



**Seattle Public Schools
The Office of Internal Audit**

**Internal Audit Follow-up Report
Custodial Services and Grounds**

Issue Date: June 16, 2015



Internal Audit Follow-up Report Custodial Services and Grounds

Background

On June 18, 2013, the Office of Internal Audit issued an audit report for the Custodial Services and Grounds Departments as part of its evaluation of the District's overall system of internal controls. Department audits assist in determining whether key financial internal controls and compliance functions are being performed and whether departments have clear guidance and adequate resources to perform their functions.

In accordance with the 2014-2015 *Annual Risk Assessment and Audit Plan*, we completed a follow-up audit of Custodial Services and Grounds. The purpose of a follow-up audit is to assess the status of corrective actions taken in response to prior audit findings. This report focuses on findings from the June 18, 2013 audit report, which contained nine recommendations for the District to implement.

Roles and Responsibilities

District management is responsible for follow-up and corrective action to address audit findings. To fulfill this responsibility, the District has a process in place to track the status of audit recommendations and ensure that audit issues are resolved.

Approach and Methodology

To complete this follow-up audit we performed the following procedures:

- Reviewed the prior audit and audit report to gain an understanding of the issues.
- Interviewed department staff to gain an understanding of the corrective actions taken and identify when the corrective actions were implemented.
- Analyzed available data to corroborate information obtained during staff interviews.
- Tested available documentation to determine if corrective actions have been fully implemented, are operating as intended, and address all issues raised by Internal Audit.

Results

Our initial report dated June 18, 2013, can be found on the District's website. We consider an issue resolved if management implemented our recommendations or took other appropriate action to resolve the issues. We found that Custodial Services and Grounds implemented corrective actions sufficient to address the issues noted in the 2013 report. However, while conducting the follow-up audit, we noted an additional concern related to overtime compensation, which is detailed on the following pages of this report.

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Findings and Recommendations

1) Overtime Compensation

Background Information

The Collective Bargaining Agreement between the District and the International Union of Operating Engineers, Local 609-A, contains the following language regarding overtime pay for Custodial Engineers and Gardeners:

Work performed beyond forty (40) hours a work week and work beyond one (1) regularly scheduled eight (8) hour shift shall be compensated at the rate of one and one-half (1 ½) times the individual employee's hourly rate of pay for a regular shift.

According to the Collective Bargaining Agreement, Custodial Services and Grounds employees must work more than eight hours in one shift, or work more than 40 hours in a workweek, in order to be compensated at the overtime rate. The Collective Bargaining Agreement does not provide a definition of the term *work*. In the absence of this definition, we can refer to guidance offered by the state of Washington.

Washington Administrative Code states that, "Hours worked shall be considered to mean all hours during which the employee is authorized or required by the employer to be on duty on the employer's premises or at a prescribed work place."¹ The State of Washington Department of Labor and Industries also issued guidance on payments for non-working hours, which states, "Payments that are made for periods when the employee is not at work due to vacation, holiday, illness or similar situations, may be excluded from the regular rate of pay. Such payments may not be credited toward statutory overtime requirements."²

Finding

During our audit, we noted that the District will compensate Custodial Services and Grounds employees at the overtime rate before they actually work 40 hours in a workweek. Specifically, we noted that the District considers sick leave and vacation time as hours worked when calculating overtime compensation. We identified the following instance of overtime compensation for an actual custodial employee that illustrates this scenario:

	Mon	Tues	Wed	Thurs	Fri	Sat	Sun	Total
Regular Time	8.0	8.0	8.0					24.0
Sick Leave				8.0	8.0			16.0
Overtime						6.0		6.0

¹ WAC 296-126-002 (8), March 15, 2010, <http://app.leg.wa.gov/WAC/default.aspx?cite=296-126-002>, accessed on May 14, 2015.

² State of Washington Department of Labor and Industries Employment Standards, Overtime, July 15, 2014, p3, <http://www.lni.wa.gov/WorkplaceRights/files/policies/esa81.pdf>, accessed on May 14, 2015.



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In this example, the employee received overtime compensation even though they never worked in excess of eight hours in one day, or in excess of 40 hours during the workweek. According to the Collective Bargaining Agreement, this employee should have been compensated at the regular rate of pay for the six hours worked on Saturday.

Even though we identified this issue during our audit of Custodial Services and Grounds, District management indicated that they believe this issue is also a common practice with the District's other labor partners.

Recommendation

We recommend that the District take action to ensure that their actual practices for compensating overtime are consistent with the Collective Bargaining Agreement. Specifically, we recommend that the District take one of the following actions:

- Compensate Custodial Services and Grounds employees in accordance with the current Collective Bargaining Agreement by removing paid leave time from their overtime calculation.
- Amend the Collective Bargaining Agreement to reflect the District's current practices for compensating overtime.

We also recommend that the District review the Collective Bargaining Agreements of its other labor groups and ensure that they are also aligned with current practices involving overtime compensation whenever employees are on paid leave status during the workweek.

The General Counsel's Office and the Labor Relations Department should be contacted to ensure that this issue is resolved in accordance with labor laws and any previous precedents.



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Management Response

Thank you to our internal audit team for reviewing and assessing our audit response for Custodial and Grounds. Management concurs with the conclusions and recommendations included in the follow up report.

The payment of overtime based on compensated hours instead of work hours is a wide practice and is not limited to Custodial and Grounds. Facilities will work with the General Counsel's office and Labor Relations to determine the best course of action to implement the recommendations included in this report. Facilities has attempted to change this practice in the past but has not prevailed when legally challenged.