



U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
12-08**

**Maintaining Effective Control over
Employee Overtime**

March 30, 2012

**Date**

March 30, 2012

To

Acting Public Printer

From

Inspector General

Subject

**Audit Report
Maintaining Effective Control over Employee Overtime
Report Number 12-08**

Enclosed please find the subject final report. Please refer to the "Results in Brief" for the overall audit results. Our evaluation of your response has been incorporated into the body of the report. We consider management's comments responsive to the recommendation. The recommendation is resolved and will remain open pending completion of the agreed upon corrective actions.

We appreciate the courtesies extended to the audit staff. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi".

Michael A. Raponi
Inspector General

Enclosure

cc:

Assistant Public Printer, Operations
Assistant Public Printer, Superintendent of Documents
General Counsel
Managing Director Plant Operations
Security Director
Chief Information Officer
Chief Financial Officer

Acting Public Printer
Report 12-08
March 28, 2012
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Managing Director Customer Services
Director Official Journals of Government
Director Publication and Information Sales
Chief Technology Officer

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Office of Inspector General

Report Number 12-08

March 30, 2012

Maintaining Effective Control over Employee Overtime

Introduction

Generally, Federal employees are expected to complete assigned duties during regular working hours. On occasion, however, employees may need to work overtime. Overtime compensation is usually based on an employee's hourly rate of pay and paid for work done exceeding 8 hours in a day or 40 hours in an administrative workweek. GPO is subject to the requirements of the Fair Labor Standards found in the Title 29 of the United States Code of Federal Regulations which requires the payment of overtime at "not less than one and one-half times the regular rate at which he is employed."

According to GPO Directive 640.7D, "General Pay Administration," GPO's policy requires that whenever possible approval for requests for overtime should be given in advance. Each overtime request must include the names and/or number of employees scheduled for overtime and the number of hours authorized to work. The guidance states that the Public Printer, Deputy Public Printer, or Department, Service, Staff, or Office Head, as appropriate must approve requests for Overtime.

Office of Management and Budget (OMB) Circular Number A-123, "Management's Responsibility for Internal Control," requires that managers develop and maintain effective internal controls. Effective internal controls provide assurance that significant weaknesses in the design or operation of internal controls that could adversely affect an agency's ability to meet its objectives would be prevented or detected in a timely manner.

This audit was conducted in support of our goal to assist GPO managers with the economy and efficiency of GPO operations. We conducted this audit to answer the following question: "Do opportunities exist to enhance controls and provide assurance that the overtime being paid is necessary?"

To achieve the objective, we reviewed policies and procedures in place from Fiscal Year (FY) 2010, to February 2012. We analyzed payroll and overtime records from the GPO automated time and attendance system—Web Time and Attendance System (WebTA). We also interviewed management officials responsible for both establishing and monitoring overtime policies and for approving overtime. We analyzed records from the following organizations: Finance and Administration, Information Technology and Systems (IT&S), Security Services, Customer Services, Plant Operations—Proof and Copy Division, Plant Operations—Offset Press

Division, Official Journals of Government, and Business Product Services. To test overtime authorization controls, we statistically sampled 13,185 overtime hours of the 18,393 overtime hours paid between October 1, 2011, and December 31, 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix A.

Results in Brief

GPO has made significant reductions in overtime costs. For instance, in FY 2011, overtime costs dropped \$4 million, approximately 33 percent, from 192,073 hours in FY 2010 to 129,298 hours in FY 2011. We commend GPO for this accomplishment.

As a result of our audit, we want to bring to GPO's attention, risks that could jeopardize its ability to maintain and/or achieve future overtime cost reductions.

For the first quarter of FY 2012, we estimate that 14,163 paid overtime hours out of 18,393 hours (77 percent) were not authorized prior to employees working overtime. GPO managers told us this was largely due to oversight and a long standing practice of approving overtime while certifying payroll at the end of each pay period. We also noted that GPO policies do not require an employee's supervisor to obtain approval before working overtime. We estimate GPO paid \$741,794 worth of overtime in the first quarter of FY 2012 without prior approval. We believe GPO may have paid at least \$2,967,176 worth of overtime in FY 2011 if the same conditions were applied to paid overtime in FY 2011.

We estimated that 6,433 paid overtime hours (35 percent) out of 18,393 hours were not authorized by GPO's designated approving official.

Recommendations

We recommend the Acting Public Printer consider (a) modifying GPO Directive 640.7D to require supervisors to obtain prior approval of his or her designated management official before asking employees to work overtime; (b) reiterating GPO's requirement to approve overtime request prior to employees working overtime; (c) establishing a process to monitor compliance with the Directive.

Management's Response

Management partially concurred with part (a) stating that it will perform a further review of the Directive's language for purposes of clarity. Management concurred with Part (b) stating that the Chief Human Capital Officer will reiterate to all Business Unit Directors that overtime must have prior approval whenever possible. Management also concurred with Part (c) stating that the process to monitor compliance with the Directive will be performed by the Business Unit Directors. The complete text of management's response is in Appendix C.

Background

Title 44, United States Code of Federal Regulations, Section 305 requires that the Public Printer may employ journeymen, apprentices, laborers, and other persons necessary for the work of the Government Printing Office at rates of wages and salaries, including compensation for night and overtime work, he/she considers for the interest of the Government and just to the persons employed. The Public Printer may grant an employee pay on an annual basis compensatory time off from duty instead of overtime pay for overtime work.

GPO's overtime hours and costs for FY 2010 and FY 2011 were \$10.8 million /192,073 hours and \$6.8 million /129,298 hours respectively.

Table 1. GPO 1st Quarter FY 2012 Overtime Hours by Largest Users

Business Unit or Division	Hours	Cost
Plant Operations – Offset Press Division	7,325	\$323,670
Plant Operations – Proof and Copy Markup Division	3,997	218,404
Security Services	2,391	127,703
Information Technology and Systems	1,139	80,379
Official Journals of Government*	1,117	62,183
Customer Services*	1,037	52,081
Business Products and Services*	749	20,666
Finance and Administration	638	34,918
Total	18,393	\$920,004
*The majority of the overtime costs incurred by the Offices of Customer Services, Official Journal's of Government, and Business Products and Services are performed in service to customer agencies and charged back to those customer agencies and recognized as revenue by GPO.		

Results and Recommendations

Controls Over Overtime Need Enhancing to Ensure It Is Necessary

Our examination of a sample of overtime¹ incurred during the first quarter of FY 2012 disclosed that 77 percent of overtime hours were incurred without pre-authorization. Table 2 depicts the results by GPO organization.

Table 2. Results of OIG Test of Overtime Approvals- 1st Quarter FY 2012

GPO Business Unit or Division	Overtime Hours	Overtime Hours Sampled	Overtime Hours Without Pre-Authorization	Percent Without Pre-Authorization
Plant Operations – Offset Press	7,325	5,259	3,639	69
Plant Operations – Proof and Copy Markup	3,997	3,989	3,155	79
Security Services	2,391	1,174	1,174	100
IT&S	1,139	607	607	100
Official Journals of Government	1,117	523	523	100
Customer Services	1,037	334	333	100
Business Products and Services	749	755	755	100
Finance and Administration	638	545	21	4
Total	18,393	13,186	10,207	77

We considered the overtime not authorized properly if no documentation exists to show the overtime was authorized in advance, per Instruction 640.7D. Several Business Unit Heads told us that due to the nature of the overtime incurred within their organization, it was not always possible to approve overtime in advance. In those cases we did not question the authorization if it was approved within two business days after the overtime was worked.

In addition, we found that 35 percent (6,433 hours) of the overtime sampled was approved by a supervisor other than a Business Unit Head. None of the hours for (1) Security Service, (2) IT&S, (3) Customer Services, (4) Official Journals of Government, and (5) Business Products and Services were approved by the Business Unit Head. For a large organization like Plant Operations, we accepted approval by the Production Manager.

GPO Managers Reasoning

We discussed with senior management from each of the business units and were told:

¹ See Appendix A for a description of our sampling methodology.

Plant Operations. The Production Manager told us that Plant Operations had clear policies and procedures requiring that all overtime be pre-authorized in writing by the Production Manager. The Production Manager did not have an explanation as to why some of the overtime hours were not pre-authorized, other than oversight.

Security Services. The GPO Security Officer told us his practice was documenting the approval of overtime through WebTA after the overtime had been incurred. The Security Officer estimated that 90 percent of the overtime incurred was of a last-minute, emergency nature making pre-authorization difficult.

IT&S. The Chief Information Officer told us that upon arrival at GPO in April 2011, the Office of IT&S was not properly controlling and documenting the authorization of overtime. The Chief Information Officer told us beginning in September 2011, he began pre-authorizing overtime and required emails from Division Directors in order to have overtime authorized. Beginning in December, 2011, the Chief Information Officer implemented a specific overtime request format that provided feedback on authorized overtime usage for the previous week, and documented overtime requested for the next week.

Customer Services. The Managing Director of Customer Services told us that his office had no documentation of overtime authorization. The Managing Director emphasized that much of the overtime incurred by his organization was charged back to the customer agencies.

Finance and Administration. The Chief Financial Officer documented pre-authorization of overtime in most instances in accordance with GPO Instructions.

Official Journals of Government. The Managing Director told us that his offices' practice was to document the approval of overtime through WebTA, at a management level below that of Managing Director and after the overtime had been incurred. The Managing Director told us that much of the overtime incurred by his office was in supporting Congress during off hours and in those cases it is difficult to pre-authorized overtime.

Business Products and Services. The Managing Director told us that all of the overtime in our sample for analysis, was incurred by staff at the Laurel, MD and Pueblo, CO distribution facilities. The Managing Director also stated that when workload dictates the necessity for overtime to meet customer demand, managers at both facilities work in cooperation with the customer agencies to determine when and how much overtime is required. The customer agencies receive an invoice each month that includes a separate line item detailing the overtime charges from the previous month. For the Laurel facility, a representative from the customer agency would send an email to the GPO Director of Distribution Services and Outreach for concurrence authorizing the need for an overall amount of overtime for a certain project. For the Pueblo facility, overtime authorizations were documented by a GPO form (Form 3389, "Superintendent of Documents Overtime Request") which is no

longer in use . Although the overtime hours on the forms matched the overtime hours from our sample, there was no evidence of supervisory authorization and approval.

Risks of Working Overtime Without Pre-Authorization

Working overtime without pre-authorization could create a situation of allowing employees to initiate overtime work on their own without management’s prior approval. This could lead to unnecessary or excessive overtime costs. Table 3 depicts the dollar value of estimated overtime costs associated with overtime without pre-authorization.

Table 3. Estimated Dollar Value of Overtime Not Pre-Authorized (1st Quarter FY 2012)

GPO Business Unit or Division	Estimated Dollar Value
Plant Operations – Proof and Copy Markup	\$223,915
Plant Operations – Offset Press	172,729
Security Services	127,703
Information Technology and Systems	80,379
Official Journals of Government	62,184
Customer Services	52,081
Business Products and Services	20,673
Finance and Administration	2,130
Total	\$741,794

Several senior GPO managers told us that when they personally started to pre-approve overtime, overtime hours and costs for their organizations dropped significantly.

Applying those same conditions for paid overtime in FY 2011, we believe that GPO would have paid at least \$2,967,176 in overtime that was not authorized in advance (\$741,794 multiplied by four quarters).

Recommendation

We recommend the Acting Public Printer consider (a) modifying GPO Directive 640.7D to require supervisors to obtain prior approval of his or her designated management official before asking employees to work overtime; (b) reiterating GPO’s requirement to approve overtime request prior to employees working overtime; (c) establishing a process to monitor compliance with the Directive.

Management’s Response

Management partially concurred with part (a) stating that it will perform a further review of the Directive’s language for purposes of clarity. Management concurred with Part (b) stating that, by April 30, 2012, the Chief Human Capital Officer will

reiterate to all Business Unit Directors that overtime must have prior approval whenever possible. Management also concurred with Part (c) stating that the process to monitor compliance with the Directive will be performed by the Business Unit Directors. The complete text of management's response is in Appendix C.

Evaluation of Management's Response

Management's planned action is responsive to the recommendation. The recommendation is resolved but will remain open pending completion of the planned actions.

Appendix A - Objectives, Scope, and Methodology

We performed the audit from December 2010 through February 2012 at the GPO Central Office in Washington, D.C. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will provide a reasonable basis for 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.

Objectives

We conducted this audit to answer the following question: “Do opportunities exist to enhance controls and provide assurance that the overtime being paid is necessary?”

Scope and Methodology

To accomplish our objective, we performed the following:

- Researched Federal and GPO criteria on pay and overtime;
- Obtained and analyzed payroll and overtime data from both GPO’s payroll support system and its automated time and attendance system Web Time and Attendance System (WebTA).
- Interviewed GPO management officials responsible for both establishing and monitoring GPO’s overtime policies and for approving overtime for the Agency’s major overtime users. Those officials included: the Chief Financial Officer, Comptroller, Director of Cash Management Services, Chief of Payroll, Managing Director Customer Services, Director of Operations Support, Security Director, Chief of Police, Chief Information Officer, Chief Systems Integration Officer, Manager IT&S Systems Integration Division, Managing Director of the Office of Official Journals of Government, Managing Director of Publications and Information Sales, Special Assistant Office of Strategic Human Capital Policy, Managing Director of Plant Operations, Plant Production Manager, Plant Superintendants, and numerous GPO line supervisors.

Appendix A

- Analyzed a sample of overtime for the 1st quarter of FY 2012.

Sampling Methodology

To test whether GPO properly authorized overtime we tested a statistical random sample of days in which overtime occurred during the first quarter of FY 2012 (October through December 2011) using the following steps:

1. From bi-weekly/pay period labor reports obtained from the GPO Comptroller, we created a report of all GPO overtime for the first quarter of FY 2012 (—pay periods 20 through 26).

2. Sorted the report created in Step 1 by Business Unit and then created separate reports for the organizations with the most overtime. Those Business Units were:

- Finance And Administration
- IT&S
- Security Services
- Customer Services
- Plant Operations - Proof and Copy Division
- Plant Operations - Offset Press Division
- Official Journals of Government
- Business Product Services

Those Business Units represented more than 40 percent of GPO's overtime.

3. We used "days in which overtime occurred" as our sampling unit. We found that most of the overtime approvals were done by day. That is, the documentation would show a certain number of employees were needed to work a certain number of hours on a particular day and then the supervisor would approve for that particular day. Sampling by the individual instances of overtime was deemed to not be cost beneficial because there 4,756 such occurrences.

4. For each of the above separate reports created in Step 2, we numbered every day in which overtime was incurred. Those numbered days created the audit universe. Thus, we had a separate universe for each of the eight Business Units created above.

Appendix A

5. Using EZ Quant sampling software available through the Defense Contract Audit Agency² we determined sample sizes for each of the eight organizations using the following parameters:

- **Sample Type** - Attribute Estimation Sample since we were estimating the frequency of one particular error, i.e., overtime not authorized in accordance with GPO Instructions.
- **Estimated Error Rate** - 50%. Prior audit work disclosed that 55% of the overtime was not properly authorized; however, to be conservative and provide a larger sample size we used the EZ Quant maximum which was 50%.
- **Confidence Level** - 90%, recommended by the Defense Contract Audit Agency's Contract Audit manual.
- **Critical Error Rate**- 5% recommended by the Defense Contract Audit Agency's Contract Audit manual.

6. Based on each sampled organization's calculated sample size we again used EZ Quant to generate that same amount of random numbers for each organization. We then highlighted those numbered days to be tested (from the universe of overtime days created in Step 4), printed out the reports, and then met with each organization's Director to provide them our sample and to explain the scope and purpose of our test and to ask them to pull the requested documentation which was evidence of prior approval.

7. We calculated overtime rates following Title 5, Code of Federal Regulations, Section 550.113, paragraph (d)(1) by taking each employee's base salary as of December 31, 2011, dividing by 2,087 and multiplying the quotient by one and one-half.

²The Defense Contract Audit Agency is under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense. The Defense Contract Audit Agency performs all necessary contract audits for the Department of Defense and provides accounting and financial advisory services regarding contracts and subcontracts. The Defense Contract Audit Agency also provides contract audit services to other Federal agencies as appropriate.

Appendix A

9. We calculated the estimated costs of the improperly authorized overtime for each Business Unit or Division by multiplying the total overtime hours for the 1st quarter of FY 2012 by our best estimate (Point Estimate) error rate and multiplied that product by the Business Unit or Division's hourly overtime rates calculated in Step 8. The Point Estimate, Lower Limit Estimate, and Upper Limit Estimates for each sampled Business Unit or Division were calculated by the EZ Quant software as follows:

Business Unit or Division	Point Estimate	Lower Limit	Upper Limit
Plant Operations - Offset Press	67.64	56.9	77.3
Plant Operations - Proof and Copy Markup	77.42	87.1	88.7
Security Services	100	93.4	100
Information Technology and Systems	100	94.3	99.4
Finance and Administration	6.67	2.7	18.5
Customer Services	100	93.3	100
Official Journals of Government	100	94.3	99.5
Business Products and Services	100	97.3	100

Internal Controls Reviewed

The objectives of our audit were to review and evaluate the management controls associated with management of overtime. According to GPO Instruction 825.18A, "Internal Control Program," May 28, 1997, paragraph 7(a), "The Public Printer has the overall responsibility to ensure that an effective internal control structure is established and maintained by GPO's managers for all programs, functions, and activities."

We determined that the following internal controls were relevant to our audit objective:

Program Operations – Policies and procedures the GPO management implemented to reasonably ensure that the overtime approval process meets GPO's objectives.

Validity and Reliability of Data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports (See Computer-Generated Data below).

Compliance with Laws and Regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

Appendix A

The details of our examination of management controls, the results of our examination, and noted management control deficiencies are contained in the report narrative. Implementing the recommendations in this report should improve those management control deficiencies.

Computer-Generated Data

We relied on computer-generated data during this audit. Specifically, we relied on overtime data obtained from the GPO time and attendance system WebTA. We assessed the reliability of the data but did not test general system and application controls. In order to test overtime data reliability, we compared data from WebTA to data provided by GPO's service provider for payroll processing —the U.S. Department of Agriculture's National Finance Center (NFC); discussed overtime issues with supervisors; discussed data entry procedures, discrepancies and system data transfers with system administrators; and compared electronic entries to available manual records. From those tests, we determined that the data was usable for meeting the objectives of our audit.

Appendix B - Acronyms Used in the Report

AWOL	Absent Without Leave
CFO	Chief Financial Officer
CWS	Compressed Work Schedule
GPO	Government Printing Office
GS	General Schedule
FY	Fiscal Year
IT&S	Information Technology and Systems
LWOP	Leave Without Pay
OFA	Office of Finance and Administration
PG	Printing Office Grade
WebTA	Web Time and Attendance System

Appendix C - Management's Response



U.S. GOVERNMENT
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MEMORANDUM

DATE: March 27, 2012
TO: Inspector General (IG)
FROM: Richard G. Davis, Chief Technology Officer
Programs, Strategy and Technology
SUBJECT: OIG Report on Maintaining Effective Control over Employee Overtime

Thank you for the opportunity to respond to the OIG Report on Maintaining Effective Control over Employee Overtime, Report Number 12-08. Below are the responses submitted on behalf of GPO Management to the recommendations put forth in the report.

Recommendations

1. Modify GPO Directive 640.7D to require supervisors to obtain prior approval of his or her designated management official before asking employees to work overtime.
 - Management Response: Partially Concur. GPO Directive 640.7D currently states that all overtime as noted in subparagraph (3a1) of the directive, whether regularly scheduled, irregular, or occasional, must be approved in writing by the Public Printer, Deputy Public Printer, or Department, Service, Staff or Office Head, as appropriate. Whenever possible, this approval should be given in advance. Management will further review this language for purposes of clarity.
2. Reiterate GPO's requirement to approve overtime requests prior to employees working overtime.
 - Management Response: Concur. By April 30, 2012, the Chief Human Capital Officer (CHCO) will reiterate to Business Unit Directors that overtime must have prior approval whenever possible.
3. Establish a process to monitor compliance with the Directive.
 - Management Response: Concur. This process will be implemented by Business Unit Directors and they will be expected to comply with the directive.

A handwritten signature in black ink, appearing to read 'Richard G. Davis'.

Richard G. Davis
Chief Technology Officer

Appendix D - Status of Recommendation

Recommendation No.	Resolved	Unresolved	Open/ECD*	Closed
1	x		9/30/12	

*Estimated Completion Date.

Appendix E - Report Distribution

Assistant Public Printer, Operations
Assistant Public Printer, Superintendent of Documents
General Counsel
Managing Director Plant Operations
Security Director
Chief Information Officer
Chief Financial Officer
Managing Director Customer Services
Director Official Journals of Government
Director Publication and Information Sales
Chief Technology Officer

Major Contributors to the Report

Karl Allen, Supervisory Auditor

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