

Risk Memo: Overtime Compensation Investigation

Student's Name

University Name

Course Code

Professor's Name

Due Date:

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Risk Memo: Overtime Compensation Investigation

To: Director of Human Resources

From: [Your Name]

Date:

Subject: Investigation of Overtime Compensation.

The memo summarizes the findings in context of a complaint against the Department of Labor complaint regarding the lack of proper compensation for overtime work. Staff raised continuing complaints about the lack of proper work practices and response from management. The investigation involved a review of the Customer Service Representative job description and employee time sheets to see if compliance is achieved in accordance with standards set forth by the Fair Labor Standards Act (FLSA). The Customer Service Representative (CSR) position must be considered nonexempt under FLSA. Customer Service, Inbound Call Support, Payment Processing, Refunds, Account Updates, and Data Entry are the primary duties of this role. Workers do not have discretion when performing duties but instead adhere to standard procedures and acceptable standards of performance. Section Two of the FLSA Designation Worksheet shows that CSRs are not exempt from executive, administrative, or professional classifications and must be non-exempt (US Department of Labor, 2019). Employees are non-exempt according to the FLSA because they do not meet the qualifications for the executive, administrative or professional exemptions. They are also not meeting the \$35,568 salary requirement to be considered exempt (US Department of Labor, 2019). By being non-exempt employees must receive overtime pay for every hour over 40 that they work within a given week.

Timesheet records indicated that some employees regularly worked overtime. However, the employees were not being paid their “regular” rate of pay for overtime hours worked, as is standard, but simply for hours worked. Workers who worked for 50-70 hours over the course of some weeks received only their regular hourly rate. For example, Erik Killmonger worked 70 hours during the workweek but received only straight time payment, rather than overtime premium pay mandated under the FLSA. However, FLSA requirements would have had overtime premium compensation provided for overtime hours. This is a sign of possible wage and hour violations. There were several possible root causes for the overtime compensation problem. A major concern is possibly misclassifying employees who are not exempt employees (US Department of Labor, 2019). Failure to have proper payroll controls and a lack of understanding among supervisors and payroll staff of FLSA regulations may also be an issue. It also indicates that the business did not react to workers' complaints about wage issues. Also, the organization might not have undertaken frequent compliance audits or scheduled payroll audits to detect overtime problems at an early stage.

Failing to abide by federal overtime regulations can be extremely costly for the company, legally and financially. The Department of Labor may investigate the organization, potentially incur back-pay payments, liquidated damages, legal bills, and even employee lawsuits. If the compliance is not achieved, it could also hurt employee morale, trust, retention, and the organization's reputation (U.S. Department of Labor, n.d.). Widespread violations could cost the company, as they have around 800 employees on various shifts. Several corrective actions are recommended. This is the time the company should undertake an immediate review of its employees' classifications and reclassify any CSR employees that are classified as exempt to nonexempt if necessary. There should be a full payroll audit to uncover the nature of the

overtime. Any additional amounts of unpaid overtime wages that are found because of the workforce review should be paid to the staff. Overtime should be automatically and accurately stored in the payroll system. Finally, provide additional training for management and payroll staff in FLSA compliance and wage/hour rules.

The investigation also discovered indicators that likely were not FLSA overtime paid correctly to Customer Service Representatives. The findings concluded that the company may be incorrectly classifying its employees and did not adhere to overtime premium pay rules. A company needs to perform these immediate corrective actions in order to prevent legal/financial and reputational risks. Through such payroll audits, classification errors should be corrected and payroll procedures improved and monitoring procedures enhanced.

References

- US Department of Labor. (2019). Fact Sheet #17A: Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees Under the Fair Labor Standards Act (FLSA). DOL. <https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime>
- U.S. Department of Labor. (n.d.). DOL. DOL. <https://www.dol.gov/homepage>

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