

OFFICE OF THE STATE INSPECTOR GENERAL

Commonwealth Overtime Audit

Performance Audit
March 2024



Michael C. Westfall, CPA
State Inspector General
Report No. 2024-PA-003



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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March 28, 2024

The Honorable Glenn Youngkin
Governor of Virginia
PO Box 1475
Richmond, VA 23219

Dear Governor Youngkin,

The Office of the State Inspector General (OSIG) completed an audit of Commonwealth overtime usage. An interim report was issued on October 27, 2022. The final report is attached.

OSIG would like to thank all agencies and their staff for cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. Westfall".

Michael C. Westfall, CPA
State Inspector General

cc: The Honorable Jeff Goettman, Chief of Staff to Governor Youngkin
Tiffany Robinson, Deputy Chief of Staff to Governor Youngkin
Isabella Warwick, Deputy Chief of Staff to Governor Youngkin
The Honorable Stephen Cummings, Secretary of Finance
John Markowitz, Deputy Secretary of Finance
Jason Powell, Deputy Secretary of Finance
Dan Kowalski, Special Advisor of Finance
The Honorable Lyn McDermid, Secretary of Administration
Joyce Reed, Deputy Secretary of Administration

Senator Creigh Deeds, Chair of the Commerce and Labor Committee
Delegate Jeion Ward, Chair of the Labor and Commerce Committee
Senator L. Louise Lucas, Chair of the Finance and Appropriations Committee
Delegate Vivian Watts, Chair of the Finance Committee
Sharon Lawrence, Acting State Comptroller, Department of Accounts
Greg Campbell, Director, Department of Aviation
Nelson Smith, Commissioner, Department of Behavioral Health and Developmental Services
Angela Harvell, Deputy Commissioner for Facility Services, Department of Behavioral Health and Developmental Services
Divya Mehta, Internal Audit Director, Department of Behavioral Health and Developmental Services
Chadwick Dotson, Director, Department of Corrections
Kathy Brown, Internal Audit Director, Department of Corrections
Shawn Talmadge, State Coordinator of Emergency Management, Virginia Department of Emergency Management
Rob Farrell, State Forester, Department of Forestry
Janet Lawson, Director, Department of Human Resource Management
Cheryl Roberts, Director, Department of Medical Assistance Services
Dr. David Doré, Chancellor, Virginia Community College System
Mary Barnett, Internal Audit Director, Virginia Community College System
Dr. Greg Hodges, President, Patrick & Henry Community College
Dr. Quentin R. Johnson, President, Southside Virginia Community College
Dr. Adam Hutchinson, President, Virginia Highland Community College
Dr. Karen Shelton, Commissioner, Virginia Department of Health
Tasha Owens, Internal Audit Director, Virginia Department of Health
Stephen C. Brich, Commissioner, Virginia Department of Transportation
Bradley Gales, Internal Audit Director, Virginia Department of Transportation
Demetrios Melis, Commissioner, Virginia Employment Commission
Anne Myers, Internal Audit Director, Virginia Employment Commission
David Lermond, Executive Secretary, Virginia Racing Commission
Colonel Gary T. Settle, Superintendent, Virginia State Police
Crystal Crawley, Internal Audit Director, Virginia State Police
Staci Henshaw, Auditor of Public Accounts

HIGHLIGHTS

Commonwealth Overtime Usage

What OSIG Found

Alternative Schedules for DBHDS Direct Care Staff

Implementing scheduling practices similar to the private sector, which allows direct care staff to work three 12-hour days per week, could have amounted to nearly \$6.5 million in overtime savings across the DBHDS facilities during calendar year 2022. Current Commonwealth policy does not allow employees to receive full-time benefits if working less than 40 hours a week. JLARC also noted in their 2023 report on Virginia's State Psychiatric Hospitals that offering staff 12-hour shifts, totaling 36 hours per week, is a common practice in the healthcare industry.

Establish Commonwealth Overtime Policy

The Commonwealth of Virginia has spent over \$90 million on overtime for five of the past six fiscal years. However, the Commonwealth does not have comprehensive statewide policies, procedures, and guidance over the management and usage of overtime. Effective July 1, 2010, DHRM decentralized all overtime related decisions to agencies and provided a memo with overtime pay guidance. However, this guidance is high-level and does not address minimum overtime payment internal controls as they relate to an individual agency.

Insufficient Controls at VDH Over Overtime

Virginia Department of Health (VDH) does not have an agency-specific policy to establish agency requirements for overtime. As a result of insufficient documentation, we were unable to determine if overtime payments were legitimate, thus increasing the risk of fraud, waste, and abuse. OSIG identified \$399,442 of questioned costs due to missing documentation.

Management concurred with all six findings and plans to implement all corrective actions by July 1, 2025.

Why OSIG Conducted This Audit

The Commonwealth has seen significant growth in overtime costs in recent years. In 2010, the authority for overtime payment decisions shifted from DHRM to the agency level. This audit was conducted to determine the effectiveness of internal controls affecting overtime at the agency level with the goal of recommending actions that could provide better oversight for overtime use and identify cost savings for the Commonwealth.

What OSIG Recommends

- DBHDS, in partnership with DHRM, should explore alternative scheduling procedures for direct care staff at all DBHDS facilities that are more in line with the private sector, including exploring the use of a three-day 12-hour shift model.
- DHRM should review and update their Overtime Pay Guidance to include minimum internal control requirements.
- DHRM should require executive branch agencies to have a documented overtime policy.
- VDH should develop policies and procedures to ensure employees are paid timely, overtime submissions are accurately supported, and hours worked are reasonable.



For more information, please contact OSIG at (804) 625-3255 or www.osig.virginia.gov

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REPORT ACRONYMS

The following is an alphabetical list of acronyms used in the report.

DBHDS – Department of Behavioral Health and Developmental Services

DHRM – Department of Human Resource Management

ESH – Eastern State Hospital

FLSA – Fair Labor Standards Act

FTE – Full Time Equivalent

HCM – (Cardinal) Human Capital Management

HR – Human Resources

JLARC – Joint Legislative Audit and Review Commission

MOD – Medical Officer on Duty

PHCC – Patrick & Henry Community College

PSB – Payroll Services Bureau

OSIG – Office of the State Inspector General

VDH – Virginia Department of Health

VRC – Virginia Racing Commission

VSP – Virginia State Police

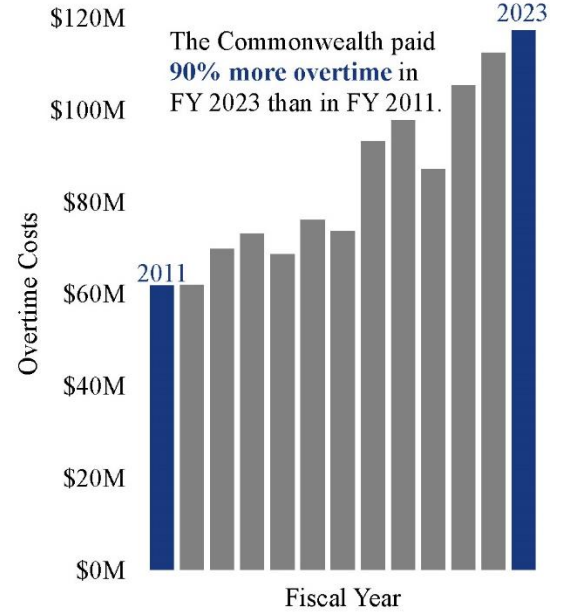
WSH – Western State Hospital

BACKGROUND

OSIG performed a preliminary analysis of overtime resulting in an interim report published to the Governor’s Office in October 2022. This analysis served the purpose of obtaining initial background information and narrowing OSIG’s scope for the audit results in this report.

DHRM is the central human resource agency for the Commonwealth of Virginia. Effective July 1, 2010, DHRM decentralized overtime payment decisions to the agency level. The Commonwealth paid 90% more overtime in the first 11 months of FY 2023, than in FY 2011 when this change took place. It is important to note that figures were not adjusted for inflation.

Overtime Costs



Source: Department of Accounts overtime payment data. FY 2023 data does not include June 2023.

Agencies are responsible for:

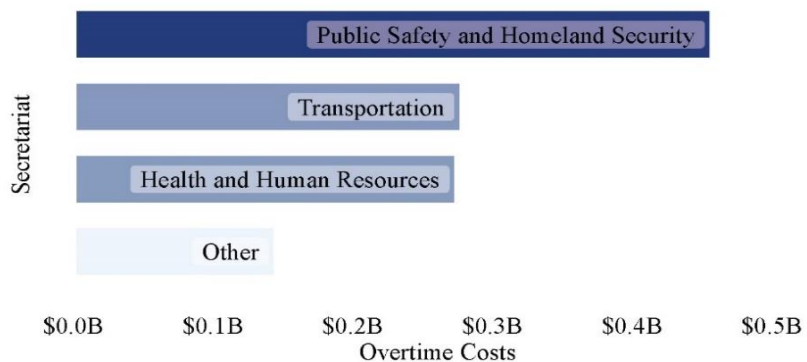
- Developing and communicating their policies for addressing overtime compensation in compliance with FLSA.
- Monitoring overtime to ensure compliance with FLSA.
- Providing supervisors with appropriate training necessary to manage employees, including training on FLSA compliance.

FLSA requires employees covered by the Act to receive overtime pay at a rate not less than time and one-half their regular rate for hours worked over 40 in one workweek. Different workweeks may be established for different employees or groups of employees.

The Public Safety and Homeland Security, Transportation, and Health and Human Services Secretariats comprise the bulk of overtime costs expended by the Commonwealth since FY 2010. Overtime is frequently utilized to meet required staffing levels or fulfill job duties necessary for the mission of the agency.

Overtime Costs

January 2010 - May 2023



Source: Department of Accounts overtime payment data.

SCOPE

The audit scope for testwork covered overtime across the Commonwealth from July 1, 2020 – May 31, 2023. Data analysis involved data ranging from January 1, 2010 – May 31, 2023. Not included in the audit scope were compensatory leave and overtime leave.

OBJECTIVES

Objectives of this audit were to:

- Determine whether agency overtime policies contain sufficient criteria for overtime use.
- Determine whether overtime hours paid to employees comply with each individual agencies' overtime policy.
- Determine whether overtime is being used cost effectively by agencies in relation to recruitment.

METHODOLOGY

OSIG conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OSIG believes that the evidence obtained provides reasonable basis for the findings and conclusions based on the audit objectives.

OSIG Reviewed



210

Months of Timesheets



180

Employees



\$1.5M

Overtime Dollars



21

Agencies

OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives.

The methodologies included:

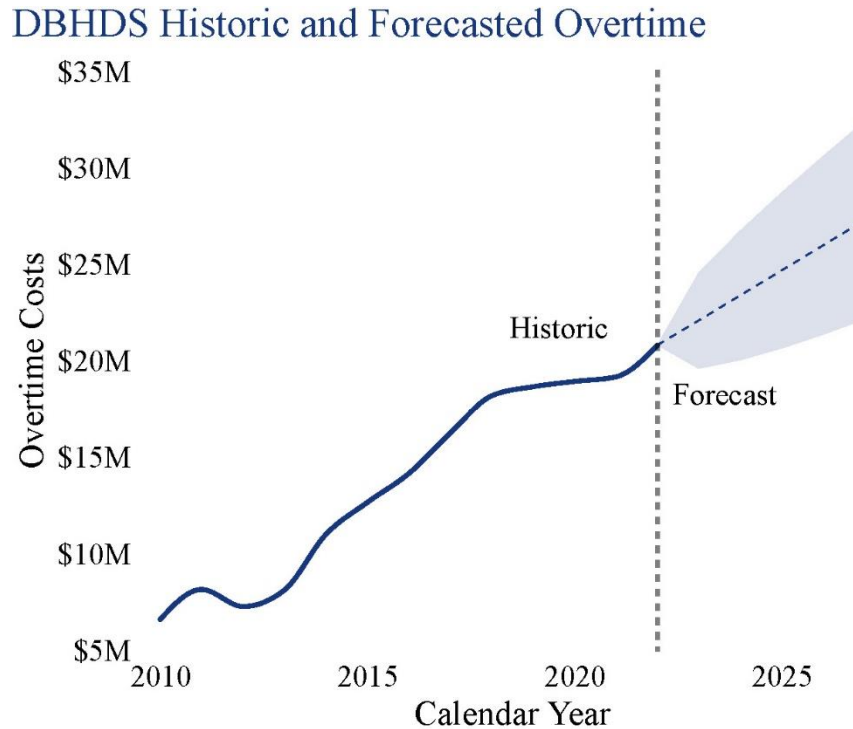
- Reviewing Commonwealth wide policies and procedures.
- Reviewing agency specific policies and procedures.
- Reviewing the Fair Labor Standards Act.
- Interviewing agency HR and finance personnel.
- Analyzing budget and overtime data.
- Analyzing the design and implementation of agency internal controls related to overtime.
- Analyzing recruitment data for challenging recruitments.
- Examining various reports related to overtime.
- Reviewing employee timesheets, supporting documentation and approvals related to overtime work paid.

Agencies included in fieldwork were judgmentally selected based on their overtime use. Employees and months for substantive testwork were judgmentally selected from these agencies based on the amount of overtime hours paid to the employee, the amount of overtime dollars paid to the employee and the frequency at which the employee was paid overtime.

FINDINGS

FINDING 1 - ALTERNATIVE SCHEDULES FOR DBHDS DIRECT CARE STAFF

DBHDS overtime costs are trending upward, and the agency has incurred over \$18 million per year in overtime expenditures over each of the past five calendar years, as shown in the graph below.



Source: Department of Accounts overtime payment data. Forecast was prepared using a 99% confidence interval and does not display actual calendar year 2023 data due to not having all of 2023's data available for analysis. Central Virginia Training Center, Northern Virginia Training Center and Southside Virginia Training Center were excluded from this analysis because they are no longer in operation.

DBHDS facilities have experienced increased overtime costs and are at a disadvantage with recruiting and retaining staff. This is in part because they are unable to schedule direct care staff similar to the industry standards utilized by private sector hospitals. Scheduling staff so that overtime is minimized is essential to optimizing budget resources, the financial sustainability of the agency, efficient operations, employee well-being, ensuring staff and patient safety, and properly stewarding the resources entrusted by the taxpayer.

DBHDS facilities are unable to implement scheduling practices similar to the private sector, which allows direct care staff to work three 12-hour days per week, due to Commonwealth policy not allowing for employees to receive full-time benefits if working less than 40 hours a

week. JLARC also noted in their 2023 report on Virginia's State Psychiatric Hospitals that offering staff 12-hour shifts, totaling 36 hours per week, is a common practice in the healthcare industry. Inflexibility in staff scheduling causes recruitment difficulties when competing with the public sector, leading DBHDS facilities to experience increased overtime that may otherwise be avoided. This could also result in higher staff turnover, decreased staff morale, increased scheduling difficulties and additional cost to the taxpayer.

OSIG found that DBHDS has taken a proactive approach to attempt to address this issue. DBHDS, in conjunction with DHRM, implemented a trial for Western State Hospital (WSH) in 2020 to test the effects of scheduling more similarly to the private sector for DBHDS facilities. Ten direct care staff volunteered to work three 12-hour shifts in one ward and received a four-hour supplemental shift to ensure they received pay for 40 hours. This was due to the requirement for full-time staff to work 40 hours a week.

The results were an approximate 36 percent decrease in overtime costs that OSIG estimates could have amounted to nearly \$6.5 million in savings across the DBHDS facilities if implemented for calendar year 2022. After the trial and with additional approval of alternative scheduling from DHRM, WSH continued to have overtime costs trend downward despite responding to COVID-19.

Recommendation:

DBHDS, in partnership with DHRM, should continue to explore alternative scheduling procedures for direct care staff at all DBHDS facilities that are more in line with the private sector including exploring the use of a three-day 12-hour shift model. In doing so, DBHDS should consider evaluating options for additional funding required to implement such scheduling procedures.

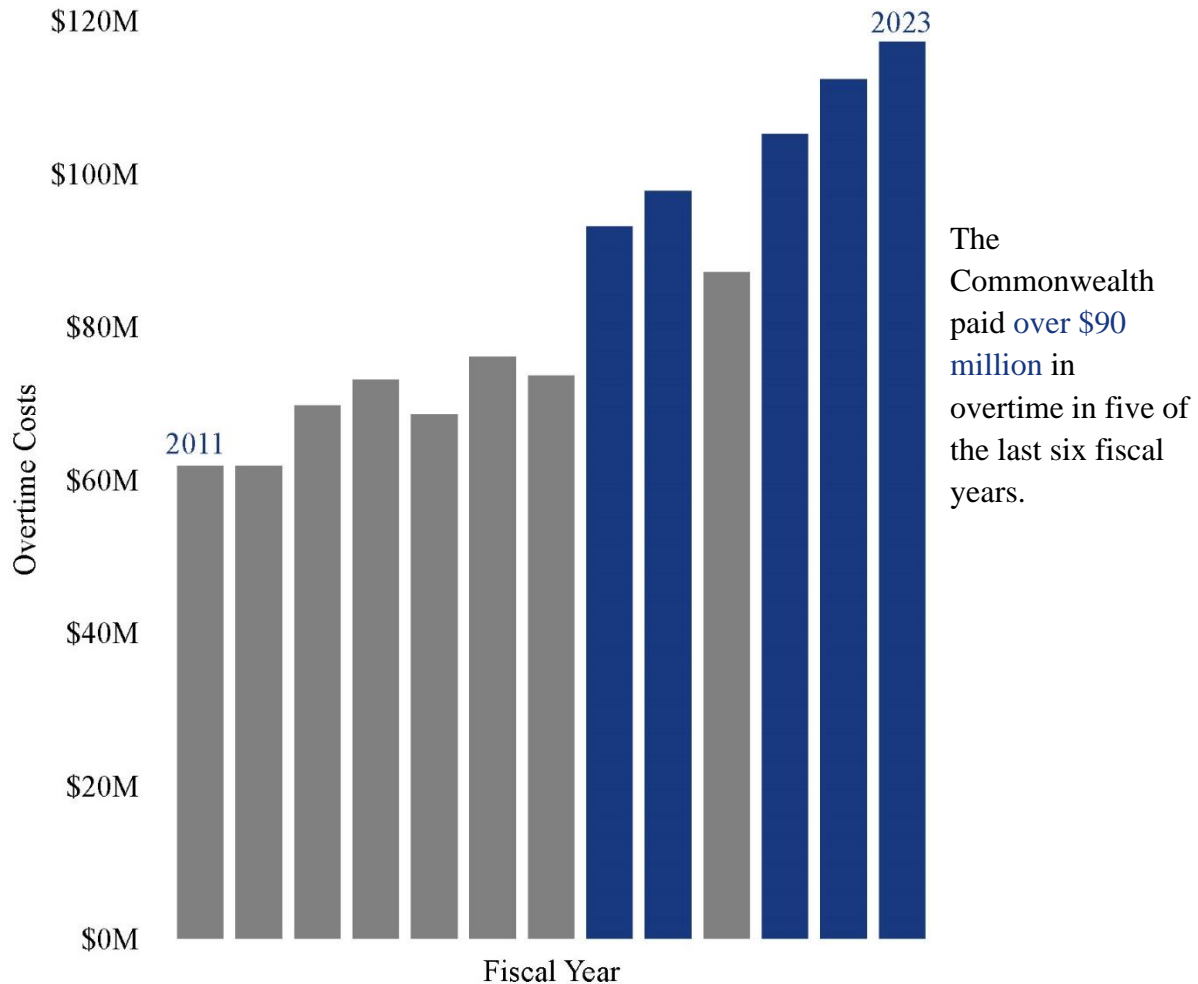
DBHDS Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendation.

FINDING 2 - ESTABLISH COMMONWEALTH OVERTIME POLICY

The Commonwealth of Virginia has spent over \$90 million on overtime for five of the past six fiscal years. However, the Commonwealth does not have comprehensive statewide policies, procedures, and guidance over the management and usage of overtime.

Overtime Costs



Source: Department of Accounts overtime payment data.

Code of Virginia [§2.2-1201](#) requires DHRM to provide authoritative guidance on personnel policies and procedures to all agencies. DHRM does have a statewide policy for overtime leave (DHRM Policy 3.15); however, individual state agencies are responsible for developing and communicating their policies for compensation of overtime and providing supervisors with appropriate training necessary to manage employees, including training on the impact of the Fair Labor Standards Act. OSIG found that eight of 21 agencies included in the audit have weak or nonexistent overtime policies.

Effective July 1, 2010, DHRM decentralized all overtime related decisions to agencies and provided a memo with overtime pay guidance. This guidance is high-level and does not address minimum overtime payment internal controls as they relate to an individual agency. Not having comprehensive statewide policies, procedures, and guidance over the management and usage of overtime:

- Increases the risk of operational inefficiencies regarding the administration of overtime;
- Increases the risk of improper payments;
- Allows for inconsistency in the handling of overtime within the Commonwealth; and
- Hinders agencies' responses in adapting to unexpected situations where staff overtime is required.

Recommendations:

1. DHRM should review and update the Overtime Pay Guidance document available on their website. In reviewing this document, DHRM should consider guidance in the following areas:
 - Addressing minimum internal control requirements, including approvals, overtime monitoring procedures and responsibility for oversight; and
 - Establishing whether it is appropriate for agencies to effectively pay out leave for instances when an employee is taking leave and working overtime simultaneously.
2. Require executive branch agencies that utilize overtime to have a documented overtime policy to include:
 - Identifying differences in practices regarding overtime for exempt and nonexempt employees; and
 - Addressing agency-specific internal controls such as approvals, overtime monitoring procedures and responsibility for management of overtime payments between supervisors and payroll staff.

DHRM Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendations.

Management will work with VITA to identify an effective automated timekeeping system/tool to ensure compliance with the FLSA and state overtime requirements. Once documents are created and/or updated, OSIG will be notified.

FINDING 3 - VDH HAS INSUFFICIENT CONTROLS OVER THE ADMINISTRATION AND USE OF OVERTIME

VDH does not have an agency-specific policy to establish agency requirements for overtime. OSIG identified internal control weaknesses related to the administration and use of overtime, as follows:

- Employees were not paid timely for overtime worked. This required VDH to make retroactive payments the following fiscal year; and
- VDH was unable to provide support for overtime hours paid for 16 of 19 timesheets tested.

VDH permitted employees to work overtime beginning in March 2020 in response to the COVID-19 public health emergency. VDH did not establish eligibility or time requirements for employees to submit their overtime hours worked or for supervisors to approve the time. In order to process overtime costs using available funds, VDH required supervisors to approve and submit all COVID-19 pandemic overtime hours by November 15, 2021. OSIG found that this resulted in multiple employees submitting information related to overtime hours worked up to 21 months after employees earned the overtime. Not having a deadline for submitting and approving COVID-19 pandemic overtime hours resulted in delayed processing of overtime payments, elevating the risk of employees inaccurately reporting worked hours.

On October 10, 2023, OSIG requested support for the actual hours worked for a sample of employees, but VDH declined to provide a response. As a result of insufficient documentation, we were unable to determine if overtime payments were legitimate, thus increasing the risk of fraud, waste, and abuse. OSIG identified \$399,442 of questioned costs due to missing documentation.

Having a documented policy addressing overtime payments is critical to:

- Maintaining uniformity throughout the agency;
- Preventing burnout of employees through excessive overtime;
- Establishing procedures for when and how overtime is documented, approved, and monitored;
- Establishing the circumstances for when overtime is permitted or required; and
- Identifying differences in agency practices regarding overtime for exempt and nonexempt employees.

Recommendations:

1. VDH must develop policies and procedures to ensure employees are paid timely, overtime submissions are accurately supported, and hours worked are reasonable. As a

best practice, agency policies and procedures should be specific and establish a framework for proper submission and approval of overtime information.

2. Once policies and procedures are established, VDH should ensure they are distributed, implemented, enforced, and appropriately followed by agency management and staff.
3. VDH should develop policies to ensure timesheets are properly retained in accordance with Library of Virginia requirements.
4. VDH should train agency management and staff on its policies and procedures related to overtime and timesheet documentation, as well as retention requirements.

VDH Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendations.

FINDING 4 - VSP TIMEKEEPING PROCESS FOR KEYING INTO CARDINAL IS DUPLICATIVE

VSP's timekeeping process is duplicative, with both time entry and review occurring twice for each of the approximately 1,100 Excel timesheets (SP-106) it processes every week. Employees manually enter their time on the SP-106, which is reviewed by their supervisor and then entered into Cardinal by payroll personnel. After entry, the supervisor performs a second review before processing for payroll. Timekeeping should be done as effectively and efficiently as possible to minimize the administrative burden on staff, maximize time and labor efficiency, and be good stewards of Commonwealth and VSP resources.

VSP's mission and 24/7 operations require comprehensive time tracking. This is due to the inherent nature of their duties, the different types of leave and pay considerations involved, as well as the various funding sources for VSP assignments. When the Commonwealth transitioned to Cardinal HCM, VSP was unable to fully test self-service access for its troopers prior to Cardinal HCM's implementation and had to adjust its process in order to meet its timekeeping needs while using Cardinal HCM.

Using time estimates provided by VSP and fiscal year 2022 salary data, OSIG calculates an estimated \$313,742 or 9,532 hours of productivity are lost annually on duplicative timekeeping activities. This amounts to over \$1.5 million or 47,660 hours over a five-year period. Time saved from duplicative timekeeping processes would streamline operations and allow for better allocation of resources to achieve VSP's mission and reduce staff burnout.

Recommendation:

VSP should work with the Department of Accounts to implement self-service time reporting in Cardinal or otherwise adjust their timekeeping process so that time can be entered and reviewed once to eliminate the duplicative effort in the current process, while also maintaining appropriate internal controls. If self-service in Cardinal is not feasible due to VSP's unique timekeeping requirements, options such as spreadsheet uploads into Cardinal, or timekeeping systems that can interface with Cardinal should be considered.

VSP Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendations.

Leading up to Cardinal HCM implementation, the Department consulted with the Department of Accounts/Payroll Service Bureau (PSB), who strongly recommended the Department adopt the herein referenced method of timekeeping for all state police employees. This recommendation was based on PSB's experience and knowledge of the

Department's unique scheduling and overtime challenges, and concerns there were insufficient safeguards in the Cardinal HCM system to avoid widespread time/attendance reporting errors. These concerns were largely based upon reporting error trends with the SP-106 under the legacy payroll system, which routinely resulted in 85-100 rejected timesheets per week requiring corrections and resulting in delays in pay and leave processing, some of which resulted in litigation. An additional concern with Cardinal HCM is the reporting of third party funded special projects, a feature in the system that does not function properly. PSB is required to key that time for the Department using a spreadsheet upload compiled by the Human Resources Division.

Due to the complexities of the Department's 24/7 operations and various overtime situations, coupled with error trends pre-Cardinal HCM, the Department implemented PSB's recommended approach for non-exempt state troopers over concerns with internal controls and an unknown extent of impacts of Cardinal HCM implementation on agency business processes. The Department and other state agencies were unable to perform user acceptance testing prior to going live with Cardinal HCM; therefore, agencies were required to learn the system and its true business impacts in a production environment. While the Department successfully implemented self-service time entry for all civilian employees and all exempt sworn employees in October 2022, self-service time entry was deferred for non-exempt state troopers until robust, agency-specific job aids and training could be developed. The timekeeping process identified herein was a risk mitigation strategy to avoid additional pay/leave errors that could have resulted in additional litigation and negative publicity for the Commonwealth if its first responders were not compensated appropriately, or conversely, overcompensated due to data entry errors in Cardinal HCM. It is important to note that the Department endured thousands of pay and leave issues after migration from PMIS to Cardinal HCM, taking months to rectify, and it is highly likely that a high-risk agencywide implementation of self-service time reporting would have exacerbated these issues.

Since Cardinal HCM implementation in October 2022, the Department has reallocated at least seven FTEs to establish a new Time and Attendance sub-unit in Human Resources. Also, since implementation, the Department has worked closely with Cardinal Post-Production Support, PSB, internal auditors, and a Lean Six-Sigma certified process engineer to examine workflows, develop agency-specific job aids, devise simplified source documents for internal controls, and design customized training for the approximate 55% of the workforce who are still completing the SP-106. As a result of these efforts, the Department is actively planning to conduct in-person training across the Department and expects the remainder of the workforce to be performing self-service time reporting before the end of 2024.

FINDING 5 - PHCC IS NOT RETAINING TIMESHEETS

PHCC was unable to provide timesheets to support the overtime paid for two out of five employees selected for review. Library of Virginia General Schedule GS-102 Series Number 200113 requires payroll records including timesheets to be retained for five years after the end of the state fiscal year. PHCC communicated to OSIG that the timesheets they were unable to provide were paper timesheets for adjunct work performed by its staff. The time recorded on the missing paper timesheets was for the adjunct work and did not relate to the employees' regular job duties. The process PHCC uses for retaining paper timesheets involves scanning the paper into a shared drive and then archiving the original document.

Since both timesheets were for adjunct work performed in addition to the employees' regular work, there was confusion as to how the adjunct work was to be paid. Without timesheets, there is no evidence that the hours paid are accurate or supported. Retaining documentation supporting that overtime is approved provides greater assurance that employees are only being paid for approved overtime and deters the potential for fraud, waste, and abuse.

Recommendation:

1. PHCC should establish documented processes to address how overtime is to be paid to employees performing adjunct work.
2. Ensure documentation is retained in accordance with the Library of Virginia Schedule GS-102 Series Number 200113.

PHCC Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendations.

Since our initial conversations with OSIG, we have changed the process for adjunct hires. We have eliminated any paper timesheets and now use an electronic spreadsheet to calculate all adjunct pay for each semester. This eliminates any retention issues regarding the paper timesheets.

We revised adjunct pay for fall of 2023 and are continuing the process for spring 2024.

FINDING 6 - VDH AND VRC ARE NOT DATING SIGNATURES ON TIMESHEETS

VDH does not require employees or supervisors to date timesheets when they are submitted or reviewed. Having a date next to each signature helps establish the date at which the timesheet was submitted, reviewed, and approved by the actual employee, reviewer, and approver. It also helps to ensure the accuracy of the information within the timesheet and assists with resolving discrepancies. The date serves as evidence of the timesheet's authenticity and helps maintain accountability for both the employee and supervisor.

Historically, VDH has not required timesheets to be dated as part of the timekeeping process. Not requiring employees and supervisors to date signatures when they submit and approve timesheet records can lead to challenges certifying the authenticity of timekeeping records and allows for the greater potential of falsified records.

Recommendation:

VDH and VRC should require employees, supervisors and any other persons involved with certifying the accuracy of timesheets to record, on the timesheet, the date on which they made the certification.

VDH Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendation.

VRC Management Response:

Management agreed with the conditions observed by OSIG and agreed with the recommendation.

VRC will require employees, supervisors and any other persons involved with certifying the accuracy of timesheets to record on the timesheet the date on which they made the certification.

Our current practice now is for the date of the day that the certification is made be recorded on the timesheet by both employee, supervisor, and any other persons.

AUDIT RESULTS

This report presents the results of OSIG’s audit of Commonwealth overtime. OSIG performed the following audit testing with immaterial, if any, discrepancies noted:

- Reviewing agency policies for compliance with FLSA.
- Analyzing agency overtime and recruitment budgets.
- Analyzing agency overtime usage trends.

Based on the results and findings of the audit work conducted of Commonwealth overtime, OSIG concluded that internal controls were operating properly, except as identified in the report findings.

COST SAVINGS

OSIG identified potential cost savings that the Commonwealth could achieve if OSIG’s recommendations are implemented. Potential cost savings found in this audit are allocated into the categories of identified costs, questioned costs and funds put to better use.

- Identified costs are costs that have the potential of being returned to offset the taxpayer’s burden.
- Questioned costs are costs OSIG questions because of an alleged violation of a law, regulation, contract, cooperative agreement, or other document governing the expenditure of funds; such costs are not supported by adequate documentation; or the expenditure of funds for the intended purposes was determined by OSIG to be unnecessary or unreasonable.
- Funds put to better use are funds that could be used more efficiently if management took actions to implement and complete the audit, inspection, investigation, or review recommendation.

Estimated Cost Savings



Identified Costs
\$0.3M



Questioned Costs
\$0.5M



Funds Put to Better Use
\$50.1M



Total Cost Savings
\$51.0M

In this audit, OSIG computed cost savings by totaling the amount that could be saved if OSIG’s recommendations were implemented. This figure was compiled by annualizing any recurring savings and adding the amount of any one-time savings. Figures were compiled to include the period under scope for the audit as well as a five-year projection in order to account for fluctuations in actual overtime use. The result of this is potential cost savings being projected from January 1, 2021, through December 31, 2027, totaling \$50,956,924.

APPENDIX I - CORRECTIVE ACTION PLAN

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
1	DBHDS, in partnership with DHRM, should continue to explore alternative scheduling procedures for direct care staff at all DBHDS facilities that are more in line with the private sector including exploring the use of a three-day 12-hour shift model. In doing so, DBHDS should consider evaluating options for additional funding required to implement such scheduling procedures.	DHRM supports this endeavor and DBHDS will continue work with DHRM to provide this alternative schedule.	n/a	n/a	Chief Human Resources Officer

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
2.1	<p>DHRM should review and update the Overtime Pay Guidance document available on their website. In reviewing this document, DHRM should consider guidance in the following areas:</p> <ul style="list-style-type: none"> • Addressing minimum internal control requirements, including approvals, overtime monitoring procedures and responsibility for oversight; and • Establishing whether it is appropriate for agencies to effectively pay out leave for instances when an employee is taking leave and working simultaneously. 	DHRM will work with VITA to identify an effective automated timekeeping system/tool to ensure compliance with the FLSA and state overtime requirements.	Implementation of tool.	7/1/2025	Director, DHRM

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
2.2	Require executive branch agencies that utilize overtime to have a documented overtime policy addressing: <ul style="list-style-type: none"> • Identifying differences in practices regarding overtime for exempt and nonexempt employees, • Addressing agency specific internal controls such as approvals, overtime monitoring procedures and responsibility for management of overtime payments between supervisors and payroll staff. 	DHRM will work with VITA to identify an effective automated timekeeping system/tool to ensure compliance with the FLSA and state overtime requirements.	Implementation of tool.	7/1/2025	Director, DHRM

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
3.1	VDH must develop policies and procedures to ensure employees are paid timely, overtime submissions are accurately supported, and hours worked are reasonable. As a best practice, agency policies and procedures should be specific and establish a framework for proper submission and approval of overtime information.	Formal Agency OT policy has been drafted and final submission to SLT (Senior Leadership Team) for review and approval.	Formal Agency OT policy.	5/31/24	Director, Office of Human Resources
3.2	Once policies and procedures are established, VDH should ensure they are distributed, implemented, enforced, and appropriately followed by agency management and staff.	Impacted District leadership (COVID19 OT) were remediated on FLSA designation and eligibility codes and re-familiarized with compensating employees for working on-call, overtime, office closed, and holidays chart.	Trained Staff	5/31/24	Director, Office of Human Resources
3.3	VDH should develop policies to ensure timesheets are properly retained in accordance with Library of Virginia requirements.	Formal Agency OT policy has been drafted and final submission to SLT (Senior Leadership Team) for review and approval.	Formal Agency OT policy.	5/31/24	Director, Office of Human Resources

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
3.4	VDH should train agency management and staff on its policies and procedures related to overtime and timesheet documentation, as well as retention requirements.	<p>Created required online TEA timesheet training module.</p> <p>Created and maintains dedicated TEA web page, TEA module user guide, and classified TEA timesheet job aid.</p>	Create required online TEA timesheet training module.	5/31/24	Director, Office of Human Resources

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
4	VSP should work with the Department of Accounts to implement self-service time reporting in Cardinal or otherwise adjust their timekeeping process so that time can be entered and reviewed a single time to eliminate the duplicative effort in the current process, while also maintaining appropriate internal controls. If self-service in Cardinal is not feasible due to VSP's unique timekeeping requirements, options such as spreadsheet uploads into Cardinal, or timekeeping systems that can interface with Cardinal should be considered.	<p><u>In progress:</u></p> <ul style="list-style-type: none"> • Develop agency-specific job aids and Cardinal ESS training for the remaining employees not utilizing self-service time reporting. • Devise and implement simplified source documents for internal controls and auditing. • Collaborate with Cardinal PPS and PSB to correct, test, rectify and fully utilize the special pay (SWP) reporting code in Cardinal HCM. 	The remaining 55% of the workforce will utilize Cardinal HCM for self-service time reporting.	12/31/2024	Human Resources Director

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
5.1	PHCC should establish documented processes to address how overtime is to be paid to employees performing adjunct work.	Since our initial conversations with OSIG, we have changed the process for adjunct hires. We have eliminated any paper timesheets and now use an electronic spreadsheet to calculate all adjunct pay for each semester. This eliminates any retention issues regarding the paper timesheets.	We revised adjunct pay for fall of 2023 and are continuing the process for spring 2024.	1/25/24	Human Resources Director
5.2	Ensure documentation is retained in accordance with the Library of Virginia Schedule GS-102 Series Number 200113.	Since our initial conversations with OSIG, we have changed the process for adjunct hires. We have eliminated any paper timesheets and now use an electronic spreadsheet to calculate all adjunct pay for each semester. This eliminates any retention issues regarding the paper timesheets.	We revised adjunct pay for fall of 2023 and are continuing the process for spring 2024.	1/25/24	Human Resources Director

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
6 VDH	VDH should require employees, supervisors and any other persons involved with certifying the accuracy of timesheets to record on the timesheet the date on which they made the certification.	<p>VDH implemented system validations within the TEA (Time, Effort, and Absence) time sheet submission system which limits the type of overtime that employees are able to submit for approval based upon their overtime eligibility code and how many hours they have worked during the work week.</p> <p>Non-exempt employees not covered by blanket authorization are required to attach pre-approved documentation in TEA for overtime. Additional overtime validations and processes are in development requiring documentation when submitting timesheets containing approved and earned overtime.</p> <p>A timesheet clean-up effort was launched in Dec 2023 and is on-going requiring employees to correct and resubmit timesheets which were submitted with incorrectly earned overtime.</p>	Improved timekeeping process and training.	5/31/2024	Director, Office of Human Resources

Finding	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
6 VRC	<p>VRC should require employees, supervisors and any other persons involved with certifying the accuracy of timesheets to record on the timesheet the date on which they made the certification.</p> <p>Once this was communicated to VRC, VRC stated that they had begun implementing this.</p>	<p>VRC will require employees, supervisors and any other persons involved with certifying the accuracy of timesheets to record on the timesheet the date on which the made the certification.</p>	<p>Our current practice now is for the date of the day that the certification is made be recorded on the timesheet by both employee, supervisor, and any other persons.</p>	1/11/24	Director of Operations