

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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**Memorandum**

**To:** Members of the Post Audits Subcommittee

**From:** Aaron Allred, Legislative Auditor  
Stacy Sneed, CPA, CICA, Director, Legislative Post Audit Division  
Amber Shirkey, CPA, CFE, CICA, Manager, Legislative Post Audit Division  
Melissa Bishop, CPA, Manager, Legislative Post Audit Division  
Joshua Potter, CPA, Auditor III, Legislative Post Audit Division  
Kristina Taylor, Auditor II, Legislative Post Audit Division  
Mike Jones, Auditor II, Legislative Post Audit Division  
Diana Humphreys, Auditor I, Legislative Post Audit Division

**Date:** Monday, February 11, 2013

**Subject:** Overtime Compensation of \$5,000 or Greater Study

WV Code §5-16-5 provides for the Public Employee Insurance Agency (PEIA) insurance premiums to be set at "different levels of costs based on the insureds' ability to pay." As such, premium tier classifications have been established based upon the employees' base salaries. In accordance with a request from the Legislative Auditor, we conducted a study to determine how many state employees are receiving \$5,000 or greater in overtime compensation, to pull a sample of agencies with a high number of employees receiving \$5,000 or greater in overtime compensation and determine if the employees would be in a higher PEIA premium tier classification if both their base salary and overtime compensation were included in determining the required premium payment, and to determine if the employees pulled in the sample have consistently received similar overtime compensation amounts in the previous two fiscal years. Additionally, we inquired with various agencies to determine the purpose of EPICS type code 171 – extra help/overtime and to determine if agencies are appropriately using EPICS type code 171 as it relates to the scope of the study.

**Scope of Work Performed**

In order to conduct our review, we ran an EPICS report for all state employees receiving any type of compensation coded as overtime<sup>1</sup> during the period of July 1, 2011 to June 30, 2012 and filtered the information to only show employees receiving \$5,000 or greater. Using this information, we prepared a workbook consisting of all state employees receiving compensation coded as overtime. We then used auditor judgment to select several agencies paying large amounts of overtime to their employees for further review. Due to inconsistencies in the way EPICS type code 171 is used, we did not select any agencies using this type code to categorize overtime compensation. We selected State Police, Division of Corrections, Division of Highways, and Mildred-

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<sup>1</sup> We did not audit the payroll transactions to ensure they were properly coded.

Mitchell Bateman Hospital. Using auditor judgment, of those four agencies, we selected all employees receiving \$25,000 or greater in overtime compensation for further review. A total of 29 employees were selected. (No employees from State Police received \$25,000 or more in overtime compensation.) We then contacted PEIA and obtained the 29 employees' base salary used by PEIA for plan year 2013 and the employees' health plan they were enrolled in for the beginning of the plan year. This information was used to determine the amount of PEIA payment tiers and the dollar amount of increase the employees would have encountered if both the base salary and overtime compensation had been included in determining the required PEIA premium payment. Additionally, we ran an EPICS report for the 29 employees selected for the periods of July 1, 2010 to June 30, 2011 and July 1, 2009 to June 30, 2010 and compared the total amount of overtime received during each fiscal year to determine if the employees consistently received \$25,000 or greater in overtime compensation.

Concerning EPICS type code 171, we contacted the State Auditor's Office and inquired as to its purpose and proper use. Also, we contacted the agencies with a high dollar value of EPICS type code 171 payroll transactions and inquired as to how they determined this was the proper EPICS type code to use. Additionally, we contacted the West Virginia Higher Education Policy Commission to determine if they were aware of the purpose of higher education institutions using EPICS type code 171 and if they provided any guidance to higher education institutions on using EPICS type code 171.

**Items Noted**

During our review of the EPICS report for all state employees receiving any type of compensation coded as overtime during the period of July 1, 2011 to June 30, 2012, we noted there were 3,346 state employees from 64 different state agencies that received an amount greater than or equal to \$5,000.00. Additionally, we noted 1,209 of the aforementioned employees were employed by the Division of Highways, and 1,823 were employed by a jail, correction, or a police facility. The following table includes all employees receiving compensation of \$5,000.00 or greater, regardless of the EPICS type code used.

- One employee received over \$400,000.00 in overtime compensation;

STRATUM	AGENCY NAME	COMPENSATION CODED AS OT
\$400,000.00 +	MARSHALL UNIVERSITY	\$ 425,000.08 <sup>2</sup>

- Five employees received between \$100,000.000 and \$199,999.99 in overtime compensation;

STRATUM	AGENCY NAME	COMPENSATION CODED AS OT
\$100,000.00 - \$199,999.99	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 172,028.04
	MARSHALL UNIVERSITY	\$ 160,300.08 <sup>2</sup>
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 159,597.64
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 123,951.36
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 100,701.95

- Four employees received between \$50,000.00 and \$69,999.99 in overtime compensation;

STRATUM	AGENCY NAME	COMPENSATION CODED AS OT
\$50,000.00 - \$69,999.99	MARSHALL UNIVERSITY	\$ 65,000.00 <sup>2</sup>
	PIERPONT C & T COLLEGE	\$ 59,455.00 <sup>2</sup>
	WELCH COMMUNITY HOSPITAL	\$ 56,015.02
	MINERS HEALTH SAFETY & TRAINING	\$ 55,477.44

<sup>2</sup>Compensation referred to as overtime was coded as 171, therefore, the agency was not chosen for our sample.

- Four employees received between \$35,000.00 and \$49,999.99 in overtime compensation;

STRATUM	AGENCY NAME	COMPENSATION CODED AS OT
<b>\$35,000.00 - \$49,999.99</b>	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 48,835.40
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 42,601.47
	WELCH COMMUNITY HOSPITAL	\$ 39,019.32
	HIGHWAYS, DIVISION OF	\$ 35,318.30

- 33 employees received between \$25,000.00 and \$34,999.99 in overtime compensation; and

STRATUM	AGENCY NAME	COMPENSATION CODED AS OT
<b>\$25,000.00 - \$34,999.99</b>	WELCH COMMUNITY HOSPITAL	\$ 34,362.81
	PIERPONT C & T COLLEGE	\$ 34,000.00 <sup>2</sup>
	SHEPHERD UNIVERSITY	\$ 33,907.48 <sup>2</sup>
	HIGHWAYS, DIVISION OF	\$ 33,712.19
	HUMAN SERVICES, DIVISION OF	\$ 33,641.89
	HIGHWAYS, DIVISION OF	\$ 31,625.14
	HIGHWAYS, DIVISION OF	\$ 31,572.05
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 31,545.16
	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 31,530.61
	HIGHWAYS, DIVISION OF	\$ 31,303.96
	PIERPONT C & T COLLEGE	\$ 31,066.67 <sup>2</sup>
	HIGHWAYS, DIVISION OF	\$ 30,613.83
	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 30,435.07
	WELCH COMMUNITY HOSPITAL	\$ 30,174.51
	WELCH COMMUNITY HOSPITAL	\$ 29,979.62
	WILLIAM R. SHARPE, JR. HOSPITAL	\$ 29,575.87
	HIGHWAYS, DIVISION OF	\$ 29,038.29
	HIGHWAYS, DIVISION OF	\$ 28,756.19
	HIGHWAYS, DIVISION OF	\$ 28,540.43
	HIGHWAYS, DIVISION OF	\$ 28,417.83
	MOUNT OLIVE CORRECTIONAL COMPLEX	\$ 28,106.67
	FAIRMONT STATE UNIVERSITY	\$ 27,993.00 <sup>2</sup>
	FAIRMONT STATE UNIVERSITY	\$ 27,982.66 <sup>2</sup>
	HIGHWAYS, DIVISION OF	\$ 27,978.38
	HIGHWAYS, DIVISION OF	\$ 27,513.85
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 26,645.41
	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 26,537.62
	MOUNT OLIVE CORRECTIONAL COMPLEX	\$ 26,158.33
	HIGHWAYS, DIVISION OF	\$ 25,724.29
	HIGHWAYS, DIVISION OF	\$ 25,257.65
	HIGHWAYS, DIVISION OF	\$ 25,191.79
	HIGHWAYS, DIVISION OF	\$ 25,075.29
	MARSHALL UNIVERSITY	\$ 25,000.00 <sup>2</sup>

- 3,299 employees received between \$5,000.00 and \$24,999.99 in compensation coded as overtime.

Upon selecting the State Police, Division of Corrections, Division of Highways, and Mildred-Mitchell Bateman Hospital as our sample agencies, using auditor judgment, we selected all employees receiving \$25,000 or greater in compensation coded as overtime for further review. The following 29 employees were selected:

EMPLOYEE	AGENCY	COMPENSATION CODED AS OT
1	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 48,835.40
2	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 31,530.61
3	REGIONAL JAIL & CORRECTIONAL FACILITY	\$ 30,435.07
4	MOUNT OLIVE CORRECTIONAL COMPLEX	\$ 28,106.67
5	MOUNT OLIVE CORRECTIONAL COMPLEX	\$ 26,158.33
6	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 172,028.04
7	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 159,597.64
8	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 123,951.36
9	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 100,701.95 <sup>3</sup>
10	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 42,601.47
11	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 31,545.16
12	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 26,645.41 <sup>4</sup>
13	MILDRED MITCHELL-BATEMAN HOSPITAL	\$ 26,537.62
14	DIVISION OF HIGHWAYS	\$ 35,318.30
15	DIVISION OF HIGHWAYS	\$ 33,712.19
16	DIVISION OF HIGHWAYS	\$ 31,625.14
17	DIVISION OF HIGHWAYS	\$ 31,572.05
18	DIVISION OF HIGHWAYS	\$ 31,303.96
19	DIVISION OF HIGHWAYS	\$ 30,613.83
20	DIVISION OF HIGHWAYS	\$ 29,038.29
21	DIVISION OF HIGHWAYS	\$ 28,756.19
22	DIVISION OF HIGHWAYS	\$ 28,540.43
23	DIVISION OF HIGHWAYS	\$ 28,417.83
24	DIVISION OF HIGHWAYS	\$ 27,978.38
25	DIVISION OF HIGHWAYS	\$ 27,513.85
26	DIVISION OF HIGHWAYS	\$ 25,724.29
27	DIVISION OF HIGHWAYS	\$ 25,257.65
28	DIVISION OF HIGHWAYS	\$ 25,191.79
29	DIVISION OF HIGHWAYS	\$ 25,075.29

Of the 29 employees we selected receiving \$25,000 or greater in compensation coded as overtime for further review, we noted 28 of the 29 were enrolled in PEIA health insurance. Of those 28 employees, we noted the following:

- One employee retired as of April 1, 2012;
- Two employees were enrolled in the PEIA PPB Plan C, and the premium for this plan is not salary based;
- 25 employees were enrolled in PEIA plans which are salary based and would have increased one or more PEIA premium payment tier classifications;
  - Four employees would have increased four tiers;
  - 12 employees would have increased three tiers;
  - Seven employees would have increased two tiers;
  - One employee would have increased one tier; and

<sup>3</sup> Employee is not enrolled in a PEIA Health Plan.

<sup>4</sup> Employee retired effective April 1, 2012.

- One employee would not have increased tiers because their base salary was larger than the highest salary tier;
- 25 employees' premiums would have increased a total of \$40,332 per year, or \$3,361 per month; and
  - The largest premium increase for an employee would have been \$2,820 per year or \$235 per month.<sup>5</sup>

Additionally, we noted one employee was not enrolled in PEIA health insurance, and attempted to calculate the amount of premium tiers they would have increased if overtime compensation was included in addition to base salary; however, during our review, we noted they would not have increased any PEIA premium payment tiers because their base salary was larger than the highest salary tier.

During our comparison of the total amount of compensation coded as overtime received during each fiscal year for the aforementioned 29 employees, we noted 11 employees consistently received \$25,000 or greater for fiscal years 2012, 2011, & 2010. One employee was not employed with the State during FY 2010; however, they did consistently receive compensation coded as overtime of \$25,000 or greater during FY 2011 & 2012. Finally, 17 employees did not consistently receive \$25,000 or greater in compensation coded as overtime for fiscal years 2012, 2011, & 2010; however, these 17 employees did have a trend of rising compensation amounts for these three years.

After reviewing the State Auditor's Office response to our questions regarding EPICS Type Code 171, as well as the West Virginia Higher Education Policy Commission, Blue Ridge Community & Technical College, Fairmont State University, Marshall University, Pierpont Community & Technical College, and Shepherd University, there seems to be some confusion as to purpose of EPICS type code 171;

- The Auditor's Office could not provide a more detailed description of the purpose and proper use of EPICS type code 171, but stated its more recent use by higher education institutions has been to record compensation payments which, generally, do not fall more appropriately within other type codes available to them;
- Higher Education Policy Commission states EPICS type code 171 was created to facilitate financial management at the agency level and they do not provide guidance on the utilization of the EPICS type codes to higher education institutions;
- Marshall University stated payments include overtime as well as extra help;
- Fairmont State University and Pierpont Community & Technical College stated EPICS type code 171 is not used for overtime payment; they are for stipends; and
- Shepherd University and Blue Ridge Community & Technical College stated payments out of 171 are almost always for stipends.

### **Conclusion and Recommendation**

We determined there were 3,346 state employees from 64 different state agencies that received an amount greater than or equal to \$5,000.00 of compensation coded as overtime for the period of July 1, 2011 – June 30, 2012. From our review, it appears that by receiving this amount of additional compensation, many employees would likely increase PEIA payment tier classifications if both the base salary and compensation coded as overtime had been included in determining the required PEIA premium payment. However, because we used professional judgment in selecting our sample, we are unable to project the dollar amount of the study to the entire population of employees receiving the additional compensation. Additionally, several state employees consistently received compensation coded as overtime in excess of \$25,000 during the past three years. Furthermore, there seems to be some confusion as to the purpose of EPICS type code 171 from the State Auditor's Office, as well as the West Virginia Higher Education Policy Commission and the higher education

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<sup>5</sup> See table on Page 7 for detail.

institutions which are using this type code. Because of this confusion we are unable to determine if agencies are appropriately using EPICS type code 171 as it relates to the scope of the study.

We recommend PEIA look into adding additional compensation received by employees in the determination of PEIA payment tier classifications. Also, we recommend state agencies try to limit the amount of overtime employees receive, when possible, as there seems to be excessive spending on overtime compensation at several state agencies. Additionally, we recommend state higher education institutions stop utilizing EPICS type code 171 until its actual purpose is more clearly defined. There are several other EPICS type codes that appear to be more appropriate to higher education's purpose than type code 171.

On December 31, 2012, we contacted the State Auditor's Office and inquired if the new ERP system will address and/or fix the issues noted during our review and requested a response by January 7, 2013. However, as of February 11, 2013, we have not received a response.

It is the opinion of the Legislative Auditor if PEIA could charge premiums based upon monthly salary amounts, the payments would more accurately be based upon the insured's ability to pay. If PEIA is currently unable to consider such a change, it could be beneficial for PEIA and the state to consider this option as part of the design for the new ERP system.

EMPLOYEE NUMBER	PEIA HEALTH PLAN	PEIA BASE SALARY	TOTAL COMPENSATION CODED AS OVERTIME	BASE + COMPENSATION CODED AS OVERTIME	ANNUAL PREMIUM INCREASE	ANNUAL DEDUCTIBLE DIFFERENCE
1	PPB PLAN A - FAMILY	\$ 36,160.00	\$ 48,835.40	\$ 84,995.40	\$ 2,820.00	\$ 450.00
2	PPB PLAN A - POLICYHOLDER ONLY	\$ 44,106.00	\$ 31,530.61	\$ 75,636.61	\$ 792.00	\$ 175.00
3	PPB PLAN A - FAMILY	\$ 35,960.00	\$ 30,435.07	\$ 66,395.07	\$ 2,148.00	\$ 400.00
4	PPB PLAN A - FAMILY	\$ 31,974.00	\$ 28,106.67	\$ 60,080.67	\$ 1,752.00	\$ 350.00
5	PPB PLAN A - FAMILY	\$ 28,950.00	\$ 26,158.33	\$ 55,108.33	\$ 2,076.00	\$ 450.00
6	PPB PLAN C - FAMILY	\$ 195,036.00	\$ 172,028.04	\$ 367,064.04	\$ -	\$ -
7	PPB PLAN C - FAMILY	\$ 181,464.00	\$ 159,597.64	\$ 341,061.64	\$ -	\$ -
8	PPB PLAN A - POLICYHOLDER ONLY	\$ 168,900.00	\$ 123,951.36	\$ 292,851.36	\$ -	\$ -
9	NONE-NOT ENROLLED	\$ 176,200.00	\$ 100,701.95	\$ 276,901.95	\$ -	
10	PPB PLAN A - POLICYHOLDER ONLY	\$ 55,824.00	\$ 42,601.47	\$ 98,425.47	\$ 516.00	\$ 50.00
11	PPB PLAN A - FAMILY	\$ 26,592.00	\$ 31,545.16	\$ 58,137.16	\$ 2,076.00	\$ 450.00
12	PPB PLAN B - FAMILY	\$ 40,434.00	\$ 26,645.41	\$ 67,079.41	\$ 1,500.00	\$ 500.00
13	PPB PLAN A - FAMILY	N/A-RETIRED	\$ 26,537.62	N/A-RETIRED	N/A-RETIRED	N/A-RETIRED
14	PPB PLAN A - FAMILY	\$ 45,924.00	\$ 35,318.30	\$ 81,242.30	\$ 2,220.00	\$ 350.00
15	PPB PLAN A - FAMILY	\$ 55,536.00	\$ 33,712.19	\$ 89,248.19	\$ 1,416.00	\$ 100.00
16	PPB PLAN A - FAMILY	\$ 51,516.00	\$ 31,625.14	\$ 83,141.14	\$ 1,416.00	\$ 100.00
17	PPB PLAN A - FAMILY	\$ 43,560.00	\$ 31,572.05	\$ 75,132.05	\$ 2,220.00	\$ 350.00
18	PPB PLAN A - EMPLOYEE/CHILD	\$ 60,468.00	\$ 31,303.96	\$ 91,771.96	\$ 1,140.00	\$ 100.00
19	PPB PLAN A - POLICYHOLDER ONLY	\$ 52,200.00	\$ 30,613.83	\$ 82,813.83	\$ 516.00	\$ 50.00
20	PPB PLAN A - FAMILY	\$ 46,812.00	\$ 29,038.29	\$ 75,850.29	\$ 2,220.00	\$ 350.00
21	PPB PLAN A - FAMILY	\$ 47,856.00	\$ 28,756.19	\$ 76,612.19	\$ 2,220.00	\$ 350.00
22	PPB PLAN A - FAMILY	\$ 47,592.00	\$ 28,540.43	\$ 76,132.43	\$ 2,220.00	\$ 350.00
23	PPB PLAN A - EMPLOYEE/CHILD	\$ 74,448.00	\$ 28,417.83	\$ 102,865.83	\$ 1,512.00	\$ 200.00
24	PPB PLAN A - FAMILY	\$ 47,184.00	\$ 27,978.38	\$ 75,162.38	\$ 2,220.00	\$ 350.00
25	PPB PLAN A - FAMILY	\$ 40,020.00	\$ 27,513.85	\$ 67,533.85	\$ 1,800.00	\$ 350.00
26	PPB PLAN A - EMPLOYEE/CHILD	\$ 37,908.00	\$ 25,724.29	\$ 63,632.29	\$ 1,296.00	\$ 350.00
27	PPB PLAN A - FAMILY	\$ 40,164.84	\$ 25,257.65	\$ 65,422.49	\$ 1,800.00	\$ 350.00
28	PPB PLAN A - FAMILY	\$ 67,284.00	\$ 25,191.79	\$ 92,475.79	\$ 1,020.00	\$ 50.00
29	HEALTH PLAN (PLAN A) - FAMILY	\$ 60,348.00	\$ 25,075.29	\$ 85,423.29	\$ 1,416.00	N/A
<b>Grand Total</b>		<b>\$ 1,840,420.84</b>	<b>\$ 1,314,314.19</b>	<b>\$ 3,128,197.41</b>	<b>\$ 40,332.00</b>	<b>\$ 6,575.00</b>