



# **Audit of Compensatory Time**

**Report # 10-23**

Prepared By  
**Office of Inspector General**

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## SOUTH FLORIDA WATER MANAGEMENT DISTRICT

August 11, 2011

Audit and Finance Committee:

Mr. Timothy Sargent, Chair  
Mr. Glenn J. Waldman, Vice Chair  
Mr. James J. Moran, Member  
Mr. Juan M. Portuondo, Member

Re: Audit of Compensatory Time –  
*Project No 10-23*

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The audit examined whether internal controls over the compensatory time program were adequate to ensure reasonable compliance with District policies and procedures governing compensatory time. Our examination covered the period October 1, 2009 through December 31, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan J. Sooker".

Daniel J. Sooker  
Interim Inspector General

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## BACKGROUND

In accordance with our FY 2010 Audit Plan, our office conducted an Audit of Compensatory Time. The District's *Hours of Work and Overtime Policy and Procedure* governs the accumulation and use of compensatory time.

Article 220.330, Section G of the *Hours of Work and Overtime Procedure* states that exempt employees, except District executives and managers, may accumulate compensatory time<sup>1</sup> on an hour-for-hour basis for all time worked over 80 hours in a pay period. An exempt employee is defined as a District employee who is exempt from the minimum wage and overtime provisions of the Fair Labor Standards Act. According to the Act, executive, administrative and professional employees are exempt from its requirements. Non-exempt employees earn overtime at 1½ their regular rate for all hours worked over 40 in a workweek.

The procedure further states that compensatory time may be approved only for special projects that are time sensitive and that may not be accomplished during the normal course of the workday. Employees may use compensatory time when it is convenient for the employee and the District but in all cases, advanced approval from their supervisors is required to use the time. Compensatory time provides management with the flexibility to handle volatility in workload and emergency situations without any budgetary impact to the District. This results in cost savings by providing employees with time off during less demanding periods rather than paying for overtime.

Exempt employees may accumulate up to 30 days (240 hours) of compensatory time. Accumulated compensatory time in excess of 30 days at the end of the calendar year is forfeited unless carryover is approved by the responsible Deputy Executive Director, General Counsel, Chief Financial Officer or Inspector General. Compensatory time is not payable at separation.

According to FY 2010 budget records, the District employed 1,842 full time employees. Of these employees, 919 were exempt employees eligible to earn compensatory time. In total, 484 exempt employees accrued compensatory time which represents 53% of eligible District staff.

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<sup>1</sup> Compensatory Time is defined as time off given to an employee as compensation for working overtime.

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Hours of compensatory time accrued in FY 2010 by organizations are as follows:

Organization	# of Staff Eligible to Accrue Comp. Time	# of Staff Accruing Comp. Time	% of Staff Accruing Comp. Time	Comp Hours Accrued
Executive Office	21	7	33%	127
Office of Counsel	24	15	63%	879
Corporate Resources	170	115	67%	4,052
Operations and Maintenance	158	110	70%	3,719
Everglades Restoration	305	143	47%	3,698
Regulation and Public Affairs	239	94	39%	1,856
Total	917	484	53%	14,331

FY 2009 compensatory leave records indicated that 433 employees accrued 13,122 hours of compensatory time, which is an average of 30 hours per employee. When comparing compensatory time earned in FY 2010 to FY 2009, 51 additional employees earned compensatory time which was a contributing factor in the increase of 1,209 hours or 9% in compensatory hours earned from the prior year.

## **OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of the audit was to assess whether adequate internal controls are in place to ensure reasonable compliance with District policies and procedures governing compensatory time. In order to accomplish our objectives, we performed the following:

- Conducted interviews of appropriate supervisors and staff.
- Reviewed District policies and procedures governing compensation time.
- Examined support documenting compliance with policies and procedures for employees earning compensation time on a sample basis.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards. These 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.

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## AUDIT RESULTS

### Executive Summary

For FY 2010, employees accruing compensatory time earned an average of 30 hours which was consistent with FY 2009. We found that compensatory time is a worthwhile program which provides flexibility for management to prioritize and complete unplanned time sensitive special projects that occur during the year and manage seasonal and variable workloads. The compensatory hours earned for FY 2010 projects and activities were diverse with substantial amounts of compensatory time incurred for litigation, troubleshooting and emergency repairs of Information Technology equipment, budget preparation, projects in remote areas that required significant travel time, meetings and administrative support. In our opinion, the activities such as meetings, travel time and administrative support do not appear to fall within the parameters of time sensitive special projects. However, the District procedure governing compensatory time does not include a definition of a time sensitive project. A clear definition would provide better guidance for supervisors and strengthen internal control over the compensatory time program.

According to the District's *Hours of Work and Overtime Procedure*, supervisory approval of compensatory time is required in advance. We found that almost always supervisory approval to incur compensatory time was either verbal or through an e-mail to the employee prior to earning compensatory time. However, our review found five occasions in which supervisory approval was obtained after the hours had been worked. These employees incurred significant amounts of compensatory hours that were properly approved in advance but in these five instances there was no evidence of advanced supervisory approval of compensatory time. We found that the nature of certain staff responsibilities (i.e. job duties in remote locations) was the primary reason that compensatory time was earned prior to approval. However, this time was later approved by the employee's supervisor through the time sheet review and approval process. Accordingly, adequate controls appear to be in place to ensure reasonable compliance with District policies and procedures governing compensatory time.

We also found that an employee, who had payroll system authorization to approve time sheets, approved his own compensatory time. Internal controls would be strengthened if management eliminated the opportunity for employees to approve their own time sheets.

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## Compensatory Time Analysis

We conducted an audit of compensatory time to assess internal control and ensure compliance with the District's *Hours of Work and Overtime Procedure*. As part of our audit, we analyzed FY 2010 compensatory time records to gain an understanding of the total compensatory hours earned, the number of District staff earning compensatory time and the average compensatory hours earned for the period as illustrated in the below table. We also reviewed the purpose that the compensatory time was incurred.

FY 2010 Compensatory Time			
Range of Comp Hours Earned	# of Employees Earning Comp Time in Range	Total Comp Hours Earned	Average Comp Hours Earned in Range
50+	87	7,966	92
31-49	62	2,402	38
11-30	157	2,964	19
1-10	178	999	6
	<b>484</b>	<b>14,331</b>	<b>30</b>

This analysis indicates that the average compensatory time earned by employees was a modest 30 hours during FY 2010 which was consistent with FY 2009. The analysis also reveals that 87 employees earned 50 hours or

more of compensatory time which represents about 56% of the aggregate FY 2010 compensatory time earned. Our review of the records for employees in the 50+ category revealed that litigation, facilitates management and information technology were projects and activities which resulted in a substantial amount of compensatory time.

We selected a sample of 20 employees who have accumulated compensatory time during FY 2010 to evaluate whether adequate internal controls over the compensatory time process are in place to ensure compliance with District policies and procedures governing compensatory time. These employees earned 1,975 compensatory hours during FY 2010, which represents 14% of the total FY 2010 compensatory hour's accrual.

Our evaluation included an assessment of the projects in which compensatory time was earned to determine whether they were time sensitive special projects that could not be accomplished during the normal course of the workday in accordance with the *Hours of Work and Overtime Procedure*. We also reviewed the records for proper supervisory approval of compensatory time and proper executive management approval of carryover compensatory time balances in excess of 240 hours.

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## **Compliance with Time Sensitive Special Project Criteria**

We found that the projects and activities which required compensatory time were diverse with employees earning compensatory hours for litigation, troubleshooting and emergency repairs of Information Technology equipment, budget preparation, projects in remote areas that required significant travel time, and administrative support.

The *Hours of Work and Overtime Procedure* does not define a time sensitive project but travel time and administrative support would not appear to be outside of normal business and time sensitive. In our opinion, the nature of a time sensitive special project appears to imply urgency and that the project is outside the normal course of business. A clear definition would provide better guidance for supervisors and strengthen internal control over the compensatory time program.

We should also note that although the compensatory time incurred for travel time and administrative support may not meet the parameters of time sensitive projects, the compensatory time incurred proved beneficial to the District. In one instance, an Emergency Management employee incurred compensatory time instructing safety classes for District field station employees. This activity was often at field stations that were a considerable distance from District headquarters resulting in significant travel time. Thus, the class instruction and travel time to and from the field station often exceeded the normal work day hours. In another instance, an employee from Operations and Maintenance also incurred compensatory hours for travel time to conduct repairs at remote locations. While at these locations, the employee completed all repairs and troubleshoots equipment to maximize time and effort.

## **Compliance with Compensatory Time Approval Criteria**

According to the *Hours of Work and Overtime Procedure*, supervisory approval of compensatory time is required in advance. Official approval occurs later when the supervisor approves the employee's time sheet at the end of the pay period.

Our review found that approval of compensatory time was generally in accordance with the procedure; however, we identified five instances of non-compliance. Most often, supervisory



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approval to earn compensatory time was provided verbally or through an e-mail to the employee prior to incurring the compensatory time. In these instances of non-compliance, the employees incurred significant amounts of compensatory hours that were properly approved in advance but for some of the compensatory time earned by these employees, there was no evidence of advanced approval. We found that the nature of certain staff responsibilities (i.e. job duties in remote locations) was the primary reason that compensatory time was earned prior to approval. We found one employee who incurred much of his compensatory time troubleshooting SCADA equipment and emergency operational repairs in very remote areas. However, through the time sheet approval process, this time was later approved by the employee's supervisor. Accordingly, adequate controls appear to be in place to ensure reasonable compliance with District policies and procedures governing compensatory time.

We found that internal controls over the compensatory time approval process in Operations and Maintenance and the Stormwater Division exceeded requirements in the *Hours of Work and Overtime Procedure*. The Stormwater Division developed a process for requesting and approving compensatory time and other leave that included more formalized documentation. In addition, the Division has limited employee compensatory time and will not approve it unless the time is for mission critical activities.

The Operations and Maintenance department also has an internal compensatory time approval process that exceeds the requirements in the *Hours of Work and Overtime Procedure*. Employees for Operations and Maintenance are required to obtain verbal supervisory approval before incurring the compensatory time. After the work is complete, the employee is then required to submit a District Overtime/Comp Time Request Form which includes a description of the work and is approved in writing by the employee's supervisor and Division Director.

Our review of the FY 2010 Compensatory Time Schedule revealed that an employee on two occasions approved his own compensatory time accrual. This employee had payroll system authorization to approve time sheets and approved his own compensatory time. Internal controls would be strengthened if management eliminated the opportunity for employees to approve their own time sheets.

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## Approval of Compensatory

### Time Balances in Excess of 240 Hours

According to the *Hours of Work and Overtime Procedure*, exempt employees are required to obtain approval from District Executive management to carry over compensatory leave balances in excess of 240 hours from one calendar year to the next. Our review of the employees who had accumulated over 240 hours of compensatory time revealed that the excess hours were properly approved and in compliance with the procedure.

### Recommendations

1. **Define a time sensitive special project to include in the *Hours of Work and Overtime Procedure*.**

**Management Response:** Agree with recommendation. HR Solutions will include guidelines in the Hours of Work and Overtime Procedure regarding what constitutes a time sensitive special project.

**Responsible Department:** HR Solutions

**Estimated Completion Date:** October 3, 2011

2. **Strengthen controls over the compensatory time accrual process by eliminating the opportunity for employees to approve their own time sheet.**

**Management Response:** Agree with recommendation. As part of the consolidation of business support functions under the central budget office, management will revisit the appropriate assignment of this role and ensure that this authority is assigned to a management/supervisor level within the organization.

**Responsible Departments:** Administrative Services, Budget Office, Information Technology

**Estimated Completion Date:** January 2, 2012