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PUBLIC RELEASE OF INVESTIGATIVE REPORT ROSEAU COUNTY SHERIFF'S DEPARTMENT DECEMBER 20, 2001

I. INTRODUCTION

The Office of the State Auditor (hereinafter "OSA") received concerns regarding payroll procedures of the Roseau County Sheriff's Department (hereinafter "Sheriff's Department"). Specifically, there were allegations that former Roseau County Sheriff Curt Hauger (hereinafter "Sheriff Hauger") provided four Sheriff's Department employees with overtime pay for hours that the employees did not work.¹ The OSA's Special Investigations Division (hereinafter "SI Division") reviewed documentation for the time period of January of 1996 through April of 2001.²

The mission of the OSA's Special Investigations Division is to review allegations of malfeasance, misfeasance, and nonfeasance by local government employees or officers. Since the Division is a fact-finding entity and has no prosecutorial powers, its role is to evaluate allegations brought to the OSA's attention and, when appropriate, to provide specialized auditing techniques, initiate an independent investigation, or refer the matter to the appropriate oversight authorities.

From the OSA's investigation, it appears that Sheriff Hauger provided four Sheriff's Department employees overtime pay totaling approximately \$41,880, as a form of salary increases, regardless of whether they worked the overtime hours.

¹ Sheriff Hauger left office as of June 1, 2001. The current Roseau County Sheriff is Jule D. Hanson.

² The OSA received information that the practice of giving Sheriff's Department employees additional pay in the form of compensation for overtime hours commenced in January of 1996 and ceased as of April 30, 2001.

II. BACKGROUND

Minnesota law provides that the county board shall determine the number of permanent full time sheriff's department deputies and other employees, and fix the compensation for each position.³ In addition, the County's policy requires the County to maintain a job classification system, which is reviewed annually, to ensure that the County pay scales are comparable to other employees with similar jobs in the local labor market.⁴ Annual steps and/or cost of living increases for all county employees must be determined by the department head and the County Board.⁵

The Roseau County Board of Commissioners (hereinafter "County Board") approves annual salary increases that County employees receive in December. Roseau County Auditor Anne Granitz (hereinafter "County Auditor Granitz"), whose department is responsible for administering the payroll function, informed the OSA that each department head is responsible for his/her department's budget. Department heads who wish to provide employees with increases over the annual allowance must either discuss the increase with the County Board's Wage Committee or present the request directly to the County Board.⁶ Either way, the issue is discussed at a County Board meeting, and resolutions are passed to authorize any approved salary increases.⁷ County Auditor Granitz further informed the OSA that increases above the annual allowance must be approved by the County Board in order for the adjustment to be made on the payroll system.

III. EMPLOYEE TIME RECORDS

County employees are paid on a bi-weekly basis. Sheriff's Department documents that incorporate hours worked, and leave requested and used, include the following:

³ Minn. Stat. § 387.14 (2000).

⁴ Roseau County Personnel Policies and Procedures Manual adopted April 13, 1999 revised July 20, 1999, Compensation and Hours, Section 4.01.

⁵ Roseau County Personnel Policies and Procedures Manual adopted April 13, 1999 revised July 20, 1999, Compensation and Hours, Section 4.02. The OSA was informed that this was the County's practice prior to adoption of the policy.

⁶ The OSA was informed by County Auditor Granitz that the Wage Committee consists of two County Board members. The Wage Committee cannot take any action or pass a resolution; only the County Board can take action.

⁷ County Auditor Granitz informed the OSA that each department has at least one line item within its budget entitled salaries.

- Employee Daily Time Log;
- Time Sheets;⁸
- Comp Time / Holiday Summary Report; and
- Bi-weekly Payroll Report.

The Employee Daily Time Log identifies an employee's start and end time, and the number of hours worked. Every two weeks, Sheriff's Department employees complete individual time sheets which are submitted to Chief Deputy John Anderson (hereinafter "Chief Deputy") for review.⁹ The OSA was informed that the time sheets are compared to the Daily Time Log. The Comp Time / Holiday Summary Report captures the vacation, sick, holiday, and compensatory (hereinafter "comp") hours used. In addition, the report contains comp hour accumulations and comp hour balances for Sheriff's Department employees.

Once the review of the time sheets is complete, the Chief Deputy provides the time sheets to the Sheriff's Department Civil Process Supervisor Jan Klatt (hereinafter "Ms. Klatt"), so she can prepare a bi-weekly payroll report. Ms. Klatt submits the bi-weekly payroll report to the County Deputy Auditor, who enters the information into the payroll system.

III. OVERTIME PAY

The OSA was informed by Ms. Klatt that Sheriff's Department employees accumulate "comp time" not "overtime" pay for hours worked beyond their regular hours. However, according to Ms. Klatt, four Sheriff's Department employees were given additional pay, referred to as "overtime hours," pursuant to a verbal directive she received from Sheriff Hauger. In response to that directive, Ms. Klatt routinely added a set amount of overtime hours (e.g., 3.5 hours) each pay period to the bi-weekly payroll reports she prepared for each of the four Sheriff's Department employees, regardless of whether they worked those hours. Ms. Klatt informed the OSA that the employees did not work the overtime hours for which they were paid.

⁸ Individual time sheets do not include an attestation that the time reported, and for which payment is requested, is true and correct; nor are the time sheets signed by each employee. In addition, there is no evidence on the time sheets of supervisor review and approval. The OSA's concerns with time sheet procedures in the Sheriff's Department are discussed in a separate letter to current Sheriff Jule D. Hanson.

⁹ Chief Deputy John Anderson informed the OSA that prior to January 1, 2001, he did not complete time sheets.

The OSA reviewed Sheriff's Department individual time sheets, bi-weekly payroll reports, and payroll registers for January 1996 through April 30, 2001. The bi-weekly payroll reports, prepared by Ms. Klatt, were the only Sheriff's Department documents provided to the OSA that reflected the additional overtime hours. It appears that after adding the overtime hours on the bi-weekly payroll reports for the four employees, as directed by Sheriff Hauger, Ms. Klatt would sign her name on the bottom of the bi-weekly payroll reports in the space following: "Curtis B. Hauger Sheriff of Roseau County."⁹ After preparing the bi-weekly payroll reports, Ms. Klatt sent them to the Deputy County Auditor, who entered the information into the payroll system.

Based upon its review, the OSA has determined the amount of money paid to the four Sheriff's Department employees for overtime hours totaled \$41,880. During a period of more than three years, Investigators Donald Newhouse and Steve Roseen received payment for 2.5 hours of overtime each pay period.¹⁰ For over two years, Ms. Klatt received payment for 3.5 hours of overtime each

⁹ From January 1, 1996 through April 28, 2001, all but five of the bi-weekly payroll reports contained the name Ms. Jan Dutcher or Ms. Jan Klatt. Sometime in 2001, Ms. Dutcher changed her name to Ms. Klatt. It appeared that Chief Deputy John Anderson's name was included as the preparer on four of the bi-weekly payroll reports and Sheriff Hauger may have been the preparer on one of the bi-weekly payroll reports.

¹⁰ Investigator Donald Newhouse received payment for 2.5 hours of overtime per pay period from January 26, 1997 through February 5, 2000, and 3.0 hours per pay period from February 6, 2000 through April 28, 2001. Investigator Steve Roseen received payment for 2.5 hours per pay period from January 26, 1997 through August 8, 1998. Investigator Roseen did not receive overtime for the pay period of August 9, 1998 through August 22, 1998. However, Investigator Roseen received payment for 5.0 hours of overtime for the pay period of August 23, 1998 through September 5, 1998. Thereafter, Investigator Roseen received payment for 2.5 hours of overtime per pay period from September 6, 1998 through February 5, 2000.

In January of 2000, the County Board passed a resolution approving wage increases for Investigators Newhouse and Roseen. The increases became effective starting with the February 25, 2000 pay period. Beginning with the February 6, 2000 pay period, Investigator Newhouse's payment for overtime hours increased from 2.5 hours to 3 hours. Investigator Roseen received payment for 2.5 hours of overtime for the pay period of February 6, 2000 through February 19, 2000. Thereafter, Investigator Roseen's payments for overtime hours ceased.

pay period.¹¹ From January 1, 1996 through April 28, 2001, Chief Deputy John Anderson received payment for overtime hours each pay period ranging from 15 hours to zero hours.¹²

The OSA determined the dollar value of overtime hours paid for the four employees by year as indicated in the chart below:¹³

¹¹ From March 21, 1999 through January 20, 2001, Ms. Klatt received payment for 3.5 hours of overtime per pay period. Effective January 7, 2001, the County Board approved a salary increase for Ms. Klatt; thereafter, from January 21, 2001 through April 28, 2001, Ms. Klatt received payment for 2.0 hours of overtime per pay period.

¹² Chief Deputy John Anderson received payment for overtime hours per pay period, as follows:

January 1, 1996 - October 5, 1996	15	hours
October 6, 1996 - January 25, 1997	0	hours
January 26, 1997 - October 4, 1997	8	hours
October 5, 1997 - October 18, 1997	0	hours
October 19, 1997 - November 15, 1997	12	hours
November 16, 1997 - February 5, 2000	8	hours
February 6, 2000 - February 19, 2000	0	hours
February 20, 2000 - March 18, 2000	7	hours
March 19, 2000 - April 28, 2001	4.7	hours

In January of 2000, the County Board passed a resolution approving a wage increase for Chief Deputy Anderson.

¹³ The numbers in the table have been rounded to the nearest dollar. Comp hours were paid at a rate of time and a half.

OVERTIME HOURS PAID

	Chief Deputy John Anderson	Civil Process Supervisor Janet Klatt	Investigator Donald Newhouse	Investigator Steve Roseen	Total
1996	\$7,103.00	\$0.00	\$0.00	\$0.00	\$7,103.00
1997	4,311.00	151.00	1,153.00	1,274.00	6,889.00
1998	5,216.00	0.00	1,402.00	1,544.00	8,162.00
1999	5,179.00	1,415.00	1,390.00	1,538.00	9,522.00
2000	3,651.00	1,948.00	1,830.00	255.00	7,684.00
2001	1,293.00	506.00	721.00	0.00	2,520.00
Total	\$26,753.00	\$4,020.00	\$6,496.00	\$4,611.00	\$41,880.00

After the OSA made inquiries about this matter, no payment for overtime hours was made to these four Sheriff's Department employees.

The OSA received a letter dated May 29, 2001 from Sheriff Hauger wherein he stated that he provided these four employees with overtime pay. These employees were paid a set amount of overtime hours regardless of whether they worked those hours. According to Sheriff Hauger, the overtime pay was an attempt to make up for lost wages to which he thought the employees were entitled. Sheriff Hauger also stated in the letter that he spoke with two County Commissioners about pay raises for certain employees, and their reactions were very negative in nature. According to Sheriff Hauger, all he received was "a wink and a nod," and he was told: "[y]ou know how to take care of those issues."

Sheriff Hauger provided the following explanations as to why he believed the four employees deserved pay increases:

- Chief Deputy Anderson's wage in 1995 was set at a lower rate than that of a captain's wage. Before 1995, Chief Deputy Anderson worked in the Minnesota State Patrol for twelve and one-half years and was head of security for Governor Quie. Chief Deputy Anderson also implemented an enhanced 911 and mapping system which made it easier to respond to calls. It was Sheriff Hauger's opinion that Chief Deputy Anderson had put in a vast amount of time for which he was not compensated. As a result, Sheriff Hauger and Chief Deputy Anderson met and agreed on how many hours of overtime pay Chief Deputy Anderson would receive.

- In discussing Investigators Roseen's and Newhouse's pay, Sheriff Hauger expressed the opinion that any investigator should be paid at least \$250.00 per month more than any patrolman since an investigator's job is more complex in nature.
- Ms. Klatt was in charge of Civil Process before Sheriff Hauger took office. Sheriff Hauger believed that there was a disparity in wages. The issue was discussed with the County Board who agreed on a grade change, but did not implement it until after January 1, 2001. Sheriff Hauger stated that if the County Board would have implemented the change when it appeared they were going to, he would not have seen a need to give Ms. Klatt any additional wages.¹⁴

In his letter, Sheriff Hauger stated that one could conclude that he knew what he was doing was wrong. However, he stated that he made decisions based upon common sense and knowledge, but not thinking that anyone had done anything which was against the law. Sheriff Hauger also stated that he believed that the overall Sheriff's Department budget was set by the County Board, but other than that, the Sheriff's Department budget was under his control.

The OSA was informed by Ms. Klatt that she generally did not work the overtime hours for which she was paid. She stated that there were times when she was called into the office after hours, but she did not write down the date or the extra hours spent in the office because she was receiving pay for overtime hours. Ms. Klatt indicated that she could not give the OSA an estimate of such hours.

Chief Deputy Anderson informed the OSA that up until January 1, 2001, he did not maintain time sheets because he considered himself a salaried employee. However, Chief Deputy Anderson informed the OSA that he maintained a log of his time which indicates that he accumulated over 4,000 hours of comp time.¹⁵ He also informed the OSA that he used comp hours during the period up to January 1, 2001. As of January 1, 2001, Chief Deputy Anderson told the OSA that he considered himself an hourly employee and now prepares time sheets. Chief Deputy Anderson informed the OSA that the County has always viewed him as an hourly employee.

Based upon the OSA's review of County documents and discussions with County employees, it appears that the four County Sheriff's employees may have been compensated for overtime hours for which they had not worked.

¹⁴ Ms. Klatt was still being paid for two hours of overtime per pay period even after her salary increase.

¹⁵ Chief Deputy Anderson informed the OSA that he would only provide the OSA with his log by court order and that if the OSA tried to obtain his log, he would charge the County for the comp hours accumulated.

V. CONCLUSION

This matter has been referred to the Pennington County Attorney's Office to institute such proceedings as the law and public interest require. The OSA remains available to further assist if necessary. Any questions regarding this report may be directed to Ms. Kathleen T. Docter, Assistant Director, Special Investigations at 651-282-2388, or Ms. Lea M. De Souza, Director of Special Investigations at 651-297-7107.