

M E M O R A N D U M

FINAL AUDIT REPORT WITH RECOMMENDATIONS

Internal Operations No. 08-004



SUBJECT: Overtime at Shady Grove Rail Yard
Rail Transportation Supervisors

DATE: January 7, 2008

FROM: OIG – Helen Lew /s/

**In Reply
Refer To:**

TO: DMGR – Gerald Francis

This **Final Report**, entitled *Overtime at Shady Grove Rail Yard Rail Transportation Supervisors*, presents the results of our audit. The objective of the audit was to determine if overtime hours were authorized and approved in advance, accurately calculated, and properly recorded in the electronic payroll system.

Background

As a part of the Washington Metropolitan Area Transit Authority's (WMATA) financial statement audit, the external auditor, FS Taylor, selected for review a sample of employees who worked overtime during Fiscal Year (FY) 2007. One of the employees selected was a rail transportation supervisor who worked at the Shady Grove Rail Yard. This supervisor was paid 33 hours of overtime pay. The external auditor requested documentation from WMATA to confirm the overtime worked. The Superintendent at the Shady Grove Rail Yard provided documentation for only 21 hours of overtime. The supervisor was overpaid by 12 hours.

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The Office of Inspector General (OIG) and the external auditor proceeded to conduct an audit to determine if the supervisor received additional overtime payments during FY 2007 that were paid in error. The audit did not find any additional examples of overpayments for the supervisor under review. However, the Superintendent at Shady Grove informed OIG that another supervisor was paid overtime incorrectly. This other supervisor was paid 30 hours of overtime, but the supporting documentation indicated only 8 overtime hours were worked. Therefore,

the supervisor was overpaid by 22 hours. We conducted an audit of all 13 supervisors at Shady Grove who were paid overtime.

Audit Results

We found internal control weaknesses at the Shady Grove Rail Yard relating to approval and payment of overtime and the processing of electronic time sheets. Specifically, controls for (1) approving and paying overtime and (2) processing electronic time sheets were not followed.

The Deputy General Manager's December 28, 2007 response to the draft of this report concurred with our findings and recommendations. The complete text of the response, excluding the *WMATA Electronic Time Sheet User Guide*, is included as an attachment to this report.

Finding 1 - Internal Controls for Approving and Paying Overtime Were Not Followed

The Electronic Time Sheet (ETS) User Guide states employees should enter their leave/overtime data into ETS, and their supervisors should review employees' time sheets and corresponding leave/overtime slips before transmitting payroll data.

We found that the Assistant Superintendent at the Shady Grove Rail Yard entered overtime data into ETS for all supervisors and also reviewed and approved the data for payroll processing. This practice does not comply with proper segregation of duties procedures to help assure payroll data are accurate.

We found that the supervisors in our review do not enter their payroll data into ETS because they do not have access to it. Supervisors do not have passwords or access to computers that would allow them to enter their payroll data into ETS. Also, according to the Assistant Superintendent at Shady Grove, the nature of the supervisors' responsibilities would make it inefficient for them to go to Shady

Grove Rail Yard to input ETS data and then return to the field. Instead, supervisors prepare a handwritten record, known as the Employee Overtime and Holiday Pay Report, which serves as the source document for overtime hours worked. We reviewed 96 ETS reports and 93 Employee Overtime and Holiday Reports. Management could not provide three Employee Overtime and Holiday Reports that would have allowed us to match all the 96 ETS reports reviewed. The majority of these reports did not contain management's approval and authorization.

There was no segregation of duties, and input errors occurred. The Assistant Superintendent who entered payroll data also reviewed and approved the ETS. We found that five supervisors received a total of \$2,234 in overpayments. Also, two supervisors were underpaid \$186 for the overtime they worked. Tables 1 and 2 summarize the supervisors affected.

Table 1 Summary of Supervisors Who Were Overpaid

Supervisor	Pay Period	Overtime Hours in the Overtime and Holiday Report	Overtime Hours in ETS	Hours Overpaid	Amount Overpaid
A	1/5/07	4.5 hrs	9 hrs	4.5 hrs	\$222.69
A	2/2/07	15 hrs	15.5 hrs	.5 hrs	24.74
B	4/27/07	16 hrs	17 hrs	1.0 hrs	52.58
C	5/11/07	16 hrs	17 hrs	1.0 hr	49.53
D	5/11/07	21.5 hrs	24 hrs	2.5 hrs	130.68
E	5/25/07	21 hrs	33 hrs	12.0 hrs	597.36
B	5/25/07	8 hrs	30 hrs	22.0 hrs	1156.76
			Total	43.5 hrs	\$2,234.34

Table 2 Summary of Supervisors Who Were Underpaid

Supervisor	Pay Period	Overtime Hours in the Overtime and Holiday Report	Overtime Hours in ETS	Hours Underpaid	Amount Underpaid
A	3/30/07	20.5 hrs	19 hrs	Underpaid 1.5 hrs.	\$69.17
B	3/30/07	28 hrs	27.75 hrs	Underpaid .25 hrs	12.25
B	4/27/07	37.5 hrs	37.25 hrs	Underpaid .25 hours	13.07
B	5/25/07	17.75 hrs	16 hrs	Underpaid 1.75 hrs	91.47
			Total	3.75 hours	\$185.96

Until all supervisors can enter their payroll data into ETS, the Superintendent at the Shady Grove Rail Yard should implement a system that includes segregation of duties so that the individual who enters payroll data into ETS is not the same individual who reviews and approves the data input. Also, the supervisors who were paid incorrectly should have their pay adjusted to correct the errors made.

Finding 2 - Internal Controls for Processing Electronic Time Sheets Were Not Followed

The ETS User Guide states employees should enter their hours worked in ETS and their respective supervisor should approve their ETS. We found that the employees in our review did not enter their hours worked in ETS because they do not have access to the system. The Assistant Superintendent entered hours worked for non-represented employees and approved the data entered. Also, the Superintendent entered his hours worked and approved his own ETS. The Line Service Director for the Red Line stated that this practice occurs because she does not have access to ETS. The current practice does not conform to the ETS User Guide, and the Shady Grove Rail Yard lacks segregation of duties as a result. The Line Service Director should have access to ETS so that she can review and approve the ETS for all Superintendents who report to her.

Supervisors do not have passwords or access to computers that would allow them to enter their payroll data into ETS. Also, the Assistant Superintendent at Shady Grove stated that the nature of the supervisors' responsibilities would not make it efficient for them to go to Shady Grove Rail Yard to input ETS data and then return to the field. Segregation of duties, with the appropriate review and approval of the ETS, would increase the likelihood that supervisors are paid correctly. The lack of segregation of duties is an internal control weakness that we previously reported in AUD 06-101.¹ Although that report discussed the lack of segregation of duties as to

¹ A Review of The Administration of Overtime Hours and Costs in WMATA's Departments of Operations and Metro Transit Police, February 28, 2006.

hourly employees, it involves the same internal control weakness we noted at the Shady Grove Rail Yard for supervisors. In AUD 06-101, we reported that managers who entered data in the Details to Gross Payroll System also approved the payroll data. Payroll functions for transportation supervisors and hourly employees should be performed by separate individuals in order to strengthen internal controls.

We found that street supervisors in Bus Transportation and some supervisors in Plant Maintenance also do not enter their ETS data. As a result, an adequate system of segregation of duties does not exist.

Recommendations

We recommend that the Deputy General Manager:

1. Direct the Assistant General Manager for Rail to ensure that rail management at Shady Grove segregate duties so that the same person who enters payroll data does not approve this data.
2. Request that the Chief Financial Officer recover \$2,234.34 in overpayments made to supervisory employees identified in this report and adjust the pay of supervisors who were underpaid \$185.96.
3. Direct the Assistant General Manager for Rail to ensure that rail management require approval of the Employee Overtime and Holiday Report before the information is entered in ETS.
4. Request the Chief Information Officer to provide ETS access to the supervisors in rail transportation to enable them to enter their time in ETS and to the Line Service Directors so they can review and approve ETS submissions by their Superintendents.
5. Ensure adequate controls are in place in other departments/offices in WMATA that were outside the scope of this audit so that the person who enters payroll data (hourly and salaried employees) would not also approve the data.

Management Comments

The Deputy General Manager agreed with our recommendations. He provided additional information on December 28, 2007, that lists the following actions taken to address the recommendations:

- Rail management for Shady Grove Rail Yard has now implemented a system of segregated duties so that the same person who enters payroll data does not approve payroll data. The overpayments were recovered from employees and supervisors who were underpaid had their pay checks corrected as well.
- All Employee Overtime and Holiday Report must now be approved by the applicable employee's manager, prior to information being entered into ETS. Rail management has requested OIT to provide ETS access for supervisors to enable them to enter their time in ETS and for Line Service Directors so that they can review and approve ETS submissions by their superintendents.
- A memorandum was sent to all Assistant General Managers in Operations instructing them to ensure that all departments/offices are adhering to the *WMATA Electronic Time Sheet User Guide*.

Objective, Scope and Methodology

The objective of the audit was to determine if overtime hours were authorized and approved in advance, accurately calculated, and properly recorded in the electronic payroll system. The audit was conducted during the period from September 27, 2007 through October 29, 2007.

To achieve our audit objective, we reviewed the Electronic Time Sheets (ETS) during the last 13 pay periods of FY 2007, January 5, 2007 through June 22, 2007 for all rail transportation supervisory and management staff assigned to the Shady Grove Rail Yard. When supervisors were paid overtime, we compared the overtime hours recorded on the Employee Overtime and Holiday Report (overtime report) to

the ETS data. The overtime report and the ETS overtime data should have the same information. We reviewed 96 ETS reports and 93 overtime reports.

We interviewed management staff to determine why there was a difference in overtime hours reported in the ETS and overtime information contained in the overtime report. Additionally, we looked at paycheck earnings contained in the PeopleSoft software application. We interviewed the Acting Payroll Manager and reviewed the supervisors' scheduled work plan.

We appreciate the cooperation and assistance extended by the Shady Grove Superintendent and Assistant superintendent during our audit.

If you have any questions, please contact Andrew Clemmons, Assistant Inspector General-Audit at (202) 962-1014 or me at (202) 962-2515.

/s/
Helen Lew
Inspector General

Attachment

cc:	CHOS	Shiva Pant	CFO	H. Charles Woodruff
	RAIL	Dave Kubicek	OIT	Suzanne Peck
	COUN	Carol B. O'Keeffe		