

**OKLAHOMA DEPARTMENT OF TRANSPORTATION  
SPECIAL AUDIT REPORT  
FOR THE PERIOD  
JULY 1, 1998 THROUGH JUNE 30, 2002**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

J. TIM ARBAUGH  
Abstractor Registrar

May 21, 2004

**TO THE MEMBERS OF THE  
OKLAHOMA DEPARTMENT OF  
TRANSPORTATION COMMISSION**

Transmitted herewith is the report for the special audit report of overtime payroll for the Department of Transportation. This audit was conducted under the authority granted by 74 O.S. Supp. 2002, § 213.2.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of the audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE  
State Auditor and Inspector

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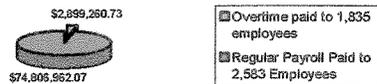
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**Executive Summary**

- The results of this special audit are based upon excessive overtime. Excessive overtime is defined as earning \$5,000 or more each year during the four-year period examined.
- Policies and procedures do not specifically identify or document management's philosophy regarding acceptable level of overtime use.
- Execution of policies and procedures is not consistently applied or understood.
- Overtime

Fiscal Year 1999 Payroll Expenditures  
 Total Paid \$77,706,222.80



Fiscal Year 2000 Payroll Expenditures  
 Total Paid \$80,378,883.08



Fiscal Year 2001 Payroll Expenditures  
 Total Paid \$84,274,360.38



Fiscal Year 2002 Payroll Expenditures  
 Total Paid \$87,656,895.32



- 20 employees received greater than \$5,000 of overtime per year for each of the fiscal years examined.
- All overtime examined was paid at time and a half of the regular wages.
- One employee was paid for 4,262.50 hours during fiscal year 1999.
  - Regular time worked in one year is 2,080 hours (40 hours x 52 weeks)
  - 51.2% of these hours are attributable to overtime.
  - The same employee was paid \$70,866.77 for all fiscal years examined.
  - This created an average of \$17,716.69 per year in addition to regular wages.
- Another employee was paid \$50,360.08 for all fiscal years examined. This created an average of \$12,590.02 per year in addition to regular wages.
- Three employees received greater than 60 % of the total overtime paid to all employees in the same positions. Causes for the amount of overtime paid to these three employees are due either to an unfair burden or abuse of overtime.
  - One employee in the Administrative Technician III and IV job class was paid 86.70% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$39,447.45.
  - One employee in the Executive Secretary III job class was paid 83.37% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$28,569.32.

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- One employee in the Construction/Maintenance II job class was paid 61.66% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$32,377.40.
  - Of these 20 employees, divisions four, five, and eight have the most employees. Divisions four and eight each has five employees; however, division five has six employees.
  - Based upon job class and division, it appears that overtime is abused. This situation could be due to a lack of management oversight, management override, and/or management abuse.
  - Excess overtime over a period of time could seriously affect an employee's effectiveness and possibly create unnecessary safety issues.
- Division five, which includes the western and southwestern portions of the state, consistently incurs overtime that is comparable in hours and dollars to divisions four and eight. This includes Oklahoma City and Tulsa metropolitan areas respectively. However, division six, which includes the northwestern portion of the state, consistently has the second to lowest overtime hours paid for each fiscal year examined. Inclement weather can cause the need for overtime. Historically, the northwestern portion of the state receives more frozen precipitation than the rest of the state.
- The Department paid \$104,803.07 over the four-year period in overtime pay to employees in job classes not eligible for overtime pay. Department personnel do not have the authority to manually override payroll system at their discretion; therefore, it appears employees were paid as a result of management override.

### **Audit Recommendations**

- Department management should revise policies to specifically document its philosophy regarding acceptable level of overtime use.
- Based upon the amount of overtime paid to employees identified as having been paid \$5,000 or more during fiscal years 1999 through 2002, Department management should investigate hiring full time employees instead of paying the overtime. Possible savings could result in paying regular time instead of time and a half.
- Department management should consider reclassifying Superintendents to exempt positions. Superintendents should be awarded raises. By not paying overtime to these higher paid employees, the Department could save on payroll expenditures.
- Department management should investigate the underlying causes of the sizeable amount of overtime paid to Division five. Overtime paid to Division five consistently challenges overtime paid to Divisions four and eight. Division four includes the Oklahoma City metropolitan area and Division eight includes the Tulsa metropolitan area.
- Overtime paid to employees in exempt job classes is a direct result of management override. Management should review job class classifications and determine those, which are exempt and non-exempt. Management should not override designed internal controls.
- In preparing corrective action, management should determine whether the cause of the condition is a breakdown in the control environment, risk assessment, control activities, information and communication, or monitoring. Both the condition noted and the cause should be addressed by the follow-up procedures and corrective action.

Department management responded to the audit recommendations in a letter provided to the State Auditor and Inspector's Office. See the letter at pages five and six of this report.



# OKLAHOMA DEPARTMENT OF TRANSPORTATION

200 N. E. 21st Street

Oklahoma City, OK 73105-3204

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January 7, 2004

The Honorable Jeff A. McMahan, CFE  
State Auditor and Inspector  
State Capitol, Room 100  
Oklahoma City, OK 73105

Dear Sir:

We wish to thank you and your auditors for the additional follow-up review of the Department's overtime as requested by the Oklahoma Transportation Audit Committee. We believe, as indicated in the scope section of your report, that the practice of having the employees sign their time sheet, as well as their supervisor, indicates that controls are designed and operating regarding the preparation and approval of time sheets, which is the source document for our overtime calculation. We do not believe that you have uncovered any instances of a breakdown of controls, management override, fraud, and/or collusion of one or more employees.

We believe our policies number B-303-1, "Fair Labor Standards Act - Overtime Pay", and B-303-1(2), "Fair Labor Standards Act - A-9 Record Keeping Requirements", do document the overtime approval requirements, as well as our philosophy regarding the use of overtime. It is our philosophy that the use of overtime and/or compensatory time is at the discretion of the first-line supervisor. No one else is in a better position to know if the overtime and/or compensatory time is needed and warranted.

Our policy clearly states that "the department closely follows the recommendations on the exempt or non-exempt status of positions according to the "Policy Guideline: Fair Labor Standards Act". Policy number B-303-1, page 8 of 9, clearly states that, "The class list is intended to make general statements about job class only. The exempt/non-exempt status under FLSA, of any individual position, may differ from this guide, based on the actual duties performed, prevailing market conditions, and/or critical needs of the Department." Management's decision to "closely follow the recommendations" of FLSA does not constitute an override of designed internal controls, but it is an exercise of management control over the assigning of exempt/non-exempt status of our employees and supervisors.

The Department has been under a series of continuing executive orders issued annually by the State's Chief Executive Officer, starting with the administration of Governor David Walters. During this time, the number of full-time equivalent employees utilized has been reduced by 25 percent. In order to maintain our level of effort, some crews have expanded their overtime usage, used temporary employees, part-time employees, inmate crews, or have lowered their level of effort on selected activities. The executive management of the Department has left these decisions with our managers and supervisors.

During the review period, state fiscal years 1999 through 2002, the percent of our payroll expenditures paid as overtime was 3.73%, 3.11%, 4.41%, and 2.77%, respectively. The management does not consider this to be abnormal in light of the executive orders. When it became apparent during the last

January 7, 2004

legislative session that our funding was going to be reduced, management did ask our supervisors to limit overtime to only that which was absolutely essential. Our supervisors responded by reducing SFY-03 overtime to \$2.29 million, and our projected overtime, based upon the first five months of SFY-04, to \$700 K. We are fully aware that our level of effort will also drop.

The audit report contains graphical information on the mean annual snowfall in inches and the mean annual number of days with measurable precipitation and freezing temperature. The report concludes that inclement weather can cause the need for overtime, and historically, the northwestern (Division Six) portion of the state receives more frozen precipitation than the rest of the state. The auditors also conclude that it is not reasonable to expect Division Five (the southwestern portion of the state) to have overtime comparable to Division Four and Division Eight, the Oklahoma City and Tulsa metropolitan areas.

Inclement winter weather can cause overtime, but so does flooding, tornado damage, fires, destruction of public facilities by terrorists, and the destruction of bridges being impacted by barges. The routine maintenance activities in the Oklahoma City and Tulsa metropolitan areas were privatized for a year, and subsequently have been outsourced. Yet the overtime hours have not been affected one way or the other. It is not the unintentional or intentional acts of man or God that drives the usage of overtime, but is our employees' and supervisors' efforts to provide a safe, economical, and efficient transportation network for the people, commerce, and communities of Oklahoma.

Because the report deals primarily with exceptions to what the auditors considered reasonable, I am attaching individual responses from the appropriate supervisors in each division. The management understands how someone from outside of the Department could question the reasonableness of the hours worked; however, we do not consider the work activities involved or the number of hours reported to be unreasonable.

Our management is concerned with the response you received from the 24 questionnaires used to poll our supervisory personnel. While it is true that some of the supervisory personnel polled may not have much experience using our overtime policies, we do expect all of our management and supervisory personnel to know and understand their role in implementing, approving, and monitoring the overtime usage. We will have our human resources office prepare and conduct a training course to re-familiarize all of our management and supervisory personnel with our overtime policies.

We wish to take this opportunity to express our appreciation for the timeliness and professionalism of your staff in addressing the request from the Commission's Audit Committee.

Sincerely yours,



Paul A. Adams  
Deputy Director

PAA:lm

cc: Director  
Chief Engineer

Attachments (8)

### State Auditor and Inspector's Response

The Oklahoma Department of Transportation's response does not appear to concur with audit recommendations. However, it is evident by the Department's actions and correspondence that efforts are being made to discontinue the practices contributing to excessive overtime.

Based on guidelines defined by the American Institute of Certified Public Accountants *Codification of Statements on Auditing Standards* there are two significant concerns we impress upon the Department to correct:

- Management override – Although we agree that controls are designed to ensure the proper preparation and approval of overtime, any control system that is overridden by management is rendered ineffective.
- Tone at the top – Policies and procedures should be established to promote the integrity and ethical values of the entity. This would include the entity's commitment to competence and to identify management's philosophy and operating style. Human resource policies and practices related to hiring, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions should be established. Policies and procedures assign authority and responsibility and minimize the risk of fraud and abuse.

**Background**

The Oklahoma Department of Transportation was created by the Legislature in 1976 as an overall coordinating agency for the state's highways, railways and waterways, this agency superseded the original Oklahoma State Department of Highways, implemented by legislation in 1911. The Oklahoma Aeronautics Commission, the Oklahoma Highway Safety Office, and Rail Planning were also placed under ODOT jurisdiction. Highway Safety was transferred to the Oklahoma Department of Public Safety in 1993. The Waterways Branch was transferred from the Commerce Department to ODOT in 1993. The Oklahoma Aeronautics Commission became a separate agency as of July 1, 2002. The Department is primarily funded by motor vehicle fuel taxes, legislative appropriations and a return of federal matching dollars from the Federal Highway Trust Fund. ODOT's annual budget, totaling more than \$600 million in federal and state funds, is applied to highway construction and maintenance activities, railways, waterways, public rural transit programs and administration statewide. While the primary business is construction and maintenance of the state's highways, the agency also promotes intermodal transportation. An eight-member Transportation Commission appointed by the Governor and confirmed by the Senate sets departmental policy and oversees general operations. The members represent eight geographic districts corresponding with ODOT's eight Field Divisions. The Commission meets on the first Monday of each month in the R.A. Ward Transportation Building in Oklahoma City.

The Department's mission statement is to provide a safe, economical, and effective transportation network for the people, commerce, and communities of Oklahoma.

**Commission Members**

***Prior to February 2003***

Herschel Crow ..... Secretary of Transportation

***Prior to May 2003***

Tom Love, District IV ..... Chairman  
 Ed Sutter, District VI ..... Vice Chairman  
 David Burrage, District II ..... Secretary  
 Carlisle Mabrey, District I ..... Member  
 Jimmie Austin, District III ..... Member  
 Bill Crawford, District V ..... Member  
 Gib Gibson, District VII ..... Member  
 Guy Berry, District VIII ..... Member

***Effective February 2003***

Phil Tomlinson ..... Secretary of Transportation

***Effective May 2003***

Dan Overland, District III ..... Chairman  
 James H. Dunegan, District II ..... Vice Chairman  
 Jack Begley, District VI ..... Secretary  
 Jackie Cooper, District IV ..... Member  
 Larry Wade, District V ..... Member  
 Brad Burgess, District VII ..... Member  
 Guy Berry, District VIII ..... Member  
 Carlisle Mabrey, District I ..... Member

### **Limitation of Audit**

Throughout this report, the numerous references to state statutes and legal authorities are cited as criteria used to evaluate various transactions. The inclusion of these references to specific statutes or authorities within this report does not, and is not intended to, constitute a determination by the State Auditor and Inspector that the Department or any individuals named in this report or acting on behalf of the Department have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the administration and other interested parties to review and consider the cited provisions, independently ascertain whether or not the Department's policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendation made by this office should be implemented.

### Scope

On June 25, 2001, our office received an allegation from a Department of Transportation employee regarding the existence of "ghost employees". Although the allegation was later recanted, it was the obligation of this office to determine the validity of the concern.

Audit procedures were modified to address the allegation. Two findings were also included in the 2001 Single Audit.

- 31 employees worked continuously ranging from 34 to 87.50 hours with minimal breaks.
- Excessive overtime appears to have been paid to one employee.
  - This employee worked 130 sixteen-hour days, averaging 60.27 hours per week.
  - The same employee was performing two different job duties but was paid at the higher rate for both jobs.

These reportable conditions were communicated to the audit committee "...as significant deficiencies in the design, or operation of internal control, which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements." (SAS AU § 325.02) The Oklahoma Transportation Commission Audit Committee requested that additional follow-up procedures be performed by the Oklahoma State Auditor and Inspector's Office and the Operations Review and Evaluation Division (Internal Audit) of the Department.

The State Auditor and the Department entered into a special engagement to address this issue on May 9, 2003.

It should be noted that during the procedures previously performed, the timesheets were signed by employees and approved by their immediate supervisors. This practice indicates controls are designed and operating regarding preparation and approval of timesheets. If unauthorized overtime is occurring, the cause could be due to a breakdown of controls, management override, fraud, and/or collusion of one or more employees.

The scope of testwork was focused to analyze the overtime to determine why it was occurring. The analysis consisted of identifying relationships between individuals receiving overtime, overtime by division, and expectations of reasonableness.

**Issue, Objectives, Approaches, Results, and Conclusions**

**Issue:** To examine the location, individuals, and time period overtime is incurred in order to determine whether overtime is actually excessive.

**Objective:** To document the overtime payroll process as described by management regarding policies and procedures.

**Audit approach:** Obtained the Policy, Directives, and Administrative Orders section from the Department's Intranet web page for overtime. Reviewed and examined all documents identified.

**Results:** Two policies were identified: B-303-1 "Fair Labor Standards Act – Overtime Pay", and B-303-1 (2) "Fair Labor Standards Act – A-9 Record Keeping Requirements". Neither policy specifically documents overtime approval requirements.

Division Seven (Duncan) provided a copy of procedures followed in that division, "Overtime/Paid Leave Procedures, Division VII – Maintenance & Construction". The document states, in part: "Overtime is a tool used to compensate qualified employees for their service above and beyond the forty (40) hour work week requirements. Supervisors should manage overtime diligently. Overtime should only be authorized for the benefit of the Department and the traveling public. Employees should not count on overtime as a supplement to their monthly salary."

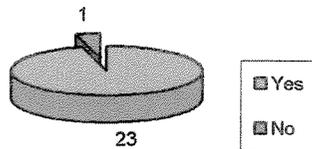
**Conclusion:** The policies noted above do not specifically identify or document management's philosophy regarding acceptable level of overtime use.

**Objective:** To complete telephone survey of divisions with overtime in fiscal year 2002.

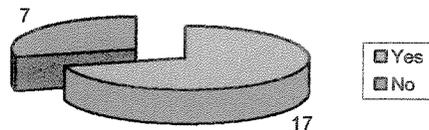
**Audit approach:** Management questionnaires were developed to poll Division Shop Superintendents, Division Engineers, and Transportation Managers, who have the responsibility to supervise, approve, authorize, and control overtime worked. A total of 24 employees were polled.

**Results:**

Are there written policies and procedures for overtime? If not, are there written guidelines that are to be followed?



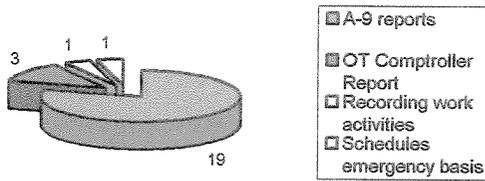
Do you require prior approval?



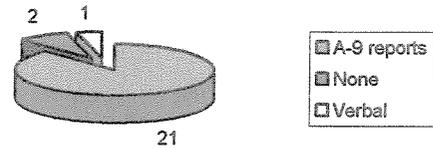
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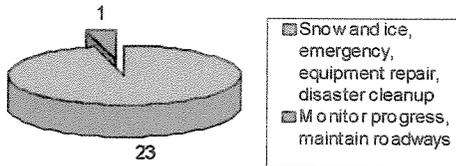
How do you monitor overtime for your division?



What documentation is required when having overtime?



Why would overtime be required?



**Conclusion:** Only two survey questions received consistent responses from management. ODOT Personnel who have been delegated the authority for monitoring overtime do NOT appear to have a uniform understanding of management's overtime policies.

**Objective:** To analyze and compare the overtime payroll data from fiscal year 1999 through 2002 to determine whether there were any trends.

**Audit approach:** Four fiscal years were selected as a basis for trend analysis. As a test for "ghost employees", the data was searched for duplicate social security numbers. Data was analyzed for any natural breaks in the dollars paid and the hours worked. Data was summarized by employee. No natural breaks were noted; therefore, average overtime hours and dollars paid were determined for each employee who earned \$5,000 or more in any fiscal year examined.

Employees earning \$5,000 or more in all fiscal years tested were then selected for examination.

**Results:** No duplicate social security numbers were noted in any of the fiscal years examined. No natural breaks were noted. Twenty employees were identified as having received \$5,000 or more for fiscal years 1999 through 2002.

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| Employee | FY 1999 OT Dollars Paid | FY 2000 OT Dollars Paid | FY 2001 OT Dollars Paid | FY 2002 OT Dollars Paid | Total OT Dollars Paid |
|----------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| 1        | 12,758.23               | 8,986.82                | 16,283.29               | 5,909.41                | \$ 43,937.75          |
| 2        | 11,145.23               | 12,293.68               | 14,457.55               | 10,539.18               | 48,435.64             |
| 3        | 6,375.53                | 5,415.18                | 6,902.93                | 5,711.20                | 24,404.84             |
| 4        | 5,794.03                | 11,481.21               | 15,022.38               | 11,712.14               | 44,009.76             |
| 5        | 6,722.74                | 5,270.50                | 10,645.27               | 9,488.74                | 32,127.25             |
| 6        | 8,189.91                | 9,367.15                | 10,280.40               | 5,632.13                | 33,469.59             |
| 7        | 7,963.92                | 6,721.47                | 7,651.16                | 6,378.12                | 28,714.67             |
| 8        | 8,761.13                | 8,985.85                | 10,678.66               | 13,777.89               | 42,203.53             |
| 9        | 8,538.17                | 8,791.83                | 10,915.71               | 11,343.44               | 39,589.15             |
| 10       | 7,271.78                | 6,061.90                | 7,374.34                | 7,658.04                | 28,366.06             |
| 11       | 6,064.38                | 5,722.39                | 10,772.63               | 6,496.47                | 29,055.87             |
| 12       | 5,520.15                | 5,961.40                | 7,705.59                | 6,108.73                | 25,295.87             |
| 13       | 6,517.04                | 6,535.85                | 11,574.48               | 9,116.84                | 33,744.21             |
| 14       | 7,970.18                | 5,749.78                | 6,789.31                | 7,519.72                | 28,028.99             |
| 15       | 5,781.98                | 8,712.72                | 16,063.65               | 8,889.10                | 39,447.45             |
| 16       | 12,267.72               | 14,074.20               | 10,398.50               | 13,619.66               | 50,360.08             |
| 17       | 8,963.42                | 6,844.09                | 11,545.64               | 5,024.25                | 32,377.40             |
| 18       | 30,296.13               | 14,659.58               | 16,945.16               | 8,965.90                | 70,866.77             |
| 19       | 5,643.89                | 6,628.85                | 6,672.74                | 5,481.77                | 24,427.25             |
| 20       | 8,517.02                | 6,903.98                | 5,895.00                | 7,253.32                | 28,569.32             |
|          | \$ 181,062.58           | \$ 165,168.43           | \$ 214,574.39           | \$ 166,626.05           | \$ 727,431.45         |

\*\* The five highest are highlighted.

| Employee | FY 1999 OT Hours Paid | FY 2000 OT Hours Paid | FY 2001 OT Hours Paid | FY 2002 OT Hours Paid | Total OT Hours Paid |
|----------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 1        | 568.50                | 383.50                | 660.50                | 227.00                | 1,839.50            |
| 2        | 494.00                | 522.00                | 583.00                | 403.00                | 2,002.00            |
| 3        | 435.00                | 345.50                | 409.50                | 313.50                | 1,503.50            |
| 4        | 257.00                | 488.50                | 605.50                | 433.50                | 1,784.50            |
| 5        | 482.00                | 342.00                | 575.00                | 482.00                | 1,881.00            |
| 6        | 358.00                | 393.50                | 416.00                | 222.50                | 1,390.00            |
| 7        | 541.00                | 426.00                | 457.00                | 348.00                | 1,772.00            |
| 8        | 528.00                | 501.00                | 540.50                | 607.50                | 2,177.00            |
| 9        | 528.50                | 498.50                | 535.00                | 439.00                | 2,001.00            |
| 10       | 547.00                | 422.50                | 457.00                | 435.00                | 1,861.50            |
| 11       | 299.00                | 268.50                | 443.50                | 247.00                | 1,258.00            |
| 12       | 249.00                | 256.00                | 317.00                | 236.00                | 1,058.00            |
| 13       | 326.50                | 314.00                | 481.50                | 353.25                | 1,475.25            |
| 14       | 356.50                | 246.50                | 277.00                | 290.00                | 1,170.00            |
| 15       | 348.00                | 502.75                | 871.00                | 471.00                | 2,192.75            |

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|    |           |           |           |          |           |
|----|-----------|-----------|-----------|----------|-----------|
| 16 | 548.00    | 559.50    | 399.50    | 511.50   | 2,018.50  |
| 17 | 571.00    | 409.50    | 648.00    | 276.00   | 1,904.50  |
| 18 | 2,182.50  | 979.50    | 1,054.50  | 516.00   | 4,732.50  |
| 19 | 248.50    | 281.50    | 273.50    | 219.00   | 1,022.50  |
| 20 | 441.00    | 341.00    | 278.25    | 325.00   | 1,385.25  |
|    | 12,308.00 | 10,481.75 | 12,283.75 | 9,357.75 | 36,429.25 |

\*\* The five highest are highlighted.

**Conclusion:** All overtime examined was paid at time and a half of the regular wages.

Employee 18 was paid for 4,262.50 hours during fiscal year 1999. 51.2% of these hours are attributable to overtime. Regular time during one year is the product of 40 hours multiplied by 52 weeks, which results in 2,080 hours. The same employee was paid \$70,866.77 for all fiscal years examined: this is an average of \$17,716.69 per year in addition to regular wages.

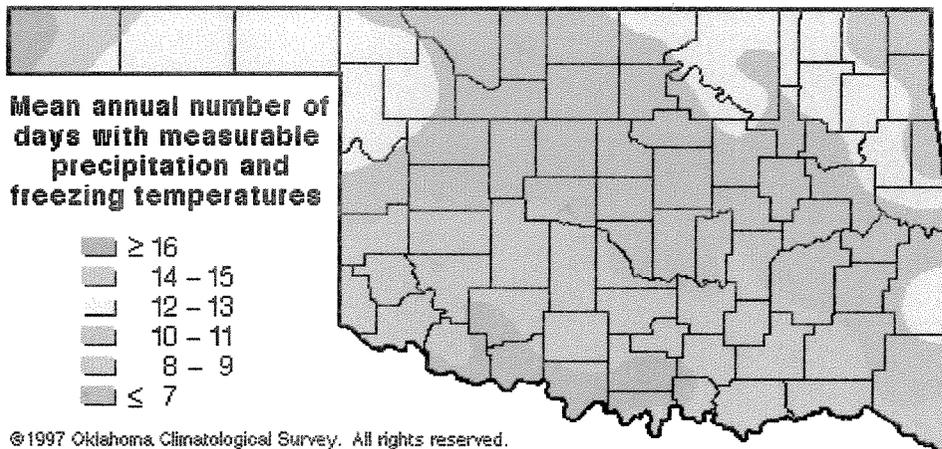
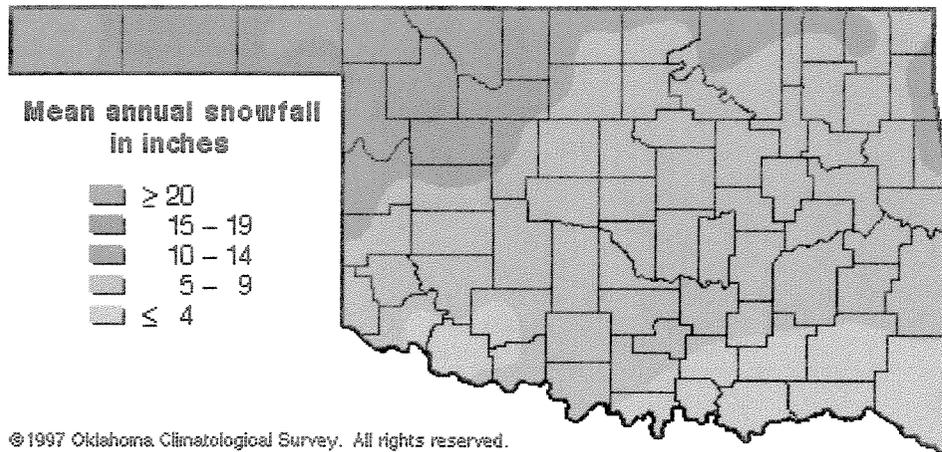
Employee 16 was paid \$50,360.08 for all fiscal years examined: this is an average of \$12,590.02 per year in addition to regular wages.

**Objective:** To compare overtime hours and dollars paid for each fiscal year by division to determine whether a trend or pattern emerges.

**Audit approach:** The data was separated by division and summarized by employee to determine the total overtime dollars and hours paid for each fiscal year. The data was examined to ascertain the largest hours and dollars paid for each fiscal year by division.

**Audit results:** Divisions four, five, and eight had the most overtime hours and dollars paid for each fiscal year examined.

**Conclusion:** It is reasonable to expect that divisions four and eight would have the most overtime hours and dollars. Division four includes the Oklahoma City metropolitan area, and division eight includes the Tulsa metropolitan area. However, it is not reasonable to expect division five to have overtime comparable to divisions four and eight. Division five includes the western and southwestern portions of the state, which has no metropolitan areas within the division. Division six, which includes the northwestern portion of the state, consistently has the second to lowest overtime hours paid for each fiscal year examined. Inclement weather can cause the need for overtime. Historically, the northwestern portion of the state receives more frozen precipitation than the rest of the state.



**Objective:** To compare overtime paid to the previously identified employees to the total overtime paid to their respective job classes for each fiscal year.

**Audit approach:** The data for each fiscal year was examined to determine the job classes for each employee identified in audit procedure 3. A spreadsheet was prepared that included the employee and all job classes he/she worked. All overtime paid to each employee was totaled by fiscal year and with a grand total for all four years.

Overtime payroll data for each fiscal year was summarized by job class. Overtime paid for each job class an employee worked was included on the spreadsheet. All

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overtime paid to each job class was totaled by fiscal year and with a grand total for all four years.

The percentage of overtime paid to each employee out of each job class was determined.

**Audit results:**

| Employee | Job Class Description                      | Overtime Paid to Job Class (FY 1999-2002) | Overtime Paid to Employee (FY 1999-2002) | Percentage of Overtime Paid to Employee (FY 1999-2002) |
|----------|--|---|--|--|
| 1        | Transportation Maintenance Superintendent  | 1,494,042.51                              | 43,937.75                                | 2.94 %   |
| 2        | Transportation Maintenance Superintendent  | 1,494,042.51                              | 48,435.64                                | 3.24 %   |
| 3        | Transportation Maintenance Worker II       | 2,566,085.03                              | 24,404.84                                | 0.95 %   |
| 4        | Transportation Maintenance Superintendent  | 1,817,759.81                              | 44,009.76                                | 2.42%  |
| 5        | Transportation Maintenance Worker II       | 1,776,538.98                              | 32,127.25                                | 1.81 %   |
| 6        | Transportation Specialist I                | 1,350,499.42                              | 33,469.59                                | 2.48 %   |
| 7        | Transportation Maintenance Worker II       | 2,566,085.03                              | 28,714.67                                | 1.12 %   |
| 8        | Transportation Maintenance Worker II & III | 1,779,907.96                              | 42,203.53                                | 2.37 %   |
| 9        | Transportation Maintenance Worker III & IV | 1,801,132.88                              | 39,589.15                                | 2.20 %   |
| 10       | Transportation Maintenance Worker I        | 2,063,569.38                              | 28,366.06                                | 1.37 %   |
| 11       | Transportation Maintenance Superintendent  | 1,494,042.51                              | 29,055.87                                | 1.94 %   |
| 12       | Transportation Maintenance Superintendent  | 1,494,042.51                              | 25,295.87                                | 1.69 %   |
| 13       | Transportation Maintenance Superintendent  | 1,494,042.51                              | 33,744.21                                | 2.26 %   |
| 14       | Transportation Maintenance Superintendent  | 1,494,042.51                              | 28,028.99                                | 1.88 %   |
| 15       | Administrative Technician III & IV         | 45,500.68                                 | 39,447.45                                | 86.70 %  |
| 16       | Transportation Specialist I & II           | 1,483,511.00                              | 50,360.08                                | 3.39 %   |
| 17       | Construction/Maintenance II                | 52,511.32                                 | 32,377.40                                | 61.66 %  |
| 18       | Transportation Maintenance Worker II       | 2,566,085.03                              | 70,866.77                                | 2.76 %   |
| 19       | Transportation Specialist I                | 1,350,499.42                              | 24,427.25                                | 1.81 %   |
| 20       | Executive Secretary III                    | 34,269.83                                 | 28,569.32                                | 83.37 %  |

\*\* The three highest percentages are highlighted.

- **Conclusion:** Three employees received greater than 60 % of the total overtime paid to all employees in the same positions. Causes for the amount of overtime paid to these three employees are due either to an unfair burden or abuse of overtime.

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- One employee in the Administrative Technician III and IV job class was paid 86.70% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$39,447.45.
- One employee in the Executive Secretary III job class was paid 83.37% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$28,569.32.
- One employee in the Construction/Maintenance II job class was paid 61.66% of the overtime paid to all employees in this class for the fiscal years examined for a total of \$32,377.40.

**Objective:** To examine all data by job classes that had employees who received overtime during the 4-year period. To determine which job classes were authorized to pay overtime or compensatory time and which job classes were not per department policies. To determine the job classes that received overtime pay as a result of management override.

**Audit approach:** The data for each fiscal year was summarized by job class for each of the fiscal years examined. A spreadsheet was prepared that included all job classes which received overtime pay. All overtime paid was totaled by fiscal year and with a grand total for all four years.

**Audit results:**

| Job Class | Description                                 | Overtime Eligible FY 1999 | Overtime Eligible FY 2000-2002 |
|-----------|---|---------------------------|--------------------------------|
| T23B      | Transportation Manager II                   | No data                   | No                             |
| B51D      | Data Processing Applications Specialist III | Yes                       | COMP only                      |
| E12A      | Executive Assistant                         | COMP only                 | Yes                            |
| S10E      | Engineer Intern                             | No data                   | COMP only                      |
| T22C      | Transportation Specialist III               | COMP only                 | Yes                            |

| Job Class    | FY 1999             | FY 2000           | FY 2001           | FY 2002       | Total               |
|--------------|---------------------|-------------------|-------------------|---------------|---------------------|
| T23B         | 740.21              | 0.00              | 0.00              | 0.00          | 740.21              |
| B51D         | 0.00                | 3,484.52          | 1,300.88          | 0.00          | 4,785.40            |
| E12A         | 3,099.61            | 0.00              | 0.00              | 0.00          | 3,099.61            |
| S10E         | 1,141.55            | 0.00              | 0.00              | 0.00          | 1,141.55            |
| T22C         | 95,036.30           | 0.00              | 0.00              | 0.00          | 95,036.30           |
| <b>Total</b> | <b>\$100,017.67</b> | <b>\$3,484.52</b> | <b>\$1,300.88</b> | <b>\$0.00</b> | <b>\$104,803.07</b> |

**Conclusion:** The Department paid \$104,803.07 over the four-year period in overtime pay to employees in job classes not eligible for overtime pay. Department personnel do not have the authority to manually override payroll system at their discretion; therefore, it appears employees were paid as a result of management override.

**Objective:** To compare overtime by division and month paid and to determine whether the overtime is seasonal. To determine whether a correlation exists among employees identified in the third audit objective and the divisions to which they are assigned.

**Audit approach:** Summarized and sorted the data by division and the month paid. Graphed the data individually by division, hours paid, and dollars paid. Prepared

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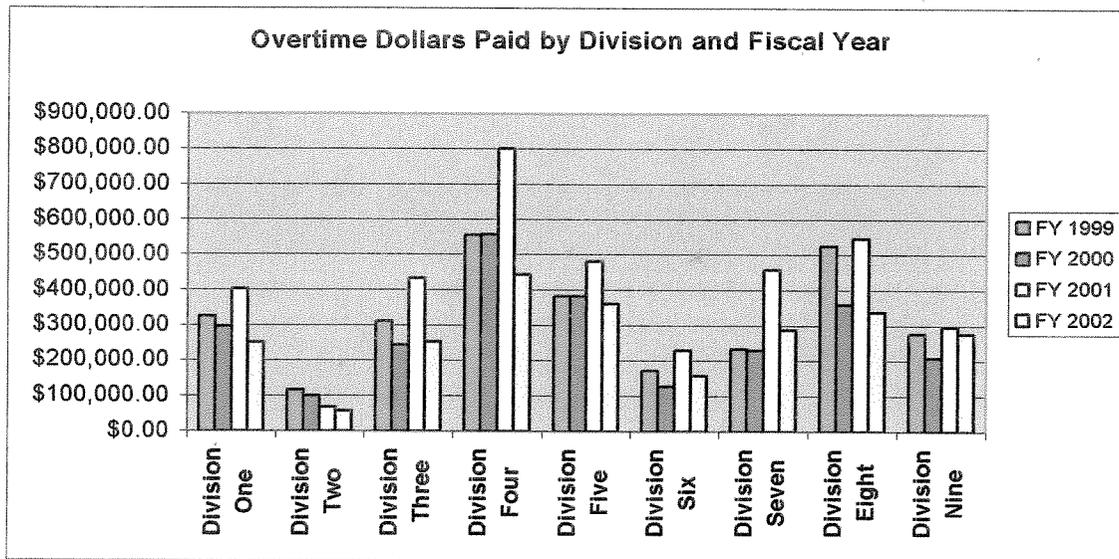
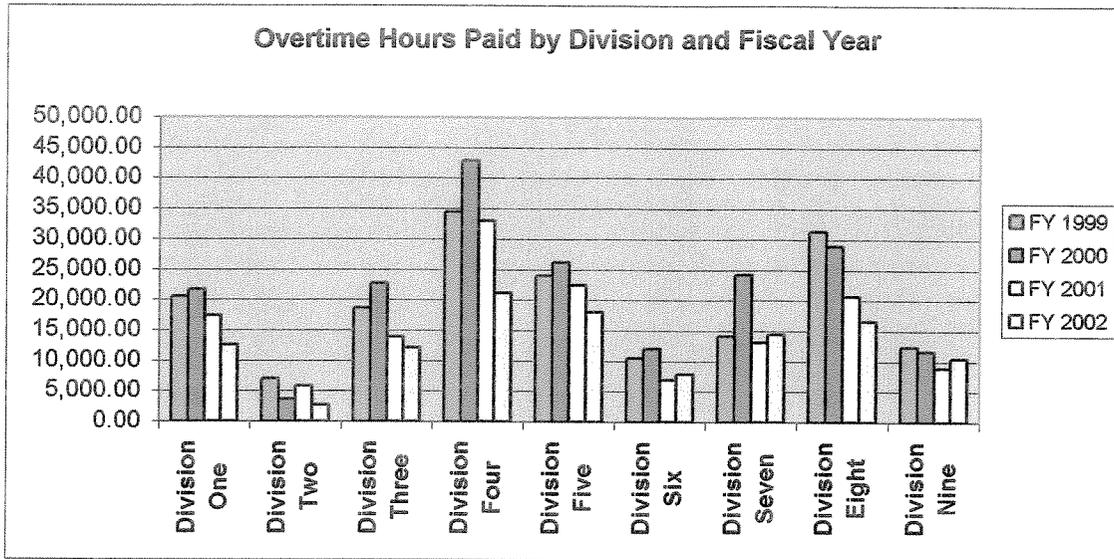
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another graph depicting all divisions, all fiscal years, and overtime hours paid along with overtime dollars paid. Prepared several more graphs by fiscal year including each division and the month overtime hours and dollars were paid.

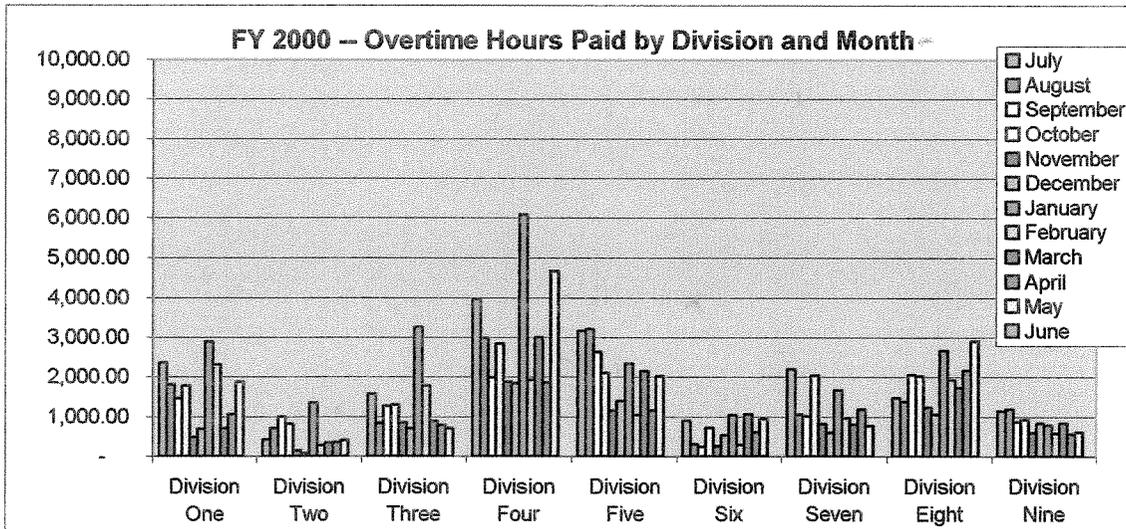
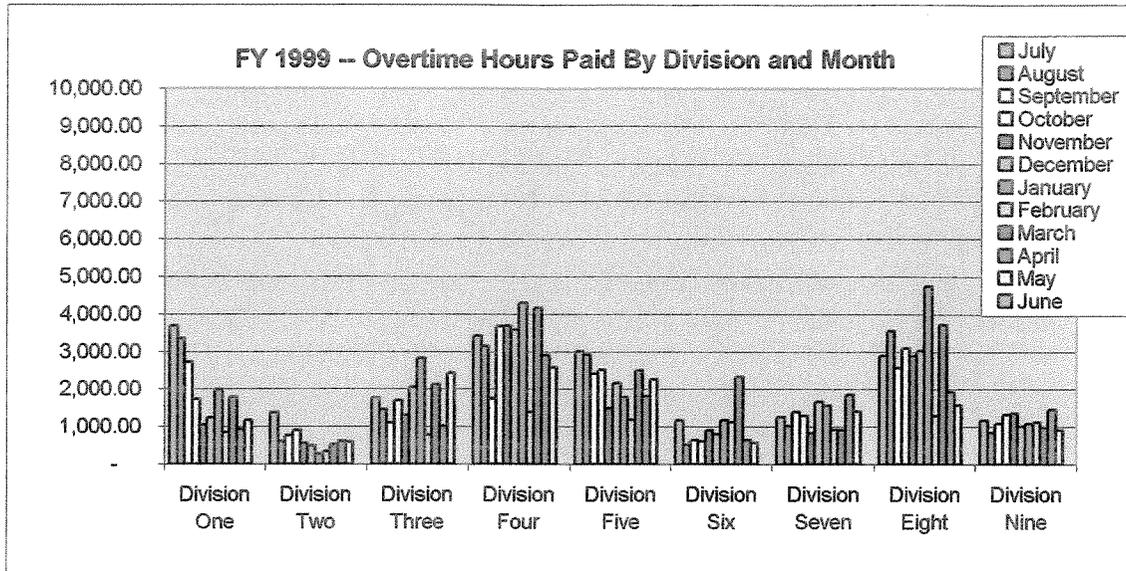
Prepared a spreadsheet with employees identified in audit procedure three and the divisions to which they are assigned.

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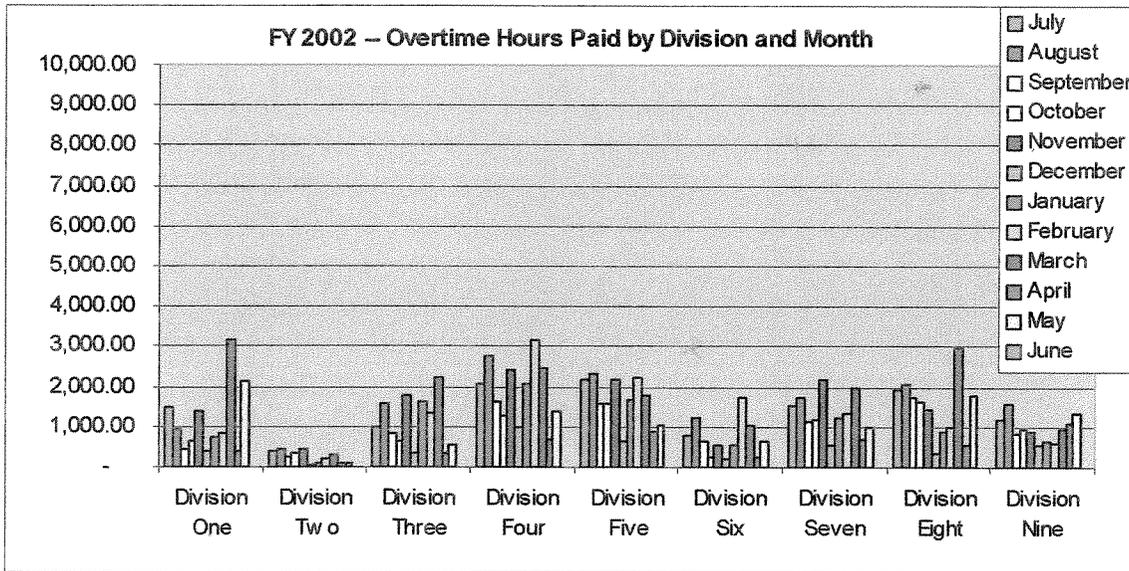
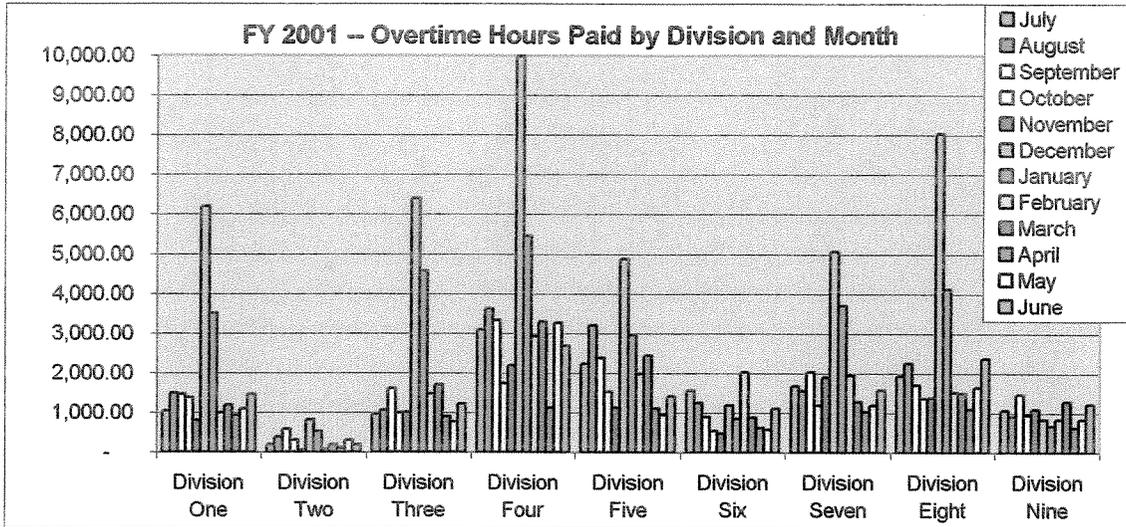
**Audit results:**



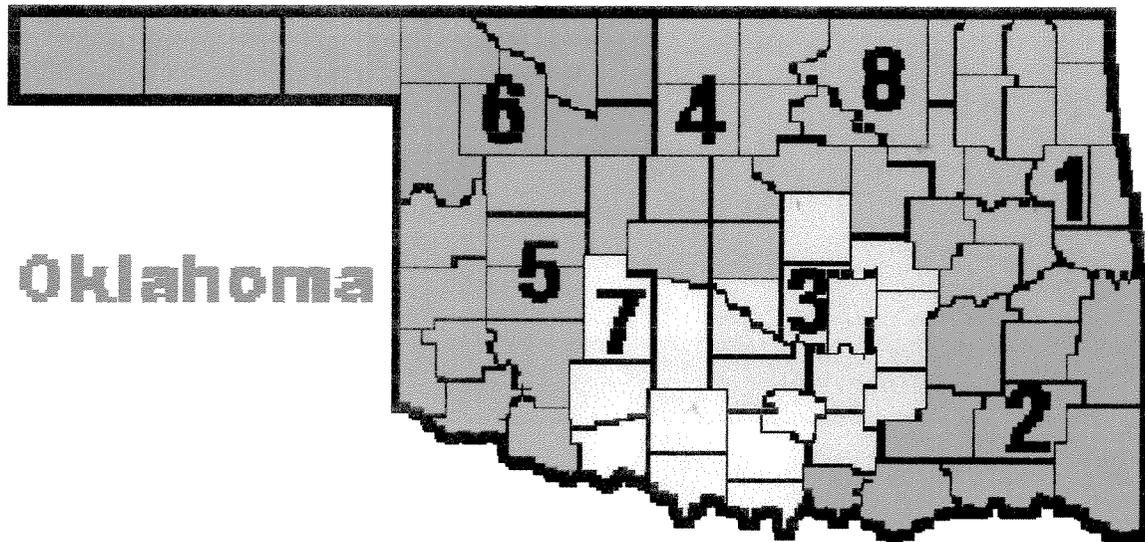
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**ODOT –Field Divisions**



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| Employee | Division                       |
|----------|--------------------------------|
| 1        | 3 (Ada)                        |
| 2        | 4 (Perry)                      |
| 3        | 4 (Perry)                      |
| 4        | 4 (Perry)                      |
| 5        | 4 (Perry)                      |
| 6        | 4 (Perry)                      |
| 7        | 5 (Clinton)                    |
| 8        | 5 (Clinton)                    |
| 9        | 5 (Clinton)                    |
| 10       | 5 (Clinton)                    |
| 11       | 5 (Clinton)                    |
| 12       | 5 (Clinton)                    |
| 13       | 6 (Buffalo)                    |
| 14       | 7 (Duncan)                     |
| 15       | 8 (Tulsa)                      |
| 16       | 8 (Tulsa)                      |
| 17       | 8 (Tulsa)                      |
| 18       | 8 (Tulsa)                      |
| 19       | 8 (Tulsa)                      |
| 20       | 9 (Oklahoma City Headquarters) |

**Conclusion:** Total overtime has decreased each fiscal year from the previous fiscal year with the exception of fiscal year 2001.

During fiscal year 2001, the State of Oklahoma experienced several ice storms during the winter months. Therefore, the spike in the overtime paid for fiscal year 2001 is reasonable.

Overtime increases during the summer and winter months. It is reasonable to expect the summer increase since more construction is performed during those months as cold and wet weather may limit the work performed. During the winter months, it is also reasonable to expect an increase in overtime due to inclement weather, such as ice and snow. Winter weather often requires sanding and salting the roads for safe travel. Therefore, management's suggestion is appropriate.

It is reasonable to expect that divisions four and eight would have the most overtime hours and dollars. Division four includes the Oklahoma City metropolitan area, and division eight includes the Tulsa metropolitan area. However, it is not reasonable to expect division five to have overtime comparable to divisions four and eight. Division five includes the western and southwestern portions of the state which contains no metropolitan areas. Division six, which includes the northwestern portion of the state, consistently has the second to lowest overtime hours paid for each fiscal year examined. Historically, the northwestern portion of the state receives more frozen precipitation than the rest of the state.

Of the employees identified above, divisions four, five, and eight have the most employees with overtime paid of \$5,000 or more for each of the four fiscal years examined. Divisions four and eight each has five employees in this category; however, division five has six employees.

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Although Division 9 is the Oklahoma City headquarters, this division is not responsible for maintenance and construction in the Oklahoma City metropolitan area. The overtime in Division 9 is attributable to administrative costs of an Executive Secretary.

Of the 20 employees, based upon job class and division, it appears that overtime is abused.

Considering the explanations we received from management during the course of the audit, it appears that overtime is abused. This situation could be due to a lack of management oversight, management override, and/or management abuse.

### **Internal Audit Procedures**

**Objective:** To ascertain whether corrective action or follow-up procedures were performed on prior year audit findings related to overtime payroll.

**Audit approach:** The State Auditor and Inspector's Office contacted the Operations Review and Evaluation (Internal Audit) division of the Department to request a copy of Internal Audit's audit report and/or results of testwork performed by that division on April 29, 2003. A follow-up request was sent on May 29, 2003. The division responded to the second request on May 29 and informed the State Auditor's Office that the work performed related to the overtime for the personnel was done as an expansion of an audit which was previously in process. The work papers were reviewed on June 6; however, the report had not been issued. The Internal Auditor's report was issued July 10, 2003.

**Audit results:** The follow-up and corrective action procedures performed addressed the individual conditions noted. They do not address the cause of those conditions.

**Conclusion:** Management has a responsibility to assess risk associated with the five components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. The cause of the conditions identified has not been addressed.