

PAYROLL AND PERSONNEL ADMINISTRATIVE PROCESSES

AT SELECTED STATE AGENCIES

Operational Audit



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

STATE AGENCY HEADS

The Florida Statutes establish the various State agencies and provide the title and selection process for the head of each State agency. The six State agencies included within the scope of this operational audit and the respective agency heads who served during the period of our audit were as follows:

Department of	Established By Florida Statutes	State Agency Head	Dates of Service
Agriculture and Consumer Services	Section 20.14	Charles H. Bronson, Commissioner	From May 2001
Corrections	Section 20.315	Walter A. McNeil, Secretary James McDonough, Secretary	From February 2008 Through April 2008
Environmental Protection	Section 20.255	Michael W. Sole, Secretary	From January 2007
Financial Services	Section 20.121	Alex Sink, Chief Financial Officer	From January 2007
Management Services	Section 20.22	Linda H. South, Secretary	From January 2007
Transportation	Section 20.23	Stephanie C. Kopelousos, Secretary	From April 2007

Source: Florida Statutes and People First records.

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SELECTED STATE AGENCIES

Payroll and Personnel Administrative Processes

SUMMARY

This operational audit focused on State agency policies and procedures relevant to payroll and personnel administrative processes; selected personnel information system (People First) controls; payroll functions and budgetary issues; changes to payroll; time records, leave, and attendance; payroll deductions and salary garnishments; salary warrant and electronic funds processing; and On-Demand Payroll and corrections processing. Audit field work was performed at six State agencies: the Department of Agriculture and Consumer Services (DACS), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), and the Department of Transportation (DOT). Together, these agencies on an annual basis incur approximately one-third of the salary and benefit payments made by executive branch State agencies.

Our audit tests disclosed that, with the exception of time record submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.

TIME RECORDS

Finding No. 1: Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

UNUSED LEAVE COMPENSATION

Finding No. 2: State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Finding No. 3: State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

DUAL EMPLOYMENT

Finding No. 4: Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Finding No. 5: Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

SALARY CALCULATIONS AND OVERTIME AUTHORIZATIONS

Finding No. 6: Some salary payment calculations were incorrect.

Finding No. 7: The number of overtime hours worked by some DOC employees did not appear reasonable.

WARRANT AND EFT CANCELLATIONS

Finding No. 8: State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

EMPLOYEE OUT PROCESSING

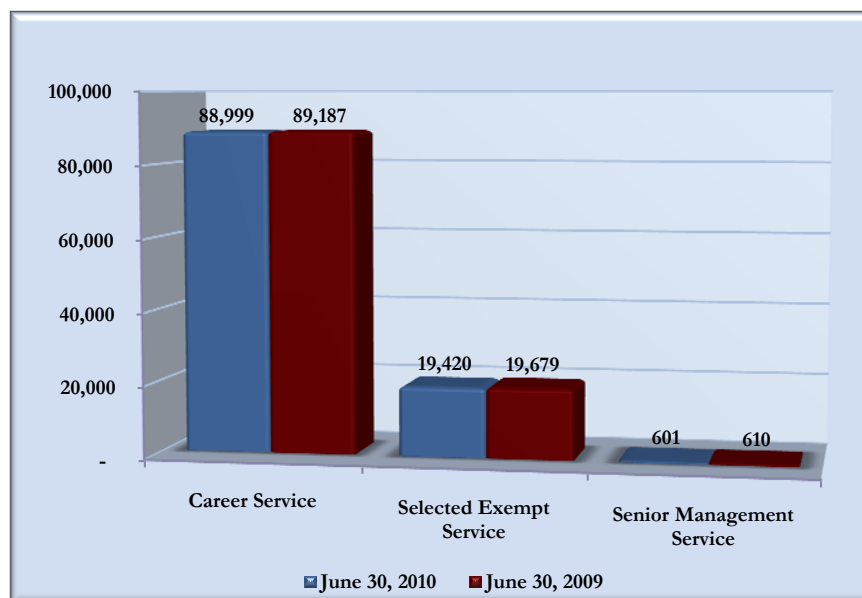
Finding No. 9: State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

BACKGROUND

Florida's State Government is the largest employer in Florida with 168,654 established positions at June 30, 2009, and 167,797 established positions at June 30, 2010.¹ State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefit packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 30 State agencies and other entities within the executive branch of State Government.² As shown in Chart 1, the SPS included a total of 109,476 and 109,020 established positions in the Career Service, Selected Exempt Service, and Senior Management Service pay plans as of June 30, 2009, and June 30, 2010, respectively.

Chart 1

**State Personnel System Established Positions by Pay Plan
as of June 30, 2009, and June 30, 2010**



Source: *SPS Annual Workforce Reports 2008-2009 and 2009-2010.*

The Career Service pay plan provides uniform pay, job classification, benefits, and recruitment for the majority of nonmanagement jobs within State agencies. Middle management and professional positions such as bureau chiefs, physicians, and attorneys are included in the Selected Exempt Service pay plan. The Senior Management Service pay plan includes upper management and policy-making jobs.

¹ Department of Management Services, Division of Human Resource Management *State Personnel System Annual Workforce Reports 2008-2009 and 2009-2010.*

² According to the *SPS Annual Workforce Report 2008-2009*, the six primary State personnel systems are the State Personnel System, State Universities, Justice Administration System, State Courts System, the Legislature, and the Florida Lottery.

While the various State agencies have personnel management responsibilities related to their agencies' employees, the Department of Management Services (DMS), Division of Human Resource Management, is responsible for developing and supporting the State's overall human resource infrastructure. DMS responsibilities include managing the SPS, Florida Retirement System, and State group insurance.

To automate the State's human resource functions, DMS contracted with Convergy's to establish a personnel information system, People First, for all authorized and established positions in the State service, with the exception of employees of the Legislature.³ People First is a self-service, secure, Web-based application and enterprisewide suite of human resource services. The key components of People First include attendance and leave, employee benefits, personnel data warehouse, human resource management, organizational management, payroll administration, and staffing.

DMS is the functional owner of People First but the self-service functionality of the system is at the State agency and State employee level.⁴ To facilitate the generation of salary payments, People First interfaces with the Department of Financial Services' (DFS) Florida Accounting Information Resource Subsystem (FLAIR) Payroll Component.

The DFS, Division of Accounting and Auditing, Bureau of State Payrolls (BOSP), is responsible for certain centralized payroll functions such as, paying State employees, remitting tax and retirement contributions and withholdings to administering agencies, maintaining and protecting official State employee FLAIR payroll records, and auditing State agencies' payroll-related processes. The BOSP developed a detailed *Payroll Preparation Manual* to provide State agencies with general instructions for preparing and submitting payroll and employee data, as well as schedules, tables, and codes used in the FLAIR Payroll Component. According to DFS, the *Payroll Preparation Manual* is to serve as the administrative authority in the absence of specific rules to the contrary.

State law establishes the State's employment policy and provides requirements and guidelines relevant to the State employee payroll and personnel administrative processes.⁵ Pursuant to law, DMS is to adopt rules as necessary to effectuate the State employment policy, and the Chief Financial Officer (CFO) may adopt rules that include procedures or policies relating to the processing of salary payments.⁶ Table 1 shows DMS and DFS rules applicable to the State payroll and personnel processes.

³ In March 2010, Convergy's Corporation announced the sale of its Human Resources Management Division to NorthgateArinso.

⁴ Section 215.94, Florida Statutes.

⁵ Chapter 110, Florida Statutes.

⁶ Sections 110.1055 and 17.29(1), Florida Statutes.

Table 1
State Payroll and Personnel Rules

Florida Administrative Code Cite	Title
DMS Rules, Chapter 60L-26	<i>Dual Employment and Employment in Excess of One Full-Time Equivalent Position</i>
DMS Rules, Chapter 60L-29	<i>Definitions</i>
DMS Rules, Chapter 60L-30	<i>Personnel Programs and Records</i>
DMS Rules, Chapter 60L-31	<i>Classification Plan</i>
DMS Rules, Chapter 60L-32	<i>Compensation and Benefits</i>
DMS Rules, Chapter 60L-33	<i>Appointments and Status</i>
DMS Rules, Chapter 60L-34	<i>Attendance and Leave</i>
DMS Rules, Chapter 60L-35	<i>Performance Management System</i>
DMS Rules, Chapter 60L-36	<i>Conduct of Employees</i>
DMS Rules, Chapter 60L-37	<i>Savings Sharing Program</i>
DMS Rules, Chapter 60L-38	<i>State Child Care Program</i>
DMS Rules, Chapter 60L-39	<i>Florida State Employees' Charitable Campaign</i>
DFS Rules, Chapter 69I-31	<i>Bureau of State Payrolls</i>

Generally, State agencies use a payroll-by-exception methodology whereby employees, excluding Other-Personal-Services (OPS) employees,⁷ are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available leave for the required number of hours in the pay period. Therefore, a salary payment may be processed absent the submittal and supervisory approval of a record of the employee's attendance and time worked. Notwithstanding this aspect of the payroll-by-exception methodology, State law requires that each State agency maintain, for each agency employee, accurate records of all hours worked and leave approved.⁸

Pursuant to State law, the normal pay period for salaries of State officers and employees is one month and DFS is to issue either monthly or biweekly salary payments by State warrant or direct deposit.⁹ As State law requires, with few exceptions, that persons appointed to positions in State government participate in the direct deposit program as a condition of employment, the vast majority of salary payments are made by DFS by direct deposit via electronic funds transfer (EFT).¹⁰ DFS may also make semimonthly salary payments by direct deposit if requested by an agency head and approved by the Executive Office of the Governor and DFS. Employees working in State agencies on a monthly payroll cycle are paid on the last working day of the month while employees working in State agencies on biweekly payroll cycles are paid every other Friday.

Total State employee salary payments totaled approximately \$6.5 billion for each of the 2008-09 and 2009-10 fiscal years.¹¹ Table 2 shows the number of authorized positions for the 2007-08, 2008-09, and 2009-10 fiscal years and the designated payroll cycle for each of the six State agencies included within the scope of this audit.

⁷ Pursuant to DMS Rule 60L-33.005, Florida Administrative Code, OPS employment is a temporary employer-employee relationship used solely for the completion of short-term or intermittent tasks. OPS employees do not fill established positions nor are they to be assigned the duties of any vacant authorized position.

⁸ Section 110.219(4), Florida Statutes.

⁹ Section 110.113(1), Florida Statutes.

¹⁰ Section 110.113(2), Florida Statutes.

¹¹ Total excludes salary payments made to Department of the Lottery, State Board of Administration, State University System, and legislative employees.

Table 2
Selected State Agencies
Number of Authorized Positions and Designated Pay Periods

Agency	Number of Authorized Positions ^c			Designated Payroll Cycle ^d
	2007-08	2008-09	2009-10	
Department of Agriculture and Consumer Services (DACS)	3,799.75	3,722.75	3,658.75	Biweekly
Department of Corrections (DOC)	28,376.50	28,863.50	30,522.00	Biweekly
Department of Environmental Protection (DEP)	3,621.00	3,614.00	3,558.50	Monthly
Department of Financial Services (DFS) ^a	2,858.50	2,850.50	2,793.50	Monthly
Department of Management Services (DMS) ^b	1,277.00	1,249.00	1,266.00	Biweekly
Department of Transportation (DOT)	7,523.00	7,448.00	7,426.00	Biweekly
Totals	47,455.75	47,747.75	49,224.75	

^a Includes authorized positions in the Offices of Financial Regulation and Insurance Regulation which are subject to the governance of the Financial Services Commission.

^b Includes authorized positions in the Division of Administrative Hearings, Florida Commission on Human Relations, and Public Employees Relations Commission.

Sources:

^c Chapters 2007-72, 2007-326, 2008-1, 2008-152, 2009-1, and 2009-81, Laws of Florida, *General Appropriations Acts*.

^d People First.

FINDINGS AND RECOMMENDATIONS

As part of our audit, we identified objectives that we considered key to the effective and efficient administration of the payroll and personnel processes. We designed our audit procedures to evaluate the extent to which management at the six State agencies selected for audit had established the necessary infrastructure and controls to ensure the achievement of the objectives. Our audit procedures included an evaluation of the effectiveness of overall State Personnel System (SPS) policies and procedures, as well as selected State agency policies and procedures related to the payroll and personnel administrative processes. We also performed analytical procedures and tested the personnel records and payroll transactions at the State agencies selected for audit.

Our audit tests disclosed that, with the exception of time records submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets. **EXHIBIT A** presents a summary of the results of our audit testing by objective and, as applicable, includes the number of the finding in which the test results are described in more detail.

Time Records

Each State agency head is ultimately responsible for ensuring that accurate records of all hours worked and leave taken are maintained for each employee of the agency.¹² DMS rules and People First user guides provide the leave and attendance guidelines for employees in the SPS and require, in part, that each State agency:¹³

- Monitor hours worked by employees to ensure proper compensation.
- Monitor overtime to ensure compliance with the Fair Labor Standards Act (FLSA).
- Maintain accurate records of attendance, leave, and overtime worked and compensated.
- Instruct employees in the proper scheduling, use, and recording of leave and attendance, and the proper earning and recording of hours worked including overtime.
- Monitor the actual duties performed by employees to ensure continued appropriateness of overtime designations.
- Assign People First user role codes to designate responsibility for employee time record and leave request approvals.
- Process time records and leave requests for employees.

People First enables State agency management's performance of these functions. The self-service functionality of People First also allows employee completion of time records.

Finding No. 1: Time Record Submittal, Review, and Approval

The payroll process provides for salary payments to be made based on an employee's scheduled contract hours. As discussed in the **BACKGROUND** section of this report, under the payroll-by-exception methodology, unless the applicable State agency takes specific actions to change either the employee's scheduled contract hours or rate of pay, the gross salary payments will be for the same amount from one payroll cycle to the next. While use of the payroll-by-exception methodology provides simplicity and efficiency in processing payrolls, accurate and complete records of employee attendance and leave are required to support the appropriateness of salary payments made.

Utilizing People First, employees are to complete and submit time records that reflect the number of hours worked and leave taken. People First user guides and training materials direct non-OPS employees to submit their time records at the end of their agency's payroll cycle. Once an employee has submitted a time record for a payroll cycle, the designated approver (usually the employee's immediate supervisor) is responsible for the review and approval of the time record. Any errors, omissions, or discrepancies in the attendance and leave reported by the employee are to be resolved by the supervisor and employee.

To assist managers in the identification of missing time records, People First collects weekly data on time records that have not been submitted, approved, or have been approved but require corrective action. Every other week, People First places this data in a cumulative *Missing Time Records* report that is e-mailed to each applicable agency's personnel office.

The *Missing Time Records* reports are made available to State agencies and may be used by each of the agencies to identify time records that have not yet been submitted, reviewed, or approved. Agencies may also use the reports to identify employees who may have been overpaid or underpaid. If overpayments are identified, agencies are to seek

¹² Sections 110.219(4), 110.605(1)(c), and 110.403(1)(f), Florida Statutes.

¹³ DMS Rules, Chapter 60L-34, Florida Administrative Code. *Attendance and Leave*.

reimbursement from the applicable employees. If underpayments are noted, agencies may increase, by the amount underpaid, a subsequent payment to the employee or create a supplemental payment. Once time records are submitted and approved with no errors, the records will no longer appear on subsequent *Missing Time Records* reports.

We found that some additional uniformity in the policies of the individual agencies and some report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports. Specifically:

- People First user guides do not provide a time frame within which managers should approve time records for non-OPS employees; DMS rules do not address time frames for time record submission; and State agency human resource policies that address employee time record submission vary from agency to agency. For example, DFS policy requires employees to submit time records 5 business days after the end of the payroll cycle while DMS policy requires employees to submit time records by 5:00 P.M. every other Thursday. Thus, many time records that are shown by the *Missing Time Records* reports may be included because the reports were run prior to the time record submittal dates authorized by a particular agency's policy.
- The *Missing Time Records* reports do not provide an aging schedule showing, for each applicable time record, the length of time between the payroll cycle end and the *Missing Time Records* report run date. Absent information showing the age of the exceptions, it was difficult for agencies to differentiate between routine and what may be more significant lengthy delays.
- The *Missing Time Records* reports do not identify the person responsible for approving the time records listed. Information identifying the approver would better facilitate management's monitoring of the processes associated with resolving the exceptions shown by the reports.
- Agency management indicated that inaccuracies had been noted in the *Missing Time Records* reports and, as a result, some agencies had implemented alternative methods for reviewing the timely submittal and approval of time records.

Time records are used to document employee attendance and use of leave, calculate overtime earnings, and adjust salary amounts due to leave without pay. Absent an effective means for monitoring, time records that have not been timely submitted or approved, or that have been approved with corrective actions required, may escape timely detection.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the *Missing Time Records* report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Unused Leave Compensation

Pursuant to State law and rules, terminating State employees are entitled to compensation at their current rate of pay for unused sick and annual leave balances, subject to specified years of creditable State employment and lifetime maximums applicable to their employment class or pay plan. Certain State employees may also be entitled to payouts for unused compensatory leave credits. Specifically:

Unused Sick Leave

- After at least 10 years of creditable State employment, terminating State employees are to receive payment for a maximum of 480 unused sick leave hours. State agencies are to calculate unused sick leave payouts by

multiplying the employee's final rate of pay by one-eighth of any sick leave hours accrued prior to October 1, 1973, plus one-fourth of any sick leave hours accumulated on or after October 1, 1973.¹⁴

Unused Annual Leave

- Career Service employees are limited to a payout for a lifetime maximum of 240 hours of unused annual leave and, subject to available funds, may elect to receive cash payouts for 24 hours of annual leave each December.¹⁵ At the close of business on December 31 of each calendar year, a Career Service employee's annual leave balance in excess of 240 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁶ State agencies are to calculate lifetime maximum annual leave payouts for Career Service employees by subtracting any previous annual leave payouts made subsequent to May 13, 2001, from the employee's annual leave balance at termination.¹⁷
- Selected Exempt Service employees and Senior Management Service employees are limited to a payout for a lifetime maximum of 480 hours for annual leave and, pursuant to DMS guidelines, the payout is to be calculated by adjusting the employee's annual leave balance at termination for a proration of the current year's annual leave accrual balance.¹⁸ At the close of business on December 31 of each calendar year, a Selected Exempt Service employee's annual leave balance in excess of 480 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁹
- In the event of an employee's death, the limit on lifetime maximum hours do not apply and State agencies are to pay any unused annual leave to the employee's beneficiary or estate.²⁰

Unused Compensatory Leave

- Eligible State employees may also be entitled to compensation at their current rate of pay for certain unused compensatory leave. These payouts may be made at employee separation or, in some instances, periodically in lump sum amounts. The maximum credits that may be accumulated vary based on the type of compensatory leave and applicable employee collective bargaining agreements.

Finding No. 2: Compensatory Leave Credits

Certain State employees may earn compensatory leave for hours worked in excess of the regular work period or during holidays, emergencies, and facility closures. DMS rules include provisions for the accumulation and payment of regular compensatory leave, FLSA special compensatory leave, and special compensatory leave credits. Certain collective bargaining agreements with employee bargaining units also include compensatory leave provisions.²¹ For example, the Florida Police Benevolent Association (FPBA) Security Services Bargaining Unit Agreement is applicable to DOC correctional officers and limits to a maximum of 240 hours the number of special compensatory leave credits that may be accumulated.²² Descriptions of the types of compensatory leave and the provisions contained in the DMS rules and eight collective bargaining agreements applicable to the employees of the six State agencies included within the scope of this audit are included in this report as **EXHIBIT B**.

¹⁴ Section 110.122, Florida Statutes.

¹⁵ Section 110.219(7), Florida Statutes. To qualify for the annual leave payout, the Career Service employee must have an annual leave balance of no less than 24 hours after the payout and the employee cannot receive payouts for more than 240 hours over the course of the employee's career with the State, including any annual leave payout received at the time of separation.

¹⁶ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

¹⁷ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

¹⁸ DMS Rule 60L-34.0041(6)(b), Florida Administrative Code.

¹⁹ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

²⁰ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

²¹ At the time this audit was conducted, DMS had listed on its Web site ten collective bargaining agreements between the State of Florida and various employee bargaining units.

²² Article 23, Section 1(C), The State of Florida and The Florida Police Benevolent Association, Security Services Bargaining Unit Agreement, effective July 9, 2008, through June 30, 2011.

State agencies use People First to account for the various types of compensatory leave credits earned and used by employees. People First includes four compensatory leave time and attendance codes: regular compensatory leave, FLSA special compensatory leave, special compensatory leave, and special holiday compensatory leave. Periodic payments for accumulated leave credits and payments for unused compensatory leave credits upon an employee's separation are to be recorded in FLAIR using one of three codes: regular compensatory leave in lieu of overtime, special compensatory leave in lieu of overtime, or special compensatory leave.

As noted in **EXHIBIT B** to this report, there are multiple compensatory leave credit rules and collective bargaining agreement provisions that State agencies must consider when monitoring leave balances and calculating compensatory leave payouts. While DMS had promulgated rules, made collective bargaining agreements available to all State agencies for reference, and provided rule interpretations upon request, the lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts.

As shown in Table 3, according to FLAIR data, during the period July 2007 through January 2009, the six agencies included within the scope of this audit made 5,658 payments totaling approximately \$10.5 million for accumulated compensatory leave.

Table 3
Payouts of Accumulated Compensatory Leave Credits
July 2007 Through January 2009

	DACS	DOC	DEP	DFS	DMS	DOT	Totals
Regular Compensatory Leave							
Number of Payments	-	-	-	2	-	-	<u>2</u>
Number of Hours Paid	-	-	-	111	-	-	<u>111</u>
Amount Paid	-	-	-	\$ 2,731	-	-	<u>\$ 2,731</u>
Special Compensatory Leave in Lieu of Overtime							
Number of Payments	371	54	274	84	106	14	<u>903</u>
Number of Hours Paid	8,574	2,754	6,428	1,593	1,670	677	<u>21,696</u>
Amount Paid	\$130,754	\$ 35,355	\$ 87,462	\$ 33,767	\$22,492	\$ 5,856	<u>\$ 315,686</u>
Special Compensatory Leave							
Number of Payments	100	4,321	101	85	26	120	<u>4,753</u>
Number of Hours Paid	7,776	540,106	3,232	3,502	1,732	3,007	<u>559,355</u>
Amount Paid	\$165,537	\$9,813,594	\$ 67,050	\$ 90,132	\$20,533	\$46,374	<u>\$10,203,220</u>
Total Number of Payments	<u>471</u>	<u>4,375</u>	<u>375</u>	<u>171</u>	<u>132</u>	<u>134</u>	<u>5,658</u>
Total Number of Hours Paid	<u>16,350</u>	<u>542,860</u>	<u>9,660</u>	<u>5,206</u>	<u>3,402</u>	<u>3,684</u>	<u>581,162</u>
Total Amount of Compensatory Leave Paid	<u>\$296,291</u>	<u>\$9,848,949</u>	<u>\$154,512</u>	<u>\$126,630</u>	<u>\$43,025</u>	<u>\$52,230</u>	<u>\$10,521,637</u>

Source: FLAIR.

Our analysis of FLAIR data and review of the DMS rules and applicable collective bargaining agreements identified instances in which additional guidance, rule clarifications, and statutory revisions may be needed with respect to the management and payout of special compensatory leave credit balances. Specifically:

- While maximums are established for purposes of annual and sick leave payouts, Florida Statutes and DMS rules do not specify a maximum balance for the payout or accumulation of special compensatory leave

credits.²³ Of the 4,753 special compensatory leave payouts, 643 were for more than 240 credit hours and totaled \$5.76 million. These 643 payments included 6 payments totaling \$56,147 at DACS, 3 payments totaling \$30,492 at DEP, 2 payments totaling \$8,258 at DMS, 630 payments totaling \$5,663,244 at DOC, and 2 payments totaling \$5,996 at DOT. According to DMS management, many of the large special compensatory leave payouts were the result of a provision in law that permits former Career Service employees to transfer these leave credits when moving to any Selected Exempt Service position.²⁴ For example, employees who voluntarily leave a Career Service position for a Selected Exempt Service position at any State agency will retain all unused special compensatory leave credits. Any unused leave credits are to be paid to the employee upon separation from State employment at the employee's rate of pay at the time of separation, which may be significantly higher than the employee's rate of pay at the time the compensatory leave credits were accrued.

- Our analysis of FLAIR data included an examination of the detail records for 18 special compensatory leave payments totaling \$162,988 (4 payments totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT) made to 15 employees.²⁵ With respect to these payments, we noted that the State agencies were inconsistent in the application of compensatory leave rules and other guidelines. Specifically:
 - While the FPBA Security Services Bargaining Unit Agreement limited the accumulation of special compensatory leave credits to 240 hours and included a provision stating that, with 7 days notice, employees "may be required to reduce accumulated special compensatory leave credit balances to a level of 240 hours," DOC allowed 5 correctional officers to accumulate 627, 691, 948, 1,215, and 1,411 hours, respectively. Payouts to these correctional officers ranged from \$12,341 to \$37,625 and included amounts totaling \$89,595 for hours in excess of the 240-hour limit.
 - State agencies did not consistently recognize the maximum special compensatory leave credit limits in the collective bargaining agreements when calculating the special compensatory leave payouts. For example, while 2 of 3 law enforcement officers (one each at DEP, DOT, and DFS) covered by the FPBA Law Enforcement Bargaining Unit Agreement were paid for accumulated special compensatory leave credits in excess of the 240 hours specified in the Agreement, the third officer's leave payout was limited to 240 hours. The DEP officer was paid \$16,498 for 513 credit hours, or \$8,780 for hours above the specified limit. The DOT officer was paid \$4,817 for 263 credit hours, or \$422 for hours above the specified limit. When calculating the special compensatory leave payout for the officer at DFS, DFS limited the payout to 240 hours even though the officer had accumulated 435 special compensatory credit hours.
 - Absent any provision in DMS rules or applicable collective bargaining agreement, DACS paid \$8,822 to one employee (a seasonal worker) for 315 accumulated special compensatory leave hours. In response to our audit inquiry, DACS indicated that, according to DACS policy, Division of Fruit and Vegetable employees are permitted to accumulate up to a maximum of 480 hours of FLSA special compensatory leave credits within a designated 6-month period. However, given this explanation, the leave payout had been incorrectly recorded in FLAIR as special compensatory leave rather than FLSA special compensatory leave.

Compensatory leave is a useful tool that allows State agencies to utilize staff during periods of need, and then permit those staff to take leave at a more opportune time. Compensatory leave may also preserve salary dollars by providing employees with leave in lieu of overtime payments. However, allowing employees to accumulate large balances of

²³ As shown by **EXHIBIT B**, the accumulation of special compensatory leave credits is limited to 240 hours by the provisions of three collective bargaining agreements (FPBA Security Services Bargaining Unit, FPBA Law Enforcement Bargaining Unit, and Florida Nurses Association Professional Health Care Unit).

²⁴ Section 110.205(7), Florida Statutes, provides that if an employee is transferred or otherwise moves from the Career Service System into the Selected Exempt Service, all of the employee's unused annual leave, unused sick leave, and unused compensatory leave shall carry forward with the employee.

²⁵ As the On-Demand Payroll System limits the number of credit hours that can be used in any one payment calculation, DOC split the payment for the special compensatory leave into two payments for 3 of the 8 DOC employees.

special compensatory leave credits over long periods of time and then transfer those credits when voluntarily leaving Career Service employment for a Selected Exempt Service position exposes State agencies to increased leave liabilities and may result in large cash payouts upon employee separation. According to DMS rules and guidance, as part of an agency's efforts to manage its leave liabilities, certain employees should be required to use special compensatory leave credits prior to being approved to use other leave types, with the exception of sick leave,²⁶ and Selected Exempt Service employees with special compensatory leave balances should be compelled, upon prior notice, to use all or part of their balances.^{27 28}

Agency Supervisors are responsible for approving compensatory leave credits earned and used and for monitoring employee compensatory leave balances to ensure compliance with applicable laws, rules, and collective bargaining agreement provisions. The lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts and may lead to inconsistencies in the manner in which State agency managers apply compensatory leave provisions.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
 - To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
 - The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.
-

Finding No. 3: Unused Annual and Sick Leave Payouts

In report No. 2007-087, we noted errors in the amounts of unused annual and sick leave (terminal leave) payouts, discrepancies in leave balances at State agencies, and functionality issues with People First leave balance screens. To mitigate the risk of errors when processing terminal leave payouts, we recommended that agencies perform audits of leave balances prior to processing terminal leave payments and that DMS issue guidelines for the proration of annual

²⁶ DMS Rule 60L-34.004, Florida Administrative Code and DMS Rule Interpretation, *SES Employees - Special Compensatory Leave Provisions*, Tracking No. 60L-34-2007-#1, effective May 22, 2007.

²⁷ DMS Rule 60L-34.0044, Florida Administrative Code, and DMS Rule Interpretation, *Compelling Use of Special Compensatory Leave*, Tracking No. 60L-34-2008-#005, effective May 1, 2008.

²⁸ Employees covered by the AFSCME agreement are exempt from being compelled to use special compensatory leave credits earned prior to April 2, 1999, and employees covered by the FPBA Law Enforcement Unit or FPBA Security Services Unit agreements may not be compelled to use any special compensatory leave credits, or to substitute such leave for credits in lieu of requested annual leave, for the first 60 days after the compensatory leave credits in question were earned.

leave for applicable employees. In response to our recommendations, DMS established, effective May 2, 2007, and provided to State agencies via the DMS Web site, Program Guidelines for the proration of annual leave for Senior Management Service and Selected Exempt Service employees.

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, we requested agency terminal leave payout policies and procedures for review and examined agency records for 51 terminal leave payouts, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT. Additionally, we reviewed documentation of any leave balance audits performed related to the 51 payouts to determine whether the agencies effectively ensured the proper calculation of the payouts. We noted that:

- Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$58,096 at DACS, 3 payouts totaling \$12,353 at DOC, 2 payouts totaling \$47,506 at DMS, and 5 payouts totaling \$12,823 at DOT.
 - DOC made a duplicate payment of \$10,215 to one employee for unused sick leave at separation. Subsequent to our audit inquiry, DOC requested reimbursement from the former employee.
 - For 2 DACS unused annual leave payouts, one for a Selected Exempt Service employee and one for a Senior Management Service employee, DACS did not correctly adjust the unused annual leave balance to prorate the current year's annual leave accrual. As a result, one employee was underpaid \$277 and another employee was overpaid \$1,956.

Many factors can complicate the tracking and updating of State employee leave credits and the calculation of employee lifetime maximum terminal leave payouts including, the use and donation of leave, employee transfers between employment classes or pay plans, the rehire of former State employees, and payments of leave credits utilizing the On-Demand Payroll System. Under such circumstances, the implementation and communication of written policies and procedures may better ensure the calculation of payment amounts that are consistent with the requirements of law.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

In response to this finding, DACS management indicated that documentation for the 5 payouts had been provided. DACS personnel did provide Computation Sheets, which on the first line show "Leave Credits Per Most Recent Record" and then include lines to update the recorded balance to reflect current leave transactions. As noted in the finding, the documentation provided did not demonstrate that the recorded leave balances had been audited prior to payment.

Dual Employment

State law provides that an individual employed by a State agency or by the judicial branch may not fill more than a total of one full-time equivalent established position, receive compensation simultaneously from any appropriation other than appropriations for salaries, or receive compensation simultaneously from more than one State agency unless approved by DMS, or the agency head (if such approval authority has been delegated),²⁹ or by the Chief Justice, during each fiscal year.³⁰ Pursuant to State law, DMS adopted rules delegating to agency heads approval authority for all dual-employment requests.³¹ In considering requests for dual employment, the DMS rules require State agencies to apply the following criteria:

- Compensation must be commensurate with assigned duties.
- A demonstrated need for the proposed action must exist.
- The services must not give rise to the appearance of a conflict of interest or otherwise violate legislative intent.

The DMS rules also require that any State employee seeking employment and compensation from more than one State agency initiate a *Dual Employment and Compensation Request* form (Form DMS/HRM/DUAL). On the *Dual Employment and Compensation Request* form, employees are to certify that the secondary employment will not be within the normal working hours of the primary employment.³² The form instructions also require the secondary employing agency to provide certain information to the primary employing agency and indicate that the primary employing agency has the final approval authority.

For overtime liability determinations, the *Dual Employment and Compensation Request* form requires the relevant State agencies to consider whether: there is no overtime liability as both the primary and secondary employments are excluded for overtime purposes; the secondary employment is voluntary, in a different capacity from the primary employment, and worked on an occasional or sporadic nature; or the position is outside of the SPS. However, if overtime is applicable, the primary and secondary agencies must, considering the nature of the positions involved, agree upon a method for calculating overtime as described on the *Dual Employment and Compensation Request* form and required by the FLSA.³³

DMS provided additional guidance for SPS agencies in the *Dual Employment Guidelines and Procedures for State Personnel System Agencies (Guidelines)*.³⁴ Those *Guidelines* require that, if the dual employment is approved, the primary agency provide the secondary agency with copies of the *Dual Employment and Compensation Request* form and the secondary agency process the secondary employment in the human resource information system. The *Guidelines* further require that:

²⁹ Section 216.011(1)(qq), Florida Statutes, defines a “State agency” as any official, officer, commission, board, authority, council, committee, or department of the executive branch of State Government and, for the purposes of implementing Section 19(h), Article III of the State Constitution, includes the judicial branch.

³⁰ Section 216.262(1)(e), Florida Statutes.

³¹ DMS Rule 60L-32.003, Florida Administrative Code, *Dual Employment and Compensation*.

³² According to the DMS *Dual Employment Guidelines and Procedures for State Personnel System Agencies*, the primary employment is the employment that has the earliest date of hire. However, OPS employments are to be considered secondary unless both positions are OPS.

³³ The FLSA is codified in Title 29, Sections 201 through 219, United States Code. Section 207 addresses overtime pay and Section 213(a)(1) provides an exemption from overtime pay for employees employed as bona fide executive, administrative, professional, and outside sales employees. Section 213(a)(17) exempts computer systems analysts, computer programmers, software engineers, and other similarly skilled workers. To qualify for exemption, employees generally must meet certain tests regarding their job duties and weekly salary rate.

³⁴ Prior to major revision in June 2009, the *Guidelines* dated September 4, 2003, were in effect.

- Requests for dual employment be reviewed and approved annually by both the primary and secondary employing agencies.
- If either the primary or secondary employment changes, a new *Dual Employment and Compensation Request* form be submitted for approval.

Finding No. 4: Dual-Employment Rules and Guidelines

As noted above, State law requires agency approval, during each fiscal year, for all requests for dual employment and simultaneous compensation from more than one State agency in the executive branch or the judicial branch of State Government.³⁵ DMS rules do not specifically make reference to the judicial branch or define a State agency for the purpose of the rules but require agency approval for all requests for simultaneous compensation of an employee by more than one agency.³⁶

DMS *Guidelines* provided additional guidance for SPS agencies. Those *Guidelines* in effect prior to June 2009, defined dual employment to include the compensation of an employee simultaneously by more than one State employer or State agency within the SPS. The *Guidelines* defined a State employer as the SPS, State University System, Florida Lottery, Florida Legislature, Justice Administration Commission, and the State Courts System. However, DMS revised the *Guidelines* in June 2009 to indicate that the *Guidelines* do not apply to employment with any government employer outside the SPS.

In addition to the guidance in DMS rules and *Guidelines*, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.³⁷ DFS policies and procedures required that a form be completed and executed for "employment by more than one State agency" but did not define a "State agency" or differentiate between non-SPS and SPS agencies.³⁸

Absent guidance that clearly indicates when dual-employment approval is required, State agencies may not ensure that employees submit for agency approval requests for dual employment as required by State law. Lack of such guidance may have contributed to the instances noted in finding No. 5 in which proper approval for dual employment was not obtained and documented.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

³⁵ Section 216.262(1)(e), Florida Statutes.

³⁶ DMS Rule 60L-32.003, Florida Administrative Code.

³⁷ *Dual Employment – Dual Compensation* (No. DEP 401); *Outside Employment, Dual Employment, Compensation, and Other Activities* (DACs Administrative Policies and Procedures No. 5-5); and *Dual Employment Within the State Personnel System* (DMS Policy No. HR-01-112).

³⁸ *Dual Employment and Compensation* (DFS Administrative Policies and Procedures No. 5-04).

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

To effectively manage dual-employment activities, State agencies must maintain supplemental files and records related to employees' dual-employment approvals and activities. Table 4 shows, according to the records of five of the six State agencies included within the scope of this audit, the number of employees approved for dual employment during the period July 2007 through January 2009. DOC was not able to provide, in response to our audit inquiries, a complete listing or other comprehensive record of dual-employment approvals.

Table 4
Dual-Employment Approvals in Effect
July 2007 Through January 2009

Agency	Number of Employees with Dual-Employment Approvals
DACS	75
DOC	Not Documented ^a
DEP	96
DFS	5
DMS	11
DOT	41

^a DOC did not maintain a list or other comprehensive record of employees approved for dual employment.

Source: Agency records.

There is not an established mechanism for State agency use that identifies those employees simultaneously receiving compensation from more than one State employer. Accordingly, to determine whether the listings provided by the agencies included approvals for all employees who had simultaneously received compensation from more than one State employer during the period July 2007 through January 2009, we performed analytical procedures of FLAIR payroll data to detect potential instances of dual employment. For the six agencies included within the scope of this audit, we identified 1,008 employees for whom it appeared there were instances of dual employment.³⁹ To test applicable procedures, we selected the records for 43 of these employees.

We determined that all 43 of the employees had been employed by more than one State employer; however, as shown by Table 5, the agencies had not included 21 of the 43 employees on the dual-employment listings provided for our review. Additionally, a *Dual Employment and Compensation Request* form was not available for 19 of the 21 employees. Thirteen of these 19 employees had been dual-employed by another SPS State agency and 6 had been dual-employed by a State University System employer.⁴⁰ For the other 2 employees, the *Dual Employment and Compensation Request* forms provided did not contain evidence of appropriate approval.

³⁹ As not all State employers utilize FLAIR, this analysis would not detect compensation paid by the State entities that do not utilize FLAIR. For example, with the exception of the Florida Agricultural and Mechanical University (FAMU), this analysis would not detect payments made by State universities to employees at the six agencies included within the scope of this audit as, during the audit period, FAMU was the only State university utilizing FLAIR for employee compensation payments.

⁴⁰ As stated in finding No. 4, DMS *Guidelines* were revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Table 5

Summary of Noted Dual-Employment Approval Deficiencies

Agency	Number of Employee Dual-Employment Records Tested	Dual Employment Not Included by Agency on Listing	<i>Dual Employment and Compensation Request Form</i>		
			Not Available	Lacked Required Signatures	Totals
DACS	10	2	2 ^a	1	3
DOC	10	10	8	-	8
DEP	10	5	5 ^b	-	5
DFS	3	-	-	1	1
DMS	5	1	1	-	1
DOT	5	3	3 ^c	-	3
Totals	<u>43</u>	<u>21</u>	<u>19</u>	<u>2</u>	<u>21</u>

^a Both dual employments were with a State University System employer.

^b Three of the 5 dual employments were with a State University System employer.

^c One of the 3 dual employments was with a State University System employer.

Source: Agency records.

Absent a mechanism that identifies those employees simultaneously receiving compensation from more than one State employer, agencies cannot be assured that their employees always properly submit dual-employment requests for management approval. In addition, absent documentation of the proper approval of dual employment, State agencies cannot demonstrate that an employee's compensation was commensurate with the employee's assigned duties, there was a need for the employee to hold more than one position with the State, or the employment did not give rise to the appearance of a conflict of interest or otherwise violate legislative intent. Further, absent a listing or other complete record of employees approved for dual employment, an agency cannot demonstrate that the dual-employment activities of all applicable employees have received appropriate consideration in accordance with State law and DMS rules and *Guidelines* or that an appropriate method for calculating applicable overtime pay has been devised.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

In response to this finding, DACS management stated that "according to DMS rule interpretation, the two cited as not available should not have been considered a finding since those two employees were dual employed outside of the SPS at a university." At the time of the cited payroll transactions, dual-employment authorization was required for secondary employment at a State university. As stated in finding No. 4, DMS Guidelines were subsequently revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Salary Calculations and Overtime Authorizations

Most SPS salary payment calculations are made utilizing a payroll process whereby People First is responsible for certain functions supporting the payroll process, including processing personnel actions and employee time data, and at the end of each pay period, People First transmits payroll data to the FLAIR Payroll Component. However, some

“one-time” salary payment calculations are initiated by the employing agency and processed using a system referred to as the On-Demand Payroll System.

According to FLAIR records, during the period July 2007 through January 2009, approximately 1.8 million salary payments totaling approximately \$2.8 billion were made for the employees (in both authorized and OPS positions) of the six agencies included within the scope of this audit.

Finding No. 6: Salary Payment Calculations

We tested 540 salary payments totaling \$1,109,967 to determine whether the payments were properly calculated, approved, and supported by authorized sufficient time records. Table 6 shows, by agency, the total salary payments population and the total payments selected for testing.

Table 6
Salary Payments Tested
for the Period July 2007 Through January 2009

Agency	Salary Payment Population		Salary Payments Tested	
	Number of Payments	Amount of Payments	Number of Payments	Amount of Payments
DACS	163,290	\$ 218,030,942	95	\$ 153,253
DOC	1,122,732	1,544,953,759	137	266,294
DEP	109,508	258,968,365	87	210,262
DFS	51,790	182,305,173	70	214,859
DMS	41,167	66,181,514	67	151,923
DOT	297,839	526,384,301	84	113,376
Totals	1,786,326	\$2,796,824,054	540	\$1,109,967

Source: FLAIR. Salary payment amounts include payments made to employees in both authorized and OPS positions.

For the 540 salary payments tested, the agencies included within the scope of this audit generally made employee salary payments in the correct amounts based on the number of hours recorded as worked, approved rate of pay, and effective dates of any pay rate changes. However, we identified 11 salary payment errors (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically, we noted:

- Four errors for the 95 DACS salary payments tested. For 2 payments, DACS did not record reductions to lead worker additive pay until after the approved effective dates of the changes, resulting in overpayments of \$26 and \$31. For another payment, DACS underpaid the employee by \$157 due to an incorrectly recorded start date. In the fourth instance, an employee who transferred employment from DOC to DACS was underpaid by \$94 due to the use of the lower DACS rate of pay for hours worked at DOC.
- Two errors for the 87 DEP salary payments tested. DEP overpaid one employee \$50 due to an error in calculating the employee's overtime rate of pay and overpaid the other employee by \$16 as a result of entering incorrect flex schedule hours into People First.
- Two errors for the 70 DFS salary payments tested. In one instance, DFS paid an employee for 160 hours of work although the time records showed that the employee only worked 152 hours, resulting in an overpayment of \$80. In the other instance, DFS paid an employee \$904 when, based on the employee's rate of pay and time records, the employee should have been paid \$1,805, resulting in an underpayment of \$901.

- Two errors for the 67 DMS salary payments tested. DMS overpaid one employee by \$40 because, although the employee's pay was adjusted for a change in the rate of pay, the change in the employee's status from part-time to full-time was not taken into account. DMS underpaid the other employee by \$17 due to a delay in implementing an approved pay increase.
- One error for the 84 DOT salary payments tested. DOT overpaid one employee by \$626 as the employee separated from DOT in the middle of the payroll period but was paid based on 80 hours rather than the 40 hours recorded as worked.

Each of the instances noted above resulted from State agency payroll change processing. When payroll changes are processed, additional care should be taken to ensure that the changes are timely made considering the effective date of the change and that the changes made agree with the supporting authorization and time records. Subsequent to our audit inquiries, the agencies began taking actions to resolve the errors noted above.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Finding No. 7: Overtime Authorization

The FLSA provides for the inclusion or exclusion of certain classes of employees defined by the type of work performed. State employees who are eligible for overtime pay pursuant to the FLSA are referred to in DMS rules and guidelines as "included employees." The FLSA requires that, unless otherwise exempted, employees be paid overtime pay at a rate of not less than one and one-half times the regular rate for hours worked in excess of 40 per week.⁴¹ "Excluded employees" are not subject to the FLSA and, therefore, there is no FLSA requirement to pay or otherwise compensate excluded employees for any overtime hours worked.

As part of our audit, we reviewed agency overtime policies and procedures, performed analytical procedures, and examined the records for 64 overtime payments made during the period July 2007 through January 2009 and totaling \$68,719, to evaluate whether overtime payments were reasonable, properly calculated, adequately supported, and authorized. The 64 overtime payments tested included, 10 payments totaling \$20,277 to DACS employees, 20 payments totaling \$13,686 to DOC employees, 6 payments totaling \$7,328 to DEP employees, 8 payments totaling \$15,271 to DFS employees, 10 payments totaling \$7,855 to DMS employees, and 10 payments totaling \$4,302 to DOT employees.

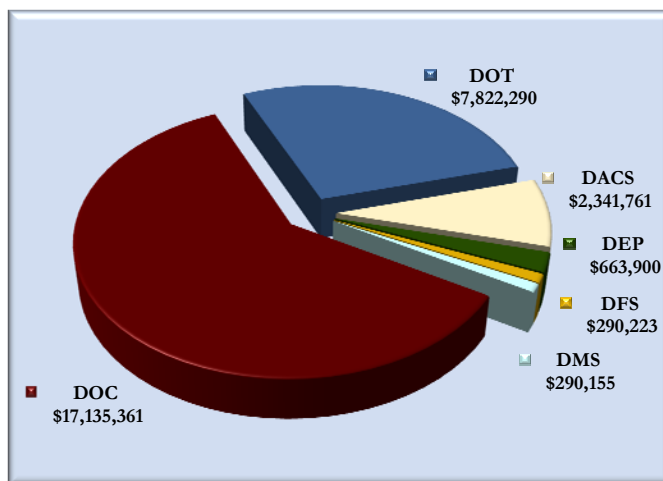
Except as otherwise noted below, we noted that the agencies had established policies and procedures regarding payment for overtime hours worked that, if consistently followed, should ensure that overtime payments are properly calculated and authorized. Also, for the overtime payment records included in our tests, we noted that the employees were properly designated as included employees, the amounts paid were properly calculated based on the rate of pay and number of hours recorded by the employees in People First as worked, and the hours recorded in People First were approved by the employees' direct supervisors or time administrators.

Our analytical procedures disclosed, as shown in Charts 2 and 3, that DOC paid a significantly higher amount of overtime pay for a significantly larger number of overtime hours than the other five agencies.

⁴¹ Title 29, Section 207, United States Code.

Chart 2

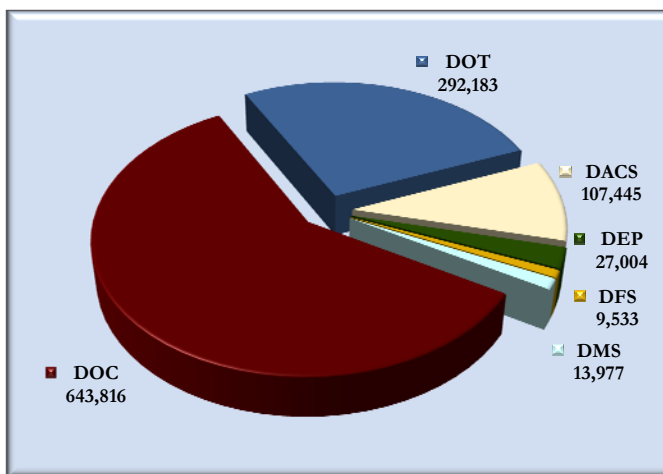
**Overtime Payments by Agency
July 2007 Through January 2009**



Sources: FLAIR and People First Records.

Chart 3

**Overtime Hours by Agency
July 2007 Through January 2009**



Sources: FLAIR and People First Records.

Further analysis of the overtime hours worked by the 25 DOC employees with the greatest number of overtime hours disclosed that, during the 19-month period July 2007 through January 2009, the average number of overtime hours recorded by the 25 DOC employees ranged from 44 to 200 hours per month (20 to 93 hours per biweekly pay period) and the rate of overtime pay ranged from \$21.55 to \$55.97 per hour. These DOC employees included nurses and other medical staff. Relative to these employees, we performed additional procedures to attempt to verify the accuracy of the number of work hours recorded and the extent to which the overtime had been authorized in advance. These additional procedures included compiling and analyzing the overtime hours and pay for each of the 25 DOC employees for the expanded 36-month period of July 2007 through June 2010. As shown in Table 7, the total overtime hours for the 25 DOC employees ranged from 1,061 to 5,678 hours. DOC management advised us that the overtime was made necessary by a shortage of nursing staff.

Table 7

**Overtime Hours and Earnings for 25 DOC Employees with the
Greatest Number of Overtime Hours During the Period July 2007 Through June 2010**

	Position	DOC Region	Total Overtime Hours	Overtime Earnings	Regular Salary or Wages Paid	Total Earnings
1	Senior Licensed Practical Nurse	III	5,678	\$ 149,219	\$ 110,060	\$ 259,279
2	Correctional Medical Technician - Certified	II	5,528	142,825	111,729	254,554
3	OPS Senior Licensed Practical Nurse ^a	II	4,462	147,246	137,258	284,504
4	Senior Licensed Practical Nurse	III	4,014	100,265	106,354	206,619
5	Registered Nurse Specialist/Senior Registered Nurse	III	3,738	158,908	184,487	343,395
6	Senior Licensed Practical Nurse	III	3,541	85,871	100,759	186,630
7	Correctional Medical Technician - Certified	II	3,238	76,530	98,421	174,951
8	Senior Licensed Practical Nurse	III	2,931	74,297	105,261	179,558
9	Senior Licensed Practical Nurse	III	2,919	100,706	143,141	243,847
10	Senior Licensed Practical Nurse	I	2,914	71,772	72,127	143,899
11	Senior Licensed Practical Nurse	II	2,812	74,604	120,772	195,376
12	Registered Nurse Specialist/Senior Registered Nurse	II	2,601	90,856	147,064	237,920
13	Senior Licensed Practical Nurse	III	2,462	53,338	83,678	137,016
14	Senior Registered Nurse	III	2,447	77,045	122,391	199,436
15	Senior Licensed Practical Nurse	I	2,394	53,576	96,404	149,980
16	Registered Nurse Specialist	III	2,366	90,728	159,223	249,951
17	Senior Licensed Practical Nurse	III	2,306	71,213	84,600	155,813
18	OPS Senior Licensed Practical Nurse	III	2,288	75,504	129,366	204,870
19	Registered Nurse Specialist	II	1,911	96,013	223,679	319,692
20	Registered Nurse Specialist/Senior Registered Nurse	II	1,735	72,131	172,646	244,777
21	Registered Nurse Specialist	II	1,663	63,065	157,801	220,866
22	Clinical Associate	III	1,531	85,839	237,841	323,680
23	Senior Registered Nurse	III	1,475	46,591	97,645	144,236
24	Senior Registered Nurse	II	1,214	40,634	209,685	250,319
25	OPS Registered Nurse Specialist	III	1,061	52,495	123,173	175,668
	Totals		69,229	\$2,151,271	\$3,335,565	\$5,486,836

^a During 14 months of this 36-month period, this nurse was employed by both DOC and the Department of Children and Family Services (DCFS). In addition to her DOC earnings of \$284,504, she was paid \$30,341 by DCFS.

Sources: People First and FLAIR.

Our analyses and tests disclosed:

- For some employees, the overtime hours worked were clearly excessive. For example,
 - The overtime earnings for 6 employees exceeded \$100,000 and overtime earnings for 3 of these 6 employees exceeded their regular wages during the 36-month period.
 - One licensed practical nurse was paid by DOC a total of \$284,504 in State wages during the period July 2007 through June 2010 and was dual employed for 400 calendar days during that time period. People First time record information for the two agencies at which she was dual employed indicated that the nurse had recorded hours for 399 of the 400 days. While holiday and leave hours had been recorded for 27 of the 399 days, the nurse recorded hours worked for 372 of the 400 calendar days she was dual employed. We also noted that the nurse's dual-employment activities had not been approved by either DOC or the other employing agency, DCFS. As the nurse's dual employment had not been approved, there was no documentation to demonstrate that the two employing agencies considered the applicability of, or agreed upon a calculation method for, overtime pay. (See finding No. 5 for a discussion of improvements needed in the approval and management of State employees' dual-employment activities.)
- In response to our audit request for sign-in logs or other facility access records to corroborate the dates and work hours recorded by certain nurses assigned to Regions I, II, and III, DOC management provided applicable control room log information for Region I and work schedules and daily assignment sheets for

Regions I and II. With respect to Region III records, DOC provided some work schedules and control room logs; however, DOC management also indicated that other requested records had been shredded and that an internal investigation had been conducted related to the nurses' hours reported in Region III. The results of that investigation indicated, in part, that nursing staff had been allowed to work excessive overtime.

- Upon comparison of the selected nurses' People First time records to the control room log information and the work schedules and daily assignment sheets, we noted numerous instances in which the dates and hours worked did not agree. The record differences have been provided to the DOC Inspector General so that additional efforts may be made to determine the accuracy of the time records.
- According to DOC management, a directive was distributed, via e-mail, instructing DOC supervisory staff that no more than 16 hours of overtime per biweekly pay period should be authorized if there was a more cost-effective alternative. In addition, according to a DOC Inspector General report,⁴² for at least one Region III correctional institution, Career Service and OPS nursing staff had been provided blanket approval to work overtime of up to 40 hours per biweekly pay period. However, beyond the 16-hour limit in the e-mailed directive and the 40-hour blanket approval, the DOC had not adopted written policies or procedures requiring of DOC management prior written authorization of overtime work and pay and verification that any overtime shown on time records had been properly authorized.

Absent written policy and procedure governing the authorization and verification of overtime hours worked, overtime may be worked that is not preceded by careful management consideration of workload; the effectiveness, safety, and well-being of State employees and those served when large amounts of overtime are involved; and the economy and fiscal impact of the overtime payments.

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Warrant and EFT Cancellations

The DFS BOSP *Payroll Preparation Manual* provides instructions to agencies for processing warrant and EFT salary payment cancellations. Reasons for canceling a warrant or EFT include, but are not limited to, payment of incorrect number of hours, late processing of a salary rate change, duplicate payment, or errors in amounts deducted from the employee's gross pay. Salary payments made by EFT can be canceled electronically. If a salary payment made by paper warrant requires cancellation, the *Payroll Preparation Manual* requires that the canceled paper warrant be destroyed and a record of the destruction be maintained. Salary payments made by paper warrant may also be canceled if the warrant was lost.

Finding No. 8: Salary Payment Cancellations

Every payroll cycle, DFS BOSP sends each State agency a *Duplicate Payments Report* that identifies multiple salary payments issued by the agency to the same employee and a *Supplemental Earnings Report* that identifies rates of pay that exceed the maximum for the corresponding class and pay bands. The agencies are to review the reports for errors

⁴² Report No. R10016, *Review of the Lowell Correctional Institution Nursing Utilization Schedule*.

that may require a salary payment cancellation. If an agency identifies an overpayment, the agency is to initiate the cancellation process using FLAIR. Cancellations are normally processed within 24 hours and the correct payment is generally made through the On-Demand Payroll System.

As shown in Table 8, according to FLAIR records, for the six State agencies included within the scope of this audit, during the period July 2007 through January 2009, there were 2,722 salary payment cancellations, totaling \$1,937,409. Table 8 also shows the number and amount of cancellations included in our audit tests.

Table 8
Summary of Salary Payment Cancellations Populations and
Test Items for the Period July 2007 Through January 2009

Agency	Salary Payment Cancellations			
	Population		Test Items	
	Number of Cancellations	Total Cancellations (in dollars)	Number of Cancellations	Total Cancellations (in dollars)
DACS	327	\$ 158,279	10	\$31,867
DOC	1,629	1,089,686	10	8,088
DEP	205	110,262	10	8,132
DFS	94	110,392	10	13,332
DMS	59	31,740	10	13,852
DOT	408	437,050	10	17,949
Totals	2,722	\$1,937,409	60	\$93,220

Source: FLAIR.

Our tests of 60 salary payment cancellations totaling \$93,220 disclosed that agency controls needed improvement to ensure the timely initiation of overpayment recovery efforts and proper destruction of canceled paper warrants. Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great. Regarding third-party overpayments, we noted that:
 - The *Payroll Preparation Manual* did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.
 - Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$3, \$24, and \$18, respectively, and 6 at DOT totaling \$73) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.
- DACS staff indicated that they were not aware of the *Payroll Preparation Manual* requirement that canceled paper warrants be destroyed and records of the destruction be maintained. As of April 2009, DACS was in possession of 148 canceled paper warrants, totaling \$17,244. The dates of these canceled warrants ranged from August 2002 to April 2009. Subsequent to our audit inquiry, DACS destroyed the canceled warrants and implemented new procedures for documenting the destruction of paper warrants.

Absent timely and appropriate efforts to collect overpayments made to third parties and the proper destruction of canceled paper warrants the State's exposure to loss may not be sufficiently limited.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Employee Out Processing

State agencies are responsible for implementing a process that ensures that, when an employee separates from State agency employment, all State-owned property is returned, access to information technology (IT) systems and resources is deleted, and State credit cards are canceled. State agencies have developed procedures and forms to facilitate and document the out processing of employees. Table 9 lists the forms used during the out processing of employees by the six State agencies subject to audit.

Table 9

Agency Forms Used for Employee Separations

Agency	Form Title and Number
DACS	<i>Employee Separation Report</i> (DACS-01092) <i>Employee Separation Asset form</i> (DACS-01347)
DOC	<i>Supervisor Checklist for Separating Employees</i> (DC2-280) ^a
DEP	<i>Certificate of Termination</i> (DEP 54-601)
DFS	<i>Turn-in Checklist</i> (DFS-C2-721)
DMS	<i>Employee Exit Checklist</i> (HR-103-F2) ^b
DOT	<i>Notice of Separation/Resignation</i> (250-005-25)

^a Effective December 2007.⁴³

^b Effective May 2008.

Source: Agency records.

Finding No. 9: Employee Out-Processing Forms and Checklists

As part of our audit, we reviewed applicable records to evaluate whether the six State agencies included within the scope of this audit documented the timely return of all assigned State-owned property, including purchasing cards and other State credit cards, upon employee separation. We also considered applicable dates for terminated employees to determine whether the agencies timely canceled credit card accounts and deleted access to IT resources. We tested records for 60 terminated employees (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) and noted that two of the six agencies did not always document the return of State-owned property by separating employees. Specifically:

- DOC records for 9 former employees did not contain a *Supervisor Checklist for Separating Employees* (DC2-280) form or alternative documentation evidencing that the employees returned all assigned State-owned property. The positions held by these employees included correctional officer and administrative clerk.
- For 2 former employees, a custodial worker and a Senior Management Analyst II, DMS records did not contain documentation to evidence the return of State-owned property. These 2 employees separated prior

⁴³ Previously, DOC used various exit checklists and property collection procedures.

to the implementation of the DMS procedure requiring use of the *Employee Exit Checklist* (HR 103-F2) form and no alternative documentation was available. Subsequent to our audit inquiry, DMS provided an HR 103-F2 form for one of the 2 employees, dated one year after the employee's separation date.

Absent documentation evidencing that all State-owned property items assigned to an employee, including employee badges, access cards, keys, and purchasing and credit cards, were returned upon the employee's separation from employment, State agencies cannot demonstrate proper accountability for and safeguarding of State assets.

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

ADDITIONAL MATTERS

As we similarly noted in report No. 2007-087, progress to improve the functionalities of People First continued to be made. Specifically, DMS enhanced State agency personnel training and communication efforts, State agency knowledge and use of People First expanded, the use of manual time records was significantly reduced, and various system enhancements were implemented. Other system enhancements needed to fully resolve the deficiencies noted in report No. 2007-087 were addressed by DMS in an amendment to the contract with the People First contractor, Convergys.⁴⁴

Pursuant to Chapter 2008-152, Laws of Florida, the Office of Program Policy Analysis and Government Accountability contracted for the conduct of an independent study of People First. The study included an analysis of the cost effectiveness and functionality of People First and identified and evaluated potential options for alternative service delivery solutions. The resulting report recommended that the contract with Convergys be renegotiated with all outsourced components remaining outsourced. Subsequent to the conduct of the study, DMS entered into a new contract with Convergys on December 8, 2009.⁴⁵ As a result of the system enhancements included in the renegotiated contract, a new release of the People First System was designed for implementation in July 2010.

During the implementation of the system enhancements, July 9 through July 19, 2010, People First was off-line. As a result, until the upgraded system was made available for agency use on July 19, 2010, State agency personnel were required to manually maintain time records and utilize the On-Demand Payroll System to process any required payroll transactions.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2009 to August 2009, and performed selected audit procedures through October 2010, 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

⁴⁴ Amendment 10, dated May 28, 2008.

⁴⁵ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to NorthgateArinso, a company headquartered in the United Kingdom.

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.

This operational audit focused on payroll and personnel administrative processes at selected State agencies. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether DMS and applicable agency management had corrected, or were in the process of correcting, all applicable deficiencies disclosed in our report No. 2007-087.

In conducting our audit we:

- Obtained an understanding of State agency policies, procedures, and controls relevant to the payroll and personnel processes through interviews of employees, observations of processes, inspection of records and reports, and recalculation of selected data. Specifically, our audit focused on review of the payroll function, budgetary issues, changes to payroll records, new hires and separations, time records and leave issues, payroll deductions and salary garnishments, dual employment, overtime payments, and the On-Demand Payroll process.
- Obtained an understanding of the role of DMS and the People First System (including the role of Convergys,⁴⁶ the People First contractor) in the State's payroll and personnel processes.
- Obtained and reviewed the applicable reports on controls placed in operation and tests of operating effectiveness prepared for the period July 2007 through January 2009 for *Convergys Corporation Human Resources Information Systems and Related SAP Information Technology General Controls*.
- Considered the results of a recent Information Technology audit (report No. 2010-021) that included the FLAIR Payroll Component and On-Demand Payroll System.
- Obtained an understanding of the roles of State agency staff involved in the payroll and personnel processes and evaluated, for 95 employees (20 at DACS, 25 at DOC, 10 at DEP, 10 at DFS, 10 at DMS, and 20 at DOT), whether assignments for payroll- and personnel-related tasks were appropriate.
- Examined salary payments and related personnel records to evaluate whether the salary payments were made to bona fide employees in authorized positions that had been properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions; whether salary payments were for the correct number of hours, rate of pay, pay period, and in accordance with the established position salary ranges; and whether annual, sick, and other leave was properly authorized and that applicable leave balances were appropriately adjusted. We tested the records for a total of 117 employees, with 122 salary payments totaling \$314,936, including 21 payments totaling \$27,019 at DACS, 20 payments totaling \$67,803 at DOC, 21 payments totaling \$58,518 at DEP, 20 payments totaling \$82,649 at DFS, 20 payments totaling \$49,612 at DMS, and 20 payments totaling \$29,335 at DOT.
- Compared the position descriptions for and duties assigned to 117 employees (19 at DACS, 19 at DOC, 20 at DEP, 20 at DFS, 19 at DMS, and 20 at DOT) to evaluate whether the position descriptions accurately reflected the duties performed by the employees.

⁴⁶ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to NorthgateArinso.

- Reviewed applicable records to evaluate whether new employees met the position requirements and the selected State agencies complied with the guidelines for new hires. We tested the records for a total of 60 employees hired during the period July 2007 through January 2009, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the initial salary payments made to 60 new hires to evaluate whether the payments were made for the correct hours, rate of pay, and pay period, and whether the payments were made in accordance with the established pay ranges. The tested salary payments totaled \$73,181 and included payments totaling \$8,911 at DACS, \$21,879 at DOC, \$13,715 at DEP, \$8,902 at DFS, \$8,469 at DMS, and \$11,305 at DOT.
- Examined records for selected employees with name changes to evaluate whether the employee name changes were properly authorized and approved prior to the change in the payroll and personnel records. We tested the name changes for 31 employees, including 6 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Reviewed agency records for 22 overlapped positions, including 3 at DACS, 10 at DOC, 4 at DEP, and 5 at DOT, to evaluate whether the overlapped positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Reviewed agency records for four shared positions, including two at DACS, one at DEP, and one at DMS to evaluate whether the shared positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Performed analytical procedures and examined records for selected employees who received salary increases or decreases during the period July 2007 through January 2009 to evaluate whether the salary increase or decrease was properly approved and documented and that accurate and timely changes were made to the payroll records. We tested the records for a total of 106 employees, with salary payments totaling \$242,029, including 21 DACS employees with payments totaling \$30,420, 29 DOC employees with payments totaling \$41,304, 15 DEP employees with payments totaling \$68,841, 16 DFS employees with payments totaling \$56,311, 10 DMS employees with payments totaling \$14,577, and 15 DOT employees with payments totaling \$30,576.
- Evaluated the usefulness of People First *Missing Time Record* reports for resolving issues related to time records identified on the reports as unsubmitted, unapproved, or approved but requiring corrective actions.
- To determine whether the State agencies effectively managed compensatory leave credits and calculated payouts in accordance with applicable DMS rules and collective bargaining agreements, we selected and reviewed the records for 18 payments totaling \$162,988 made to 15 employees. The payments selected included 4 totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT.
- Examined 51 payouts for unused annual and sick leave totaling \$469,932 made to 23 employees who separated from State employment during the period July 2007 through January 2009, to determine whether the terminal leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules. The 51 payouts tested included 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT.
- Analyzed payroll records for the period July 2007 through January 2009 to identify employees who received salary payments from more than one State agency during a pay period.
- Examined records to determine whether dual employment had been approved for 43 employees and reviewed the applicable time records for selected pay periods, with salary payments totaling \$152,383, to identify whether the time recorded and payments made were reasonable and in accordance with applicable laws, rules, and regulations. The items tested included 10 at DACS, totaling \$22,339; 10 at DOC, totaling \$73,655; 10 at DEP, totaling \$19,338; 3 at DFS, totaling \$18,082; 5 at DMS, totaling \$7,833; and 5 at DOT, totaling \$11,136.

- Examined the records for 64 overtime payments, totaling \$68,719, to evaluate whether the payments were properly calculated, supported, and authorized. These overtime payments included 10 payments totaling \$20,277 at DACS, 20 payments totaling \$13,686 at DOC, 6 payments totaling \$7,328 at DEP, 8 payments totaling \$15,271 at DFS, 10 payments totaling \$7,855 at DMS, and 10 payments totaling \$4,302 at DOT. Performed additional procedures for the 25 employees at DOC and DOT with the greatest number of overtime hours to determine the reasonableness of the hours recorded.
- For ten selected DOC employees with large amounts of overtime compensation during the period July 2007 through June 2010, compared time recorded as worked in People First to available work schedules, daily assignment sheets, and control room logs for selected dates to determine whether the hours recorded in People First were corroborated by other records of employee attendance.
- Tested 95 On-Demand Payroll transactions, totaling \$718,789, to determine whether such transactions were timely, properly authorized, documented, and calculated. The transactions tested included 20 at DACS, totaling \$129,577; 25 at DOC, totaling \$212,262; 10 at DEP, totaling \$61,954; 10 at DFS, totaling \$132,001; 10 at DMS, totaling \$110,553; and 20 at DOT, totaling \$72,442.
- Examined the records for 60 salary payments (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) to determine whether payments were made to employees through direct deposit as required by Sections 17.076 and 110.113, Florida Statutes.
- Examined BOSP records for salary garnishments, totaling \$2,925, for 10 employees (one at DACS for \$259; 4 at DOC, totaling \$956; one at DEP for \$361; one at DFS for \$400; one at DMS for \$235; and two at DOT, totaling \$714) to determine whether the deducted amounts were properly authorized, supported, and calculated.
- Reviewed applicable records to evaluate whether employees who separated from State employment during the period July 2007 through January 2009 were timely removed from the payroll and, as applicable, whether all State-owned property, purchasing cards, and other credit cards were returned, and access to IT systems was timely terminated. We tested the records for a total of 60 employees, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the final salary payments for the employees who separated during the period July 2007 through January 2009 to evaluate whether the payments were made for the correct hours, rate of pay, and pay period. The tested salary payments totaled \$75,019 and included payments totaling \$6,277 at DACS, \$15,797 at DOC, \$30,849 at DEP, \$9,640 at DFS, \$6,229 at DMS, and \$6,227 at DOT.
- Performed analytical procedures to identify any instances in which access to FLAIR was not timely terminated upon employee separation.
- Tested 60 warrant and EFT cancellations, totaling \$93,220, to evaluate whether cancellations were timely, properly documented, and recorded and, if applicable, recovery of overpayment was timely initiated. The items tested included 10 at DACS, totaling \$31,867; 10 at DOC, totaling \$8,088; 10 at DEP, totaling \$8,132; 10 at DFS, totaling \$13,332; 10 at DMS, totaling \$13,852; and 10 at DOT, totaling \$17,949.
- Examined the records for 30 salary overpayments, totaling \$28,698, to determine whether the agency timely notified the applicable employee, took timely and appropriate action to recover the overpayment, maintained documentation to evidence agency collection efforts, and, when appropriate, referred uncollected overpayments to DFS for collection. The items tested included 5 at DACS, totaling \$9,191; 5 at DOC, totaling \$4,801; 5 at DEP, totaling \$1,639; 5 at DFS, totaling \$3,771; 5 at DMS, totaling \$4,495; and 5 at DOT, totaling \$4,801.
- Tested 35 salary payments that had been coded to reflect leave without pay to determine whether the leave was timely detected and the employee's pay appropriately adjusted. The items tested included 10 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Performed analytical procedures to identify employees with dual employment who were paid in excess of the applicable FICA contribution thresholds and verified that the amount of contributions withheld from the employee, and matched by the State, was in accordance with the applicable laws, rules, and regulations.

- Performed analytical procedures to evaluate agency compliance with salary rate and evaluated agency records regarding the accuracy of the number of authorized, filled, and vacant positions.
- Performed analytical procedures to identify any employees who may have received duplicate payments. We also performed analytical procedures to identify and evaluate any payments made to employees with out-of-State addresses and any payments made to vendors who were also State employees.
- Performed analytical procedures to evaluate the reasonableness of the number of time records approved by a single supervisor and to identify excessive delays between the time record completion and approval date when compared to the payroll date. Also, we analyzed the data applicable to the number of missing time records and made follow-up inquiries regarding the circumstances for the missing time records.
- Performed various other audit procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENTS' RESPONSES

In response letters dated December 7, through December 9, 2010, the agency heads generally concurred with our audit findings and recommendations. The response letters are included as **EXHIBIT C**.

EXHIBIT A
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING

Objectives		Total No.	DACS	DOC	DEP	DFS	DMS	DOT	Finding No(s).
Were positions properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were agency assignments for payroll-related tasks appropriate?	Tested	95	20	25	10	10	10	20	
	Yes	95	20	25	10	10	10	20	
	No	-	-	-	-	-	-	-	
Did new employees meet requirements for the position (e.g., education or licensing requirements and background screenings)?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were changes to personnel and payroll records for employee name changes properly authorized and documented?	Tested	31	6	5	5	5	5	5	
	Yes	31	6	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Did a current position description exist for the employee that accurately reflected the employee's duties?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were any overlapped positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	22	3	10	4	-	-	5	
	Yes	22	3	10	4	-	-	5	
	No	-	-	-	-	-	-	-	
Were any shared positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	4	2	-	1	-	1	-	
	Yes	4	2	-	1	-	1	-	
	No	-	-	-	-	-	-	-	
Was the employee's salary rate within the applicable pay grade limits?	Tested	287	49	69	49	41	34	45	
	Yes	287	49	69	49	41	34	45	
	No	-	-	-	-	-	-	-	
Were salary payments properly supported by records of time worked?	Tested	515	95	132	82	65	60	79	
	Yes	515	95	132	82	65	60	79	
	No	-	-	-	-	-	-	-	
Were annual, sick, and other leave credits properly authorized and recorded?	Tested	188	35	32	31	30	30	30	
	Yes	188	35	32	31	30	30	30	
	No	-	-	-	-	-	-	-	
Were payments for unused compensatory leave balances properly calculated, authorized, and paid?	Tested	18	4	8	2	1	2	1	2
	Yes	7	3	-	1	1	2	-	
	No	11	1	8	1	-	-	1	
Were payments for unused annual and sick leave balances properly calculated, documented, authorized, and paid?	Tested	51	10	9	5	9	3	15	3
	Yes	33	3	5	5	9	1	10	
	No	18	7	4	-	-	2	5	
Were dual-employment activities properly authorized?	Tested	43	10	10	10	3	5	5	4 and 5
	Yes	24	8	2	5	3	4	2	
	No	19	2	8	5	-	1	3	
Were salary payments made only to bona fide employees of the State agency?	Tested	319	53	77	56	43	40	50	
	Yes	319	53	77	56	43	40	50	
	No	-	-	-	-	-	-	-	
Were salary payments properly calculated and for authorized amounts (including any overtime pay earned)?	Tested	540	95	137	87	70	67	84	6 and 7
	Yes	529	91	137	85	68	65	83	
	No	11	4	-	2	2	2	1	
Were salary payments properly recorded in the State's payroll and accounting systems?	Tested	235	40	72	39	27	20	37	
	Yes	235	40	72	39	27	20	37	
	No	-	-	-	-	-	-	-	

EXHIBIT A (CONTINUED)
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING

Objectives		Total No.	DACS	DOC	DEP	DFS	DMS	DOT	Finding No(s).
Were salary payments made to employees through direct deposit as required by Sections 17.076 and 110.113, Florida Statutes?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were deductions for garnishments from salary payments properly authorized and documented?	Tested	10	1	4	1	1	1	2	
	Yes	10	1	4	1	1	1	2	
	No	-	-	-	-	-	-	-	
Were no unauthorized payments made to separated employees for pay periods subsequent to the employees' separation dates?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
For those instances in which salary payment errors occurred, did the agency take timely and appropriate action to cancel the warrant or EFT?	Tested	60	10	10	10	10	10	10	8
	Yes	43	9	4	8	6	10	6	
	No	17	1 ^a	6	2	4	-	4	
For those instances in which salary overpayments occurred, did the agency take appropriate action to recover the overpayment?	Tested	30	5	5	5	5	5	5	
	Yes	30	5	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Were salary payments properly adjusted for instances of leave without pay?	Tested	35	10	5	5	5	5	5	
	Yes	35	10	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
If any dual employments resulted in salary payments in excess of the thresholds for Federal Insurance Contributions Act (FICA) (social security) contributions, was only the appropriate amount withheld and matched by the State?	Tested	20	1	14	2	2	1	-	
	Yes	20	1	14	2	2	1	-	
	No	-	-	-	-	-	-	-	
Did the agency document that employees returned all State-owned property and that employee access to IT systems and other resources (e.g., credit and purchasing cards) was immediately canceled upon the employee's separation from State employment?	Tested	60	10	20	10	5	5	10	9
	Yes	49	10	11	10	5	3	10	
	No	11	-	9	-	-	2	-	
Did the agency comply with its overall agency salary rate and number of authorized positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did agency records accurately reflect the number of authorized, filled, and vacant positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to assist State agencies in the identification and resolution of missing or unapproved time records?		Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	1
Was the number of time records to be approved by a single supervisor reasonable?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure the timely payment of salaries?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from salary payments were authorized?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from employee salary payments were subsequently paid in the appropriate amounts to the appropriate parties?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that salary payments were accurately and completely reported to the Florida Retirement System?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to ensure that payroll-related forms and reports were timely prepared and submitted?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	

^a In addition, 148 canceled warrants had not been destroyed by DACS.

^b While agency policies related to the submittal and approval of time records existed and People First provided a *Missing Time Records* report to assist State agencies in the identification of time records that were unsubmitted, unapproved, or approved but requiring corrective actions, some additional uniformity in agency policies and report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports.

EXHIBIT B
SUMMARY OF COMPENSATORY LEAVE GUIDANCE AND
COLLECTIVE BARGAINING AGREEMENT PROVISIONS

	Regular Compensatory Leave Credits	FLSA Special Compensatory Leave Credits (In Lieu of Overtime)	Special Compensatory Leave Credits
Eligible Employees:			
	Excluded Career Service (CS) Employees DMS Rule 60L-34.0043(1)	Included CS and Included Selected Exempt Service (SES) Employees DMS Rule 60L-34.0031(3)	All CS and SES employees below the Bureau Chief level DMS Rules 60L-34.0032(3)(c), 34.0032(4), and 34.0071(3)(e)
Basis for Earning Credits:			
	Hour-for-hour for time worked in excess of regular work period when an agency activates a payment plan due to an unforeseen extraordinary event. DMS Rule 60L-34.0043(5)	One and one-half hours for every hour worked in excess of regular work period. DMS Rule 60L-34.0031(4)	Time worked during established holidays (CS) or, for all CS and those SES employees below Bureau Chief, facility closures pursuant to Executive Order of the Governor during emergencies. DMS Rules 60L-34.0032(4) and 34.0071(3)(e)
Limit on Accumulation of Credits per Rule or Collective Bargaining Agreement:			
Florida Administrative Code	240 hours DMS Rule 60L-34.0043(1)	80 hours DMS Rule 60L-34.0031(4)(b)	Not addressed (According to DMS, most of these credits are for time worked by CS employees during established holidays. As a general rule, the only time these credits can be paid is when the employee separates or retires from State Government or moves to a CS position at another State agency.)
American Federation of State, County, and Municipal Employees (AFSCME)	Not addressed	Not addressed	Not addressed
Florida Police Benevolent Association (FPBA) Security Services Unit	Not addressed	Not addressed	240 hours
FPBA Law Enforcement Unit	Not addressed	80 hours	240 hours
Federation of Physicians and Dentists (FPD) SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	80 hours	240 hours
Payment for Accumulated Credits Per Rule or Collective Bargaining Agreement:			
Florida Administrative Code	<ul style="list-style-type: none"> Subject to DMS-approved agency-wide plan. Plan may include periodic lump sum payments. (According to DMS, most agencies rarely make such payments. Most employees are paid on an "as you go" basis through People First.) Payment to be made at employee's regular hourly rate of pay. Payment at employee separation not addressed. DMS Rule 60L-34.0043(5)	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at employee's regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rule 60L-34.0031(4)(d) and (e)	<ul style="list-style-type: none"> Payment to be made at employee's current regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rules 60L-34.0044(1), 34.0071, and 34.0032
AFSCME	Not addressed	Not addressed	Not addressed
FPBA Security Services Unit	Not addressed	Not addressed	Not addressed
FPBA Law Enforcement Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS, moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed
FPD SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Non-Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS, moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed

Sources: DMS Rules, Chapter 60L, Florida Administrative Code, and collective bargaining agreements with applicable employee bargaining units.

EXHIBIT C
MANAGEMENTS' RESPONSES

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