



**November 13, 2013**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Review of Administrative Employee Overtime

**Overview**

The Internal Audit Department has completed a review of administrative employee overtime. Based on the review, controls to monitor overtime and to ensure compliance with Orange County Transportation Authority policies and regulatory requirements are adequate.

**Recommendation**

Receive and file the Review of Administrative Employee Overtime, Internal Audit Report No. 14-504.

**Background**

The Orange County Transportation Authority (OCTA) administrative overtime policy requires supervisors to pre-approve all non-exempt administrative employee overtime. This approval is documented by the supervisor when the employee's timesheet is approved at the end of each pay period. Payroll section staff reviews timesheets to ensure compliance with OCTA policies and procedures and Federal Fair Labor Standards Act Section 207. The Financial Planning and Analysis Department staff monitor and report on budget variances.

**Discussion**

The Internal Audit Department reviewed and tested administrative employee overtime costs incurred during fiscal years 2010-11, 2011-12, and 2012-13, and concluded that controls to monitor overtime and to ensure compliance with regulatory requirements and OCTA policies and procedures are adequate.

**Summary**

Based on the procedures performed, controls to monitor and approve administrative employee overtime and to ensure compliance with OCTA policies and Fair Labor Standards Act, Section 207 are adequate.

**Attachment**

- A. Administrative Employee Overtime Review, Internal Audit Report No. 14-504

**Prepared by:**



---

Gabriel Tang  
Principal Internal Auditor  
714-560-5746

**Approved by:**



---

Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Administrative Employee Overtime Review

### Internal Audit Report No. 14-504

October 25, 2013



**Internal Audit Team:** Janet Sutter, CIA, Executive Director  
Gabriel Tang, CPA, Principal Internal Auditor

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Administrative Employee Overtime Review  
October 25, 2013**

**Table of Contents**

Conclusion ..... 1  
Background ..... 1  
Objectives, Scope and Methodology ..... 2

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Administrative Employee Overtime Review  
October 25, 2013**

**Conclusion**

The Internal Audit Department (Internal Audit) has completed a review of administrative employee overtime. Based on the review, controls to monitor overtime and to ensure compliance with Orange County Transportation Authority (OCTA) policies and regulatory requirements are adequate.

**Background**

The OCTA administrative overtime policy requires supervisors to pre-approve all non-exempt administrative employee overtime. This approval is documented by the supervisor when the employee's timesheet is approved at the end of each pay period. Payroll section staff in the Finance and Administration Division reviews timesheets to ensure compliance with OCTA policies and procedures and Federal Fair Labor Standards Act (FLSA) Section 207. For fiscal years (FY) 2010-11, 2011-12, and 2012-13, overtime incurred was as follows:

Fiscal Year	Number of Employees with Overtime	Overtime Hours	Overtime Costs
2010-11	136	4,695.65	\$195,710.37
2011-12	154	9,056.92	\$379,785.67
2012-13	149	11,216.88	\$468,871.10

Costs related to overtime have increased significantly in FY 2011-12 and FY 2012-13, due, in part, to the Orange County Fair Express service funded through Mobile Source Air Pollution Reduction Review Committee (MSRC) grants. The additional service is provided utilizing existing full-time staff; therefore, all costs incurred are overtime. Overtime costs were observed to be highest in the Transit Division, where the majority of non-exempt administrative staff is located and where services provided are critical to the operation of bus service. Overtime in the Transit Division is incurred for a variety of reasons, including employee leaves of absence, staff turnover, and coordination of required coach operator bidding processes that occur three times each year.

The Financial Planning and Analysis Department reports on budget variances greater than or less than ten percent or \$100,000, at the major object level. The three major object level categories are salaries and benefits, services and supplies, and capital. Overtime is an element within the salaries and benefits category. If overtime expenditures exceed the budget and cannot be accommodated by under-runs within the salary and benefits category, the variance is reported to executive management and divisions are required to provide an explanation.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Administrative Employee Overtime Review  
October 25, 2013**

## **Objectives, Scope and Methodology**

The objective was to evaluate monitoring controls and to assess compliance with OCTA policies and procedures and FLSA Section 207.

The review methodology consisted of:

- Interview of applicable personnel to obtain an overview of the process and related controls;
- Review of the OCTA Workweek and Overtime Policy and Holiday Policy;
- Review of FLSA Section 207;
- Review of a sample of timesheets to ensure evidence of approval by the supervisor and to determine whether calculation of overtime was in compliance with FLSA Section 207; and
- Analysis of overtime activity by department and employee and identification and investigation of abnormal trends.

The scope was limited to only administrative employee overtime incurred from July 1, 2010 to June 30, 2013. Overtime incurred by employees under collective bargaining agreements was not included in this review; however, a review of coach operator overtime will be performed separately as part of the FY 2013-14 Internal Audit Plan.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.