



U.S. Department of Agriculture
Office of Inspector General
Southeast Region
Audit Report

**FOOD SAFETY AND INSPECTION SERVICE
OVERTIME CONTROLS**



**Audit Report No.
24099-4-At
SEPTEMBER 2002**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: September 30, 2002

REPLY TO

ATTN OF: 24099-4-At

SUBJECT: Overtime Controls

TO: Dr. Garry L. McKee
Administrator
Food Safety and Inspection Service

ATTN: Ronald H. Hicks
Acting Associate Administrator

This report presents the results of the subject audit. Your September 30, 2002, response to the draft report is included as exhibit G with excerpts and the Office of Inspector's (OIG) position incorporated into the relevant sections of the report.

We agree with your management decisions for Recommendations No. 3, 4, 5, 6, 7, and 8. Management decisions have not been reached for Recommendations No. 1, 2, 9, and 10. We request additional action as outlined in the OIG Position.

In accordance with Department Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned and the timeframe for implementing the corrective actions on the recommendations for which a management decision has not yet been reached. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance, and final action to be taken within 1 year of each management decision. Correspondence concerning final actions should be addressed to the Office of the Chief Financial Officer.

/s/

RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

FOOD SAFETY AND INSPECTION SERVICE OVERTIME CONTROLS AUDIT REPORT NO. 24099-4-At

RESULTS IN BRIEF

This report presents the results of our audit of overtime controls at the Food Safety and Inspection Service (FSIS). The purpose of the audit was to determine if FSIS had adequate controls over overtime worked by food inspectors. In addition, we evaluated the actions taken by FSIS to bill and collect amounts owed for reimbursable overtime including delinquent amounts.

Our analysis of FSIS payroll records showed that for fiscal year (FY) 2000, employees worked over 2.6 million hours of overtime. The average employee claimed about 290 hours of overtime, but we found 36 employees that reported over 1,500 hours of overtime, and one employee that reported a total of 1,976 hours of overtime. (See exhibit D.)

Despite the large amount of overtime hours worked by inspectors, we concluded that FSIS did not have adequate controls over overtime charges, especially in both food processing plants and small slaughter plants where only one inspector was assigned per shift and no on-site supervision existed. FSIS National office had not updated policies on overtime claims, and gave each district the autonomy to establish their own policies and controls. We reviewed a sample of 1,325 time and attendance (T&A) reports for 44 selected employees and found that 1,158 (87 percent) were not signed by the supervisors and had no evidence of any supervisory review. Inspectors submitted many of their T&A reports directly to their Financial Processing Center (FPC) for payment without evidence of supervisory review. We also found that prior written supervisory approval of overtime was not required. As a result, controls were not sufficient to ensure that overtime charges were accurate.

Hours of premium pay claimed by inspectors were not always supported by information documented on their T&A reports. Hours worked were not always shown on the T&A reports to verify that overtime was performed outside the employee's normal tour of duty and night differential pay was accurate. The circuit supervisors (CS) were not making adequate reviews

of the T&A reports to ensure that reports were properly completed. In addition, FPC did not provide a quality control review to ensure that T&A reports were properly documented. As a result, inspectors could not fully justify or support some claims for premium pay and could have been overpaid.

We found that FSIS has continued to provide overtime and holiday inspection services to plants that had not paid delinquent bills. Bills for overtime and holiday services were payable on receipt and became delinquent 30 days from the date of the bills. Regulations provided that overtime and holiday inspection services would not be provided for any plant having a delinquent account. However, we found 40 plants with delinquent accounts totaling about \$1 million in the 3 districts visited that were receiving overtime and/or holiday inspection services. Five of these plants had not made a payment since 1999 or before. District office officials said withholding overtime inspection was not likely to happen because of the hardship it might cause plants that depend on overtime or holiday inspection. We found that inspectors at the plant were generally unaware of the payment status of plants because FPC was not informing FSIS personnel in district or plant offices of delinquencies.

We concluded that FSIS did not take aggressive or effective collection actions on plants with delinquent accounts including those that were suspended or had been withdrawn from inspection service. The agency had not revised policies and procedures after its 1996 field office reorganization and had not made adequate system changes after implementation of the Foundation Financial Information System (FFIS) in October 1999. Key collection provisions required by the Debt Collection Act of 1996 had not been implemented. The accounts receivable aging reports were not redesigned to conform to district boundaries, and thus, could not be used by the districts to monitor the payment status of plants under their jurisdiction. Also, dunning letters could not be generated and sent for delinquent accounts since the inception of FFIS in October 1999 until March 2001 because of computer system problems. Further, none of the District offices visited had personnel assigned to monitor the payment status of the plants in the districts. As a result, FSIS did not have an adequate collection system to aggressively pursue delinquent debts totaling about \$7 million.

FPC officials said that in April 2001, they began calling plants with the largest delinquent amounts to request payment and these efforts had resulted in collection of about \$3 million. FSIS officials also stated they were currently revising their debt collection procedure to include suspension of overtime services in appropriate cases and referral of debts

for Treasury offset.

In addition, controls over billing for reimbursable overtime were not adequate, because FSIS did not verify the hours of reimbursable overtime shown on the inspector-prepared Form 5110-1, "Services Rendered" to the inspectors' T&A reports. Forms 5110-1 were not reviewed by the CS and were sent directly to FPC for processing. Although, plant management was supposed to sign each Form 5110-1 to acknowledge that overtime work was performed, we found that plant management was not always (1) present to verify the hours worked and (2) required to sign the forms. As a result, there was limited assurance that plants were billed for the correct amount of overtime and in some cases, may have paid for services they did not receive.

KEY RECOMMENDATIONS

We recommend that FSIS establish and implement controls to require prior approval of overtime and supervisory reviews of T&A reports. In addition, FSIS needs to require inspectors to properly document their T&A reports to justify claimed premium pay and ensure that CS adequately reviews T&A's. FSIS should implement regulations requiring the suspension of overtime services to plants that are delinquent in paying their bills for services, and should also develop and implement collection strategies consistent with the Debt Collection Improvement Act of 1996 that will improve collection efforts from delinquent plants. In addition, we recommend that FPC complete development of an automated control to compare hours on the bills for overtime issued to plants with the inspectors' T&A reports to ensure that all reimbursable overtime was properly reported and billed.

AGENCY RESPONSE

In its September 30, 2002, written response to the draft report, FSIS generally agreed with the findings and recommendations, except for part of recommendation number 1 and 10. Its specific comments and OIG's position are presented in the relevant sections of the report for each finding. FSIS' entire response is shown in exhibit G of the report.

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INTRODUCTION

BACKGROUND

The Food Safety and Inspection Service (FSIS) inspectors are entitled to overtime pay when they perform official duties at times outside their established tours of duty. There are two categories of overtime: reimbursable and non-reimbursable. Reimbursable overtime occurs when inspectors are in overtime status and are performing required inspections at times that fall outside the period(s) when the plants are provided free inspection services. Non-reimbursable overtime occurs when inspectors are working in overtime status, but are performing duties other than required inspection activities or when required inspections are carried out during times when the plant was entitled to free services. The requirements for overtime inspection services are found in Title 9 Code of Federal Regulations (CFR) 307.4-6 and 381.37-39.

Each plant is provided inspection service up to 8 consecutive hours per shift during the basic 5-day workweek without charge. Any additional time included in the plant's normal operating schedule would be billed to the plant as reimbursable overtime. Each plant submits a work schedule to the district office for approval. The work schedule specifies daily clock hours of operation and lunch periods for all departments of the plant requiring inspection. Changes in the work schedules also must be submitted to the district office for approval. It is common for the approved work schedule to include hours of operation that extend beyond the inspectors' normal 8-hour, tour of duty. Consequently, many inspectors accrue overtime as part of their regular workday.

Plants may also request inspection services outside the approved work schedule. Such requests should be made as early as possible to allow FSIS the ability to provide staff to cover the requests. If the requests cause inspectors to work beyond their scheduled tour(s) of duty, the plants will be billed for the services rendered.

FSIS was reimbursed for overtime services based on the number of hours worked by inspection personnel in overtime status. Each recipient (plant) of overtime inspection services is billed in quarter hour increments at a specified rate established annually (\$41 per hour in fiscal year (FY) 2001). Bills for overtime services were payable on receipt by the plants and became delinquent 30 days from the date of the bills. Interest and penalties are applied to bills paid after 30 days. Regulations provide that overtime and holiday inspection services will not be provided for any plant having a delinquent account (unpaid after 30 days).

Inspectors are permitted to work up to 12 hours per day in food processing plants (10 hours per day in slaughter plants) with any time over 8 hours considered overtime. Inspectors assigned to slaughter plants often work only at their assigned plant as continuous inspection services are required during times when a slaughter plant is operating. Inspectors at food processing plants usually have several plants assigned and they periodically visit each plant that is operating during the workday. FSIS' proportional billing policy for processing plants provides that all plants that remain open and operating during an inspector's overtime period be billed proportionally for the overtime regardless of the location(s) where the inspector worked. For example, if 3 plants remain open during the overtime period and the inspector normally spends 50 percent of his time at one plant and 25 percent of his time at each of the other 2 plants, the overtime will be billed to the 3 plants in the same proportion regardless of where the inspector worked.

The inspectors report their overtime on Time and Attendance Reports (T&A). Time codes and management codes are used to identify the type of overtime worked and whether it is reimbursable. Reimbursable overtime is also shown on FSIS Form 5110-1, "Services Rendered." The 5110-1 forms are prepared by the inspectors on-site in the plants and show the amount of reimbursable overtime hours worked. The inspectors provide the plant's management with copies of each 5110-1 form. The plant's management may sign the forms as an acknowledgement that the services are provided.

At the end of every 2-week pay period, the inspectors send the original copies of their T&A reports and 5110-1 forms directly to the Financial Processing Center (FPC) for processing. FPC transmits the T&A data to the National Finance Center (NFC) for payment through the payroll system. The hours of reimbursable overtime reported on the 5110-1 forms are entered into the computer system at FPC and converted to the amount of dollars owed by each plant. The billing data is entered in the accounting system so that accounts receivable are created and invoices are prepared and sent to the applicable plants. The invoices are prepared monthly and sent to the plants for payment. The invoices often include several 5110-1 forms and one invoice could include 5110-1 forms issued by more than one inspector. The plants can compare the 5110-1 forms listed on the invoices to the copies provided by the inspectors but the documents must be matched by the document numbers because the invoices show the dollar amounts charged, while the 5110-1 forms only show the hours worked by the inspectors.

OBJECTIVES

The audit objectives were to analyze FSIS procedures and controls for monitoring, reporting, reconciling, and billing for overtime. In addition, we analyzed FSIS procedures for

(1) collecting amounts billed for reimbursable overtime, (2) servicing past due accounts, informing inspection personnel of plants that did not pay their bills for overtime, and (3) actions taken when plants did not pay their bills.

SCOPE

Audit work was performed at FSIS Headquarters in Washington, D.C., and Beltsville, Maryland, and at the district offices in Albany, New York; Atlanta, Georgia; and

Chicago, Illinois. In addition, we visited FPC in Urbandale, Iowa. We also visited 23 plants in the inspection program and 2 plants that had ceased operations (see exhibit F for a list of plant locations visited). We judgmentally selected the plants based on having delinquent accounts, or inspectors with large amounts of overtime claimed. There were about 1,700 plants in the 3 districts visited.

Operations were analyzed in depth at 3 of the 17 district offices. The three offices analyzed were selected for review based on the prevalence of a large number of food processing plants in the inspection program. In addition, we visited FPC and reviewed their procedures for recording and billing for overtime. We interviewed FSIS managers at the 3 district offices, FPC, 8 circuit supervisor (CS) or acting CS, 29 plant officials, and 23 inspectors concerning overtime and billing procedures. Overtime claims for 44 judgmentally selected FSIS personnel in the 3 districts reviewed were analyzed for the period January 2000 through March 10, 2001. Forty-three of the employees in the sample were inspectors and one individual worked at the district office. There were a total of 1,446 FSIS employees in the 3 districts reviewed. We also reviewed billing data at FPC and performed analyses on bills printed from October 1999 through March 2001. The audit was conducted in accordance with generally accepted government auditing standards.

METHODOLOGY

In order to accomplish our audit objectives we:

- ❖ Reviewed applicable laws, regulations, policies, and procedures pertaining to approving, reporting, reconciling, and billing for overtime.
 - ❖ Interviewed FSIS managers, inspection personnel, food industry officials and FPC personnel.
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- ❖ Obtained and analyzed automated data records and supporting documentation for overtime reported and billing data for reimbursable overtime.
- ❖ Reconciled and/or compared the automated data to the paper records.
- ❖ Identified and analyzed the applicable controls over overtime used by FSIS.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	PROCEDURES AND CONTROLS OVER OVERTIME NEED IMPROVEMENT
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FSIS did not have adequate controls in place over overtime charged by field inspectors. FSIS National office had not updated policies on overtime claims, and gave each district the autonomy to establish their own policies and controls. In addition, supervisory approvals of T&A reports were not performed or documented and prior written approval of overtime worked was not required. As a result, there was a lack of assurance that the inspectors' overtime claims were accurate and that the overtime reported was actually worked.

Our analysis of payroll records showed that for FY 2000, FSIS employees worked over 2.6 million hours of overtime. The average employee claimed about 290 hours of overtime but we found 36 employees that reported over 1,500 hours of overtime and one employee reported 1,976 hours of overtime (see exhibit D). Exhibit A shows the total overtime charged by employees in each district office for FY 2000.

Hours of premium pay (overtime, night differential, etc.) claimed by inspectors were not always supported by information documented on their T&A reports. Clock hours were not shown on the T&A reports to verify that overtime was performed outside the employee's normal tour of duty and night differential pay was accurate. We attributed this condition to inadequate review of the T&A reports by the CS. Further, FPC did not provide a quality control review to ensure that T&A reports were properly documented. As a result, some inspectors did not fully justify or support their claims for premium pay and could have been overpaid.

FINDING NO. 1

CONTROLS OVER T&A CERTIFICATION PROCESS NEED IMPROVEMENT

Controls over the T&A certification process were inadequate. We found that (1) the FSIS written policy over this process was nearly 17 years old and obsolete, and each district was allowed to develop their own policies on processing and reviewing T&A reports; (2) supervisory approvals or reviews of T&A reports were not performed or documented;

(3) inspectors did not obtain prior approval from management before working overtime; and (4) plants' requests for overtime services were not written and directed to FSIS management. An FSIS National office official admitted that the written directive was obsolete and needed revision. As a

result, FSIS supervisors could not reasonably detect inaccurate claims by inspectors as T&A reports processed for payment could contain more overtime hours than what was worked.

We reviewed all 1,325 T&A reports on file at FPC for 44 judgmentally selected employees out of 1,446 FSIS employees in the 3 districts in our sample for the period January 2000, through March 10, 2001. We found supervisor approval signatures on 167 (13 percent) of the T&A reports and the remaining 1,158 (87 percent) did not show any evidence of supervisory review.

FSIS Directive 3530.4, issued in July 1985, was the current National office instruction for preparing the T&A reports. The directive applied to preparation of T&A reports that were submitted on a machine-scanned form directly to NFC. The instruction provided some information that was still valid, but much of it was obsolete because a different T&A form is currently used and the T&A reports are now sent to FPC for processing instead of directly to NFC.

The current procedures used to process and certify T&A reports were developed on an adhoc basis following the reorganization of the FSIS field structure and creation of the district offices and FPC. Inspectors submitted their T&A reports directly to FPC for payment with no assurance that the CS had reviewed the information processed for payment. FPC personnel said that their policy on processing T&A reports without supervisory signatures varied depending on the procedures each district office requested FPC follow. An FPC official said they sent a letter to each district office inquiring about procedures the districts followed in processing T&A reports where there was no on-site supervisor to sign as certifying official and how the district would like FPC to handle T&A reports without such signatures. The official said T&A reports from districts that provided a policy statement were processed according to the district's policy and preference. Not all of the districts responded to the letter and in these cases, the FPC official said they processed T&A reports from these districts regardless of whether authorizing signatures were on the forms.

Under current procedures in the districts visited, the inspectors sent the original copies of their T&A reports directly to FPC for processing, and carbon copies of their T&A reports were sent to their CS for review.

Five of the eight CS said that they signed copies of the T&A reports and sent the copies to FPC where they assumed the copies would be matched to the originals. One CS reported that she held the carbon copies of the T&A reports for about 6 months and then destroyed them. The CS said they could only review the hours shown to see if they were consistent with the assigned plant's approved operating schedules unless the inspectors kept them informed of all plant requests for extra overtime services.

In plants where only one inspector was assigned per shift, the CS was not present at the work locations, except on an intermittent basis. There were no reliable external records (time clock, log, etc.) that could be used to verify the daily work hours of the inspectors. Also, on many of the food processing plant assignments, inspectors were required to visit several processing plants each day and it was difficult for the CS to know the location of the inspectors at any given time in the workday.

There were several other factors that limit the ability of the CS to monitor and control overtime worked by inspectors:

- ❖ Inspectors did not always obtain prior approval from management in order to work overtime. Routine overtime at the plants was based on the normal plant operating hours and the inspectors' established tours of duty. The CS did not control the day-to-day overtime worked within these timeframes. The CS was not aware of most overtime worked until the end of each pay period when they reviewed the inspectors' T&A reports.
- ❖ FSIS did not require plants' special requests for additional overtime services to be in writing or otherwise documented. The CS was supposed to be informed when special request overtime would be worked; however, we found that the CS was not always informed. The CS was supposed to be informed when inspectors were covering for each other but there was no national level procedure in place to ensure that the CS was informed of changes to work schedules. We found one instance where the CS was not aware that an inspector was on leave and a replacement was needed to cover the assignment.
- ❖ The CS did not control or approve who would work overtime when an inspector was unable or unwilling to work. Inspectors arranged for overtime coverage between themselves.

- ❖ The amount of overtime worked by any individual inspector was determined by a number of factors. These included (1) the approved plant work schedule; (2) the inspectors' tour of duty; (3) how often the assigned plant(s) operated on weekends and holidays; (4) staffing levels and vacant positions in the assigned circuit; and (5) how willing and/or able the inspector was to work overtime. As a result, there was considerable disparity in the amount of overtime worked by individual inspectors even though it was FSIS' policy to equalize the amount of overtime to the extent possible. Interviews with FSIS field-level officials indicated that the inspectors who worked the most overtime generally volunteered for the work and were known by other inspectors for always being available to cover a job if the assigned inspector did not want to work.

During our field visits, we identified two instances where inspectors were not at their assigned plants during their assigned hours. In one case, the inspector had responsibility for inspections at two processing plants but we received statements from FSIS personnel and plant management that the inspector was frequently not at either plant. When we arrived at one of his plants in mid-afternoon, we could not locate the inspector at either plant, and he did not return our call from his other assigned location until late afternoon. In the other case, the inspector had responsibility for only one plant, yet plant management stated that the inspector would “come and go” during the day. We arrived early one afternoon without an inspector present, and this inspector did not show up until late afternoon the next day after we made a phone call inquiring about her whereabouts. These two cases of possible time and attendance abuse were declined for investigation by OIG-Investigations and referred to the agency for handling, which is standard procedure for time and attendance allegations and in accordance with departmental regulations.

Based on the policies documented above and our discussion with FPC officials, we concluded that current procedures did not provide reasonable assurance that the inspectors reported and paid hours were accurate.

RECOMMENDATION NO. 1

Establish and implement controls, including updating written policies and procedures, to require (1) written requests for overtime services from plants, (2) prior approval of inspectors' overtime from the CS, and (3) supervisory approvals of T&A reports processed through the payroll system. In addition, FSIS should develop additional monitoring techniques of inspectors to ensure that hours claimed are worked.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

*FSIS disagrees with items 1 and 2 of this recommendation. Written requests for overtime from plants are not always possible. Overtime is often unanticipated due to unforeseen situations such as equipment failure, etc. This also applies to prior approval of inspector overtime by the * * * CS. Inspector overtime is often unscheduled; therefore, prior approval by the CS in most situations may not be practical.*

Additionally, the Secretary of Agriculture has affirmed three exceptions that were previously made many years ago under the authority of 7 U.S.C. 394. Those exceptions are: (a) the provisions pertaining to the limitation on premium compensation shall not be applicable; (b) employees who work overtime between the hours of 6 p.m., and 6 a.m., shall receive additional compensation of 10 percent of their basic hourly rate for such night work in addition to their overtime rate; and (c) the provisions pertaining to the ordering or approving of overtime shall not be applicable. Item c. specifically exempts the Agency from requiring written requests for overtime or requiring prior approval.

However, to improve our controls, FSIS plans to review existing T&A policies and procedures as well as develop and issue new or revised policies and procedures as appropriate that will reinforce T&A preparation, documentation, and verification requirements. In addition, to allow more effective supervisory oversight of T&A reports, FSIS will investigate developing a system or process to strengthen the oversight of inspector T&A reports. We will develop or revise policies and procedures as appropriate by August 2003.

OIG Position

During our fieldwork, pre-exit meeting, and exit conference, FSIS officials did not mention the exceptions noted above and have not provided any documentation that support the exceptions. In addition, the response did not specify what controls will be implemented to ensure supervisory approvals of T&A reports nor specified what procedures/controls will be implemented requiring establishment owners to provide documentation of overtime within their establishment. To reach management decision, we need more detailed information on how these controls will be implemented

and evidence that the exceptions noted above are in effect and meet legal requirements.

RECOMMENDATION NO. 2

Determine whether administrative action is warranted for the inspectors not present at their assigned plants during duty hours.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS has existing policies and procedures that deal with this type of employee. FSIS Directive 4735.3 Employee Responsibilities and Conduct contains policies and procedures for handling issues of misconduct. If employee misconduct is identified (such as not being on duty during assigned hours), the supervisor reports the situation to the Labor and Employee Relations Division (LERD). LERD will conduct an investigation and if the allegations of misconduct are founded, disciplinary action will be taken as determined appropriate.

OIG Position

We agree with the actions planned by FSIS. However, to reach management decision, we need an estimated completion date of the investigation and administrative action, if warranted.

FINDING NO. 2

INSPECTORS WERE NOT REQUIRED TO PROPERLY COMPLETE T&A REPORTS TO SUPPORT CLAIMED PREMIUM PAY

In 22 of 43 sample cases, inspectors did not document information on T&A reports to properly support claimed hours of premium pay. We attributed this condition to inadequate review of the T&A reports by the CS. Further, FSIS did not require FPC to provide quality control reviews to ensure that the T&A reports were properly documented. As a result, some inspectors did not fully justify or support their claims for premium pay and could have been overpaid.

Procedures for preparing T&A reports provide that the employee's tour of duty be shown on the T&A and that clock hours be reported for all premium pay claimed. The tour of duty must be identified so a reviewer and/or approving official can determine what hours of the day should be paid at the regular pay rates. The hours worked should be shown so that overtime work performed outside the employee's normal tour of duty can

be verified. Also, hours worked are needed to identify work performed that qualifies for night differential pay (i.e., work performed between 6:00 p.m. and 6:00 a.m.)

We reviewed a sample of T&A reports for 43 inspectors in the Albany and Chicago districts to see if they were sufficiently documented to support the hours of overtime and night differential reported. The review was limited to checking the support for time codes 11, 21, 23, and 25 (code 11 = night differential, code 21 = overtime, code 23 = overtime travel under the Fair Labor Standards Act, and code 25 = overtime with night differential). Our review was also limited to the T&A reports for pay periods 1 and 20 of the FY 2000. The two pay periods were chosen for review because they covered one rotation period for those inspectors who rotated between assignments every 6 months. We found that 22 of 43 inspectors did not provide sufficient information on the T&A reports to support the premium pay hours reported as follows:

Condition Noted	Number of Occurrences
Tour of Duty Not Shown	11
Tour of Duty Shown As "Indefinite"	4
Clock Hours Not Shown	2
Overtime Not Supported	6
Night Differential Not Supported	1
Overtime With Night Differential Not Supported	2
Premium Pay Not Claimed	4

Three of the eight CS interviewed said that they reviewed the inspector's T&A reports to verify that (1) the time codes used appeared appropriate, (2) the overtime claims appeared reasonable based on the operating hours of the plants on the inspector's assignments, and (3) the leave time reported was appropriate. Several of the CS emphasized that they were not certifying as to the accuracy of the time reported on the T&A reports because they had no way of knowing the actual hours worked by the inspectors.

We discussed the discrepancies noted in the table above with FPC personnel to determine why the T&A reports had been processed although they were not documented sufficiently to support the premium pay claimed. FPC personnel said that they did not review the T&A reports to see if they were properly filled out. They said they did not review the tours of duty shown on the T&A reports or compare the overtime/night differential claimed to the tour of duty or clock hours shown. They said that FPC was only concerned with the T&A entries that were coded into the NFC system and these were basically the totals per week under each time code.

RECOMMENDATION NO. 3

Require inspectors to document their T&A reports in a manner sufficient to support the hours of premium and overtime pay reported, and require the CS to review inspector's T&A reports in sufficient detail to determine if the hours of premium pay claimed are supported by times documented on the T&A reports.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS agrees with the intent of this recommendation. FSIS requires supervisors to verify and sign T&A records completed by their employees. FSIS will issue a Notice reminding supervisors of this responsibility and also identify the process for submitting corrections if needed based on the review. We will issue the Notice by June 2003.

OIG Position

We accept the management decision for this recommendation.

RECOMMENDATION NO. 4

Perform random quality control spot checks of the T&A reports processed to determine if they are sufficiently documented to support the premium pay claimed and inform district offices of discrepancies so that inspectors and/or CS can receive any needed training on how to properly prepare or review T&A reports.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS agrees with the intent of the recommendation. FSIS will develop and implement procedures that outline random quality control checks of inspector T&A reports to ensure that the T&A's are properly documented. Discrepancies will be reported to the district manager for appropriate action. The new procedures will be developed by August 2003.

OIG Position

We accept the management decision for this recommendation.

CHAPTER 2**CONTROLS AND PROCEDURES OVER BILLING AND COLLECTING FOR REIMBURSABLE OVERTIME NEED IMPROVEMENT**

FSIS had not established adequate controls over billing for reimbursable overtime and was not taking aggressive or effective collection actions on overdue bills for reimbursable overtime services. We found that (1) FSIS continued to provide overtime and holiday inspection services for delinquent plants in violation of current regulations; (2) controls over reimbursable overtime claim forms were inadequate, and (3) controls over collections were not sufficient to reduce unpaid debt. FSIS personnel attributed this to (1) changes related to the field office reorganization that resulted in the elimination of collection efforts at the field level and (2) problems with their new accounting system. As a result, the amount of uncollected debt continues to grow at some plants and the Government was at risk of never collecting the amounts owed.

Bills for overtime services were payable on receipt by the plants and become delinquent 30 days from the date of the bills. Regulations provided that overtime and holiday inspection services would not be provided for plants with delinquent accounts. However, FSIS did not suspend overtime and holiday inspection services for any plants with delinquent accounts. Based on our interviews and review of database records, it appeared that the regulation providing for suspending overtime services was rarely enforced and that plants continued to receive overtime services despite having delinquent accounts until they eventually paid current, ceased operations, or went into bankruptcy.

FSIS also did not take aggressive collection actions on plants with delinquent accounts including those that were suspended or had been withdrawn from inspection service. This occurred because FSIS had not revised policies and procedures after its 1996 reorganization to ensure that collection actions were prompt and adequate. As a result, FSIS does not have an adequate collection system to aggressively pursue delinquencies.

In addition, FSIS controls over reimbursable overtime were inadequate, because (1) the hours of reimbursable overtime shown on the 5110-1 forms were not compared or verified to the hours of reimbursable overtime reported on the inspector's T&A reports and (2) the CS did not routinely review the bills for reimbursable overtime because the 5110-1 forms were sent directly to FPC for processing. In addition, the limited control over overtime that would be provided by having plant representatives sign the bills was weakened because plant management

was not always (1) available to verify the number of hours of overtime worked and (2) required to sign the bills. We found that 54 (43 percent) of the 126 Form 5110-1's reviewed that were issued in the 3 audited districts had no signatures by plant management on the forms. Thirty-eight of the unsigned forms were documented to show that no member of plant management was available to sign the form at the time it was left at the plant. As a result, there was limited assurance that plants were billed for the correct amount of overtime and in some cases, plants paid for services they did not receive and/or received free services that should have been reimbursed to FSIS.

FINDING NO. 3

**FSIS HAS NOT WITHHELD
OVERTIME AND HOLIDAY
INSPECTION SERVICES FOR
DELINQUENT PLANTS**

FSIS inspectors were performing overtime and holiday inspection service for plants that were delinquent on bills for overtime services. This occurred because FSIS officials were reluctant to stop providing overtime or holiday inspections and, in most cases, were not aware that plants were delinquent. By continuing to provide overtime and holiday inspection services to delinquent plants, FSIS

was creating a disincentive for the plants to timely pay bills and increasing the debt load on these plants.

Title 9 CFR 307.6 states that "bills are payable on receipt and become delinquent 30 days from the date of the bill. Overtime or holiday inspection will not be performed for anyone having a delinquent account.

In the 3 districts we visited, we found that 40 plants with delinquent accounts totaling \$989,954.91, were still receiving overtime inspection services. Some of the plants' management officials expressed no intent to bring their accounts current because of financial problems. Six of the plants had either made no payments or had not made a payment on their accounts since 1999 (see exhibit B). District office officials stated that in order to withhold overtime inspection from delinquent plants, they would have to receive direction from headquarters. District office officials also said withholding overtime inspection would likely not happen because of the hardship it might cause plants that depend on overtime inspection. Inspectors at the plant level were unaware of the payment status of plants and only became aware of the plants' status if they were instructed to obtain checks from the plants at the time overtime inspection services were performed (i.e., cash on delivery (COD) plants). FSIS officials stated that there were only four plants nationwide paying on the COD basis. These plants still had outstanding delinquent balances totaling \$50,715.66.

RECOMMENDATION NO. 5

Establish and implement controls to ensure that district office personnel are informed when plants become delinquent and to enforce regulations requiring the suspension of overtime and holiday services to plants that are delinquent.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS will prepare procedures to inform district managers when a plant is delinquent in paying their bills and that suspension of overtime and holiday services be discontinued until the unpaid debt is paid in full. The district will be informed by letter after the plant has been given due process. A Notice will be published in the Federal Register by January 2003, informing industry of FSIS' intention to enforce its authority to suspend reimbursable services when a plant becomes delinquent in paying their debt.

OIG Position

We accept the management decision for this recommendation.

FINDING NO. 4**FSIS HAS NOT AGGRESSIVELY
PURSUED COLLECTION ACTIONS
ON DELINQUENT ACCOUNTS**

We found that aggressive collection actions were not taken on plants with delinquent accounts including those that were suspended or had been withdrawn from inspection service. This occurred because FSIS had not revised policies and procedures after its 1996 reorganization and had not timely designed system changes to its new accounting system, Financial Foundation Information System, in 1999 to ensure that collection actions were prompt and adequate. As a result, FSIS did not have an adequate collection system to aggressively pursue delinquencies of \$7 million as of April 16, 2001.

Title 31 CFR, part 901 requires that Federal agencies take aggressive collection actions on all debts and to transfer to the Secretary (Treasury) any debt that has been delinquent 180 days or more so that the Secretary can take appropriate actions to collect the debt. The Debt Collection Improvement Act of 1996 requires Federal agencies to refer all legally enforceable and eligible non-tax debts that are more than 180 days delinquent to Treasury for collection through administrative offset and cross servicing.

Prior to the reorganization in 1996, NFC and regional offices handled collection efforts for overdue accounts. NFC generated dunning letters to delinquent plants for accounts unpaid after 30, 60, and 90 days (a maximum of 3 letters were sent depending on when or if the past due bills were paid). In addition, NFC provided regional offices with aged receivable reports showing the delinquent plants in each region.

Regional offices, along with the CS, and/or plant inspectors, could then take collection action at the field level in addition to the dunning letters sent by NFC.

After FSIS' reorganization in 1996, NFC continued most of the debt collection activities until October 1999 when FSIS took control of debt collection. However, during this reorganization and transition period, collection activities became fragmented. District office officials said that the collection activities had "fallen between the cracks" during the reorganization. NFC had not redesigned the aged receivables report to conform to district boundaries and thus could not be used by the districts to monitor the payment status of plants under their jurisdiction. The dunning letter process continued until FSIS' new accounting system was implemented in October 1999. At that time, dunning letters could no longer be generated due to computer system problems. FSIS officials said the dunning letter process was not fixed and working properly until March 2001. Further, none of the district offices visited had personnel assigned to monitor the payment status of the plants in the districts. District and field inspection personnel were generally not aware of cases where plants were delinquent in paying bills and most had never been requested to contact plant personnel concerning overdue bills.

FPC officials said that in April 2001, they began calling plants with the largest delinquent amounts to request payment and these efforts had resulted in collection of about \$3 million. FSIS officials also stated they were currently revising their debt collection procedure to include suspension of overtime services in appropriate cases and referral of debts for Treasury offset. Billing records for the audit period showed plants had been charged a total of about \$163 million for overtime services at meat and poultry slaughter plants and food processing plants. Collections totaled about \$142 million (see exhibit E).

Since January 1, 2000, 24 plants in the 3 districts we visited had withdrawn or had requested voluntary suspension from inspection service. Fifteen of the 24 plants had not made any payments on their delinquent account balances for overtime or holiday services since prior to October 1999. The 24 plants had outstanding (unpaid) balances totaling \$474,293 (see exhibit C). FSIS has not taken sufficient collection efforts

to recover the outstanding balances. We also found that during FY 2000 and 2001, NFC had written off a total \$123,816 in debts where they did not pursue sufficient collection actions. FSIS officials said that they did not have sufficient resources to do the required work that was necessary for debt collection.

At the exit conference, an FSIS official questioned the age of the \$7 million in delinquencies, since some of these amounts had been maintained by NFC prior to October 1999, and whether collection actions would yield substantial results. Our analysis disclosed that less than \$2.8 million was billed prior to calendar year 2000. In addition, FSIS needs to act on old delinquencies to determine the potential to collect or write off amounts due.

RECOMMENDATION NO. 6

Develop and implement debt collection policies and procedures consistent with the Debt Collection Improvement Act of 1996 to improve collection of debts.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS is developing debt collection policies and procedures consistent with the Debt Collection Improvement Act of 1996. FSIS is working with the Office of General Counsel and the U.S. Treasury Department to establish appropriate procedures and controls. Full and functioning implementation of the debt management process is planned for January 1, 2003.

OIG Position

We accept the management decision for this recommendation.

FINDING NO. 5
CONTROLS OVER REIMBURSABLE
OVERTIME CLAIMS WERE
INADEQUATE

Controls over reimbursable overtime were inadequate and not reliable because (1) the hours of reimbursable overtime shown on the 5110-1 forms were not compared or verified with the hours of reimbursable overtime reported on the inspector's T&A reports, and (2) the CS did not routinely review the bills for reimbursable overtime because the 5110-1 forms were sent directly to FPC for processing. In addition, the limited control over overtime that would be provided by having plant representatives sign the bills was weakened because plant management

was not always (1) available to verify the number of hours of overtime worked and (2) required to sign the bills. We also found that FSIS had excessive delays in billing plants for overtime services. As a result, there was limited assurance that plants were billed for the correct amount of overtime and in some cases, plants paid for services they did not receive and/or receive free services that should have been reimbursed to FSIS.

Current procedures require inspectors to prepare written documentation showing the hours of reimbursable overtime worked at each plant. These forms (Form 5110-1, "Services Rendered") were submitted with the inspector's T&A directly to the FPC for processing. Plant management was also provided with a copy of each Form 5110-1 applicable to their plant. The CS does not receive copies of the bills and normally do not review the 5110-1 forms, unless the plants question the bills and contact the CS. FPC currently does not have a process or control to compare the hours of reimbursable overtime shown on the 5110-1 forms with the reimbursable overtime reported on the related inspector's T&A reports, although they have been working on an automated control to do such a comparison. FSIS officials said they were close to implementing the needed computer control to verify that the reimbursable overtime hours on the T&A reports agree with the 5110-1 forms.

Plant Management Did Not Always Sign the 5110-1 Forms

The 5110-1 forms provide for signatures by plant representatives to show acknowledgement that the overtime was worked. We reviewed 126 of the 94,927 Form 5110-1's issued in the 3 districts during the audit period and found there were no signatures by plant management on 54 (43 percent) of the forms. Thirty-eight of the unsigned forms were documented to show that no member of plant management was available to sign the form at the time it was left at the plant. Discussion with inspectors showed it was common for forms to be submitted without signatures of plant representatives. One relief inspector (i.e., an inspector whose full-time job was to cover vacant assignments or plants where inspectors were on leave) reported that she never obtained the signatures of plant management on any forms she prepared. She said she had so much work and so many plants to cover that she always prepared her 5110-1 forms at her home after work, and then dropped off the forms at the plants on her next visit. Another inspector reported that, due to a heavy workload, he was sometimes slow in providing plants with copies of his 5110-1 forms and the plant did not always have a copy of the Form 5110-1 when the invoice covering the related form was received.

Discussion with plant management and inspectors showed that questions often came up concerning bills for overtime. In some cases, the plants had not received copies of all the 5110-1 forms listed on invoices for overtime. In other cases, plants were invoiced for overtime that was worked at another plant. We also found three plants that did not reconcile the 5110-1 forms to invoices when paying their bills.

In addition, when inspectors were assigned to more than one plant, FSIS had a policy to minimize the amount billed for overtime to each plant as much as possible by spreading the charges between the plants on each inspector's assignment. This policy of proportional billing provided that all plants that remain open and operating during an inspector's overtime period will be billed proportionally for the overtime regardless of the location(s) where the inspector worked. Consequently, plant managers stated that they expected to be charged for overtime during periods when the inspectors were not present at the plant. This limits any control that might be provided by plant managers monitoring overtime because they have no way to determine how much overtime should be charged when some of the overtime was worked at other plants. Thus, the plant managers were not in a position to verify the actual number of hours of overtime worked.

Billing Delays

We analyzed billing data to determine if FSIS had promptly billed plants for overtime services that were performed. Review of the billing records showed that the elapsed time between providing overtime services and printing an invoice for services was normally 30 to 60 days. This appeared reasonable considering that the 5110-1 forms were submitted at the end of each 2-week pay period and invoices were only printed once a month.

In order to determine if there were any bills where there was an unreasonable delay in invoicing the plant, we identified 272,000 bills nationwide where the overtime services were performed between October 1, 1999, and September 30, 2000. We then identified any bills where the bill print date was after December 1, 2000. We found 291 bills totaling about \$55,000 where there was an excessive delay in invoicing the plant. Details follow:

Period of Delay	No. of Bills	Amount
Over 1-Year	50	\$9,326.58
6 Months To 1 Year	54	\$12,952.33
3 To 6 Months	187	\$32,370.39
Totals	291	\$54,649.30

Discussion with FPC personnel revealed there had been a data entry backlog for bills occurring around the October 1999 period caused by conversion to a new accounting system at NFC. They said some of the delayed printing of bills was due to the backlog and they were gradually eliminating the backlog as time permitted. However, as shown above, substantial delays occurred throughout the 2000 calendar year.

At the exit conference, an FSIS National office official stated that delays occurred because inspectors did not timely submit 5110-1 forms. Regardless, FSIS needs to ensure that plants are timely billed for services received.

Forms 5110-1 Did Not Always Agree With T&A Reports

We reviewed the bills and related T&A reports issued by the 43 sample inspectors selected in the Albany and Chicago districts in order to determine if the amounts of reimbursable overtime billed to the plants agreed with the reimbursable overtime reported on the inspector's T&A reports. There were differences between the T&A reports and bills for 17 of the 43 inspectors that would indicate that the bills or T&A reports were inaccurate. The amounts billed were 115.75 hours less than the reimbursable overtime on the T&A reports for 12 of the inspectors. Five inspectors billed for 48.50 hours more overtime than was shown on the T&A reports.

The first step we used was to compare the automated records of the billing data with the automated records of the T&A data. The billed amounts were converted from dollars to hours for comparison to the hours shown on the payroll records. In cases where differences were noted between the hours on the bills and the hours shown on the T&A reports, copies of the original bills were obtained from FPC. Paper copies of the bills were then compared to the FPC copies of the related T&A reports to verify that an exception actually existed. The review was done for pay periods 1 and 20 of calendar year 2000.

FSIS officials informed us that FPC was working on a computerized control to identify cases where the overtime reported on the inspector's T&A reports did not match the overtime shown on the 5110-1 forms prepared by the inspector. The condition noted above demonstrates there is a need for the proposed control.

RECOMMENDATION NO. 7

Require FPC to complete development of an automated control to compare the bills for overtime issued to plants with the overtime reported on the inspector's T&A reports to ensure that all reimbursable overtime was properly reported and billed, and develop procedures to resolve any discrepancies between the billed amounts of reimbursable overtime and the reimbursable overtime reported on the related inspectors T&A reports identified by the automated control.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

*The * * * FPC is developing a T&A versus Billing Document (FSIS 5110-1) Variance Report. In March 2002, the FPC generated a Variance Report for Pay Period 1, 2002, using T&A data collected from * * * NFC's Payroll Warehouse utilizing FOCUS software and the FFIS * * * Accounts Receivable Tables utilizing BRIO software. The Variance Report is generated from ACCESS and reports the T&A and Billing Documents (5110-1) that do not match. From this point the process becomes manual in order to review the line items and pull paper documents for analysis and corrections. Corrected documentation is requested when required.*

** * * FSIS has requested a new electronic filing system that will allow the FPC to manage and manipulate the paper T&A and 5110-1's electronically. Documentation will be retrieved electronically rather than by hand and copied. The implementation of the new system will be completed by December 2003.*

OIG Position

We accept the management decision for this recommendation.

RECOMMENDATION NO. 8

Establish and implement controls to ensure that plants are timely billed.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

Since FY 1998, the FPC has been receiving all the FSIS 5110-1's, "Services Rendered," documents and processing them for billing. This change in procedures was implemented to ensure timely processing and billing through a controlled and closely monitored process. The initial process was through NFC's PCBLCO software for billing, which was converted to the FFIS Accounts Receivable system. Except for the couple of months during implementation (October – December 1999), the FPC has been able to process all 5110-1's received within two weeks of receipt. Circumstances in the field may cause delays in the 5110-1 submissions, however, the FPC processes the 5110-1 within two weeks of receipt to be included in the next billing cycle.

The T&A and Billing Document Variance Report, identified in Recommendation No. 7, provides the FPC with information to determine if 5110-1 documents are missing. Districts are notified to submit missing 5110-1's. The electronic filing system will be implemented December 2003.

OIG Position

We accept the management decision for this recommendation.

RECOMMENDATION NO. 9

Establish and implement controls to ensure that plant management signs the 5110-1 forms indicating that services were performed.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS agrees with the intent of this recommendation. FSIS requires inspectors to obtain appropriate signatures on the 5110-1 (block 10). The 5110-1 outlines the number of overtime hour[s] worked by an inspector and is certified by the plant official's signature. We will assess our current procedures and make any necessary adjustments by June 2003.

OIG Position

We agree that inspectors are to obtain appropriate signatures on the 5110-1 form (block 10). We also agree that the form outlines the number of overtime hours worked by an inspector and is certified by the plant official's signature. However, to reach management decision, we need to know what enforcement actions will be implemented to ensure that all forms have been signed by plant management.

RECOMMENDATION NO. 10

Discontinue the policy of proportional billing. If not, revise Form 5110-1 to show overtime hours charged to the plant that were worked at off-site locations, so that plant management can verify that charges are correct.

FSIS Response

In its September 30, 2002, response to the draft report, FSIS stated:

FSIS disagree[s] with this recommendation. FSIS will re-examine the policy of proportional billing and will develop a proposal to ensure that charges are accurate. The proposal will be developed by January 2003.

OIG Position

We do not accept management decision based on the alternative corrective action to be implemented for this recommendation because the planned corrective action does not specifically address whether plant management can verify whether charges are accurate.

EXHIBIT A – OVERTIME HOURS BY DISTRICT – FY 2000

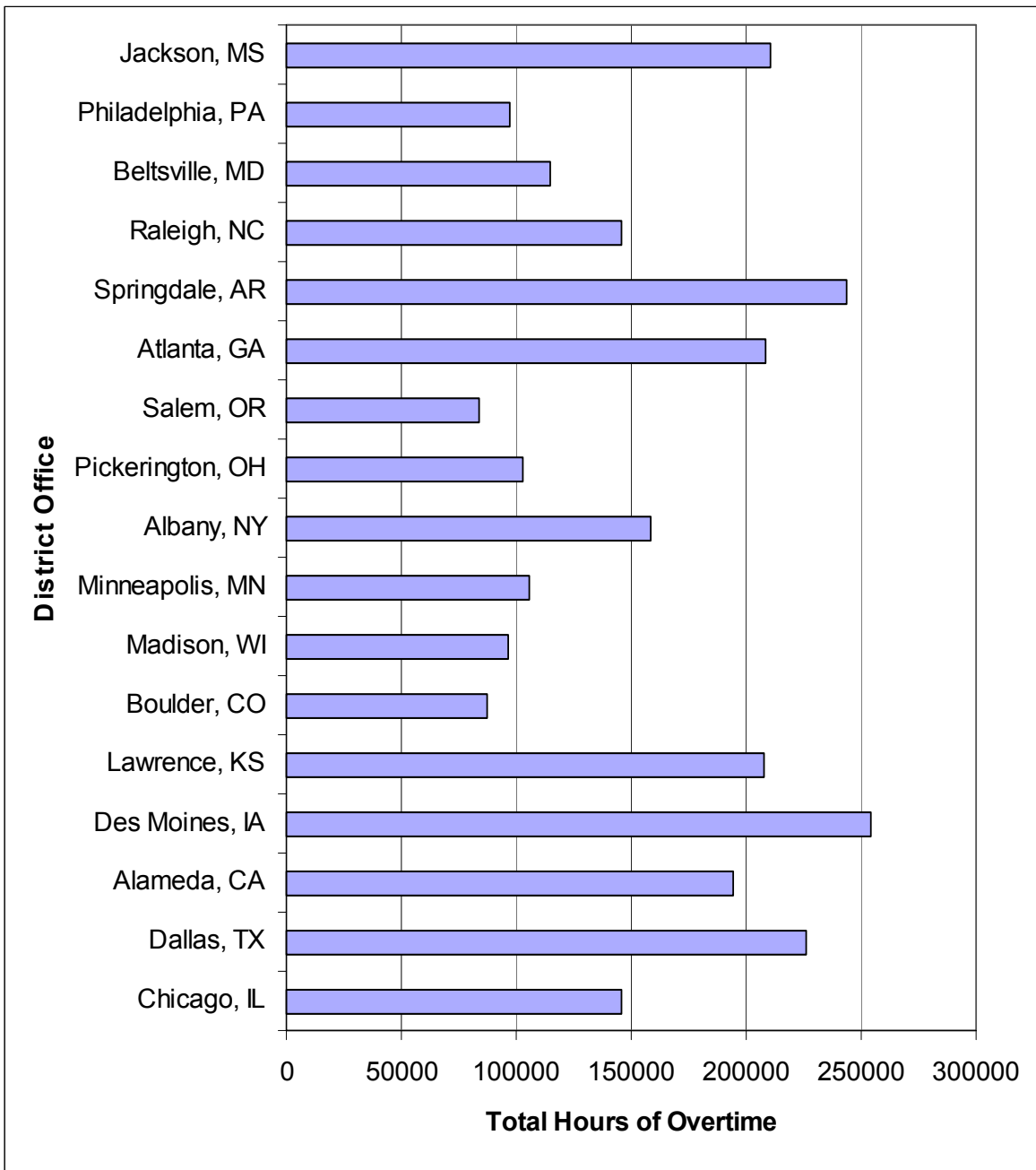


EXHIBIT B – PLANTS WITH DELINQUENT ACCOUNTS RECEIVING OVERTIME INSPECTION SERVICES IN THE DISTRICTS VISITED

Plant	Status	Last Payment Date (Month, Year)	Outstanding Balance As of 01/31/02
Atlanta, GA District			
1	Active	04/00	\$213,108.41
2	Active	^{1/} Unknown	\$44,099.93
3	Active	COD	\$29,054.10
4	Active	02/00	\$47,897.18
5	Active	1/ Unknown	\$23,251.85
6	Active	02/00	\$26,042.97
7	Active	After 10/01	\$8,630.23
8	Active	After 10/01	\$2,915.38
9	Active	04/00	\$14,069.10
10	Active	After 10/01	\$6,224.29
11	Active	After 10/01	\$5,251.75
12	Active	After 10/01	\$6,268.33
13	Active	After 10/01	\$2,874.23
14	Active	1/ Unknown	\$8,104.97
Chicago, IL District			
15	Active	After 10/01	\$56,846.37
16	Active	10/00	\$498.41
17	Active	1/ Unknown	\$24,425.25
18	Active	After 10/01	\$15,443.77
19	Active	04/01	\$2,301.25
Albany, NY District			
20	Active	After 10/01	\$67,816.17
21	Active	After 10/01	\$78,002.86
22	Active	After 10/01	\$42,361.24
23	Active	After 10/01	\$27,008.35
24	Active	After 10/01	\$26,978.28
25	Active	After 10/01	\$18,004.89
26	Active	After 10/01	\$28,853.97
27	Active	After 10/01	\$23,878.97
28	Active	12/99	\$17,065.21

29	Active	09/01	\$1,645.86
30	Active	08/01	\$43,842.87
31	Active	02/01	\$3,731.25
32	Active	1/ Unknown	\$12,547.78
33	Active	After 10/01	\$4,799.28
34	Active	After 10/01	\$471.50
35	Active	After 10/01	\$16,292.75
36	Active	After 10/01	\$12,936.45
37	Active	After 10/01	\$5,063.39
38	Active	After 10/01	\$7,125.42
39	Active	After 10/01	\$1,556.23
40	Active	After 10/01	\$12,664.42
		TOTAL	\$989,954.91

^{1/} The date of any payments is unknown because they would have occurred prior to the October 1999 conversion to the FFIS accounting system.

EXHIBIT C – WITHDRAWN OR SUSPENDED PLANTS WITH UNPAID ACCOUNTS FOR OVERTIME SERVICES

Plant	Status	Last Payment Date	Outstanding Balance As of 01/31/02
Atlanta, GA District			
1	Suspended	No Payments	\$75,392.58
2	Withdrawn	^{1/} Unknown	\$104,701.57
3	Withdrawn	^{1/} Unknown	\$24,479.09
4	Withdrawn	^{1/} Unknown	\$23,448.50
5	Suspended & Bankrupt	^{1/} Unknown	\$24,382.99
6	Withdrawn	^{1/} Unknown	\$11,775.18
7	Withdrawn	^{1/} Unknown	\$15,773.92
8	Withdrawn & Bankrupt	^{1/} Unknown	\$5,609.14
9	Suspended	After 10/01	\$913.85
10	Suspended	After 10/01	\$1,492.83
11	Suspended	After 10/01	\$2,461.09
12	Suspended	After 10/01	\$2,351.84
Chicago, IL District			
13	Withdrawn	^{1/} Unknown	\$7,581.73
Albany, NY District			
14	Withdrawn	After 10/01	\$36,303.11
15	Withdrawn	^{1/} Unknown	\$31,152.72
16	Withdrawn	^{1/} Unknown	\$21,883.36
17	Withdrawn	After 10/01	\$10,216.06
18	Withdrawn	^{1/} Unknown	\$18,633.76
19	Withdrawn	^{1/} Unknown	\$15,010.54
20	Withdrawn	After 10/01	\$5,888.87
21	Withdrawn	^{1/} Unknown	\$12,739.44
22	Withdrawn	^{1/} Unknown	\$8,007.70
23	Withdrawn	After 10/01	\$7,727.77
24	Withdrawn	^{1/} Unknown	\$6,364.94
		TOTAL	\$474,292.58

^{1/} The date of any payments is unknown because they would have occurred prior to the October 1999 conversion to the FFIS accounting system.

EXHIBIT D – FSIS OVERTIME HOURS - FY 2000

OVERTIME FOR DISTRICT OFFICE FSIS EMPLOYEES

Number of Employees	Range of Overtime Hours Reported
36	1,501.00 – 1,976.00
219	1,000.00 – 1,499.75
1,390	500.00 – 998.75
7,497	0.00 – 499.75

OVERTIME REPORTED BY INSPECTORS VISITED DURING THE AUDIT

Inspector Contacted	Title	Plants Assigned	FY 2000 Overtime (Hours)
A	^{1/} IIC	5	772.00
B	IIC	1	92.75
C	IIC	4	1,354.25
D	IIC	4	839.75
E	IIC	11	1,084.25
F	IIC	1	221.00
G	IIC	5	908.50
H	IIC	3	1,117.50
I	IIC	3	128.50
J	IIC	1	208.00
K	IIC	1	426.50
L	IIC	1	255.00
M	IIC	5	1,504.00
N	IIC	5	1,285.50
O	IIC	3	244.75
P	IIC	4	494.00
Q	Relief	2	790.75
R	Relief	6	755.75
S	IIC	5	1,197.50
T	IIC	5	728.75
U	IIC	4	1,794.25
^{1/} Inspector-in-Charge			

EXHIBIT E – OVERTIME BILLED BY DISTRICT – 10/99 THROUGH 03/01

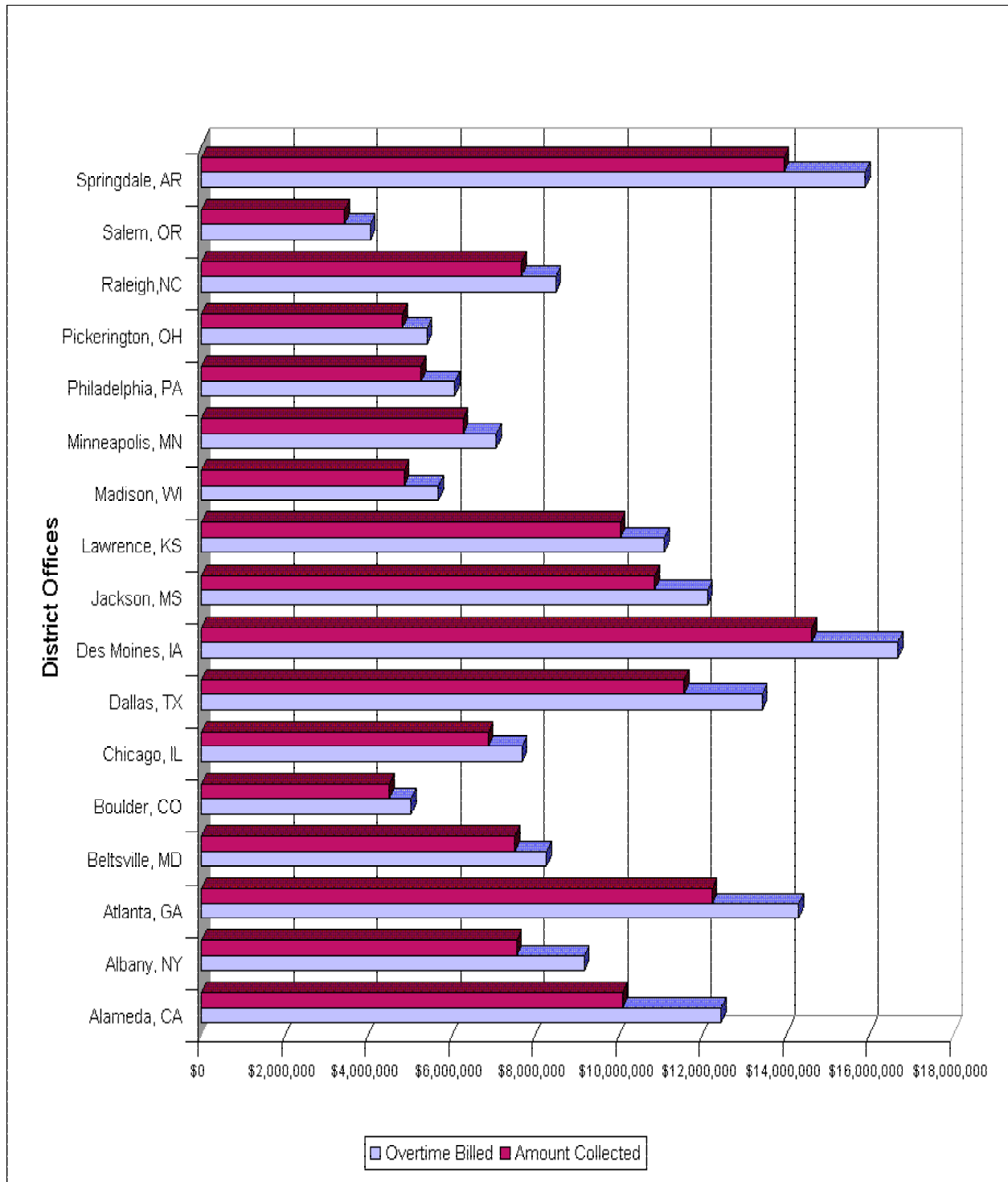


EXHIBIT F – PLANT LOCATIONS VISITED

PLANT/TYPE	STATUS	LOCATION
A - Processing	Active - Delinquent	Newark, New Jersey
B - Slaughter	Active - Delinquent	Paterson, New Jersey
C - Processing	Active - Delinquent	Passaic, New Jersey
D - Processing	Active - COD	Newark, New Jersey
E - Processing	Active - Current	New Brunswick, New Jersey
F - Processing	Active - Current	Maspeth, New York
G - Processing	Active - Delinquent	Jamaica, New York
H - Processing	Active - Delinquent	Turnersville, New Jersey
I - Processing	Active - Current	Camden, New Jersey
J - Processing	Active - Current	Williamstown, New Jersey
K - Processing	Active - Current	Pennsauken, New Jersey
L - Slaughter & Processing	Active - Current	Stillmore, Georgia
M - Slaughter & Processing	Active - Current	Perry, Georgia
N - Processing	Active - Current	Hialeah, Florida
O - Processing	Active - COD	Miami, Florida
P - Processing	Active - Delinquent	Hialeah, Florida
Q - Processing	Active - Delinquent	Hialeah, Florida
R - Processing	Active - Delinquent	Hialeah, Florida
S - Processing	Active - Current	Miami, Florida
T - Processing	Active - Delinquent	Chicago, Illinois
U - Processing	Active - Current	Broadview, Illinois
V - Processing	Active - Current	Elk Grove Village, Illinois
W - Processing	Active - Current	Bolingbrook, Illinois
X - Slaughter & Processing	Withdrawn - Delinquent	Alma, Georgia
Y - Slaughter & Processing	Withdrawn - Delinquent	Alma, Georgia

EXHIBIT G – FSIS RESPONSE TO THE DRAFT REPORT

1 of 6



United States
Department of
Agriculture

Food Safety
and Inspection
Service

Washington, D.C.
20250

SEP 30 2002

TO: Richard D. Long
Assistant Inspector General
For Audit
Office of Inspector General

FROM: Dr. Garry L. McKee *GLM*
Administrator

SUBJECT: FSIS Response to the Office of Inspector General (OIG) Draft Report on Food Safety and Inspection Service (FSIS) Overtime Controls, Audit No. 24099-4-At

Thank you for the opportunity to review and respond to the subject draft report. The Food Safety and Inspection Service has reviewed the report and offers the following responses to the findings and recommendations for addition to the final audit report:

OIG Key Recommendation:

OIG recommends that FSIS establish and implement controls to require prior approval of overtime and supervisory reviews of Time and Attendance (T&A) reports. In addition, FSIS needs to require inspectors to properly document their T&A reports to justify claimed premium pay and ensure that the Circuit Supervisor (CS) adequately review T&As. FSIS should implement regulations requiring the suspension of overtime services to plants that are delinquent in paying their bills for services, and should also develop and implement collection strategies consistent with the Debt Collection Improvement Act of 1996 that will improve collection efforts from delinquent plants. In addition, OIG recommends that Financial Processing Center (FPC) complete development of an automated control to compare hours on the bills for overtime issued to plants with inspectors' T&A reports to ensure that all reimbursable overtime was properly reported and billed.

Agency Response:

We agree with the intent of the recommendations. FSIS requires all employees to properly prepare and document T&A records. FSIS will review existing policies and procedures on T&A preparation, review, and documentation to ensure that the policies are clear and current. In addition, we will strengthen our controls over T&A reporting by reinforcing documentation and supervisory oversight procedures. FSIS is working with the Office of General Counsel and the U.S. Treasury to develop and improve policies and procedures that are consistent with the Debt Collection Improvement Act of 1996. These new policies and procedures will enhance our billing and accounting practices and will improve tracking and enforcement of plants with

delinquent accounts. In addition, FSIS will improve T&A procedures and controls to ensure that reimbursable overtime is verified and properly billed.

Chapter 1: Procedures and Controls Over Overtime Need Improvement

Recommendation No. 1:

Establish and implement controls, including updating written policies and procedures, to require (1) written requests for overtime services from plants, (2) prior approval of inspectors' overtime from CS, and (3) supervisory approvals of T&A reports processed through the payroll system. In addition, FSIS should develop additional monitoring techniques of inspectors to ensure that hours claimed are worked.

Agency Response:

FSIS disagrees with items 1 and 2 of this recommendation. Written requests for overtime from plants are not always possible. Overtime is often unanticipated due to unforeseen situations such as equipment failure, etc. This also applies to prior approval of inspector overtime by the Circuit Supervisor (CS). Inspector overtime is often unscheduled; therefore, prior approval by the CS in most situations may not be practical.

Additionally, the Secretary of Agriculture has affirmed three exceptions that were previously made many years ago under the authority of 7 U.S.C. 394. Those exceptions are: (a) the provisions pertaining to the limitation on premium compensation shall not be applicable; (b) employees who work overtime between the hours of 6 p.m. and 6 a.m. shall receive additional compensation of 10 percent of their basic hourly rate for such night work in addition to their overtime rate; and (c) the provisions pertaining to the ordering or approving of overtime shall not be applicable. Item c. specifically exempts the Agency from requiring written requests for overtime or requiring prior approval.

However, to improve our controls, FSIS plans to review existing T&A policies and procedures as well as develop and issue new or revised policies and procedures as appropriate that will reinforce T&A preparation, documentation, and verification requirements. In addition, to allow more effective supervisory oversight of T&A reports, FSIS will investigate developing a system or process to strengthen the oversight of inspector T&A reports. We will develop or revise policies and procedures as appropriate by August 2003.

Recommendation No. 2:

Determine whether administrative action is warranted for the inspectors not present at their assigned plants during duty hours.

Agency Response:

FSIS has existing policies and procedures that deal with this type of employee. FSIS Directive 4735.3 Employee Responsibilities and Conduct contains policies and procedures for handling issues of misconduct. If employee misconduct is identified (such as not being on duty during assigned hours), the supervisor reports the situation to the Labor and Employee Relations Division (LERD). LERD will conduct an investigation and if the allegations of misconduct are founded, disciplinary action will be taken as determined appropriate.

Recommendation No. 3:

Require inspectors to document their T&A reports in a manner sufficient to support the hours of premium and overtime pay reported, and require the CS to review inspector's T&A reports in sufficient detail to determine if the hours of premium pay claimed are supported by times documented on the T&A reports.

Agency Response:

FSIS agrees with the intent of this recommendation. FSIS requires supervisors to verify and sign T&A records completed by their employees. FSIS will issue a Notice reminding supervisors of this responsibility and also identify the process for submitting corrections if needed based on the review. We will issue the Notice by June 2003.

Recommendation No. 4:

Perform random quality control spot checks of the T&A reports processed to determine if they are sufficiently documented to support the premium pay claimed and inform district offices of discrepancies so that inspectors and/or CS can receive any needed training on how to properly prepare and review T&A reports.

Agency Response:

FSIS agrees with the intent of the recommendation. FSIS will develop and implement procedures that outline random quality control checks of inspector T&A reports to ensure that the T&As are properly documented. Discrepancies will be reported to the District Manager for appropriate action. The new procedures will be developed by August 2003.

Chapter 2: Controls and Procedures Over Billing and Collecting for Reimbursable Overtime Need Improvement.

Recommendation No. 5:

Establish and implement controls to ensure that district office personnel are informed when plants become delinquent and to enforce regulations requiring the suspension of overtime and holiday services to plants that are delinquent.

Agency Response:

FSIS will prepare procedures to inform district managers when a plant is delinquent in paying their bills and that suspension of overtime and holiday services be discontinued until the unpaid debt is paid in full. The district will be informed by letter after the plant has been given due process. A Notice will be published in the Federal Register by January 2003, informing industry of FSIS's intention to enforce its authority to suspend reimbursable services when a plant becomes delinquent in paying their debt.

Recommendation No. 6.

Develop and implement debt collection policies and procedures consistent with the Debt Collection Improvement Act of 1996 to improve collection of debts.

Agency Response:

FSIS is developing debt collection policies and procedures consistent with the Debt Collection Improvement Act of 1996. FSIS is working with the Office of General Counsel and the U. S. Treasury Department to establish appropriate procedures and controls. Full and functioning implementation of the debt management process is planned for January 1, 2003.

Recommendation No. 7:

Require FPC to complete development of an automated control to compare the bills for overtime issued to plants with the overtime reported on the inspector's T&A reports to ensure that all reimbursable overtime was properly reported and billed, and develop procedures to resolve any discrepancies between the billed amounts of reimbursable overtime and the reimbursable overtime reported on the related inspectors T&A reports identified by the automated control.

Agency Response:

The Financial Processing Center (FPC) is developing a T&A versus Billing Document (FSIS 5110-1) Variance Report. In March 2002, the FPC generated a Variance Report for Pay Period 1, 2002, using T&A data collected from National Finance Center's (NFC) Payroll Warehouse utilizing FOCUS software and the FFIS (Foundation Financial Information System) Accounts Receivable Tables utilizing BRIO software. The Variance Report is generated from ACCESS software and reports the T&A and Billing Documents (5110-1) that do not match. From this point the process becomes manual in order to review the line items and pull paper documents for analysis and corrections. Corrected documentation is requested when required.

The FSIS has requested a new electronic filing system that will allow the FPC to manage and manipulate the paper T&A and 5110-1's electronically. Documentation will be retrieved electronically rather than by hand and copied. The implementation of the new system will be completed by December 2003.

Recommendation No. 8:

Establish and implement controls to ensure that plants are timely billed.

Agency Response:

Since FY 1998, the FPC has been receiving all the FSIS 5110-1's, Services Rendered, documents and processing them for billing. This change in procedures was implemented to ensure timely processing and billing through a controlled and closely monitored process. The initial process was through NFC's PCBLCO software for billing which was converted to the FFIS Accounts Receivable system. Except for the couple of months during implementation (October – December 1999), the FPC has been able to process all 5110-1's received within two weeks of receipt. Circumstances in the field may cause delays in the 5110-1 submissions, however, the FPC processes the 5110-1 within two weeks of receipts to be included in the next billing cycle.

The T&A and Billing Document Variance Report, identified in Recommendation No. 7, provides the FPC with information to determine if 5110-1 documents are missing. Districts are notified to submit missing 5110-1's. The electronic filing system will be implemented December 2003.

Recommendation No. 9:

Establish and implement controls to ensure that plant management signs the 5110-1 forms indicating that services were performed.

Agency Response:

FSIS agrees with the intent of this recommendation. FSIS requires inspectors to obtain appropriate signatures on the 5110-1 (block 10). The 5110-1 outlines the number of overtime hour worked by an inspector and is certified by the plant official's signature. We will assess our current procedures and make any necessary adjustments by June 2003.

Recommendation No. 10:

Discontinue the policy of proportional coverage. If not, revise Form 5110-1 to show overtime hours charged to the plant that were worked at off-site locations, so that plant management can verify that charges are correct.

Agency Response:

FSIS disagrees with this recommendation. FSIS will re-examine the policy of proportional billing and will develop a proposal to ensure that charges are accurate. The proposal will be developed by January 2003.

If you have any questions, you may contact Vincent Fayne, Director, Internal Control Staff, on (202) 720-5959.