Audit of Time and Attendance



OIG-AR-18-09 March 27, 2018



Office of Inspector General

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.

Commissioners

Rhonda K. Schmidtlein, Chairman David S. Johanson, Vice Chairman Irving A. Williamson Meredith M. Broadbent



UNITED STATES INTERNATIONAL TRADE COMMISSION

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20436

March 27, 2018 IG-QQ-005

Chairman Schmidtlein:

This memorandum transmits the Office of Inspector General's final report, Audit of Time and Attendance, OIG-AR-18-09. In finalizing the report, we analyzed management's comments to our draft report and have included those comments in their entirety as Appendix A.

The audit focused on whether the Commission was effectively managing its processes for overtime, compensatory time, credit hours, and religious compensatory time.

We identified four problem areas and issued eight recommendations. In the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement each recommendation.

Thank you for the courtesies extended to my staff during this review.

Philip M. Heneghan Inspector General

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Audit Report

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Results of Audit

The purpose of this audit was to answer the question:

• Does the Commission effectively manage the process for overtime, compensatory time, religious compensatory time, and credit hours?

No. The Commission did not effectively manage its process for overtime, compensatory time, religious compensatory time, and credit hours.

To manage the time and attendance process, the Commission should establish clear policies; create procedures to effectively implement the policy; and perform monitoring and oversight activities to ensure the processes are working as intended.

We determined the Commission did not effectively manage its process because:

- The Commission's overtime policies and procedures were not clear and were not enforced by management.
- Employees were paid overtime and earned compensatory time without regard to who signed the approval form or whether prior approval was given at all.
- Employees regularly earned and used credit hours in 15, 30, and 45-minute increments, which is inconsistent with the agency's policy of earning credit hours in one-hour increments.
- The Commission did not perform adequate oversight or monitoring of time and attendance data which would have identified process issues and abuses.
- The Commission had not addressed how to manage the cultural practices of undocumented hours worked.
- There were no controls to manage the amount of religious compensatory time an employee could earn.

We identified the following four problem areas that impact the Commission's ability to effectively manage it process for overtime, compensatory time, religious compensatory time, and credit hours. (1) overtime policies and procedures were not clear, (2) the Commission did not manage undocumented hours worked, (3) the Commission did not use available data to manage the time and attendance process, and (4) the Commission's did not have a policy for religious compensatory time. Each of these problem areas are further discussed in the report.

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Problem Areas

Problem Area 1:

Overtime Policies and Procedures Were Not Clear

The Government Accountability Office's *Standards for Internal Control in the Federal Government* requires management to assign responsibilities and delegate authority and then document those responsibilities through policy. It also requires management to develop procedures and mechanisms that enforce management's directives to achieve objectives and address risks.

The Commission did not clearly assign approval authority for overtime in its policy documents. We identified approval authority for overtime in three separate policy documents. Each policy varied in wording and identified different roles as approving officials. Two of the documents stated that Cost Center Managers could approve overtime; two documents stated that the Director, Office of Administration, could approve overtime; and one document included the Commissioners as approvers. In addition, one document allowed overtime approval authority to be delegated. Table 1 below identifies the source documents along with the entity or entities that could approve overtime.

Table 1: Overtime Approval Policy

Source	Approver(s)
Directive 4304.2, Overtime and	Section 6a - Cost Center Managers or their delegate.
Compensatory Time	Section 6b - Director, Office of Administration, or can be
	delegated to Cost Center Manager.
Directive 2103.1, Cost Center	Section 4b - Cost Center Mangers
Managers	-
Administrative Order 08-11,	(See Category 3) Commissioners
Designation of Cost Center	Director, Office of Administration
Managers	

In interviews with agency employees, we were told that all overtime had to be approved by the Director, Office of Administration; however, that is not what is represented in agency policy or documentation. Our review of the overtime documentation found that more than 50% of the forms submitted had been approved by the employee's supervisor, instead of the Director, Office of Administration or other agency approvers. This inconsistency in information has resulted in unreliable business practices that the agency cannot manage.

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We also found that the procedure for overtime and compensatory time approval was not clear. The form, *USITC Form #129*, *Request, Authorization, and Report of Overtime and Compensatory Time*, had multiple uses:

- 1) Request and approval of overtime,
- 2) Request and approval of compensatory time, and
- 3) Report of extra hours worked.

The form did not require individuals to distinguish between compensatory time or overtime when requesting approval. Without identifying what the request is for, there is no way to know if the individual is requesting approval for overtime or compensatory time. This distinction is important because, unlike overtime, compensatory time can be approved by a supervisor. When a supervisor receives the request and cannot distinguish what is being requested, it can lead to supervisors inadvertently approving overtime when they think they are approving compensatory time.

We also found that the manual process to report the hours of overtime and compensatory time worked was inefficient and provided negative value to the Commission. This process required employees to manually enter extra hours worked into the form, get a supervisor signature, and submit it to the Office of the Chief Financial Officer. All this information is duplicative of the data entered into the time and attendance system that is electronically approved by the supervisor and automatically transmitted to the Office of the Chief Financial Officer for payroll processing.

During an interview with the Director, Chief Administrative Office, he stated that he had never disapproved any overtime requests and trusted the supervisor's judgment that the overtime was necessary. When we questioned the possibility of this information being processed through the time and attendance system, we were told it would cost money. However, he could not provide an estimated cost, because they had not considered automating the process.

Recommendation 1: Review the current process for authorizing overtime requests and determine if the approval authority should be changed.

Recommendation 2: Update Commission policies to remove duplicative information and clearly identify the roles and responsibilities where authority has been delegated.

Recommendation 3: Determine the requirements for automating this process in the time and attendance system.

Recommendation 4: Obtain a cost estimate from the Department of Interior and determine if the Commission can automate this process.

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Problem Area 2:

The Commission Did Not Manage Undocumented Hours Worked

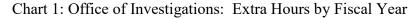
OPM requires that all agencies exercise controls to assure that only work for which it intends to make payment is performed and that complete and accurate records be kept of all hours worked by employees. This requires reliable data that is free from error and bias and that faithfully represents what hours are being worked. We found the Commission could not accurately account for the actual number of hours worked as many employees often work "off the clock" to meet statutory and other deadlines.

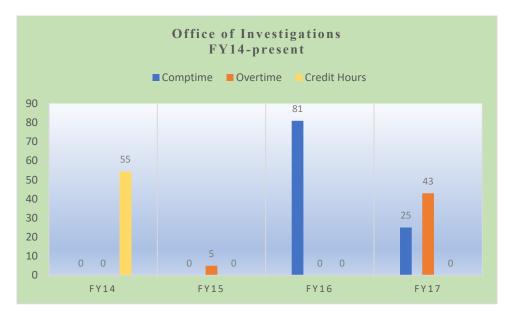
Except for the Office of Analysis and Research Services, all other Office Directors were aware of staff working "off the clock." While managers were aware that it was happening, they did not direct or require employees to work "off the clock" to meet workload demands. In some instances, pay cap limitations prevent employees at higher grade levels from earning overtime or compensatory time. The problem arises when lower grade and newer employees who are eligible to receive the benefit of credit hours, compensatory time, and overtime are not requesting it and instead conform to the standard operating practices of the senior employees within their organization.

For example, the Director, Office of Investigations, stated that the investigations caseload has been at record high levels for the past three years, with no end in sight. He stated staff worked extra hours on nights and weekends and in some cases had cancelled intended time off to meet statutory deadlines. He also stated that many staff were new to the process, which also led to an increase in the number of hours staff had been working.

Based on the workload and the new staff, one would expect to see the office earning large amounts of credit hours, overtime hours, and compensatory time over the past three fiscal years. When we reviewed the data for the Office of Investigations, as seen in chart 1 below, it did not reflect the increased number of hours worked as described.

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*FY17 represents a partial year from pay period 2016-22 through pay period 2017-09

The extra hours worked was not reflected in the data because staff did not formally request credit hours, compensatory time, or overtime. Because the extra hours were undocumented, the data presents a contradiction from the increased workload and the use of staff resources from Office of Investigations.

The Commission prides itself on never missing a statutory deadline, which has inadvertently promoted a culture where employees feel obligated to work "off the clock" to maintain this status. While having dedicated employees who put in the extra hours to meet statutory deadlines is commendable, it prevents the Commission from having accurate and complete data to make decisions on resource allocation.

Because managers do not know how many undocumented hours are being worked, they cannot shift resources to manage office workload. Additionally, managers cannot know the true cost of a project or define an accurate baseline to measure the effectiveness or efficiencies gained due to procedural changes.

Recommendation 5: The Commission establish a process to keep accurate record of the hours worked by its employees.

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Problem Area 3:

The Commission Did Not Use Available Data to Manage the Time and Attendance Process

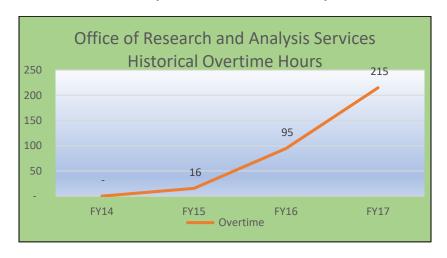
The *Standards for Internal Control* state that management should use quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

Data should be used to drive business decisions and validate performance results. We found that the Commission did not use the data available to manage the time and attendance process. The only analysis performed was a high-level, cursory review of periodic costs to determine if the total cost expended to date seemed reasonable.

We obtained and analyzed data from the personnel systems maintained by the Department of Interior's Interior Business Center by applying filters to the pay codes and compared the datato the approved overtime forms. We identified an employee who did not have any approved overtime forms, but still earned overtime on a regular basis during the entire period under review. This example shows that the available data could have been helpful to identify instances in which overtime was not properly processed through the Director, Chief Administrative Officer.

We also identified an office that had a 93% spike in overtime hours over a course of four pay periods in fiscal year 2017, compared to the cumulative overtime hours from fiscal years 14-16.

Chart 2: Office of Research and Analysis Services: Overtime by Fiscal Year



^{*}FY17 represents a partial year from pay period 2016-22 through pay period 2017-09

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Since the Commission's overtime budget is based on historical costs, this type of increase could create budget shortfalls. Since data was not used to manage costs, the increase in overtime hours was not discussed with the Office Director to determine the reasons for the increase, if the trend was likely to continue, or if any management actions were necessary to mitigate potential budgetary impacts.

When we filtered the data by credit hours, we found the practice of earning credit hours was inconsistent with USITC policy directive 4400.1, Attendance and Leave. The policy states, that employees may earn and use credit hours in one-hour increments. The data showed that credit hours were consistently being earned in fractions of an hour across the Commission. While the Office of Personnel Management allows fractions of an hour, agencies are granted discretion in determining what is best to meet agency needs. If the data had been reviewed, the employees and supervisors could have aligned their conduct or sought a change in agency policy.

Lastly, when we filtered the data by religious compensatory time, we quickly identified an employee with an excessive amount of religious compensatory time earned. This issue is discussed in Problem Area 4, of this report.

The Department of Interior, Interior Business System collects and maintains a wealth of information on USITC's time and attendance records. The data is available through a reporting dashboard that has both standard and ad-hoc reporting capabilities. The Commission has not examined how they can use these reporting capabilities to manage its processes and address its risks.

Recommendation 6: Develop routine oversight activities that use available data from USITC systems to monitor and manage the time and attendance process.

Recommendation 7: The Commission should have a consistent policy for recording time increments for credit, compensatory, and overtime hours.

Problem Area 4:

The Commission Did Not have Policy for Religious Compensatory Time

Public Law 95-390, enacted in 1978, provided the authority that allows Federal employees to earn and use compensatory time off to meet their religious obligations. According to a General Accountability Office Comptroller General Decision, File B-209327, Congress intended for this

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authority to provide a mechanism that would enable all employees to take time off from work to fulfill their religious obligations without being forced to lose pay or use annual leave. The comptroller decision also supported the Office of Personnel Management's position that compensatory time off for religious observances is a different entitlement than compensation in lieu of overtime pay.

Religious compensatory time is uniquely different from compensatory time and travel compensatory time in that it allows employees to be granted advanced compensatory time off, it is not subject to overtime pay caps, and it can only be used when an employee is absent from work for religious observations.

The Office of Personnel Management is responsible for developing governmentwide guidance, regulations, and policies on the administration of work schedules. Each individual Federal agency is responsible for establishing and administrating the policies and programs for its own employees. We found that the Commission did not have any policy related to compensatory time for religious observances.

One guidance document issued by the Office of Personnel Management, Fact Sheet: Adjustment of Work Schedules for Religious Observances, states:

"An employee should be allowed to accumulate only the number of hours of work needed to make up for previous or anticipated absences from work for religious observances."

Our review of religious compensatory time data identified one employee who had been consistently earning religious compensatory time, but rarely using it. At the time of the audit, the employee's religious compensatory balance was 257 hours. This matter was referred to the Inspector General for investigation.

The absence of agency policy and oversight for earning and using compensatory time for religious observances could result in a substantial financial liability to the Commission when employees leave the agency.

Recommendation 8:	The Commission	establish a	policy to 1	nanage re	eligious	compensatory	' time

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Management Comments and Our Analysis

On February 21, 2018, Chairman Schmidtlein provided management comments on the draft report. She acknowledged that the Commission did not effectively manage its process for overtime, compensatory time, religious compensatory time, and credit hours. The Commission plans to make management decisions to address the recommendations in the report.

Objective, Scope, and Methodology

Objective: Does the Commission effectively manage the process for overtime, compensatory time, religious compensatory time, and credit hours?

Scope:

- System reports were generated to represent fiscal year 14 through the present which were run from pay period 2013-22 through pay period 2017-09.
- External documentation of manual approvals for compensatory time and overtime were reviewed from September 20, 2015 through March 24, 2017 and reconciled to system information.
- The system reports were generated to produce data for all offices within the Commission.
- The Office of Inspector General information was excluded from this audit.
- Testing was limited to certain policies and procedures for approving, monitoring and managing overtime, compensatory time, and credit hours to determine if proper controls were in place to identify prevent unauthorized time from being earned; and oversight was being performed adequately to detect and address problems.

Methodology:

- Gain understanding of policies and procedures through review of agency policies and external guidance, as appropriate.
- Obtain access to agency information systems to generate reports for overtime, compensatory time, credit hours, and religious compensatory time.
- Obtain external documentation related to approvals for overtime and compensatory time (USITC Form #129) for comparison to system reported information.
- Analyze data and identify any outliers.
- Meet with managers to share results, clarify questions, and validate potential findings.

Computer generated data: We determined the computer-processed data used for this audit was sufficiently reliable for the intended use. Further, any data limitations were minor in the

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context of this audit, and the use of data should not lead to an incorrect or unintentional conclusion.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

We conducted the audit fieldwork from March 2017 through November 2017.

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APPENDIX A: Management Comments on Draft Report



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

C086-QQ-002

February 21, 2018

MEMORANDUM

TO:

Philip M. Heneghan, Inspector General

FROM:

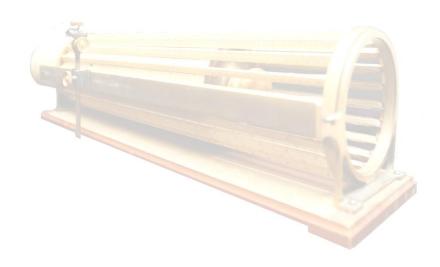
Rhonda K. Schmidtlein, Chairman

SUBJECT:

Response to Draft Report – Audit of Time and Attendance

Thank you for the opportunity to review and provide comments to the draft report -- Audit of Time and Attendance.

We agree that the Commission did not effectively manage its process for overtime, compensatory time, religious compensatory time, and credit hours. The Commission will develop management decisions to address the eight recommendations in the report.



"Thacher's Calculating Instrument" developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.

To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



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