



Office of Inspector General

Audit Report

Management Assistance Report

Review of Region 10's Maxiflex Program

WAD 00-000039-2000-M-000006

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**Inspector General Division
Conducting the Audit**

Region covered

Program Office Involved

**Western Audit Division
San Francisco, CA**

Region 10, Seattle, WA

Office of Management Programs

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January 19, 2000

MEMORANDUM

SUBJECT: Review of Region 10's Maxiflex Program
Report No. WAD 00-000039-2000-M-000006

FROM: Truman R. Beeler
Divisional Inspector General for Audit
Western Audit Division

TO: Chuck Clarke
Regional Administrator
EPA Region 10

In response to your request, we have performed a management assistance review of Region 10's (the Region's) Maxiflex program. The Maxiflex program is one of three flexible work schedules offered to employees (management and staff) under the Region's pilot Alternative Work Schedule (AWS). The review was performed in accordance with agreed-upon procedures described in a memorandum to you dated September 23, 1999. The overall purpose of the review was to: (i) determine whether the Region's Maxiflex procedures provide adequate documentation for financial reporting purposes; and (ii) identify any material weaknesses in the Region's methodology, control procedures, or documentation which could result in Maxiflex abuse. The specific objectives of the review were to answer the following questions posed by the Region:

1. Are the Region's Maxiflex timekeeping procedures adequate for financial reporting purposes and is the documentation auditable and sufficient to support payroll costs reported?
2. Do we have suggestions for improvement in the Region's controls over the program to adequately discourage abuse?
3. Are there problems when work time is recorded in 15-minute increments and leave is taken in hourly increments?
4. Do regional employees believe the Maxiflex program is adequately controlled and managed so that there is not likely to be abuse of the program

SCOPE

This management assistance review was performed in accordance with OIG Manual Chapter 118, Special Assignments, and General Accounting Office (GAO) Standard 2.10, Other Activities of an Audit Organization.

In order to meet the objectives and answer the questions above, we:

- Reviewed: (i) the Region's July 1999 policies and procedures for the Maxiflex program to gain an understanding of the management control system in place; and (ii) Office of Personnel Management (OPM), GAO, and EPA related policies to determine whether the Region is in compliance with OPM, GAO, and EPA requirements.
- Tested a sample of documentation maintained in the various regional work units by comparing the official time card (T&A) records to Maxiflex Work Records for Pay Period No. 23 (pay period ending August 14, 1999), to determine whether documentation is available and appropriate for audit, and whether there are discrepancies between the two sets of documentation. We performed 9 tests on a random sample of 42 out of 238 Region 10 employees on Maxiflex for Pay Period No. 23. The sample items were selected from 42 different regional work units to provide maximum testing coverage throughout the Region. The attachment to this memorandum provides an explanation of the tests conducted and testing results.
- Surveyed regional employees for their input on whether the Maxiflex program is adequately controlled and managed so that there is not likely to be program abuse. A nine-question survey was sent to all regional employees (i.e. full-time and part-time, regardless of whether or not they were on Maxiflex).

The scope of our review did not include Superfund timekeeping procedures or documentation.

The review was performed during the period October 1 to December 17, 1999.

The OIG did not perform an audit in accordance with either GAO auditing standards or American Institute of Certified Public Accountants generally accepted auditing standards, and we are not expressing an opinion on whether the Region's payroll accounting is fairly presented for financial statement purposes.

BACKGROUND

The Federal Employees Flexible and Compressed Work Schedules Act of 1982, Public Law 97-221, authorizes Federal agencies to use flexible and compressed work schedules to improve productivity in the Federal government and provide greater service to the public. The Region

implemented a pilot AWS program during 1999 which includes both flexible and compressed work schedules designed to:

- Increase the efficiency of Government operations;
- Enhance performance and training of employees to assume full responsibility for their operations;
- Increase service to the public and other Regional staff; and
- Improve the quality of life for individuals and families.

OPM has issued guidance for AWS, including an AWS Handbook. In addition, GAO provides timekeeping guidance in its Policy and Procedures Manual for Guidance of Federal Agencies, Title 6, Part I, Pay, Leave, and Allowances. Although EPA has timekeeping guidance, it does not have specific guidance for AWS.

The Maxiflex program is one of three flexible work schedules offered in the Region under its pilot AWS. The program is available to both full-time and part-time regional employees. The Regional Administrator's July 1999 memorandum "*Alternative Work Schedules*" sets forth the policies and procedures for the Region's pilot AWS, including the Maxiflex program. At the time of our review, about one-third of the Region's approximately 650 employees were on Maxiflex.

Employees selecting a Maxiflex work schedule are able to work core hours on fewer than 10 workdays in the biweekly pay period, with a basic work requirement (i.e. tour of duty) for a full-time employee of 80 hours for the biweekly pay period. Employees may vary the number of hours on a given workday or the number of hours each week within the limits (e.g. total work hours in a day, core hours, flexible time bands, etc.) established by the Region. Under Maxiflex, credit hours can be earned and accumulated up to a maximum of 24 hours (3.5 hour daily maximum) and carried over to subsequent pay periods.

Regional procedures provide for the following timekeeping related documentation for employees on Maxiflex: (i) hard copy biweekly work schedules (Work Records); and (ii) traditional T&A records for payroll purposes. The procedures for setting Maxiflex work schedules and use of required documentation is as follows:

- Prior to the beginning of the pay period, employees prepare a proposed Work Record using a form available in the Region's electronic database. The proposed Work Record is added to the database and the employee prints out the proposed Work Record, signs it, submits it to his/her supervisor for approval, and posts the approved hard copy document at his/her work station prior to the beginning of the pay period. This hard copy proposed

Work Record shows daily work time, leave, and other hours absent. It also shows total proposed credit hours for the pay period and accumulated credit hours.

- Because the Maxiflex program provides for scheduling work time in 15-minute increments and EPA's payroll system (time cards) can only account for time in hourly increments, the Work Record is the Region's official record of credit hours earned and used.
- Throughout the pay period, the employee is required to record his/her actual daily work, leave, and lunch time in the database. At the end of the pay period, full-time employees must account for at least 80 hours.
- At or near the end of the pay period, the employee finalizes his/her Work Record in the database, prints out a hard copy, signs it and submits it to the supervisor for approval.
- After the supervisor approves the hard copy final Work Record, it is forwarded to the timekeeper, who prepares the traditional time card for payroll purposes. The Work Record and time card are filed together as the official T&A records. Currently, the information maintained in the electronic database is not used for any official purpose.

RESULTS OF REVIEW

The Region's Maxiflex policies and procedures do not provide adequate documentation for financial reporting purposes, and we identified material weaknesses in the Region's methodology, control procedures, and documentation which could result in Maxiflex abuse. These weaknesses, along with suggestions for improvement, are discussed in the section below titled ***Compliance and Management Control Issues***. If implemented, we believe these suggestions will correct the weaknesses and help ensure that the Region's procedures provide adequate documentation for financial reporting purposes.

As part of our management assistance review, the Region asked that we specifically address four questions. The questions and our responses are as follows:

1. **Question:** Are the Region's Maxiflex timekeeping procedures adequate for financial reporting purposes and is the documentation auditable and sufficient to support payroll costs?

Response: The Region's Maxiflex timekeeping procedures are not adequate for financial reporting purposes and the documentation is not auditable or sufficient to support payroll costs reported, for the reasons discussed below. See the section titled ***Compliance and Management Control Issues*** for details and suggestions for improvement.

2. Question: Do we have suggestions for improvement in the Region's controls over the program to adequately discourage abuse?

Response: Suggestions for improvement are presented in the section titled ***Compliance and Management Control Issues***.

3. Question: Are there problems when work time is recorded in 15-minute increments and leave is taken in hourly increments?

Response: Yes. There is a potential for overlapping time and the possibility for an employee to convert partial hours of leave to credit hours. See ***Management Control Issue #7*** below.

4. Question: Do regional employees believe the Maxiflex program is adequately controlled and managed so that there is not likely to be abuse of the program?

Response: We concluded that we cannot reasonably answer this question for the Region as a whole, based on the work performed as part of our review. As part of the agreed-upon procedures with the Region for this engagement, we attempted to answer this question through a survey sent to all of the Region's approximately 650 employees. Since we received less than a 20 percent (122 respondents) response rate to the survey, we concluded that we did not obtain sufficient information to answer the question for the Region as a whole. However, it is noted that over 40 percent of the employees on Maxiflex (99 of 238) responded to the survey.

To assist in addressing the above question, we have summarized the 122 responses to the survey in the section titled ***Survey Results***. In a separate memorandum, we are also providing to the Region's Director of the Office of Management Programs a summary table showing the detailed survey responses. This will allow the Region to perform its own analysis and interpretation of the survey responses. The summary table provides the total number of "Yes", "No", and "Don't Know" answers to each question. It also compiles all narrative comments received in response to each question, and identifies which responses are from supervisors, employees on Maxiflex, and employees not on Maxiflex. Additional copies of the detailed survey responses are available from our office upon request.

Compliance and Management Control Issues

Presented below are the compliance and management control issues and suggestions for improvement identified as a result of: (i) our review of the Region's Maxiflex policies and procedures; (ii) our testing of the Region's Maxiflex database; and (iii) nine different tests

performed on a sample of Maxiflex employees. Details of the testing and testing results are discussed in the attachment to this memorandum.

Compliance Issues

In general, the Region's policies and procedures are in compliance with OPM, GAO, and EPA policy and guidance, except for the following areas:

1. Credit hours earned and used each day are not recorded on the Maxiflex Work Record. Only the totals by pay period are recorded. Therefore, it is not possible to determine compliance with the Region's policy of 3.5 maximum credit hours earned per day. In addition, this is not consistent with GAO's timekeeping guidance, which states that T&A records must show dates and number of credit hours earned and used. The Region's AWS policy and procedures provide that the Work Record is a part of the official T&A records for payroll purposes. See the attachment, test #4 for a discussion of this issue.

Suggested action. The Region should revise the Work Record so that it identifies credit hours earned and used each day.

2. The system allows an employee to not take a lunch period if the employee takes leave at any time during the day. The system also allows an employee to not take a lunch period if the employee enters a "Time Out; Time In" entry on the Work Record for 15 minutes or less. In our opinion, this is not consistent with regional AWS guidance, which advises that EPA regulations require that at least a 30-minute lunch period be taken if an employee is working more than a 6-hour day. See the attachment, test #5 for a discussion of this issue.

Suggested action. This issue should be fixed with a system edit check. In addition, the Region should clarify its policy and guidance, consistent with EPA policy, regarding the use of leave in lieu of lunch periods.

3. Three instances were noted where the final hard copy Work Record was not signed by the supervisor until the document was requested for this review. See the attachment, test #9 for a discussion of this issue.

Suggested action. The Region should ensure that all supervisors understand and meet their responsibility to timely review and sign final hard copy Work Records.

Management Control Issues

Several management controls issues were identified which we believe the Region can address to strengthen the Maxiflex program and minimize the likelihood of program abuse:

1. The Region's AWS policy states that employees must either be present at work during core hours, or have an approved absence and account for their absence on the Work Record. We were advised by regional management that in operational practice, only verbal supervisory approval is required for employees to be absent during core hours as long as the employee accounts for the absence during core hours on his/her Work Record. See the attachment, test #3 for a discussion of this issue.

Suggested action. The Region should determine whether to: (i) have supervisors sign the final hard copy Maxiflex Work Record as is current policy; or (ii) to also have supervisors initial each day on the hard copy Work Record where core hours are not accounted for.

2. Since lunch periods are not displayed on the hard copy Work Records, it is not possible to verify the daily total calculations for work hours. The ability to perform such a verification is important in order to support work hours for payroll purposes. Use of the database is not an acceptable alternative because it is: (i) subject to change after the hard copy is signed by the employee and the supervisor (see *Management Control Issue #7* below); and (ii) not an official T&A record. See the attachment, test #5 for a discussion of this issue.

Suggested action. The Region should add a field on the hard copy Work Record to show lunch periods.

3. There were discrepancies between the final hard copy Work Records and payroll time cards. There were many instances where total hours per day did not match. For example, some time cards showed straight 8-hour days and the Work Records showed the employee worked a variable schedule (i.e. more or less than an 8-hour day). There were also instances where the recorded leave did not match between the Work Records and the time cards. Since the Region has designated both the payroll time cards and the Work Records as official T&A records, it is important that they agree with each other. See test #8 of the attachment for a discussion of this issue.

Suggested action. The Region should either: (i) ensure the daily totals for Work Records and time cards match; or (ii) only show total paid hours (80) on the time card for the pay period, and not daily totals (based on our testing, many timekeepers are already doing it this way). The Region should also implement a management control (e.g. a reconciliation) to ensure leave is consistent between the Work Records and time cards.

4. The Region's retention policy for Maxiflex Work Records was unclear. Since Work Records are official records, they need to be retained in accordance with Agency records requirements.

Suggested action. The Region should establish a retention policy that ensures Work Records are maintained in accordance with Agency records retention policy.

5. Based on our testing of the Region's Maxiflex database, the system allows an employee to count sick time as work time, thus double-counting, if they do not enter a "Time Out; Time In" entry. For example, an employee may take 2 hours of sick leave during the day, but if the employee doesn't enter "Time Out" and "Time In" on the Work Record, the same 2 hours will be counted both as sick leave and as work time.

Suggested action. This should be fixed with a system edit check.

6. Because changes can be made to the database after the hard copy Work Record is signed, the database should not be used as an official T&A record. GAO's timekeeping guidance states that electronic signatures should be linked to the data so that if the data are changed, the signature is invalidated, and a record must be generated of any change made to the data. In the sample testing, there were many instances of discrepancies between hours absent on the database and the hard copy Work Records. See the attachment, test #2 for a discussion of this issue.

Suggested action. The final signed hard copy signed Maxiflex Work Records should continue to be considered the official T&A records until appropriate controls are made to the database.

7. Because the Region's Maxiflex policy allows work time to be recorded in 15-minute increments and EPA's payroll system limits the recording of leave to hourly increments, there is a potential for overlapping time and an ability to convert partial hours of leave to credit hours. For example, an employee may record 2 hours of sick leave during the day to go to a doctor's appointment, then return ½-hour early and record that ½-hour as both work time and sick leave on the Work Record. This could result in abuse by regularly converting sick leave to credit hours.

We concluded that the Region's policy is not out of compliance with any OPM, GAO, or EPA guidance. However, we believe that the recording of sick leave and work hours for the same time is a potential problem area that should be resolved by the Region in order to avoid problems in the future.

Suggested action. The Region should either: (i) require that work times coincide with beginning and/or ending sick and annual leave times so that there is no overlapping; or (ii) request a policy/legal determination from EPA Headquarters on this issue.

Survey Results

As discussed earlier in the *RESULTS OF REVIEW*, a survey was conducted of regional employees in an effort to assist the Region in answering the question: *Do regional employees believe the Maxiflex program is adequately controlled and managed so that there is not likely to be abuse of the program?* While we concluded that the survey did not provide sufficient information to answer the question for the Region as a whole, nor did it provide sufficient information to form a basis for our making additional suggestions for program improvements, we are providing the following summary to assist the Region in addressing the question.

Survey Approach

As part of the agreed-upon procedures for this engagement, the Region’s Director of the Office of Management Programs sent an electronic survey questionnaire to all of the approximately 650 regional employees. The survey included nine questions (some with sub-questions) seeking employee perspectives on various aspects of the Maxiflex program. The survey form also provided space for employees to supplement “Yes”, “No”, and “Don’t Know” responses with narrative comments. The survey directions requested that employees respond directly to the Seattle Office of the Office of the Inspector General for Audit.

One Hundred Twenty Two (122) employees responded to the survey, consisting of:

Employees on the Maxiflex Program:	
Part-time	10
Full-time	89
Employees not on the Maxiflex Program	21
Employees responding who did not indicate status	<u>2</u>
Total	122 ¹

Survey Observations

Although only 122 of the approximately 650 total employees in the Region responded to the survey, the response rate from employees on the Maxiflex program was over 40 percent (99 of 238). Accordingly, the survey results may provide a reasonably good insight into the perspective of employees on program.

Recognizing that over 80 percent of the survey respondents were employees on the Maxiflex program, we observed from the survey that:

¹ Note: Eleven (11) of the 122 employees were supervisors. For some questions, not all 122 employees replied; and for some questions, a response was not requested from all employees.

- Regional employees on the Maxiflex schedule appear to appreciate the program, particularly as it relates to their quality of life.
- The small number of Regional employees responding that are not on the Maxiflex schedule do not appear as satisfied, in part because of a perceived burden of increased work for them in order to “cover” for those on Maxiflex schedules since they are frequently out of the office.
- Employees responding indicated that there are inconsistencies in how supervisors monitor and manage the program, and supervisors who responded also indicated varying degrees of responsibility for managing the program.
- The issue of trust versus accountability came up repeatedly in the survey responses. Responses also noted that employees who performed well before the Maxiflex program continue to perform well, and those employees who did not perform well and were not responsible under other work schedules in the past are probably not any more responsible under the Maxiflex program.

Responses by question are summarized below. It should be noted that in summarizing the narrative comments to each question: (i) over 80 percent of the responses are from employees on the Maxiflex program; and (ii) we only presented a narrative comment when we considered it a *common response* (i.e. it could be attributed to five or more of the respondents).

Question

1. Do you understand the rules and policies of the Maxiflex program?

Of 121 responses, almost 96 percent responded “Yes” to this question. Only 14 narrative comments were received, and the only common response (reported by five employees) to the question was: *Somewhat, generally.*

2. Do you believe the employees in your work unit understand the rules and policies of the Maxiflex program?

Of 121 responses, 72 percent responded “Yes”, 8 percent responded “No”, and 20 percent responded “Don’t Know” to this question. Only 24 narrative comments were received, and the only common response (reported by eight employees) was: *Those who use it and took the training do, but those not on Maxiflex don’t understand the rules.*

3. Do you believe people are honoring the flexible time bands and core hour rules of the Maxiflex program?

Of 123 responses (one respondent answered both “Yes” and “No”), 67 percent responded “Yes”, 11 percent responded “No”, and 22 percent responded “Don’t Know” to this question. Of the 33 narrative comments received, there were two common responses:

- Six employees indicated: *Accountability has increased and employees are more conscious of their work hours under Maxiflex.*
- Five employees indicated: *There are frequent abuses, but with supervisor knowledge and unofficial approval; for example, an employee may work until 7:00pm and enter their time as starting an hour earlier than they did to capture the extra hour.*

4. Are supervisors sufficiently managing the Maxiflex program so that employees are adequately accounted for?

Of 122 responses, 45 percent responded “Yes”, 9 percent responded “No”, and 46 percent responded “Don’t Know” to this question. Of the 42 narrative comments received, the only common response (reported by six employees) was: *Honesty and trust is a key element, and employees need minimal supervision to adhere to the program.*

5. If you answered “No” to any of the first four questions above, do you have suggestions for improvement in the Region’s controls to fulfill legal requirements of time accountability?

There were only 30 responses to this question, but there were 24 narrative comments with wide-ranging perspectives for actions the Region should take regarding the Maxiflex program. To illustrate the range, two of the narrative comments were:

- *The problem is that you are so concerned about controlling time accountability that you have made Maxiflex a cumbersome bureaucratic process. We shouldn’t be required to have advance approval or additional posted time sheet - we should trust people.*
- *Federal employees enjoy compressed schedules, permanent and episodic flexiplace, permanent part-time positions, 10 paid holidays/year, generous annual and sick leave, and at times generous Administrative leave. Get rid of Maxiflex so that the work gets done - this program is a farce and a scam.*

6. Are there features that you would change to improve the program, while maintaining necessary levels of accountability?

Of 93 responses, 56 percent responded “Yes”, 34 percent responded “No” and 10 percent responded “Don’t Know” to this question. Of the 72 narrative comments received, there were several common responses:

- Twelve employees indicated: *The flexible time band limitation of 6:00am to 6:00pm Monday through Friday should be removed or expanded.*
- Seven employees indicated: *The Region’s policy of limiting sick and annual leave to 8 hours a day should be extended.*
- Six employees indicated: *Computer software and system conversion problems should be fixed.*
- Five employees indicated: *Maxiflex Work Records should be designed to better correspond with other programs (e.g. Superfund time sheets, calendars, UST/LUST time sheets).*

7. If you used to be on the Maxiflex program and went off the program, why did you switch and what work schedule did you switch to?

Only six employees responded to this question. Since this may represent all employees who went off the program, we are noting their reasons for switching to another program:

- *The Maxiflex program restriction of 8-hour days for holidays and leave (three employees).*
- *Family/personal reasons (one employee).*
- *Too much additional record-keeping (one employee).*
- *Maxiflex does not allow part-time employees to accumulate enough credit hours (one employee).*

8a. (For supervisors only) What methods do you use to ensure that daily records maintained by employees are accurate?

The ten responses to this question varied. The most common response indicated that no specific methods were used to ensure accuracy other than just trusting employees to report time and attendance truthfully. A couple of responses indicated that checks included the use of “placards” at work stations that showed work hours, and “cross-checks” of work schedules to the leave taken.

8b. (For supervisors only) Do you compare employees' daily records to approved work schedules and time cards, and reconcile any differences?

Of the nine responses to this question, five supervisors responded "No" and four responded "Yes".

8c. (For supervisors only) Have you ever withdrawn an approved schedule because there was abuse or an employee's performance needed to be monitored more closely?

All ten responses answered "No" to this question.

8d. (For supervisors only) How do you handle any differences that might occur between approved leave, recorded in whole hours, and Maxiflex time recorded in 15-minute increments? For example, if an employee is absent on sick leave for less than whole hour increments.

Of the 11 narrative comments received, the most common response indicated this issue had not come up.

(Note: Questions 9a through 9d were included in the survey to determine whether the Region is meeting the four objectives of its AWS program, as stated in its policy dated July 8, 1999):

9a. Has the Maxiflex policy of the Region increased efficiency of Government operations?

Of 109 responses, 52 percent responded "Yes", 14 percent responded "No", and 34 percent responded "Don't Know" to this question. Of the 76 narrative comments received, there were several common responses:

- Fourteen employees indicated: *It allows employees to more efficiently schedule their time and adapt to changing work demands, and it empowers employees to work when they're most motivated, focused, and productive.*
- Eleven employees indicated: *The ability to account for work time in 15-minute increments and to adjust hours, and allowing greater flexibility to count time worked beyond normal hours, allows for less sick and annual leave taken, which may save time for administrative staff and improve employee morale.*
- Seven employees indicated: *There has been no change in efficiency.*
- Six employees indicated: *There is more accountability, since employees on Maxiflex are more aware of their work hours and hours absent.*

- Five employees indicated: *Decreased efficiency due to increased time required to fill out T&A records, difficulties in arranging meetings and conference calls, and the necessity for other employees to cover for Maxiflex employees who are not in the office.*

9b. Has the Maxiflex policy of the Region enhanced performance and training of employees to assume full responsibility for operations?

Of 108 responses, 32 percent responded “Yes”, 11 percent responded “No”, and 57 percent responded “Don’t Know” to this question. Of the 52 narrative comments received, there were two common responses:

- Eighteen employees indicated: *They do not understand what this question means.*
- Seven employees indicated: *The ability to manage time and workload results in less wasted work hours and greater productivity.*

9c. Has the Maxiflex policy of the Region increased service to the public and other Regional staff?

Of 106 responses, over 43 percent responded “Yes”, 16 percent responded “No” and 41 percent responded “Don’t Know” to this question. Of the 61 narrative comments received, there were several common responses:

- Twenty employees indicated: *They are able to work hours that facilitate providing the best service to customers by working longer days when there is a lot of work demand and meetings, and working shorter days when there is less work, without the hassles of requesting overtime or comp time.*
- Five employees indicated: *There is no change in service.*
- Five employees indicated: *A willingness on the part of employees to be more flexible about attending meetings and conference calls that started earlier or ended later than they were used to.*
- Five employees had negative responses: *The general public is not benefitting, and may view this program with skepticism because of the appearance of potential abuse; employees are generally not available due to the variety of schedules; it is harder to contact each other and to arrange meetings and conference calls, resulting in a decline in the*

Region's service; this is one area where the program fails; and it appears Maxiflex is for the benefit of the employee and not the organization.

9d. Has the Maxiflex policy of the Region improved the quality of life for employees and their families?

Of 112 responses, over 90 percent responded "Yes" to this question. Of the 102 narrative comments received, there were several common responses:

- Forty-five employees indicated: *It is easier to balance family and work responsibilities with less stress and less leave.*
- Twenty-one employees indicated: *There is increased flexibility for personal activities when needed or when more convenient, and to respond to emergencies.*
- Twelve employees indicated: *The flexibility reduces stress and makes employees feel more respected, which improves morale.*
- Nine employees indicated: *It is easier for commuters to be flexible with work hours and adjust to traffic problems without the stress.*

REGIONAL RESPONSE

We met with regional staff in the Office of Management Programs on January 6, 2000 to discuss the results of our review and to give the Region an opportunity to provide feedback regarding the issues identified during this review. The Region generally agreed with the testing results, and advised that based on discussions we held during the course of the review, it has already initiated corrective actions to address some of the management control issues identified. For example, the Region advised it has changed the database so that an employee will no longer be allowed to double-count sick leave time as work time. In addition, the Region advised it is taking steps to address the related overlapping time issue, which results from recording work time in 15-minute increments and leave in hourly increments.

A formal Regional response to this report is not required because this is a management assistance review with only *suggested actions*. However, we encourage the Region to consult with our office on actions it plans to implement.

If you or your staff desire further information or details on any of the issues presented or additional elaboration on the survey responses, please advise. You can contact me at (415) 744-2445 or Melinda Burks, Auditor, at (206) 553-6906.

Report No. WAD 00-000039-2000-M-000006

**REVIEW OF REGION 10's MAXIFLEX PROGRAM:
TESTING RESULTS FOR PAY PERIOD NO. 23**

Test

1. Comparison of Hard Copy Maxiflex Work Records to the Database Printout for Work or Credit Hour Differences:
 - a. Compared the sampled employees' final hard copy Work Records to a database printout, which represented the universe of Maxiflex employees for Pay Period No. 23, to determine there were no discrepancies between work or credit hours in the two sets of records.
 - b. There were no exceptions out of 42 sampled employees.

2. Comparison of Hard Copy Maxiflex Work Records to the Electronic Database for Discrepancies Other than Work or Credit Hours:
 - a. Compared the sampled employees' final hard copy Work Records to the electronic database to determine if there were any discrepancies other than work or credit hours:
 - b. There were 11 exceptions out of 42 sampled employees (26 percent):
 - Nine of the exceptions were for discrepancies between the two records for hours absent. For example, in one instance the database showed the correct hours absent of 24, but the hard copy Work Record only showed 8 hours absent.
 - Two of the exceptions were for discrepancies between the two records for daily totals of hours.

See discussion on *Management Control Issue #6* in our memorandum for implications and suggested corrective actions.

3. Testing of Hard Copy Maxiflex Work Records for Employee Adherence to Core Hours (9:30am to 2:30pm) and Flexible Work Band (6:00am to 6:00pm) Requirements:

- a. Tested final hard copy Work Records for sampled employees to determine whether there were instances: (i) when employees reported working outside the allowable flexible work band of 6:00 am to 6:00 pm; and (ii) when required core hours from 9:30 am to 2:30 pm were not accounted for as work time or leave.
- b. No exceptions were noted regarding adherence to the flexible work bands. There were 15 exceptions out of 42 sampled employees (36 percent), with a total of 20 incidences (some sampled employees had multiple exceptions on their Work Record), relating to employees not accounting for core hours.

See discussion on *RESULTS OF REVIEW, Management Control Issue #1* for implications and suggested corrective actions.

4. Testing of Hard Copy Maxiflex Work Records to Determine that Credit Hour Balances Were Not Over 24 Hours, and Not More than 3.5 Credit Hours Were Earned Per Day:

- a. Tested final hard copy Work Records for sampled employees to determine that: (i) credit hour balances carried from pay periods were not over the allowable maximum of 24 hours; and (ii) not more than the allowable maximum of 3.5 credit hours were earned per day.
- b. No exceptions were noted regarding the carrying of credit hour balances between pay periods. Regarding not earning more than 3.5 credit hours per day, we could not determine credit hours earned and used by day because they are not required to be recorded on the Work Record. The Work Record only requires reporting total credit hours earned and used during the pay period.

See discussion on *RESULTS OF REVIEW, Compliance Issue #1* for implications and suggested corrective actions.

5. Testing Hard Copy Maxiflex Work Records to Verify that Employees Took Lunch Periods:

- a. Tested final hard copy Work Records for sampled employees to verify that employees took at least a ½-hour lunch period in accordance with Regional policy (i.e. lunch period required on work days over 6 hours).
- b. Only 1 exception was noted out of the 41 sampled employees (2 percent). We consider this exception an isolated incident. However, further testing of the Region's Maxiflex database system identified potential compliance and management control issues regarding lunch periods.

See discussion on *RESULTS OF REVIEW, Compliance Issue #2* and *Management Control Issue #2* for implications and suggested corrective actions.

6. Testing of Hard Copy Maxiflex Work Records for Accuracy of Daily Total Hour Calculations:

- a. Using information on the final hard copy Work Records and the electronic database regarding daily start and quit times, leave, and lunch periods, total daily hours were recalculated for accuracy.
- b. There were 3 exceptions out of 42 sampled employees (7 percent):
 - In one sample item, there were two days when the employee reported 8 hours of leave (the entire workday) on the Work Record, but the detail on the Work Record showed leave taken from 6:45am to 2:15pm, which only totals 7.5 hours.
 - In another sample item, an employee reported 8 hours of leave (the entire workday) on the Work Record, but the detail on the Work Record showed leave taken from 6:30am to 2:00pm, which only totals 7 hours.
 - The third sample item involved a ½-hour overlap of annual leave and work time.

We consider these exceptions immaterial.

7. Testing of Hard Copy Maxiflex Work Records for Accuracy of Accumulated Total Pay Period Hours:

- a. Using daily total information from the final hard copy Work Records, pay period summary totals on the Work Records were recalculated for credit hours, hours worked, and hours absent, to ensure accuracy.
- b. There were 2 exceptions out of 42 sampled employees (5 percent):
 - In one sample item, the Work Record showed that total hours for the pay period was 80.5, yet no credit hours were earned.
 - In the second sample item, the total Work Record hours for the pay period showed 28 hours absent, but the Work Record detail correctly showed 36

hours absent (and leave reported on the time card for payroll purposes was correctly shown as 36 hours).

We consider these exceptions immaterial.

8. Comparison of Hard Copy Maxiflex Work Records to Time Cards:

- a. Compared the sampled employees' final hard copy Work Records to the time cards to determine that there were no discrepancies between the two official sets of records.
- b. There were 21 exceptions out of 42 sampled employees (50 percent). There were a total of 24 discrepancies (some sampled employees had multiple incidences of discrepancy):
 - Fifteen exceptions were for discrepancies in total hours per day between the two sets of records.
 - Eight exceptions were for leave discrepancies between the two sets of records.
 - One exception was for a time card that did not show total paid hours.

See discussion *RESULTS OF REVIEW, Management Control Issue #3* for implications and suggested corrective actions.

9. Testing of Hard Copy Maxiflex Work Records and Time Cards for Employee, Supervisor, and Timekeeper Signatures:

- a. Tested the final hard copy Work Records and the time cards for the sampled employees to determine that required employee, supervisor, and timekeeper signatures were provided.
- b. There were 6 exceptions out of 42 sampled employees (14 percent) where one or more of the required signatures was not on the final Work Record or time card:
 - Three exceptions were because the final hard copy Work Record was not signed by the supervisor until the document was requested for this review.
 - Three exceptions were for instances when the supervisor signed a "proposed" record instead of a final Work Record. According to regional

staff, signing of proposed records is no longer a problem, since the Region has changed the system so that the proposed records no longer have signature blocks.

See discussion on *RESULTS OF REVIEW, Compliance Issue #3* for implications and suggested corrective actions.

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