

March 25, 2020

JOSHUA KAVANAGH
Director of Transportation
0988

**Subject: Overtime – Transportation Services
Report 2020-08B**

The final report for Overtime – Transportation Services Report 2020-08B, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
Interim Director
Audit & Management Advisory Services

Attachment

cc: Judy Bruner
Alexander Bustamante
Gary Matthews
Cheryl Ross

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Overtime – Transportation Services
Report No. 2020-08B
March 2020

FINAL REPORT

Performed By:

Nai Hwang, Senior Auditor
Evans Owalla, Manager

Approved By:

Christa Perkins, Interim Director

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Overtime for UC San Diego (UCSD) Transportation Services as part of the approved audit plan for Fiscal Year 2019/2020. The objective of our review was to assess whether internal controls were adequate to provide reasonable assurance that practices for overtime management for Transportation Services were effective and efficient to prevent overtime abuse and contain administrative costs, and in compliance with applicable University policies and procedures and bargaining unit agreements.

We concluded that internal controls for overtime practices for Transportation Services were generally adequate and appeared to function as intended. The department had a process for overtime review and approval, overtime pay was calculated correctly, and exempt employees were not paid overtime. However, we observed opportunities for improvement with respect to the overtime procedures, proper pre-approval, and documentation to justify business necessity. We also noted additional opportunities for management to timely monitor overtime in order to identify and mitigate costs. During this review, management evaluated staff job responsibilities and reclassified certain supervisory positions to exempt status to minimize overtime. Management Action Plans to address these opportunities for improvement are summarized below.

A. Overtime Management

1. Management will provide guidelines to employees on overtime procedures, including requesting overtime, pre-approval, and required supporting documentation to ensure compliance with the University policies and union agreements governing overtime.
2. Management will ensure overtime procedures are followed, including proper approval and documentation to justify business necessity for overtime.

B. Overtime Trend and Monitoring

1. Management has evaluated staff job responsibilities for those employees with high amount of overtime and is taking steps to mitigate overtime.
2. Management will enhance overtime monitoring to identify and mitigate overtime costs timely.

Observations and related management action plans are described in detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Overtime for UCSD Transportation Services as part of the approved audit plan for Fiscal Year 2019/2020. This report summarizes the results of our review.

The UCSD Transportation Services Department has three main divisions – Shuttle Services, Transportation, and People Movement. Table 1 shows staff count by collective bargaining agreement (Union) and General staff (Non-Bargaining Union) as of June 2019.

Table 1: Transportation Services Staff Count

Union Name	Union Code	Shuttle Services	Transportation	People Movement	Total Staff Count
Academic Student Employees	BX	2	1		3
Clerical & Allied Services	CX		24	7	31
Service	SX	16	14		30
Technical Unit	TX		2		2
No Bargaining Unit	99	137	70	55	262
Total Staff Count		155	111	62	328

Source: Distribution of Payroll Expense as of June 2019

Analysis of the Distribution of Payroll Expense (DOPE) Reports shows during FY2018/19, total payroll costs increased by \$537K (8.6%), as compared to FY2017/18. Total overtime straight (OTS) and overtime premium (OTP) represented about 5% total hours worked and 4% of total payroll costs.

Table 2: Transportation Services Total Worked Hours and Payroll Costs

Year	Total Hours worked	Total Payroll Costs	Overtime (1) Hours	Overtime (1) Payroll Costs	% of OT to Reg Total Hours	% of OT to Reg Total Payroll Cost
FY2017/18	329,371	\$6,262,191	13,489	\$228,958	4.7%	3.9%
FY2018/19	349,836	\$6,799,670	14,789	\$248,629	4.9%	3.9%
FY2017/18 to FY2018/19 Changes	20,465	\$537,479	1,300	\$19,671		
Change % as compared to FY2017/18	6.2%	8.6%	9.6%	8.6%		

Source: Distribution of Payroll Expense as of June 2019 and 2018

(1) Overtime includes Overtime Straight (OTS) and Overtime Premium (OTP)

Transportation Services uses the WhenToWork application for scheduling employees and students, timekeeping, and supporting biweekly timesheet for payroll processing. Staff enter time into MyTime for leave (sick or vacation) and/or overtime. At the end of the biweekly pay period, division supervisors review MyTime with the WhenToWork schedule to ensure the accuracy of the reported working hours. A comments field is available on MyTime for stating the purpose of overtime hours worked.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to assess whether internal controls were adequate to provide reasonable assurance that practices for overtime management for Transportation Services were effective and efficient to prevent overtime abuse and contain administrative costs, and in compliance with applicable University policies and procedures and bargaining unit agreements.

In order to achieve our objective, we performed the following:

- Reviewed University of California Personnel Policies for Staff Members (PPSM) -30: Compensation and other policies, procedures, and processes related to overtime;
- Reviewed the following collective bargaining agreements:
 - Academic Student Employees (BX);
 - Clerical & Allied Services (CX);
 - Services (SX); and
 - Technical Unit (TX);
- Interviewed the Transportation Services Business Manager;
- Reviewed FY 2017/18 and FY2018/19 DOPE Reports by overtime codes for hours worked and gross pay;
- Analyzed overtime hours and gross pay compared to regular hours and gross pay;
- Recalculated overtime gross pay with actual pay rates on the DOPE reports;
- Reviewed overtime pay for exempt employees;
- Analyzed biweekly overtime pay patterns and identified employees with the highest amount of overtime for FY2018/19;
- Reviewed the WhenToWork Timesheet for overtime review and approval processes for selected employees on the June 2019 biweekly pay periods; and
- Evaluated the adequacy of organizational structure and reporting processes.

Our review focused on overtime straight (OTS) and overtime premium (OTP) and did not include other payroll codes.

IV. CONCLUSION

Based on our review, we concluded that internal controls for overtime practices for Transportation Services were generally adequate and appeared to function as intended. The department had a process for overtime review and approval, overtime pay was calculated correctly, and exempt employees were not paid overtime.

We observed opportunities for improvement with respect to the overtime procedures, proper pre-approval, and documentation to justify business necessity. We also noted additional opportunities for management to timely monitor overtime in order to identify and mitigate costs. During this review, management evaluated staff job responsibilities and reclassified certain supervisory positions to exempt status to minimize overtime. These opportunities for improvement are discussed in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Overtime Management
Documentation of Overtime and over-schedules were not consistently maintained for Department management pre-approval as required by policy and collective bargaining agreements. Some overtime purposes were not documented in the timesheet system to justify business necessity.	
Risk Statement/Effect	
Lack of adequate overtime management practices may result in excess payroll costs, which may have a negative financial impact on the department and the University.	
Management Action Plans	
A.1	Management will provide guidelines to employees on overtime procedures, including requesting overtime, pre-approval, and required supporting documentation to ensure compliance with the University policies and union agreements governing overtime.
A.2	Management will ensure overtime procedures are followed, including proper approval and documentation to justify business necessity for overtime.

A. Overtime Management – Detailed Discussion

University policy (PPSM-30: Compensation, Section III, D. Overtime and Over Schedule [Non-Exempt Employees Only]), states, “...Overtime and over-schedule will be assigned by the department head to meet essential operating needs. Overtime and over-schedule must be approved in advance, but if overtime or over-schedule is worked it must be compensated whether approved or not. An employee is expected to seek advance approval for overtime and over-schedule work.”

In the collective bargaining agreements, Article Hours of Work states, “...The University shall decide when overtime is needed. Overtime must be approved in advance by the University. As soon as practicable after the need for overtime is determined, the University shall notify the employee that overtime must be worked. Employees are expected to work overtime when such work is assigned.”

We noted a significant amount of overtime hours were incurred at the beginning of a new school year and commencement months (September and June). In general, most of the overtime hours were incurred for special events, for which overtime could be planned, requested, and pre-approved. However, our detailed testing noted that overtime pre-approvals were not formally documented or maintained. For example, a review of six randomly selected employees on the June 2019 biweekly pay periods noted that none had supporting documentation of pre-approvals for the overtime worked. Additionally, the comments field was not adequately documented. At a minimum, these overtime transactions could be communicated and pre-approved in emails or event notifications and pertinent documentation maintained for support. We also noted that although some overtime requests and

approvals were communicated through media such as text messages, the requests and pre-approval were not formally maintained, documented, or referenced to the overtime transactions in the timesheets.

Our sample review of the WhenToWork timesheets to MyTime noted some variances (i.e., some differences with scheduling in WhenToWork and actual timesheet approved in MyTime) which appear to be due to additional shift assignments, which were not updated or noted in the WhenToWork application. Using the MyTime worksheet comment field could be used to note the purpose for the overtime or any other related information. Also, implementing formal overtime procedures could assist in overtime planning, requesting, and pre-approval to ensure compliance with the University policies consistently.

B. Overtime Trend and Monitoring	
Some employees routinely worked a high number of overtime hours almost each pay period. Most of these overtime hours were not fully documented and/or pre-approved.	
Risk Statement/Effect	
Lack of adequate monitoring of overtime such as pre-approvals, documented justification, and periodic reviews of overtime may lead to abuse of overtime and unplanned payroll costs increases.	
Management Action Plans	
B.1	Management has evaluated staff job responsibilities for those employees with high amount of overtime and is taking steps to mitigate overtime.
B.2	Management will enhance overtime monitoring to identify and mitigate overtime costs timely.

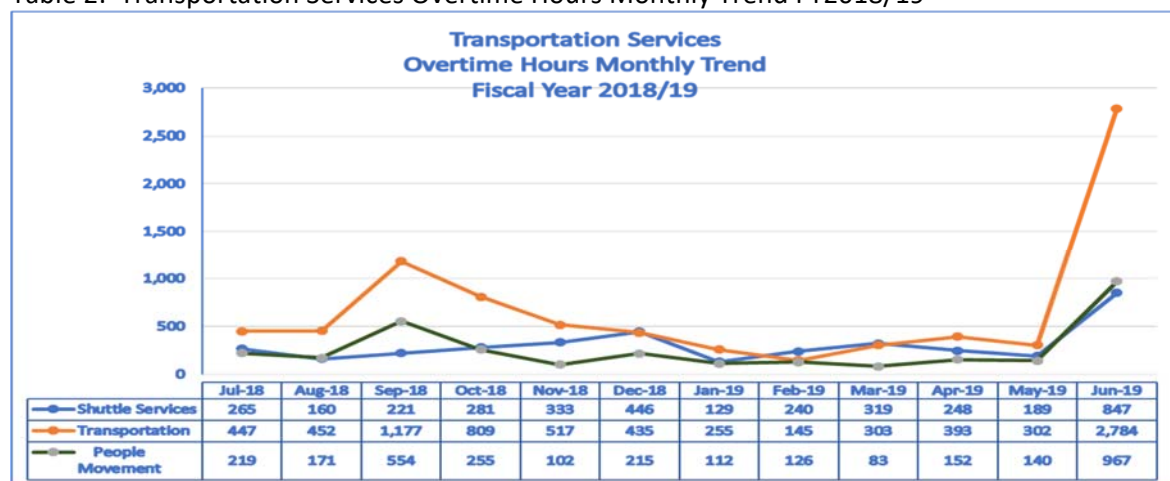
B. Overtime Trend and Monitoring – Detailed Discussion

Overtime Monthly Trend Analysis (2018/19)

Currently, overtime reports are run and reviewed quarterly. Also, employees are expected to enter reasons for overtime in the comments fields of the timesheet for the division supervisor’s review. However, based on the results of our analyses below, it appears that enhanced monitoring of overtime beyond the current quarterly process may be beneficial in identifying overtime use timely.

Our analyses of FY2018/19 DOPE reports showed that overtime hours (Overtime Straight (OTS) + Overtime Premium (OTP)) were incurred during two key special events months – the start of a new school year (September) and commencement (June) which are illustrated in the chart below.

Table 2: Transportation Services Overtime Hours Monthly Trend FY2018/19



Overtime hours = Overtime Straight (OTS) + Overtime Premium (OTP)

Further analysis of overtime worked hours for FY2018/19 noted that five employees' overtime hours were more than 500 hours, and ten employees' overtime hours were between 250 hours and 500 hours. Table 3 shows overtime hours worked by the employee by divisions.

Table 3: Overtime Hours Worked Analysis for FY2018/19

FY2018/19	Divisions	Shuttle Services	Transportation	People Movement
Overtime Hours (1) > 500 Hours and < 780 Hours		1	2	2
Overtime Hours >250 Hours and <500 Hours		4	5	1
Overtime Hours >100 Hours and < 250 Hours		4	16	3
Overtime <=100 Hours		40	34	20
No Overtime Hours		177	65	48
Total Distinct Count of Employee (2)		226	122	74

(1) Overtime hours = OTS + OTP, (2) Transactions with no regular hours (REG=0) are excluded.

Further review performed for the employees with the highest overtime hours (see Table 4) disclosed that employees with more than 500 hours of overtime repeatedly had a high frequency of overtime hours for most of the pay periods. Out of 26 biweekly pay periods, these employees had 18 to 26 pay periods in which they averaged between 21 hours to 43 hours of overtime per pay period. Management stated that some of the overtime was due to staff vacancies or various assignments. In addition, management evaluated staff job responsibilities and reclassified certain supervisory positions to exempt status to minimize overtime.

Table 4: FY2018/19 Overtime Hours Analysis for Employees with > 500 Overtime Hours

Division	Employee	Biweekly w/ Overtime (1)	OTP & OTS Hours	OTP OTS Pay	Avg OTS & OTP Hours/Biweekly
Shuttle Services	Employee 1	19	701	\$12,835	37
Transportation	Employee 2	20	803	\$13,799	40
	Employee 3	26	691.5	\$10,832	27
People Movement	Employee 4	18	777	\$11,880	43
	Employee 5 (2)	25	536.5	\$13,025	21

(1) The number of biweekly pay periods out of 26 each employee recorded overtime hours

(2) Staff reclassified in Fiscal Year 2019/20.