



Public Synopsis

OIG Report #2014-0350

Fraudulent Payroll Scheme Conducted by a Department of
Transportation Contract Administrator



**OFFICE OF INSPECTOR GENERAL
BALTIMORE CITY**

100 N. Holliday Street, Rm. 640
Baltimore, MD 21202



Public Synopsis

**Synopsis of OIG Report #2014-0350: Fraudulent Payroll Scheme Conducted by a
Department of Transportation Contract Administrator**

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	SUBJECT	Synopsis of OIG Final Report #2014-0350		

TO Hon. President and Members of the City Council
400 City Hall

DATE: 01/15/2015

Please find attached the Office of Inspector General's (OIG) Public Synopsis of Case 2014-0350, which involved the engagement of a Department of Transportation (DOT) Contract Administrator, Andrew Wilson, in a fraudulent payroll scheme whereby he forged his supervisor's signature on overtime authorization forms, then submitted these fraudulent forms to payroll to receive pay for hours that were never worked.

On 07/18/2014, the OIG was contacted regarding a possible fraudulent payroll scheme undertaken by an employee from the DOT Contract Administration/Civil Rights Division. The information received indicated that Mr. Wilson submitted forged overtime authorization forms to payroll. Through this scheme, Mr. Wilson submitted 2,227 hours of fraudulent overtime resulting in disbursements of \$72,823.40.

Mr. Wilson was terminated from City employment. On 09/03/2014, the Baltimore City State's Attorney's Office indicted Mr. Wilson on one count of theft between \$10,000 and \$100,000. On 01/06/2014 Mr. Wilson pled guilty and received probation before judgment with five years of probation. Mr. Wilson was ordered to pay full restitution.

The OIG would like to thank all of the City agencies and employees who acted as valuable partners in working towards the successful conclusion of this investigation. The OIG looks forward to continuing our partnership to strengthen policy, procedure, and internal oversight protocols.

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Office of Inspector General
100 N. Holliday Street
Suite 640, City Hall
Baltimore, MD 21202

- Baltimore City employees, citizens, and vendors or contractors doing business with the City should report fraud, waste, and abuse to the **Fraud Hotline. Call 1-800-417-0430** (24 hours a day, 7 days a week).
- Notifications of new reports are now available via Twitter by following us **@OIG_BALTIMORE**.

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Public Synopsis

**Synopsis of OIG Report #2014-0350: Fraudulent Payroll Scheme Conducted by a
Department of Transportation Contract Administrator**

Subject: Andrew Wilson, Contract Administrator, DOT Contract Administration/Civil Rights Division

INTRODUCTION

A City employee in the Department of Transportation (DOT) Contract Administration/Civil Rights (CA/CR) Division, Andrew Wilson, engaged in a fraudulent payroll scheme by forging his supervisor's signature on overtime authorization forms, then submitting these fraudulent forms to payroll to receive pay for hours that were never worked. Through this scheme, 2,227 hours of fraudulent overtime were submitted resulting in disbursements totaling \$72,823.40. An additional 85 hours of fraudulent overtime were submitted after the OIG initiated its investigation totaling \$3,149.91. Payment for the additional overtime hours was withheld by the DOT Human Resources Division.

On 08/22/2014, Mr. Wilson was terminated from City employment and on 09/03/2014 he was indicted on one count of theft between \$10,000 and \$100,000. On 01/06/2015, he pled guilty, received probation before judgment with five years of probation, and was ordered to pay full restitution.

BACKGROUND

On Friday 07/18/2014, the OIG was contacted regarding a possible fraudulent payroll scheme undertaken by an employee from the DOT CA/CR Division. The information received indicated that a Contract Administrator, Andrew Wilson, submitted falsified documents over an extended period of time to receive payment for overtime that was not approved and not performed. Additionally, the information indicated that several of these requests were submitted during that current pay period which would have resulted in payment to Mr. Wilson on the following Friday, 07/25/2014. At that point, the OIG took steps to delay the payment of the questionable overtime to Mr. Wilson, initiated an investigation to determine if a fraudulent payroll scheme had occurred, and if so, the dollar amount of loss to the City.

DOT CA/CR overtime responsibilities and approval processes are described below.

Overtime Assignments within DOT CA/CR

There are two main projects within DOT CA/CR that require overtime. These projects are the closing out of completed contracts and scanning of documents onto the DOT CA/CR server. Contract close-out responsibilities include verifying that all paperwork associated with the specific contract has been completed properly and that all appropriate payments have been made. Overtime for this project is approved for evenings during the week as well as on weekends.

DOT CA/CR processes large quantities of paperwork throughout the course of daily operations. The daily additions of paperwork coupled with the voluminous pre-existing paper files created a project which requires extensive personnel hours to complete. As a result, the CA/CR Division Chief will approve overtime for the purposes of scanning documents and appropriately filing them on the local server. Overtime for this project is approved for evenings during the week as well as on weekends.

Overtime Approval Process within DOT CA/CR

Currently there is no set of formal written policies for payroll processing for DOT CA/CR. However, DOT CA/CR Division management has established procedures for payroll processing within the Division. Employees seeking to work overtime must first receive approval from the Division Chief in advance. To do so, employees e-mail the Division Chief indicating the date they wish to work overtime and the work they will be performing. The Division Chief will then reply to the employee stating whether the requested overtime has been approved or denied.

Once approved, the employee works the overtime on the requested date. The employee then prepares an overtime authorization form. On the form the employee fills out their name, regular hours worked, type of work performed on overtime, date of requested overtime, beginning and ending time of overtime performed, total overtime hours worked, and how they would like to be compensated. The employee makes this compensation selection by marking next to either "to be paid" or "compensatory." After the employee signs and dates the form it is given to the Data Entry Operator (DEO) who is responsible for timekeeping within DOT CA/CR. The DEO enters the overtime information into a spreadsheet which he uses to track overtime for all DOT CA/CR personnel. The DEO then delivers the overtime forms to the Division Chief for signature. The Division Chief reviews and signs the overtime authorization forms and signed forms are given back to the DEO. The DEO photocopies the signed forms and distributes the copies to the respective personnel. The DEO then submits all original overtime forms for DOT CA/CR to the payroll clerk for processing.

The payroll clerk reviews the overtime authorization forms to ensure that all required information has been filled out and that the form has been signed by the requesting employee's supervisor. Once reviewed, the payroll clerk then enters the overtime hours and compensation type as selected on the authorization form into the City's timekeeping system, E-time.

SUMMARY OF INVESTIGATION

Synopsis

On the afternoon of Friday 07/18/2014, OIG personnel received a significant amount of information and corroborating documents from DOT management personnel. The information provided by DOT management alleged that DOT Contract Administrator Andrew Wilson engaged in a fraudulent payroll scheme wherein he forged his supervisor's signatures on overtime authorization forms and then submitted these fraudulent forms to payroll in order to receive pay for hours that were never worked.

OIG personnel analyzed hundreds of documents and interviewed several key personnel from DOT CA/CR. The analysis and interviews conducted by the OIG revealed that Mr. Wilson engaged in this payroll scheme from 01/12/2013 through 07/20/2014 during which he submitted 420 fraudulent overtime authorization forms. Through this scheme, Mr. Wilson received \$72,823.40 for 2,227 hours of fictitious overtime and attempted to receive an additional \$3,149.91 for 85 hours of fictitious overtime.¹

To perpetrate this scheme, Mr. Wilson used previously approved overtime forms legitimately signed by the Division Chief or another DOT CA/CR Contract Administrator (Person 1) who was authorized to sign overtime slips in the Division Chief's absence. He would then take a blank overtime form, lay it on top of the old form, and trace the supervisor's signature onto the blank form. Once copied, Mr. Wilson prepared the rest of the fraudulent form for the date he wished to receive overtime pay.

To circumvent the process through which overtime is reviewed and tracked, Mr. Wilson would submit the fraudulent overtime forms directly to the Payroll Clerk instead of submitting them to the DEO.

On 08/07/2014, OIG personnel interviewed Mr. Wilson regarding the alleged fraudulent payroll scheme. Mr. Wilson stated that, beginning around 01/2014, he started forging the signatures of both the Division Chief and Person 1 on overtime authorization forms and would submit these fraudulent overtime authorization forms to the Payroll Clerk for hours he did not work. Mr. Wilson further stated that he performed the majority of the overtime that he submitted for weeknights, but most of the weekend overtime he did not perform. Immediately following his interview, Mr. Wilson met with DOT HR at which point he was placed on unpaid suspension.

Based on the analysis of documents obtained and the statements made by key personnel within DOT, the OIG became confident that this payroll scheme began prior to January 2014 and included fraudulent weeknight hours, a much greater extent than Mr. Wilson admitted during his interview.

On 08/22/2014, DOT management terminated Mr. Wilson pursuant to the OIG investigation.

¹ 59 hours submitted by Wilson were in process when the scheme was discovered. The OIG instructed DOT HR to withhold payment of these hours. An additional 26 hours were submitted after the OIG initiated its investigation.

On 09/03/2014, the Baltimore City State's Attorney's Office indicted Mr. Wilson on one count of theft between \$10,000 and \$100,000.

On 01/06/2015, Mr. Wilson pled guilty and received probation before judgment with five years of probation. Mr. Wilson was ordered to pay full restitution.

Document Examination

In the course of the investigation, the OIG obtained and reviewed the following documents and/or reports:

1. E-Time Reports for the Period of 01/01/2013 to 07/22/2014 for Andrew Wilson, Person 1, Person 2, Person 3, and Person 4.
2. Overtime Authorization Forms Submitted by Andrew Wilson for the Period of 01/01/2013 to 07/22/2014.
3. Overtime Authorization Forms for the Period of 06/01/2014 to 06/30/2014 Submitted by Person 1, Person 2, Person 3, and Person 4.
4. Overtime Log Created and Maintained by the DEO.
5. Various Documents Containing the Division Chief's Signature.
6. Bank Statements for the Period of 01/2013 to 06/2014 for Andrew Wilson.
7. Video Footage from MECU ATMs.
8. After Hours Card Swipe Access Logs for 417 East Fayette Street for Andrew Wilson, Person 1, Person 2, Person 3, and Person 4.
9. Various E-mail Correspondence.
10. Department of Transportation Payroll Overview Report Draft Dated June 2012

CHRONOLOGY OF RELEVANT EVENTS

01/12/2013: First Documented Instance of Andrew Wilson Submitting a Fraudulent Overtime Authorization Form

07/18/2014: Overtime Anomalies Discovered by DOT Management Personnel

07/18/2014: OIG Initiated Investigation

07/22/2014: Andrew Wilson Submitted Four Additional Fraudulent Overtime Authorization Forms

08/07/2014: OIG Interviewed Andrew Wilson and Various DOT CA/CR Personnel

08/07/2014: Andrew Wilson is Suspended Pending Results of OIG Investigation

08/22/2014: Andrew Wilson is Terminated Pursuant to Results of OIG Investigation

09/03/2014: Andrew Wilson is Indicted on One Count of Theft Between \$10,000 and \$100,000.

01/06/2015: Andrew Wilson Pled Guilty to One Count of Theft Between \$10,000 and \$100,000.

INTERVIEWS

All pertinent information obtained through these interviews is reflected in the report. However, the names of interviewees and the statements attributed to them have been omitted in accordance with the OIG's standard reporting policy to protect confidentiality.

ANALYSIS AND FINDINGS

Analysis

The OIG reviewed hundreds of documents and conducted several interviews throughout the investigation. Relevant data from the collected documents was analyzed and compared to information gathered during interviews. A summary of the OIG analysis is provided below.

Supervisor's Signatures

During his interview, Mr. Wilson stated that he had forged the signatures of both the Division Chief and Person 1. During an interview with OIG personnel, the Division Chief was presented with multiple overtime authorization forms submitted by Mr. Wilson throughout 2013 and 2014. The Division Chief confirmed that the signatures on the forms were falsified. Further, the Division Chief stated that she had not approved Mr. Wilson for overtime since early 2013 and that all overtime that she had approved is logged on a spreadsheet kept by the DEO.

Person 1 was presented with multiple overtime authorization forms submitted by Mr. Wilson from 05/02/2013 through 09/25/2013. Person 1 confirmed that the signatures on the forms were not hers. Person 1 stated she had never signed overtime authorization forms for extended periods. Further, Person 1 stated that she only signed overtime authorization forms occasionally when the Division Chief was absent.

Based on the statements of the Division Chief and Person 1, the OIG is confident that, with the exception of 01/31/2013 and 05/01/2013, all overtime forms submitted by Mr. Wilson for the period of 01/12/2013 through 07/20/2014 were fraudulent.²

Timekeeper's Overtime Log

The DEO is responsible for timekeeping within DOT CA/CR. As a result, all overtime authorization forms are submitted to him before the Division Chief signs them. The DEO maintains a spreadsheet detailing the employee's name, date worked, hours worked, and work performed which he updates every time an employee submits an overtime authorization form. The DEO's spreadsheet indicated that Mr. Wilson submitted no overtime authorization forms for the Division Chief to sign for 2014. Further, Mr. Wilson only submitted eight overtime authorization forms in 2013.

² 01/31/2013 and 05/01/2013 were included on the DEO's overtime spreadsheet indicating that the Division Chief had approved and signed overtime authorization forms for Mr. Wilson on those dates.

OIG personnel compared the data on the DEO's spreadsheet to payroll data for four other DOT CA/CR personnel. With the exception of a few dates, the DEO's spreadsheet matched the payroll data for the selected employees for 2013 and 2014. Based on this review, the OIG is confident that the DEO's spreadsheet for 2013 and 2014 reflects the actual overtime submitted by DOT CA/CR personnel.³ Further, the DEO's spreadsheet indicates that, contrary to Mr. Wilson's statements, this payroll scheme extended as far back as 01/12/2013.

DOT CA/CR Personnel Statements Regarding Mr. Wilson's Overtime

Several employees in DOT CA/CR work overtime on a regular basis. Of the eighteen employees within DOT CA/CR, Person 2, Person 3, and Person 4 work the most overtime. For the period of 01/01/2013 to 07/22/2014 they each worked 991 hours, 702 hours, and 668 hours of overtime respectively. For the same period, Mr. Wilson submitted overtime authorization forms for 2,510 hours. The OIG compared the schedules of these employees to determine if there was any overlap of overtime. The OIG found that of the 423 instances of suspected forgery and overtime theft by Mr. Wilson, 267 occurred on days where overtime hours for Person 2, Person 3 and/or Person 4 overlapped.

For the period reviewed, Person 2's overtime hours overlapped on 136 of the dates that Mr. Wilson claimed to work weekend overtime. Person 2's overtime hours overlapped on 76 of the dates that Mr. Wilson claimed to work weekday overtime. During their interview, Person 2 indicated that it had been at least a year since they could recall seeing Mr. Wilson work overtime. Going back to a year from the interview to 08/07/2013, Person 2 overlapped overtime hours on 142 days that Mr. Wilson's claimed to have worked overtime.

For the period reviewed, Person 3's overtime hours overlapped on 108 of the dates that Mr. Wilson claimed to work weekend overtime. Person 3's overtime hours overlapped on 37 of the dates that Mr. Wilson claimed to work weekday overtime. In total, Person 3's overtime hours overlapped Mr. Wilson's claimed overtime 145 times. Person 3 stated that it had been between eighteen months and two years since they recalled seeing Mr. Wilson work overtime.

For the period reviewed, Person 4's overtime hours overlapped on 132 of the dates that Mr. Wilson claimed to work weekend overtime. Person 4's overtime hours overlapped on 23 of the dates that Mr. Wilson claimed to work weekday overtime. In total, Person 4's overtime hours overlapped Mr. Wilson's claimed overtime 155 times. Person 4 stated that they could not recall the last time they worked overtime, but did not recall working weekend overtime with Mr. Wilson at any point in 2014.

³ The DEO has maintained the overtime spreadsheet since he began his employment in 05/2013. The spreadsheet provided by the DEO also included overtime data from 2011 and 2012, before the DEO's employment with the City. The OIG found that the overtime hours recorded for 2011 and 2012 on the spreadsheet did not match payroll data for the selected employees. As such, the OIG limited its analysis of overtime to 2013 and 2014.

In addition to stating that she has not approved overtime for Mr. Wilson since early 2013, the Division Chief also worked overtime hours that overlapped on 24 of the dates that Mr. Wilson claimed to work weekend overtime. The Division Chief's overtime hours overlapped on 47 dates that Mr. Wilson claimed to work weekday overtime. In total, the Division Chief's overtime hours overlapped Mr. Wilson's claimed overtime 71 times. The Division Chief stated that when she worked weekend overtime, Mr. Wilson was not present. Further, the Division Chief stated that when she leaves the office around between 5:00pm and 5:30pm, Mr. Wilson has already left for the day.

In total, the Division Chief, Person 2, Person 3, and/or Person 4 were working overtime on 267 out of the 423 dates that Mr. Wilson claimed to work overtime for the period of 01/01/2013 to 07/20/2014. Their inability to recall Mr. Wilson's presence on the dates they performed overtime supports the OIG's belief that Mr. Wilson's scheme extended far beyond the weekends in 2014 which he claimed.

Mr. Wilson's Bank Statements

A review of Mr. Wilson's bank statements revealed several instances where Mr. Wilson's ATM card was used to make ATM deposits, ATM withdrawals, or purchases using his debit card during the time period that he claimed to have been working overtime. The location and times of these transactions conflicted with Mr. Wilson's reported overtime on the specified dates.

MECU ATM Video Footage

In addition to bank statements, the OIG was provided with ATM video footage for transactions that occurred when Mr. Wilson's ATM card was used at MECU locations. The OIG noted two video files which revealed Mr. Wilson making transactions at drive-up ATMs outside the City of Baltimore. These transactions occurred during the time that Mr. Wilson claimed to have been performing overtime.

On 01/11/2014, at 5:21pm, Mr. Wilson is seen conducting a transaction at the drive-up ATM of the MECU located at 5910 Baltimore National Pike in Catonsville, MD. On 01/11/2014, Mr. Wilson claimed to have worked overtime between 12:00pm and 8:00pm.

On 07/18/2014, at 7:51pm, Mr. Wilson is seen conducting a transaction at the drive-up ATM of the MECU located at 8507 Loch Raven Blvd. This branch is located outside the City of Baltimore between Towson and Parkville. On 07/18/2014, Mr. Wilson claimed to have worked overtime between 4:30pm and 9:30pm.

Findings

1. Between 01/01/2013 and 07/20/2014 Mr. Wilson submitted 375 overtime authorization forms for 2,227 hours of paid overtime and 31 overtime authorization forms for 162 hours of compensatory time.
 - a. Mr. Wilson received payment for 2,227 hours of overtime totaling \$72,823.40.
 - b. Mr. Wilson attempted to receive payment for 85 hours of overtime totaling \$3,149.91 after the OIG had initiated its investigation.

2. The Division Chief stated that she has not approved overtime for Mr. Wilson since early 2013.
3. The overtime log maintained by the DEO indicates that Mr. Wilson was approved for overtime for six days in 01/2013 and one day in 05/2013.
4. Mr. Wilson admitted that he had forged the signature of The Division Chief Griffin as well as Person 1 on overtime authorization forms.
5. Mr. Wilson admitted that he did not work all of the overtime hours that he submitted.
 - a. Mr. Wilson stated that starting around the beginning of 2014 he submitted overtime forms for hours he did not work. He stated that he did not work most of the weekend overtime hours, but that he did work most of the weekday overtime hours.
 - b. Evidence gathered by the OIG indicates that, contrary to his statements, Mr. Wilson's payroll scheme not only began as early as January 2013, but also included fraudulent weekday overtime as well.
6. DOT CA/CR has established unwritten procedures for overtime approval, authorization, and submission. Mr. Wilson circumvented these procedures by submitting overtime authorization forms directly to the payroll clerk for processing.
7. DOT has failed to implement SOP pertaining to payroll processing.
 - a. OIG recommended the implementation of SOP after completing an investigation into a payroll scheme within a separate DOT Division in 2012.
 - b. Per DOT HR Chief Kathy Litz, as of 08/07/2014, no such SOP has been implemented but a draft SOP was in process.
 - c. OIG personnel were provided with an incomplete draft of DOT Payroll Review report dated June 2012.

VIOLATIONS

1. **Standards of Conduct and Performance – Civil Service Commission (hereinafter “CSC/Department of Human Resources (hereinafter “DHR”) Rule 40, Part I**
CSC/DHR Rule 40, Part I, states the following: *“Employees shall observe and protect the City’s property rights, and shall follow all rules requiring authorization for the use of City funds, labor, and property.”*

Mr. Wilson violated this rule through his actions in forging his supervisor's signature on overtime authorization forms then submitting these falsified documents to payroll in order to receive additional unearned pay from the City from 01/12/2013 through 07/20/2014. During this period, Mr. Wilson's actions resulted in the fraudulent disbursement of \$72,823.40, as well as attempted additional disbursements totaling \$3,149.91. These actions constitute violations of Rule 40, Part I.

2. **Standards of Conduct and Performance – CSC/DHR Rule 40, Part L**

CSC/DHR Rule 40, Part L, states the following: *“Employees shall conduct themselves at all times in a manner becoming of a City employee, and shall not bring scandal, expense, or annoyance upon the City through crime, conflict of interest, failure to pay just debts, or other improper or notorious behavior.”*

Mr. Wilson violated this rule through his actions in forging his supervisor’s signature on overtime authorization forms then submitting these falsified documents to payroll in order to receive additional unearned pay from the City from 01/12/2013 through 07/20/2014. These actions have resulted in criminal charges to which Mr. Wilson pled guilty on 01/06/2015.

3. Cause for Discharge, Demotion or Suspension – CSC/DHR Rule 56, Part 1(C)

CSC/DHR Rule 56, Part 1(C), states the following: *“Discharge, demotion, or suspension of an employee in the Civil Service shall be for any just cause. Discharge shall be only for . . . (C) conduct which causes an irreparable breach of trust.”*

Mr. Wilson violated CSC/DHR Rule 56, Part 1(C) by irreparably breaching this trust through his actions in forging his supervisor’s signature on overtime authorization forms then submitting these falsified documents to payroll in order to receive additional unearned pay from the City from 01/12/2013 through 07/20/2014.

4. Cause for Discharge, Demotion or Suspension – CSC/DHR Rule 56, Part 2(I)

CSC/DHR Rule 56, Part 2(I), states the following: *“That the employee has been engaged in fraud, theft, misrepresentation of work performance, misappropriation of funds, unauthorized use of City property, obstruction of an official investigation, or other act of dishonesty.”*

Mr. Wilson violated this rule through his actions in forging his supervisor’s signature on overtime authorization forms then submitting these falsified documents to payroll in order to receive additional unearned pay from the City from 01/12/2013 through 07/20/2014. During this period, Mr. Wilson’s actions resulted in the fraudulent disbursement of \$72,823.40, as well as attempted additional disbursements totaling \$3,149.91. Said actions were in violation of CSC/DHR Rule 56, Part 2(I).

RECOMMENDATIONS

One of the primary goals of the OIG is to identify areas of weakness or inefficiency that can be eliminated or improved. The OIG believes that a more purposeful effort to establish standard operating procedures and increase controls over payroll processes will reduce the City’s exposure to the risk of payroll fraud. As such, the OIG has made a series of recommendations that, if enacted, would reduce the opportunity for payroll fraud within DOT.

- 1) *The OIG recommends that the DOT CA/CR prohibit employees from submitting payroll documentation, including overtime authorization forms and leave request forms, directly to payroll personnel.*
-

Payroll fraud will occur in any large organization. However, a structured process of verification and accountability will result in more frequent discovery of fraud and in shorter periods of duration on average. The OIG notes that without formal written SOP regarding payroll, DOT CA/CR had created a process through which overtime was recorded and authorized. However, Mr. Wilson was able to circumvent this process by submitting overtime authorization forms directly to the payroll clerk. Had DOT CA/CR established a firm policy prohibiting the submission of these documents directly to the payroll clerk, this scheme could have been identified immediately.

2) *The OIG recommends that DOT Director immediately require the creation of written department-wide Standard Operating Procedures (SOP) regarding payroll.*

Payroll processing, an integral facet of daily operations for every large organization, is susceptible to fraud and abuse. A systematic process of verification and accountability will result in more frequent discovery of fraud and, on average, shorter periods of duration. By standardizing payroll processes across the Department, DOT can increase accountability and efficiency. The OIG understands that DOT is a multifaceted Department, and that each Division performs an array of unique and complex functions. However, this fact does not excuse DOT from providing a consistent framework for each Division to use. The application of consistent processes and oversight procedures would greatly enhance the ability of DOT central administration to review payroll accuracy via the verification efforts conducted at the Division level.

Further, the lack of payroll SOP creates an environment in which fraud and abuse may not only occur more frequently, but may go unnoticed for extensive periods of time. The employee's forgery and fraudulent overtime lasted roughly eighteen months before it was detected and resulted in an additional expense to the City of \$72,823.40. In another payroll scheme recently discovered within DOT Traffic Division, the employee's scheme lasted approximately one year and four months creating an additional expense to the City of \$13,726. In yet another payroll scheme perpetrated two years ago, in the same DOT Traffic Division office, the employee's scheme lasted approximately one and a half years and exceeded \$27,000 in losses to the City.

Best practices suggest several policies and procedures that improve the integrity of payroll. The OIG believes that DOT's SOP should include, but not be limited to, the following policies:

- a. Separation of Duties – Payroll preparation, review, and authorization should be performed by different employees. Further, employees should not be allowed to submit overtime authorization forms or leave forms directly to the payroll clerk.
- b. Verification of Overtime Worked – Overtime hours should be approved by supervisors. Documentation of supervisory approval should be verified before overtime is recorded. Further, modifications to overtime should require additional supervisory approval.
- c. Change Tracking and Authorization – Personnel responsible for review of payroll should utilize the E-Time Timecard Audit Detail report to review changes that have been made to payroll after initial entry. All changes, with the exception of

changes made to correct posting errors, should include proper documentation and authorization for the change.