pay. The rate is determined by the Human Resources Office.

We reviewed the controls designed to prevent or detect potential overtime abuses. We reviewed local and regional guidance and e-mail correspondence regarding timekeeping and overtime approval. We reviewed the timesheets and overtime approval forms to determine if overtime was supported. For the individual receiving AUO, we reviewed justifications and authorizations for the AUO pay. Finally, we interviewed timekeepers and supervisors to determine specific policies and procedures used to manage overtime. Further details on the scope and methodology are found in Exhibit B.

Current Timekeeping Procedures

The Standard Labor Data Collection and Distribution Application (SLDCADA) is the timekeeping system used by all of the activities we visited. SLDCADA is the Department of the Navy's standardized time and attendance system. Leave and overtime requests are entered into SLDCADA, which provides electronic documentation for approvals. Timekeepers should enter the payroll information into SLDCADA based on hard copy timesheets and hard copy overtime and compensatory time request forms that were filled out by the employees and supervisors. However, for 300 of 699 days with overtime charges, the timekeeper entered the data without supervisor approval.

Internal Control Weaknesses

We identified the following internal control weaknesses based on our review and analysis of the 4,934 hours of overtime and analysis of procedures.

- 1. Written Guidance.** There was no official regional or local guidance regarding timekeeping procedures, or pre/post approval of overtime. However, the deputy regional security director issued an e-mail in December 2006 stating that, in part, overtime is only authorized for manning minimum requirements of watch sections, to complete investigations, or to get officers to court to testify. Watch section and investigation overtime must be approved in advance. Nobody in a position less than

the rank of major within the police force should be authorized to approve overtime or compensatory time. Compensatory time is also to be managed. Personnel are directed to use compensatory time prior to the end of the calendar year in which it is earned. Security officers, security directors, or precinct commanders are to ensure that only the minimal overtime or compensatory time necessary to get the job done will be used. Additionally, supervisors are to ensure that procedural guidance is clear and adequate to ensure that timekeeping and time and attendance certification are correctly performed.

2. Overtime pre-/post-approval. Activity personnel could not provide approved overtime and compensatory time request forms or other supporting documentation for 1,292 of the 4,934 hours (26 percent) of overtime and compensatory time. The approval of overtime and compensatory time earned should be documented either in writing or electronically, and approved in advance of performing the work or as soon as possible after the work has been performed. For the remaining 74 percent, when there was an overtime or compensatory time request, approval was granted up to 112 days after the overtime or compensatory time was performed. The following chart shows, in days by activity, the number of overtime hours approved (approximate range in days) after the overtime was worked.

Table 2. Approval of Overtime Hours.

Range in days/Overtime Hours				
Activity	Approval after overtime worked			
	0-5	5-30	30-60	60-112
NAS Oceana	289.0	14.5		
NS Norfolk	892.2	929.5	68.3	3.5
NAB Little Creek	3.0	45.0		
Norfolk Shipyard	32.5	170.7		4.3
NSA Lakehurst	0	0	0	0
Total Hours	1,216.7	1,159.7	68.3	7.8

3. Firsthand knowledge of overtime. The supervisors of police officers at three of the five activities visited generally had no firsthand knowledge that their employees' completed overtime. This was because the overtime was not completed during the supervisor's shift but during the follow-on shift. The supervisor accepted the employees' time as valid based on the employees' entries in a time and attendance log. Lack of firsthand knowledge was also evidenced by the fact that timekeepers entered 1,040 overtime hours in SLDCADA without supervisor signatures and 1,292 hours were not approved in advanced as required. The FMR requires that all time and attendance reports and other supporting documents be reviewed and approved by a designated approving official. These documents would include time and attendance logs, time sheets, overtime approval forms, and the use of the supervisor's signature in SLDCADA.

4. Segregation of duties. Timekeepers inappropriately authorized and certified time and attendance at four of the five locations we visited. We consistently found that a supervisor's electronic signature was not required to enter overtime into the SLDCADA system. For example, the timekeeper entered overtime without the supervisor's pre-approval or electronic signature for 1,040 of the 4,934 overtime hours reviewed. The proper segregation of duties is a key control mechanism to help ensure the accuracy of time and attendance reports. The function of approving, reviewing, and then certifying time and attendance should be performed by separate personnel who are authorized to do so.

5. Maintenance of supporting documentation. Timekeeping records were not retained for 6 years as required by the DoD FMR. These records should be maintained until after GAO audit or for 6 years, whichever is sooner. From our review of available records, we were not able to verify that supervisors had approved the use of overtime for 1,292 of the 4,934 hours of overtime we reviewed. Activity personnel were not able to locate or explain the lack of documentation. In some cases, they did not know how long they were required to keep documents.

6. Supervisory periodic review of overtime. Based on interviews conducted with supervisors, timekeepers, and other administrative personnel who were assigned timekeeping duties, we found that timekeeping records were not periodically reviewed by any of the supervisors at the five activities visited. The FMR requires that all time and attendance reports and other supporting documents be reviewed and approved by a designated approving official for completeness and accuracy. Approving officials shall have knowledge of the time worked and the absences of employees for whom approval is given. At a minimum, the review should ensure that overtime request forms are approved in advance or reasonably soon after overtime is completed, that forms are signed by supervisors; that timesheets or input documents include supervisor signatures; and that documentation is retained as required. We conclude that periodic reviews would have identified the 1,040 overtime hours inappropriately supported that were entered by the timekeepers' signature alone, that overtime could have been approved timely, and that there would be approval documentation to support 1,292 hours of overtime.

A summarization of these weaknesses by activity, hours, and personnel can be found in Exhibit F.

Subsequent Internal Control Improvements

We determined through interviews that NAS Oceana, NAB Little Creek, and Norfolk Naval Shipyard had improved several overtime internal controls some time after March 2007. The supervisors at these activities now complete overtime approval forms and approve overtime by electronic signature in SLDCADA. SLDCADA retains an

electronic copy of these actions for 6 years. Also, one of the activities required follow-on supervisors to acknowledge that the employee (police officer) actually worked the overtime through a signed document. However, the activity that expended 2,293 of the hours reviewed has not completed overtime approval forms, or approves overtime by electronic signature and does not retain the electronic copies as required.

Weapons Log Support

Because we could not verify supervisory pre-approval for 26 percent of the overtime reviewed (1,292 hours), and time and attendance documentation was missing, we compared police weapons logs to a sample of police officers in our sample of 27 personnel. DoD Directive 5100.76-M requires a sign-out, sign-in register/log that reflects the name and signature of the individual removing and returning the weapon, the date and time of sign-out and return, and the purpose of removal. The weapons logs should contain a record of what time each officer signed out and signed in their assigned weapon. This was a substantive test to determine if additional evidence was available to substantiate the police officers' overtime.

Our review of the available weapons logs found that they did not sufficiently support the overtime worked by 19 of the personnel selected for review. We judgmentally selected 3 of the 39 pay periods in which police officers earned at least 30 hours of overtime per pay period. We then selected a 6-day period within the 3 pay periods in which the officers earned the most overtime (31-73 hours). This amounted to 989 hours for 19 police officers who were required to have weapons while on duty. We compared paid overtime per timesheet to the weapons logs for agreement. Further, the available logs did not support 91 hours, or 9 percent of paid overtime, for 6 of the 19 police officers.

We interviewed supervisory personnel to determine if there was a reason why police officers would work overtime without a weapon. The supervisors informed us that police officers, while on duty, would not carry a weapon due to: attendance of training, performing administrative functions, such as entering traffic citations into the computer, or there was an error in the weapons log. However, for the 6 police officers earning 91 overtime hours, the supervisors could not provide a reasonable explanation as to why the officers would be earning overtime without a weapon. This indicates that the overtime on the timesheet potentially may not have been worked, since police officers must carry a weapon during duty hours.

Suspected overtime abuses

The weak internal controls led to several potential overtime abuses of which management was unaware. These examples were:

Example 1. A senior police officer performed compensatory time on a daily basis and subsequently had all compensatory time earned converted to overtime. This individual earned the most compensatory time in CNRMA. For the 39 pay periods, 2,197 hours of compensatory time was converted to \$73,418 of paid overtime, an average of 56 hours of compensatory time per pay period. We selected 3 pay periods in which the officer earned the most compensatory time, 198 hours valued at \$5,084. We reviewed time sheets and compensatory time request forms for these 3 pay periods and determined that the officer scheduled compensatory time in advance on a daily basis for the 3 pay periods (30 working days) we selected for review. He submitted the compensatory time request forms to the timekeeper without supervisory approval or signature. Additionally, his time sheets were entered into the timekeeping system and certified as correct by the timekeeper and not by his supervisor as required.

This officer used sick leave while still earning compensatory time for 22 of the 30 days we audited. Further, based on available records, we determined that in order to earn compensatory time while also taking sick leave, he would arrive at work from 0500 to 0600 on each of the 22 days before his regularly scheduled start time of 0730. The officer's supervisor was not aware of the compensatory time converted to overtime, that payroll data was entered without supervisory approval, and that the officer came in before his normal shift to claim sick leave and still earn compensatory time. The table in Exhibit D shows the police officer's submitted time for the three pay periods we reviewed.

Example 2. We identified one detective who earned AUO for 2006 and 2007 and could potentially earn AUO in 2008. The detective was the only police officer (civilian service series 0083) in the Mid-Atlantic region receiving this premium. Based on the Forms SF 50, the officer was paid a 25 percent overtime premium for 2006, 2007, and 2008. Supervisors stated that the officer was expected to work at least 10 overtime hours per week. The police officer kept manual logs supporting 1,192 overtime hours for the 39 pay periods, or an average of 15 hours per week ($39 \times 2 = 78$; $1,192 / 78 = 15$). Our review of timesheets and TWMS data for the 39 pay periods confirmed that the officer was paid \$20,349 in overtime. We further noted that the police officer was also paid overtime automatically when on annual or sick leave.

We confirmed through interview and by reviewing SF 50s that the premium pay would automatically continue to renew each year. We were not provided sufficient evidence that the AUO premium was needed or that management made a conscious decision each year to validate the requirement. We informed the deputy region security officer of this condition and he also questioned the need for the overtime. The security officer agreed the matter should be reviewed.

Reasons for Internal Control Breakdown

As noted previously, police officers entered their overtime worked on a daily sign-in sheet. Supervisors stated that they relied on this information to determine how much overtime had been earned. They said that many of the officers they supervised worked longer shifts than the supervisor and therefore they did not have direct knowledge of all of the overtime that their subordinate officers worked.

Further, supervisors and timekeepers were unaware of pertinent policies and regulations governing overtime procedures. We asked supervisors and timekeepers if they were aware of the FMR or any local instructions regarding timekeeping, or of the requirement to maintain time and attendance documentation for audit or for a period of 6 years, whichever occurred first. We were told that they had not seen the FMR and that there were no local instructions regarding timekeeping. The supervisors were aware of an occasional e-mail sent out by the region regarding overtime. Supervisors stated that timekeepers were given on-the-job training to familiarize themselves with the required overtime process and procedures. The only training personnel had received regarding timekeeping was a class on how to use SLDCADA.

The Effect of Weak Internal Controls

Nonexistent, weak, and ineffective internal controls increases the risk that management may not be aware of overtime abuses, including overtime that was paid but not actually worked. Lack of supporting documentation has also resulted in the inability to properly review and justify overtime and compensatory time of many individuals.

Recommendations

We recommend that CNRMA:

Recommendation 1. Develop and distribute to supervisory personnel policy guidance that sets forth roles and responsibilities and establishes standardized procedures for overtime administration. Within the policy, establish rules for requesting, approving, recording, and overseeing the management of overtime, to include AUO.

CNRMA response to Recommendation 1. Concur. CNRMA's Regional Fire and Security established new guidelines and enforcement of roles. CNRMA will create and publish a time and attendance instruction, which will include policy and guidance for overtime. Action will be completed by 2 February 2009.

Recommendation 2. Require that supervisors in the employee's chain of command, and with direct knowledge of the time to be worked, and actually worked, approve overtime in advance, to the maximum extent possible, and approve timesheets.

CNRMA response to Recommendation 2. Concur. CNRMA is enforcing supervisory approval to the maximum extent possible. Policy is already contained in the SLDCADA procedures. Action completed as of 8 October 2008.

Recommendation 3. Train supervisors and timekeeping personnel in the rules for overtime administration. This training should emphasize the responsibilities of each individual in the timekeeping process.

CNRMA response to Recommendation 3. Concur. CNRMA's Regional Fire and Security personnel have been trained. CNRMA will create training packages for timekeepers and certifiers. This action will be completed by 2 February 2009.

Recommendation 4. Establish procedures and controls to ensure that timekeeping records are properly maintained for 6 years to allow for use in overtime management, and for use in auditing timekeeping procedures and internal controls.

CNRMA response to Recommendation 4. Concur. CNRMA is using the SLDCADA feature to maintain timekeeping records appropriately. Action completed as of 8 October 2008.

Recommendation 5. Establish controls and designate a responsible senior official to provide oversight of overtime and compensatory time to ensure they are properly managed in accordance with policy guidance.

CNRMA response to Recommendation 5. Concur. CNRMA Regional Fire and Security included responsibilities for oversight in the NSPS objectives and directed senior management to provide appropriate oversight. CNRMA will include levels of oversight for overtime and compensatory time in the instruction to be written. Action will be completed by 2 February 2009.

Recommendation 6. Perform a one-time review of all existing approvals for AUO to determine if such approvals are justified, and require the senior official responsible for overseeing overtime to make periodic reviews to ensure such approvals are appropriate and necessary.

CNRMA response to Recommendation 6. Concur. CNRMA will conduct a one-time review of all existing AUO approvals. Action will be completed by 1 December 2008.

Naval Audit Service comment on responses to Recommendations 1 through 6. In subsequent communication regarding corrective actions for Recommendation 6, CNRMA agreed that the requirement for periodic review will be included in the time and attendance instruction that is being written and (as indicated in the response to Recommendation 1) is scheduled for completion by 2 February 2009; therefore, we regard 2 February 2009 as the target completion date for Recommendation 6.

CNRMA planned or completed actions on all six recommendations meet the intent of the recommendations by establishing adequate controls over the overtime approval and review process.

Section B:

Status of Recommendations

RECOMMENDATIONS						
Finding ¹	Rec. No.	Page No.	Subject	Status ²	Action Command	Target Completion Date
1	1	12	Develop and distribute to supervisory personnel policy guidance that sets forth roles and responsibilities and establishes standardized procedures for overtime administration. Within the policy, establish rules for requesting, approving, recording, and overseeing the management of overtime, to include AUO.	O	CNRMA	02/02/09
1	2	13	Require that supervisors in the employee's chain of command, and with direct knowledge of the time to be worked, and actually worked, approve overtime in advance, to the maximum extent possible, and approve timesheets.	C	CNRMA	10/08/08
1	3	13	Train supervisors and timekeeping personnel in the rules for overtime administration. This training should emphasize the responsibilities of each individual in the timekeeping process.	O	CNRMA	02/02/09
1	4	13	Establish procedures and controls to ensure that timekeeping records are properly maintained for 6 years to allow for use in overtime management, and for use in auditing timekeeping procedures and internal controls.	C	CNRMA	10/08/08
1	5	13	Establish controls and designate a responsible senior official to provide oversight of overtime and compensatory time to ensure they are properly managed in accordance with policy guidance.	O	CNRMA	02/02/09
1	6	13	Perform a one-time review of all existing approvals for AUO to determine if such approvals are justified, and require the senior official responsible for overseeing overtime to make periodic reviews to ensure such approvals are appropriate and necessary.	O	CNRMA	02/02/09

¹ / + = Indicates repeat finding

² / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress

Background

Commander, Navy Installations Command (CNIC) has overall shore installation management responsibility and authority as the Budget Submitting Office for installation support and is the Navy point of contact for installation policy and program execution oversight. Established on 1 October 2003, CNIC is the Echelon II command under the Chief of Naval Operations responsible for Navy-wide shore installation management. The stand-up of CNIC was an effort in the continuation of fleet and regional shore installation management organizational alignment that began in 1997 with the reduction of installation management claimants from 18 to 8. The intent of CNIC's creation is to establish a single shore installation management organization that will focus on installation effectiveness and improve the shore installation management community's ability to support the fleet. CNIC encompasses the regional commands of 12 regions including Commander, Navy Region Mid-Atlantic (CNRMA).

CNRMA's mission is to support operating forces by promoting readiness through the efficient operation of shore installations and providing effective, quality support to operational forces. The elements of its mission are the command of assigned shore activities and installations, serving as the Navy's Regional Coordinator and Environmental Coordinator, delivering efficient and effective shore installation management services to assigned Areas of Responsibility, and owning Class I and Class II property in assigned Areas of Responsibility. CNRMA encompasses all of the Navy installations and facilities along the eastern seaboard from Maine to North Carolina, except in the Washington, DC area.

Scope and Methodology

The audit was requested by Commander, Navy Installations Command (CNIC) to verify that personnel management practices and internal controls governing overtime procedures are in place and functioning. Our audit focused primarily on the review and approval process of overtime hours paid to personnel within Navy Region Mid-Atlantic (CNRMA) from 15 October 2005 through 31 March 2007. We interviewed activity personnel to determine management practices and internal controls over overtime and obtained overtime approval documentation, certified timesheets, payroll system data, and weapons logs. We interviewed and/or contacted CNRMA personnel at seven CNRMA locations (see Exhibit C). We performed the audit from 27 June 2007 to 9 September 2008.

We obtained personnel and payroll information for civilian employees from the Total Workforce Management Services system (TWMS) as provided by CNIC Headquarters for the pay periods ending 15 October 2005 through 31 March 2007 (39 pay periods). TWMS retrieves time and attendance data from the Standard Accounting and Reporting System and Defense Civilian Payroll System and receives personnel data from Defense Civilian Personnel Data System. The TWMS data contained payroll data (regular hours/dollars, overtime hours/dollars, other deductions, etc.) as identified by Defense Civilian Payroll System work codes for employees within CNRMA. The overtime work codes extracted were:

- OA – Additional FLSA [Fair Labor Standards Act] hours
- OC – Overtime callback
- ON – Overtime, Scheduled - Not Worked-Court/Military Leave
- OS – Overtime, Scheduled
- OU – Overtime, Unscheduled
- OX – Overtime, Unscheduled Exception
- OY – Overtime Not Paid - Rollup
- SO – Sunday Work, Overtime
- YU – Administratively Uncontrollable Overtime Premium
- OZ – Overtime Converted from Comp time

To test the internal controls, we took a judgmental sample of 27 individuals earning more than 950 overtime hours in the Mid-Atlantic region for an 18-month period from

15 October 2005 to 31 March 2007. The sample included 23 police officers detectives, 3 dispatchers, and 1 security assistant who totaled 33,093 hours, or \$947,198 (11 percent of total overtime paid). For each selected individual, we reviewed records of three pay periods in which they were paid the most overtime. Two of the 27 individuals we selected had the most overtime converted from compensatory time. We reviewed the supporting documentation retained by the command to support the overtime earned during the three pay periods, such as timesheets and overtime approval forms. We interviewed timekeepers and supervisors to determine procedures used, and we requested any written local or regional instructions used for timekeeping. In order to obtain an accurate account of the overtime worked, we reviewed weapons logs for police officers by judgmentally selecting 6 days from the 3 pay periods reviewed and comparing the time out/time in from the weapons logs to time charged on the officers' time sheets.

In addition, the CNRMA deputy regional security officer requested that we analyze the TWMS database to determine the number of individuals within Public Safety who were receiving Administratively Uncontrollable Overtime (AUO). To qualify for AUO, a position requires substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. We found only one individual receiving AUO during the sample period. Since this premium is paid on an annual basis and the hours cannot be controlled administratively (supervisory oversight is not possible), we did not review for compliance with overtime policies, procedures, and usage.

This performance audit was our first time reviewing overtime procedures at CNRMA, therefore normal follow up procedures were not applicable.

Although we relied on computer-generated data from the TWMS system to support audit findings and conclusions, we did not evaluate the sufficiency of the system's general and application controls. However, we established data reliability by comparing data to time and attendance records. Our tests determined that the data were sufficiently reliable to support the audit conclusions and recommendations.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 feel that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit C:

Activities Visited and/or Contacted

- Naval Station Norfolk, Norfolk, VA*
- Naval Amphibious Base Little Creek, VA*
- Commander, Navy Region Mid-Atlantic, Norfolk, VA*
- Norfolk Naval Shipyard, Portsmouth, VA*
- Naval Air Station Oceana, Virginia Beach, VA*
- Naval Air Station Brunswick, Brunswick, ME
- Naval Support Activity, Lakehurst, NJ*

* Activities visited

Exhibit D:

Overtime Converted from Comp Time

Compensatory time charged for a senior police officer during the selected three pay periods

Day of Week	Date	Total Hours Worked	Reg		Comp	Other/	Comp	Annual /	
			Hours	Overtime	Time Earned	Holiday Work	Time Request Date	Holiday Leave	Sick Leave
Sunday	1/8/2006	7.0			7		1/8/2006		
Monday	1/9/2006	7.5	5		2.5		1/8/2006		4
Tuesday	1/10/2006	7.0	4.5		2.5		1/8/2006		4.5
Wednesday	1/11/2006	1.5			1.5		1/8/2006		9
Thursday	1/12/2006	9.5	7		2.5		1/8/2006		2
Friday	1/13/2006	12.5	8		4.5		1/8/2006		
Saturday	1/14/2006	5.0			5		1/8/2006		
Sunday	1/15/2006	5.0			5		1/8/2006		
Monday	1/16/2006	9.0			1.5	7.5	1/8/2006	1.5	
Tuesday	1/17/2006	7.0	4.5		2.5		1/8/2006		4.5
Wednesday	1/18/2006	9.0	6.5		2.5		1/8/2006		2.5
Thursday	1/19/2006	3.0	0.5		2.5		1/8/2006		8.5
Friday	1/20/2006	10.0			10		1/8/2006		
Saturday	1/21/2006	7.0			7		1/8/2006		
PPE 1/21/06 TOTALS		100.0	36	0	56.5	7.5		1.5	35

Day of Week	Date	Total Hours Worked	Reg		Comp	Other/	Comp	Annual /	
			Hours	Overtime	Time Earned	Holiday Work	Time Request Date	Holiday Leave	Sick Leave
Sunday	1/22/2006	6.0			6		1/22/2006		
Monday	1/23/2006	7.0	4.5		2.5		1/22/2006		4.5
Tuesday	1/24/2006	8.5	7		1.5		1/22/2006		2
Wednesday	1/25/2006	7.0	5.5		1.5		1/22/2006		3.5
Thursday	1/26/2006	9.0	7.5		1.5		1/22/2006		1.5
Friday	1/27/2006	11.5	8		3.5		1/22/2006		
Saturday	1/28/2006	7.0			7		1/22/2006		
Sunday	1/29/2006	6.0			6		1/22/2006		
Monday	1/30/2006	9.0	7.5		1.5		1/22/2006		1.5
Tuesday	1/31/2006	8.5	7		1.5		1/22/2006		2
Wednesday	2/1/2006	10.0	7.5		2.5		1/22/2006		1.5
Thursday	2/2/2006	5.0	3		2		1/22/2006		6
Friday	2/3/2006	10.0			10		1/22/2006		
Saturday	2/4/2006	8.0			8		1/22/2006		
PPE 2/4/06 TOTALS		112.5	57.5	0	55	0		0	22.5

EXHIBIT D: OVERTIME CONVERTED FROM COMP TIME

Day of Week	Date	Total Hours Worked	Reg Hours	Overtime	Comp Time Earned	Other/ Holiday Work	Comp Time Request Date	Annual / Holiday Leave	Sick Leave
Sunday	9/3/2006	4.5			4.5		9/3/2006		
Monday	9/4/2006	6.5			1.5	5	9/3/2006	4	
Tuesday	9/5/2006	5.5	3.5		2		9/3/2006		5.5
Wednesday	9/6/2006	10.0	4		6		9/3/2006		5
Thursday	9/7/2006	15.0	9		6		9/3/2006		
Friday	9/8/2006	15.0	4.5		10.5		9/3/2006		3.5
Saturday	9/9/2006	15.5			15.5		9/3/2006		
Sunday	9/10/2006	15.0			15		9/3/2006		
Monday	9/11/2006	7.0	5		2		9/3/2006		4
Tuesday	9/12/2006	10.0	7.5		2.5		9/3/2006		1.5
Wednesday	9/13/2006	4.0	1.5		2.5		9/3/2006		7.5
Thursday	9/14/2006	8.5	6.5		2		9/3/2006		2.5
Friday	9/15/2006	9.5			9.5		9/3/2006		
Saturday	9/16/2006	7.0			7		9/3/2006		
PPE 9/16/06 TOTALS		133.0	41.5	0	86.5	5		4	29.5

Total Hours	345.5	135	0	198	12.5		5.5	87
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Exhibit E:

Summary of Internal Control Weaknesses

Condition	NAS Oceana	NAB Little Creek	NS Norfolk	Norfolk Shipyard	NSA Lakehurst	Total
No. of Individuals Reviewed	3	1	13	8	2	27
Overtime/Comp Time Hours Reviewed	532	95	2,293	1,615	399	4,934
No procedural guidance (FMR 020102.A.4)	X	X	X	X	X	
Supervisors not approving overtime/comp time prior to it being worked - pre-approval (FMR 020208.B)	X	X	X	X		
Supervisors unaware of overtime or compensatory time being worked (FMR 020101.B.1)	X		X	X		
No review of overtime/compensatory time (FMR 020402.A)	X	X	X	X	X	
No separation of duties i.e. timekeeper authorizing and certifying overtime	X	X	X	X		
Number of overtime hours	214	47	133	646		1,040
Time and attendance records not maintained (FMR 020703)	X	X	X	X		
Number of overtime hours not documented	214	47	385	646		1,292

X = Internal control problem exists at location

Appendix:

Management Response From Commander, Navy Region Mid- Atlantic



DEPARTMENT OF THE NAVY
COMMANDER
NAVY REGION, MID-ATLANTIC
1510 GILBERT ST.
NORFOLK, VA 23511-2737

IN REPLY REFER TO:
7510
N01IG
OCT 03 2009

From: Commander, Navy Region, Mid-Atlantic
To: Assistant Auditor General for Internal Control and Command Support Audits

Subj: INTERNAL CONTROLS FOR OVERTIME PROCEDURES AT NAVY REGION, MID-ATLANTIC (DRAFT AUDIT REPORT N2007-NMC000-0115)

Ref: (a) SECNAVINST 7510.7F, Department of the Navy Internal Audit
(b) E-Mail [REDACTED] (NAVAUDSVC) / [REDACTED] (COMNAVREG MIDLANT) of 9 Sep 09

FOUO (b)(6)

1. In accordance with reference (a), the following information is forwarded in response to the assigned recommendations contained in the Draft Audit Report of reference (b):

a. Finding 1, Recommendation 1: "Develop and distribute to supervisory personnel policy guidance that sets forth roles and responsibilities and establishes standardized procedures for overtime administration. Within the policy, establish rules for requesting, approving, recording, and overseeing the management of overtime, to include administratively uncontrolled overtime." Response: Concur. The following corrective action has been taken to date: Regional Fire and Security have established new guidelines and enforcement of roles. Regional Comptroller will create and publish a time and attendance instruction, which will include policy and guidance for overtime. Target completion date: 02 February 2009.

b. Finding 2, Recommendation 2: "Require that supervisors in the employee's chain of command, and with direct knowledge of the time to be worked, and actually worked, approve overtime in advance, to the maximum extent possible, and approve timesheets." Response: Concur. The following corrective action has been taken to date: Regional Fire and Security are enforcing this rule to the maximum extent possible. Policy from the Regional Comptroller is already contained in the SLDCADA procedures. No further action required.

c. Finding 3, Recommendation 3: "Train supervisors and timekeeping personnel in the rules for overtime administration. This training should emphasize the responsibilities of each individual in the timekeeping process." Response: Concur. The following corrective action has been taken to date: Regional Fire and Security personnel have been trained. Regional Comptroller Office will create training packages for timekeepers and certifiers. Target completion date: 02 February 2009.

Subj: INTERNAL CONTROLS FOR OVERTIME PROCEDURES AT NAVY REGION,
MID-ATLANTIC (DRAFT AUDIT REPORT N2007-NMC000-0115)

d. Finding 4, Recommendation 4: "Establish procedures and controls to ensure that timekeeping records are properly maintained for 6 years to allow for use in overtime management, and for use in auditing timekeeping procedures and internal controls." Response: Concur. The following corrective action has been taken to date: SLCADA is now in use for all overtime requests by Regional Fire and Security, and SLCADA maintains timekeeping records appropriately. No further action required.

e. Finding 5, Recommendation 5: "Establish controls and designate a responsible senior official to provide oversight of overtime and compensatory time to ensure they are properly managed in accordance with policy guidance." Response: Concur. The following corrective action has been taken to date: Regional Fire and Security have included responsibilities for oversight in NSPS objectives and directed senior management to provide appropriate oversight. Regional Comptroller will include levels of oversight for overtime and compensatory time in the instruction to be written. Target completion date: 02 February 2009.

f. Finding 6, Recommendation 6: "Perform a one-time review of all existing approvals for administratively uncontrolled overtime to determine if such approvals are justified, and require the senior official responsible for overseeing overtime to make periodic reviews to ensure such approvals are appropriate and necessary." Response: Concur. The following corrective action has been taken to date: Regional Fire and Security have issued direction to ensure greater fiscal responsibility. Regional Comptroller will conduct a one-time review of all existing Administratively Uncontrollable Overtime (AUO) approvals. Target completion date: 01 December 2008.

2. Should you have any questions, please contact [REDACTED] COMNAVREG MIDLANT Inspector General. [REDACTED] can be reached by telephone, [REDACTED] and E-Mail: [REDACTED]

[REDACTED]

Chief of Staff

FOUO (b)(6)

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