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Commonwealth of the Northern Mariana Islands

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January 27, 1999

Honorable Jose C. Sablan
Mayor of Saipan
P.O. Box 1457 CK
Saipan, MP 96950

Dear Mayor Sablan:

Subject: Final Letter Report on the Audit of Time and Attendance at the Saipan Mayor's Office Administrative Division and Mechanic Shop - May 22 and May 29, 1998 (Report No. LT-99-02)

This report presents the results of our audit of time and attendance at the Saipan Mayor's Office (SMO) Administrative Division and Mechanic Shop on May 22 and May 29, 1998. The objectives of the audit were to determine whether (1) employees who timed in for work were at their assigned work areas during office hours, (2) employees on field assignments are being properly monitored, (3) employees who were absent properly notified the office and were charged with appropriate type of leave, and (4) correct time and attendance recorded on May 22 and May 29, 1998 were accurately reported in the Summary Time Sheet (STS) for the pay period.

Our audit showed that SMO (1) needs to enforce the use of a log sheet for logging in and out when going out on field assignments during office hours, (2) needs to document calls of employees reporting leave, (3) improperly paid time-off as regular hours instead of leave, (4) granted compensatory time-off to Fair Labor Standards Act (FLSA) exempt employees, (5) needs to properly monitor and document compensatory time, and (6) needs to control manual entries in time cards.

We recommend that the Mayor of Saipan: (1) adopt a written policy to require all employees to use a log sheet for logging in and out when going out on field assignments during office hours, (2) designate to the timekeepers the responsibility to monitor and document employees' calls reporting leave, (3) require the timekeeper to submit the time cards and time sheets to a designated supervisor such as the Administrative Officer for review of time charges, (4) comply with the CNMI Personnel Policies and the FLSA by disallowing the accumulation and use of compensatory time by executive, professional and administrative employees, (5) establish policies and

procedures to adequately monitor and control compensatory time, and (6) establish controls over manual entries in time cards such as requiring employees to call the office from their job site or requiring supervisors to do surprise checks to ascertain that employees who go directly on their field assignments actually worked.

In his letter response dated December 21, 1998 (**APPENDIX A**), the Mayor concurred with recommendation numbers 1, 3, 5 and 6 and discussed steps taken to address the recommendations. For recommendation 1, the Mayor provided the Office of the Public Auditor (OPA) with a memorandum dated December 15, 1998 (**APPENDIX B**) to all staff regarding SMO's log out/in policy. For recommendation 3, the Mayor stated that SMO has implemented a weekly review of employees' time cards by the Fiscal and Budget Officer for accuracy prior to the Mayor's approval. To address recommendation 5, the Mayor enumerated procedures established to monitor and control compensatory time. To address recommendation 6, the Mayor stated that all manual entries on employee time cards are initialed by each supervisor and referenced to the log sheet.

The Mayor previously disagreed with recommendation 2. However, the Acting Chief Administrative Officer explained that subsequently SMO designated a person in each of the three locations to monitor and document employees' calls reporting leave.

The Mayor disagreed with recommendation 4 to comply with the CNMI Personnel Service System Rules and Regulations (PSSRR). However, the Mayor concurred with the part of the recommendation to disallow compensatory time for administrative, professional and executive employees except when employees are required to perform other duties not within their job description.

Based on the response we received from the Mayor, we consider recommendations 1, 2, 3, 5 and 6 closed, as the actions taken by SMO addressed our recommendations. We amended recommendation 4 and considered it resolved. The additional information or action required to close the remaining recommendation is presented in **Appendix C**.

BACKGROUND

We conducted two surprise inspections of time and attendance at the SMO, the first on May 22, 1998 at the Administrative Division, and the second on May 29, 1998 at both the Administrative Division and the Mechanic Shop. The inspections were initiated by OPA because of complaints that some SMO employees were abusing government time. It was alleged that two employees regularly reported for work to time-in, and then left to work at their private businesses. These employees were being paid in full without being charged the appropriate leave.

The office of the mayors, and other agencies of local government were established by the CNMI Constitution, Article VI, Section 1 et seq.. Article VI, Section 2 of the Constitution enumerates

the constitutional duties of the Mayor while various public laws, as codified in 1 CMC §5101, mandate additional duties.

The SMO operates at two locations: the Administrative Division is in the Afetna Square Building in San Antonio while the Mechanic Shop is in Chalan Kanoa. There are 69 limited term employees who are classified as administrative, community and special projects, finance and accounting, heavy equipment, mechanic, and water delivery personnel. Employees are required to use time clocks to record their time and attendance on time cards. Time cards and Application for Leave forms are used by the timekeeper as the bases for preparing time sheets for payroll processing.

The SMO personnel are exempted from the Civil Service System pursuant to 1 CMC §8131 (a) 12, and SMO is using its own personnel manual. That manual was prepared during the term of the former Mayor and was adopted for use starting June 4, 1991. The incumbent Mayor opted to use the same manual. The SMO observes the use of standard CNMI government working time and pay periods.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether (1) employees who timed in for work were at their assigned work areas during office hours, (2) employees on field assignments are being properly monitored, (3) employees who were absent properly notified the office and were charged with appropriate leave, and (4) time and attendance recorded on May 22 and May 29, 1998 were accurately reported in the STS for the pay period.

OPA staff members conducted surprise inspections of employees' time and attendance at the SMO Administrative Division and the Mechanic Shop on May 22, 1998 and May 29, 1998. To accomplish our objectives, we performed the following procedures: (1) obtained a complete list of all SMO employees, (2) identified the employees assigned to the Administrative Division and Mechanic Shop, (3) checked the time cards against the list, (4) identified employees who were present during the inspections, (5) determined the location of employees who were out on field assignments and tried to locate them, (6) examined the duly approved leave forms or asked for other documents that showed reporting of leave, (7) independently summarized the time charges in the time cards and compared the time card charges with those in the STS, (8) summarized exceptions noted, and (9) required justification from appropriate personnel.

PRIOR AUDIT COVERAGE

OPA conducted an audit of CNMI government Employees' Time and Attendance from July 1995 to June 1997. The SMO was one of the government agencies where inspection of time and attendance was conducted on December 29, 1995, June 25 and June 26, 1997 for the main office and mechanic shop. The audit report dated June 25, 1998 stated that government offices, departments, and agencies committed abuses in timekeeping, and in granting of leave, overtime, and compensatory time to employees. For SMO, the report discussed improper time charges such as Absence Without Leave (AWOL) employees and employees on sick leave improperly charged with regular hours, employees on annual leave improperly charged with sick leave, and no leave charged for employees' accumulated tardiness.

FINDINGS AND RECOMMENDATIONS

A. Need to Enforce the Use of a Log Sheet for Logging In and Out When Going Out on Field Assignments During Office Hours

We were told by the timekeeper that each section of the SMO is required to maintain a log sheet to be filled in by employees who need to leave and return during working hours. On May 22, 1998, all 11, and on May 29, 1998, 6 out of 10 Administrative Division employees who were out during working hours, did not log out on the log sheet. At the Mechanic Shop, where more employees are being designated for field assignments, no log sheet was used. The absence, and inconsistent use, of the log sheets was due to lack of enforcement and lack of a clearly written policy for log sheet use. As a result, monitoring and supervisory controls for employees in the field are weak and may lead to low work output and use of government time for personal business.

Results of Inspection

Our inspection results are shown in **Table 1**. On May 22, 1998, none of the 11 Administrative Division employees who were out of the office logged out. We randomly tried to locate 7 employees. Two who were supposed to be at the American Memorial Park, and 5 who were assigned to the Small Business Expo being held at the Multi-Purpose Hall were not found. However, the Maintenance Coordinator of the Hall attested that 3 had been at the Hall earlier.

Location	Office 5/22/98 (2:30 p.m.)	Office 5/29/98 (8:30 a.m.)	Shop 5/29/98 (9:00 a.m.)
Office	13	15	10
Out of the office	11	10	22
On leave	10	9	2
Total	34	34	34

Table 1

During the May 29, 1998 inspection, 6 of the 10 Administrative Division employees did not log out. Also, of the 10 employees, 2 were found in their work areas, 2 were reached by phone, 3 were

confirmed to have reported to work by other people at the work site, 1 was not found at the assigned site, and the whereabouts of the remaining 2 were unknown.

Our inspection showed that the Mechanic Shop (Shop) does not maintain log in/out sheets to document the whereabouts of employees who leave the shop during working hours. Our inspection on May 29, 1998 showed that 22 of the 34 employees at the shop were out doing community assistance projects like water delivery, bush cutting, transporting picnic tables, and coral delivery.

Of the 22 employees who were out on field assignments, 12 were found in their work areas. We did not try to locate the remaining 10 employees because their supervisors said that locating them was difficult because they were moving between locations for water delivery, transporting tables and coral delivery.

Conclusion and Recommendation

The whereabouts of employees on field assignments are not properly monitored because log in and out procedures when going out of the office were not being enforced.

Accordingly, we recommend that the Mayor:

1. Adopt a written policy to require all employees to use a log sheet when going out on field assignments during office hours. Detailed information of the employees' whereabouts should be included in the log sheet such as the date, the name of employee, car no., time out, time in, location, telephone number at location, and the purpose. Appropriate disciplinary action should be taken against employees who fail to log in and out (i.e., reprimand).

SMO Response

For recommendation 1, the Mayor responded that SMO implemented a log in and out policy for all departments. OPA was provided with a memorandum dated December 15, 1998 (**APPENDIX B**) to all staff regarding SMO's log out/in policy. The memorandum emphasized the importance of logging in and out and the consequences for not complying with the logging in and out policies.

OPA Comment

Based on the response we received from the Mayor, we consider recommendation 1 closed, as the memorandum issued by the Mayor addressed our recommendation.

B. Need to Document Calls of Employees Reporting Leave

The calls of employees reporting leave should be documented to ensure that employees are charged with the appropriate type of leave and that work can be rescheduled or reassigned. At SMO, employees taking leave only inform their supervisors who often do not inform the timekeepers. For example, the leave and attendance information for 7 employees provided to us by the timekeeper during our inspections was different from what was posted in the time sheet for the pay period. (See

Date of Inspection	Employee No.	Per Inspection	Per STS
05/22/98	100404	6 SL	6 AL
05/22/98	100424	8 AL	8 SL
05/22/98	100384	8 SL	8 AL
05/22/98	100412	8 Comptime	8 SL
05/29/98	100384	Out of the office	8 SL
05/29/98	100405	8 AL	8 Regular
05/29/98	170387	8 SL	8 AL

Table 2

Table 2). It appears that the failure to inform the timekeeper daily about the absences and type of leave requested by employees, can result in (1) errors in recording leave information, or (2) improprieties if leave is not charged and employees are paid based on regular hours.

During our inspection on May 22, 1998, the timekeeper informed us of the type of leave the employee was taking based only on her recollections of what other employees had verbally told her or what the absent employee may have said on previous days. On our May 29, 1998 inspection, the timekeeper at the Administrative Division was on leave so it was the Mayor himself who informed us about employees who were on leave, again based only on recollections of what has been stated by other employees. A policy for recording calls and requests for leave can help ensure the proper monitoring of employees' absences and leave balances.

Conclusion and Recommendation

Employees who were absent did not properly notify the timekeeper and there was no procedure for recording leave requests. Thus, the person responsible for monitoring absences and leave balances, the timekeeper, is not always informed about which employees are absent and for what reasons.

Accordingly, we recommend that the Mayor:

2. Designate to the timekeepers the responsibility to monitor and document employees' calls reporting leave. The record of employees' calls can be used for checking that employees properly report the correct type of leave when they fill out their time cards and request for leave forms.

SMO Response

The Mayor disagreed with recommendation 2. The Mayor explained that SMO has three locations which makes it hard for one individual to monitor the leave of each employee. The Mayor instead required that each employee supervisor be more conscious of and responsible for their employees' time and attendance.

On January 11, 1999, the Acting Chief Administrative Officer subsequently explained to us that the timekeepers for the Mechanic Shop and the Administrative Office are assigned to document on the employees' time cards, calls of employees reporting leave. The third location mentioned in the Mayor's response is the Stray Animal Control Office where a Supervisor is assigned to monitor employees' time and attendance including the reporting of leave.

OPA Comment

We were able to verify that SMO designated a person in each location to monitor and document employees' calls reporting leave. For instance, at the Administrative Division, the timekeeper documents on the employees' time cards the calls to report leave on the same day the calls are made. Based on our verification and the response we received from the Mayor and the Acting Chief Administrative Officer, we consider recommendation 2 closed.

C. Time-off Improperly Paid as Regular Hours Instead of Leave

The SMO Personnel Manual provides that the work week for full-time permanent employees is 8 hours per day, five days per week. SMO follows the standard work week and hours starting Monday at 7:30 a.m. until the following Friday at 4:30 p.m. Time in and out reflected in the time cards should be accurately summarized in the time sheet. Time cards showed that 9 employees either came to work or did not work the full eight hours. However, these employees were not charged leave but instead were paid regular hours, because the timekeeper overlooked some requests for sick leave and annual leave and failed to record the hours some employees reported late

Date	Employee No.	Per Audit	Per STS
05/19/98	100391	2 SL	2 Regular
05/18/98	100425	1 AL	1 Regular
05/14/98	100410	2 AL	2 Regular
05/26/98	100404	1 SL	1 Regular
06/02/98	100404	1 SL	1 Regular
05/28/98	170346	1 AL	1 Regular
06/03/98	169565	1 AL	1 Regular
06/04/98	169565	1 AL	1 Regular
05/29/98	100403	1 AL	1 Regular
06/01/98	170387	1 AL	1 Regular
06/04/98	170387	1 AL	1 Regular
06/01/98	169283	1 AL	1 Regular

or left early. This occurred because the time sheets prepared by the timekeeper are not being reviewed for accuracy. The timekeeper is solely responsible for the STS and submits it directly to the Mayor for certification. As a result, employees were either paid for hours that they did not work or were not properly charged for the type of leave they took. (See Table 3).

Subsequent Event

The timekeeper adjusted the leave balances of employee numbers 100391, 100410, 100404, 170346, 169565, 100403 and 169283 for the pay period ending 6/20/98. The leave balance of employee no. 100425 was adjusted for the pay period ending 7/4/98. We checked the accuracy of the adjustments made by taking the Department of Finance (DOF) Payroll Supervisor to provide us a printout from the payroll system of the adjustments made. The timekeeper adjusted the individual compensatory time record instead of the leave balances for employee number 170387 because that employee's annual leave balance was zero. We checked the individual compensatory balances to ascertain that the adjustment was recorded as a usage of compensatory time. No exceptions were noted.

Conclusion and Recommendation

SMO failed to detect the inaccuracies in time charges recorded in the STS because of the lack of review procedures.

Accordingly, we recommend that the Mayor:

3. Require the timekeeper to submit the time cards and time sheets to a designated supervisor such as the Administrative Officer for review of time charges. The time charges in the STS should be compared with the time cards and the applications for leave. Documentation to evidence review (such as signing) should be provided.

SMO Response

The Mayor stated that SMO has implemented procedures to review employees' time cards on a weekly basis and to have the STS verified by the Fiscal and Budget Officer for accuracy prior to the Mayor's approval.

OPA Comment

On January 11, 1999, we examined a sample of the Weekly Time and Attendance Report, STS, time cards and applications for leave prepared by the timekeeper to check evidence of weekly reviews in accordance with the procedures implemented as stated in the Mayor's response. The Fiscal and Budget Officer who is also the Acting Chief Administrative Officer initials on the STS, signifying review. We were satisfied that the procedures are being appropriately implemented, and therefore consider recommendation 3 closed.

D. Compensatory Time Granted to FLSA Exempt Employees

SMO, as part of the CNMI Government, is required to comply with the CNMI Personnel Policies and the federal Fair Labor Standards Act in granting compensatory time to its employees. The FLSA and Part IV.B16.A of the PSSRR provide that bonafide executive, administrative, and professional employees are exempt from payment of overtime and compensatory time. These regulations provide tests to determine whether an employee is exempt or not.¹ Our review showed that the Mayor granted compensatory time to employees qualified at the executive, administrative and professional level that does not comply with CNMI Personnel Policies and the FLSA. (See Table 4).

Position Held	Staff Members Supervised	FLSA Level
Fiscal & Budget Officer Representative	8	Executive
Administrative Secretary V	0	Administrative
Special Advisor	1	Professional
Chief Administrative Officer	4	Executive
Personnel Officer Representative	1	Administrative
Stray Animal Control Officer	2	Executive
Director of Operations	18	Executive
H/E Operator Supervisor	4	Executive

This occurred because the Mayor decided to deviate from established CNMI Personnel Policies and Procedures. As a result, the granting of compensatory time to SMO's FLSA-exempt employees is unfair to other agencies that comply with the government-wide policies.

Our review showed that the Mayor authorized *all* SMO employees to be entitled to overtime compensation through the Notice of Personnel Action (NOPA) processed by the SMO Personnel Division. However, since there was no budget for overtime, the Mayor allowed the employees to accrue compensatory time for overtime hours worked. By contrast, there was also a NOPA processed by the CNMI Personnel Office from which we noted that seven employees from the Administrative Division and two from the Mechanic Shop were exempt from overtime compensation in accordance with the FLSA. The Mayor told us that SMO enforces its own

¹ Short test for Executive, Administrative, and Professional employees who are exempt from payment of overtime.

Executive

- 1) Compensation: Is paid not less than \$250 per week exclusive of board, lodging, or other facilities.
- 2) Duties: Primarily management of the agency, department, or subdivision.
- 3) Supervision: Customarily and regularly directs two or more other employees.

Administrative

- 1) Compensation: Is paid at least \$250 per week exclusive of board, lodging, or other facilities.
- 2) Duties: Primarily performance of office or non-manual work directly related to management policies or general business operations, or the performance of functions in the administration of an educational establishment, or a department or subdivision thereof, in work directly related to the academic instruction or training.
- 3) Responsibilities: Primary duty includes work requiring the exercise of discretion and independent judgement.

Professional

- 1) Compensation: Is paid not less than \$250 per week exclusive of board, lodging, or other facilities.
- 2) Duties: Primarily consist of performing work requiring advanced learning or work as teacher.
- 3) Responsibilities: Must include work which requires the consistent exercise of discretion and judgement or consist of work requiring invention, imagination, or talent in a recognized field or artistic endeavor.

NOPA because it is not governed by the CNMI Personnel Office, is exempt from the Civil Service System, and can adopt its own personnel regulations. The Mayor believed that he acted within his authority in granting compensatory time to all SMO employees.

Conclusion and Recommendation

SMO used its own Personnel Policies that do not comply with those employed by the CNMI Government because the Mayor decided to deviate from the FLSA and the established CNMI Personnel Policies in granting compensatory time to all SMO employees.

Accordingly, we recommend that the Mayor:

4. Comply with the CNMI Personnel Policies and the FLSA by disallowing the accumulation and use of compensatory time by executive, professional and administrative employees.

SMO Response

The Mayor disagreed with recommendation 4 to comply with CNMI PSSRR and cited Civil Action 91-32². The Fiscal and Budget Officer emphasized that in Civil Action 91-32, it was argued that the Mayor's office is not within the Executive Branch and therefore not within the authority and scope of the Civil Service Commission. However, the Mayor concurred with the part of the recommendation to disallow compensatory time for administrative, professional and executive employees except when employees are required to perform extraordinary duties not within their job description. The Acting Chief Administrative Officer explained that if the recommendation is implemented, SMO will not allow overtime to FLSA-exempt employees but will authorize exceptions such as during the Annual 4th of July celebration where exempt employees will be allowed to accrue compensatory time.

OPA Comment

Based on the response we received from the Mayor and the explanation of the Acting Chief Administrative Officer, we consider the recommendation resolved. OPA agrees that SMO is not under the authority of the Civil Service Commission; however, we still believe that as a part of the CNMI government, SMO should establish personnel policies and procedures consistent with the CNMI Personnel Policies and the FLSA.

The Director of Personnel in its May 28, 1997 memorandum to all department heads and activity heads stated that the CNMI Government recognizes that there are situations and occasions, where

² Civil Action 91-32 is a civil case filed by the former mayors of Rota and Tinian versus the CNMI Civil Service Commission, the Department of Finance and the CNMI government. The declaratory judgment in the case stated that the personnel and staff of the Mayors offices are exempt from the civil service, and the Civil Service Commission and the Personnel Officer acting for the Civil Service Commission have no authority or responsibility to review the contracts to determine if, in fact, the positions are exempt.

it is in the best interest of government effectiveness to grant waivers to employees with overtime exempt status. However, extra hours payments to overtime exempt employees, when approved, will be at the regular salary rate, not at the time and one-half rate.

Civil Action 91-32 does not prohibit SMO from implementing personnel policies and procedures which are the same as those established by the CNMI Government. We, therefore, amend our recommendation to include that the Mayor may make exceptions in granting compensatory time to executive, professional and administrative employees. However, SMO should develop written policies to include that in making exceptions to FLSA-exempt employees in granting compensatory time, it should be at the regular rate, not at the time and one-half rate.

E. Need to Properly Monitor and Document Compensatory Time

Compensatory time balances of employees are either monitored by the Department of Finance (DOF) or the autonomous agencies' accounting office (registered compensatory time) or monitored within the department (in-house). If monitored by DOF, the timekeeper shows in the STS the compensatory time earned and used by the employees. If monitored within the department, no compensatory time transactions are reflected in the STS and balances are monitored by the department timekeeper using the compensatory time-off form.

At SMO, all compensatory time-off is recorded through an in-house arrangement. Accruals of compensatory time are based on a Request & Authorization for Compensatory Time (R&A) which is prepared by the supervisors. The supervisor provides the purpose or justification of the work done beyond the regular working hours. The R&A is prepared by the employees' supervisor and approved by the Mayor or the Chief Administrative Officer on a weekly basis. The R&A is done weekly. To use compensatory time, the employee is required to submit an Application for Leave that must be approved by the employees' immediate supervisor or the Mayor.

Our audit showed that compensatory time was not accurately monitored and documented. For example, we noted the following: (1) use of compensatory time-off in excess of accrual, (2) incomplete entries in the individual compensatory time records, (3) compensatory time request and authorizations approved after the fact, (4) accrual of compensatory time for "no lunch", and (5) dual preparation of request and authorizations for overtime.

This occurred because the compensatory time policies and procedures employed by SMO to monitor and control compensatory time are not adequate and need to be improved. As a result, employees can easily abuse compensatory time and may be credited with compensatory time for work not performed.

Use of Compensatory Time-off in Excess of Accrual Resulted in Negative Balance of Compensatory Time

The Personnel Officer Representative is an FLSA-exempt employee who was allowed by the Mayor to accrue compensatory time-off. The timekeeper showed us a memorandum dated March 1, 1998 in which the mayor approved the use of compensatory time-off instead of leave for required medical treatment of the Personnel Officer. We noted that the Personnel Officer Representative used compensatory time-off for his medical treatment. However, his compensatory time-off record showed that the usage exceeded the accrual, resulting in a negative balance of 26 hours as of July 1, 1998. The Mayor told us that he was not aware of the insufficient compensatory time balance. However, since no policy has been established for the use of advance compensatory time, the Mayor said that he would not allow the negative compensatory time balance and agreed that it would be charged to sick leave instead.

The timekeeper charged the negative balance of 26 hours of compensatory time to the sick leave balance of the Personnel Officer Representative in pay period ending July 4, 1998. We checked the adjustment with the DOF Payroll Supervisor and noted no exceptions.

Our review also showed that the individual compensatory time records of one employee from the Administrative Division and two from the Mechanic Shop had negative balances of compensatory time as of July 1, 1998. **(See Table 5)**. There were also five other employees from the Administrative Division and seven from the Mechanic Shop with transactions which resulted in negative compensatory time balances but which were offset by subsequent accruals before July 1, 1998. The timekeeper told us that this

Employee No.	Position/Title	Compensatory Time Balance As of 7/1/98
159734	Stray Animal Control Officer (Admin.)	(1)
100417	Building Maintenance Foreman (Shop)	(3)
100438	Fuel & Tire Service Staff (Shop)	(9)

occurred because the available compensatory time for employees applying for leave was not being determined before the approval of the employees' application for leave by the immediate supervisor or division head. The timekeeper said that seldom did a supervisor call her to ask about a certain employee's available compensatory time. For employee no. 100438, the negative balance was offset by subsequent accrual.

For pay period ending July 18, 1998, the timekeeper charged the negative balances in the compensatory time records of employee numbers 159734 and 100417 to Annual Leave. We checked the adjustment made with the DOF Payroll Supervisor and noted no exceptions.

Incomplete Entries in the Individual Compensatory Time Records

Our review of the individual compensatory records showed that there were missing entries of accruals and use of compensatory hours during the pay period in which we did an inspection of

time and attendance. Use of compensatory time was not posted on the individual compensatory time records because the timekeeper offset the accrual and use of compensatory time on the timecard. The correct way is to record accrual at time-and-a-half based on the R&A and use based on actual hours on the leave form separately. The timekeeper made adjustments to record the missing accruals and use in the individual compensatory time records.

Compensatory Time Request and Authorization Approved After the Fact

Our review showed that approval of Compensatory Time Request and Authorization forms by the employees' immediate supervisor were made after rendering the overtime but before the submission of the STS for the pay period. According to the Mayor, he has knowledge of the work to be done, but does not know who will be available to work overtime. Also, there are emergencies that usually take place on weekends for which there is no time to prepare the R&A in advance. What usually happens is that verbally the Mayor is informed of the employees who worked overtime, although sometimes the Mayor goes to the work area to check who actually worked. Then the supervisors prepare the R&A weekly and submit it to the Mayor for approval.

Accrual of Compensatory Time for "No Lunch"

We also noted accrual of compensatory time for the one hour lunch break. We discussed with the Mayor the accrual of compensatory time for "No Lunch" which we noted on the time cards. The Mayor told us that sometimes employees earn compensatory time for not taking their lunch because they need to attend to phone calls and to listen to the radio for any important calls. However, not all employees are allowed to accrue compensatory time for "no lunch". In our opinion instead of granting compensatory time for "no lunch", it is effective to implement a staggered schedule of lunch breaks for employees. In this way, there will be at least one employee who can attend to important calls on the phone and radio during the lunch hour.

Dual Preparation of Request and Authorization for Overtime

Our review showed that there were three instances when two R&As for overtime were prepared for the same overtime job involving employees from the shop. In one instance, one of the R&A forms showed a one hour longer period and it was the one subsequently credited to the employees' compensatory time record. The Mayor told us that it was due to mere oversight by the supervisors preparing the R&A because there are two supervisors responsible for the preparation of the R&A at the shop. The Mayor said that he would talk to the supervisors to ensure that there is coordination between them when preparing the R&A.

Conclusion and Recommendation

Compensatory time was not accurately monitored and documented because the compensatory time policies and procedures employed by SMO are not adequate and need to be improved.

Accordingly, we recommend that the Mayor:

5. Establish policies and procedures to adequately monitor and control compensatory time as follows:
 - (a) Control on use of compensatory time. Assign a person (such as the timekeeper) to be responsible for maintaining the compensatory time records and to verify that there is a sufficient compensatory time balance to cover any use before recording it. The supervisors should be required to verify with the timekeeper the compensatory time balance of the employee before approving the application for leave.
 - (b) Recording of compensatory time. Accruals should be recorded at time-and-a-half based on the R&A, and use should be recorded based on the actual hours on the leave form. The compensatory time earned and used by each employee should be posted in the compensatory time records on a timely basis (e.g. weekly).
 - (c) Approval of compensatory time request and authorization. The Request and Authorization for Compensatory Time should be prepared and approved in advance. The information in the authorization form should include the following: (1) estimated work hours requested, (2) purpose and justification for the request, (3) name of employees who are directed to work, and (4) beginning and ending dates and time of work.
 - (d) Authorization for “No Lunch”. A staggered schedule for lunch break can be taken by employees in shifts to ensure that there will be one employee who can attend to important calls on the phone and radio during the regular lunch break hours of 11:30 a.m. to 12:30 p.m. For example, one employee can take an early lunch break from 11:00 a.m. to 12:00 p.m. and another employee can take a late lunch break from 12:00 p.m. to 1:00 p.m.
 - (e) Documentation of R&A. Designated persons such as the timekeepers should verify that only one R&A is prepared before recording accrual of compensatory time.

SMO Response

In his letter response, the Mayor enumerated procedures implemented such as assigning the timekeeper the responsibility of monitoring and record-keeping of compensatory time, implementing weekly review of compensatory time, pre-approving compensatory time, implementing staggered hours for answering phone and radio calls during lunch hour, and instructing department supervisors to personally prepare compensatory time requests.

OPA Comment

We examined supporting documentation and verified with the appropriate personnel such as the timekeeper and the Acting Chief Administrative Officer whether the procedures stated in the Mayor's response are already being implemented.

Based on our verification, we were satisfied that the procedures stated in the Mayor's response are being implemented. Therefore, we consider the recommendation closed.

F. Other Matter - Need to Control Manual Entries in Time Cards

SMO employees used the time clock to "punch in" daily time-in-and-out on their time cards but manual entries were accepted on occasions when employees were required to go directly to field assignments. If manual entries were used, either the Mayor or the immediate supervisor signed their initials to indicate approval. The sanctioning of manual entries merely by the supervisors may not provide enough control to ascertain that employees actually worked. Supplemental controls should be established as a deterrent to abuse. One control is the use of a log sheet that shows location and contact no. which would enable a supervisor to do surprise checks. Employees in the field can also be asked to call the office once they arrive at the job site. Another way is to require the use of an activity report where a supervisor can quantify the work performed.

Conclusion and Recommendation

Manual entries, even though initialed by the Mayor or the supervisor, should be supplemented by controls to ascertain that employees actually worked.

Accordingly, we recommend that the Mayor:

6. Establish controls on manual entries in time cards, such as requiring employees to call the office from their job sites or requiring supervisors to do surprise checks to ascertain whether employees who go directly on their field assignments actually worked.

SMO Response

The Mayor concurred with the recommendation and stated that all manual entries on employee time cards are initialed by each supervisor and referenced to the log sheet.

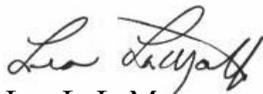
OPA Comment

On January 11, 1999, we examined samples of time cards with manual entries to verify whether the procedures stated by the Mayor in his response were being adhered to. Based on our verification, we were satisfied that the procedures have been appropriately implemented. Therefore, we consider the recommendation closed.

Our office has implemented an audit recommendation tracking system. All audit recommendations will be included in the tracking system as open or resolved until we have received evidence that the recommendations have been implemented. An *open* recommendation is one where no action or plan of action has been made by the client (department or agency). A *resolved* recommendation is one in which auditors are satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame of action. A *closed* recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it.

Please provide to us the status of recommendation implementation within 30 days along with documentation showing the specific actions that were taken. If corrective actions will take longer than 30 days, please provide us additional information every 60 days until we notify you that the recommendation has been closed.

Sincerely,



Leo L. LaMotte
Public Auditor, CNMI

xc: Governor
Lt. Governor
Eleventh CNMI Legislature (27 copies)
Acting Attorney General
Secretary of Finance
Special Assistant for Management and Budget
Public Information Officer
Press



JOSE C. SABLAN
Mayor of Saipan

Commonwealth of the Northern Mariana Islands
Office of the Mayor

P.O. Box 1457 CKV
Saipan, MP 96950

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December 21, 1998

Leo L. LaMotte
Public Auditor
Office of the Public Auditor, CNMI
2nd floor J.E. Tenorio Building
Middle Road, Gualo Rai
Saipan, MP 96950



SUBJECT: DRAFT AUDIT REPORT

Dear Mr. LaMotte:

We have reviewed your office Draft Audit Report on Time and Attendance at the Saipan Mayor's Office Administrative Division and Mechanic Shop for the period May 22 and 29, 1998.

The following are responses to the audit finding:

PAGE 3 - FINDING and RECOMMENDATION

We have conducted meetings with all employees with respect to the importance of logging in and out and the consequences of each employee who fails to comply (see attached Exhibit A).

PAGE 4 - CONCLUSION and RECOMMENDATION

We have implemented log in and out policy to all departments of the Mayor's Office (see attached Exhibit A).

PAGE 5 - CONCLUSION and RECOMMENDATION

We disagree with your recommendation. The Mayor's Office presently has three (3) office locations and as such, to have one individual monitor the leave of each employee is next to impossible. Instead, we require that each employee supervisor be more conscious and be more responsible to their employees' time and attendance.

PAGE 6 - CONCLUSION and RECOMMENDATION

TABLE 3: The time and attendance of all employees with questionable hours mentioned in Table 3 have been adjusted as recommended. Question on Employee # 169565, Federal Labor Act stated that an employee who works in excess of 40 hours per week should be paid 1.5 hour for every hour in excess of 40 hours per week. The employee in question is an exempt employee and had put more than 40 hours. Why is it that the field auditor required the timekeeper to have said employee apply for annual leave (see Exhibit B)?

We have implemented procedure to review employees' time card on a weekly basis and also have the STS verified by the Fiscal & Budget Officer for accuracy prior to Mayor's approval.

Also, we are requiring all supervisors to be more responsible to their employees' time and attendance

PAGE 8 - CONCLUSION and RECOMMENDATION

We disagree with your recommendation to comply with CNMI PSSR (refer to Civil Action 91-32).

Recommendation to disallow compensatory time for Administrative, Professional and Executive employees. We concur with your recommendation, except when employees are required to perform other duties not within their job description.

PAGE 11 - CONCLUSION and RECOMMENDATION

- A. We have assigned the timekeeper the responsibility of monitoring and record keeping of compensatory time. With the new monitoring system of reviewing time card on a weekly basis, updating of compensatory time will be better controlled. The timekeeper is providing comptime balance to all employees on a bi-weekly basis.
- B. We have implemented safeguard on proper recording of compensatory time by doing weekly instead of bi-weekly review.
- C. We are pre-approving comptime for Administrative staff. But to pre-approve the Community Service, Heavy Equipment Operation and Mechanic Shop personnel is next to impossible. No one can predict when someone will pass away. Majority of the comptime for the departments mentioned above are site preparation for wake services.
- D. We have implemented staggered hours to cover answering phone and radio during lunch hour. There are rare occasions where we request an employee to work through lunch.
- E. We have instructed each department supervisors to personally prepare the comptime request for their employees to avoid duplication of request. All requests must be approved by the Chief Administrative Officer.
- F. All manual entries on employee time cards are initialed by each supervisor with corresponding note with reference to the log sheet if employees are directed to report directly to their job site.

With radio communication in place, each supervisor calls in who are at each job site.

We apologize for the delay in responding to your draft audit report.

Should there be questions, please call Mr. Ray Diaz directly at 234-5997.

Sincerely,


JOSE C. SABLÁN
Mayor



JOSE C. SABLAN
Mayor of Saipan

commonwealth of the northern mariana islands

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EXHIBIT A

MEMORANDUM

December 15, 1998

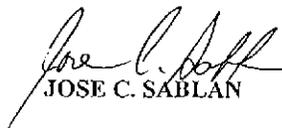
TO : All Staff
FROM : Mayor
SUBJECT: Log Out/In Policy

This memo is to remind all employees that we have in place log out/in sheet that requires each employee leaving the office or shop to log out and log in upon returning.

Effective immediately, all employees leaving the Mayor's Compound (office or shop) Must log out and log in. Failure to comply will result in the following:

- | | |
|-----------------|-------------------------------------|
| First Offence | Verbal warning and/or leave w/o pay |
| Second Offence | Verbal warning and/or leave w/o pay |
| Third Offence | Verbal warning and/or leave w/o pay |
| Fourth Offence | Written warning |
| Fifth Offence | Reprimand and 2-day suspension |
| Sixth Offence | 5-Day suspension |
| Seventh Offence | Termination |

If you have any question, please see Diane Pangelinan at our Human Resources office or Ray Diaz.


JOSE C. SABLAN

**AUDIT OF TIME AND ATTENDANCE AT THE SAIPAN MAYOR'S OFFICE
ADMINISTRATIVE DIVISION AND MECHANIC SHOP**

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/Additional Information or Action Required
1. Adopt a written policy to require all employees to use a log sheet for logging in and out when going out on field assignments during office hours.	SMO	Closed	
2. Designate to the timekeepers the responsibility to monitor and document employees' calls reporting leave.	SMO	Closed	
3. Require the timekeeper to submit the time cards and time sheets to a designated supervisor such as the Administrative Officer for review of time charges.	SMO	Closed	
4. Comply with the CNMI Personnel Policies and the FLSA by disallowing the accumulation and use of compensatory time by executive, professional, and administrative employees.	SMO	Resolved	<p>The Mayor disagreed with the recommendation to comply with CNMI PSSRR and cited Civil Action 91-32. It was argued in Civil Action 91-32 that the Mayor's office is not within the Executive Branch and therefore not within the authority and scope of the Civil Service Commission. The Mayor concurred with the part of the recommendation to disallow compensatory time for administrative, professional and executive employees except when employees are required to perform other duties not within their job description. The Acting Chief Administrative Officer explained that if the recommendation is implemented, SMO will not allow overtime to FLSA-exempt employees but will authorize exceptions such as during the Annual 4th of July celebration where exempt employees will be allowed to accrue compensatory time.</p> <p><i>OPA Comment</i></p> <p>OPA agrees that SMO is not within</p>

**AUDIT OF TIME AND ATTENDANCE AT THE SAIPAN MAYOR'S OFFICE
ADMINISTRATIVE DIVISION AND MECHANIC SHOP**

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/Additional Information or Action Required
			<p>the authority of the Civil Service Commission; however, we still believe that as a part of the CNMI government, SMO should establish personnel policies and procedures consistent with the CNMI Personnel Policies and the FLSA.</p> <p>Civil Action 91-32 does not prohibit SMO from implementing personnel policies and procedures which are the same as those established by the CNMI Government. We, therefore, amend our recommendation to include that the Mayor may make exceptions in granting compensatory time to overtime exempt employees. However, accrual of compensatory time should be at the regular rate, not at the time and one-half rate.</p> <p><i>Further Action Needed</i></p> <p>SMO should provide OPA with a copy of its written policy in making exceptions in granting compensatory time to FLSA-exempt employees at the regular rate and not at time and one-half rate.</p>
5. Establish policies and procedures to adequately monitor and control compensatory time.	SMO	Closed	
6. Establish controls on manual entries in time cards, such as requiring employees to call the office from their job sites or requiring supervisors to do surprise checks to ascertain whether employees who go directly on their field assignments actually worked.	SMO	Closed	