



AUDITOR GENERAL

William O. Monroe, CPA



OPERATIONAL AUDIT
REVIEW OF OVERTIME PAYMENTS AND PROCEDURES
FOR MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
JULY 1, 2000 THROUGH OCTOBER 31, 2001

SUMMARY

This audit report is the second in a series of reports to be issued on audits conducted pursuant to Chapter 2001-253, Laws of Florida, Specific Appropriation 118, and Section 11.45, Florida Statutes. Additional reports will be issued as audit fieldwork is completed in areas selected by the Auditor General for audit.

Overtime payments made to employees for work in excess of the regular 40-hour work week have increased approximately 70 percent from the 1998-99 fiscal year to the 2000-2001 fiscal year. We noted that 564 employees were paid \$10,000 or more for overtime during the 2000-2001 fiscal year. The extensive and continued use of overtime which is paid at a one and one-half time basis has a negative effect on District operations in that overall salary costs increase significantly without a corresponding increase in the number of hours actually spent on operations.

Recommendation No. 1: We recommend that District management perform a comprehensive cost-benefit analysis to study alternatives to overtime in the areas for which large amounts

of overtime are paid. This study should include current staffing levels, personnel utilization, and the feasibility of using part-time employment, rotating shifts, and outsourcing. For work generally required to be performed after the regular work day, part-time employment, rotating shifts, and outsourcing could result in substantial savings.

Recommendation No. 2: We recommend that the District strengthen its overtime monitoring procedures to include:

- ♦ *Lowering the threshold at which management is informed of the amounts of overtime recorded for the purpose of follow-up with the work location administrator.*
- ♦ *Improving the quarterly overtime reports to include more detailed information, such as the overtime patterns of specific departments and employees.*
- ♦ *Based on reports of overtime recorded and paid in the individual departments, periodically evaluating the reasonableness of staffing and personnel utilization.*

- ♦ ***Increasing the involvement of the Office of Management and Compliance Audits to include focus audits of overtime for departments with substantial amounts of overtime-related expenditures.***

INTRODUCTION

Miami-Dade County District School Board Rule 6Gx13-4D-1.12, requires that the School Board comply with the Federal Fair Labor Standards Act. Accordingly, District procedures provide that employees entitled to overtime that work more than their regularly scheduled number of hours in a week must be paid "time and one-half" (overtime pay) for those hours over and above regular hours worked. The specific guidelines for overtime are governed by the District's individual bargaining agreements. Generally, employees that work in excess of the normal 40-hour work week are to be paid at the rate of one and one-half times the regular straight-time rate of pay.

During the 1998-1999, 1999-2000, and 2000-2001 fiscal years, overtime expenditures recorded in the District's General Fund totaled approximately \$10.6, \$14.4, and \$18 million, respectively.

During the 2000-2001 fiscal year, the majority of the overtime paid related to the following positions:

POSITION DESCRIPTION	TOTAL OVERTIME PAID
<u>Maintenance:</u>	
Electricians	\$ 1,715,787
Zone Mechanics (School Maintenance)	1,337,429
Refrigeration	753,116
Carpenters	705,605
Tractor Mowers/Grounds Personnel/ Sprinkler Mechanics	605,249
Plumbers	527,043
Sound and Communication Technicians	443,875
Sheet Metal/Welders	406,879
Painters	309,444
Fire/Construction/Asbestos Inspectors	271,909
Roofers/Masons	270,188
<u>Custodians:</u>	
Head Custodians/Lead Custodians/Custodians	2,927,115
<u>Safety and Security:</u>	
Police	2,103,312
School Monitors/Security Monitors/ Security Specialists	742,891
<u>School Transportation:</u>	
Bus Drivers	1,714,827
Vehicle Repair Personnel	413,699
Field Operation Specialists	241,208
School Bus Route Managers	231,236
Radio Routing Dispatchers	151,158
	<u>\$ 15,871,970</u>

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit included a review of the District's administration of overtime payments during the fiscal year ended June 30, 2001, and selected transactions through October 2001. The objectives of our audit were to determine whether management controls over overtime payments were effective to ensure that overtime was reasonable, approved, and documented in accordance with Board policies and procedures.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Overtime Payments – Review of Justifications and Alternative Solutions

The District's individual bargaining agreements provide specific guidelines for the payment of overtime. Generally, employees required to work in excess of the normal 40-hour work week are to be paid at the rate of one and one-half the regular straight-time rate of pay. Although there are no Board Rules requiring that the justification for overtime be provided and documented before approval is obtained to work overtime, most of the departments tested have developed procedures whereby justification for overtime is documented and supervisory authorization is obtained prior to the work commencing.

Our analysis of overtime indicated that 564 employees were paid \$10,000 or more for overtime during the 2000-2001 fiscal year. To review overtime payments for reasonableness, we selected 50 employees with large amounts of recorded overtime. Overtime recorded by these 50 employees averaged 1,120 hours for the 2000-2001 fiscal year, with several employees recording over 1,400 hours of overtime. Employees working 1,000 to 1,400 hours of overtime in a year would be working overtime of approximately 19 to 27 hours, respectively, each week for 52 weeks of the year. The above weekly averages of overtime for these employees would increase if vacation, sick leave, and holidays were taken into consideration.

To test the payroll records supporting overtime payments, we selected 20 of these 50 employees that received significant amounts of

overtime payments and reviewed 3 pay periods for each employee. Our review of the documentation that supported the overtime payments, as well as interviews of supervisors or department heads who authorized the additional work, disclosed that the overtime paid to these employees was approved and documented in accordance with Board policies and procedures.

Total overtime hours worked during the 2000-2001 fiscal year, related overtime paid, base wages, and total wages for the 20 employees tested are shown in the table below:

POSITION DESCRIPTION	TOTAL OVERTIME HOURS	TOTAL OVERTIME PAID	TOTAL BASE WAGES	TOTAL TOTAL WAGES (1)
Foreperson-Electricians	1,443.5	\$ 51,921	\$ 50,522	\$ 102,443
Foreperson-Electricians	1,349.5	48,551	50,522	99,073
Electrician II	1,433.5	48,293	47,301	95,594
Refrigeration Mech II	1,447.0	49,722	47,760	97,482
Refrigeration Mech II	1,355.0	46,099	47,301	93,400
Sergeant	1,324.4	45,143	45,841	90,984
Sergeant	1,231.3	39,392	42,382	81,774
Foreperson-Painters	1,216.0	38,484	44,224	82,708
Foreperson-Fire Prevention	1,276.5	37,708	40,949	78,657
SR Fire Equip Mech Inspector	1,337.0	33,131	34,341	67,472
Computer Specialist	1,430.9	35,458	34,341	69,799
Computer Specialist	1,219.0	28,847	32,860	61,707
Foreperson-Grounds	1,468.0	33,162	31,322	64,484
Grounds Leadperson	1,457.0	29,941	28,492	58,433
Tractor Mower Operator	1,439.0	32,190	31,008	63,198
Tractor Mower Operator	1,453.0	27,200	25,946	53,146
Head Custodian	1,201.5	26,818	29,861	56,679
Head Custodian	1,553.5	26,518	22,578	49,096
Graphics Production Manager	1,128.0	25,515	30,089	55,604
School Bus Driver	796.5	17,077	19,105	36,182

Note: (1) Total wages excludes amounts that employee may have received for bonuses, salary supplements, sick leave buybacks, etc.

District records and interviews of District personnel disclosed the following justifications for the overtime worked by the above employees:

Refrigeration Mechanics and Electricians Overtime related to involvement in corrections of electrical safety deficiencies reported in Fire Marshall inspection reports and emergency electrical/air-conditioner repairs at school sites and District facilities. The District indicated that the overtime resulted from understaffing of these positions (i.e., vacant positions).

Sergeants Overtime related to security services provided for special events and at adult education centers. The security services provided at the adult education centers were generally provided in the evenings by Sergeants who worked a regular 8-hour day shift, thus, resulting in overtime. In addition, during the holiday season, the District's Chief of Police directed school police to work 24-hour shifts, 7 days a week.

Foreperson – Painters Overtime related to correction of paint safety deficiencies reported in Fire Marshall inspection reports. The District indicated that the overtime resulted because the work was performed when schools were not in session to avoid the health hazard of paint fumes.

Fire Inspector/Prevention Personnel Overtime related to involvement in the annual inspections and maintenance of fire extinguishers at school sites and District facilities. The District indicated that the overtime resulted from understaffing of these positions.

Computer Specialists Overtime related to technical work performed at adult education centers in the evenings by employees who worked a regular 8-hour day. The overtime resulted from support services

(non-instructional) provided for computer labs, offices, and classrooms.

Grounds Personnel Overtime related to supervision of projects, such as playground and fence repairs and maintaining fields at school sites. The District indicated that the overtime resulted primarily from the understaffing of the tractor mower operator positions.

Tractor Mower Operators Overtime related to maintaining fields at school sites. The District indicated that the overtime resulted from understaffing of these positions.

Head Custodians Overtime related to custodial services at various locations. The District indicated that the overtime resulted from work performed at school-related functions and assistance provided when custodial staff personnel did not report to work.

Graphics Production Manager Overtime related to offset, printing, and binding for the District's schools. The District indicated that the overtime resulted from the deadlines imposed on the print jobs.

School Bus Driver Overtime related to field trip transportation, picking up children who missed the bus, fueling and washing buses, and miscellaneous duties. These functions were generally performed during idle hours between the bus driver's morning and afternoon schedule.

As previously noted, over the last three fiscal years, the amount of overtime paid by the District has increased significantly. The extensive and continued use of overtime which is paid at a one and one-half time basis has a

negative effect on District operations in that overall salary costs increase significantly without a corresponding increase in the number of hours actually spent on operations. The negative effect of extensive overtime must be balanced against the immediate needs of the District's operations.

Based on the justifications for overtime as noted above, District management may be able to reduce or eliminate the need for substantial amounts of overtime for certain positions. A reduction in overtime payments would free some of the District's limited resources to be more efficiently utilized. We recognize that revisions to the Board's overtime policies may require consideration of changes to the District's bargaining agreements.

We recommend that District management perform a comprehensive cost-benefit analysis to study alternatives to overtime in the areas for which large amounts of overtime are paid. This study should include current staffing levels, personnel utilization, and the feasibility of using part-time employment, rotating shifts, and outsourcing. For work generally required to be performed after the regular work day, part-time employment, rotating shifts, and outsourcing could result in substantial savings.

Finding No. 2: Overtime Payments - Monitoring Procedures

District procedures provide for certain monitoring procedures in the area of overtime. For each pay period, an edit report showing a list of employees with more than 80 hours of overtime for a bi-weekly pay period is provided to the Payroll Department. Payroll Department personnel are responsible for calling the payroll clerk at the work locations

to verify the accuracy of the overtime. This verification is documented for each employee listed in the edit report.

In addition, on a quarterly basis, the Payroll Department receives a report by employee and location for those instances where the overtime exceeds 150 hours for the quarter. Payroll Department personnel submit this report to the work location administrator. The report is informational and requires no response or administrative action; however, the location administrator is instructed to review the report for problems such as conflicting work schedules and overpayments.

A copy of this report, along with a related summary listing of locations with excess overtime, is also provided to the Office of Management and Compliance Audits (OMCA). OMCA personnel indicated that they use this report to compare the number of employees working overtime at each location from one quarter to another for reasonableness. In addition, OMCA performs routine audits and reviews of payroll procedures at District schools and locations. Separate audits of overtime are not conducted by the OMCA.

Of the 20 employees for which we reviewed payroll records supporting overtime, 12 employees worked over 80 hours in one or more of the three pay periods selected for testing during the fiscal year ended June 30, 2001, and the period through October 2001.

POSITION DESCRIPTION	NUMBER OF SAMPLED PAY PERIODS	RANGE OF OVERTIME HOURS IN TWO-WEEK PAY PERIOD
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Sergeant	1	140
Head Custodian	3	94 - 99.5
Refrigeration Mech II	2	96
Refrigeration Mech II	1	83
Foreperson-Electricians	1	89
Foreperson-Electricians	1	81.5
Electrician II	2	83 - 102
Tractor Mower Operator	3	88 - 89
Tractor Mower Operator	3	84 - 89
Foreperson-Grounds	3	88 - 89
Grounds Leadperson	3	84 - 88
Foreperson-Painters	2	85 - 90

As noted above, there were instances in which the number of overtime hours worked substantially exceeded established parameters. In addition, our test of payroll records for the 20 employees disclosed that all employees worked overtime ranging from 50 to 80 hours in a two-week pay period in at least 5 to 17 pay periods during the 2000-2001 fiscal year. Employees working 50 to 80 hours overtime in a two-week pay period would be working approximately 9 to 11 hours each day, including weekend days. If the employees did not work weekend days, 50 to 80 hours overtime in a two-week pay period would represent 13 to 16 hours worked each day.

Although some monitoring procedures were in place, given the amount of overtime being worked by some employees, we recommend that District management strengthen its overtime monitoring procedures. When overtime is not effectively monitored, there is an increased risk that errors, waste, or fraud may occur and not be timely detected. Examples of procedures that would strengthen controls in this area include:

- Lowering the standard overtime parameters (80 hours) for the edit report used by management to trigger overtime follow-up. Additionally, follow-up should be made with the work location administrator instead of the payroll clerk to verify the accuracy of the overtime.
- Improving the quarterly overtime reports to include more detailed information, such as the overtime patterns of specific departments and employees.
- Based on reports of overtime recorded and paid in the individual departments, periodically evaluating the reasonableness of staffing and personnel utilization.
- Increasing the involvement of the Office of Management and Compliance Audits to include focus audits of overtime for departments with substantial amounts of overtime-related expenditures.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared and submitted to the President of the Senate, the Speaker of the House, and the Legislative Auditing Committee.

William O. Monroe
 William O. Monroe, CPA
 Auditor General

DISTRICT SUPERINTENDENT'S RESPONSE

It is quite clear that there are many cases of excessive overtime. The departments and/or individuals identified include Maintenance, Transportation, School Police, Computer Specialists, and Custodians in selected schools.

I am in full agreement with the audit recommendations, and have some of my own, for strengthening procedures and controls for overtime within the District. Accordingly, to control usage, I have directed that the following procedures be implemented effective December 15, 2001:

1. Overtime must be authorized in advance by the appropriate supervisor and shall be limited to instances involving the safety to life of pupils, staff, and others and/or may result in the closure of school or department facility or their inadequate functioning. Overtime required to open a school because of its rental to an outside agency shall be authorized.
2. Overtime for an individual employee shall be limited to a maximum of 20 hours per work week, unless authorized in advance by the Deputy Superintendent for Personnel Management and Services. The request must also include the period for which the overtime is being requested.

Overtime hours in excess of 20 hours for any work week shall not be paid unless authorized by Personnel Management and Services. Schools and Departments are requested to rotate overtime, if required, to all eligible employees. Personnel Management and Services will implement procedures immediately to effectuate this directive. The Chief Financial Officer is also directed to institute programming controls for compliance purposes.

The Office of Management and Compliance Audits is also directed to conduct random reviews of overtime usage with particular focus on the Maintenance and Police Departments. Please note that in this year's Audit Plan there is a review of Payroll Department operations, which will include this issue as part of the audit scope.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of district school boards. This operational audit was made in accordance with applicable Government Auditing Standards issued by the Comptroller General of the United States. This audit was conducted by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This audit report, as well as other reports prepared by the Auditor General, can be obtained on our Web site at <http://www.state.fl.us/audgen>; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.





Miami-Dade County Public Schools

giving our students the world

December 20, 2001

Mr. William O. Monroe, CPA, Auditor General
State of Florida
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399

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Frank J. Cobo
Dr. Robert B. Ingram
Betsy H. Kaplan
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Dr. Marta Pérez
Dr. Solomon C. Stinson

Superintendent
of Schools
Merrett R. Stierheim

RE: Preliminary and Tentative Audit Findings and Recommendations on Report -
Review of Overtime Payments and Procedures for Miami-Dade County
District School Board, July 1, 2000 through October 31, 2001

Dear Mr. Monroe:

I am in receipt of your office's preliminary and tentative audit findings and recommendations on the Review of Overtime Payments and Procedures for Miami-Dade County District School Board, July 1, 2000 through October 31, 2001. It is quite clear that there are many cases of excessive overtime. The departments and/or individuals identified include Maintenance, Transportation, School Police, Computer Specialists, and Custodians in selected schools.

I am in full agreement with the audit recommendations, and have some of my own, for strengthening procedures and controls for overtime within the district. Accordingly, to control usage, I have directed that the following procedures be implemented effective December 15, 2001:

1. Overtime must be authorized in advance by the appropriate supervisor and shall be limited to instances involving the safety to life of pupils, staff and others and/or may result in the closure of school or department facility or their inadequate functioning. Overtime required to open a school because of its rental to an outside agency shall be authorized.
2. Overtime for an individual employee shall be limited to a maximum of 20 hours per work week, unless authorized in advance by the Deputy Superintendent for Personnel Management and Services. The request must also include the period for which the overtime is being requested. Overtime

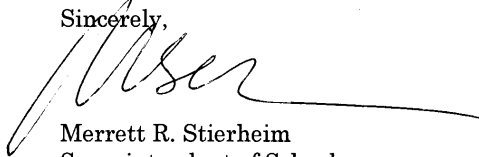
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hours in excess of 20 hours for any work week shall not be paid unless authorized by Personnel Management and Services. Schools and Departments are requested to rotate overtime, if required, to all eligible employees. Personnel Management and Services will implement procedures immediately to effectuate this directive. The Chief Financial Officer is also directed to institute programming controls for compliance purposes.

The Office of Management and Compliance Audits is also directed to conduct random reviews of overtime usage with particular focus on the Maintenance and Police Departments. Please note that in this year's Audit Plan there is a review of Payroll Department operations, which will include this issue as part of the audit scope.

Please feel free to contact me at (305) 995-1430 should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Merrett R. Stierheim', with a long horizontal flourish extending to the right.

Merrett R. Stierheim
Superintendent of Schools

MRS:ca
L552

cc: Chair and Members of The School Board
Superintendent's Executive Staff
Audit Committee Members