



Recommendations

8

Overtime and Compensatory Time: Enhanced oversight will improve transparency.

The Office of County Internal Audit:

Elizabeth Pape, CIA, CFE – County Internal Auditor
Aaron Kay – Performance Auditor

Take survey by
clicking here

Audit committee:

Daryl Parrish, Chair - Public member
Jodi Burch – Public member
Joe Healy - Public member
Kristin Toney – Public member
Summer Sears – Public member
Stan Turel - Public member
Patti Adair, County Commissioner
Charles Fadeley, Justice of the Peace
Lee Randall, Facilities Director



To request this information in an alternate format, please call (541) 330-4674 or send email to internal.audit@Deschutes.org

Table of Contents:

1. Introduction	1
Background on Overtime and Compensatory Time.....	1
Financial Background.....	3
2. Findings	8
Budgeting Overtime Expense.....	8
Inadequate budgeting for overtime expenses is obscured within overall personnel costs.....	8
Overtime paid to exempt employees.....	11
Insufficient documentation regarding premium pay decisions hinders transparency.	11
County overtime and comp time policy.....	12
The County's comp time expiration rule is confusing and unnecessary.	12
Leave time granted to part-time employees does not align with the Fair Labor Standards Act definition of comp time.....	15
NOVAtime System.....	16
NOVAtime system controls do not consistently restrict employees from exceeding their accrued comp time leave balance in certain instances.....	16
Generic user accounts compromise NOVAtime security.....	18
Data accuracy issues persist with the presence of former employee accounts in the County's timekeeping system.....	18
3. Observations	19
Using comp time leave to accumulate more comp time than utilized.	20
Using comp time leave to earn paid overtime.....	21
4. Management Responses	22
Finance Department, Robert Tintle, Chief Financial Officer.....	22

County Administration, Nick Lelack, County Administrator	24
Human Resources, Kathleen Hinman, Director	25
5. Appendix A: Analysis Information	28
6. Appendix B: Objective, Scope, and Methodology.....	34
Objectives and Scope.....	34
Methodology.....	35

Highlights:

Why this audit was performed:

Due to time constraints during the Vacation and Sick Leave audit, a comprehensive review of compensatory time was deferred. Given its direct association with compensatory time, the decision to include overtime into the overall review was apparent.

What was recommended:

The County should improve the transparency of overtime spending and compensation decisions.

The County's policy on overtime and compensatory time should be updated to reflect current practice.

The Finance Department should ensure the timekeeping system is kept up to date and secure.

Overtime and Compensatory Time: Enhanced oversight will improve transparency.

What was found:

Deschutes County overtime expenses surged over 30% in Fiscal Year 2023 outpacing increases in overall personnel costs. As the County increasingly depends on overtime to maintain the delivery of quality services, the need for a strong control foundation becomes more crucial. The review focused on systemic and policy-related controls for both overtime and compensatory time. Audit findings are summarized below:

Overtime reporting. The Board receives monthly financial reports updating them on the current state of major County funds. Emphasizing vacancy savings is common in personnel cost discussions; however, incorporating overtime expenses into the conversation would provide greater transparency and accountability.

Overtime documentation practices. For over a decade, employees who are typically exempt from overtime have been receiving overtime compensation. Centralizing the documentation supporting these decisions would optimize their accessibility.

County policy. The County policy on overtime and compensatory time includes a 180-day compensatory time mandate that is not enforced. Furthermore, including compensatory time in the calculation of regular hours in an employee's workweek creates opportunities for limited exploitation of the overtime system. Revisions are needed to clarify expectations for both management and employees.

System management. County timekeeping system controls and security measures can be improved to ensure intended functionality.

1. Introduction

Audit Authority

The Deschutes County Audit Committee authorized the review of overtime and compensatory time in the Internal Audit Work Plan for 2022-2023. Audit objectives, scope, and methodology can be found in **Appendix A**.

Background on Overtime and Compensatory Time

What is overtime?

Overtime simply means the extra hours eligible employees work beyond their standard 40-hour workweek. During overtime, federal law requires employers to pay higher rates than they do for their regular hours. The County uses overtime when employees are needed to meet increased workloads, deadlines, emergencies, or other demands. One example would be the Road Department mobilizing resources to clear roads of snow and ice when winter weather unexpectedly hits. Those hours are often overtime above their standard workweek. Overtime is also often used to cover vacancy-related operational demands created through employee separations, vacations, or illness.

What are the benefits of overtime and some of the risks?

Overtime can provide several benefits for an organization, including increased production and the ability to meet tight deadlines or unexpected spikes in workload. It allows the County to capitalize on employees' expertise and dedication beyond regular working hours, fostering a culture of commitment and flexibility. Moreover, overtime can be a cost-effective solution compared to hiring additional staff, especially for short-term projects. However, regular reliance on overtime carries inherent risks.

Extended work hours can lead to employee burnout, reduced job satisfaction, and a decline in overall well-being. This, in turn, may result in higher turnover rates and increased healthcare costs for the organization. Furthermore, prolonged periods of overtime

can negatively impact work-life balance, diminishing creativity and long-term productivity. Striking a balance between leveraging overtime strategically and safeguarding employee well-being is crucial for organizations aiming to optimize their workforce and maintain a healthy organizational culture.

How is overtime paid by the County?

The Fair Labor Standards Act (Act) governs the use of overtime. Under the Act, employers may provide a higher rate of pay than simply 1.5 times base pay for overtime. Deschutes County uses a higher, blended overtime rate that includes the employee's base pay and various additional wages like longevity pay, professional certification stipends, or lead pay. The County last updated its policy regarding overtime in 2007 to comply with changes in State and Federal Laws. The County also negotiates the operation of overtime through collective bargaining between the County and various labor union representatives. Elected officials and County department directors must adhere to overtime contract provisions and relevant Human Resource policies.

What is compensatory time?

Compensatory time, often referred to as "comp time," is a leave benefit offered to employees of a public agency in place of receiving overtime pay to be used at a future date. The Fair Labor Standards Act also governs comp time. Employees earn comp time at a rate of 1.5 times the number of overtime hours worked. For instance, if an employee works 10 hours of overtime, they accumulate 15 hours of time off as comp time leave. The conversion of overtime hours to comp time leave must be mutually agreed upon by both the employee and the office/department in which they work.

Who is eligible for overtime and comp time?

The Fair Labor Standards Act classifies employees into two categories: Exempt and Non-Exempt. Exempt employees usually have salaried positions in executive, administrative, supervisory, or professional roles and don't receive overtime pay. Non-exempt

employees are typically paid hourly and are entitled to overtime pay when they work more than 40 hours in a workweek. There are exceptions within the Act for certain essential workers like police, firefighters, paramedics, and other first responders who are entitled to overtime for public safety regardless of category. The State of Oregon also has additional exceptions for corrections staff. The County Human Resources Department (HR) ensures that each job position is properly classified according to the Act's regulations.

How is overtime and comp time tracked?

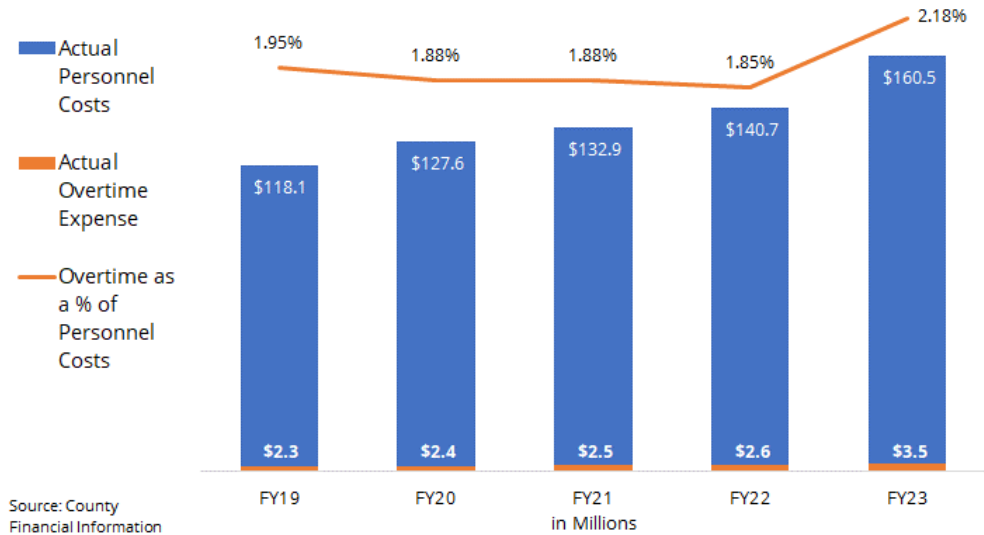
The County uses NOVAtime Time Management Online (NOVAtime) for its employee timekeeping and time management system. Employees are responsible for recording all hours worked, including any overtime, requesting conversion of overtime hours into comp time leave, and requesting comp time leave usage in the system. Department heads and supervisors are responsible for approving timesheets, comp time conversions, and comp time leave usage. Overtime expenses are recorded and monitored within County governmental funds through the County's financial system, Tyler ERP (previously known as MUNIS). Meanwhile, expenses related to compensatory time off are consolidated alongside expenditures from other employee leave options, such as Time Management Leave or Vacation Leave, in Tyler ERP.

Financial Background

Overtime Expenses

Overall personnel costs have risen each year as the County workforce expands, employees gain higher wage steps, and cost-of-living increases are negotiated and approved. Overtime expenses historically represent around 2% of overall personnel costs.

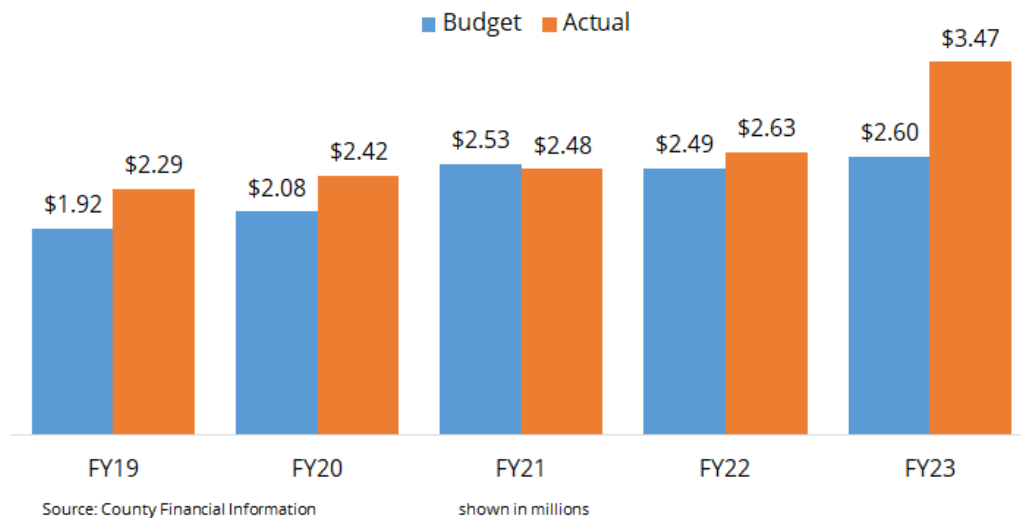
Figure I
The growing cost of personnel and overtime for the County over the last five fiscal years. (FY19-23 Budget to Actual)



Overtime Budgeting

Overtime spending has eclipsed budgeted amounts in four of the last five fiscal years, usually by a narrow margin. Fiscal Year 2023 saw an estimated 32% increase in overtime expenses over the previous fiscal year. The Fiscal Year 2024 budget approval resulted in an increase in allocated overtime spending, now set at \$2.88 million.

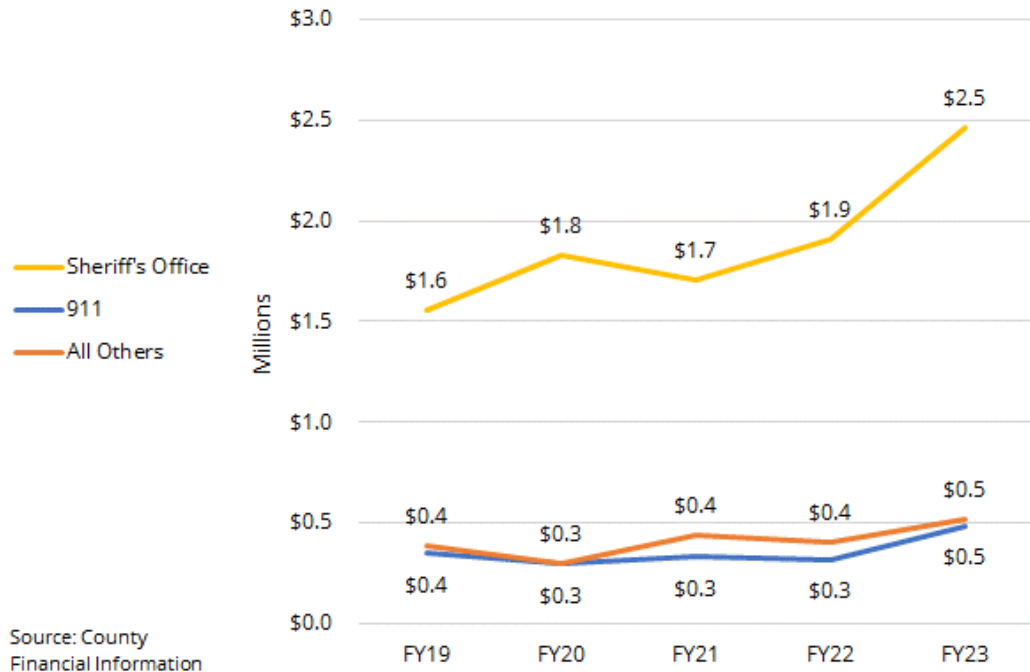
Figure II
Fiscal Year 2023 had the largest discrepancy between budget and actual overtime expenses in the last five fiscal years. (FY19-23 Budget to Actual)



Departmental Spending

Within the estimated \$3.5 million spent on overtime in Fiscal Year 2023, the Sheriff’s Office had the highest overtime expense. The reasons for Sheriff's Office overtime hours differ among divisions.

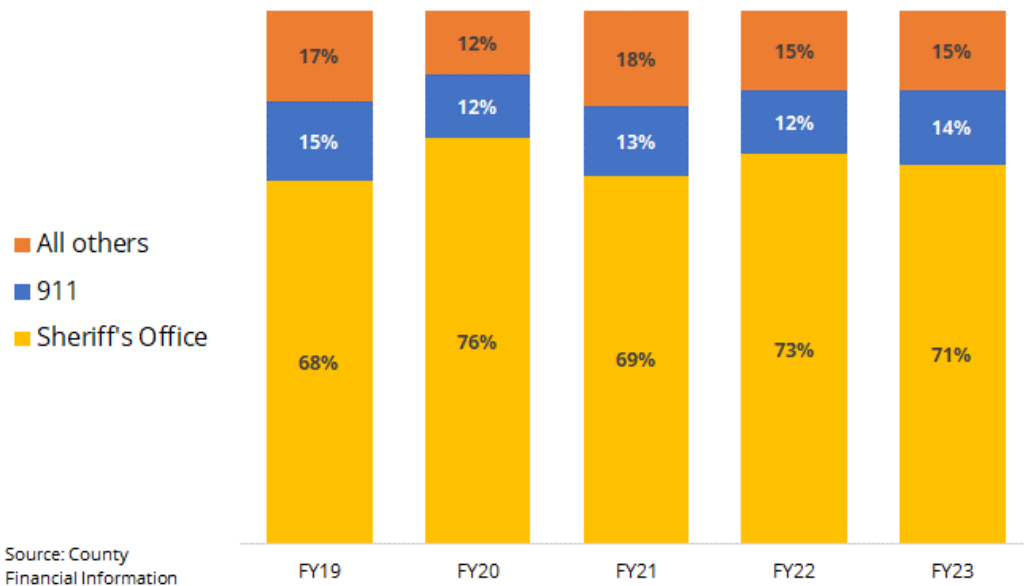
Figure III
Over the last five fiscal years, the Sheriff's Office has the highest overtime expense for the County. (FY19-23 Actual)



For example, corrections deputies are more likely to work overtime for an entire shift covering for vacancies. Patrol deputies typically work overtime between 1 to 2 hours in duration, usually covering calls for service or emergency situations near the end of their regular shift.

In contrast to the upward trend seen in **Figure III**, when compared to the overall overtime expenses incurred by the County over the last five years, the Sheriff's Office's percentage of the expenses were lower in FY23 when compared to prior FY.

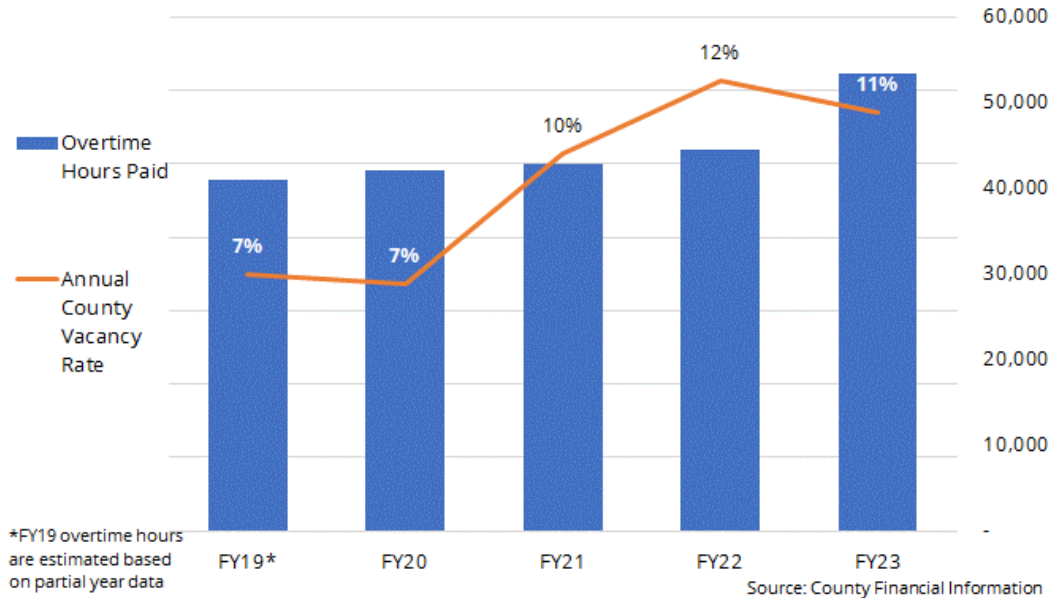
Figure IV
As a percentage of the overall overtime expense for the County, the Sheriff's Office expenses are relatively flat. (FY19-23 Actual)



The Impact of Vacancies

As previously mentioned, overtime is often used to cover vacancies. Health Services, the Sheriff's Office, and 9-1-1 have all faced staffing shortages in recent years, while addressing an increase in service provision and emergency situations.

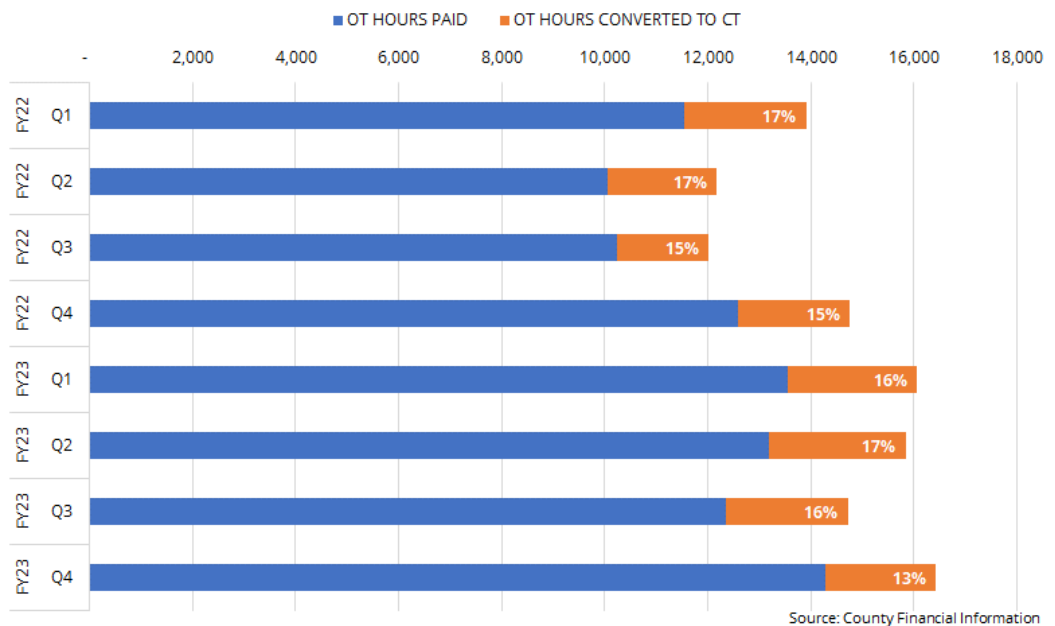
Figure V
Higher vacancy rates seen over the last three fiscal years correlate into increased overtime hours.



Comp Time Costs

The County doesn't look at comp time costs in the same way as overtime expenses because comp time costs get combined with other types of employee leave, such as time management leave

Figure VI
Employees converted overtime hours worked into comp time leave about 16% of the time over the last two fiscal years.

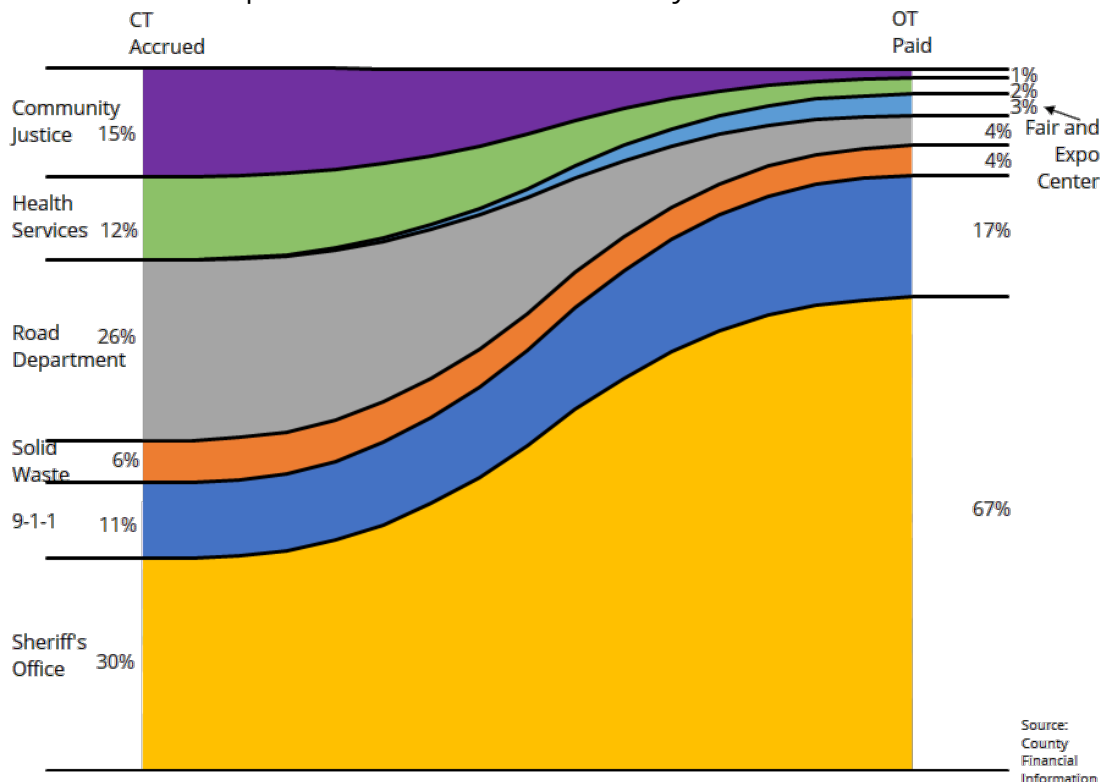


and vacation leave. The Fair Labor Standards Act imposes restrictions on comp time leave, placing maximum accrual limits that mitigate the risk of substantial liabilities, thereby making it less critical to actively monitor its costs. For Deschutes County, overtime hours worked are more apt to be compensated as overtime pay rather than converted into comp time leave.

A County office or department’s operation significantly influences the choice available to employees regarding compensation for overtime or conversion to comp time leave. For instance, at the Fair and Expo Center, overtime work occurs from events directly tied to revenues, making it practical for the department to opt for overtime compensation rather than incurring deferred comp time leave costs. In contrast, the Road Department experiences peak overtime activity during the summer and winter seasons, affording the flexibility to grant employees leave when service demand is relatively lower in the spring and fall. Some offices or departments, like Solid Waste, are able to strike a balance between overtime and comp time.

Figure VII

Distribution of overtime hours for the largest overtime departments indicating the preferences of each office/department for the last two fiscal years.



Source: County Financial Information

2. Findings

Government waste is frequently attributed to overtime spending by the media, and often with good reason. Cases of overtime falsification and gross overspending by government agencies have been reported outside of Deschutes County. Given the recent increase in overtime expenses and sustained double digit vacancy rate, it is important for the County to have robust controls around overtime and compensatory time to ensure the system is working as intended. The findings highlight the need for enhancing oversight and transparency across various control areas to bolster existing systems.

This audit specifically focuses on a County-wide evaluation of electronic timekeeping system controls and policy-level mechanisms related to overtime and compensatory time. It does not delve into individual employee compensation details, decisions made by employees or management, the appropriateness of specific instances of overtime worked, or the quality of duties performed during overtime hours. The findings and recommendations provided are centered solely on the systemic and policy-related aspects of overtime and comp time administration within the scope of the audit. Any considerations beyond this scope should be addressed through separate and specific inquiries.

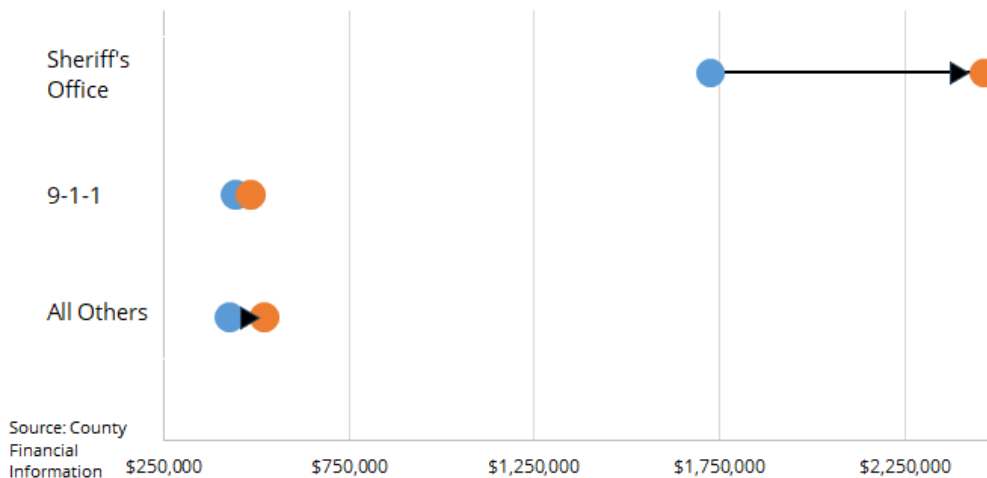
Budgeting Overtime Expense

Inadequate budgeting for overtime expenses is obscured within overall personnel costs.

As seen in **Figure II**, Until Fiscal Year 2023, the County closely matched budgeted and actual overtime expenses. Fiscal Year 2023 was significantly different, with an estimated overspend of \$870,000. Given the significant influence the Sheriff's Office has toward the County's overtime budget coupled with the emergency nature of their responsibilities, it is no surprise that 84% of the discrepancy is attributable to the Sheriff's Office.

Figure VIII

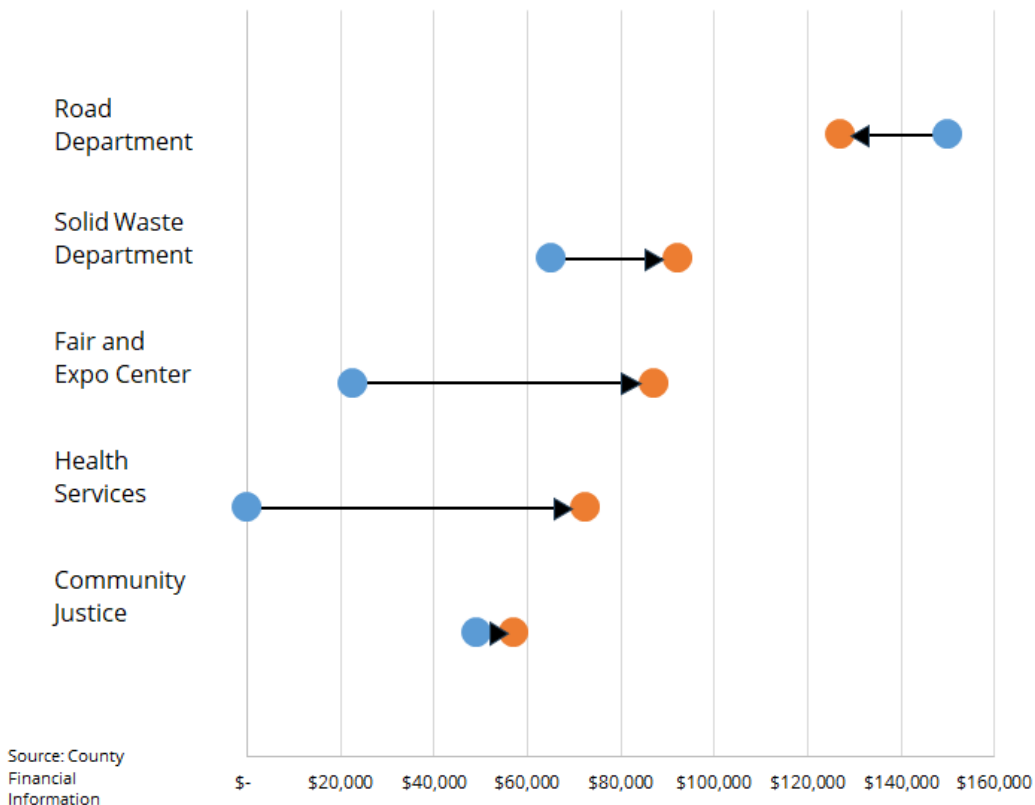
The Sheriff's Office overspent their budgeted overtime expenses by an estimated \$737,000. (FY23 Budget to Actual)



However, the Sheriff's Office is not alone in underestimating budgetary expenses. Among departments with overtime costs exceeding \$50,000 in Fiscal Year 2023, Solid Waste, Health Services, and the Fair and Expo Center combined to fall \$164,000 short in estimating their overtime expenses, while 9-1-1, Road Department, and Community Justice more precisely anticipated theirs.

Figure IX

Department overtime spending ranged from 15% underbudget to 288% overbudget. (FY23 Budget to Actual)

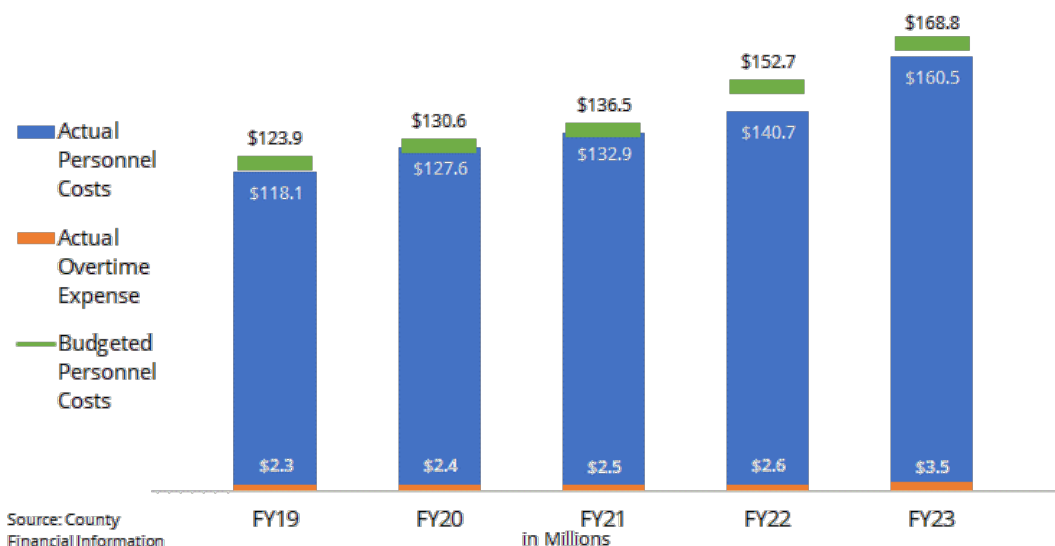


For Deschutes County, the annual budget cycle commences with the formulation of budget objectives and operating budget requests. In their operating budget requests, each office/department includes anticipated overtime expenses as part of their overall or rolled-up personnel costs. The Budget Office examines these rolled-up personnel costs, relying on historical averages and future cost assumptions, before presenting them to the Budget Committee for in-depth discussions.

Following the approval of the proposed budgets, the Board of County Commissioners receives monthly financial reports. These reports assess the actual spending of offices/departments in comparison to the budgeted amounts. The financial reports serve as a means to keep both policymakers and management informed about governmental fund performance, accountability, and potential savings. Both the budgeting process and expenditure monitoring serve as internal controls to ensure responsible and efficient spending by the County.

As previously mentioned, overtime expenses often stir controversy, with the media employing attention-grabbing terms such as "runaway spending" and "robbery" to characterize them. This framing can influence public opinion, fostering the perception that overtime is a manifestation of government waste. However, unforeseen overtime costs can often be mitigated through salary or vacancy savings. Considering the relatively small

Figure I enhanced
 The County's personnel costs have stayed under budget despite the growing cost of personnel and overtime for the County over the last five fiscal years. (FY19-23 Budget to Actual)



percentage that overtime expenses constitute in the overall personnel costs, it is improbable for overtime alone to emerge as a primary factor contributing to financial instability for the County.

The Budget Office relies on office/department expertise when submitting budgeted numbers, but they can play a role in providing information the Board needs for providing oversight and accountability in overtime budgeting. The monthly financial reports present rolled-up personnel costs, potentially lacking the necessary detail for accurate transparency and oversight of overtime spending. Often these reports will include the amount of vacancy savings within projected personnel costs, but not mention overtime expense.

Recommendation #1

The Finance Department monthly financial reports should include overtime expenses for major funds when the projected personnel services requirements exceed budgeted levels.

Overtime paid to exempt employees

Insufficient documentation regarding premium pay decisions hinders transparency.

Under the Fair Labor Standards Act, there are few exceptions to the overtime exempt classification. However, the County has been providing overtime opportunities to exempt employees in the 9-1-1 department for over a decade. County staff have not maintained documentation supporting these decisions in the County's personnel or payroll records; instead, it is kept within the records of the 9-1-1 department.

According to the Act, employers are required to keep such records secure and accessible, typically within a central record keeping office like County Human Resources or Payroll.

The availability of proper documentation for these overtime decisions potentially raises concerns about fairness and

preferential treatment. Moreover, keeping these records within the department limits accessibility for other County departments and employees.

Any records of the approval of additional compensation, even for temporary situations, should be treated in accordance with the Fair Labor Standards Act. It's important to note that the practice of exempt 9-1-1 employees earning overtime was initially negotiated in 2005 as a temporary solution to address persistent staffing issues. This was implemented as a stop-gap measure, incentivizing exempt employees to take on additional public safety dispatching shifts alongside their regular duties. The County is now considering extending additional compensation to exempt employees with expertise in information technology to address cybersecurity program needs in a timely manner rather than using temporary staffing or other tools to address this temporary increase in workload.

Recommendation #2

The County should establish a centralized documentation repository for all payroll decisions that grant overtime compensation to exempt status employees.

County overtime and comp time policy

The County's comp time expiration rule is confusing and unnecessary.

County policy mandates that employees use comp time hours within 180 days after the overtime was earned for some employees, however this language in the policy has not been enforced. County policy and the various labor union agreements also limit overall comp time leave balances for each employee, ranging between 50-96 hours, which is enforced.

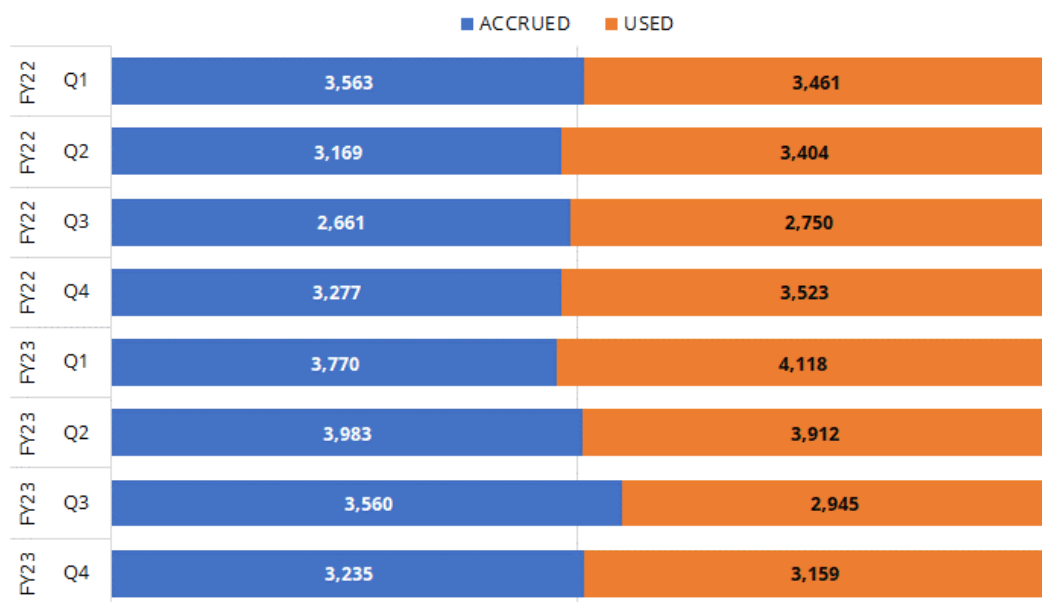
The Federal Government Accountability Office (GAO) urges management to periodically review policies for continued

relevance and effectiveness. The County policy on overtime compensation and compensatory time, HR-4, was last revised in 2007. The American Federation of State, County, and Municipal Employees’ agreement refers to HR-4 as a governing document applying the same rule to all employees represented under that contract.

The County creates confusion when it does not follow its own policy. Not enforcing policies can also lead to an erosion of trust between the employer and employee.

Despite not enforcing the expiration time, County employees are using comp time as fast as they accrue it. Expiring time limits are one method in which organizations prevent leave balances from turning into a significant liability. However, leave balance limits also serve a similar purpose. The balance limits act as an incentive for employees to utilize their leave, allowing them to convert future overtime hours worked into time off. Once comp time leave banks reach capacity, the employee is left with no other option than to receive overtime pay for overtime hours worked. Consider the previous scenario involving a Road Department employee who worked the weekend plowing snow and ice. This employee, keen on maintaining a work-life balance, chooses to convert the overtime worked into time off for a fall hunting trip.

Figure X
County employees are using comp time as fast as they accrue it.



Source: County Financial Information

By strategically replenishing their leave bank and using comp time for personal pursuits like hunting, employees create a balanced system while limiting the overall liability to the County.

Recommendation #3

The County should determine if the 180-day mandate is still relevant and adjust practices/revise policy based upon the determination.

To enhance the administration of comp leave, the County policy could benefit from further refinements. Currently, Lane County opts to issue a payout for all comp time leave balance hours when an employee transitions from a non-exempt to an exempt role. This payout serves to alleviate the burden on payroll by eliminating the need to track and issue payments from a leave category that is no longer eligible for accrual.

Additionally, Lane County extends payouts when an employee undergoes a departmental transfer. Comp time, originally approved as a liability by the department that authorized the overtime, becomes a challenge when an employee moves to a different department. The receiving department is then compelled to acknowledge leave hours they did not initially authorize.

These adjustments in practice would align with payouts of comp time hours for employees that are separating employment with the County.

Recommendation #4

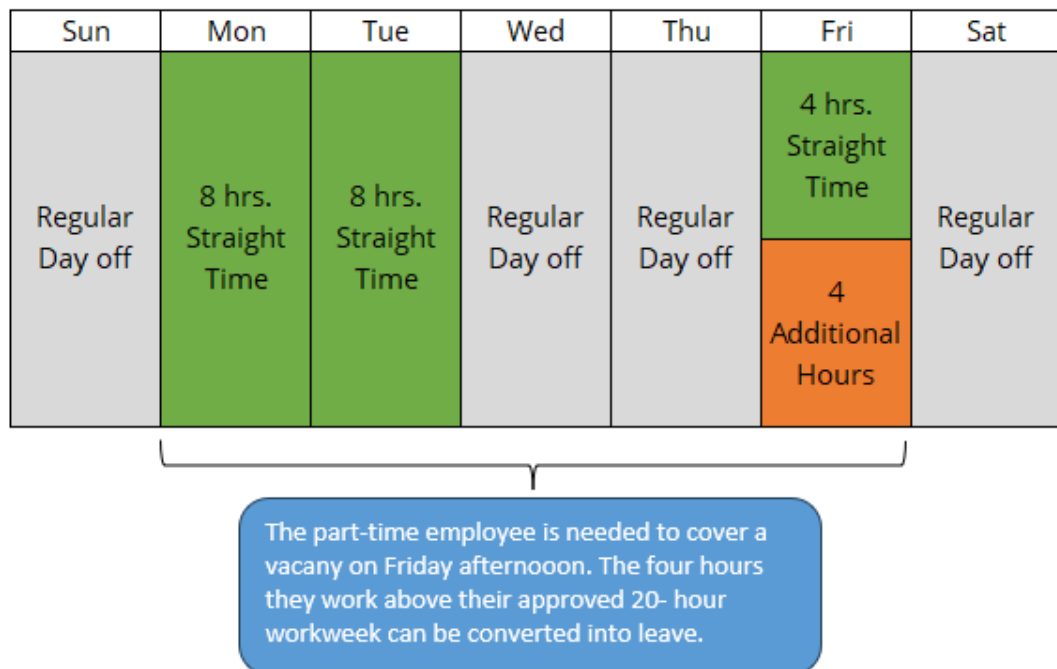
The County should incorporate policies which include payouts for comp leave balances in cases of departmental transfer or promotion to exempt status.

Leave time granted to part-time employees does not align with the Fair Labor Standards Act definition of comp time.

Part-time employees currently accrue leave at an hour-for-hour rate when exceeding their authorized weekly hours, and this leave is classified as comp time within the Novatime system, despite not being earned through overtime work. The County lacks a policy to support or regulate this practice.

Auditor created example of a part-time employee workweek.

Figure XI
Example workweek for a part-time employee working more than their authorized weekly hours.



According to the Fair Labor Standards Act, comp time is defined as leave earned at a rate not less than one and one-half hours for each hour of employment for which overtime compensation is required.

The absence of clearly defined written policies leaves staff to navigate ambiguous leave benefits independently. It remains unclear whether this practice is uniformly extended to all part-time employees or solely where it has been long-standing. Furthermore, while consolidating various leave types into a single category may streamline payroll processes, identifying the source of hours and rate of accrual becomes increasingly challenging.

Some regular part-time employees under the 9-1-1 Employees Association agreement have guidelines governing their leave options, while others lack any guidance in this area. In discussions with payroll, recategorizing this type of leave would require tremendous hours of work and a reconfiguration of NOVAtime that would exceed the benefits of defining this leave as something other than comp time.

Recommendation #5

The County should establish and document comprehensive leave options and procedures specifically tailored to part-time employees.

NOVAtime System

The audit report on [Vacation and Sick Leave](#) highlighted structural and operational issues within the NOVAtime system. These issues included negative employee leave balances, restricted reporting choices, the existence of test accounts in the live system, and discrepancies in employee records between NOVAtime and Tyler ERP. The [follow-up report](#) revealed that reporting options remained unchanged, and a resolution for the presence of test accounts had not been found. Additional control issues within NOVAtime were discovered during this audit.

NOVAtime system controls do not consistently restrict employees from exceeding their accrued comp time leave balance in certain instances.

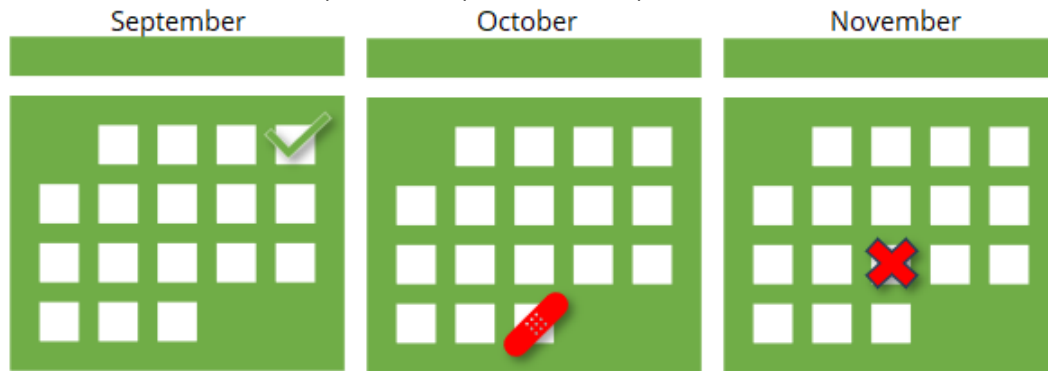
Ten employees used more comp time leave than they had banked over the past two fiscal years.

The County Leave Policy, HR-14, specifies that supervisors can only approve scheduled leave for hours currently in the employee's leave bank, and they are not allowed to approve leave contingent upon future accumulation or credit to the leave bank.

Allowing employees to use more leave than available is a risk to the County. The County is advancing leave to a person without guarantees that the time will be worked.

Auditor created example of a comp time leave request.

Figure XII
Example of how a negative comp leave balance is created.



In this example the employee begins September with 10 hours of leave. In the first week of September, they request to use 8 hours in the third week of November. They mistakenly use 8 hours of comp time at the end of October for an illness. When the approved date in November comes around, the system takes the 8 hours of approved leave even though the employee only has 2 in the leave bank.

Timing plays a large factor in this issue. If the supervisor approves an employee's request to use comp time in the future knowing their current balance is sufficient to cover the request, but then the employee uses comp time prior to that future date the bank does not have enough to cover the approved request, leaving it negative once that date is reached.

NOVAtime does not have preventative controls that limit the employee's ability to use more comp time than they have available taking into consideration future approved requests. An attentive supervisor may catch the error, but that is not an effective control to prevent the advance.

Recommendation #6

The Finance Department should develop stronger controls around negative comp time leave balances.

Generic user accounts compromise NOVAtime security.

Some Human Resources staff were not assigned individual user accounts and were sharing generic supervisory level user logins to perform data entry and reviews required as part of their assigned duties.

Figure XIII

Three users accessing the system using two shared generic logins.



The Government Accountability Office Federal Information System Controls Audit Manual urges organizations to ensure identification and authentication are unique for each user.

When users cannot be distinguished from one another, tracking changes to the system, and identifying responsible individuals in case of errors or malicious intent becomes increasingly challenging.

Generic user accounts were set up in 2017 and 2018 when the County transitioned to NOVAtime. The creation of generic user accounts was likely driven by cost considerations, given that each supervisor license incurs individual billing.

Recommendation #7

The Finance Department should assign individual user accounts for each Human Resources staff member needing access to the NOVAtime system.

Data accuracy issues persist with the presence of former employee accounts in the County's timekeeping system.

The NOVAtime system has 18 active supervisor level users who are no longer employed by the County, including five former department directors. While the passwords have been changed,

the user accounts and their corresponding permissions have not been revised.

The Government Accountability Office guidance on designing information security controls includes promptly updating access rights when employees change job functions or leave the entity.

Since the County's timekeeping system operates online and falls outside the purview of the County's information technology security system, the existing user accounts pose a potential risk for malicious activity. This risk is particularly pronounced for former departmental directors, who may retain elevated system privileges.

As previously reported in the Time Management Leave audit, there was a discrepancy in employee records between NOVAtime and Tyler ERP. The Finance Department developed a semi-annual review system but has yet to implement it. According to the Finance Department, the next scheduled system review is set for March 2024. That review schedule is expected to mitigate this issue in the future, but the immediate risk should be addressed.

Recommendation #8

The Finance Department should remove supervisor-level access for all noted former employees.

3. Observations

The County's policy HR-4 and negotiated Collective Bargaining Agreements (CBAs) permit the inclusion of comp time hours in the calculation of regular hours for an employee's workweek. Currently, sick leave hours are the only explicitly excluded category from regular hours.

This provision creates opportunities for employees to exploit the system strategically. Two strategies were identified through analysis of NOVAtime data:

Using comp time leave to accumulate more comp time than utilized.

By strategically utilizing comp time leave at the start of the workweek, anticipating available overtime at the week's end, employees can accumulate more comp time leave than they use. In the below example, the employee uses comp time leave to gain one and a half times the comp time leave.

Auditor created example of an employee workweek.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
Regular Day off	10 hrs. Comp Time Leave	10 hrs. Straight Time	10 hrs. Straight Time	10 hrs. Straight Time	10 hrs. Overtime taken as comp time	Regular Day off

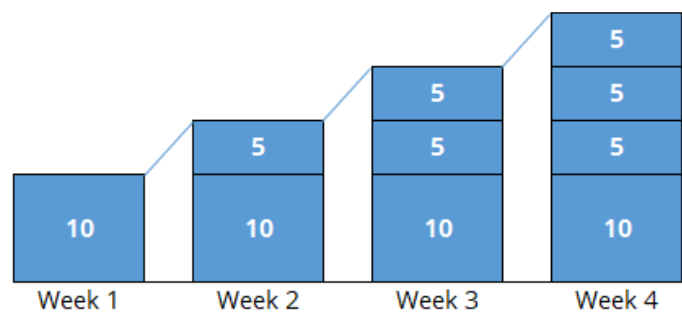
Figure XV
Example of an employee using comp time leave to gain more comp time leave than used.

The employee uses 10 hours of comp time to start the week, works 3 regular shifts, then converts their overtime shift at the end of the week into comp time - essentially exchanging 10 hours of comp time leave at the beginning of the week for 15 hours of comp time leave at the end.

Figure XVI
Potential to stack comp time leave hours quickly.

If this practice continued for one month, the employee would end the month with 250% more comp time leave than they used.

Auditor created example of an employee comp leave bank.



Comp leave hours were used in the same week they were accrued over 1,100 times in the last two fiscal years. It is important to note that employees are restricted by comp time leave limits based on their position. Eventually, their leave bank would reach capacity, and they would be compelled to take overtime pay. Supervisors could also identify and address this behavior by denying requests to use comp time at the beginning of the week.

Using comp time leave to earn paid overtime.

Some employees working a scheduled workweek exceeding 40 hours, such as four days of twelve-hour shifts, can receive overtime pay from comp leave hours. This results in earning leave hours at a 1.5x rate and being compensated at a premium overtime rate.

Auditor created example of an employee workweek.

Figure XIV
Example of an employee using comp time leave to earn paid overtime.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
Regular Day off	12 hrs. Comp Time Leave	12 hrs. Comp Time Leave	12 hrs. Comp Time Leave	4 hrs.	Regular Day off	Regular Day off
				8 hours Comp Leave paid as OT		

The employee takes their regular 12 hours, 4 day per week workweek off using comp time. Because worked hours include all paid time, all paid hours above 40 hours are paid as overtime.

The calculation methodology for regular hours is stipulated in each CBA. While the County's policy HR-4 is silent on compensatory time for non-represented employees, it is practically counted towards regular hours. Approximately 0.2% of the total overtime hours paid in the last two fiscal years were earned through this practice.

4. Management Responses

Finance Department, Robert Tintle, Chief Financial Officer



FINANCE DEPARTMENT

Date: January 03, 2024
To: Elizabeth Pape, County Internal Auditor
From: Robert Tintle, Chief Financial Officer
Re: Finance's Response to Audit Report #23/24-6 Overtime and Compensatory Time

Thank you for the internal audit and initial assessment on overtime and compensatory time. Finance appreciates your effort in this area as we work together to enhance oversight and transparency across various control areas to bolster existing systems.

Below are responses to the internal audit recommendations.

1) Recommendation: The Finance Department monthly financial reports should include overtime expenses for major funds when the projected personnel services requirements exceed budgeted levels.

- a) Management position concerning recommendation: Concurs Disagrees
- b) Comments: To provide greater transparency and accountability, when projected total personnel services costs exceed the budget, the Chief Financial Officer will include a breakout of overtime expenses when presenting the monthly financial report on major funds to the Board of County Commissioners.
- c) The new reporting will be implemented in January 2024, when applicable.

2) Recommendation: The County should establish a centralized documentation repository for all payroll decisions that grant overtime compensation to exempt status employees.

- a) Management position concerning recommendation: Concurs Disagrees

b) Comments: Finance defers the implementation of this recommendation to Human Resources. Once a centralized documentation repository is established, Finance/Payroll should have access to the policy files.

3) Recommendation: The County should determine if the 180-day mandate is still relevant and adjust practices/revise policy based upon the determination.

a) Management position concerning recommendation: Concur Disagree

b) Comments: Finance defers the implementation of this recommendation to Human Resources. Finance supports eliminating this policy as it is not practicable to enforce as stated.

c) If the 180-day mandate is maintained, implementation will increase the workload within Payroll and will add to the capacity constraints the section is already experiencing. Additional capacity will need to be addressed.

4) Recommendation: The County should incorporate policies which include payouts for comp leave balances in cases of departmental transfer or promotion to exempt status.

a) Management position concerning recommendation: Concur Disagree

b) Comments: Finance defers the implementation of this recommendation to Human Resources. Finance supports payouts for comp leave balances in cases of departmental transfer or promotion to exempt status.

5) Recommendation: The County should establish and document comprehensive leave options and procedures specifically tailored to part-time employees.

a) Management position concerning recommendation: Concur Disagree

b) Comments: Finance defers the implementation of this recommendation to Human Resources.

6) Recommendation: The Finance Department should develop stronger controls around negative comp time leave balances.

a) Management position concerning recommendation: Concur Disagree

b) Comments: Finance will develop a report to identify negative comp time leave balances and manually update timecards each pay period.

c) This recommendation was implemented in December 2023 and will continue monthly.

d) This has increased the hours required to complete the payroll process and added to the capacity constraints the section is already experiencing.

7) Recommendation: The Finance Department should assign individual user accounts for each Human Resources staff member needing access to the NOVAtime system.

- a) Management position concerning recommendation: Concurs Disagrees
- b) Comments: Finance has already assigned individual user accounts for each Human Resources staff member.
- c) The estimated date of completion is January 2024.

8) Recommendation: The Finance Department should remove supervisor-level access for all noted former employees.

- a) Management position concerning recommendation: Concurs Disagrees
- b) Comments: Finance has identified the former employee roles and has established a quarterly reconciliation of termed employees and supervisor roles.
- c) The estimated date of completion is January 2024.

County Administration, Nick Lelack, County Administrator



COUNTY ADMINISTRATOR NICK LE LACK

I generally concur with Finance's responses to the recommendations with the following comments:

3) Recommendation: The County should determine if the 180-day mandate is still relevant and adjust practices/revise policy based upon the determination.

I am concerned about the increase in liability over time (beyond 180 days) as noted in the Audit because as wages and overall personnel costs increase so too does the value (liability) of the unused comp time. With that said, as the Audit demonstrates, employees are using comp time at about the same rate as they are accruing it. It seems the 180 day requirement should remain in place and supervisors and department heads should be both informed about this policy (I expect many are not aware of it) and required to implement it.

4) Recommendation: The County should incorporate policies which include payouts for comp leave balances in cases of departmental transfer or promotion to exempt status.

Strongly support.

5) Recommendation: The County should establish and document comprehensive leave options and procedures specifically tailored to part-time employees.

I concur though I likely need a better understanding of when OT and CT are accrued if under 40 hours.

8) Recommendation: The Finance Department should remove supervisor-level access for all noted former employees.

Strongly support.

Human Resources, Kathleen Hinman, Director



HUMAN RESOURCES

Date: January 4, 2024
To: Elizabeth Pape, County Internal Auditor
From: Kathleen Hinman, Human Resources Director
Re: Human Resources Response to Audit Report #23/24-6 Overtime and Compensatory Time

Thank you for the internal audit and for the opportunity to review and comment on your report, Overtime and Compensatory Time #23/24-6 (the Audit). Human Resources values your review on this important issue and the perspective it provides County Leadership as we work together to enhance oversight and transparency of this useful tool.

Below are responses to the internal audit recommendations.

1) Recommendation: The Finance Department monthly financial reports should include overtime expenses for major funds when the projected personnel services requirements exceed budgeted levels.

Human Resources concurs with this recommendation.

While overtime assignments may be used to offset the impact of vacancies, HR agrees that review of expenses should occur when the overall projected personnel services requirements exceed budgeted levels. Additionally, the County may benefit from review when overtime expenses exceed budgeted costs by a certain %.

2) Recommendation: The County should establish a centralized documentation repository for all payroll decisions that grant overtime compensation to exempt status employees.

Human Resources concurs with this recommendation.

HR will work with departments and offices to create a centralized list for instances outside of existing Collective Bargaining Agreements and County Policies when authority has been granted to provide overtime compensation, or premium compensation, to exempt status employees. This will be made available to payroll staff for their use in reviewing timesheets. The estimated date of completion is July 2024.

3) Recommendation: The County should determine if the 180-day mandate is still relevant and adjust practices/revise policy based upon the determination.

Human Resources concurs with this recommendation.

HR will work with the County's Policy Advisory Committee to review the current policy and determine if the 180-day mandate should be maintained. County leadership will be consulted, and the policy will be updated with any changes as needed. The estimated date of completion is July 2024.

4) Recommendation: The County should incorporate policies which include payouts for comp leave balances in cases of departmental transfer or promotion to exempt status.

Human Resources concurs with this recommendation.

HR will work with the County's Policy Advisory Committee to review the current policy and consider the recommendation. County leadership will be consulted, and the policy will be updated with any changes as needed. The estimated date of completion is July 2024.

5) Recommendation: The County should establish and document comprehensive leave options and procedures specifically tailored to part-time employees.

Human Resources concurs with this recommendation.

HR will work with the County's Policy Advisory Committee to review the current practices and any applicable policies and consider the recommendation. County leadership will be consulted, and the policy will be updated with any changes as needed. The estimated date of completion is July 2024.

6) Recommendation: The Finance Department should develop stronger controls around negative comp time leave balances.

Human Resources concurs with this recommendation.

HR defers to Finance/Payroll for this recommendation. It would be best if this function could be turned off in NOVAtime, or only allowed at the System Administrator level; and should be considered when next reviewing new timecard software.

7) Recommendation: The Finance Department should assign individual user accounts for each Human Resources staff member needing access to the NOVAtime system.

Human Resources concurs with this recommendation.

8) Recommendation: The Finance Department should remove supervisor-level access for all noted former employees.

Human Resources concurs with this recommendation.

5. Appendix A: Analysis Information

An in-depth analysis was conducted to assess whether the systemic and policy-related controls for overtime and comp time introduced any disparities among employees. The comprehensive examination did not yield any specific findings, observations, or identified opportunities for improvement. While no disparities were uncovered during this analysis, the information is presented to provide transparency and clarity, offering insight into the absence of notable differences in the application of systemic and policy-related controls for overtime and compensatory time across the employee base.

In the interest of safeguarding individual privacy and confidentiality, this report deliberately excludes specific demographic group breakdowns. The decision to withhold this information is made to prevent the potential identification of individuals within exceptionally small demographic subsets.

Gender Identity

For Deschutes County, women constitute a substantial portion of the workforce. At first glance, the data reveals a disparity in the female employees working paid overtime (OT) compared to their male counterparts. However, when the Sheriff’s Office (DCSO), a male-dominated field with high overtime, is excluded from the analysis, the disparities between genders diminish. However, a noteworthy observation is that comp time (CT) leave allocations appear to align more closely with the overall population percentage, even without excluding law enforcement.

	Deschutes County Workforce	% of OT Hours Paid	% of OT Hours Paid w/o DCSO	% of CT Hours Accrued
Women	56.89%	36.57%	54.93%	54.37%
Men	43.04%	63.43%	45.07%	45.63%

Racial Identity

The County workforce primarily consists of white individuals, making up 89% of the total workforce. While the data indicates a potential disparity with non-white employees being underrepresented in overtime hours, the extent of this difference is not substantial enough to warrant additional efforts or interventions at this time.

	Deschutes County Workforce	% of OT Hours Paid	% of CT Hours Accrued
White	89%	92%	89%
Non-White	11%	8%	11%

Age

The distribution of overtime and comp time utilization across different age groups within the workforce reveals distinct patterns. Notably, as employees age, there is a decline in both overtime earning and comp time accrual percentages, suggesting a correlation between age and not working more than 40 hours a week.

Age Range (years)	Workforce earning OT	% of OT Hours Paid	Workforce accruing CT	% of CT Hours Accrued
20-30	13%	10%	11%	9%
30-40	29%	28%	32%	31%
40-50	28%	30%	28%	30%
50-60	20%	23%	21%	26%
60-70	9%	8%	8%	3%
70-80	0%	0%	1%	1%

Base Pay

Employees with base rates in the \$30-\$40/hr. range exhibit the highest engagement in additional work, constituting 41% of those

earning overtime and 48% accruing comp time. This group also has the highest percentage of overtime hours paid (41%) and comp time hours accrued (57%). As the base rate increases beyond 50 dollars, the percentage of employees earning overtime decreases, potentially indicating a saturation point in overtime engagement as base rates rise.

Base Rate in \$	Workforce earning OT	% of OT Hours Paid	Workforce accruing CT	% of CT Hours Accrued
10-20	1%	0%	1%	1%
20-30	29%	7%	28%	18%
30-40	41%	41%	48%	57%
40-50	21%	37%	22%	23%
50-60	5%	10%	2%	2%
60-70	2%	3%		
70-80	1%	2%		

Length of Service

Employees with 0-5 years of service represent the majority, comprising 50% of those earning overtime and 48% accruing comp time. However, there appears to be an underutilization of this group for paid overtime in proportion to their substantial representation. Instead, overtime hours are directed towards individuals with more tenure, hinting at a potential preference for the expertise that often accompanies greater experience.

Length of Service (years)	Workforce earning OT	% of OT Hours Paid	Workforce accruing CT	% of CT Hours Accrued
0-5	50%	29%	48%	44%
5-10	21%	26%	24%	23%
10-15	8%	12%	8%	11%
15-20	12%	20%	12%	14%
20-25	6%	10%	5%	7%
25-30	2%	3%	2%	2%

CBA

The employees covered under the Deschutes County Sheriff Employees Association (DCSEA) CBA stand out with 26% of the county workforce, representing nearly half of all overtime hours paid (48%) and a substantial portion of comp time hours accrued (20%). In contrast, the AFSCME CBA, representing 36% of the workforce, shows a lower percentage of overtime hours paid (8%) and a higher percentage of comp time hours accrued (30%) suggesting the preference for leave over additional pay for those employees.

CBA	Deschutes County Workforce	% of OT Hours Paid	% of CT Hours Accrued
911EU	7%	16%	9%
AFSCME	36%	8%	30%
DCSEA	26%	48%	20%
FOPPO	3%	0%	5%
IUOE	12%	8%	26%
NON-REPRESENTED	17%	20%	10%

PERS Tier

Employees within each category of the Public Employees Retirement System (PERS) align closely with the distribution of the workforce. With a slight uptick in overtime hours paid for Tier 1, employees who may be trying to maximize their retirement benefits and a preference to take the additional leave from comp time accrued for Oregon Public Sector Retirement Plan (OPSRP) employees.

PERS	Deschutes County Workforce	% of OT Hours Paid	% of CT Hours Accrued
Tier 1	4%	5%	2%
Tier 2	11%	19%	10%
OPSRP	85%	75%	88%

Job Classification

The job classifications with the highest ranks in each category are in alignment with the respective offices/departments where these roles are performed. Positions within the Sheriff's Office and 9-1-1 work the most overtime hours with overtime pay, whereas roles within the Road Department and Community Justice accumulate the most compensatory time and maintain the highest leave balances.

Top 10- Avg OT hours paid with more than 10 employees in the job classification.	Top 10- Avg CT hours accrued with more than 10 employees in the job classification.	Top 10- Avg CT leave balances with more than 10 employees in the job classification.
Public Safety Dispatcher II	PW Equipment Operator, Heavy	PW Equipment Operator, Heavy
Sergeant	Public Safety Dispatcher II	Public Safety Dispatcher II
Public Safety Dispatcher I	PW Equipment Operator, Light	PW Equipment Operator, Light
Deputy Sheriff	Public Safety Dispatcher I	Community Justice Specialist
Maintenance Specialist II	Parole & Probation Officer	Sergeant
Deputy Sheriff, Corrections	Maintenance Specialist II	Deputy Sheriff
Lieutenant	Community Justice Specialist	Deputy Sheriff, Corrections
PW Equipment Operator, Heavy	Code Compliance Specialist	Parole & Probation Officer
9-1-1 Call Taker	Equipment Mechanic	Landfill Site Attendant
Landfill Site Attendant	Landfill Site Attendant	Behavioral Health Spec I

Departmental Breakdown

The Finance and Human Resources departments totals calculate to over 100% due to staff transitions from non-exempt to exempt status during Fiscal Years 2022/2023.

Office/ Department	# of FT/PT employees working during FY22/23	# of employees eligible for OT during period	% eligible for OT	# of employees with paid OT	# of employees with CT accrual	# of employees with both OT/CT	Total # of employees working OT	Total Hours of OT worked	% of eligible employees working overtime
911	67	53	79%	27	1	25	53	17,995	100%
Assessor's Office	42	37	88%	2	19	4	25	467	68%
Clerk's Office	14	10	71%	5	2	3	10	182	100%
Community Development	80	52	65%	38	1	10	49	2,070	94%
Community Justice	97	76	78%	9	14	35	58	3,440	76%
County Administration	27	12	44%	1	3	5	9	388	75%
District Attorney's Office	82	41	50%	9	7	18	34	1,045	83%
Facilities	32	26	81%	4	1	14	19	1,349	73%
Fair and Expo Center	12	8	67%	7	0	1	8	2,901	100%
Finance	22	8	36%	3	6	1	10	389	125%*
Health Services	503	211	42%	61	49	46	156	3,927	74%
Houselessness	2	1	50%	1	0	0	1	45	100%
Human Resources	10	4	40%	2	1	2	5	426	125%*
IT	21	1	5%	1	0	0	1	1	100%
Justice Court	5	3	60%	0	2	1	3	126	100%
Legal Dept	9	2	22%	0	1	1	2	21	100%
Road Department	68	57	84%	6	14	32	52	7,818	91%
Sheriff's Office	256	232	91%	118	6	103	227	68,013	98%
Solid Waste	46	40	87%	16	0	24	40	4,998	100%
Veterans Services	6	5	83%	1	0	3	4	313	80%
TOTALS (AVGS)	1401	879	(63%)	311	127	328	766	115,910	(87%)

6. Appendix B: Objective, Scope, and Methodology

The County Internal Auditor was created by the Deschutes County Code as an independent office conducting performance audits to provide information and recommendations for improvement.

The audit included limited procedures to understand the systems of internal control around overtime and comp time. No significant deficiencies were found in this audit. A significant deficiency is defined as an internal control deficiency that could adversely affect the entity's ability to achieve its objectives, safeguard assets, and provide comprehensive and accurate information in line with financial, compliance, or performance reporting goals. The findings noted were primarily compliance and efficiency matters.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The audit disclosed certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed and does not replace efforts needed to design an effective system of internal control.

Management has responsibility for the system of internal controls, including monitoring internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. Internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved.



"Audit objectives" define the goals of the audit.

Objectives and Scope

Objectives included:

1. Analysis and assessment of employee overtime and comp time approvals and use to inform County policy and procedures.

- a. Whether it aligns with budgeted department costs
 - b. Whether it complies with policies and procedures
 - c. Whether there are disparities across employees
2. If applicable, identify opportunities for improving efficiency and effectiveness of processes.
 3. Be aware of any compliance issues with federal and state regulations and requirements, as may be applicable.

Scope and timing:

The audit occurred from September through November 2023. The focus of the review was on relevant personnel data and information maintained by County Information Technology, Finance, and Human Resources Departments as of September 2023. We reviewed historical information as needed to support the conclusions of the analysis. The scope did not include all aspects of internal controls employed and was limited to hours classified as overtime or compensatory time.

Methodology



Audit procedures are created to address the audit objectives.

Audit procedures included:

- Reviewing County overtime and compensatory time policies; collective bargaining agreements (CBA); and Federal/State laws and rules.
- Interviewing selected departmental management and staff knowledgeable of the various processes to support the audit objectives.
- Evaluation of the reliability of data provided from the NOVAtime Time Management Online system. During the evaluation, the data reporting limitations of the system prevented any analysis of data prior to Fiscal Year 2021.
- Analyzing available data to support the audit objectives including:
 - Evaluation of overtime expenses and consideration of comp time liabilities in the annual budget process.

- Compliance with County policies and procedures and/or CBA requirements.
- Operation of overtime and compensatory time activity.
- Adjustments to compensatory time leave balances.
- Selected categories for the purpose of informing policy.
- Benchmarking the County to other like-size counties in Oregon.

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 objectives.

(2018 Revision of Government Auditing Standards, issued by the Comptroller General of the United States.)

Please take a survey on this report by clicking this link:

<https://forms.office.com/g/yGvJ8FEAVc>

Or use this QR Code:



If you would like to receive future reports and information from Internal Audit or know someone else who might like to receive our updates, sign up at <http://bit.ly/DCInternalAudit>.