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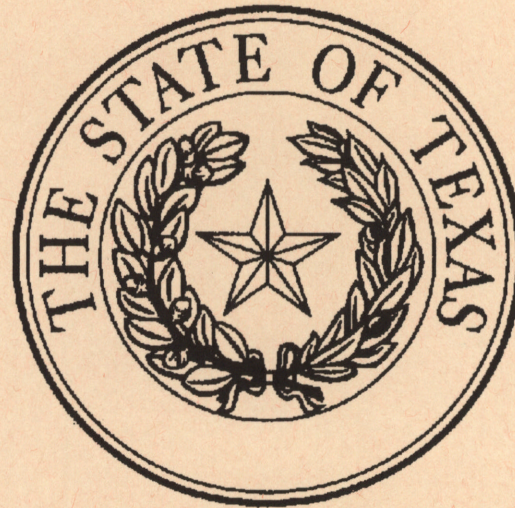
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INTERNAL AUDIT DEPARTMENT

Audit Report on

Overtime

INTERNAL AUDIT DIRECTOR

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June 2011

Overtime Audit

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TEXAS YOUTH COMMISSION



INTERNAL AUDIT DEPARTMENT

TO: Texas Youth Commission Board
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Cheryln Townsend, Executive Director

FROM: Karin Hill, Director of Internal Audit

A handwritten signature in cursive script, appearing to read "Karin Hill".

DATE: June 3, 2011

RE: Results of the Audit of Overtime

Attached for your approval is our report on the audit of overtime. This audit was included in the fiscal year 2011 audit plan approved by the board as a limited-scope audit. The objective of this audit was to evaluate overtime use and determine whether it is being effectively managed.

The scope of this audit was limited to overtime management practices and hours worked by Juvenile Corrections Officers in Texas Youth Commission secure facilities from September 2010 through February 2011. To accomplish this objective the team surveyed facility superintendents and schedulers regarding current scheduling practices, reviewed policies, and obtained and analyzed data.

Recommendations to strengthen management controls and improve accountability were provided and are included in this report. Management concurs with the results of our work and has provided responses, which are included with the recommendations at the end of the report. We appreciate the cooperation and assistance provided to us throughout this audit.

cc: Robin McKeever, Ph.D., Deputy Executive Director

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EXECUTIVE SUMMARY

This report presents the results of our audit of overtime. This was a limited-scope audit included in the fiscal year 2011 audit plan. The objective for the audit was to evaluate overtime use and determine whether it is being effectively managed. The scope of the audit included Juvenile Corrections Officers (JCOs) at secure facilities from September 2010 through February 2011.

Changes in scheduling practices and increased management attention have reduced overtime. Review of overtime worked identified a 70 percent reduction of hours during the period reviewed with one facility reducing its individual overtime by more than 95 percent. This is considered to be attributed to a combination of lower youth populations, a recently adopted scheduling change, the addition of new management tools to monitor overtime hours worked, and increased emphasis at all levels of management.

All of the advantages of the schedule change have not been realized. Expectations of implementing the new schedule included reducing call-ins (unexpected absences) due to having a more stable schedule that would require staff to be called on their days off less often. However, review of call-ins identified that while some facilities have seen a decrease, overall they have increased since the schedule change. In addition, the cost per hour of overtime has increased due to the higher level JCOs (Vs and VIs) working a higher proportion of the lower overtime hours that have been worked.

A more realistic overtime budget might help to further reduce overtime. Overtime expenditures have significantly exceeded the amount budgeted for several years. While they are discussed at the Operations Team Meeting as part of the monthly budget briefing, there is not a process to hold facilities accountable for operating within the budget. A more realistic overtime budget amount and expectations that facility management is accountable for operating within the set limitations could result in further emphasis on controlling overtime and ultimately reducing expenditures.

Overtime scheduling practices are not consistent with policy. Review of policies related to overtime scheduling identified that revisions are needed to be consistent with the new scheduling process. Additionally, comparison of practices to policy requirements identified that the facilities that most closely follow policy had fewer overtime hours.

BACKGROUND

Scheduling staff for a 24/7 operation is a challenging and sometimes cumbersome responsibility which is made more difficult by changing circumstances and the need to deal with the unexpected. For the Texas Youth Commission (TYC), scheduling Juvenile Corrections Officers (JCOs) requires the schedulers to ensure coverage requirements established in statute are met while accommodating for such factors as staff training and scheduled leave and adjusting to unscheduled absences, staff turnover, and increased coverage requirements for such needs as youth on suicide alert and off-campus medical appointments.

The overtime budget is set by the Central Office and allocated to facilities based on the number of authorized JCOs. This process has been in place since 2005; each year the budget has decreased due to reductions in staff and closure of facilities. Overtime expenditures have been significant for many years, have exceeded budgets the last four fiscal years, and will exceed it for the current year. While other staff also work overtime, JCOs, the staff responsible for the day-to-day supervision of the youth, work the vast majority of it.

Overtime is scheduled at each facility; accumulated in KRONOS, the agency's Human Resource Information System, through timesheet completion and approval; and paid by the Payroll Department. Payroll processes overtime payments as part of the regular payroll, which pays at the beginning of the month, and includes any JCO with more than six hours of overtime on the books. The remaining hours are banked in an overtime leave account for that individual and considered an unfunded liability for the agency. Any overtime on the books when an employee terminates is paid in lump sum.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes standards for overtime pay. These standards and the related state statutes regarding accrual and use of FLSA overtime are covered in Policy 27.23, Fair Labor Standards Act (FLSA), Overtime and State Compensatory Time.

The objective of this audit was to evaluate overtime use and determine whether it is being effectively managed. This required a number of activities to evaluate policy and staffs compliance with requirements; identify the causes of facilities requiring overtime; and evaluating how overtime is assigned and distributed among staff. The scope for this audit was overtime worked for the period of September 2010 through February 2011 and was limited to JCOs assigned to secure facilities operated by TYC as this constitutes 89 percent of all overtime expenditures for the agency.

To accomplish this objective we surveyed facility superintendents and schedulers regarding current scheduling practices and compared them to policy; gathered information from facility superintendents on what they considered the biggest factors that caused overtime and completed analyses to determine if any correlations between identified factors and overtime hours worked could be identified; and, using data

collected from the facilities and numerous internal computer systems, analyzed overtime hours worked by facility and JCO classification within the facilities.

This performance audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions reported in this report

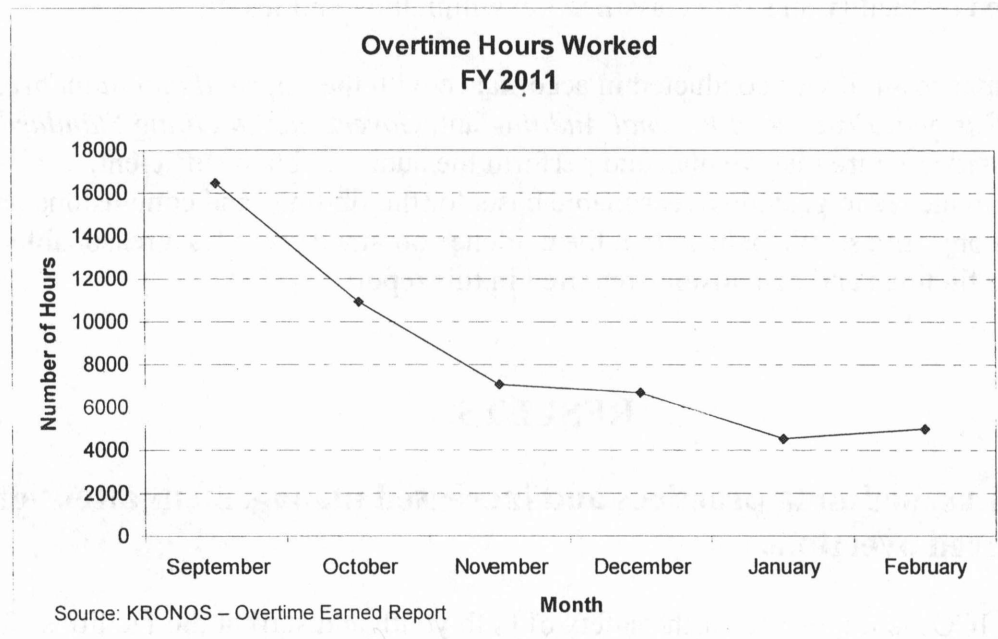
RESULTS

Changes in scheduling practices and increased management attention have reduced overtime.

Scheduling JCOs is important for the safety of both youth and staff at the facilities. The total number of JCOs available is scheduled so that each dorm can maintain a 1:12 JCO to youth ratio for each of the three shifts required for 24 hour-a-day coverage. Historically, the schedule allocated JCOs based on dorm. This resulted in instances when one dorm required overtime due to unavailability of assigned staff while another dorm was richly staffed. Additionally, prior to November 2010, JCOs were scheduled on a rotating three week schedule. There were three different schedules so that the days off were staggered. Each JCO had six days off during the 21 day cycle, which included two instances of two consecutive days with one set being a weekend. To allow for such requirements as staff meetings and other scheduled events, each facility scheduled one to four days a week as “lap days”, where all JCOs would be scheduled to work. This increased coverage to allow for staff attendance at these events. However, constant changes to this schedule prohibited it from operating as designed.

Two changes were made to staff scheduling and assigning overtime in the last eighteen months. In October 2009, the Executive Director issued a directive to assign a JCO VI the scheduling responsibilities – these were previously the Assistant Superintendent’s responsibility – and in November 2010, the Director of Youth Services, in coordination with the Director of Human Resources, implemented a 4-on/2-off schedule for JCOs. This schedule consistently gives JCOs two consecutive days off, reduces the number of assigned 12-hour shifts, and increases staffing on week-ends.

Overtime hours worked have been significantly reduced for most facilities. As illustrated in the graph, analysis identified that agency-wide the number of overtime hours worked was reduced by 70 percent between the months of September 2010 and February 2011. This can be attributed to three things; reduced numbers of youth (requiring fewer staff to meet required coverage ratios), the change to the new scheduling pattern, and increased emphasis by management. During this period, nine of the ten facilities reduced their overtime hours worked between 12.7 and 98.8 percent.



Management tools are available to monitor overtime. The agency has developed a number of electronic reports to ensure management has the information necessary to manage and monitor overtime. For example, the Leave Balance and Overtime Liability reports provide management information to monitor leave and overtime balances and give the schedulers information to assist in scheduling overtime to those with lower balances and the budget department reports the overtime expenditures and unfunded liability by facility to executive management each month. In addition, the newest monitoring report accumulates the amount of overtime hours worked and earned, as well as the cost of those hours, and allows management to follow overtime trends on a weekly basis from the totals by facility down to and including the hours worked by each individual.

Emphasis on controlling overtime expenditures has increased. As discussed above, several tools are available to aide in monitoring overtime and management has increased its expectations of minimizing overtime worked. The addition of a single scheduler to coordinate coverage facility-wide instead of relying on supervisory staff at the dorm level has also helped focus attention to this area. In addition, individual efforts of some superintendents to reduce overtime have also included reducing the number of JCOs assigned to specific posts; thus freeing those staff to be assigned to dorms and be included in the coverage ratio.

All of the advantages of the schedule change have not been realized.

Facility management has considered many factors to be the causes of overtime with one of the most prevalent being staff calling-in sick for their scheduled shifts, which requires other staff to work extra hours to maintain adequate coverage ratios. High turnover, staff being unable to work, and unscheduled absences resulted in staff's schedules constantly

changing, staff being required to come in early/work later than scheduled, and staff being called in on their scheduled days off. By implementing the 4-on/2-off schedule JCOs are scheduled two consecutive days off each week, with a Saturday/Sunday scheduled off every six weeks. The expected results of this change were to provide schedules well in advance of the work week to allow time to plan activities on their scheduled days off, significantly reduce the amount of mandatory overtime and 10-hour or 12-hour shifts that JCOs were working, and therefore reduce unscheduled absences.

Most facilities have not seen a decrease in call-ins. Although reducing call-ins was an expected result of implementing the new staff schedule, they have trended up at seven of the ten facilities. Review of policies and procedures and discussion with facility management identified that while schedulers make every attempt to accommodate leave requests, there are times when they are not able to and staff sometimes call-in to get the time off. This is viewed by superintendents as an indication of negative staff culture. To address it, several superintendents reported that they have begun tracking call-ins to identify patterns and are taking disciplinary actions as necessary.

However, three facilities have experienced a decrease in call-ins since the schedule change – all of which have also significantly decreased overtime. Management at the facility with the most significant decrease reported that requiring JCOs to personally speak with the Assistant Superintendent when calling in has helped with this reduction.

The acknowledgment of this being an indication of staff culture issues and the apparent success of some facilities identifies the need for facility management teams to evaluate the culture on their campuses and share ideas for improvement between facilities.

The average cost per overtime hour worked has not decreased as significantly as the number of hours worked. PRS.27.24, Scheduling JCO Work Hours, outlines procedures for assigning overtime hours that includes how to determine which staff to assign overtime. This policy establishes expectations that efforts are made to keep the costs down by assigning overtime to the lower JCO classifications first and that JCO Vs and VIs work overtime as a last resort to maintain coverage, and only with prior management approval.

Analysis of overtime worked by classification identified that JCO Is through Vs worked overtime proportionate to the number available by class; however, JCO VIs worked more – JCO VIs comprise almost six percent of the JCO workforce yet worked more than 9 percent of the overtime from September 2010 through February 2011 and JCO Vs and VIs combined worked 21 percent of the overtime hours for this period. As these staff's salaries are higher, this has impacted the agency's ability to significantly reduce the hourly cost of overtime; the average cost of each overtime hour worked has been reduced 10 percent.

A more realistic overtime budget might help to further reduce overtime.

Since before 2007 overtime expenditures have exceeded the budget – in 2008 by more than four times and as of January 2011, expenditures exceeded this year’s budget. Overtime expenditures, by facility, are reviewed at the Operations Team Meeting each month. However, while the information is discussed and inquiry is made as to the reasons for high expenditures, facilities are not held accountable for keeping their costs under the amount allocated. This is based on the historical practices of centralized budgeting, common knowledge that the amount budgeted was not sufficient, and successful reliance on lapse funds to cover over-expenditures.

Calculation and projections using overtime data since the improvements noted earlier indicated that, even if the agency had and continues to operate at the more efficient level, the budget would not have been sufficient – expenditures would be expected to reach \$2 million for JCO staff alone, significantly more than the \$1.16 million budgeted for all employees.

By implementing a process to determine and allocate a more realistic overtime budget amount and establishing the expectation that facility management is accountable for operating within the set limitations, the budget itself could put further emphasis on controlling overtime and ultimately reduce expenditures. To be most effective, this would require collaboration between the Finance and Youth Services departments.

Overtime scheduling practices are not consistent with policy.

PRS.27.24, Scheduling JCO Work Hours, outlines procedures for assigning overtime hours, to include points of responsibility and how staff are identified and assigned overtime. It has been in effect since June 2008 and has been amended with one management directive.

Compliance with the policy regarding responsibility, general overtime scheduling and unscheduled overtime needs improvement. Comparison of practices to policy requirements identified that the facilities that most closely follow policy had fewer overtime hours. Some specific areas that are not consistently followed include:

- ***Responsibility for JCO Schedules*** –The October 2009 Management Directive required superintendents to designate a JCO VI as a scheduler, responsible for facility-wide scheduling; two-thirds of the facilities reported that the schedule is completed by someone other than a JCO VI. Policy also specifically states that scheduling decisions may not be delegated to an employee who is eligible to earn overtime; however, two facilities reported that JCO Vs and VIs, other than the scheduler, are involved in the process.
- ***General Overtime Scheduling*** – Policy states that a JCO should not work more than 16 overtime hours within a work cycle (week) unless absolutely necessary to ensure adequate staffing. Review of the frequency in which staff work more than

16 hours of overtime in a week identified that it ranged between one to more than 70 at a facility. While scheduling needs may make it necessary, this variance suggests that some facilities are doing a better job at monitoring this than others. In addition, according to this policy, a JCO may work overtime hours only in a dorm other than the dorm in which he/she worked their regular hours; all but one of the facilities reported that regular assignments are not considered when assigning overtime.

Policy should be revised based on the change in scheduling. The processes outlined in PRS.27.24 to identify and schedule overtime reference the need to determine the number of voluntary overtime hours that JCOs are needed for the upcoming work week and to identify a group of JCOs from which to request volunteers. The 4-on/2-off schedule has decreased the need for volunteers because, under this pattern, there are two workweeks out of every six for which JCOs are scheduled to work four 8-hour days (32 hours). The agency's policy is that staff may take leave to cover the remaining 8 hours for a 40-hour week or may be required to work an additional shift. As a result, on any given week one-third of the JCO staff are scheduled short weeks which gives schedulers latitude to assign hours without requiring overtime.

In addition, policy states that JCOs who have worked the fewest overtime hours in the current month should be considered first, starting with JCO Is and progressing through IVs. While all facilities reported that they use lesser overtime balances to assign overtime, other criteria such as "unscheduled 12's are given to those that call in sick during that pay cycle" and "those who have called in [are assigned additional hours first]" were also mentioned. This type of criteria for assigning overtime could be considered punitive, and may not comply with the agency's disciplinary policies.

RECOMMENDATIONS

RECOMMENDATION	MGT RESPONSE CURRENT STATUS PROJ. COMPLETION DATE
<p>1. The Director of Youth Services should dedicate a session in Superintendent’s Meetings to discuss and share ideas regarding improving staff culture and working conditions at facilities.</p>	<p>CONCUR Planned September 1, 2011</p> <p>The Director of Youth Services will include a session in the next Superintendents Meeting to discuss improving staff culture and working conditions at the facilities.</p>
<p>2. To decrease the hourly cost of overtime worked, the Director of Youth Services should establish and monitor specific expectations related to the amount of overtime worked by JCO Vs and VIs.</p>	<p>CONCUR Planned September 1, 2011</p> <p>The Director of Youth Services will establish a work group made up of assistant superintendents and schedulers. They will develop a plan to set expectations for the amount of overtime worked by JCO Vs and VIs. The plan will include milestones for implementation to begin by July 1st and completed by September 1, 2011.</p>
<p>3. To increase emphasis and further reduce overtime, the Chief Financial Officer should work with the Director of Youth Services to establish and allocate a realistic budget and hold superintendents accountable for managing overtime costs.</p>	<p>CONCUR Planned December 1, 2011</p> <p>The Chief Financial Officer plans to collaborate with the Director of Youth services during the FY 2012 budget development phase to establish a realistic overtime budget. The overtime budget will be established in accordance with a balanced agency budget and a lapse rate approved by executive management. Superintendents will be required to manage the overtime costs for their facilities. Overtime budgets will continue to be tracked and reported on a monthly basis by Finance. Superintendents will be required to explain any overages.</p>

PLANNED: Management concurs with the recommendation but actual implementation of the recommendation has not begun.

UNDERWAY: The implementation process of the recommendation has been started.

IMPLEMENTED: All new procedures, policies, systems, processes, related documents, and other elements relevant to the audit recommendation have been prepared, approved, and put into operation.

FACTORS PREVENT IMPLEMENTATION: Management concurs with the recommendation; however, due to resource constraints and competing priorities is not able to implement or can only partially implement the recommendation.

RECOMMENDATION

**MGT RESPONSE
CURRENT STATUS
PROJ. COMPLETION DATE**

4. To ensure policy and practice are aligned the Directors of Human Resources and Youth Services should evaluate current processes and agency needs and make changes as necessary.

CONCUR
Planned
September 1, 2011

PRS.27.27 (Scheduling JCO Work Hours) will be revised effective September 1, 2011.

- The policy will clarify that the only exception to the requirement for a JCO VI to be the JCO Scheduler is when a JCO VI who has been trained to be a scheduler is unavailable (e.g., due to turnover). In such instances, the responsibility may be delegated to a higher level of authority (e.g., program supervisor).
- The policy will specify that the JCO scheduler will identify for each workweek the group of JCOs whose regular 4-on/2-off schedule would result in the JCOs only working 32 hours during the workweek. The JCO scheduler will require or request JCOs from this group to work an extra eight-hour shift when it is necessary to avoid the accrual of overtime by other JCOs who are scheduled to work 40 hours during the workweek. The current provisions to give priority scheduling consideration to JCOs I - IV over JCO Vs and VIs will continue to apply, because this will help reduce the cost of any overtime hours resulting from an emergency that could occur during the extra shift.
- The policy will prohibit assigning overtime hours to a JCO solely because he/she used sick or other leave during the work cycle. Such JCOs will be considered for extra work hours in the same manner as other JCOs who did not use leave hours during the work cycle.

PLANNED: Management concurs with the recommendation but actual implementation of the recommendation has not begun.

UNDERWAY: The implementation process of the recommendation has been started.

IMPLEMENTED: All new procedures, policies, systems, processes, related documents, and other elements relevant to the audit recommendation have been prepared, approved, and put into operation.

FACTORS PREVENT IMPLEMENTATION: Management concurs with the recommendation; however, due to resource constraints and competing priorities is not able to implement or can only partially implement the recommendation.

The Directors of Human Resources and Youth will begin reminding superintendents and assistant superintendents, via emails and discussions in superintendent meetings, of the need to comply with the provisions in PRS.27.27 relating to not allowing other employees who are eligible to earn overtime to make JCO scheduling decisions and to not allow a JCO to work more than 16 overtime hours within a work cycle unless absolutely necessary. The added procedures identified above will be emphasized after publication of the policy.

PLANNED: Management concurs with the recommendation but actual implementation of the recommendation has not begun.

UNDERWAY: The implementation process of the recommendation has been started.

IMPLEMENTED: All new procedures, policies, systems, processes, related documents, and other elements relevant to the audit recommendation have been prepared, approved, and put into operation.

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