



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-200461

SEP 19 1980

The Honorable Gladys Noon Spellman
Chair, Subcommittee on Compensation
and Employee Benefits
Committee on Post Office and Civil
Service
House of Representatives



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Dear Madam Chair:

Subject: [Follow-Up Review of Federal Overtime
Practices] (FPCD-80-88)

This is to advise you of the results of our follow-up review of actions taken by certain Government agencies and the Office of Management and Budget (OMB) to detect and prevent overtime abuses.

As you may recall, we reviewed Federal overtime practices at your request in 1978. On October 26, 1978, we testified during the Subcommittee's hearings on weaknesses in agency accounting system controls which permitted payment of fraudulent overtime claims. Our work at that time covered the Civil Rights Commission, Forest Service, Internal Revenue Service, Drug Enforcement Administration, and Federal Highway Administration. Also, even though the Defense Department was not included in our review, the House and Senate Committees on Appropriations reduced the Defense Department's 1980 overtime budget by \$50 million citing the overtime abuse brought out in your oversight hearings.

[Our follow-up review shows that Federal managers are now placing more emphasis on preventing overtime abuses.] Several factors have contributed to this:

- The 1978 hearings prompted agency officials to focus more attention on the need for adequate controls in authorizing, approving, and monitoring overtime use.
- Inspector General (IG) offices and fraud hotlines were established in Federal agencies which serve as instruments for detecting overtime fraud. GAO's

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fraud hotline, which was established in January 1979, has received 72 allegations of overtime abuses. Three of these allegations have been substantiated, and 29 cases are still under investigation by IG offices.

We met with officials from the five agencies included in our 1978 study in order to determine steps they are taking to strengthen administrative procedures for authorizing, approving, and monitoring overtime. All of these agencies have instituted bi-weekly feedback reports to supervisors on overtime usage. Additionally, they have taken corrective actions to (1) clarify, strengthen, and enforce existing overtime regulations and procedures where needed and (2) increase audit coverage (both routine and unannounced) of the payroll processes with greater emphasis on overtime control procedures. According to agency officials, none of these five agencies have uncovered any cases of overtime fraud since 1978.

Although the agencies have implemented positive controls on overtime usage, the Department of Agriculture and Internal Revenue Service have still not had their payroll systems approved by GAO as required by the Accounting and Auditing Act of 1950. GAO approval of an agency's accounting system is one of the best indicators that a system has been designed to minimize the opportunity for fraud and abuse. Therefore, it is important that these agencies have their payroll systems approved by GAO.

OMB has also taken steps to insure that Federal agencies are adequately controlling and justifying overtime expenditures. For example, OMB issued a memorandum on November 16, 1978, to Agency Heads telling them to

- "analyze the use of funds for premium pay, including overtime, to be certain the use is justified in terms of prudent and efficient management;
- be certain that all reasonable alternatives--such as temporary details from other parts of the organization--are explored before resorting to the use of overtime;
- make sure that your agency (including all subordinate elements) has adequate procedures for the approval, monitoring, and auditing of overtime use to avoid abuses--inadvertent or otherwise--by managers and employees;

- devise stronger controls if current systems are inadequate; and
- if controls do appear to be adequate, test them periodically to ensure that they are working properly."

In addition, OMB has instructed its staff to monitor the steps taken by agencies to control the use of overtime and to be certain that budget estimates for requested overtime are justified in terms of prudent and efficient management.

OMB officials told us that they are requiring agencies to provide more information and justification for overtime requests during the budgetary process. Overtime usage, however, has continued to increase. In fiscal year 1979, the Executive Branch spent almost \$1.9 billion in overtime pay--an increase of \$665 million or about 55 percent since fiscal year 1976. For fiscal year 1980, OMB officials told us they expect a marked increase in overtime costs from fiscal year 1979 because of hiring freezes and personnel ceilings.

We recognize that agencies sometimes must pay employees overtime to accomplish programs and functions required by the President and the Congress because personnel ceilings restrict them from increasing the size of their staffs. However, when an organization is using an inordinate amount of overtime, it raises a question as to whether the staff is performing efficiently. It also raises questions about potential managerial neglect for such issues as the quality of life available to employees in an organization where persistent overtime is a continuing requirement.

As we have pointed out in the past, management is responsible for correcting situations which consistently require overtime by maximizing effectiveness of the work flow and systematically and objectively determining work force requirements. Alternatives to overtime, such as the use of part-time employees, must continually be considered and utilized, where appropriate, within the constraints of personnel ceilings.

In summary, our follow-up review shows that agencies have taken positive steps to prevent fraudulent overtime practices. However, overtime costs have risen substantially during the past several years. This indicates that management may still need to better monitor overtime

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use to ensure that the Government's work is performed in the most efficient and economical manner.

If you have any questions regarding this work, please let us know. We will be glad to discuss these issues with you in more detail.

Sincerely yours,

H. L. Krieger
Director