



**Ralph Campbell, Jr.**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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February 5, 2001

Mr. Ron Hawley, Chief Information Officer  
Information Technology Services  
3700 Wake Forest Road  
Raleigh, North Carolina 27609

Dear Mr. Hawley:

We received an allegation through the State Auditor's Hotline concerning possible abuse of overtime at the North Carolina Information Technologies Services (ITS). According to the complainant, the Facilities Maintenance Supervisor was paid for excessive overtime since 1998, in lieu of a salary increase. We have completed a special review of this allegation. Our review consisted of interviews of relevant ITS personnel, examination of the Facilities Maintenance Supervisor's timesheets for December 1998 through September 2000, review of payroll records and examination of the building access card history for a seven-month period.

We determined that the Facilities Maintenance Supervisor was paid over \$36,000 in overtime pay during the 1999-2000 fiscal year. The amount of overtime pay equaled over 85% of his base salary. Further examination revealed that the Facilities Maintenance Supervisor position is classified as being exempt from the Fair Labor Standards Act (FLSA). Based on the ITS Policy Manual, employees in positions exempt from the FLSA cannot earn overtime pay but can earn compensatory time on an hour-for-hour basis for hours worked over the 40 hour workweek.

When questioned about an exempt employee receiving overtime, the employee's supervisor, ITS Chief Financial Officer (CFO), explained the employee is paid for Emergency Call-Back time using the agency's premium pay timesheet rather than being paid overtime. Section 4, Salary Administration, in the Office of State Personnel's Policy Manual states, "It is a policy of the State to provide additional compensation for employees who respond to an emergency "call-back" in order to perform necessary work at a time other than during the employee's regularly scheduled hours of work." The policy also specifies the method of calculation of the call-back amount paid to an employee. The policy states, "An employee who is called in to work before or after the scheduled hours of work or on nonwork days shall be allowed compensatory time off or additional pay. Employees are guaranteed compensation for a minimum of two hours for each occasion in which a call-back is made after having left the regular work station." The policy also defines the specific calculation method for call-back time resulting in overtime and call-back time that does not result in overtime.



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The policy goes on to state, "Time on call-back is determined from the time the employee is notified to return to work until the time the work is completed." Additionally, the policy addresses hours not eligible for call-back and states, "If it is necessary to continue work following the end of the regularly scheduled hours of work, the employee is not eligible for the two hours call-back pay. However, additional hours over 40 shall be compensated for in accordance with the overtime positions."

Upon review of the call-back pay policy, we determined that ITS is not administering the policy as intended by the Office of State Personnel (OSP). At the time of review, the Facilities Maintenance Supervisor was paid overtime that equated to 85% of his salary for the year. Upon examination of the employee's timesheets from November 1998 through December 2000, we identified 234 instances that appear to be extensions of regular hours worked or overtime. During the period reviewed, the employee was paid for all hours worked over 40. In fact, the Payroll Officer stated that she has paid the Facilities Maintenance Supervisor overtime for all hours over 40 hours within the workweek. She also stated that she was not aware that she was paying "call-back pay" and had never had any employees identified to her as receiving call-back pay.

We calculated the amount that the employee was erroneously overpaid during the 25 -month period for a total of approximately \$20,683. However, the employee did not always charge time from the time he was notified at home to return to work, nor was he given credit for a minimum of two hours for two call-back instances. As a result, we could not determine an amount that the employee may have been underpaid for these instances. In addition, review of the facilities access card history provided no evidence that the employee was not actually working the hours claimed on the timesheet.

During an interview with the Facilities Maintenance Manager, he explained that he had been notified several years ago by his supervisor, ITS CFO, and the ITS Personnel Director that he would begin receiving call-back pay. He indicated that call-back policy and procedures were never thoroughly explained. Therefore, he was not aware of the minimum credit policy or that he was to begin charging time from the time of notification to return. The employee also indicated that he was not aware of the variation in calculation methods for computing call-back pay if it resulted in over 40 hours worked for the week or if it did not.

Our review of ITS Policy Manual revealed that it does not include a section on call-back pay. In fact, the ITS CFO was not aware of the specific guidelines for call-back pay.

We recommend ITS comply with OSP regulations and compute overtime and call-back pay accordingly. In addition, we recommend ITS analyze the duties of the Facilities Maintenance Supervisor and determine options in an attempt to reduce the amount of call-back time required since he was paid an additional \$36,416 or 85% of his base salary for the call-back time. There may be more economical means of performing the duties.

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General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with this mandate, and our standard operating practice, we will provide copies of this management letter to the Governor, the Attorney General, the Director of the State Bureau of Investigation, and other appropriate officials.

We are presenting these areas of concern for your review and written response. The purpose of the response is to allow you the opportunity to outline any corrective actions taken or planned. We request that your written response be delivered to us by February 20, 2001.

If you have any question or wish to discuss this matter further, please contact us. We appreciate the cooperation received from your staff during the course of our review.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Campbell, Jr." The signature is written in black ink and is positioned above the typed name.

Ralph Campbell, Jr., CFE

State Auditor

RCjr:lc

**Management letters and responses receive the same distribution as audit reports.**



**State of North Carolina  
Office of Information Technology Services**

Michael F. Easley, Governor

Ronald P. Hawley, State Chief Information Officer

February 20, 2001

Mr. Ralph Campbell, Jr., State Auditor  
Office of the State Auditor  
2 S. Salisbury Street  
Raleigh, North Carolina 27699

Dear Mr. Campbell:

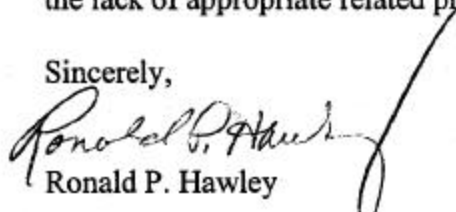
We received your letter of February 5, 2001 regarding the incorrect payment of the Facilities Manager at ITS. This letter is our written response to this letter as requested.

We acknowledge the stated incorrect compensation of this employee and have taken appropriate remedial actions to a possible repeat of this type of error. The following steps have been taken to correctly implement the OSP<sup>1</sup> callback and overtime policy.

- The time reporting sheet has been modified to differentiate between call-back and overtime
- The work time eligible for callback pay and proper accounting for it has been reviewed with the employee, the fiscal staff and the payroll technician.
- The payroll technician and supervisor will verify the FLSA status of all employees submitting overtime pay on their time sheets prior to a payment of the same.
- Internal procedures for overtime eligibility and call-back eligibility and the payment for each are being more specifically addressed and clarified in the fiscal procedures and the personnel procedures.
- Fiscal procedures will include a quarterly internal review of all employee overtime/callback payments.
- We will review quarterly the need for callback duty and consider alternative solutions if it becomes excessive.
- We will assure that additional staff are available for callback duty.

We regret that the errors occurred and assure you that we are aggressively addressing the problem and the lack of appropriate related procedures.

Sincerely,

  
Ronald P. Hawley