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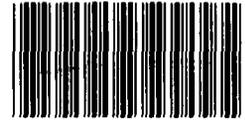


UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-207535

AUGUST 24, 1983



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The Honorable Caspar W. Weinberger
The Secretary of Defense

Attention: DOD Office of the Inspector General
Deputy Assistant Inspector General for
GAO Report Analysis

Dear Mr. Secretary:

Subject: Review of Overtime Practices and Controls At
Selected Installations in the Department of
Defense (GAO/GGD-83-80)

This review was made at the request of the House Committee on Post Office and Civil Service. The committee asked us to (1) analyze management's use of overtime in selected departments and agencies to determine if the use is justified and necessary, (2) examine the use and feasibility of overtime alternatives, and (3) evaluate the adequacy of overtime control systems. The committee made this request because it was concerned over the rapid increase in overtime costs in recent years. For example, from fiscal years 1976 through 1982, Federal overtime costs increased 108.3 percent—from \$1.2 billion (2.91 percent of payroll) to over \$2.5 billion (3.41 percent of payroll). In comparison, Federal payroll costs for the same period increased 77.3 percent, from \$41.4 to \$73.4 billion. In fiscal year 1982, DOD accounted for 33 percent (\$830 million) of total Federal overtime expenditures, and other than the Postal Service, it is the Government's largest user of overtime.

We conducted our review at 10 military installations. The installations selected accounted for \$79 million in fiscal year 1981 or 11 percent of DOD's overtime costs and were primarily industrially funded facilities responsible for maintaining and overhauling military hardware and weapon systems. Installations with industrial functions used the most overtime in each military service, and employees paid under the Federal Wage System (blue-collar workers) worked the most overtime at these installations.

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Our review showed (see encl.) that the high overtime rates were generally justified and necessary to meet increasing workloads under personnel ceiling constraints. Managers were using alternatives to overtime, such as temporary employees, to deal with increasing workloads and to minimize overtime costs. Although overtime control procedures were generally adequate at the facilities visited, managers did not always ensure that required procedures were followed. Also, at two installations, managers and supervisors were allowing many of their employees to take annual leave during the same week in which they worked overtime. This situation could result in additional overtime requirements.

We discussed our findings on overtime controls and leave management practices with officials at each installation. In those situations where required procedures were not followed, officials told us that the necessary corrective actions would be taken. In addition, DOD plans to issue a memorandum to its components reemphasizing its requirements for overtime control procedures. DOD also agreed that generally leave should not be authorized during periods when overtime is planned.

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Copies of this report are being sent to the House Committee on Post Office and Civil Service and to the Director, Office of Personnel Management.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

Enclosure

OVERTIME PRACTICES AND CONTROLS AT
SELECTED DOD INSTALLATIONS

Objectives, scope, and methodology

The objectives of this review were to (1) evaluate the need and justification for overtime use at selected installations in DOD, (2) examine the use and feasibility of overtime alternatives, and (3) evaluate the adequacy of control systems that approve, monitor, and audit overtime. We selected the following 10 DOD installations for review:

- Department of the Army--Anniston Army Depot, Anniston, Alabama, and U.S. Army Missile Command, Redstone Arsenal, Huntsville, Alabama.
- Department of the Air Force--headquarters (Pentagon), Arlington, Virginia; Hill Air Force Base, Ogden, Utah; Lowry Air Force Base, Denver, Colorado; and McClellan Air Force Base, Sacramento, California.
- Department of the Navy--Alameda Naval Air Rework Facility, Alameda, California; Mare Island Naval Shipyard, Vallejo, California; David Taylor Naval Research and Development Center, Bethesda, Maryland; and Naval Research Laboratory, Washington, D.C.

At each of these installations, we obtained computer listings of all employees paid 200 or more hours of overtime in 1981, the latest year for which complete data was available. We selected the 200-hour cutoff because such employees generally account for the majority of an organization's overtime. At the 10 installations, these employees accounted for 13 percent of the work force and 63 percent of the overtime.

During the review we

- interviewed managers and supervisors on the management and need for overtime, leave and overtime procedures, alternatives to overtime, and internal control procedures;
- examined timecards and other records to determine if overtime had been properly authorized and documented; and
- reviewed leave used by the selected employees during pay periods they worked overtime. At two installations--Mare Island Naval Shipyard and Air Force headquarters--we

looked at employees' leave and overtime on a weekly basis. (We could not conduct similar reviews at the other installations because computerized payroll data was not available on a weekly basis.)

We also reviewed the installations' overtime regulations, policies, and procedures. Where available, we examined internal audit reports on time, attendance, and overtime as part of our evaluation of internal controls. We performed our work in accordance with generally accepted government auditing standards and conducted our field work from August 1981 to September 1982. The results of our review are summarized below.

OVERTIME PRACTICES

Based on an examination of overtime control policies and procedures, overtime appeared to be generally justified and necessary at each installation visited. Much of the recent increases in overtime hours at these installations (see table below) is attributed to personnel ceilings that preclude increasing the work force to meet increasing workloads and scheduled deadlines. Secondary reasons for overtime usage were emergencies, special projects, and shortage of supplies or equipment.

<u>Installation</u>	<u>Overtime hours</u>		<u>Percent change</u>
	<u>1979</u>	<u>1981</u>	
Air Force Headquarters	175,806	153,559	(12.7)
Lowry Air Force Base	<u>a/</u>	<u>a/</u>	
Hill Air Force Base	181,382	515,307	184.1
McClellan Air Force Base	185,000	709,000	283.2
Alameda Naval Air Rework Facility	734,924	1,103,585	50.2
Mare Island Naval Shipyard	612,407	1,024,842	67.3
Naval Research Laboratory	<u>a/</u>	<u>a/</u>	
David Taylor Naval Research and De- velopment Center	<u>a/</u>	<u>a/</u>	
U.S. Army Missile Command	331,214	462,018	39.5
Anniston Army Depot	<u>281,524</u>	<u>339,875</u>	20.7
Total	<u>2,502,257</u>	<u>4,308,186</u>	72.2

a/Overtime hours were not obtained at these installations.

While short-term peak load use of overtime is cost effective when compared to hiring and training new employees, continuous and long-term overtime use can cause adverse affects. For example, during 1982, Navy officials testified before the House Appropriations Committee that, based on experience at shipyards, no more than a 3-percent total overtime rate could be maintained for prolonged periods without adverse effects, such as employee fatigue, productivity losses, and increased costs. At several of the installations we visited, overtime rates were much higher than 3 percent. For example, at Alameda Naval Air Rework Facility and Mare Island Naval Shipyard, overtime costs as a percent of payroll were 13.6 percent and 8.8 percent, respectively. At McClellan Air Force Base where the largest increase in overtime costs occurred, we analyzed overtime in six of the largest installation centers. This analysis showed that overtime costs as a percent of payroll averaged 23 percent--a range of 20.2 percent to 25.7 percent.

To deal with increasing workloads and to minimize overtime costs, managers have relied heavily on the use of temporary employees especially at the large industrially funded facilities. For example, in August 1981, the Mare Island Naval Shipyard had about 930 temporary employees which represented about 9 percent of its total civilian work force. Although this is the most widely used alternative, managers cited a number of obstacles to increasing the use of temporary and part-time employees. A major drawback, cited by managers, is the limited potential for this alternative to reduce overtime for professional and highly skilled employees, such as engineers and skilled craftsmen who are not generally available for temporary or part-time employment. However, since the Congress has recently suspended ceiling controls at DOD industrially funded facilities, managers should have more flexibility to manage their work force within designated funding limitations.

Besides temporary employees, managers have used other alternatives for meeting increasing work requirements. They include increasing the number of shifts, revising workweeks to meet work requirements, staggering arrival and departure times for extended office coverage, and detailing employees from one work area to another.

OVERTIME CONTROL SYSTEMS

The installations we reviewed had established proper overtime control procedures. However, we identified instances at several installations where managers did not always follow the prescribed overtime control procedures.

For example, at the Air Force Accounting and Finance Center at Lowry Air Force Base, overtime was not always authorized in writing. As a result, some overtime claimed by employees was undocumented. In one work group, officials could not provide justifications or authorizations for over 5,780 hours of overtime. In another group, overtime authorizations were usually submitted after the overtime was worked. In addition, Center employees had access to their timecards after supervisors had certified their accuracy, and supervisors did not receive overtime usage reports. Center officials agreed that problems existed with overtime control procedures and stated they would address the problems we identified.

Neither Alameda nor the Mare Island Naval Shipyard regularly followed procedures requiring that employee overtime claims be reconciled with the amount of overtime authorized. For Mare Island jobs covered by the Naval Sea System Command budget, actual overtime exceeded authorized amounts by about 30,500 hours during a 9-week period ending in April 1982. To further evaluate the use of overtime at Mare Island, we looked at one shop's record for 1 day, February 26, 1982. We checked that day's time and attendance records against overtime authorizations and found that, of the 27 employees who claimed overtime on that day, none had overtime authorizations on file. Mare Island officials stated they planned to take corrective action by requiring justification before overtime payments are made.

At two locations that we visited (Mare Island Naval Shipyard and Air Force headquarters), we compared leave usage and overtime work on a weekly basis. This comparison showed that many employees took annual leave during the same week they worked overtime. For example, at Mare Island, the employees in our sample were paid for 29,250 overtime hours during the same weeks in which they used 25,000 hours of leave. In many cases, these employees took leave the day before, day after, or same day they worked overtime.

Overtime at the Anniston Army Depot and the Army Missile Command was well controlled. Both require that overtime be authorized and approved in writing by responsible officials. The amount of authorized overtime is entered into a computerized payroll system for each pay period and is automatically compared with overtime claims from the employees' timecards. Exception reports are prepared for employees whose overtime claims exceed overtime authorized. These reports are sent to the employees' supervisors, who must prepare written explanations for the overtime differences. In addition, after each pay period, Anniston directorates receive overtime usage reports that list all employees who received overtime and the amount of overtime claimed.