

November 30, 2005

Helaine M. Barnett  
President  
Legal Services Corporation

Audit of LSC's Compressed Work Schedule and Compensatory Time Programs  
Report No. AU06-01

**Background**

The Office of Inspector General (OIG) performed an audit of the Legal Services Corporation's (LSC) Compressed Work Schedule (CWS) and Compensatory Time (CompTime) Programs. The CWS program, within the LSC's Alternative Work Schedule Program, enables LSC employees to select work schedules that provide flexibility in the number of days that employees are scheduled to work in a pay period. An employee's CWS contains designated core hours during the days in a workweek. LSC employees have a basic work requirement of 1,950 hours per year.

As of December 31, 2004, LSC developed 13 Compressed Work Schedules. These schedules provide employees different scheduling options for selecting a CWS day, as appropriate, with their supervisor's approval. Time scheduled for lunch is in addition to the work requirement of each schedule. These scheduling options also enable supervisors to obtain full coverage in the office at any given day. According to the LSC policy, in determining the appropriate CWS for each employee, the supervisor considers the employee's desire to participate in the program, along with the responsibilities of his/her position and the employee's ability to maintain the schedule based on his/her personal or family responsibilities.

On occasion, corporate business may require LSC employees participating in the CWS to work on a scheduled day off. In this event, nonexempt employees are paid overtime at a time-and-a-half rate while exempt employees are eligible to earn compensatory time off in lieu of their regularly scheduled day off. Compensatory time earned by LSC classified FLSA-exempt employees may be used, with supervisory approval, in accordance with the LSC Compensatory Time policy. Accumulated compensatory time must be used during the calendar year it is accumulated; however, compensatory time accumulated during the last

quarter of the calendar year must be used by March 31<sup>st</sup> of the following year. Payment will not be made for unused compensatory time.

A July 30, 2004 memorandum from the LSC President stated that LSC's alternative work schedule options, including CWS, will be left to the discretion of office supervisors to determine its appropriateness in any given instance. According to the memorandum, the overall impact on morale and productivity, as well as the fostering of a family-friendly work environment had helped influenced this decision.

As of December 31, 2004, there were 49 LSC employees participating in the CWS program. According to the Office of Finance and Administrative Services (OFAS) Senior Accountant, the LSC timekeepers submit at the end of every pay period, through interoffice envelopes, hard copies of the individual employees' completed "Official Compensatory Time Report Form" for their respective offices. Some of these reports come on time, others arrive later. The OFAS Senior Accountant enters the information from the individual reports in the CompTime Excel spreadsheet. At the same time, the formulas in the Excel spreadsheet automatically verify: (a) whether the beginning balances agree with the ending balances shown on the last report and (b) the mathematical accuracy of earned and used CompTime hours. The Senior Accountant also verifies the dates when the CompTime hours were earned, as well as the employee's and supervisor's signatures on the form. The supervisor's signature attests to the propriety of the CompTime hours earned. In addition, the Senior Accountant verifies that CompTime hours earned during the last quarter of the previous year are used by March 31<sup>st</sup> of the following year. If there are questions, the Senior Accountant resolves the issues with the timekeepers.

### **Objectives, Scope, and Methodology**

The objective of the audit was to determine the effectiveness of the management of the CWS/CompTime programs. Specifically, we evaluated compliance with the Corporation's policies by the different LSC offices. We also evaluated program controls, as well as determined the accuracy of the CWS and CompTime recordkeeping and reports. The scope covered CY 2003 and CY 2004. The audit was conducted in accordance with generally accepted government auditing standards.

The OIG's audit methodology included:

- Reviewing the CWS policy, within the LSC's Alternative Work Schedule program, and LSC's CompTime policy.
- Analyzing the CompTime summary reports prepared by OFAS to identify LSC employees who "banked"<sup>1</sup> CWS days into CompTime on a routine basis, as

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<sup>1</sup> "Banking" is the practice of saving CWS days as earned CompTime for future use.

well as employees who claimed compensatory time on a non-working status for Saturdays and Sundays.

- Interviewing various LSC office directors to obtain information of their interpretation and implementation of the CWS/CompTime policy in their respective offices.
- Interviewing timekeepers and the OFAS Senior Accountant to obtain information on recordkeeping controls and reconciliation procedures followed in processing and recording individual and summary CompTime reports.
- Verifying CWS/CompTime reports for selected sample of employees to determine the extent of “banking” practices and supervisory approvals.
- Verifying CompTime earned by selected sample of employees to determine propriety of CompTime earned on Saturdays/Sundays and supervisory approvals.

### **Results of Audit**

We determined that the management of the CWS/CompTime programs is generally effective. However, the CWS/CompTime policy needs to clearly address routine “banking” of CWS days and compliance with the policy. There is also a need to improve the accuracy of CompTime reports.

#### **Clearer LSC Policy**

The LSC policy on CWS was generally being followed; however, clearer guidance needs to be developed to address instances in which individuals are working routinely on CWS days and “banking” large numbers of these days as CompTime. According to the Director of Human Resources, the CWS policy is subject to management discretion. Hence, we found that various LSC office directors interpreted and implemented the LSC CWS/CompTime policy differently. Our interviews of six office directors disclosed that four directors believe that the CWS “banking” practice is not the intent of the policy; therefore, it is not appropriate to circumvent the policy’s intent. However, the remaining two directors believe that the CWS policy allows routine “banking” of CWS days into CompTime. The two supervisors believe that this practice is within the discretion allowed in the CWS program, which benefits their respective office operations.

For example, one office director allowed one employee to work virtually every scheduled CWS day and to “bank” routinely these CWS days into CompTime. The CompTime was then used to supplement the employee’s vacation time, which allowed the individual to be on extended leave (about 4 to 5 weeks at a time). The office director stated that this particular employee is allowed the extraordinary privilege because the employee is absolutely critical in the office operations, and this arrangement meets the director’s and employee’s needs. Another employee in this office also was allowed to routinely “bank” CWS days, but the leave was used for several short absences rather than one long vacation.

The other office director allowed two employees the same privilege of routinely “banking” CWS days into CompTime. In 2005, one of these two employees discontinued this practice by switching to flexitime. The director indicated that the CWS “banking” practices of the two employees meet the needs of the office.

The LSC CWS policy states that all employees participating in CWS must understand that, on occasion, corporate business may require them to work on a scheduled day off. However, the policy is silent on the practice of routinely “banking” CWS days.

As a result, one employee exceeded the 240 maximum carryover vacation hours by 123.60 hours and 251.10 hours for 2003 and 2004 respectively. Another employee exceeded the 240 maximum carryover vacation hours by 37.75 hours and 29.75 hours for 2003 and 2004 respectively.

Further, allowing the routine “banking” of CWS days could increase LSC’s potential liability for unpaid vacation leave because employees may use accrued CompTime, rather than vacation leave, for vacation purposes; thus, allowing larger balances of vacation leave to be carried forward. Also, because of different interpretations of the CWS policy by office directors, LSC may be subject to complaints of disparate treatment from LSC employees.

In a June 30, 2005 memorandum, the LSC Chief Administrative Officer reiterated adherence to the Corporation’s vacation leave policy. As specified in the LSC Personnel Manual, each employee’s carryover of accrued vacation leave should be limited to 240 hours annually.

Recommendation 1: The President of LSC should clarify the CWS policy as it pertains to routine “banking” of CWS days into CompTime. Should LSC determine that a program is needed to allow extensive CompTime accumulation for office operation purposes, we suggest that a separate policy be developed or the leave policy be amended to provide the criteria under which the program should operate.

#### Accuracy of CompTime Reports

Recordkeeping controls and reconciliation procedures within the various LSC offices need improvement. Specifically, inaccurate individual CompTime reports had been submitted for employees included in our sample by office timekeepers to the OFAS Senior Accountant for 2003 and 2004. These individual reports are the source documents for the OFAS summary reports.

For example, CompTime leave balances reflected in the OFAS summary reports did not agree with the individual CompTime reports. Also, there were instances in which CompTime reports had not been submitted by timekeepers to the OFAS Senior Accountant. In particular, the 2003 summary report did not reflect

75.5 hours of leave taken in October 2003 by one of the employees who routinely “banks” CWS days into CompTime. Further, eight CompTime reports were missing for two employees from the same office. Finally, two CompTime reports for one employee did not have the employee’s signature and supervisory approval.

This situation could be attributed to inattention to detail by the employees and timekeepers. The OFAS Senior Accountant noted that after OIG started on the CompTime audit, the accuracy of individual CompTime reports submitted to OFAS has greatly improved.

Generally accepted accounting principles require appropriate recordkeeping controls and reconciliation procedures. These controls provide for a complete record of source documents that are properly signed and approved. In addition, proper reconciliation procedures are vital to produce accurate reports. Accurate reports provide reliable information, which is a necessary tool for LSC management in its decision-making function.

Recommendation 2: The President of LSC should instruct office timekeepers and the OFAS Senior Accountant to ensure the accuracy of individual and summary CompTime reports through improved recordkeeping controls and reconciliation procedures. As part of proper recordkeeping controls, the timekeepers should retain copies of all employees’ CompTime reports.

#### Compliance with CompTime Policy

Contrary to the LSC CompTime policy, two employees earned CWS days “banked” into CompTime leave during the last quarter of 2003 but did not use the CompTime earned during the first quarter of 2004. Specifically, one employee earned 47 hours during the last quarter of 2003 but used only 21 hours during the first quarter of 2004. The other employee earned 45 hours during the last quarter of 2003 but did not use this earned leave during the first quarter of 2004. No waivers had been granted for these two employees.

The OFAS Senior Accountant indicated that the CompTime Excel spreadsheet is now properly programmed to automatically forfeit employees’ CompTime leave earned during the last quarter of the previous year but not taken by March 31<sup>st</sup> of the following year.

Recommendation 3: The President should develop instructions for office timekeepers and the OFAS Senior Accountant to ensure compliance with the LSC CompTime Policy. These instructions should include procedures to follow if CompTime is not used during the allowable time frame.

## **Summary of LSC Management's Comments**

On November 8, 2005, the LSC President provided a written response to the draft report stating that LSC management agreed with the findings and recommendations contained in the report. Specifically, LSC management

- will incorporate in the CWS policy a clarification relating to routine “banking” of CWS days into CompTime;
- has brought the records up to date and has instructed office timekeepers and the OFAS Senior Accountant to ensure the accuracy of individual and summary CompTime reports through improved record keeping controls and reconciliation procedures; and
- will issue revised procedures that will include compliance with CWS and CompTime policies.

The complete text of the LSC management comments can be found at Attachment 1.

## **OIG Evaluation of LSC Management's Comments**

LSC management's comments are responsive to our findings and recommendations. The OIG considers the actions taken or planned sufficient to address the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Ammie S. Laguilles at 202-295-1657 or me at 202-295-1663.

Ronald D. Merryman  
Acting Assistant Inspector General for Audit

Attachment 1: Memo from Helaine M. Barnett to Kirt West, dated 11/08/05

cc: Victor Fortuno  
Vice President for Legal Affairs/  
General Counsel/Corporate Secretary



Legal Services Corporation  
America's Partner For Equal Justice

## MEMORANDUM

**TO:** Kirt West  
**FROM:** Helaine M. Barnett   
**DATE:** November 8, 2005  
**SUBJECT:** CWS audit

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The Office of the Inspector General (OIG) submitted to LSC management a draft report entitled "Audit of LSC's Compressed Work Schedule and Compensatory Time Programs" on September 28, 2005. Attached is Management's response.

**cc:** Charles Jeffress  
Victor Fortunato



**MANAGEMENT RESPONSE**

**TO THE OFFICE OF INSPECTOR GENERAL'S  
AUDIT OF LSC'S  
COMPRESSED WORK SCHEDULE  
AND COMPENSATORY TIME PROGRAMS**

**November 8, 2005**

LSC's management is committed to the efficient and effective management of the Corporation, including the fair and effective administration of our personnel policies. LSC management has reviewed the audit report provided by the OIG on the compressed worktime and compensatory time policies. The OIG recommendations and management responses are as follows:

**Recommendation 1:** Clarify CWS policy as it relates to routine 'banking' of CWS days into CompTime.

We agree with this recommendation and will incorporate it into a revision of our overall CWS policy before the end of the calendar year. Along with that revision will be a clarification of our compensatory time policy.

**Recommendation 2:** Instruct office timekeepers and the OFAS Senior Accountant to ensure the accuracy of individual and summary CompTime reports through improved recordkeeping controls and reconciliation procedures.

We agree with this recommendation and have already reconciled all compensatory time records to bring them up to date. The Office of Financial and Administrative Services has worked with timekeepers to insure that our current policy is being followed. On October 20, 2005, we discussed this subject with office directors and reminded directors of their responsibilities for keeping these records accurately. Timekeepers have been provided copies of the compensatory time records so that they can keep records up to date at the office level.

**Recommendation 3:** Develop instructions for office timekeepers and the OFA Senior Accountant to ensure compliance with the LSC CompTime Policy.

Since the compensatory time policy is a part of our Personnel Manual, responsibility for this recommendation belongs with the Office of Human Resources. When we adopt our new CWS policy this year, we will issue revised procedures that cover compliance with CWS and compensatory time policies.