



Statewide Overtime and Shift Bonus Pay

Performance Audit

November 2025

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Office of the Legislative Auditor
State of Minnesota

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November 12, 2025

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This report presents the results of our performance audit of the Statewide Overtime and Shift Bonus Pay for the period July 1, 2022, through December 31, 2024. The objective of this audit was to determine if the departments of Corrections, Human Services, Natural Resources, Public Safety, and Transportation complied with significant finance-related requirements regarding overtime and shift bonus pay.

This audit was conducted by Jordan Bjonfald, CPA (Audit Director) and auditors Ria Bawek; Tyler Billig, CPA; Nicholai Broekemeier; Braden Jaeger; and Crystal Nibbe, CFE.

We received the full cooperation of all agencies while performing this audit.

Sincerely,



Judy Randall
Legislative Auditor



Lori Leysen, CPA
Deputy Legislative Auditor



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Introduction

In Minnesota, responsibility for state employee compensation is shared among different state agencies. Minnesota Management and Budget is responsible for overseeing the state's payroll system, entering into employment agreements, and establishing payroll policies and procedures. State agencies are responsible for compensating their employees in compliance with state and federal laws, employment agreements, and payroll policies and procedures.

Auditors focus on internal controls as a key indicator of whether an organization is well managed. Internal controls are the policies and procedures management establishes to govern how an organization conducts its work and fulfills its responsibilities. A well-managed organization has strong controls across all of its internal operations. If effectively designed and implemented, controls help ensure, for example, that inventory is secured, computer systems are protected, laws and rules are complied with, and authorized personnel properly document and process financial transactions.

In this audit, we focused on whether certain state agencies had controls to ensure they paid overtime and shift bonuses accurately and in compliance with state employment agreements.

Minnesota Law Mandates Internal Controls in State Agencies

State agencies must have internal controls that:

- Safeguard public funds and assets and minimize incidences of fraud, waste, and abuse.
- Ensure that agencies administer programs in compliance with applicable laws and rules.

The law also requires the Commissioner of Minnesota Management and Budget to review OLA audit reports and help agencies correct internal control problems noted in those reports.

— **Minnesota Statutes 2025, 16A.057**



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Report Summary

Conclusion

The departments of Human Services, Corrections, Transportation, Public Safety, and Natural Resources generally complied with the criteria we tested. However, we identified some instances of noncompliance and internal control weaknesses in each of the agencies we audited related to overtime expenditures and shift bonus incentives.

Findings and Recommendations

Finding 1. The Department of Human Services did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments. (p. 21)

Recommendations

- The Department of Human Services and Direct Care and Treatment should accurately pay overtime to employees in accordance with employment agreements.
 - The Department of Human Services and Direct Care and Treatment should collect the overpayments made to employees.
 - The Department of Human Services and Direct Care and Treatment should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.
-

Finding 2. The Department of Corrections did not always accurately pay overtime to an employee in accordance with employment agreements, resulting in overpayments. (p. 23)

Recommendations

- The Department of Corrections should accurately pay overtime to employees in accordance with employment agreements.
 - The Department of Corrections should collect the overpayment made to the employee.
 - The Department of Corrections should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.
-

Finding 3. The Minnesota Department of Transportation did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments. (p. 24)

Recommendations

- The Minnesota Department of Transportation should accurately pay overtime to employees in accordance with employment agreements.
 - The Minnesota Department of Transportation should collect the overpayments made to employees.
 - The Minnesota Department of Transportation should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.
-

Finding 4. The Department of Public Safety did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments and did not always document overtime eligibility for some employees. (p. 25)

Recommendations

- The Department of Public Safety should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.
 - The Department of Public Safety should collect the overpayments made to the identified employees.
 - The Department of Public Safety should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.
-

Finding 5. The Department of Natural Resources did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments, and did not always document overtime eligibility for some employees. (p. 27)

Recommendations

- The Department of Natural Resources should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.
 - The Department of Natural Resources should collect the overpayments made to the identified employees.
 - The Department of Natural Resources should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.
-

Finding 6. The Department of Human Services:

- Could not provide support to show Minnesota Management and Budget's approval of the shift bonus incentives it implemented.
- Paid shift bonus incentives that were inconsistent with the parameters established in the Memorandums of Understanding.
- Did not properly document the eligibility criteria and parameters of the shift bonus incentives. (p. 32)

Recommendations

If the Department of Human Services or Direct Care and Treatment wants to provide employees a shift bonus incentive program, it should:

- Establish a program that is consistent with the parameters outlined in the employment agreements.
 - Obtain required approval from Minnesota Management and Budget.
 - Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.
-

Finding 7. The Department of Corrections:

- Could not provide support to show Minnesota Management and Budget's approval of the shift bonus incentives it implemented.
- Paid shift bonus incentives that were inconsistent with the parameters established in the Memorandum of Understanding, including payments to ineligible employees.
- Did not properly document the eligibility criteria and parameters of the shift bonus incentives. (p. 36)

Recommendations

If the Department of Corrections wants to provide employees a shift bonus incentive program, it should:

- Establish a program that is consistent with the parameters outlined in the employment agreements.
 - Obtain required approval from Minnesota Management and Budget.
 - Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.
-



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Background

Overtime Pay

State agencies pay overtime to employees who meet certain requirements and who work hours in addition to their normal work schedule. Every two years, Minnesota Management and Budget (MMB) negotiates and enters into agreements with labor unions to establish conditions of employment, including provisions regarding overtime.

In general, the employment agreements outline the provisions listed below regarding earning and liquidating overtime. The specific requirements vary depending on the employment agreement and whether the employee is classified as exempt or nonexempt.¹

- **Overtime Hours:** The agreements identify which hours worked are eligible for overtime pay. For example, employees may be eligible for overtime pay for hours worked (1) in excess of their established work day, (2) in excess of 40 hours in a 7-day period, or (3) in excess of 80 hours in a 14-day period.
- **Overtime Rate:** The agreements identify the rate at which an employee shall be compensated for overtime hours worked. For example, nonexempt employees are generally compensated at time and a half, and exempt employees are generally compensated at straight time.²
- **Overtime Liquidation:** The agreements identify how employees will be compensated. For example, some employees are eligible to be paid in the form of money added to their paycheck, and some employees are eligible for paid time off—called compensatory time—in future pay periods.

¹ An exempt employee is not subject to the minimum wage and overtime pay requirements established in the Fair Labor Standard Act (FLSA); a nonexempt employee is subject to those requirements.

² Straight time means an employee's regular hourly pay rate. Time and a half means an employee's regular hourly pay rate multiplied by 1.5.

Overtime Expenditures and Compensatory Time Earned

The state paid a total of approximately \$15.7 billion in payroll expenditures from July 1, 2022, through December 31, 2024. Overtime expenditures and compensatory time earned during this time period were about \$367 million, or 2.3 percent of total payroll expenditures.³ Since large agencies have more employees, they incurred most of the overtime expenditures; the five agencies with the highest amount of overtime expenditures incurred 82 percent of the state's total overtime expenditures. Exhibit 1 shows the overtime expenditures for these five agencies.

Exhibit 1

Overtime Expenditures and Compensatory Time Earned by Agency, July 1, 2022, Through December 31, 2024

Agency	Overtime Expenditures and Compensatory Time Earned ^a	Percentage of Overtime Expenditures and Compensatory Time Earned
Department of Human Services	\$ 98,729,000	27%
Department of Corrections	73,980,000	20%
Department of Transportation	55,347,000	15%
Department of Public Safety	44,477,000	12%
Department of Natural Resources	28,038,000	8%
All Other State Agencies	<u>66,446,000</u>	18%
Total	\$367,017,000	

^a "Overtime Expenditures" includes gross pay to the employee and the employer's share of Federal Insurance Contributions Act (FICA), insurance, and retirement contributions.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We focused our audit on overtime paid to employees working at the departments of Human Services (DHS), Corrections (DOC), Transportation (MnDOT), Public Safety (DPS), and Natural Resources (DNR).⁴ These agencies often used overtime to staff human services and correctional facilities that operate 24 hours a day, or to respond to emergency weather and public safety situations.

³ Throughout this section of the report, "overtime" includes both overtime expenditures and compensatory time earned.

⁴ During the scope of our audit, DHS transitioned some programs and services to two new agencies: the Department of Children, Youth, and Families; and Direct Care and Treatment.

Individual employees can earn large amounts of overtime for a variety of reasons. Generally, the employees who worked the most overtime were employees working at 24-hour facilities, such as state hospitals operated by DHS or correctional facilities operated by DOC. Additionally, state troopers at DPS can earn large amounts of overtime responding to public safety situations.

Exhibit 2 shows the positions of the 10 employees receiving the highest amount of overtime pay from the state during the audit period.

Exhibit 2

Overtime Expenditures to the 10 Individual Employees Receiving the Highest Amount of Overtime Pay, July 1, 2022, Through December 31, 2024

Employee's Position	Agency	Fiscal Years			Total
		2023	2024	2025 ^a	
Security Counselor Lead	DHS	\$117,563	\$105,927	\$58,962	\$282,452
Security Counselor Lead	DHS	91,470	123,446	66,271	281,187
State Patrol Trooper	DPS	90,587	111,037	74,396	276,020
Corrections Officer 3	DOC	118,947	105,724	41,294	265,965
Security Counselor Lead	DHS	121,448	91,798	42,758	256,004
State Patrol Trooper	DPS	91,270	88,236	47,954	227,460
Corrections Officer 3	DOC	89,971	91,273	41,435	222,679
Human Services Technician	DHS	82,534	91,160	44,273	218,967
Mental Health Program Assistant	DHS	81,308	92,502	34,813	208,623
Mental Health Program Assistant	DHS	76,457	83,373	48,235	208,065

Notes: Expenditures include the gross pay to the employees for overtime and the cash value of compensatory time earned. This table does not include employer expenses, such as the employer's share of FICA, insurance, and retirement contributions.

^a In 2025, totals included expenditures for the six-month period from July 1, 2024, through December 31, 2024.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

Across all state agencies, there were 219 employees who earned more than \$100,000 in overtime between July 1, 2022, and December 31, 2024, including 8 employees who earned more than \$100,000 in overtime in at least one fiscal year.

8
employees earned
more than
\$100,000
of overtime in a
single fiscal year.

Overtime Hours

Overtime is generally paid based on the number of hours an employee works in addition to their normal work period.⁵ In order to earn high amounts of overtime, an employee must work a significant number of hours in addition to their normal work period, which is generally 2,080 hours per year for a full-time employee.⁶

Across all state agencies, there were 224 employees who worked more than 2,000 hours of overtime between July 1, 2022, and December 31, 2024, including 10 employees who worked more than 2,000 hours of overtime in a single fiscal year. This is the equivalent of one person working two full-time jobs.

Exhibit 3 shows the amount of overtime hours worked by the 10 employees receiving the highest amount of overtime pay from the state during the audit period.

10
employees worked
more than
2,000 hours
of overtime in a
single fiscal year.

Exhibit 3

Overtime Hours Worked by the 10 Individual Employees Receiving the Highest Amount of Overtime Pay, July 1, 2022, Through December 31, 2024

Position	Agency	Fiscal Years			Total
		2023	2024	2025	
Security Counselor Lead	DHS	2,871	2,050	885	5,806
Security Counselor Lead	DHS	2,446	2,135	1,109	5,690
Human Services Technician	DHS	2,046	2,294	1,042	5,382
Security Counselor Lead	DHS	1,837	2,351	1,171	5,359
Corrections Officer 3	DOC	2,439	2,003	686	5,128
Mental Health Program Assistant	DHS	2,033	2,261	783	5,077
Mental Health Program Assistant	DHS	1,771	1,917	1,042	4,730
Corrections Officer 3	DOC	1,641	1,549	628	3,818
State Patrol Trooper	DPS	1,198	1,433	876	3,507
State Patrol Trooper	DPS	1,241	1,165	580	2,986

Note: In 2025, totals included overtime hours worked for the six-month period from July 1, 2024, through December 31, 2024.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

⁵ In addition to overtime, some employees were eligible to receive lump sum bonuses for working additional unfilled shifts, which is discussed further on page 15.

⁶ Generally, the full-time equivalent for an employee is 40 hours per week multiplied by 52 weeks per year, or 2,080 hours per year. This includes both hours worked and paid leave taken, such as holidays, vacation, or sick leave.

Overtime Limitations

The employment agreements that govern overtime pay for state employees do not include any provisions limiting the amount of overtime an employee may volunteer to work.

However, the employment agreements do contain provisions regarding how state agencies must distribute overtime among employees and some limitations regarding how agencies may mandate overtime. For example, one agreement says that the agency shall offer overtime based on employee seniority, and in the event all capable employees decline to work overtime, the agency shall assign the overtime based on the inverse order of seniority.⁷ The agreement also prevents the agency from requiring an employee to work overtime more than once every six calendar days.⁸

Department officials told us they may deny an employee voluntary overtime in limited circumstances, such as if there is a safety issue due to an employee being too overworked and tired to continue working; however, the department may not deny an employee overtime based solely on the amount of overtime already worked. This means that employees who are qualified and capable and volunteer to work overtime may work a significant amount of overtime hours.

Exhibit 4 shows an example of a timesheet for a standard two-week pay period during which an employee worked a significant amount of overtime.

Exhibit 4

Example of a Timesheet Showing Hours Worked with Significant Overtime

Week 1	Wed	Thur	Fri	Sat	Sun	Mon	Tues	Total
Regular Hours	8	8	8	0	0	8	8	40
Overtime	7.83	7.83	7.83	17	0	8	7.83	56.32
Week 2	Wed	Thur	Fri	Sat	Sun	Mon	Tues	Total
Regular Hours	8	8	8	8	0	0	8	40
Overtime	7.83	8.83	7.83	0	16.75	16.58	7.83	65.65

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

As the exhibit above shows, employees who work significant amounts of overtime often work double shifts on their regularly scheduled days and work extra shifts on their scheduled days off. The employee reflected in Exhibit 4 worked almost 122 hours of overtime in a two-week period, in addition to 80 hours of regularly scheduled work.⁹

⁷ American Federation of State, County, and Municipal Employees (AFSCME) Unit 208 agreements 2021–2023, art. 6, sec. 3(B)(4)(a-b); and 2023–2025, art. 6, sec. 3(C)(2)(a-b).

⁸ AFSCME Unit 208 agreements 2021–2023, art. 6, sec. 3(B)(4)(d); and 2023–2025, art. 6, sec. 3(C)(2)(d).

⁹ The employee reflected in Exhibit 4, a Corrections Officer at DOC, worked at least one overtime shift in all 66 pay periods during our audit scope. The employee worked a total of 5,128 hours during our audit scope, averaging nearly 78 hours of overtime per pay period, including 17 pay periods in which they worked more than 100 hours of overtime.

To reach this amount of overtime, the employee worked a double shift on nine of their scheduled work days and worked a double overtime shift on three of their scheduled days off.

While working this amount of overtime may seem excessive and may not be sustainable over the long term, if the agency has determined it needs to offer overtime and the employee volunteers to work the overtime, it is allowable under the employment agreement.

Overtime Use

To determine why agencies offer so much overtime, we analyzed in detail the use of overtime at two divisions: the Anoka Metro Regional Treatment Center at DHS and the Stillwater Correctional Facility at DOC.

Anoka Metro Regional Treatment Center

The Anoka Metro Regional Treatment Center (Anoka Metro) is the state's largest psychiatric hospital and was part of the Mental Health and Substance Abuse Treatment division at DHS.¹⁰ Anoka Metro operates 96 beds across six units and provides inpatient psychiatric services to adults in a secure hospital environment. During the audit period, Anoka Metro paid approximately \$13.5 million in overtime to 1,325 employees.

Exhibit 5 shows the overtime use at Anoka Metro in hours and expenditures over the last 10 years, from Fiscal Year 2015 through Fiscal Year 2024.

Exhibit 5

Anoka Metro Regional Treatment Center Overtime Hours Worked and Overtime Expenditures for Fiscal Years 2015 Through 2024

Fiscal Year	Overtime Hours Worked	Overtime Expenditures
2015	52,156	\$1,798,240
2016	55,336	2,039,804
2017	38,046	1,361,353
2018	45,508	1,728,560
2019	63,009	2,582,866
2020	64,496	2,536,340
2021	70,441	2,994,993
2022	65,194	2,880,169
2023	109,537	5,162,933
2024	119,073	5,480,346

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

¹⁰ DHS Direct Care and Treatment services, including the Anoka Metro Regional Treatment Center, moved to its own state agency effective July 1, 2025.

Based on federal and state standards, Anoka Metro has a staffing plan to ensure adequate nursing coverage in each of its medical units.¹¹ Under this plan, Anoka Metro staffs each unit with nine nursing personnel during the morning and evening shifts and six nursing personnel during the overnight shift.¹² This baseline number of staff for each unit may fluctuate based on patient need. For example, if a patient requires additional monitoring, Anoka Metro may assign 1 or 2 staff to work directly with that patient, which would require the treatment center to increase the number of staff for that unit from 9 to 10 or 11.

Department staff told us that much of the overtime worked during our audit scope was to meet patient needs with increased staffing or to meet their baseline staffing numbers because Anoka Metro was short-staffed. We analyzed a sample of pay periods in December 2020, 2021, 2022, 2023, and 2024 and validated these explanations.

Exhibit 6 shows the planned and actual full-time equivalent (FTE) nursing personnel at Anoka Metro during five pay periods in December 2020 through December 2024. Across these pay periods, Anoka Metro had a staff shortage ranging from 10 to 74 FTE. DHS used overtime and shift bonuses to address these shortages.

Exhibit 6

Anoka Metro Regional Treatment Center Planned FTE Compared to Actual FTE for Pay Periods in December 2020 Through December 2024

Period	Planned FTE	Actual FTE
December 2020	232	222
December 2021	276	217
December 2022	263	219
December 2023	267	193
December 2024	267	235

Source: Office of the Legislative Auditor, based on data provided by the Department of Human Services.

¹¹ 42 CFR, sec. 482.62 (2007); and *Minnesota Rules*, 4640.0900, subp. 2, <https://www.revisor.mn.gov/rules/4640.0900/>, accessed August 18, 2025. The hospital must have an adequate number of qualified professional and supportive staff to evaluate patients; formulate written, individualized comprehensive treatment plans; provide active treatment measures; and engage in discharge planning. Federal and state standards do not define a specific staff-to-patient ratio. Instead, the Centers for Medicare and Medicaid Services clarifies that “the hospital is responsible for organizing its available staff and administrative duties...in such a way that results in patients achieving the maximum therapeutic benefit.”

¹² Nursing personnel includes licensed staff, such as registered nurses and licensed practical nurses, and nonlicensed staff, such as human services technicians and mental health program assistants. Anoka Metro told us that for part of our audit scope, it used a staffing plan of seven staff for morning and evening shifts and four staff for overnight shifts. Anoka Metro determined this level of staffing was not adequate to support the hospital and increased staffing levels to its current plan on June 10, 2024.

Stillwater Correctional Facility

The Stillwater Correctional Facility (Stillwater) is 1 of 11 correctional facilities operated by DOC. The facility has a capacity to house nearly 1,500 incarcerated persons (IPs). As of July 2024, the facility housed 1,179 IPs (14 percent of the statewide IP population).¹³ During the audit scope, Stillwater paid over \$10.3 million in overtime to 567 employees.

Exhibit 7 shows Stillwater's overtime use in hours and expenditures over the last 10 years, from Fiscal Year 2015 through Fiscal Year 2024.

Exhibit 7

Stillwater Correctional Facility Overtime Hours Worked and Overtime Expenditures for Fiscal Years 2015 Through 2024

Fiscal Year	Overtime Hours Worked	Overtime Expenditures
2015	22,864	\$ 860,808
2016	25,070	935,627
2017	35,198	1,369,074
2018	35,503	1,387,111
2019	71,790	2,745,249
2020	85,220	3,232,447
2021	56,909	2,347,491
2022	76,210	3,179,901
2023	84,018	3,652,759
2024	96,102	4,570,420

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

Stillwater uses a staffing plan it developed based on industry best practices.¹⁴ Under this plan, Stillwater staffs each unit in the facility with the number of officers determined to provide adequate coverage in that unit.¹⁵ Across all units, Stillwater staffs approximately 65 officers during both the morning and evening shifts, and approximately 20 officers during the overnight shift. Stillwater staff told us this is a baseline number, and the number of officers in a particular unit can fluctuate to ensure the safety of the officers and the IPs. For example, after a security incident, Stillwater increased the number of officers from five to six in some of the units.

¹³ In May 2025, DOC announced a phased closure of the Stillwater Correctional Facility over the next four years, with full decommissioning anticipated in Fiscal Year 2029.

¹⁴ U.S. Department of Justice, National Institute of Corrections, *Staffing Analysis Workbook for Jails, Second Edition* (2001). DOC contracted with a vendor to conduct a review of staffing in the state correctional facilities, using these industry best practices. DOC incorporated this review when developing their staffing plan. The U.S. Department of Justice does not recommend using a staff-to-inmate ratio. Instead, it recommends staffing levels based on several factors unique to each facility, such as physical design, number and size of living units, level of programs and services, and classification level of IPs.

¹⁵ A "unit" is an area of the facility that is staffed with correctional officers. This includes seven living units where incarcerated persons are housed, which are staffed with officers 24 hours a day, and other common areas, such as the kitchen, recreation area, and visiting area, which are only staffed during certain hours. The number of units staffed varies from 9 units on an overnight shift to 28 units on a weekday morning shift.

Stillwater staff told us that much of the overtime worked during our audit scope was to meet their baseline staffing numbers in the facility. They said the facility was short-staffed during the audit period, so it did not have enough officers available to meet its staffing needs. In addition, Stillwater staff told us they frequently needed to use overtime to cover for staff who were in training, or using vacation or sick leave. We analyzed a sample of pay periods in December 2020, 2021, 2022, 2023, and 2024 and validated these explanations.

Exhibit 8 shows Stillwater’s planned and actual FTE corrections staff during five December pay periods. Across these pay periods, Stillwater had a staff shortage ranging from 11 FTE to 74 FTE. DOC used overtime and shift bonuses to address these shortages.

Exhibit 8
Stillwater Correctional Facility Planned FTE Compared to Actual FTE for Pay Periods in December 2020 Through December 2024

Period	Planned FTE	Actual FTE
December 2020	327	280
December 2021	330	295
December 2022	330	287
December 2023	331	257
December 2024	331	320

Source: Office of the Legislative Auditor, based on data provided by the Department of Corrections.

Shift Bonus Payments

Some employment agreements include provisions that allow eligible employees to earn a shift bonus for working certain shifts in addition to their regularly scheduled hours.¹⁶ In 2022, DHS and DOC negotiated Memorandums of Understanding (MOUs) to modify the employment agreements, allowing the two agencies to offer shift bonuses to a broader group of employees. The purpose of these MOUs was to help DHS and DOC respond to staffing shortages in patient care and correctional facility positions.

During the scope of the audit, DHS paid \$27.5 million and DOC paid \$7.5 million in shift bonuses to employees.¹⁷ Employees earned shift bonuses ranging from \$50 to \$200 for each eligible shift worked in addition to any overtime pay received.

Exhibit 9 shows the positions of the five employees receiving the highest amount of shift bonus pay at DHS and DOC during the audit scope.

¹⁶ AFSCME agreements 2021–2023, art. 18, sec. 16, and 2023–2025, art. 18, sec. 17; and Minnesota Nurses Association (MNA) agreements 2021–2023 and 2023–2025, art. 17, sec. 23. Shift bonuses are in addition to regular or overtime pay employees receive for working these additional shifts.

¹⁷ Other state agencies paid shift bonuses totaling \$2.1 million. We did not test those expenditures.

Exhibit 9**Number of Shift Bonuses and Amount of Shift Bonus Expenditures for the Five Employees Receiving the Highest Amount of Shift Bonus Pay at DHS and DOC, July 1, 2022, Through December 31, 2024**

<u>Employee's Position</u>	<u>Agency</u>	<u>Number of Shift Bonuses</u>	<u>Amount of Shift Bonus Expenditures^a</u>
Behavior Modification Assistant	DHS	527	\$79,050
Behavior Modification Assistant	DHS	483	72,450
Behavior Modification Assistant	DHS	461	69,150
Behavior Modification Assistant	DHS	438	65,700
Behavior Modification Assistant	DHS	436	65,400
Corrections Officer 3	DOC	376	37,400
Corrections Officer 2	DOC	266	26,350
Corrections Officer 3	DOC	251	25,000
Corrections Officer 3	DOC	234	23,400
Corrections Officer 2	DOC	229	22,700

^a Expenditures include the gross pay to the employees for shift bonuses. This table does not include employer expenses, such as the employer's share of FICA, insurance, and retirement contributions.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

Audit Scope, Objectives, and Methodology

We conducted this audit to determine whether the departments of Corrections, Human Services, Natural Resources, Public Safety, and Transportation complied with the criteria we tested. The audit scope included expenditures related to overtime, compensatory time earned, and shift bonuses.¹⁸ The period under examination went from July 1, 2022, through December 31, 2024. Exhibit 10 shows the overtime, compensatory time, and shift bonus expenditures for the five agencies included in our audit.

Exhibit 10
Overtime Expenditures, Compensatory Time Earned, and Shift Bonuses for Select Agencies, July 1, 2022, Through December 31, 2024

Compensation Type	Amount ^a
Overtime Expenditures	\$226,831,466
Compensatory Time Earned ^b	73,739,732
Shift Bonus Expenditures	35,043,728
Total	\$335,614,926

Note: This exhibit includes expenditures for the departments of Corrections, Human Services, Natural Resources, Public Safety, and Transportation.

^a “Amount” includes gross pay to the employee and the employer’s share of FICA, insurance, and retirement contributions.

^b “Compensatory Time Earned” represents the value of the hours earned to be used as time off in future pay periods. The state does not make any payments until the employee uses the compensatory time. The expenditure amount for the compensatory time may increase if the employee uses the compensatory time after they have received a pay increase.

Source: Office of the Legislative Auditor, based on data in the state’s accounting system.

We conducted this performance audit in accordance with generally accepted government auditing standards.¹⁹ 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. When sampling was used, we used a sampling method that complies with generally accepted government auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the populations from which the samples were selected.

¹⁸ Compensatory time earned is paid time off that employees can use in future pay periods.

¹⁹ Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards, 2018 Revision* (Technical Update April 2021).

We assessed internal controls against the internal control standards published by the U.S. Government Accountability Office.²⁰ To identify compliance criteria for the activity we reviewed, we examined state laws, state employment agreements, memorandums of understanding, and state payroll policies and procedures.²¹

Overtime Expenditures and Compensatory Time Earned

During the scope of the audit, the departments of Corrections, Human Services, Natural Resources, Public Safety, and Transportation paid \$300,571,198 in overtime expenditures and compensatory time earned. Exhibit 11 shows the payroll expenditures by agency and type.

Exhibit 11

Overtime Expenditures and Compensatory Time Earned, July 1, 2022, Through December 31, 2024

Agency	Overtime Expenditures	Compensatory Time Earned	Total
Human Services	\$ 79,766,847	\$18,962,511	\$ 98,729,358
Corrections	59,686,436	14,292,614	73,979,050
Transportation	30,908,760	24,438,287	55,347,047
Public Safety	33,489,048	10,988,332	44,477,380
Natural Resources	<u>22,980,375</u>	<u>5,057,988</u>	<u>28,038,363</u>
Total	\$226,831,466	\$73,739,732	\$300,571,198

Note: This table includes gross pay to employees and employers' shares of FICA, insurance, and retirement contributions.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We designed our work to determine whether the departments of Corrections, Human Services, Natural Resources, Public Safety, and Transportation accurately compensated employees in compliance with the criteria we tested (as listed in the Appendix), and we gained an understanding of their internal controls. Exhibit 12 lists the methodology we used to test overtime expenditures and whether we identified any related findings.

²⁰ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (September 2014). In September 2014, the State of Minnesota adopted these standards as its internal control framework for the executive branch.

²¹ The Appendix lists the specific compliance requirements we tested.

Exhibit 12**Overtime Expenditures: Agency Tested, Testing Methodology, and Result**

Agency Tested	Testing Methodology	Result
Department of Human Services	We tested the eligibility for and accuracy of overtime paid to a sample of 66 of 6,276 employees, including a random sample of 60 employees and a judgmental sample of 6 employees. For each employee, we tested all biweekly timesheets that contained overtime, for a total of 2,615 timesheets.	See Finding 1 on page 21.
Department of Corrections	We tested the eligibility for and accuracy of overtime paid to a sample of 64 of 4,205 employees, including a random sample of 60 employees and a judgmental sample of 4 employees. For each employee, we tested all biweekly timesheets that contained overtime, for a total of 2,201 timesheets.	See Finding 2 on page 23.
Department of Transportation	We tested the eligibility for and accuracy of overtime paid to a sample of 63 of 4,155 employees, including a random sample of 60 employees and a judgmental sample of 3 employees. For each employee, we tested all biweekly timesheets that contained overtime, for a total of 1,855 timesheets.	See Finding 3 on page 24.
Department of Public Safety	We tested the eligibility for and accuracy of overtime paid to a sample of 64 of 2,059 employees, including a random sample of 60 employees and a judgmental sample of 4 employees. For each employee, we tested all biweekly timesheets that contained overtime, for a total of 2,557 timesheets.	See Finding 4 on page 25.
Department of Natural Resources	We tested the eligibility for and accuracy of overtime paid to a sample of 64 of 3,102 employees, including a random sample of 60 employees and a judgmental sample of 4 employees. For each employee, we tested all biweekly timesheets that contained overtime, for a total of 1,548 timesheets.	See Finding 5 on page 27.

Shift Bonus Expenditures

During the scope of the audit, the departments of Human Services and Corrections paid \$35,043,728 in shift bonuses expenditures. Shift bonuses are lump sum payments made to employees, in addition to their regular and overtime pay, for working additional shifts. Exhibit 13 shows the shift bonus expenditures by agency.

Exhibit 13**Shift Bonuses, July 1, 2022, through December 31, 2024**

<u>Agency</u>	<u>Amount</u>
Department of Human Services	\$27,478,698
Department of Corrections	<u>7,565,030</u>
Total	\$35,043,728

Note: This table includes gross pay to employees and employers' shares of FICA, insurance, and retirement contributions.

Source: Office of the Legislative Auditor, based on data in the state's accounting system.

We designed our work to determine whether the departments of Human Services and Corrections accurately compensated employees in compliance with the criteria we tested (as listed in the Appendix). Exhibit 14 lists the shift bonus area we tested, the methodology we used, and whether we identified any related findings.

Exhibit 14**Shift Bonus: Testing Methodology and Result**

Area Tested	Testing Methodology	Result
Shift Bonus Authority	We reviewed the authority and parameters of the shift bonus programs created by the departments of Human Services and Corrections, and we tested whether employees who received shift bonus payments were eligible to receive those payments.	See Findings 6 and 7 on pages 32 and 36.

Findings and Recommendations

Overtime Pay

State agencies pay overtime to eligible employees through the state's standard biweekly payroll process. Employees complete timesheets in the state's payroll system, indicating the number of hours they worked or took leave, and designated supervisors review and approve each employee's timesheet. Each agency has a designated payroll department, which reviews payroll reports and processes payroll. Due to the number of employees and the amount of overtime at the agencies we tested, these agencies placed significant responsibility on the employee and supervisor to complete and approve the timesheets accurately and in accordance with employment agreements.

Department of Human Services (DHS)

During the scope of the audit, DHS paid \$79,766,847 in overtime and the equivalent of \$18,962,511 in overtime as compensatory time to 6,276 employees on a total of 126,349 timesheets. DHS managed payroll and human resources for both DHS and Direct Care and Treatment (DCT) employees.²² We tested overtime compensation on 2,615 timesheets for a random sample of 60 employees and 6 additional employees that we judgmentally selected based on our analysis.

FINDING 1

The Department of Human Services did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments.

During the audit scope, we identified the following errors with DHS overtime pay and compensatory time earned:

- For 7 of 60 randomly selected employees, DHS paid overtime to part-time employees who were not eligible to receive overtime. According to the American Federation of State, County, and Municipal Employees (AFSCME) agreement, part-time employees are not eligible for overtime until they have completed eight hours of work in a work day.²³

Across 78 timesheets, DHS paid these seven employees overtime on workdays when they had not worked eight hours. Generally, DHS scheduled these employees to work between 4 and 7.5 hour shifts, and the employees worked extra hours in addition to their scheduled shift. DHS paid these extra hours as

²² On July 1, 2025, DCT moved to its own agency. Accordingly, we address our recommendations to both DHS and DCT.

²³ AFSCME agreements 2021–2023 and 2023–2025, art. 6, sec. 1.

overtime hours at the rate of time and a half; however, because the employees were not eligible for this rate until they had worked eight hours, DHS overpaid these employees a total of \$2,518.

These payment errors occurred because DHS misinterpreted language in its supplemental agreements to the AFSCME agreement. The AFSCME agreement contains 26 supplemental agreements, which amend the master agreement for certain employees at DHS and DCT. DHS and DCT officials told us they thought the supplemental agreements allowed them to pay overtime to part-time staff who work hours in addition to their scheduled shift. However, the supplemental agreements do not override the master agreement, which requires employees to work eight hours in a day prior to earning overtime.

- For 1 of 60 randomly selected employees, DHS paid overtime that did not comply with the AFSCME agreement. According to the agreement, employees are eligible for overtime for “all hours worked in excess of the established work day, before or after an employee’s regular scheduled shift, or on any regularly scheduled day off.”²⁴

In two pay periods, the employee incorrectly recorded 65 hours of overtime that were part of their established work day and were not overtime, resulting in DHS overpaying the employee \$842. These payment errors occurred because the employee did not correctly complete their timesheets, and the supervisor did not identify the mistakes, which made the supervisory review and approval of the timesheets ineffective.

- For 1 of 60 randomly selected employees, DHS paid overtime even though the employee had not met the required “hours worked” according to the Commissioner’s Plan. The plan states that exempt employees are eligible for overtime at straight time for hours worked in excess of 80 hours in a two-week pay period; however, vacation, sick, and other paid leave hours do not count toward the employee’s “hours worked.”²⁵

The employee recorded 7.5 hours of overtime during two pay periods in which they also used vacation or sick leave. This resulted in DHS overpaying this employee \$466.

This payment error occurred because the employee and supervisor did not understand the overtime requirements that applied to this employee, which made the supervisory review and approval of the timesheets ineffective.

²⁴ AFSCME agreements 2021–2023 and 2023–2025, art. 6, sec. 1.

²⁵ Minnesota Management and Budget, Commissioner’s Plan agreements 2021–2023 and 2023–2025, Chapter 2, “Exempt Employees.”

RECOMMENDATIONS

- **The Department of Human Services and Direct Care and Treatment should accurately pay overtime to employees in accordance with employment agreements.**
 - **The Department of Human Services and Direct Care and Treatment should collect the overpayments made to employees.**
 - **The Department of Human Services and Direct Care and Treatment should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.**
-

Department of Corrections (DOC)

During the scope of the audit, DOC paid \$59,686,436 in overtime and the equivalent of \$14,292,614 in overtime as compensatory time to 4,205 employees on a total of 84,680 timesheets. We tested overtime compensation on 2,201 timesheets for a random sample of 60 employees and 4 additional employees that we judgmentally selected based on our analysis.

FINDING 2

The Department of Corrections did not always accurately pay overtime to an employee in accordance with employment agreements, resulting in overpayments.

For 1 of 60 randomly selected employees, DOC paid overtime when the employee had not met the required “hours worked” according to the Middle Management Association (MMA) agreement. The agreement states that employees are eligible for overtime at straight time for hours worked in excess of 80 hours in a two-week period; however, vacation leave is not considered “hours worked.”²⁶

In eight pay periods during the audit scope, the employee worked and recorded overtime hours in the same pay period in which they used vacation leave. This resulted in DOC overpaying this employee \$2,474 in compensatory time. The employee later converted their compensatory time to their deferred compensation retirement account.²⁷

²⁶ Middle Management Association (MMA) agreements 2021–2023 and 2023–2025, art. 11, sec. 2.

²⁷ A deferred compensation retirement account is a voluntary savings plan available to state employees, in which an employee may direct a portion of their salary to be invested and withdrawn upon retirement. MMA employees may convert up to 40 hours of vacation and any earned compensatory to deferred compensation once per fiscal year. By allowing the employee to use vacation leave and earned compensatory time in the same pay period, DOC let the employee convert more hours to deferred compensation than they otherwise would have been able. MMA agreements 2021–2023, art. 8, sec. 9, and art. 11, sec. 3; and 2023–2025, art. 8, sec. 9, and art. 11, sec. 3.

DOC officials told us that due to staffing shortages, they allowed employees to count vacation leave as “hours worked”; however, they did not provide any written documentation approving an exception to the provisions in the employment agreement.²⁸

RECOMMENDATIONS

- **The Department of Corrections should accurately pay overtime to employees in accordance with employment agreements.**
 - **The Department of Corrections should collect the overpayment made to the employee.**
 - **The Department of Corrections should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.**
-

Department of Transportation (MnDOT)

During the scope of the audit, MnDOT paid \$30,908,760 in overtime and the equivalent of \$24,438,287 in overtime as compensatory time to 4,155 employees on a total of 80,188 timesheets. We tested overtime compensation on 1,855 timesheets for a random sample of 60 employees and 3 additional employees that we judgmentally selected based on our analysis.

FINDING 3

The Minnesota Department of Transportation did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments.

For 3 of 60 randomly selected employees, MnDOT paid overtime when the employees had not met the required “hours worked” according to the MMA and Minnesota Government Engineering Council (MGEC) agreements. The agreements state that exempt employees are eligible for overtime at straight time for hours worked in excess of 80 hours in a two-week pay period; however, vacation hours do not count toward an employee’s “hours worked.”²⁹

The employees recorded 24.75 hours of overtime during six pay periods in which they also used vacation leave. This resulted in MnDOT overpaying the employees \$888.

²⁸ The MMA agreement is between the State of Minnesota and MMA. According to the agreement, “If the parties mutually agree during the term of this Agreement, this Agreement may be supplemented by such additional provisions relating to the departmental issues as the parties of this Agreement deem appropriate.... Any agreement entered into after the execution date of this Agreement...must be signed by the parties of this Agreement.” MMA agreements 2021–2023 and 2023–2025, Preamble.

²⁹ MMA agreements 2021–2023, art. 11, sec. 1(c)(3), and 2023–2025, art. 11, sec. 2(c)(2); and Minnesota Government Engineering Council (MGEC) agreements 2021–2023 and 2023–2025, art. 6, sec. 1.

These payment errors occurred because the employees and supervisors did not understand the overtime requirements that applied to the employees, which made the supervisory review and approval of the timesheets ineffective.

RECOMMENDATIONS

- **The Minnesota Department of Transportation should accurately pay overtime to employees in accordance with employment agreements.**
 - **The Minnesota Department of Transportation should collect the overpayments made to employees.**
 - **The Minnesota Department of Transportation should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.**
-

Department of Public Safety (DPS)

During the scope of the audit, DPS paid \$33,489,048 in overtime and the equivalent of \$10,988,332 in overtime as compensatory time to 2,059 employees on a total of 52,207 timesheets. We tested overtime compensation on 2,557 timesheets for a random sample of 60 employees and 4 additional employees that we judgmentally selected based on our analysis.

FINDING 4

The Department of Public Safety did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments, and did not always document overtime eligibility for some employees.

During the audit scope, we identified the following errors with DPS overtime pay and compensatory time earned:

- For 1 of 60 randomly selected employees, DPS paid overtime when the employee had not met the required “hours worked,” according to the Minnesota Association of Professional Employees (MAPE) agreement. The agreement states that nonexempt employees are eligible for overtime at time and a half for hours worked in excess of 40 hours in a seven-day period; however, paid vacation, holidays, sick leave, and other leaves of absences are not considered “hours worked.”³⁰ If an employee uses one of these types of leave during a week in which they worked overtime, an agency should pay overtime at straight time.³¹

³⁰ Minnesota Association for Professional Employees (MAPE) agreements 2021–2023 and 2023–2025, art. 27, sec. 2.

³¹ The state’s payroll system has various earning codes to designate the type of entry. This includes codes for regular pay, overtime at time and a half, and overtime at straight time.

The employee incorrectly recorded 140.75 hours of overtime during 15 pay periods in which they also used other leave. This resulted in DPS overpaying this employee \$2,201 for these pay periods.

In another pay period during the audit scope, the employee incorrectly recorded seven hours of overtime at straight time instead of time and a half. This resulted in DPS underpaying the employee \$101 for this pay period.

- For 1 of 60 randomly selected employees, DPS paid the employee's overtime incorrectly based on the "hours worked" requirement in the MGEC agreement. The agreement states that nonexempt employees are eligible for overtime at time and a half for hours worked in excess of 40 hours in a seven-day period. In the 2021–2023 agreement, vacation, floating holidays, sick leave, compensatory time off, or leaves of absences were not considered "hours worked." If the employee worked overtime in a week in which they used one of these types of leave, they were eligible to be paid for overtime at straight time. The 2023–2025 agreement was modified to allow these types of leave to be considered "hours worked."³²

In nine pay periods under the 2021–2023 agreement, the employee incorrectly recorded 72 overtime hours when they had not met the requirement to work 40 hours because they used vacation, sick, or other paid leave. This resulted in DPS overpaying the employee \$1,502.

In six pay periods under the 2023–2025 agreement, the employee incorrectly recorded 60 overtime hours at straight time when they had met the requirement to work 40 hours. The employee should have been compensated for these overtime hours at time and a half. This resulted in DPS underpaying the employee \$1,328.

- For 2 of 60 randomly selected employees, DPS paid overtime to exempt employees under the MMA agreement without documenting their eligibility to earn overtime.

The MMA agreement allows exempt employees to earn overtime pay when they are assigned to a special project in addition to their normal job duties or when specifically assigned or directed to work additional hours within the pay period. The agreement also states that due to the nature of their job duties, exempt employees may need to work excess hours and are generally expected to balance these excess hours in subsequent pay periods (rather than receive overtime compensation).³³

These two exempt employees worked overtime in a majority of pay periods during our audit scope. One employee worked a total of 784.5 overtime hours and earned \$40,398 in overtime across 56 pay periods, and the other worked 614.5 overtime hours and earned \$24,767 in overtime across 50 pay periods.

³² MGEC agreements 2021–2023 and 2023–2025, art. 6, sec. 2.

³³ MMA agreements 2021–2023 and 2023–2025, art. 11, sec. 2

DPS provided explanations for why these two employees worked overtime; however, it did not have documentation to support whether the overtime was for a special project in addition to their normal job duties or specifically assigned to the employees. Additionally, the explanations did not justify why the employees were not required to balance their hours as outlined in the MMA agreement.

These payment errors occurred because the employees and supervisors did not understand the overtime requirements that applied to the employees, which made the supervisory review and approval of the timesheets ineffective.

RECOMMENDATIONS

- **The Department of Public Safety should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.**
 - **The Department of Public Safety should collect the net overpayments made to employees identified in the first two bullet points.**
 - **The Department of Public Safety should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.**
-

Department of Natural Resources (DNR)

During the scope of the audit, DNR paid \$22,980,375 in overtime and the equivalent of \$5,057,988 in overtime as compensatory time to 3,102 employees on a total of 32,723 timesheets. We tested overtime compensation on 1,548 timesheets for a random sample of 60 employees and 4 additional employees that we judgmentally selected based on our analysis.

FINDING 5

The Department of Natural Resources did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments, and did not always document overtime eligibility for some employees.

During the audit scope, we identified the following errors with DNR overtime pay and compensatory time earned:

- For 2 of 60 randomly selected employees and 1 judgmentally selected employee, DNR paid overtime that did not comply with the AFSCME agreement. According to the agreement, employees are eligible for overtime for “all hours worked in excess of the established work day, before or after an employee’s regularly scheduled shift, or on any regularly scheduled day off.”³⁴

³⁴ AFSCME agreements 2021–2023 and 2023–2025, art. 6, sec. 1.

In four pay periods, these employees recorded overtime hours at time and a half when they had not worked their regularly scheduled eight hours. This resulted in DNR overpaying the employees a total of \$241.

- For 1 of 60 randomly selected employees and 1 judgmentally selected employee, DNR paid overtime when the employee had not met the required “hours worked” according to the MAPE agreement. The agreement states that nonexempt employees are eligible for overtime at time and a half for hours worked in excess of 40 in a seven-day period; however, paid vacation, holidays, sick leave, and other leaves of absences are not considered “hours worked.”³⁵ If the employee works overtime in a week in which they used one of these types of leave, they are eligible to be paid for overtime at straight time.

In four pay periods, these employees recorded overtime at time and a half when they had not met the requirement to work 40 hours due to the employees using miscellaneous leave. Since they used leave and had not met the requirement to work 40 hours, they should have recorded their overtime at straight time. This resulted in DNR overpaying these employees \$245.

- For 1 of 60 randomly selected employees, DNR paid overtime to an employee who did not meet the required “hours worked” according to the MMA agreement. The agreement states that employees are eligible for overtime at straight time for hours worked in excess of 80 hours in a two-week period; however, vacation and other paid leaves of absence are not considered “hours worked.”³⁶

In one pay period, the employee worked and recorded overtime hours in the same pay period in which they used vacation leave. This resulted in DNR overpaying this employee \$698.

- For 2 of 60 randomly selected samples, DNR paid employees overtime that did not comply with the Minnesota Law Enforcement Association (MLEA) agreement. According to the agreement, conservation officers are eligible for overtime at time and a half for hours worked in excess of 86 hours in a two-week pay period.³⁷ In two pay periods, these employees recorded only 85.5 hours before recording overtime. This resulted in DNR overpaying the employees \$22.
- For 4 of 60 randomly selected employees, DNR paid overtime to exempt employees under the MAPE agreement without documenting their eligibility to earn overtime.

The MAPE agreement allows exempt employees to earn overtime pay when they are assigned to a special work assignment in addition to their normal job

³⁵ MAPE agreements 2021–2023 and 2023–2025, art. 27, sec. 2.

³⁶ MMA agreement 2023–2025, art. 11, sec. 2.

³⁷ Minnesota Law Enforcement Association (MLEA) agreements 2021–2023 and 2023–2025, art. 25, sec. 1C(1).

duties. DNR policy requires employees to enter comments on their timesheets for each instance of overtime and requires supervisors to verify those comments before approving timesheets.³⁸

In eight pay periods during the audit scope, these employees worked overtime and did not document the reason for the overtime, as required by DNR policy. Without documentation of the reason, we cannot determine whether this overtime was for a special work assignment in addition to their normal job duties. DNR paid the equivalent of \$2,433 in compensatory time and \$2,804 in overtime to these employees.

These payment errors occurred because the employees did not correctly complete their timesheets and the supervisors did not identify the mistakes, which made the supervisory review and approval of the timesheets ineffective.

RECOMMENDATIONS

- **The Department of Natural Resources should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.**
 - **The Department of Natural Resources should collect the overpayments made to employees identified in the first four bullet points.**
 - **The Department of Natural Resources should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.**
-

Shift Bonus Incentives

In January 2022, DHS and DOC began offering shift bonus incentives to certain employees to respond to staffing shortages in patient care positions and positions within correctional facilities.

Department of Human Services

DHS Direct Care and Treatment negotiated Memorandums of Understanding (MOUs) with AFSCME, MAPE, MMA, the Minnesota Nurses Association (MNA), and the State Residential Schools Education Association (SRSEA), which authorized DHS to create and use a variety of incentive programs up to certain limits.³⁹ Minnesota

³⁸ MAPE agreements 2021–2023 and 2023–2025, art. 27, sec. 3(c); and Department of Natural Resources, *Timesheet and Payroll Guidelines*, updated December 2024.

³⁹ The AFSCME MOU was signed in December 2021; the MAPE, MMA, and MNA MOUs were signed in January 2022; and the SRSEA MOU was signed in May 2022. DHS began paying employees shift bonus incentives under these MOUs during the pay period ending February 1, 2022. DCT became a separate agency effective July 1, 2025.

Management and Budget (MMB) also signed these MOUs, which authorized the use of incentives related to staff hiring, referral, retention, and reassignment. However, the MOUs all stated that “in order to offer these incentives, the agency must first develop a policy that governs the eligibility and parameters of the program and must obtain approval from MMB.”

Under the authority of the MOUs, DHS created an incentive program that made a lump sum payment to eligible employees who worked unfilled shifts. Per the incentive program, exempt staff under MAPE, MMA, MNA, and SRSEA would earn a \$200 bonus for working an unfilled shift, and nonexempt staff under AFSCME and MAPE would earn a \$150 bonus for working an unfilled shift. These shift bonus incentive payments are in addition to any regular or overtime pay the employee may have received for working an unfilled shift. Between February 1, 2022, and December 31, 2024, DHS paid more than 144,000 shift bonuses totaling more than \$22 million.⁴⁰

**DHS paid more than
144,000
shift bonuses
totaling more than
\$22 million.**

Exhibit 15 shows the incentive program criteria under the various employment agreements during our audit scope, the allowable provisions, DHS’s implemented shift bonus program, and the total amount paid during each time period.

Exhibit 15

Criteria, Program Details, and Expenditures for DHS Shift Bonus Program, January 2022, Through December 31, 2024

DHS Shift Bonus Program			
Agreement	Allowable Provisions	DHS-Implemented Program	Expenditures
AFSCME			
2021–2023 Memorandum of Understanding (MOU)	With MMB approval, DHS/DCT may create and use incentive program(s) that consist of one or more of the following: - A retention incentive that consists of lump sum payments to current employees, up to \$1,000. - A shift differential of up to \$3.00 per hour for unfilled shifts. - Other hiring, referral, retention, or reassignment incentives with dollar values no greater than \$10,000.	\$150 shift bonus per unfilled shift	\$12,988,575
2023–2025 Employment Agreement	With MMB approval, the Appointing Authority may create and use incentive program(s) that address one or more of the following areas: referral, retention, recruitment, or reassignment incentives.	\$150 shift bonus per unfilled shift	\$6,246,704

⁴⁰ We expanded our audit scope to include the entire population of shift bonus incentives paid under the MOUs. DHS paid the first shift bonus under the MOUs on February 1, 2022.

DHS Shift Bonus Program

Agreement	Allowable Provisions	DHS-Implemented Program	Expenditures
MAPE			
2021–2023 MOU	With MMB approval, DHS/DCT may create and use incentive program(s) that consist of one or more of the following: hiring, referral, retention, or reassignment incentives with dollar values no greater than \$10,000.	• \$150 shift bonus per unfilled shift for nonexempt employees • \$200 shift bonus per unfilled shift for exempt employees	\$553,925
2023–2025 Employment Agreement	The Appointing Authority may create and use incentive program(s). In order to offer incentives, the Appointing Authority must first develop a policy that governs the eligibility and parameters of the program, send notification to MAPE, and obtain approval from MMB.	• \$150 shift bonus per unfilled shift for nonexempt employees • \$200 shift bonus per unfilled shift for exempt employees	\$332,950
MMA			
2021–2023 MOU	With MMB approval, DHS/DCT may create and use incentive program(s) that consist of one or more of the following: hiring, referral, retention, or reassignment incentives with dollar values no greater than \$10,000.	• \$200 shift bonus per unfilled shift	\$395,600
2023–2025 Employment Agreement	No language allowing for incentive payments.	• \$200 shift bonus per unfilled shift	\$36,400
MNA			
2021–2023 MOU	With MMB approval, DHS/DCT may create and use incentive program(s) that consist of one or more of the following: • A retention incentive that consists of a voluntary shift lump sum payment of up to \$250 for each unfilled shift. • A shift differential of up to \$3.00 per hour for unfilled shifts. • Other retention, reassignment, or referral incentives with dollar values no greater than \$10,000.	• \$200 shift bonus per unfilled shift	\$1,694,800
2023–2025 Employment Agreement	• A nurse who is asked by the Appointing Authority or designee and agrees to work a weekend shift or holiday shift shall receive a bonus payment of \$100 in addition to their regular compensation for hours worked. • A nurse who is asked by the Appointing Authority or designee and agrees to work a weekday shift shall receive a bonus payment of up to \$50 in addition to their regular compensation for hours worked. • At the Appointing Authority's discretion, a retention bonus may be administered in support of the Authority's retention of nurses. Eligible nurses may receive a retention bonus up to \$2,500 (and no less than \$500). Such payments may be granted once per fiscal year. The nurse must be a current employee and in a position covered by MNA at the time of payment.	• \$200 shift bonus per unfilled shift	\$200

Continued on the next page.

DHS Shift Bonus Program			
Agreement	Allowable Provisions	DHS-Implemented Program	Expenditures
SRSEA			
2021–2023 MOU	With approval from MMB, DHS/DCT may create and use incentive program(s) that consist of one or more of the following: retention or referral incentives with dollar values no greater than \$10,000.	• \$200 shift bonus per unfilled shift	\$1,800
2023–2025 Employment Agreement	No language allowing for incentive payments.	• \$200 shift bonus per unfilled shift	\$0

Source: Office of the Legislative Auditor, based on Memorandums of Understanding and Employment Agreements.

FINDING 6

The Department of Human Services:

- **Could not provide support to show Minnesota Management and Budget’s approval of the shift bonus incentives it implemented.**
- **Paid shift bonus incentives that were inconsistent with the parameters established in the Memorandums of Understanding.**
- **Did not properly document the eligibility criteria and parameters of the shift bonus incentives.**

As explained above, DHS entered into MOUs under the 2021–2023 employment agreements, which authorized DHS to offer incentives to employees. The MOUs stated that “in order to offer incentives, the agency must first develop a policy that governs the eligibility and parameters of the program and must obtain approval from MMB.”⁴¹

Under the MOUs, DHS created a program to make shift bonus payments to eligible staff who worked unfilled shifts and outlined the parameters of the program in a resource guide for staff. DHS told us that MMB approved the program; however, DHS did not retain documentation that showed MMB’s approval. MMB also told us that it had approved the program; however, MMB also could not provide documentation to show us its approval. MMB told us that DHS was responsible for retaining the approval documentation.

⁴¹ AFSCME 2021–2023 Memorandum of Understanding; MAPE 2021–2023 Memorandum of Understanding; MMA 2021–2023 Memorandum of Understanding; MNA 2021–2023 Memorandum of Understanding; and SRSEA 2021–2023 Memorandum of Understanding.

Based on the statements from both agencies, MMB may have approved the program in a general manner; however, without documentation of the approval, it is unclear what MMB approved.⁴²

We identified the following inconsistencies between the implemented shift bonus program and the MOUs:

- DHS did not establish an end date for the shift bonus program. In its resource guide, under a heading about how long this incentive would be offered, DHS said the program “will be in review of effectiveness to determined [sic] length of time used.”

The program was created under MOUs to the 2021–2023 employment agreements. As a result, the program should have ended when the 2023–2025 employment agreements were enacted, or the program should have been reauthorized under the 2023–2025 agreements, if allowed.

DHS told us it was allowed to continue the shift bonus program because the incentive was included in the 2023–2025 employment agreements; however, the employment agreements do not explicitly authorize the program implemented by DHS. Instead, the 2023–2025 agreements for AFSCME and MAPE contained language that would have allowed DHS to continue the shift bonus payments, *with approval from MMB to continue the program*. However, DHS did not receive MMB approval to continue the program. DHS paid over \$6.2 million to AFSCME employees and over \$330,000 to MAPE employees in shift bonuses under the unapproved programs.

The 2023–2025 employment agreements for MMA and MNA did not include authority for DHS to continue its shift bonus incentive program. Nevertheless, DHS paid \$36,400 to MMA employees and \$200 to an MNA employee, none of which was allowed under the 2023–2025 employment agreements.

- DHS’s written guidance related to the shift bonus program did not establish limits on the total amount of shift bonus incentives an employee could receive.

The AFSCME MOU allowed for one or more of the following: (1) a retention incentive that consists of lump sum payments to current employees of up to \$1,000; (2) a shift differential up to \$3.00 per hour for unfilled shifts; or (3) other hiring, referral, retention, or reassignment incentives with dollar values no greater than \$10,000.

The MNA MOU allowed for one or more of the following: (1) a voluntary shift lump sum payment of up to \$250 for unfilled shifts; (2) a shift differential of up to \$3.00 per hour for unfilled shifts; or (3) other retention, reassignment, or referral incentives with dollar values no greater than \$10,000.

⁴² After reviewing our draft report, MMB provided documentation of its approval of an amendment to the original shift bonus program, dated September 29, 2022. This documentation may support the statements from DHS and MMB that MMB approved the original program. However, we did not receive documentation of MMB’s initial approval.

DHS and MMB officials both told us they did not intend to set an overall limit to the amount of shift bonus incentives an employee could earn; however, DHS did not state this in its resource guide. MMB initially told us that according to the MOUs “the \$10,000 cap was per approved program,” and subsequently clarified that the cap was a “\$10,000 maximum amount to be spent on an incentive per employee per program.”⁴³ MMB also told us that DHS did not have the authority to offer bonuses in excess of the limits imposed by the MOUs or an applicable employment agreement. However, MMB later told us that the limits established in the MOUs were for each instance of a shift bonus, such that DHS “could hypothetically have a weekend incentive of \$9,999 (assuming approvals received by MMB) and employees could receive that \$9,999 incentive for each of the individual weekends they worked. However, an agency could not have an incentive of \$10,001.”⁴⁴ Since each shift bonus of \$150 or \$200 was under the \$10,000 limit, employees could earn an unlimited number of shift bonuses.

After receiving our draft report, MMB further stated, “the MOUs established the limits for each type of incentive pay in each individual instance the incentive was paid. However, the MOUs did not limit the overall amount of incentive pay an individual employee may receive across all incentive types.”⁴⁵

Had DHS properly documented the parameters of the program and retained documentation showing MMB’s approval of the program, we would have a clearer understanding of what DHS and MMB intended the program limits to be.

Based on our interpretation of the MOUs and the information provided by DHS and MMB, we believe it would have been reasonable for there to be a limit on the amount employees were eligible to earn in shift bonus incentives under the 2021–2023 employment agreement. Further, absent approval to continue the program, shift bonus incentives should have ended after the implementation of the 2023–2025 employment agreement.

However, DHS did not establish limits on its shift bonus incentive program. For example, one employee earned 562 shift bonuses totaling \$84,300 between February 1, 2022, and December 31, 2024.⁴⁶

Exhibit 16 shows the number and amount of shift bonuses earned by this employee under the 2021–2023 MOU and the 2023–2025 employment agreement. We believe there should have been a limit on the amount of shift bonuses the employee received and DHS should not have paid any shift bonuses after the 2023–2025 employment agreement was enacted.

⁴³ MMB Enterprise Director of Labor Relations, email to Jordan Bjornfald, “OLA Audit Question,” July 9, 2025; and MMB Enterprise Director of Compensation and Classification, email to Jordan Bjornfald, “OLA Audit Question,” July 31, 2025.

⁴⁴ MMB Enterprise Director of Compensation and Classification, email to Jordan Bjornfald, “OLA Audit Question,” August 4, 2025.

⁴⁵ Blake Chaffee, MMB Deputy Commissioner of Enterprise Employee Resources, email to Jordan Bjornfald, “RE: Not Public – first draft – Statewide Overtime Pay,” October 24, 2025.

⁴⁶ In total, this employee received \$495,266 between February 1, 2022, and December 31, 2024, including regular pay, overtime, and shift bonuses.

Exhibit 16
Number and Amount of Shift Bonuses Earned by One Employee Under the 2021–2023 Memorandum of Understanding and the 2023–2025 Employment Agreement

Type	Number of Shift Bonuses	Amount of Shift Bonuses
2021–2023 MOU	242	\$36,300
2023–2025 Employment Agreement	320	48,000
Total	562	\$84,300

Source: Office of the Legislative Auditor, based on data in the state’s accounting system.

In total, we identified 696 DHS employees who earned more than \$10,000 in shift bonus incentives between February 1, 2022, and December 31, 2024. While 696 employees earned more than \$10,000, the total amount per employee ranged from \$10,050 to \$89,100. The median amount for these 696 employees was \$15,600.

RECOMMENDATIONS

If the Department of Human Services or Direct Care and Treatment wants to provide employees a shift bonus incentive program, it should:

- **Establish a program that is consistent with the parameters outlined in employment agreements.**
- **Obtain required approval from Minnesota Management and Budget.**
- **Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.**

Department of Corrections

Similar to DHS, DOC established a shift bonus incentive program for some of its employees. DOC negotiated an MOU with AFSCME that authorized DOC to create and use incentive programs up to certain limits. MMB signed the MOU, which authorized the use of incentives related to hiring, referral, retention, and reassignment. DOC’s MOU stated that “in order to offer these incentives, the agency must first develop a policy that governs the eligibility and parameters of the program and must obtain approval from MMB.”

DOC created an incentive program that made a lump sum payment of \$50 to eligible employees who worked an overtime shift of less than four hours and \$100 to eligible employees who worked an overtime shift of four hours or more. These shift bonus incentives are in addition to the overtime pay an employee received for working the shift. Eligible employees included correctional officers, licensed practical nurses, certified medical assistants, cook coordinators, and corrections chief cooks. Between

DOC paid nearly
79,000
shift bonuses
totaling nearly
\$7.5 million.

February 1, 2022, and December 31, 2024, DOC paid nearly 79,000 shift bonuses totaling nearly \$7.5 million.⁴⁷

FINDING 7

The Department of Corrections:

- **Could not provide support to show Minnesota Management and Budget’s approval of the shift bonus incentives it implemented.**
 - **Paid shift bonus incentives that were inconsistent with the parameters established in the Memorandum of Understanding, including payments to ineligible employees.**
 - **Did not properly document the eligibility criteria and parameters of the shift bonus incentives.**
-

DOC created a program to make \$50 or \$100 shift bonus payments to eligible staff for overtime shifts and documented the parameters of the program in a memo to staff. DOC told us that MMB approved the program; however, DOC could not provide documentation to show MMB approved the program. MMB also told us that it had approved the program; however, MMB could not provide documentation to show its approval and stated that DOC was responsible for retaining the approval documentation.

Based on the statements from both agencies, MMB may have approved the program in a general manner; however, without documentation of MMB’s approval, it is unclear what MMB approved.⁴⁸

We identified the following inconsistencies between the implemented shift bonus program and the MOU:

- DOC did not establish an end date for the shift bonus program. In its memo to staff, DOC said the program would continue until “the funds for this bonus have been depleted,” which it anticipated would occur in approximately December 2022. However, DOC did not establish an actual end date. DOC initially used federal funding to pay shift bonuses and later continued paying shift bonuses using its general fund appropriation.⁴⁹

⁴⁷ We expanded our audit scope to include the entire population of shift bonus incentives paid under the MOU. DOC paid the first shift bonus under the MOU on February 1, 2022.

⁴⁸ After reviewing our draft report, MMB provided documentation of its approval of an amendment to the original shift bonus program, dated July 13, 2022. This documentation may support the statements from DOC and MMB that MMB approved the original program. However, we did not receive documentation of MMB’s initial approval.

⁴⁹ DOC initially budgeted \$6 million in federal funding, allocated from the COVID-19 Flexible Response Account, to pay for shift bonuses. *Laws of Minnesota* 2021, First Special Session, chapter 12, art. 5, sec. 2. After these funds were depleted, DOC continued paying shift bonuses using their general fund appropriation.

Since the program was created under MOUs to the 2021–2023 employment agreement, the program should have ended when the 2023–2025 employment agreement was enacted.

DOC paid 130 shift bonus incentives totaling \$13,000 on 62 timesheets after the 2023–2025 AFSCME agreement was enacted on August 16, 2023. DOC paid all 130 shift bonus incentives in the two pay periods immediately after the agreement was enacted; no shift bonus incentives were paid after September 12, 2023.

- The AFSCME MOU allowed for one or more of the following: (1) a retention incentive that consists of lump sum payments to current employees of up to \$1,000; (2) a shift differential of up to \$3.00 per hour for unfilled shifts; or (3) other hiring, referral, retention, or reassignment incentives with dollar values no greater than \$10,000.

In its memo to staff, DOC did not establish limits on the total amount of shift bonus incentives an employee could receive. DOC told us it intended for the limit to apply to each instance of a shift bonus. MMB initially told us that according to the MOU “the \$10,000 cap was per approved program,” and subsequently clarified that the cap was a “\$10,000 maximum amount to be spent on an incentive per employee per program.”⁵⁰ MMB also told us that DOC did not have the authority to offer bonuses in excess of the limits imposed by the MOU or the applicable employment agreement. However, MMB later told us that the limits established in the MOU were for each instance of a shift bonus, such that DOC “could hypothetically have a weekend incentive of \$9,999 (assuming approvals received by MMB) and employees could receive that \$9,999 incentive for each of the individual weekends they worked. However, an agency could not offer an incentive of \$10,001.”⁵¹ Since each shift bonus of \$50 or \$100 was under the \$10,000 limit, employees could earn an unlimited number of shift bonuses.

After receiving our draft report, MMB further stated, “the MOUs established the limits for each type of incentive pay in each individual instance the incentive was paid. However, the MOUs did not limit the overall amount of incentive pay an individual employee may receive across all incentive types.”⁵²

In total, DOC paid 172 employees more than \$10,000 in shift bonus incentives. While 172 employees earned more than \$10,000, the total amount per employee ranged from \$10,050 to \$44,350. The median amount for these 172 employees was \$13,225. Had DOC properly documented the parameters of the program and retained documentation showing MMB’s approval of the program, we would have a clearer understanding of what DOC and MMB intended the program limits to be. Based on our interpretation of the MOU and the information provided by DOC and MMB, we believe it would have been

⁵⁰ MMB Enterprise Director of Labor Relations, “OLA Audit Question”; and MMB Enterprise Director of Compensation and Classification, “OLA Audit Question.”

⁵¹ MMB Enterprise Director of Compensation and Classification “OLA Audit Question.”

⁵² Chaffee, “RE: Not Public – first draft – Statewide Overtime Pay.”

reasonable for there to be a limit on the amount that employees were eligible to earn in shift bonus incentives under the MOU.

- Finally, DOC paid shift bonus incentives to some ineligible employees. The MOU and DOC memo extended the shift bonus incentives only to AFSCME employees in certain positions. However, DOC paid 11 shift bonus incentives across four pay periods, totaling \$1,100, to four employees employed under other employment agreements: MAPE, MMA, and MNA. When an employee records a shift bonus incentive on their timesheet, the employee's supervisor is responsible for verifying the employee is eligible. In these instances, the supervisory review and approval of timesheets was ineffective.

RECOMMENDATIONS

If the Department of Corrections wants to provide employees a shift bonus incentive program, it should:

- **Establish a program that is consistent with the parameters outlined in employment agreements.**
 - **Obtain required approval from Minnesota Management and Budget.**
 - **Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.**
-

Appendix: Criteria

Area Tested	Criteria
Overtime Expenditures	• Compensation provisions in the American Federation of State, County, and Municipal Employees (AFSCME) Agreements for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in Minnesota Management and Budget's Commissioner's Plan Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Law Enforcement Labor Services Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in Minnesota Management and Budget's Managerial Plan Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Middle Management Association (MMA) Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Minnesota Association of Professional Employees (MAPE) Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Minnesota Government Engineering Council (MGEC) Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Minnesota Law Enforcement Association (MLEA) Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Compensation provisions in the Minnesota Nurses Association (MNA) Agreement for July 1, 2021–June 30, 2023, and for July 1, 2023–June 30, 2025 • Minnesota Management and Budget: ◦ Statewide Operating Policy and Procedure PAY0012, <i>Requesting and Reporting Overtime</i>, issued September 2009 ◦ Statewide Operating Policy and Procedure PAY0016, <i>Biweekly Time Reporting by Employees</i>, issued February 2011 ◦ Statewide Operating Policy and Procedure PAY0017, <i>Self Service Time Entry</i>, issued February 2011
Shift Bonus	• Memorandum of Understanding between AFSCME and the Department of Human Services (DHS) amending the 2021–2023 AFSCME Agreement • Memorandum of Understanding between MAPE and DHS amending the 2021–2023 MAPE Agreement • Memorandum of Understanding between MMA and DHS amending the 2021–2023 MMA Agreement • Memorandum of Understanding between MNA and DHS amending the 2021–2023 MNA Agreement • Memorandum of Understanding between State Residential Schools Education Association (SRSEA) and DHS amending the 2021–2023 SRSEA Agreement • Memorandum of Understanding between AFSCME and the Department of Corrections (DOC) amending the 2021–2023 AFSCME Agreement



OLA



November 5, 2025

Judy Randall
Office of the Legislative Auditor
Room 140, Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155-1603

Dear Legislative Auditor Randall:

The Department of Corrections (DOC) appreciates the opportunity to provide a written response to the findings and recommendations of the performance audit of Statewide Overtime Pay for the period from July 1, 2022, through December 31, 2024. The following are DOC's responses to your findings and resulting recommendations.

Finding 2: The Department of Corrections did not always accurately pay overtime to an employee in accordance with employment agreements, resulting in overpayments

Response: We reviewed your finding that the Department overpaid one Middle Management Association member by \$2,474 in compensatory time and we concur in whole.

Recommendation: The Department of Corrections should accurately pay overtime to employees in accordance with employee agreements.

Response: The Department's office of financial management continues to review its administration of staff payroll management to ensure that all overtime payments align with employee agreements. DOC and MMB payroll, human resources, and labor relations staff are meeting monthly to ensure that all agencies are communicating any changes or updates accordingly.

- **Individual Responsible:** Pheng Vang, Deputy CFO
- **Expected Completion Date:** Ongoing

Recommendation: The Department of Corrections should collect the overpayment made to their employee.

Response: DOC will collect the overpayment made to the employee

- **Individual Responsible:** Sara Caron, Payroll Supervisor
- **Expected Completion Date:** Ongoing

Recommendation: The Department of Corrections should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.

Response: DOC is committed to strengthening internal controls, not only in payroll processing, but across the agency. The agency's payroll operation is currently undergoing a third-party performance audit to assess efficiency, effectiveness, compliance with MMB policies and collective bargaining agreements and adequacy of internal controls. The final report is expected by mid-Spring 2026 and will include a risk register that identifies and prioritizes risks and gaps by likelihood and potential impact, including actionable recommendations and remediation steps.

- **Individual Responsible:** Pheng Vang, Deputy CFO
- **Barrier to Resolution:** The performance audit and process improvement by the third party will be conducted over a six (6) month time and will conclude approximately the end of March 2026 with initial kickoff meetings starting October 2025.
- **Expected Completion Date:** March 2026

Finding 7: The Department of Corrections could not provide support to show Minnesota Management and Budget's (MMB) approval of the shift bonus incentives it implemented. DOC also paid shift bonus incentives that were inconsistent with the parameters established in the Memorandum of Understanding (MOU), including payments to ineligible employees. Lastly, DOC, did not properly document the eligibility criteria and parameters of the shift bonus incentives.

Response:

The Department concurs with this finding in full. We acknowledge that shift bonus incentive payments were issued in a manner not fully consistent with the parameters established in the MOUs, and that documentation of eligibility criteria and program parameters was insufficient. The Department recognizes the need for clear governance, transparency, and documentation in the administration of employee incentive programs.

Recommendation: Establish a program that is consistent with the parameters outlined in employment agreements.

Response:

To address this finding, the Department has initiated corrective actions to ensure future compliance. These actions include:

- Establishing formal procedures to document and retain MMB approval for all incentive programs.
- Clarifying and codifying eligibility criteria and program parameters to ensure consistent application across all staff.
- Implementing an internal review and approval process to verify adherence to approved program requirements prior to payment.

These measures will strengthen internal controls, enhance accountability, and ensure that all incentive programs are implemented in accordance with established MMB policies and agreements.

- **Individual Responsible:** Pheng Vang, Deputy CFO and Laurie Jandro, Director of Human Resources
- **Expected Completion Date:** Ongoing

Recommendation: Obtain required approval from Minnesota Management and Budget

Response: The Department recognizes that ongoing communication is required to ensure that any programs related to compensation be collaborative and agreed by both DOC and MMB. DOC has since established standing meetings with MMB financial leadership to ensure that there is ongoing conversation as it relates to changes to MOU's and any other fiscal related changes/updates.

- **Individual Responsible:** Pheng Vang, Deputy CFO and Laurie Jandro, Director of Human Resources
- **Barrier to Resolution:** None
- **Expected Completion Date:** completed as monthly standing meetings have already been established between DOC and MMB.

Recommendation: Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.

Response: The Department's office of financial management, human resources and labor relations teams will work in the future to ensure that all incentive related compensation is clearly documented and aligns with collective bargaining agreements.

- **Individual Responsible:** Pheng Vang, Deputy CFO and Laurie Jandro, Director of Human Resources

Again, thank you for the opportunity to respond and we look forward to implementing the recommendations provided in the report as we strive for continuous improvement.

Sincerely,



Paul Schnell

Commissioner



OLA



Minnesota Department of Human Services
Elmer L. Andersen Building
Temporary Commissioner Shireen Gandhi
Post Office Box 64998
St. Paul, Minnesota 55164-0998

Minnesota Direct Care and Treatment
Health System Chief Executive Officer Marshall Smith
3200 Labore Road, Suite 104
Vadnais Heights, MN 55110

November 3, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Auditor Randall:

Thank you for the opportunity to review and comment on the multi-agency report issued by your office, titled *Statewide Overtime Pay Audit*.

The Minnesota Department of Human Services (DHS) and Minnesota Direct Care and Treatment (DCT) recognize that strong internal controls are essential for maintaining and protecting the integrity of complex payroll systems. They ensure that the agencies comply with the many overtime-related provisions contained in labor agreements and that payroll is accurately recorded, processed, paid and documented.

We are pleased that the audit found DHS and DCT generally complied with overtime requirements and the issues identified do not indicate a systemic problem with payroll processes. We acknowledge, however, that the audit also raised legitimate concerns. We agree with the findings and will address the issues identified to ensure that overtime and shift bonuses are paid accurately and in accordance with labor agreements.

During the audit period, DHS and DCT were one agency. The separation of the agencies that occurred on July 1, 2025, allow each to have the internal controls in place that are right for the nature of each agency's respective work. We will use the issues identified in this report to help strengthen the DHS and DCT payroll processes. We will also work together to recover any overpaid wages when appropriate.

About DCT's Use of Overtime

Health care systems like DCT that operate 24/7 are by necessity staff-intensive organizations. DCT has about 5,500 full- and part-time employees, and 85 percent of the agency's \$786.6 million operating budget for state fiscal year 2026 goes to pay salaries, benefits and other personnel costs.

Each year, DCT cares for more than 12,000 patients and clients at about 150 locations statewide. This includes psychiatric hospitals, other residential treatment facilities, group homes and more. The agency is required by state and federal regulators to have a sufficient level of staffing at all times to provide safe, high-quality care.

Like every 24/7 health care system, DCT expects and must rely upon overtime as an operations management tool to ensure that it has the right mix of qualified staff to cover shifts and meet the needs of patients and clients. Since the height of the COVID pandemic, an extraordinarily tight health care labor market has forced DCT to rely heavily on overtime hours and shift bonuses to maintain appropriate staffing. This heavy reliance on overtime can complicate the payroll process because there are dozens of provisions that address overtime pay in the collective bargaining agreements that DCT has with five separate labor unions. Errors can arise when supervisors responsible for approving overtime do not clearly understand the varying provisions.

As a side note, there are signs that labor market pressures are easing. Staff vacancy rates at Anoka-Metro Regional Treatment Center, the state's largest psychiatric hospital, have been reduced by half since the peak in June 2024. This has resulted in a significant reduction in overtime payments.

Since officially separating from DHS in July, DCT has made several key changes to improve oversight of payroll operations and will use the recommendations in this report to further strengthen controls.

A top priority for DCT is exploring the implementation of a time-and-attendance system, which is an industry standard for complex health care operations. Among other benefits, these ID badge systems can help ensure compliance with the Fair Labor Standards Act, reduce payroll adjustments, improve payroll processing, identify overspending on overtime, and ensure timecard accountability and integrity. The systems may also result in significant savings.

Responses to OLA's Findings and Recommendations

The Office of the Legislative Auditor's (OLA) includes the following findings and recommendations. Following each finding is DCT's response because the findings will be resolved through newly established DCT processes.

OLA Finding 1

The Department of Human Services did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments.

OLA Recommendations Related to Finding 1

- The Department of Human Services should accurately pay overtime to employees in accordance with employment agreements.
- The Department of Human Services should collect the overpayments made to employees.
- The Department of Human Services should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.

Agency Response to Finding 1

Compensation for DCT staff is governed by multiple bargaining agreements and occasionally through related Memorandums of Understanding, which are distinct by bargaining unit and sometimes by job classifications.

Since becoming a standalone state agency on July 1, 2025, DCT has moved responsibility for payroll under Human Resources, which is well suited to interpret and align overtime payments with appropriate union contracts and the Fair Labor Standards Act. As part of the change, the new Payroll Division within DCT HR has

taken steps to ensure that managers and supervisors have a clear understanding of which provisions to apply when approving overtime, and payroll operations staff have been trained on bargaining unit language. DCT currently has a well-respected Payroll Manager on mobility assignment who is working diligently with the team on quality assurance framework and ongoing auditing measures.

In addition, DCT's payroll team now reviews each assigned employee's timecard and ensures overtime is not paid until eligibility is met. Agency leaders are developing control activities, including approvals, verifications, reconciliations, and periodic business performance reviews that are monitored on a routine basis. Staff at all levels have been provided with payroll resource materials and DCT is finalizing a new Payroll Policy. Based on the findings of ongoing monitoring, the agency will identify deficiencies and opportunities to improve our processes and training as union contracts change in the future.

DCT Person Responsible for Addressing Recommendations: Cindy Jungers, Human Resources Director.

Estimated completion date: July 1, 2026

OLA Finding 6

The Department of Human Services:

- Could not provide support to show Minnesota Management and Budget's approval of the shift bonus incentives it implemented.
- Paid shift bonus incentives that were inconsistent with the parameters established in the Memorandums of Understanding.
- Did not properly document the eligibility criteria and parameters of the shift bonus incentives.

OLA Recommendations Related to Finding 6

If the Department of Human Services wants to provide employees a shift bonus incentive program, it should:

- Establish a program that is consistent with the parameters outlined in the employment agreements.
- Obtain required approval from Minnesota Management and Budget.
- Ensure the parameters of any incentive are clearly documented, including maximum bonus amounts per shift and per employee.

Agency Response to Finding 6

It is important to note that DCT did consult Minnesota Management and Budget about the plan for providing shift bonus incentives and received approval. DCT would not have proceeded without the necessary authorization. However, the agency experienced significant turnover in HR staffing in 2022, including the loss of senior leadership. During this transition, we believe the documentation of MMB's approval was lost. MMB does not dispute that it was consulted on our plan, although it was also unable to find the approval documentation. Nonetheless, we recognize that it was DCT's responsibility to retain the documentation. The agency has adjusted our processes to ensure that such records are carefully preserved at an institutional level in the future. Ultimately, DCT worked with MMB to execute a settlement with labor groups to resolve the payment of shift bonus incentives, effective October 15, 2025. DCT is committed to ensuring that future shift bonus incentives align with bargaining agreements, MOUs, and MMB approval.

DCT Person Responsible for Addressing Recommendations: Teri Hable, Labor Relations Director.

Estimated completion date: July 1, 2026

Summary

We appreciate the OLA's thoughtful and thorough examination of these issues and the professionalism and courtesy with which the auditors approached their work. We reiterate our commitment to addressing the concerns the audit raised and implementing tighter controls.

Sincerely,



Shireen Gandhi
Temporary Commissioner
MN Dept. of Human Services



Marshall E. Smith, MHA, LNHA, FACHE
Chief Executive Officer
MN Direct Care and Treatment

October 31, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street Saint Paul, MN 55155

Dear Auditor Randall:

Thank you for the opportunity to review and comment on the Office of the Legislative Auditor's (OLA's) Statewide Overtime and Shift Bonus Pay performance audit report. The Minnesota Department of Natural Resources (DNR) appreciates your office's analysis of overtime payments that are processed in the state's payroll system. We value the OLA's recommendations for recovering identified overpayments and improving the accuracy and documentation of DNR's overtime payments in the future.

Response to the OLA's Findings and Recommendations

The OLA has included one audit finding and three resulting recommendations related to DNR in its Statewide Overtime and Shift Bonus Pay performance audit report. We concur with both the finding and recommendations and have been working since we first became aware of the issues you have identified to understand the scope of the matter, initiate steps to ensure the accuracy of overtime payments in the future, and assess recovery options for all overpayments confirmed as part of this audit. As part of our continuing work, we are committed to acting on your office's recommendations, as outlined below.

OLA Finding 5

- The Department of Natural Resources did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments, and did not always document overtime eligibility for some employees.

OLA Recommendations pertaining to Finding 5

1. The Department of Natural Resources should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.
2. The Department of Natural Resources should collect the overpayments made to the identified employees
3. The Department of Natural Resources should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.

Agency Response to Finding 5

- **Narrative Response:** The DNR concurs with the OLA's finding that the agency did not always pay overtime to employees in accordance with employment agreements, resulting in overpayments, and did not always document overtime eligibility for some employees. More specifically, we concur that:
 - For 2 of 60 randomly selected employees and 1 judgmentally selected employee, DNR paid overtime that did not comply with the AFSCME agreement, resulting in DNR overpaying the employees a total of \$241. [Note: these are "identified employees" for the purposes of OLA Recommendation 2 above.]
 - For 1 of 60 randomly selected employees and 1 judgmentally selected employee, DNR paid overtime when the employee had not met the required "hours worked" according to the MAPE agreement, resulting in the DNR overpaying these employees \$245. [Note: these are "identified employees" for the purposes of OLA Recommendation 2 above.]
 - For 1 of 60 randomly selected employees, DNR paid overtime to an employee who did not meet the required "hours worked" according to the MMA agreement, resulting in the DNR overpaying this employee \$698. [Note: these are "identified employees" for the purposes of OLA Recommendation 2 above.]
 - For 2 of 60 randomly selected samples, DNR paid employees overtime that did not comply with the MLEA agreement, resulting in DNR overpaying the employees \$22. [Note: these are "identified employees" for the purposes of OLA Recommendation 2 above.]
 - For 4 of 60 randomly selected employees, DNR paid overtime to exempt employees under the MAPE agreement without documenting their eligibility to earn overtime. DNR paid the equivalent of \$2,433 in compensatory time and \$2,804 in overtime to these employees without documentation of eligibility.

The DNR's corrective actions relevant to the finding are detailed below, as they relate to the OLA's three recommendations under this finding.

- **Current Status:** Unresolved
- **Corrective Action:**
 - Recommendation 1: DNR's Human Resources Office will create guidance and training to ensure employees, supervisors, and managers understand overtime related rules specific to the employment agreements applicable to their work and department expectations for compliance with those rules. This will include guidance and training related to documentation and recording in the payroll system. In addition to guidance and training for employees, supervisors, and managers, the DNR will strengthen internal controls to further ensure payroll accuracy, as further explained in the corrective action for the OLA's Recommendation 3.
 - Recommendation 2: DNR's Human Resources Office will collect the overpayments related to overtime that the OLA identified in its audit, totaling

\$1,206 for DNR employees. We will also collect any overpayments for premium pay and other factors that may be pertinent to the overtime overpayments but that were outside of the audit scope and thus not identified by the OLA.

- **Recommendation 3:** DNR's Human Resources Office will work with DNR's Internal Audit Section to examine internal processes and strengthen internal controls to ensure DNR is paying overtime in accordance with applicable employment agreements, state and federal law, and payroll policies and procedures. DNR's Human Resources Office will review training records for payroll staff responsible for reviewing timesheets to ensure they have completed all required training and understand how to review and accurately process overtime reported on timesheets.
- **Completion Date:**
 - Estimated completion date for all corrective actions — March 1, 2026
- **Person Responsible:** Matt Olinger, Human Resources Director, DNR

Once again, thank you for the opportunity to respond to the OLA's performance audit report. We appreciate working with your office and staff throughout this evaluation.

Sincerely,



Sarah Strommen
Commissioner

Cc: Lori Leysen, Deputy Legislative Auditor, OLA
Barb Naramore, Deputy Commissioner, DNR
Jennifer Woods, Internal Audit Manager, DNR



OLA



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October 31, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street Saint Paul, MN 55155

Dear Auditor Randall:

Thank you for the opportunity to review and respond to the Office of Legislative Auditor's (OLA) audit of the Minnesota Department of Public Safety's (DPS) – Statewide Overtime Pay audit report. DPS is responsible for compensating its employees in compliance with state and federal law, employment agreements, and payroll policies and procedures.

The OLA audit reviewed employee compensation for overtime pay between July 1, 2022, through December 31, 2024, and found DPS generally complied with the criteria tested. The OLA did, however, identify areas for improvement, and DPS is committed to implementing the OLA's recommendations.

The OLA has reported the following audit finding and recommendations related to DPS's overtime pay.

OLA Finding 4

- The Department of Public Safety did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments and did not always document overtime eligibility for some employees.

OLA Recommendations pertaining to Finding 4

- The Department of Public Safety should accurately pay overtime to employees in accordance with employment agreements and should document overtime eligibility for applicable employees.
- The Department of Public Safety should collect the overpayments made to the identified employees.

- The Department of Public Safety should strengthen internal controls to ensure it pays overtime in accordance with employment agreements and documents overtime eligibility for applicable employees.

Agency Response to Finding 4

- **Narrative Response:** DPS agrees with the OLA's finding and supports the OLA's recommendations to strengthen internal controls to ensure overtime pay to employees is made in accordance with employment agreements and overtime eligibility for applicable employees is documented. DPS will collect the net overpayments made to employees identified in the audit report.
- **Current Status:** Partially Resolved
- **Corrective Action:** DPS' planned course of action to resolve the audit finding and recommendations are as follows.
 - DPS will collect the net overpayments made to the MAPE employee in the amount of \$2,100 and the MGEC employee in the amount of \$174 identified in the OLA's audit report.
 - DPS Payroll staff reviews Sema4 Mobius Report PDHR5005 for FSLA Status and Overtime Hours Paid Report for each pay period to identify and correct any overtime irregularities to ensure overtime pay for applicable eligible employees is made in accordance with employment agreements. DPS Payroll developed an Issues Tracking Log in October 2024 to audit and monitor all payroll issues, backpays, corrections, and overpayments. Additionally, DPS Payroll maintains a separate Overpayment Log to ensure each case is tracked through resolution and recovery of overpayments from the employee. DPS developed a Payroll Checklist of Payroll Tasks, Mobius Reports and Payroll Corrections for Timekeepers to verify each payroll period. The Payroll Checklist and training was provided to Timekeepers in early Spring 2025.
 - DPS is currently implementing an Electronic Document Management System (EDMS). DPS will consider whether EDMS can be used for retention of the Supervisor/Manager Approval Memo for Exempt employee's overtime hours for special projects. DPS will establish an electronic centralized system for DPS Payroll and division Timekeepers to retain documentation of payroll files and reports.
 - DPS will develop training modules in the state's Electronic Learning Management (ELM) system that will be required training for all staff (supervisors, managers, directors, etc.) that approve employee timesheets. The training modules curriculum will be customized based on collective bargaining and compensation agreements (AFSCME, MAPE, MMA, MLEA, etc.).
- **Completion Date:** Estimated completion date of September 30, 2026.
- **Person Responsible:** The Fiscal and Administrative Services, working jointly with Human Resources, will develop and implement a training program focused on overtime approval procedures, timesheet coding, and overtime payments. This will include creating an internal controls process for approving and tracking overtime. Additionally, the Fiscal department will be responsible for collecting payments related to overtime.

Thank you again for the opportunity to participate and respond to the OLA's findings and recommendations. We appreciate your efforts to help DPS strengthen its internal controls.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Jacobson". The signature is fluid and cursive, with the first name "Bob" being more prominent.

Bob Jacobson
Commissioner
Department of Public Safety



OLA



October 31, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street Saint Paul, MN 55155

Dear Auditor Randall:

The Minnesota Department of Transportation (MnDOT) thanks the Office of Legislative Auditor (OLA) for your recent audit regarding Statewide Overtime and Shift Bonus Pay, for the opportunity to discuss this with you and your team recently in the exit conference and for the opportunity to respond to the report.

We appreciate the report and always value the opportunity to make improvements to our internal processes to ensure all employees are being compensated accurately.

At MnDOT, overtime is a critical tool to deliver essential services for Minnesotans such as on-time construction projects and 24/7 Snow and Ice Operations. For the two- and half-year period your team evaluated, MnDOT paid:

- \$30.9M of overtime payments
- \$24.4M of earned comp time
- \$55.3M of total overtime and comp time
- Total payroll expenditures were ~\$1.39B

Response to the OLA's Findings and Recommendations

The OLA has reported the following audit finding and recommendations related to MnDOT in the Statewide Overtime and Shift Bonus Pay Audit:

OLA Finding 1

- "...The Minnesota Department of Transportation did not always accurately pay overtime to employees in accordance with employment agreements, resulting in overpayments...."
 - Of 63 employees sampled, three exempt employees from MMA/MGEC were overpaid 24.75 hours of overtime totaling \$888 due to incorrectly counting leave time towards hours worked

OLA Recommendations pertaining to Finding 1

1. The Minnesota Department of Transportation should accurately pay overtime to employees in accordance with employment agreements.

2. The Minnesota Department of Transportation should collect the overpayments made to employees.
3. The Minnesota Department of Transportation should strengthen internal controls to ensure it pays overtime in accordance with employment agreements.

Agency Response to Finding 1

MnDOT agrees with the OLA's finding and supports the OLA's recommendations. Our Office of Human Resources and Office of Financial Management have been implementing improvements to our process in the last year, ahead of both learning of the OLA audit and receiving the draft report on findings – including offering additional trainings for supervisors and developing reports to better monitor eligibility for overtime pay. Since November of 2024, 113 additional supervisors have attended payroll training (which includes overtime), and OFM has offered ad hoc trainings to offices and districts specifically on overtime. Our Office of Human Resources has updated clarification and requirements regarding exempt and non-exempt FLSA status, other employee time and hours of work detail, as well as the MnDOT requirements for assigning, approving, and reporting overtime. A communication and implementation plan is being developed for these updates.

Current Status: Partially Resolved

Corrective Action: MnDOT is in the process of both correcting the 3 specific overpayments and strengthening internal controls to ensure it pays overtime in accordance with employee agreements.

Potential Barriers to Resolution: MnDOT's large, diverse, and complex workforce make any improvements time and labor intensive, but we are committed to making improvements that reduce instances of incorrect payments and strengthening processes to address incorrect payments if they occur.

Completion Date: Both training and compliance activities as mentioned above will continue on an ongoing basis and will not have an end date.

Person Responsible: Sara Severs, MnDOT Deputy Commissioner and Chief Administrative Officer

Once again, thank you for the opportunity to respond to the OLA's report.

Sincerely,

/Nancy Daubenberger/

Nancy Daubenberger, P.E. (MN)

Commissioner



OLA



OLA

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