

---

## Excessive Overtime Fraud

---

### The Scenario

The auditor was working on a payroll audit at a Department of Defense agency and requested the organization's employee deployment list for review. They noted that employees providing logistics support at a South West Asia location were claiming excessive amounts of overtime compensation. The auditor reviewed timesheets submitted by the employees for six pay periods and observed the following trends:

- Two hundred and thirty timesheets with one hundred or more overtime hours were reported for each biweekly reporting period (12 hour days or more for every day in the two week pay cycle).
- One employee reported overtime hours ranging from 154 to 166 hours in each pay period for three consecutive pay periods (16 or 17 hour days for every day of the two week pay cycle). Another employee reported overtime hours ranging from 166 hours to 190 hours in each pay period for five consecutive pay periods (17 or 19 hour days for every day of a two week pay cycle).
- Fifteen employees had over one hundred hours of overtime reported but were not paid since they had exceeded the annual aggregate compensation amount for Level 1 of the Executive Schedule, which totaled \$186,000 in 2007.

The auditor coordinated interviews with employees working at the facility. Interviewees stated that the site was open twenty four hours a day, seven days a week. Employees stated that they sometimes worked twelve or sixteen hours each day depending on the amount of work needed to support the agency's mission. Auditor analyses of employee timesheets showed that the average number of overtime hours claimed by employees at the facility was 90 hours for each pay period.

The auditor then arranged for interviews with the timesheet certifying officials. The certifying officials were responsible for reviewing and approving the employee timesheets. The interviews disclosed the following information:

- Some certifying officials signed the timesheets without reviewing or questioning the reasonableness of the overtime hours claimed.
- Certifying officials were often located at other locations and did not have direct management responsibility for the employee.
- Several certifying officials stated that they did not question the amount of overtime hours claimed because the employees were working in war zones and management scrutiny of timesheets was not a top priority for the agency.

An interview with an agency representative in the United States disclosed that the organization had not established internal procedures to monitor or oversee overtime hours claimed by deployed employees. The official stated that he was not aware of the excessive overtime charges until he was briefed on the results of the auditor's work.

**General Comments / Lessons Learned.** The Government provides many incentives for employees assigned to work in dangerous environments outside of the continental United States. Monetary incentives provided to employees working in dangerous locations may tempt some employees to submit excessive overtime compensation claims for hours that were not worked. However, similar types of overtime compensation schemes can also occur within the continental United States. Auditors should continually be alert to the potential for payroll fraud schemes when conducting their work.

#### **FRAUD INDICATORS**

- **Managers do not perform supervisory reviews of employee timesheets.**
- **Timesheet certifying officials are located at remote locations and do not have direct management responsibility for employees.**
- **Management has not established procedures to monitor employee overtime compensation claims.**
- **Detection and prevention of payroll fraud schemes is not a priority for the organization.**