



Wicomico County, Maryland

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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 120-2015, the Office of the Internal Auditor (IA) conducted a review of Wicomico County Overtime Practices. A report is submitted herewith. The purpose of the consultation was to gain an understanding of overtime policies and to perform trend analysis of overtime payments to county employees.

IA conducted the consultation with due professional care, and IA planned and performed the consultation to obtain an understanding of the current practices and analyze trends over the past several years for overtime payments.

IA extends our appreciation to management and staff from Human Resources and the Department of Corrections for their assistance.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Consultation Report

Background

The purpose of this exercise was to gain an understanding of current county practices related to overtime payments to employees. Most of the rules concerning current practices can be found in the Wicomico County Personnel Manual. Chapter 12 of the manual contains the bulk of the applicable rules. It appears that current practice and the Personnel Manual, for the most part, match.

Objectives

The objectives of the consultation were to:

- Review overtime policies currently in effect
- Develop a baseline for future evaluations
- Evaluate policies and procedures currently in effect

Scope

The engagement was a consultation with primary focus on understanding county overtime payment practices. The scope was open ended. Observations and inquiries with appropriate personnel were conducted, as well as examination of various documents:

- MUNIS time and attendance data
- Field Interviews with:
 - Human Resources
 - Administration Officials
 - Selected Department Leaders
- Timekeeper documentation
- County Personnel Manual

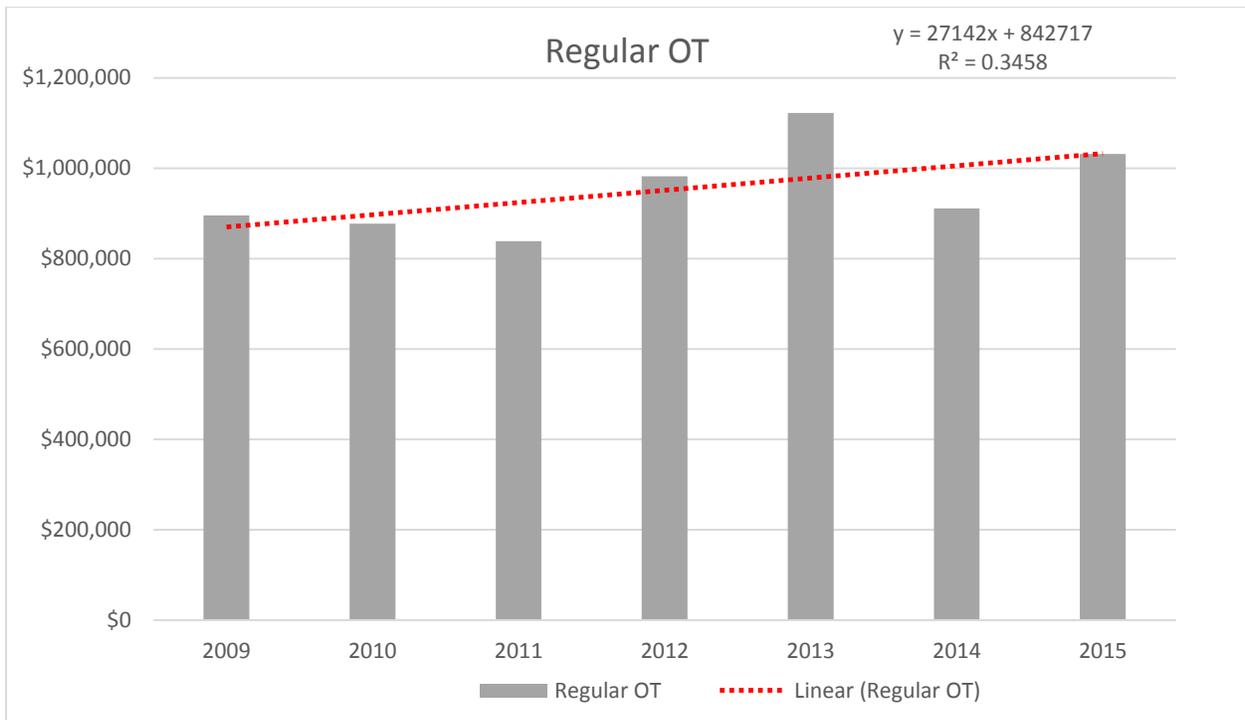
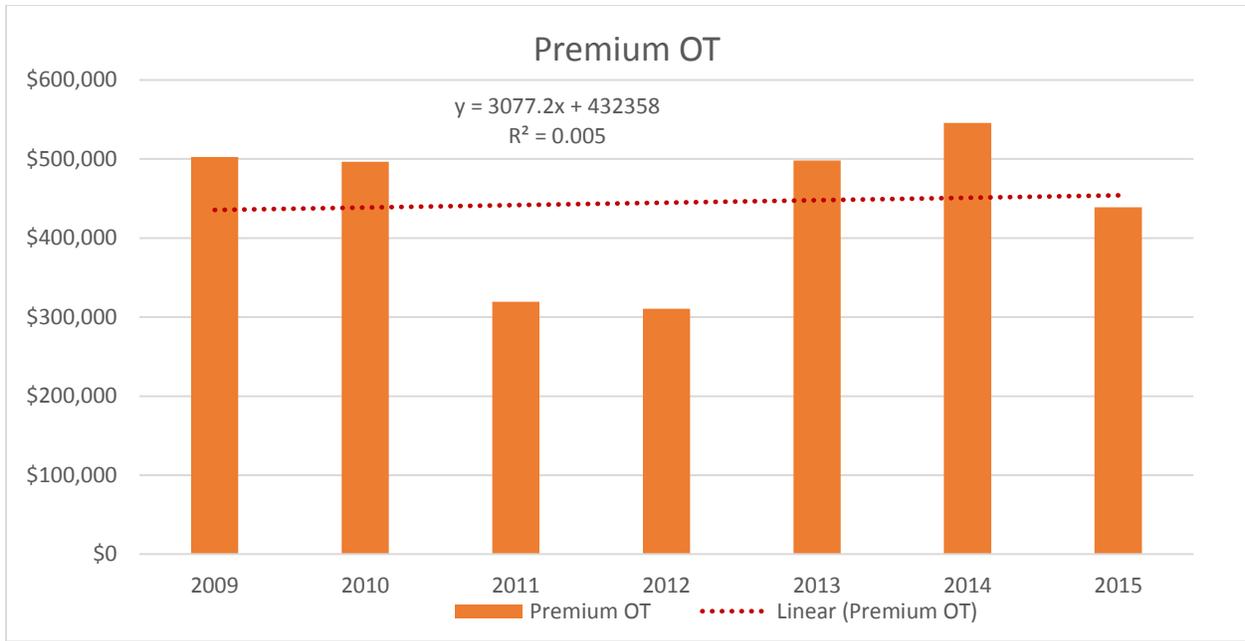
Trending

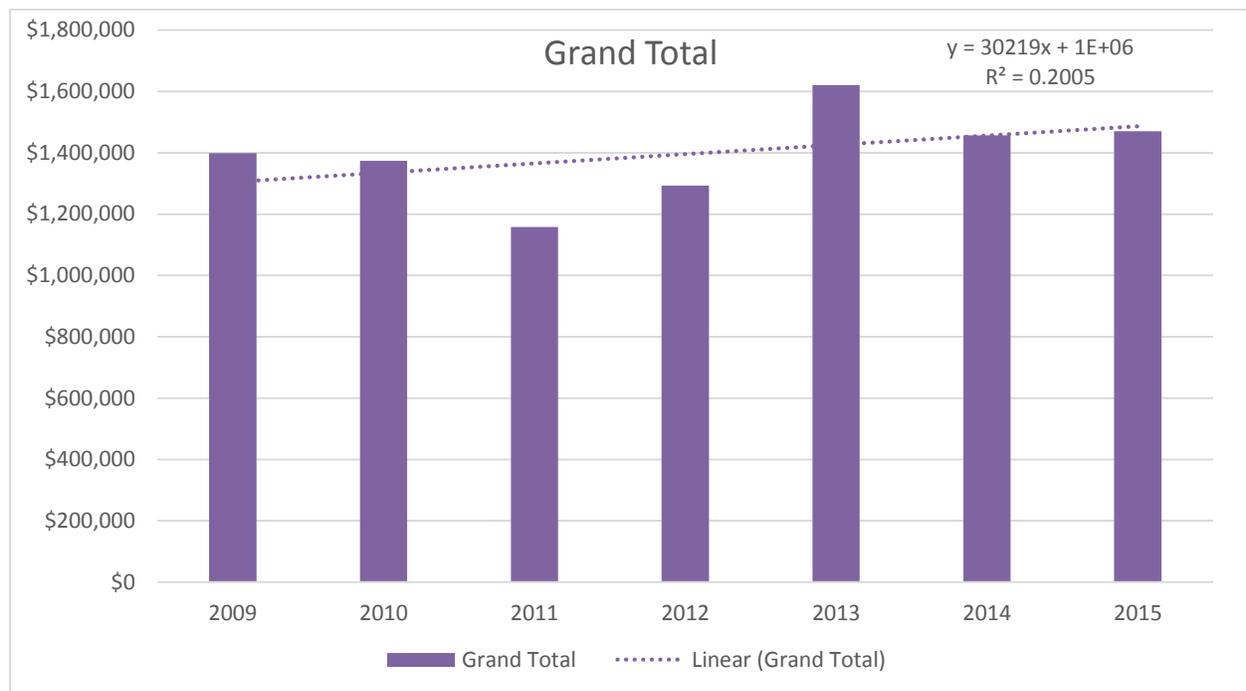
According to HR, the county pays **premium** overtime at a rate of 1.5 times the employee's hourly rate when a 40-hour employee physically works more than 40 hours in a particular week. **Regular** overtime for non-law enforcement and non-correction officers occurs when an employee earns more than 40 hours in a particular week due to vacations, leave, etc., but physically worked 40 hours or less during that week. **Premium** overtime also occurs when an employee works during county holidays and for sworn officers' hours related to memoranda of understanding with outside entities¹. A memorandum of understanding (MOU) is issued by outside entities to request the services of sworn deputies (e.g. Regal Cinema, BOE School Bus Assignments, Homeland Security at the Airport, etc.) Additionally, the county pays premium overtime under special "callback" rules².

The following is a graphical trending analysis for the period FY2009 to FY2015:

¹ We have evidence that some differences may exist regarding the use of general ledger accounts for premium and regular overtime among various Departments. IA recommends evaluation of the existing general ledger accounts regarding effectiveness and comparability. In the interest of clarity, it may become necessary to create additional general ledger accounts.

² Please see Wicomico County Personnel Manual §1214 for more information





The data shows a very slight positive trend in regular and overall overtime payments. On a statistical basis however, overtime for the seven-year period is relatively flat. Additionally, please keep in mind that we made no allowance for inflation. Appendix I contains an overtime breakout by Department.

Findings

We present these findings to highlight issues that bear discussion concerning county overtime practices.

Avoidance and Approval

County overtime authorization and approval occurs at the direction of heads of departments, elected officials, or their representatives. The county's Timekeeper system automates the approval process. The county expects all departments to avoid unnecessary overtime expense³. The county also requires equitable overtime distribution within the population of those employees possessing competency to perform the required tasks. According to HR, the county avoids overtime as a budget constraint matter. That is, overtime payments must be within budget limits.

FSLA

The Fair Labor Standards Act (FLSA) as amended represents basic standards for the rights of employees in the US including:

- Minimum wage
- Equal pay
- Record keeping
- Overtime pay
- Child labor standards

³ For more information, please see [Wicomico County Personnel Manual §1201](#)

FLSA is federal law, and according to HR, noncompliance is not an option. The county's Munis accounting system and Timekeeper time management system both have built-in protocols for FLSA compliance.

40 Hour vs. 171 Hour Calculation

Section 7(k) of the FLSA allows for an alternative to the 40-hour per week overtime calculation method. Correctional Officers and Sworn Law Enforcement Officers qualify for overtime pay after working 171 hours in a 28-day period. IA performed extensive work in the area in 2012. Council Members and the Executive may refer to confidential Internal Auditor's Interim Report (dated June 29, 2012). Copies are available to Council Members and the Executive upon request.

High-end Recipients

IA tested overtime pay for the highest recipients to review the particulars. We determined that most of the highest recipients of overtime were Sworn Law Enforcement Officers performing ancillary volunteer work for non-county entities defined by Memoranda of Understanding (MOUs). Premium overtime is paid to volunteers as a rule for such services per Sheriff's Operation Manual.

New Overtime Rules

The Wage and Hour Division for the US Labor Department proposes a new regulation that would raise the salary threshold for overtime from \$23,660 to \$50,440. That means salaried, currently exempt employees making less than \$50,440 would no longer be exempt from overtime payment for weekly hours in excess of 40. HR reviewed the current payroll roster and determined that approximately 35 employees fall into this category. We recommend that HR monitor the situation to determine the impact on future county budgets. The new regulations will not likely take effect until sometime between spring 2016 and early 2017.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank Human Resources and the Department of Corrections for their exceptional assistance with this project.

Appendix I - Overtime by Department

