OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S MANAGEMENT CONTROLS OVER OVERTIME COMPENSATION

AUDIT REPORT NO. F-306-14-001-P
MARCH 23, 2014

KABUL, AFGHANISTAN

Office of Inspector General

March 23, 2014

MEMORANDUM

TO: USAID/Afghanistan Mission Director, William Hammink

FROM: OIG/Afghanistan Director, James C. Charlifue /s/

SUBJECT: Audit of USAID/Afghanistan's Management Controls Over Overtime Compensation (Report No. F-306-14-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and included them in their entirety in Appendix II of this report.

This report contains four recommendations to help USAID/Afghanistan strengthen its management controls over overtime compensation for its staff. Based on our evaluation of management comments in its response to our draft report, we acknowledge management decisions on all four recommendations. However, we do not agree with the decision for Recommendation 1. Also, based on the mission's comments we deleted one recommendation that was in the draft report.

Please coordinate final action with USAID's Audit Performance and Compliance Division (APC) for all four recommendations.

Thank you for the cooperation and courtesies extended to the audit team during this audit.

CONTENTS

SUMMARY OF RESULTS

Afghanistan has been among the top recipients of U.S. assistance since 2002. Given the magnitude of the U.S. development assistance in that country, the U.S. Government has exerted considerable effort to attract people to work there and help administer the assistance. According to the mission's Office of Financial Management, total operating expenses and program funds level for Afghanistan was $1.8 billion for fiscal year (FY) 2013.

The Afghanistan service recognition package[1] is designed to recognize the "exceptional factors involved in service in Afghanistan." In addition to basic salary, the package includes overtime and other types of premium pay to compensate certain categories of employees for substantial amounts of extra work performed. At the same time, employees are expected to manage their time effectively and to make sure that any overtime worked is essential to meet the U.S. Government's goals.

The following categories of employees are eligible to receive overtime and other types of premium pay: noncommissioned Foreign Service Officers, Civil Service employees assigned to Afghanistan, and U.S. and third-country national personal service contractors.[2] Commissioned Foreign Service Officers are not eligible for premium pay, but receive a special differential of 20 percent of base pay in recognition of substantial extra work performed. Members of the Senior Foreign Service and Senior Executive Service are not eligible for overtime pay.

USAID/Afghanistan has the following premium pay categories:

1. Overtime: hours officially ordered or approved beyond 8 hours in a day or 40 hours in an administrative workweek.

2. Sunday differential: premium paid in addition to regular pay for work on Sundays. The basic workweek in Afghanistan is Sunday through Thursday.

3. Holiday pay: premium paid for work performed on a holiday observed during the employee's basic workweek hours.

4. Compensatory time: alternative compensation for overtime work.

According to payroll reports generated by USAID's electronic time and attendance system, webTA, USAID/Afghanistan's employees received premium pay for approximately 468,277 hours covering all 26 pay periods of 2011 and the first 17 pay periods of 2012—January 1, 2011, to August 25, 2012, as shown in Table 1 on the next page. Of this total, approximately 333,348 hours, or 71 percent, were overtime hours.

---

[1] This is a special employment package for people stationed in missions that are designated as "hardship posts."

[2] Locally employed staff also are eligible to receive overtime and other types of premium pay. But they were not included in the scope of our audit and are not included in any of the statistics provided in this report.

Table 1. Premium Pay Compensation January 1, 2011, to August 25, 2012 (Audited)

Premium Pay Category	Hours	Percentage of Premium Pay Hours
Overtime	333,348	71
Sunday differential	129,832	28
Compensatory time	5,098	1
Total	**468,278**	**100**

* Calculation of overtime included holiday pay.

USAID/Afghanistan paid approximately $16.6 million for overtime compensation during the period covered by the audit. Because overtime pay comprised most of the premium pay, our audit focused on overtime compensation.

The audit identified the following control procedures for overtime that the mission has put in place:

- Overtime work must be requested and approved in advance and in writing in webTA.[3]
- Overtime work must be fully justified and in compliance with Agency policy.
- No overtime or compensatory time may be worked in the absence of proper approval.

As indicated in Table 2 below and in Figure 1 on the next page, most of the overtime hours claimed in a given pay period ranged from 41 to 50 hours for eligible employees.

Table 2. Overtime Paid, January 1, 2011, to August 25, 2012 (Audited)

Range of Overtime Hours for Eligible Employees in a Given Pay Period	Total Overtime Hours	Percentage of Total Overtime Hours	Cost ($)
1 to 10	28,738	8.62	1,429,190
11 to 20	35,852	10.76	1,782,982
21 to 30	55,699	16.71	2,770,008
31 to 40	84,810	25.44	4,217,748
41 to 50	122,244	36.67	6,079,406
51 to 60	3,356	1.01	166,900
61 to 70	1,434	0.43	71,315
71 to 80	680	0.20	33,818
81 to 90	351	0.11	17,456
91 to 93	184	0.06	9,151
Total	333,348	100	16,577,974

* To determine the cost values, we multiplied the total cost with the percentages of the total overtime hours in each range. Due to rounding, the percentage total is 100.01.

---

[3] This system provides a central record or audit trail of all entries made within the system by each individual (employee, supervisors, and timekeeper) and provides an electronic record including the date and time of each entry or approval recorded by each person.

Figure 1. Percentage of the Ranges of Overtime Hours for Employees for Pay Periods Covered by Audit[4]
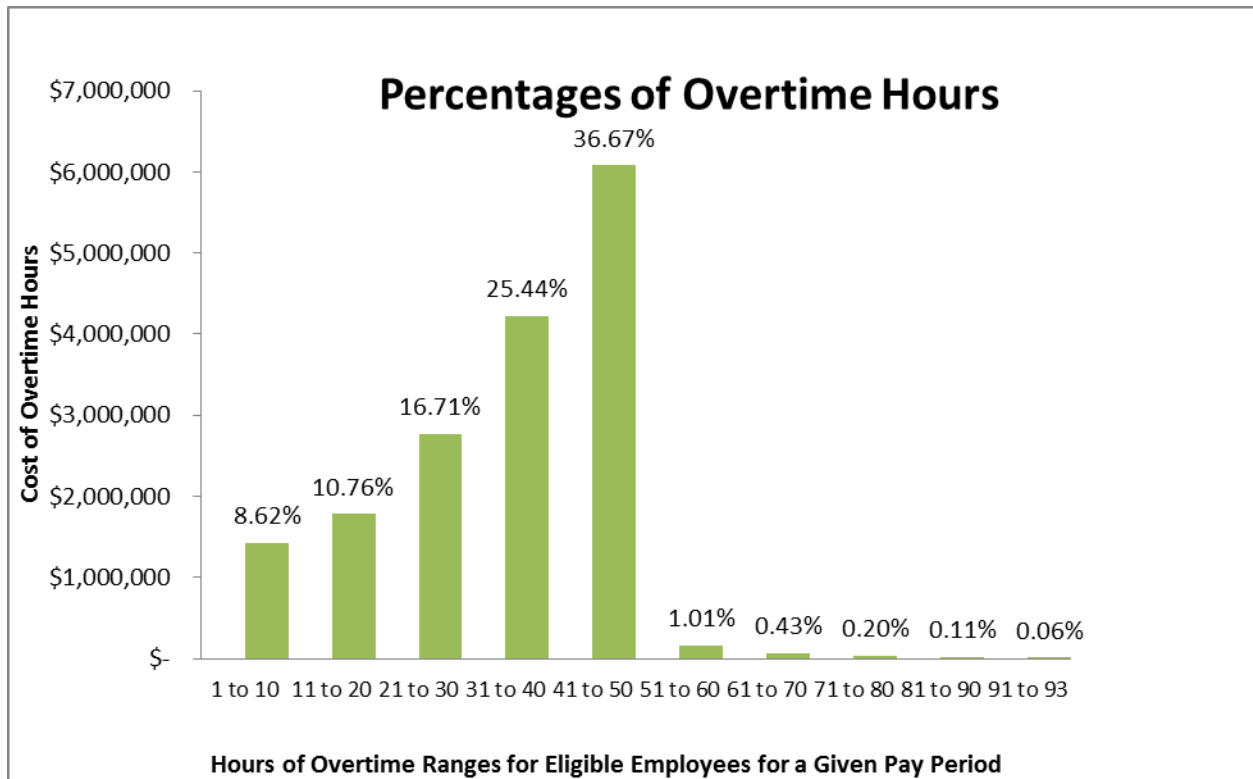
The Office of Inspector General's (OIG's) Afghanistan Country Office conducted this audit to determine whether USAID/Afghanistan was following adequate control procedures for overtime compensation.

The audit found widespread noncompliance with control procedures that were in place and policies for controlling overtime compensation (page 5). We found the following significant control deficiencies.

- Ninety-four percent of overtime hours (worth $15,654,552) were paid without any record of overtime requests in webTA.

- Two percent of overtime hours (worth $358,766) were paid although requests were submitted late—some after the overtime was completed.

- One percent of overtime hours (worth $193,805) were paid, but did not include a description of the work performed in webTA.

- For less than 1 percent of overtime hours (worth $76,040), the justifications for working overtime in webTA were so vague that it was not possible to tell what work was performed.

- Less than 1 percent of overtime hours (worth $24,617) were paid for time spent in training

---

[4] Due to rounding, this totals 100.01 percent.

and travel status, which are not eligible for overtime compensation.

In summary, applicable control procedures were not followed for 98 percent of the overtime hours paid during the audited period (worth $16.3 million). This was based on the audit of payroll reports generated by webTA that the audit team received from the Office of the Chief Financial Officer, the Office of Afghanistan and Pakistan Affairs (OAPA) in Washington, and the mission's Office of Financial Management covering the scope of our audit.

In its comments on the draft audit report, the mission stated that the data it provided for the audit were incomplete and that a more complete set of overtime data had been identified and analyzed. Based on its analysis the mission determined the questioned costs identified by the OIG in Recommendation No. 1 to be allowable. Because the mission gave the data to OIG after the audit was completed, however, OIG has no basis to determine whether or not the new data and associated analysis are complete and reliable without performing a new audit.

The report recommends that USAID/Afghanistan:

1. Determine the allowability of $16,283,163 in unsupported questioned costs, representing overtime expenses that were missing the required approvals, for which justifications were missing completely, or for which justifications were too vague to serve as a basis for approvals, and recover the amounts determined to be ineligible for payment under applicable regulations or USAID or mission policies (page 10).

2. Determine the allowability of $24,617 in ineligible questioned costs, representing overtime paid for time in training or in travel status, and recover the amounts determined to be ineligible for payment under applicable regulations (page 10).

3. Develop and implement more effective training, control activities, and monitoring related to control of overtime compensation (page 10).

4. Provide periodic reports, at least quarterly, to the mission director on its monitoring of control activities related to overtime compensation until it can demonstrate an acceptable degree of compliance with applicable regulations and policies (page 10).

Appendix I describes the audit scope and methodology (page 14). Our evaluation of management comments appears on page 11.

AUDIT FINDING

Overtime Was Controlled Poorly

The U.S. Government and USAID have numerous guidelines on how to control overtime costs. Some are discussed below.

- Office of Management and Budget (OMB) Circular A-11 states that federal entities should "ensure that adequate approval, monitoring, and auditing procedures are in place to prevent overtime abuses." Abuse of overtime, in addition to violating the public trust, can impose significant unnecessary financial costs that are ultimately borne by taxpayers.

- USAID's Automated Directives System (ADS), Section 596.3.1, provides that "management and employees must establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management." According to *Standards for Internal Control in the Federal Government*, published by the U.S. Government Accountability Office (November 1999), "A positive control environment is the foundation for all other standards. It provides discipline and structure as well as the climate which influences the quality of internal control." Many factors influence the control environment, including management's philosophy and operating style, and the integrity and ethical values demonstrated at all levels of an organization.

  In addition, the section provides that "USAID managers and staff must develop and implement appropriate, cost-effective internal controls that produce results and assure the financial integrity of transactions." This requirement includes internal controls over overtime compensation.

- ADS 472.2.a.1 states, "Supervisors are responsible for making sure that work assignments are accomplished in a timely manner through the use of efficient management of assigned personnel without the use of premium compensation, unless absolutely essential."

- ADS 472.2.b.1 states "Authorizing officers are responsible for determining whether requested overtime is fully justified and in compliance with Agency policy."

More specific requirements for requesting and approving overtime are included in the Code of Federal Regulations (CFR), ADS, and USAID/Afghanistan's internal policies.

- Title 5 CFR, Section 550.111(a), states that overtime work must be officially ordered or approved.[5] Section 550.111(i) precludes paying overtime for time spent in training, except for certain exceptions listed in 5 CFR 410 and 402. Section 550.112(g) states that time in travel status, away from an employee's official duty station, is not considered employment for computing overtime pay except in certain situations.

---

[5] This requirement applies both to regular overtime work (defined in Section 550.103 as "overtime work that is part of an employee's regularly scheduled administrative workweek") and to irregular or occasional overtime work (defined as "overtime work that is not part of an employee's regularly scheduled administrative workweek").

- USAID's "Implementation of the WebTA Electronic Time Keeping System," a mandatory reference to ADS 472, states that:

  > Premium pay (overtime and compensatory time) requests are done electronically in webTA. Employee requests for premium compensation (i.e. overtime pay or compensatory time off) for overtime work must always be approved in advance by the supervisor. Approval is transmitted electronically through webTA, and it is the responsibility of the employee requesting premium pay to log on to webTA in advance of the proposed hours for overtime or compensatory time and obtain the proper authorization. No hours of overtime or compensatory time may be worked in the absence of the proper approvals.

  This requirement for advance approval of overtime pay requests is not precluded by a separate requirement for supervisors to certify all employee time and attendance data at the end of each pay period, according to the USAID/Afghanistan Notice 2011-90, dated October 20, 2011, mentioned below.

- An e-mail sent from the mission to employees on March 8, 2011, stated:

  > Overtime can be requested only through webTA, for any employee who has access to webTA. It must be requested, in advance, with specific justification for the additional hours of work to be performed.

  > Oral or email approvals are not recognized as valid. Supervisors should not certify overtime that was not requested in advance, via webTA.

  > Employees cannot self-authorize overtime; the requirement for the work to be performed on overtime must be driven by official requirements and must entail work that cannot be otherwise performed during normal work hours. This determination must be made and documented by the supervisor, using webTA.

  > It is highly probable that the timekeeping for Afghanistan will be audited. You do not want to receive a bill of collection for hours denied because they were authorized improperly.

- USAID/Afghanistan Notice 2011-90, dated October 20, 2011, superseded all previous formal and informal guidance on time and attendance matters and stated:

  > Employees MUST formally submit to their Supervisor for approval all requests in advance for any leave or overtime contemplated.

  > Employees are not to take leave or work overtime until such approval has been provided by the Supervisor.

  > Supervisors are responsible for approving or disapproving all employee requests for overtime, compensatory time, and leave.

  > For USAID employees paid outside the local FSN compensation plan, all time and attendance functions will be completed within the Agency electronic webTA program. All time and attendance records, including requests and approval for overtime, compensatory time, and leave MUST be completed by both the

employee and Supervisor within webTA. There is no Agency exception to use of the webTA system.

- USAID/Afghanistan's "Timekeeping Policy Summary," dated November 2011, for staff and supervisors stated, "All time and attendance reporting must be submitted through the webTA system" and "All overtime must be preapproved and completed in webTA."

Our audit found widespread noncompliance with these requirements, as shown in Table 3 and discussed below.

Table 3. Unsupported and Ineligible Overtime Hours Paid (Audited)

Hours Paid	Percentage of Total Overtime Hours	Cost ($)	Problem
314,779	94	15,654,552	Overtime was not requested in webTA.
7,214	2	358,766	Overtime was requested in webTA, but it was not requested and approved in advance as required.
3,897	1	193,805	No description of work performed or circumstances necessitating overtime was included in webTA.
1,529	less than 1	76,040	It was not possible to tell what work was performed because the justifications provided in webTA were vague.
69	less than 1	3,431	Overtime paid for time in training.
426	less than 1	21,186	Overtime paid for time in travel status.

Ninety-four percent of the overtime hours recorded in webTA for payment during the period covered by our audit, worth $15,654,552, were not requested in webTA. Another 2 percent, worth $358,766, were requested in webTA, but the requests were not submitted and approved in advance as required. Therefore, we are questioning $16,013,318 as unsupported questioned costs.

For 1 percent of total overtime hours, worth $193,805, the required justifications in webTA were missing entirely. In addition, for 1,529 overtime hours—worth $76,040—it was not possible to tell what work was performed because the justification provided in webTA was so vague. One employee cited "overtime development" to justify working overtime. Some other examples are listed below:

- "I work with NATO militaries and keep a seven-day schedule as they do. I also work some late nights and evenings attending meetings and briefs" (45 hours, worth $2,238).

- "Work Schedule is 7:30am - 6:00pm daily except Friday (no work day). Commence my first R and R on June 17, 2011 and return on July 4, 2011 (94 hours, worth $4,675).

- "Extend'd [sic] working day hour Fridays Saturdays addit'l (sic) time required 4 Mili [sic] liaison activities infrastructure related develop't (sic) activities security issues attend battle rhythm meetings 4 theater posture" (40 hours, worth $1,989).

- "12-13 August Mission/Kabul; 17-18 Mission/Field; 24-25 Mission/Field" (45 hours, worth $2,238).

- "Normal work day at CNS" (8 hours, worth $398).

- "Request for 45 hours of OT to work on program implementation and planning" (45 hours, worth $2,238).

- "Attendance at military meetings mandatory and requires hours beyond the 24 limit" (360 hours, worth $17,903).

- "Mission requirements exceed regular duty hours" (45 hours, worth $2,238).

- "8 hrs overtime - 1 hr lunch = 8-5" (9 hours, worth $445).

- "OT submission is within the Mission approved limits of 35 hours" (26 hours, worth $1,293).

- "Hours requested represent the standard work day to accommodate [sic] briefings and meeting schedule for the base" (36 hours, worth $1,790).

- "DST works on weekend" (32 hours, worth $1,591).

- "Normal battle rhythm includes working 7 days a week. Given 8:30 stand-up and 18:00 stand-down there are generally 1-2 hours OT during regular work days" (45 hours, worth $2,238).

- "working Christmas" (8 hours, worth $398).

- "over time request for work related to DST goals" (45 hours, worth $2,238).

- "Overtime to support KPRT mission goals" (45 hours, worth $2,238).

- "Work to support mission objectives" (45 hours, worth $2,238).

- "I am requesting approval for overtime beyond 40 hours for this pay period" (29 hours, worth $1,442).

- "Projected OT:In absence of EFM newcomer coordinator. TX You!" (34 hours, worth $1,691).

- "RCB-E works on a military battle rhythm, so typical work hours are 45 of o/t per pay period" (45 hours, worth $2,238).

- "Let me know if this is acceptable or not. If not, or cannot, no worries. I am fairly stuck here in Kabul waiting for the OSM training and have a lot of telework to do" (16 hours, worth $796).

- "In order to catch up on my work from leave, I applied for 22 hrous [sic] of OT." (19 hours, worth $945).

- "Following my return from RR, I will need the overtime to catch up on my work" (13 hours, worth $647).

- "Overtime request for pay period" (45 hours, worth $2,238).

- "Within 35 hour cap" (27 hours, worth $1,343).

- "Projection of 10 hour days six days per week with 2 hours each Friday and one holiday for checking work email and answering high priority questions or attending required military meetings" (45 hours, worth $2,238).

We are questioning $76,040 as unsupported questioned costs because they were vague and not supported by justifications describing the official requirements or work that could not be performed during normal working hours.

Finally, overtime compensation was paid incorrectly for time spent in training and travel. During the period covered by our audit, 69 hours, worth $3,431, were paid for time spent in training, and 426 hours, worth $21,186, were paid for time in travel status. Thus, we are questioning $24,617 as ineligible questioned costs.

Overtime was controlled poorly because USAID/Afghanistan supervisors and employees were not following established requirements for requesting and approving overtime. Although the mission provided training to its employees on overtime policies and webTA, the training did not achieve an acceptable degree of compliance with applicable regulations and USAID and mission policies regarding overtime use. It is not enough to establish internal control policies: management also is responsible for monitoring the effectiveness of those controls on an ongoing basis.[6]

Moreover, the control environment within the mission with respect to overtime compensation was weak. During the period covered by our audit, mission leaders issued many separate notices, policies, and instructions concerning procedures for requesting and approving overtime. However, they did not follow up to make sure the requirements were being followed.

In some cases, leaders did not exhibit a positive, supportive attitude toward internal control and conscientious management. For example, they told us that while the mission requires employees to ask for overtime in advance, it allows individual supervisors to make exceptions. Giving them that discretion makes numerous USAID and mission policies inapplicable.

Because USAID/Afghanistan controlled overtime poorly, the mission may have paid $16,307,780 in unsupported and ineligible overtime compensation. Since the overtime hours involved comprised 71 percent of the premium compensation paid during the audit period, we conclude that the mission lacks reasonable assurance that overtime compensation paid to its employees is reasonable and allowable, leaving the mission vulnerable to potential abuse.

Mission Reports Finding More Complete
Data Supporting Approved Overtime

The mission's comments on the draft audit report state that the data it provided to OIG for performing this audit were incomplete. Mission officials said the data "query tried to match approved premium pay requests from one table with premium pay hours worked from another table and given the complexities of the WebTA database, the output resulted in a number of

---

[6] ADS 596.3.1.e covers the need to monitor control activities continuously.

unanticipated inaccuracies."

The mission's comments also stated that OAPA performed an analysis of a complete overtime data set. They also stated that the mission considered the allowability of the questioned costs as recommended by the OIG in Recommendation No. 1 and determined the costs to be allowable. (Appendix II has the mission's comments.)

At the time OIG received the webTA data used for this audit, it performed audit steps that provided reasonable assurance that the data were reliable. Unfortunately, the new data from OAPA was provided to OIG after fieldwork ended and mission comments were received on the draft report. Subsequently, OIG performed a limited review of the new data and followed up with OAPA about questions and data concern issues it identified. The questions have not been answered and are discussed in the Evaluation of Management Comments on page 11.

Without performing an audit of these new data, OIG cannot determine whether or not the mission was more compliant with overtime controls than the audit found. OIG does not plan to audit the new data.

> **Recommendation 1.** *We recommend that USAID/Afghanistan determine the allowability of $16,283,163 in unsupported questioned costs representing (1) $16,013,318 in overtime expenses that were missing required approvals by USAID supervisors, (2) $193,805 in overtime expenses for which justifications were missing completely, and (3) $76,040 that were too vague to serve as a basis for approvals, and recover the amounts determined to be ineligible for payment under applicable regulations or USAID or mission policies.*

> **Recommendation 2.** *We recommend that USAID/Afghanistan determine the allowability of $24,617 in ineligible questioned costs, representing overtime paid for time in training or in travel status, and recover the amounts determined to be ineligible for payment under applicable regulations.*

> **Recommendation 3.** *We recommend that USAID/Afghanistan implement more effective training, control activities, and monitoring related to control of overtime compensation.*

> **Recommendation 4.** *We recommend that USAID/Afghanistan provide periodic reports, at least quarterly, to the mission director on its monitoring of control activities related to overtime compensation until it can demonstrate an acceptable degree of compliance with applicable regulations and policies.*

EVALUATION OF MANAGEMENT COMMENTS

In the mission's response to the draft report, officials said that the "expectation of the Agency and the Embassy, by and large, is that employees in Kabul will work at least six days per week (field officers outside of Kabul are often expected to work seven days per week) and more than eight hours on any given day." It recognizes that guidance provided by the U.S. Embassy in Kabul and USAID/Afghanistan has sometimes been inconsistent and may have created confusion among USAID employees working in Afghanistan.

Based on the mission's comments, we deleted one recommendation found in the draft report. The mission wrote that it reached management decisions on all four of those remaining. However, we do not agree with the decision for Recommendation 1. Our evaluation of the management comments is provided below.

Recommendation 1. The mission disagreed with this recommendation and requested OIG to revise it to reduce the amount of questioned costs based on analysis OAPA performed in response to the draft report. It stated that USAID gave OIG incomplete webTA data for this audit and described the data shortfalls. The mission also stated that due to the "time constraint" in responding to OIG's request, USAID could not verify the data it initially provided to OIG by comparing them to timecards. Nonetheless, the mission determined the total amount of questioned costs to be allowable. However, we disagree with the mission's management decision on this recommendation.

OAPA compiled data and completed an analysis of an overtime data file. It concluded that 64.75 percent of overtime paid was requested and approved in webTA instead of 6 percent reported by OIG. A table included in the mission's comments summarizes this analysis. On February 7, 2014, OAPA gave OIG the data it used.

OIG reviewed the data and had concerns. OAPA's data file was missing important fields that were in the webTA OIG used. These included "certified date," "approve/deny date," and "submit date." They contained dates and times of each entry in webTA to include when overtime was requested, approved or denied, and certified for payments. The audit team used the data fields to determine whether overtime was requested and approved by supervisors in advance. Without these fields, we cannot use the same process to determine whether overtime paid was requested and approved in webTA, as claimed by the mission.

The OAPA data also did not contain other webTA fields such as "supervisor's names" and "supervisor's organization codes." Without these fields, we cannot determine whether overtime paid was certified by supervisors or other officials familiar with the employees' work at the time of certification. OIG also noted that the OAPA data file was not limited to overtime data; it also included sick leave, excused absences, and other types of premium pay such as compensatory time requests.

OIG noted that OAPA's data analysis included data fields that were not found in the webTA data used in OIG's original analysis. This is because OAPA's data file states that webTA data were

merged with National Finance Center (NFC) data; the center is the federal agency that oversees payroll for numerous agencies.

Based on all of these concerns, OAPA's analysis of the data does not adequately support the claim that 64.75 percent of the paid overtime was indeed requested and approved in advance as required in webTA. Without auditing the new data, OIG cannot determine whether that percentage was requested and approved in advance as reported by the mission.

In addition to the concerns we have with the new data from OAPA, we take exception to the mission's comment that "[i]n nearly every case, the supervisor approved the timecard thereby approving the hours worked." During the audit, we reviewed electronic timesheets within webTA. We noted that employees who had valid overtime requests had details showing dates when they made the request and when those requests were approved in webTA. However, webTA records used for the audit did not show that employees submitted overtime requests in webTA as required because the details under "Submit Date" in webTA were left blank.

The mission's master timekeeper told the audit team this meant that employees had not submitted advance overtime requests in webTA. However, even though the overtime requests were not submitted and approved in advance in accordance with USAID and the mission's policies and procedures, employees still entered overtime hours worked on their timesheets in webTA, validated their time cards, and their supervisors then certified those timesheets for payments.

We also take exception to the mission's comment that "furthermore, until 2012, employees who worked in the field completed manual timecards and faxed them to their respective Kabul timekeeper." In its comments to the draft report, the mission stated that due to the limited connectivity in various locations, many of the remaining overtime hours without approvals were manual time cards for the field-based staff and therefore would not be captured in the webTA data.

However, during fieldwork we asked mission officials for manual time cards, and they could not give us any for requests and approvals that could have been made outside of webTA. Alternatively, the audit team asked officials for any documentation that could substantiate instances when overtime work would have been requested and approved not in webTA, but through an alternative means such as e-mail. A mission official replied that in such instances the mission did not maintain those records, nor was there a requirement that they be kept. As a result, the audit team was not able to obtain any supplemental documentation that might have supported overtime requests and approvals that were made outside of webTA.

Recommendation 2. The mission agreed with the recommendation. It stated that it would issue bills for collection to individuals for all questioned costs determined to be unallowable. In response to USAID/Afghanistan's request, OIG will provide the mission the specific details related to the $24,617 in questioned costs. The mission provided OIG with a target date of 120 days after report issuance for completing this action. We acknowledge that the mission made a management decision on Recommendation 2.

Recommendation 3. The mission agreed with the recommendation. It stated that its Office of Financial Management (OFM) team conducts extensive ongoing training and regularly disseminates guidance governing overtime and webTA procedures. In addition, the mission noted that in March 2012, it instituted a newcomer's briefing for all new staff. This briefing includes an overview of the overtime procedures in webTA and provides a copy of its overtime

policy. The mission states that it will supplement the training to make sure all employees understand the new policy on overtime that the mission intends to put in place.

Finally, the OFM team asked the Agency's Chief Financial Officer to consider modifying webTA for certain overtime procedures to strengthen its control and monitoring measures as OIG recommended. The mission provided a target date of 90 days after report issuance to complete this action. We acknowledge that the mission made a management decision on Recommendation 3.

Recommendation 4. After assessing the mission's response, this draft recommendation was deleted from the final report.

Recommendation 5. (Recommendation 4 in this final report) The mission partially agreed with this recommendation. It asked OIG to consider modifying the recommendation to allow closure within "a reasonable amount of time" instead of the 1-year minimum OIG recommended. In response, OIG modified the recommendation to allow the mission to demonstrate an acceptable degree of compliance with applicable regulations and policies. The mission has targeted 6 months after the issuance of this report to complete action for this recommendation.

We acknowledge that the mission made a management decision on this recommendation.

SCOPE AND METHODOLOGY

Scope

OIG's Afghanistan Country Office conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID/Afghanistan was following adequate control procedures for overtime compensation.

The audit covered overtime earned during all 26 pay periods of 2011 (i.e., from January 1, 2011) and the first 17 pay periods of 2012 (i.e., through August 25, 2012). The audit was limited to overtime earned by noncommissioned Foreign Service Officers, Civil Service employees, and U.S. and third-country national personal service contractors that was recorded in USAID's webTA system. It did not cover overtime earned by locally employed staff that was recorded in a separate payroll system. We conducted this audit in USAID/Afghanistan's OFM and Office of Human Resources from October 9, 2012, to March 12, 2013.

As part of this audit, we assessed the significant internal controls that USAID/Afghanistan used to monitor time and attendance activities. The assessment included controls related to whether mission (1) employees submitted overtime requests before working overtime, (2) supervisors reviewed overtime requests to see whether they were justified before approving them, and (3) supervisors approved overtime requests in advance. As part of our assessment, we reviewed the mission's Federal Managers' Financial Integrity Act report for FY 2011, and we reviewed prior audit reports to identify internal control and other issues that could be relevant to the current audit.

Methodology

To answer the audit objective, we identified relevant criteria, including criteria in 5 CFR 550, ADS 472 and 596, and USAID/Afghanistan policies and procedures. During planning and fieldwork, we conducted interviews with mission officials and some employees. In addition, we reviewed the following documents:

- Payroll reports generated by webTA that we received from the Office of the Chief Financial Officer, OAPA, and OFM covering the scope of our audit.

- NFC payment analysis reports we received from OAPA, Office of the Chief Financial Officer, and OFM.

- Personal services contracts for U.S. direct hires and third-country-national employees.

- Prior audit reports that might have an impact in our audit.

- Staffing reports.

To verify overtime hours that employees charged in webTA, we examined details in webTA payroll reports provided to us to determine whether overtime hours charged (1) were requested in advance in webTA by employees before they worked overtime, (2) were sufficiently justified, and (3) were approved by the supervisors in advance. To verify overtime costs paid to employees, we compared overtime hours that employees claimed in webTA reports to the overtime expenses paid showing in the payment analysis reports from NFC.

Based on these reports, we applied the percentage rates of the control deficiencies to the total amount of overtime expenses the mission paid during the scope of our audit to show overtime hours and associated overtime pay. In this case, because the mission paid $16,577,974 in overtime expenses, we applied the percentage rates of the unsupported and ineligible overtime hours to the total amount of overtime expenses the mission paid during the scope of our audit as shown in Table 3 on page 7 of this report.

To determine the reliability of webTA-generated data, we compared webTA premium reports we received from the mission and Chief Financial Officer to verify accuracy and completeness. We shared the data and our analysis of them used in our audit with the mission during fieldwork. The mission agreed with both. We held a teleconference with the Agency's key staff responsible for maintaining webTA to help us understand the system and payroll processes. We obtained payroll costs from the Office of the Chief Financial Officer to help us determine the overtime expenses the mission paid during the scope of our audit.

We met with the mission's master timekeeper to test the reliability of the entries for a limited number of employees made by following overtime requests in webTA from when they were submitted to when supervisors approved and certified overtime claims for payments within the system. For employees who did not submit an overtime request in webTA, the "Submit Date" in the system was left blank; the master timekeeper said this meant that employees did not submit overtime requests. Although left blank, webTA records showed that these overtime claims were certified for payment. This limited testing was judgmental and not statistical.

We also obtained a summary of the Agency's assessment of webTA business payroll processes subject to OMB Circular A-123, "Management's Responsibility for Internal Control." The assessment concluded that the payroll business process did not find exceptions or discoveries of noncompliance in webTA processes. However, the assessment did identify weaknesses in supervisory approvals and the certification process.

Based on these steps, we concluded that there were no issues with webTA that would affect the data used for the audit.

MANAGEMENT COMMENTS

MEMORANDUM

Date: February 5, 2014

TO: James Charlifue, OIG/Afghanistan Director

FROM: William Hammink, Mission Director /s/

SUBJECT: Mission's Response to the Draft Report on the Audit of
USAID/Afghanistan's Management Controls over Overtime
Compensation (Report No. F-306-14-00X-P)

<u>GENERAL COMMENTS</u>

We appreciate the OIG's efforts in conducting the subject audit and the
opportunity to review and comment on the report and its recommendations.

We understand the sensitivity surrounding proper management and use of
overtime. However, it is important to bear in mind that USAID/Afghanistan is not
an ordinary USAID Mission. The expectation of the Agency and the Embassy, by
and large, is that employees in Kabul will work at least six days per week (field
officers outside of Kabul are often expected to work seven days per week) and
more than eight hours on any given day. As a result, USAID/Afghanistan
acknowledges the need to prepare an overarching Mission Order (policy) to
supplement standard Agency guidelines that recognizes the regular and recurring
need for overtime and establishes controls needed to manage and monitor
overtime.

We recognize that the Embassy Kabul and USAID/Afghanistan in-country policy
guidance regarding overtime compensation has sometimes been inconsistent, and
may have created a certain degree of confusion amongst USAID employees in
Kabul and the field. This has been further confused by the Embassy policy to
grant a standard six-day work week to Department of State Employees. Agency

policy and, by extension, Mission-promulgated policies require pre-approval of "irregular and occasional overtime" via WebTA. However, the need for overtime in Afghanistan is hardly "irregular and occasional." Most people outside of Kabul worked a seven-day work schedule because they were working directly with the military. The work flow of field staff was, and had to be, driven by the schedule of their military counterparts. Adhering to this pace was essential for a successful civilian-military partnership. In addition, working outside of Kabul presented unique challenges such as limited access to reliable internet and phone connectivity, which in turn made it difficult to meet WebTA requirements.

The need to work long hours in an active war zone is not something that can be planned for and justified in writing easily in advance. One of the concerns raised in the audit report was the lack of pre-approval for overtime. However, in nearly every case, the supervisor approved the timecard thereby approving the hours worked. Thus, we believe the timecards are an accurate reflection of the actual time worked.

RESPONSE TO AUDIT RECOMMENDATIONS

Recommendation 1: We recommend that USAID/Afghanistan determine the allowability of $16,286,163 in unsupported questioned costs representing: 1) $16,013,318 in overtime expenses that were missing required approvals by USAID supervisors; 2) $193,805 in overtime expenses for which justifications were missing completely, and, 3) $76,040 that were too vague to serve as a basis for approvals, and recover the amounts determined to be ineligible for payment under applicable regulations or USAID or mission policies.

USAID Comments: USAID/Afghanistan does not concur with Recommendation 1.

We note the data provided to the OIG for this audit was incomplete. The OIG's original query tried to match approved premium pay requests from one table with premium pay hours worked from another table and given the complexities of the WebTA database, the output resulted in a number of unanticipated inaccuracies. In addition, the query was not designed to capture cases where premium pay had been requested but not approved. To fully verify the accuracy of the query results, a check of the data against actual timecards would have been necessary – which was not done given the time constraint and target due date of the original request.

An analysis of the complete data set was compiled and completed by the Office of Afghanistan and Pakistan Affairs (OAPA) and indicates that 64.75% of the paid overtime was indeed requested and approved in WebTA (as opposed to only 6%, as indicated by the OIG). Below is a snapshot of the analysis conducted on the corrected data:

New WEBTA Data File
USDH, USPSC and TCN Overtime Claims from PP 01/2011 thru 17/2012
(Period covered by the OIG Audit)

Overtime Request Approval Status				
	Timecards		Overtime hours	
	count	as %	count	as %
1 - REQUEST AND APPROVED	5,959	62.96%	201,146	64.75%
2 - REQUEST PENDING	454	3.96%	15,341	4.94%
3 - REQUEST DENIED	41	0.37%	1,294	0.42%
No Request	3,764	32.71%	92,874	29.90%
Total	**10,218**	**100.00%**	**310,655**	**100.00%**

Furthermore, until 2012, employees who worked in the field completed manual timecards and faxed them to their respective Kabul timekeeper. This was due to the limited bandwidth for internet connectivity in various locations. Thus, many of the remaining 29.90% of overtime hours reflected above as not having approvals were manual timecards for the field-based staff and therefore would not be captured in the WebTA data.

USAID respectfully requests that the OIG revise Recommendation 1 to reflect the correct amounts.

Actions Taken/Planned:

USAID/Afghanistan considered the allowability of the questioned costs as recommended by the OIG and determined these costs to be allowable. The reason for this determination is that we believe the overtime hours questioned were in fact worked in accordance with the policy in effect at the time the overtime was reported; those hours were recorded in WebTA either by the employee or his/her respective timekeeper and were approved in WebTA by the employee's supervisor or other official familiar with the employee's work at the time of certification. This is in compliance with GAO-03-352G and 5 CFR Sec550.111 (approval in WebTA is the equivalent to approving the overtime in writing).

We recognize that the Kabul Mission policy on the pre-approval of overtime in WebTA has been in constant change, resulting in a policy that was confusing and not consistently followed. The following outline reflects the evolution of the overtime policy in Afghanistan:

- February 14, 2011: Email guidance including the provision that "Blanket, mission-wide pre-approval is granted for 20 hours of overtime per pay period for Kabul; 24 hours for the field."

- January 19, 2011: State issued guidance (Management Policy (MP) 036) providing pre-approved authorization for scheduled overtime up to 35 hours per pay period for Kabul personnel and 45 hours per pay period for field personnel. Advance approval of these hours was to be documented upon arrival at post and applied for the duration of the employee's assignment in Afghanistan.
- March 8, 2011: USAID published overtime guidance (circulated by email) indicating "Overtime can be requested only through WebTA, **for any employee who has access to WebTA**."
- September 1, 2011: EXO email guidance that "Employees entitled to overtime are pre-approved for 35 hours of overtime in Kabul and 45 hours of overtime in the field (versus 20 in Kabul/24 in the field)."
- October 20, 2011: The above notices were all rescinded by the joint USAID EXO/Controller Administrative Notice, which is the basis of our current written policy.
- February 20, 2013: State MP 86 guidance addressed to "ALL Americans" and authorizing all necessary overtime to achieve essential U.S. Government objectives in Afghanistan and reconfirming pre-approval authorization of the 35 hours per pay period for Kabul personnel and 45 hours per pay period for field personnel.

Most of the overtime hours worked and reported during the audit period fell within one or more of the pre-approved levels of the issued guidance. USAID recognizes the need to establish an overtime policy that reflects the realities in Afghanistan – recognizing that overtime work is not irregular and occasional but is a regular requirement for mission employees. As previously indicated, USAID/Afghanistan is putting in place a new overtime policy that takes these factors into account and provides clear guidance and controls on overtime approval requirements.

Management Decision
Based on the above and in light of the new data, we request OIG to reduce the amount of questioned costs and to acknowledge the management decision for Recommendation 1.

Recommendation 2: We recommend that USAID/Afghanistan determine the allowability of $24,617 in ineligible questioned costs, representing overtime paid for time in training or in travel status, and recover the amounts determined to be ineligible for payment under applicable regulations.

USAID Comments: USAID/Afghanistan concurs with Recommendation 2.

Actions Taken/Planned:

In order to take action on this recommendation, USAID/Afghanistan requests the OIG provide the mission with the details related to the $24,617 in questioned costs: i.e. names, pay periods in question, and inappropriately recorded overtime requests. Upon receipt and review of the supporting documentation, USAID will make a determination regarding the allowability of $24,617 in ineligible questioned costs, as recommended. USAID/Afghanistan will issue Bills for Collection to individuals for all questioned costs determined to be unallowable.

Recommendation 3: We recommend that USAID/Afghanistan implement more effective training, control activities, and monitoring related to control of overtime compensation.

USAID Comments: USAID/Afghanistan concurs with Recommendation 3.

Actions Taken/Planned:

USAID/Afghanistan's OFM team currently conducts extensive training on an on-going basis and regularly disseminates guidance governing overtime and WebTA procedures. Since March 2012, USAID/Afghanistan OFM instituted a newcomer's briefing for all new staff, which includes an overview of the overtime procedures as they relate to WebTA and provides a copy of the Mission's overtime policy. This training will continue, as it has proven beneficial to our staff.

In order to supplement the training that is already on-going and to ensure full understanding of the new policy on overtime that the Mission intends to put in place, as referenced under Recommendation 1, USAID/Afghanistan's OFM will

conduct specific training for Mission staff on WebTA policies and procedures relating to overtime.

Finally, USAID/Afghanistan's OFM Team has proactively reached out to the CFO to request that the Agency consider modifications to WebTA for certain overtime procedures in order to strengthen the control and monitoring measures as recommended by the OIG.

Management Decision:
Based on the above, we request OIG's acknowledgement of the management decision for Recommendation 3.

Recommendation 4: We recommend that USAID/Afghanistan change its methods of providing guidance to supervisors and employees for proper behavior related to overtime compensation issues, providing discipline when appropriate, and ensuring an appropriate level of understanding of the importance of developing and implementing appropriate control over overtime compensation, in order to improve the control environment within USAID/Afghanistan related to overtime compensation.

USAID Comments: USAID/Afghanistan is unable to concur with Recommendation 4. The Mission requests the OIG change the recommendation to provide greater clarity and to make it actionable. In particular, the Mission is unclear about the meaning and the intention with regard to a "change of methods of providing guidance" to staff. In addition, this Recommendation appears to already be covered by Recommendation 3, which addresses training, control activities, and monitoring. Finally, with respect to disciplinary action, the Mission notes that no misconduct has been presented nor noted in the audit report.

Based on the above, we request OIG change its recommendation or delete it in its entirety as it is duplicative of Recommendation 3.

Recommendation 5: We recommend that USAID/Afghanistan provide periodic reports, at least quarterly, to the Mission Director on its monitoring of control activities related to overtime compensation until it can demonstrate an acceptable degree of compliance with applicable regulations and policies for at least a year.

USAID Comments: USAID/Afghanistan partially concurs with Recommendation 5.

Actions Taken/Planned:

USAID/Afghanistan requests the OIG modify the recommendation to allow for its closure within a reasonable amount of time. We, therefore, request that OIG exclude the following statement, **"*until it can demonstrate an acceptable degree of compliance with applicable regulations and policies for at least a year***.**" The following chart clearly indicates a significant increase in the level of compliance of overtime requested and approved during the audit period.

OT request approvals increase over time
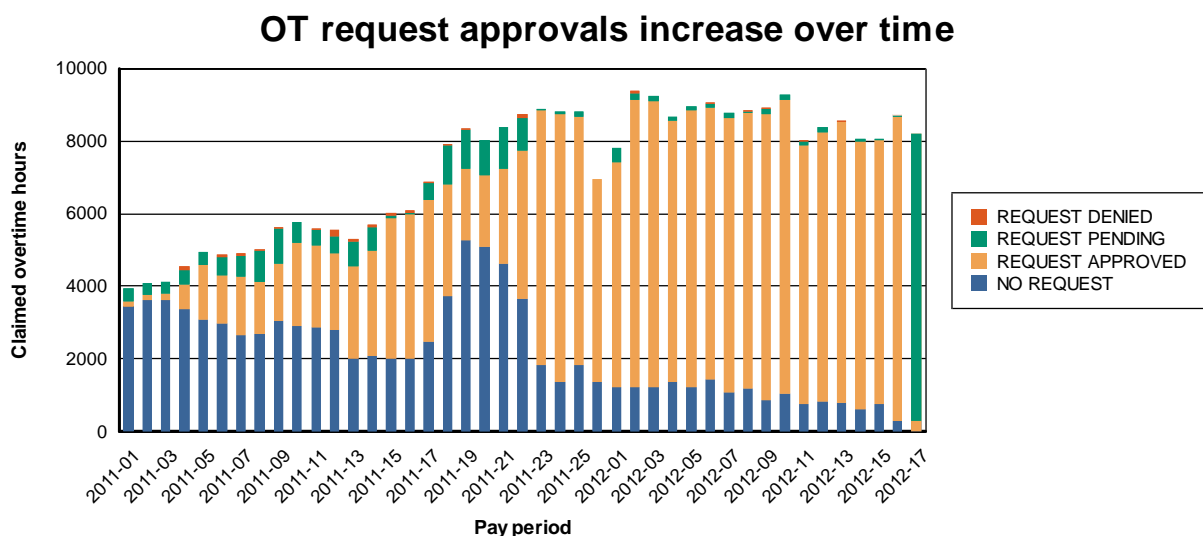
The Mission has worked with the WebTA team in Washington to obtain reliable, regular, overtime management reports which have been provided to the Mission Director on a pay period basis since August 2013. As noted in the comments on Recommendation 1, recent data confirms that the Mission currently has a high level of compliance with applicable policy and regulation. The analysis for the following pay periods demonstrates USAID/Afghanistan's commitment to improving internal controls:

a) In pay period 22/2013, according to a query (pulled from the WebTA database), 157 employees were paid overtime, and 156 of 157 employees had requested overtime in WebTA.

b) In pay period 23/2013, according to an identical query, 162 employees were paid overtime, 156 of 162 employees had requested overtime in WebTA.

The Mission believes that it has complied with the core principle of this recommendation.

Management Decision and Closure Request:

Based on the above, we request OIG modify Recommendation 5 as noted above and request concurrence to close Recommendation 5.