

# PAYROLL AND OVERTIME AUDIT AUD19-04



WEST PALM BEACH

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Internal Audit

September 8, 2020

**City of West Palm Beach  
Internal Auditor's Office**

Beverly Mahaso Esq., CIA, CFE  
Chief Internal Auditor

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# Executive Summary

## PAYROLL AND OVERTIME AUDIT

### AUD19-04

September 8, 2020

The Internal Auditor's Office assessment of payroll and overtime spending patterns, along with examinations of the controls over the use and distribution of overtime, indicates that the City would benefit from implementing measures to reduce and manage these expenses, ensure all personnel follow City policies regarding payroll and overtime administration, and improve transparency and efficiency. Specific areas of improvement identified were:

**POLICE DEPARTMENT** – The Police Department had a significant breakdown of controls and lacked adequate oversight surrounding hours worked by police officers. This resulted in excessive overtime that was not strategically managed and could not be directly correlated to population growth or increased crime. Based on county-wide data and trends over 8 years, we found that the Patrol Division's overtime budget increased significantly (215% increase) and greatly outpaced population growth (11% increase) and incidences of crime (25% decrease). In FY2019, 20 officers worked an additional 1,362 to 2,120 hours of overtime. Further, Police Department overtime budgets were exceeded in every year from FY2015 thru FY2019. The associated costs in some cases doubled employees' salaries. In FY2019, all Top 20 earners of overtime made between \$171,000 to \$233,000 each. In other cases, inappropriate payments were made to officers whose hours overlapped, meaning that they logged work hours for multiple locations at the same time. While recommendations include some additional staffing solutions, the main goal should be to reduce the current overtime costs and obtain cost savings. However, until overtime is properly managed, we cannot conclude definitively that additional staffing is needed. Further, adding more staff under the current conditions, without taking significant corrective action would compound the problem, because the issues identified represent a lack of and breakdown of controls. We also note that the excessive overtime hours result in officer fatigue which negatively impacts performance and could be a public safety concern. This requires corrective action as indicated in the recommendations.

**FIRE DEPARTMENT** – The Fire Department's controls and oversight surrounding hours worked required improvement. In FY2019, 20 employees worked an additional 588 to 1,209 hours of overtime. Further, the overtime budget increased every year from FY2016 thru FY2019. In the last two fiscal years, the actual overtime budget was less than the budgeted amount. However, overtime remained high and greatly increased employees' salaries. In FY2019, all Top 20 earners of overtime made between \$103,000 to \$212,000 each. Key factors in the high cost of overtime were changes to union agreements regarding how overtime is earned. We note that the high overtime hours result in fatigue which negatively impacts performance and could be a public safety concern. Recommendations made in the report address these issues.

**PUBLIC UTILITIES, DEVELOPMENT SERVICES, PUBLIC WORKS, & PARKS AND RECREATION** – We found that the ratios of overtime pay as a percent of the base earnings were high in the Public Utilities, Public Works, and Development Services Departments, though it appeared reasonable for the Parks and Recreation Department. We also found that the budget to actual variances during the last three fiscal years have been high for Development Services and Parks and Recreation. Recommendations to improve management of overtime budgets and actuals are provided in the report.

**CITY-WIDE OVERTIME SPENDING** – The City’s overtime expense has almost doubled in the last five years, reaching almost \$13 million in FY2019. Further, the City’s overtime expense has been under-budgeted by an average of 20% each year. This indicates that the City needs better controls to ensure that the overtime budget is not exceeded. Further, the City may also benefit from obtaining assistance in forecasting and modeling to better manage overtime budgets.

**CITY-WIDE PAYROLL POLICIES AND PROCEDURES** – We found a breakdown of controls due to poor adherence and poor enforcement of payroll policies and procedures. This resulted in excessive amounts of overtime and timecards that were not approved and was exacerbated by the current practice of processing and paying timecards that have not been approved. During each pay period in FY2019, an average of 11% of the approximately 1,700 timecards processed for payment were not approved. As a direct result of this deficiency, there were over 7,400 retroactive timecard adjustments generated in FY2019, which is excessive and creates inefficiencies. In addition, leave requests that did not have sufficient leave balances were approved and processed for payment. Other policies were not consistently adhered to and are addressed in the report.

**PAYROLL STAFFING** – We found that payroll staffing within Finance was inadequate. In general, there is consistently one person in Finance’s Payroll Division who processes payroll for the entire City. Attempts to fill the other payroll position have not been successful due to high turnover. A similar issue is present at the Police Department, in that one person manages payroll for the Police Department before it is submitted to Finance’s Payroll Division. However, the complexity of the Police Department’s various work hours (regular, overtime, extra duty) requires additional resources to help mitigate the breakdown in controls identified in the report.

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September 8, 2020

Audit Committee  
City of West Palm Beach  
401 Clematis Street  
West Palm Beach, Florida

**RE: Payroll and Overtime Audit, AUD19-04**

Dear Audit Committee Members:

Attached is the City of West Palm Beach's Internal Auditor's Office report on the Payroll and Overtime Audit.

We thank our contracted auditors, Monica Sanchez, Marggie Nichols and Elena Gonzalez for their work in completing this audit. Further, we thank the management and staff of the Finance, Human Resources, Police, Fire, Public Works, Public Utilities, Development Services, and Parks and Recreation Departments for their time, assistance, and cooperation during this audit.

Respectfully Submitted,

s/ Beverly Mahaso  
Chief Internal Auditor

cc: Keith James, Mayor  
Faye Johnson, City Administrator  
Armando Fana, Assistant City Administrator  
Ricardo Mendez-Saldivia, Assistant City Administrator  
Mark Parks, Chief Financial Officer  
Franklin Adderley, Police Chief  
Diana Matty, Fire Chief  
Poonam Kalkat, Public Utilities Director  
Richard Greene, Development Services Director  
Joshua McDermott, Public Works Director  
Leah Rockwell, Parks and Recreation Director

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## Background

Payroll is the City's largest ongoing expense and requires appropriate oversight to ensure that the City maintains a balanced budget that is sustainable. During FY2019, the City's payroll expense was approximately \$182.5 million, while the City's overtime expense was approximately \$13 million. Of the overtime costs, 80 percent of the overtime budget was driven by the departments that provide essential services: Police, Fire, and Public Utilities. The Police Department alone contributed to 46% of the City's overtime cost in FY2019. Detailed assessments of the budget to actuals are discussed within the report.

The reasons for incurring overtime vary from department to department. Some common reasons are coverage needs for 24/7 operations, workload fluctuations, staff variations, and new programs and initiatives. Overtime expense is typically covered with General Fund dollars. Departments that generate revenue, such as Public Utilities and Development Services, pay for overtime expenses with Enterprise Funds or service fees (i.e. Building Permit Special Revenue Fund). Police and Fire engage in extra-duty work, generally paid for by the third-party organizations receiving the services, though regular overtime is paid from their budgets.

The Payroll Division resides with the City's Finance Department and consists of one Payroll Supervisor and one Payroll Coordinator, both of whom report to Finance's Accounting Manager. The Payroll Division is responsible for processing the bi-weekly payroll, identifying and addressing any irregularities with management, and for continually supporting City departments with payroll-related matters. The City uses a decentralized payroll processing model whereby the Payroll Division relies on department managers to provide complete and accurate timekeeping data, approve the hours worked, and initiate any necessary timecard adjustments. Time Entry Clerks (TECs) within the various City departments provide timekeeping assistance to managers and supervisors. During FY2019, the City had about 1,700 employees on the payroll, of which about 1,400 were hourly (non-exempt) employees who are entitled to overtime. Overtime is generally calculated at 1.5 times the employee's hourly rate.

Several personnel policies describe the rules related to timekeeping and recording, review and approval of overtime and additional pay. Existing collective bargaining agreements provide additional detail and prevail wherever provisions of the City's personnel policies conflict with the bargaining agreement.

The City's payroll process is supported by four automated systems:

- Kronos Workforce Central, the City's timekeeping system;
- Telestaff, a scheduling program used by the Police Department and the Fire Department to indicate schedule assignments of personnel;
- Oracle, the City's ERP and the payroll system of record; and
- Extra-Duty Solutions, the system used to administer assignments for extra-duty work for the Police Department officers.



## **Statement of Scope**

The scope of the audit was from October 1, 2018 to September 30, 2019 (audit period). Procedures and reviews outside the audit period were conducted as deemed necessary and based on available data. Six City departments including Police, Fire, Public Utilities, Development Services, Public Works, and Parks and Recreation, were selected for targeted audit testing because they accounted for the highest overtime budgets in FY2019. These six departments, except for Development Services, also had the most non-exempt, hourly employees, as well as the highest numbers of retroactive timecard adjustments.

## **Statement of Objectives**

The objectives of this audit were to:

1. Determine whether only eligible persons are paid.
2. Evaluate the controls in place to ensure that employees are paid accurately.
3. Evaluate the controls in place for the review and approval of timecards.
4. Evaluate the controls in place to ensure overtime (OT) is paid accurately and in compliance with established policies and procedures.
5. Evaluate whether system controls adequately support the correct processing and accuracy of payroll data.
6. Evaluate the adequacy of central payroll procedures for supporting the City's payroll and payroll-related processes.

## **Statement of Methodology**

We utilized several audit methodologies to gather evidence and achieve the objectives. These techniques included, but were not limited to:

- Interviews of managers and time entry clerks at the relevant departments to document processes in place for recording and approving payroll and overtime accurately.
- Interviews with the Payroll Division, Finance Department, and Human Resources staff to understand the payroll activities carried out across the City.
- Review of timekeeping and overtime policies and procedures, bargaining agreements, reports, City resolutions, and several other pertinent documents.
- Analysis of overtime budget to actual data.
- Development of a statistical sampling framework to verify key aspects of the overtime review and approval process.
- Conducting various tests and advanced data analytics to identify anomalies and instances of noncompliance.

## **Statement of Auditing Standards**

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

## Audit Conclusions and Summary of Findings

Our assessment of payroll and overtime spending patterns, along with examinations of the controls over the use and distribution of overtime, indicate that the City would benefit from implementing measures to reduce and manage these expenses, ensure all personnel follow City policies regarding payroll and overtime administration, and improve transparency and efficiency. Specific areas of improvement identified were:

**Police Department** – During the audit period, the Police Department had a significant breakdown of controls and lacked adequate oversight surrounding hours worked by police officers. This resulted in excessive overtime that was not strategically managed and could not be directly correlated to population growth or increased crime. Overtime budgets were exceeded in every year from FY2015 thru FY2019. The associated costs in some cases doubled employees' salaries. In other cases, inappropriate payments were made to officers whose hours overlapped, meaning that they logged work hours for multiple locations at the same time. While recommendations include some additional staffing solutions, the main goal should be to reduce the current overtime costs and obtain cost savings. However, until overtime is properly managed, we cannot conclude definitively that additional staffing is needed. Further, adding more staff under the current conditions, without taking significant corrective action would compound the problem, because the issues identified represent a lack of and breakdown of controls. This requires corrective action as indicated in the recommendations.

**Fire Department** – During the audit period, the Fire Department's controls and oversight surrounding hours worked required improvement. The overtime budget increased every year from FY2016 thru FY2019. In the last two fiscal years, the actual overtime budget was less than the budgeted amount. However, overtime remained high and greatly increased employees' salaries. Key factors in the high cost of overtime were changes to union agreements regarding how overtime is earned. Recommendations made in the report address these issues.

**Public Utilities, Development Services, Public Works, Parks and Recreation** – We found that the ratios of overtime pay as a percent of the base earnings were high in the Public Utilities, Public Works, and Development Services Departments, though it appeared reasonable for the Parks and Recreation Department. We also found that the budget to actual variances during the last three fiscal years have been high for Development Services and Parks and Recreation. Recommendations to improve management of overtime budgets and actuals are provided in the report.

**City-wide Overtime Spending** – The City's overtime expense has almost doubled in the last five years, reaching almost \$13 million in FY2019. Further, the City's overtime expense has been under-budgeted by an average of 20% each year. This indicates that the City needs better controls to ensure that the overtime budget is not exceeded. Further, the City may also benefit from obtaining assistance in forecasting and modeling to better manage overtime budgets.

**City-wide Payroll Policies and Procedures** – During the audit period, we found a breakdown of controls due to poor adherence and poor enforcement of payroll policies and procedures. This resulted in excessive amounts of overtime and timecards that were

not approved and was exacerbated by the current practice of processing and paying timecards that have not been approved. During each pay period in FY2019, an average of 11% of the approximately 1,700 timecards processed for payment were not approved. As a direct result of this deficiency, there were over 7,400 retroactive timecard adjustments generated in FY2019, which is excessive and creates inefficiencies. In addition, leave requests that did not have sufficient leave balances were approved and processed for payment. Other policies were not consistently adhered to and are addressed in the report.

**Payroll Staffing** – We found that payroll staffing within Finance was inadequate. In general, there is consistently one person in Finance’s Payroll Division who processes payroll for the entire City. Attempts to fill the other payroll position have not been successful due to high turnover. A similar issue is present at the Police Department, in that one person manages payroll for the Police Department before it is submitted to Finance’s Payroll Division. However, the complexity of the Police Department’s various work hours (regular, overtime, extra duty) requires additional resources to help mitigate the breakdown in controls identified in this report.

## **Noteworthy Accomplishments**

We found knowledgeable and dedicated personnel within Police, Fire, Public Utilities, Development Services, Public Works and Parks and Recreation that were receptive to our recommendations for improvement. The Payroll Division and Human Resources personnel provided data and information in a prompt and courteous manner when requested. We also commend Finance’s Payroll Division and City Administration for taking corrective action regarding enforcement of approving timecards. In addition, we commend the Police Department and Fire Department for being receptive to the findings and their willingness to take swift corrective action.

We also recognized and commended the overtime improvements in the Public Works Department. In FY17, we issued an audit report on Commercial Refuse and identified opportunities to reduce overtime for the Public Works Department. The Department took corrective action and in the two fiscal years following the audit report, the actual overtime was less than in previous years which is a noteworthy accomplishment.

# Opportunities for Improvement

## 1. Excessive Police Department Overtime Spending and Budget

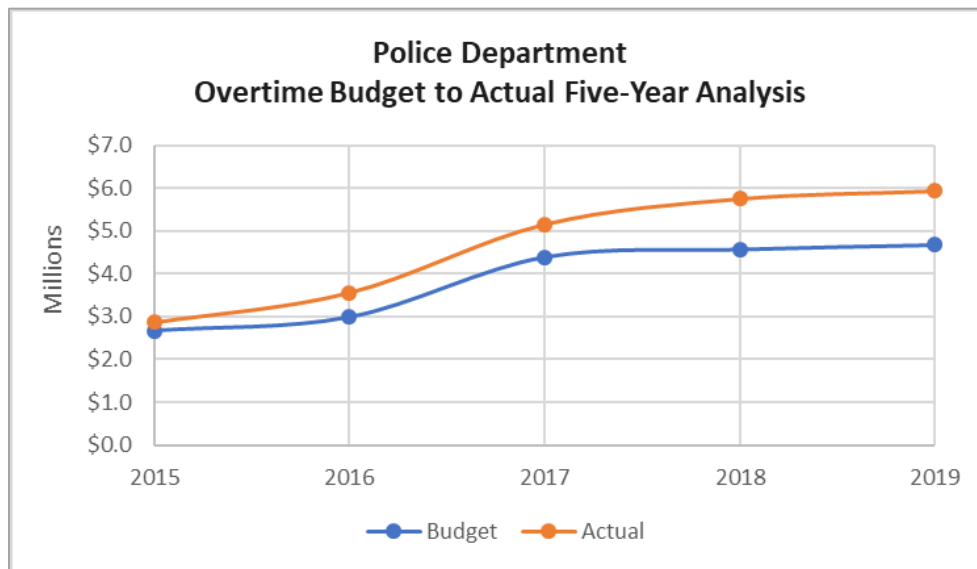
### Criteria

When the Police Department offers a budget that is later adopted, the Police department commits to its budget. Though reasonable and necessary overtime can be expected, overtime budget to actual variances should stay within a reasonable range (e.g.  $\pm 5\%$ ) of the budget.

### Condition

The Police Department's actual overtime expenditure exceeded the budgeted amount every year from FY2015 to FY2019, as shown in the graphic below.

In FY2019, the Police Department exceeded the overtime budget in four of its seven cost centers that had an overtime budget. The department's FY2019 total overtime was budgeted at \$4.7 million while the actual expenditure was \$5.9 million, or 27% over the budget. This pattern indicates a disconnect between budgetary forecasting and scheduling practices, coupled with a lack of supervisory monitoring of cost center budgets and of actual time incurred by personnel.



### Cause

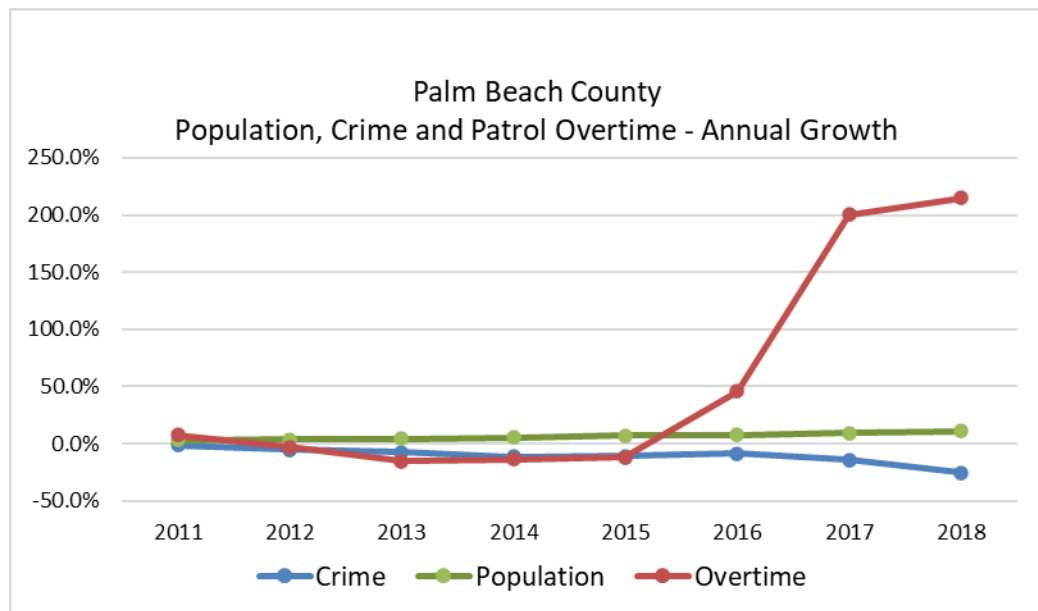
The large budget to actual variations can be attributed to insufficient planning and budgetary control by the Police Department as well as insufficient accountability individually and from management. While the Police Department prepares a quarterly budget to actual analysis, the analysis is at a high level and does not provide any detail on who, where, and why overtime is being incurred. The Budget Division establishes certain benchmarks for the percent of budget that should be used each quarter and discusses large variances with the department. Further, while command staff obtains summaries of overtime by employees from time to time, a formal procedure is not in place to consistently reconcile the summaries from Telestaff to data generated from Oracle.

When trying to fill all the extra overtime, officers can use leave time (paid time off) and work extra-duty overtime the same day, as long as the time-off and the overtime do not occur during the same hours of the day. While this practice is allowed, it can create more overtime due to another officer having to fill the position during the officer's leave.

We were advised that the main factors contributing to overtime increases since FY2016 included a 1. reduced workforce with a growing population, and 2. policing for new programs or initiatives carried out with overtime.

- Reduced Workforce with a Growing Population. We analyzed this rationale and found that the number of allocated sworn positions decreased from 310 in FY2010 to serve a population of 100,000, to 298 to serve a population of 114,000 in FY2019. Further, the Police Department advised that they were not able to reach full staffing through FY2019 due to various constraints.

Given that the Patrol Division is the primary driver of overtime for the Police Department, we analyzed the overtime data as related to population growth and crime rates over eight years. Based on county-wide data and trends<sup>1</sup>, we found that the Patrol Division's overtime budget increased significantly (215% increase) and greatly outpaced population growth (11% increase) and incidences of crime (25% decrease). When overtime is properly managed, the expectation would be that the distribution of overtime increases or decreases proportionate to adequately addressing the conditions. However, in this case the data indicates that the significant spike in overtime could not be clearly correlated to or attributed solely to population growth or increase in crime as shown in the chart below.



<sup>1</sup> Crime data was only available for Palm Beach County. Given the uniform population growth observed throughout the County, the City's statistics are expected to be similar.

- Policing for New Programs and Initiatives Carried out with Overtime. Programs and initiatives carried out with overtime<sup>2</sup> include the following:
  - School District Police Security. (This assignment is discussed further in **Finding 6.**)
  - Presidential Residence Protection Assistance (PPRA)/Dignitary security.
  - Institute of Police Technology and Management Grant (IPTM).
  - Federal Bureau of Investigation (FBI) and other Federal and State task forces.
  - City Commission programs such as Cops and Scholars, Peace in the Streets, and City Hall policing. (These programs are not reimbursed.)
  - CRA Downtown and CRA Northwood/Pleasant City. (These initiatives are significantly paid from Community Redevelopment Agency funding.)

The overtime expense for these programs is fully reimbursed or significantly paid for through non-City sources at agreed-upon hourly rates. The exceptions to this payment structure are: Cops and Scholars, Peace in the Streets, and City Hall Policing. However, these programs and initiatives take resources away from primary policing obligations to the City. Thus, where possible, analyses should be undertaken to identify and disclose the impact of incorporating programs and initiatives.

### **Effect**

The Police Department is critical in ensuring public safety. Thus, when the Police Department spends more than the budgeted amount, the City must cover the difference from other resources in order to maintain a balanced budget. This impacts the delivery of other City programs or services and budget cuts from other departments. Further, insufficient planning, monitoring, and accountability of overtime leads to an overtime cost that is not sustainable in the long term and impacts the financial health of the City.

We performed a high-level calculation of the cost of new full-time hires, including pension costs for the first six salary steps in accordance with the collective bargaining agreement. Our estimate indicates that the annual cost for one full-time officer could be up to \$82,500 at salary step six<sup>3</sup>. The department should use this information to compare the annual overtime expenditure to the cost of hiring additional staff and determine whether continuing with overtime is fiscally sound or if it would be prudent to hire additional staff.

An alternative solution implemented in other agencies to achieve the necessary police staffing without having to bear pension costs, is the creation of new part-time employee classifications. For example, a Class II Officer position would be an individual that works a maximum of 20 hours per week and is authorized to perform routine traffic detail, spectator control and similar duties. Likewise, a Class III Officer position would be for a retired officer<sup>4</sup> that could work in the schools or similar assignments. This officer would

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<sup>2</sup> Information provided by Police Department management. While the City has an agreement for private security services, that expense is separate from the overtime and the extra-duty expense incurred by Police Department personnel.

<sup>3</sup> The estimate used data from the current bargaining agreement, which expires 9/30/2020. The estimate does not include vacation/sick/longevity pay, if applicable, or incentives for higher education, take home vehicles, and additional certifications. The analysis incorporates the City's 2019 recommended pensionable costs of 23.79%.

<sup>4</sup> The Police Department's Special Act Pension describes the manner and limitation of rehiring retired officers, and a legal opinion would be required should the City pursue this option.

already have a pension and be generally paid by the school system, with no maximum number of hours limitation. Both positions would be required to complete all necessary training, and individuals may be issued a firearm when all legal requirements are met. We estimated that part-time officers could cost the City up to \$24,000 annually.

We note that the staffing solutions presented are targeted at decreasing overtime costs at the current level and obtaining needed cost savings. However, until overtime is properly managed, we cannot conclude definitively that additional staffing is needed. Further, adding additional staff under the current conditions as described in the various findings in the report, without taking significant corrective action, would compound the problem, because the issues identified represent a lack of and breakdown of controls.

### **Recommendation 1**

The Police Department should implement cost containment and reduction measures for overtime expenses by:

- a. Adopting standardized, data driven planning, budgeting, and forecasting procedures to ensure reasonable levels of budget to actual variances.

To this end, the department should consider the alternatives presented above to hire additional staff while reducing overtime expenditures, in conjunction with additional analyses deemed necessary. Analyses should be data driven to verify hours needed to maintain and reduce crime rates, and to carry out all policing programs and initiatives. If the option of rehiring retired officers is considered, a legal opinion would be required to discern the limitation in the Special Act Pension related to this topic.

- b. Implementing statistical modeling to help forecast and predict staffing needs for all existing programs and initiatives that are carried out with overtime. Forecasts and predictive modeling are not perfect, but an enforced and practical methodology can help mitigate the risks of excessive spending and increase workforce efficiency.
- c. Where possible, analyses should be conducted to identify and disclose the impact of incorporating programs and initiatives in advance.

See **Finding 2** recommendations regarding management reports and data reconciliations as a means to increase control of overtime hours incurred.

### **Management Response**

It is notable that the current Police Chief and the Deputy Police Chief were appointed to their positions in June 2019, more than halfway through the audit period, and were not previously employed by the City.

The Police Department agrees with this recommendation. While the overtime cannot be correlated to a precipitous rise in crime, overtime was used to address specific hot spots and crime trends. A significant change to the pension system in 2012 resulted in a large group of officers entering into the DROP in order to leave prior to October 1 of 2017. The earlier than scheduled retirements resulted in the Department's inability to reach full

employment and a considerable increase in overtime to meet minimum staffing requirements and address those hot spots and crime trends. The Department continues to hold vacancies and hiring long term quality employees has become more challenging due to the current compensation for officers falling near the bottom of entry level offerings in the county.

The Police Department will collaborate with the IT and Finance Department, if necessary, to implement forecasting procedures for the budget process and statistical modeling for staffing needs. (CID OT tracking by case).

Command Staff is in the process of evaluating a Reserve Officer program for consideration to help address staffing needs and extra duty overtime requests.

The Department will implement a process for requesting new programs, that will incorporate a financial impact assessment either prior to or soon after implementation when public safety is at risk, to facilitate evaluation of the program's cost benefit analysis.

**Target Implementation Date:** February 26, 2021



## 2. Insufficient Police Department Overtime Earnings Controls

### Condition

In FY2019 overtime paid by the City significantly increased the earnings of some employees, doubling the base salary in some cases. An analysis of the top-20 Police Department earners of City-paid overtime showed that the amount of overtime as a percent of the base earnings was more than 75% for 11 of these officers. In two cases, the base salary was doubled with the overtime earnings; in one case, overtime represented 141% of the base earnings. All top-20 earners are senior employees with more than 10 years of service.

In addition to overtime, officers earn other contractual salary payments<sup>5</sup>, including longevity, retirement, and other salary payments. When all the payments were included, the total earnings for the top-20 earners of City-paid overtime were up to \$199,970 in FY2019, as shown in the following table. It should be noted that when vendor-paid overtime was added, three officers earned upwards of \$225,000 as discussed below.

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<sup>5</sup> Other salary pay is a contractually agreed upon compensation benefit other than an employee's regular wages such as holiday pay, job differential pay, uniform allowance, hazardous duty benefit, life and accidental death benefit, education degree, and specialty certificates, among others.

**Police Department Overtime to Base Salary Ratio FY2019**  
**Top-20 City-Paid Overtime Earners**

Top Earners of Overtime (Sorted by Overtime to Base Salary Ratio)	Base Salary	Other Salary Pay	Retirement Payouts <sup>6</sup> or Longevity Pay <sup>7</sup>	City-Paid Overtime Earning	Total Earnings, Including Overtime	Overtime to Base Salary Ratio	City-paid Overtime Hours
Employee 1	\$47,305	\$4,755	\$59,890	\$66,824	\$178,773	141%	1,013
Employee 2	\$74,226	\$4,021	-	\$74,705	\$152,951	101%	1,406
Employee 3	\$99,926	\$2,967	-	\$97,076	\$199,970	97%	1,375
Employee 4	\$71,536	\$1,785	-	\$66,086	\$139,407	92%	1,283
Employee 5	\$73,941	\$1,752	-	\$67,241	\$142,934	91%	1,257
Employee 6	\$88,640	\$5,555	-	\$78,679	\$172,875	89%	1,225
Employee 7	\$104,917	\$2,180	-	\$83,291	\$190,388	79%	1,098
Employee 8	\$90,990	\$5,125	-	\$72,097	\$168,213	79%	1,097
Employee 9	\$87,458	\$3,725	-	\$68,594	\$159,777	78%	1,073
Employee 10	\$99,926	\$2,973	\$4,996	\$78,079	\$185,975	78%	1,071
Employee 11	\$95,166	\$6,161	\$4,759	\$72,532	\$178,618	76%	1,043
Employee 12	\$79,746	\$4,097	-	\$57,969	\$141,812	73%	1,006
Employee 13	\$86,046	\$3,133	-	\$62,230	\$151,409	72%	1,012
Employee 14	\$90,634	\$4,638	-	\$65,248	\$160,520	72%	994
Employee 15	\$91,666	\$1,319	-	\$62,449	\$155,435	68%	946
Employee 16	\$86,960	\$1,636	-	\$57,186	\$145,781	66%	914
Employee 17	\$88,814	\$1,310	\$4,441	\$53,111	\$147,776	60%	824
Employee 18	\$93,910	\$3,616	-	\$53,135	\$150,661	57%	786
Employee 19	\$104,035	\$6,157	-	\$53,790	\$163,982	52%	717
Employee 20	\$114,950	\$5,510	\$5,748	\$55,021	\$181,229	48%	655

**Extra-Duty and Outside Employment Program**

The City allows officers to engage in extra-duty work and outside employment, by which officers provide off-duty security for private entities and are paid directly by a third-party vendor. In FY2019, the Police Department recorded 81,400 of extra-duty and outside employment hours.

Although outside employment is not a City-cost it could impair the officers' ability to perform their duties as discussed in the effect. One concern is that the number of hours added by the outside employment are not monitored to ensure that the maximum number of work hours are not exceeded (16 hours over a 24-hour rolling period.) See **Finding 3**.

Of the top-20 vendor-paid overtime earners, four officers logged more than 1,300 hours of vendor-paid overtime, which represented additional income from \$55,280 to \$64,411. One officer accumulated 1,500 vendor-paid hours. When the vendor-paid wages are considered, three officers earned upwards of \$225,000 in FY2019 as indicated in the following table.

<sup>6</sup> Retirement payouts are monies paid upon retirement for compensatory time, vacation, sick and/or used earned personal leave amounts accumulated up to the retirement date.

<sup>7</sup> Longevity pay, instituted prior to 2010, is a contractually agreed upon compensation benefit given to an officer based on seniority. Longevity pay of 5% begins after 10 completed years of service and increases to 10% after 20 years of service. Employees grandfathered into receiving longevity benefits under prior collective bargaining agreements continue to receive the longevity benefit in the current agreement.

**Police Department City-Paid and Vendor-Paid Overtime Estimated Earnings  
FY2019 Top-20 Earners**

<b>Top Earners of City and Vendor-Paid Overtime (Sorted by Total Income)</b>	<b>Base Salary</b>	<b>Other Salary Pay<sup>1</sup></b>	<b>City-Paid OT Hours</b>	<b>City-Paid OT Pay</b>	<b>Vendor-Paid OT Hours</b>	<b>Vendor Paid OT Pay</b>	<b>Total Income</b>
Employee 1	\$146,055	\$22,219	65.00	\$4,569	1,342.50	\$60,310	<b>\$233,154</b>
Employee 2	\$99,926	\$2,967	1,375.00	\$97,076	744.50	\$32,563	<b>\$232,532</b>
Employee 3	\$157,327	\$8,162	906.50	\$52,665	156.00	\$6,420	<b>\$224,574</b>
Employee 4	\$109,778	\$3,219	528.00	\$41,800	1,376.50	\$62,255	<b>\$217,052</b>
Employee 5	\$99,926	\$7,969	1,070.91	\$78,079	433.50	\$19,240	<b>\$205,214</b>
Employee 6	\$90,990	\$5,125	1,097.00	\$72,097	817.00	\$36,110	<b>\$204,322</b>
Employee 7	\$104,917	\$2,180	1,098.00	\$83,291	260.50	\$11,781	<b>\$202,169</b>
Employee 8	\$90,634	\$4,638	994.25	\$65,248	949.50	\$38,773	<b>\$199,293</b>
Employee 9	\$114,950	\$11,258	654.50	\$55,021	283.50	\$12,920	<b>\$194,149</b>
Employee 10	\$95,166	\$10,920	1,042.50	\$72,532	385.00	\$15,480	<b>\$194,098</b>
Employee 11	\$88,640	\$5,555	1,224.50	\$78,679	381.00	\$15,240	<b>\$188,115</b>
Employee 12	\$87,458	\$3,725	1,073.25	\$68,594	538.25	\$21,280	<b>\$181,057</b>
Employee 13	\$146,055	\$20,190	47.50	\$3,339	121.50	\$6,910	<b>\$176,494</b>
Employee 14	\$106,514	\$5,237	658.50	\$50,816	303.00	\$13,640	<b>\$176,208</b>
Employee 15	\$137,927	\$20,883	57.50	\$3,820	234.48	\$11,931	<b>\$174,561</b>
Employee 16	\$75,080	\$10,912	962.50	\$52,649	844.50	\$35,137	<b>\$173,778</b>
Employee 17	\$133,698	\$20,524	8.00	\$108	406.00	\$19,200	<b>\$173,529</b>
Employee 18	\$91,666	\$1,319	945.50	\$62,449	384.25	\$18,055	<b>\$173,490</b>
Employee 19	\$93,910	\$3,616	786.33	\$53,135	491.75	\$21,813	<b>\$172,474</b>
Employee 20	\$111,142	\$2,839	391.67	\$31,241	611.98	\$26,069	<b>\$171,292</b>

<sup>1</sup> Other salary pay is a contractually agreed upon compensation benefit other than an employee's regular wages such as holiday pay, job differential pay, uniform allowance, hazardous duty benefit, life and accidental death benefit, education degree, and specialty certificates, among others. For purposes of this table, Other Salary Pay includes longevity pay.

**Pensionable Overtime Hours**

The maximum number of overtime hours that can be pensionable is 300. We found that approximately 50% (143) of all 298 sworn officers met the 300-hour threshold for pensionable overtime in FY2019; therefore, working overtime beyond 300 hours only increased the earnings and was not related to maximizing pension benefits.

**Criteria**

If the department determines that overtime is the most cost-effective solution to meet staffing needs, overtime must be closely monitored through management reports to ensure fiscal viability and optimal performance of officers.

**Cause**

Ratios for acceptable overtime earnings to base pay earnings have not been established at the City. The City has not implemented limits for the number of overtime hours and/or the number of total hours worked per week or per pay period. The only limitation that

exists is the policy that states that officers cannot work more than a total of 16 hours over a 24-hour rolling period, but this policy is not tracked or enforced (see **Finding 3**).

Additionally, data collection and reporting for overtime activity, including hours and cost, are not adequate. Currently, there are no reports available for supervisors and managers to be able to keep overtime within reasonable levels. Without reports on overtime usage, supervisors are not able to effectively control overtime for officers and determine who works what and when. Without detailed data and activity reports, it is difficult to verify that staffing shortages are the main driver of overtime.

The Police Department has a mechanism in place to create an overtime summary report each pay period from TeleStaff data, but this report had not been generated since February 2019. One reported challenge was that TeleStaff only allows for the report to be summarized by pay period and it is very time consuming for support personnel to keep the process up to date. Additionally, the report is not designed to analyze the overtime hours per individual employee.

In general, the City's Police Officer's entry-level pay grades lag behind the current market. This pay discrepancy may present in different ways such as low morale or decreased performance. In this case, it may be a factor in excessive overtime in that officers may seek opportunities to make up the pay gaps through additional City-paid or vendor-paid overtime.

### **Effect**

When overtime occurs so frequently that it becomes a part of an organization's culture, overtime trends can go unidentified, unquestioned and inadequately budgeted for, causing employers to miss cost-saving opportunities. Inordinate levels of overtime increase long-term exposure for the City by way of pension liabilities. Further, fatigue sets in which can lead to injuries or accidents, decreased awareness, delayed response, or inappropriate responses in high-stress situations.

When conditions are: 1. controls are weak or virtually nonexistent it creates an **opportunity**, 2. there is a need which creates **pressure**, and 3. there is a pay discrepancy which permits **rationalization** of actions, the organization now has the three elements of the fraud triangle and it becomes highly likely that fraud may occur or could be occurring undetected. One's capabilities also factor into the likelihood of fraud occurring.

### **Recommendation 2**

The Police Department should ensure adequate monitoring of overtime by:

- a. Developing the reports and tools necessary for supervisors to evaluate whether overtime is justified or could be minimized or avoided. Comparison of budgeted overtime from TeleStaff to actual overtime data in Oracle for every pay period should be implemented.
- b. Closely monitoring and correctly managing overtime to ensure overtime costs do not exceed financial gains if the department determines that overtime is the most cost-effective solution to meet their staffing needs.

- c. In addition to the standard that limits the total hours worked in any 24-hour rolling period, consider the implementation of overtime earning boundaries by limiting the number of overtime hours and/or the number of total hours worked per week or per pay period.

### **Management Response**

The Police Department agrees with this recommendation. There are policies about individual entries, but no comprehensive reporting required by unit or assignment.

Develop Division/Unit specific daily, weekly, and monthly reports for overtime usage. Support personnel will provide cost impact data on submitted reports and collaborate with IT on publishing costs for supervisors to view in relation to the budget. Implement a timeline for submission of reports and required action for redress if applicable.

Daily hour limits will be enforced and resulting impact to the volume of overtime and fatigue risks will be assessed to determine if further limits are necessary.

**Target Implementation Date:** February 26, 2021

### 3. Insufficient Controls Over Police Regular and Extra-Duty Hours

#### Condition

The standard full-time employee regular hours are 2,080 hours per year. We found that Police Officers work substantially more hours beyond the standard. In FY2019, 20 officers worked an additional 1,362 to 2,120 hours between City-paid and vendor-paid overtime, which equates to 49 to 72 hours every week of the fiscal year. Such workload is excessive and unsustainable, negatively impacts work life balance, and can create a pressurized environment where officers could make mistakes.

Although a policy is in place to limit the number of total hours worked in a rolling 24-hour period to 16 hours, a procedure is not in place to ensure that personnel do not exceed the allowed maximum. A policy is also not in place to limit the number of hours worked each week or in a pay period. Working excessive amounts of overtime creates fatigue and can impede performance.

Lack of control over the City's extra-duty and special events policy, which allows officers to provide off-duty security for private entities, raises additional costs and safety concerns (see **Finding 4**).

#### Fatigue Factor

We conducted an analysis of the regular and overtime hours for three officers that logged hours every day during a two-week period using TeleStaff data<sup>8</sup>. These officers logged 200, 165, and 190 hours, respectively, during the two-week period analyzed. The figures below illustrate the daily activity for the selected officers and show that the 16 work hours in a rolling 24-hour period was exceeded 5, 4 and 3 times, respectively.

In Example 1 for instance, the officer logged 200 hours and had no days off to rest and recover; instead the officer worked consecutive overtime shifts on Day 5 through Day 8. From Day 9 through Day 12, three out of four regular shift days were followed with overtime shifts, likely to fill a staffing shortage. On Day 13 the officer returned to work 18.5 overtime hours. Officers in examples 2 and 3 had similar work patterns.

Examples 4 and 5 illustrate officers working larger periods without days off. The 16 work hours in a rolling 24-hour period was exceeded 2 and 11 times, respectively, during the period. In example 5, the officer worked 660 hours in a 49-day period<sup>9 10</sup>.

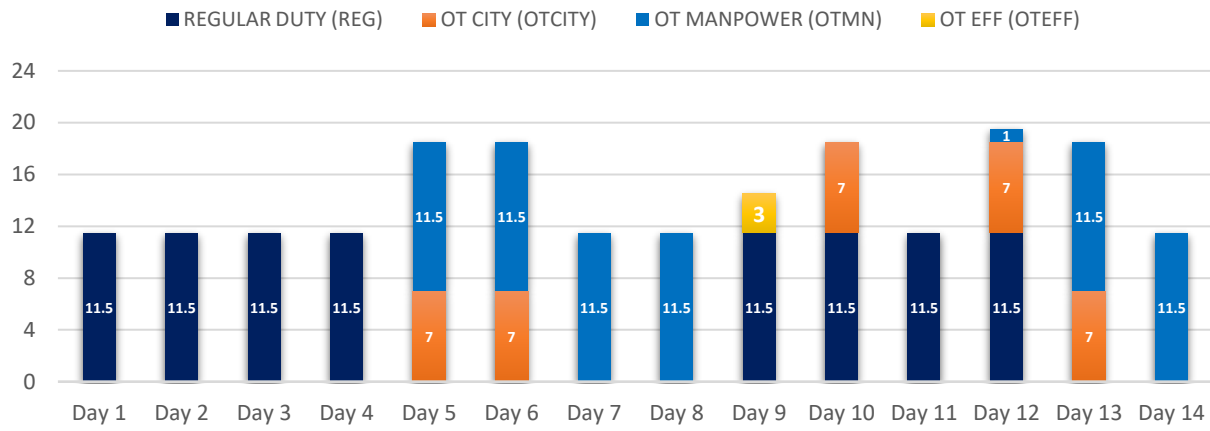
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<sup>8</sup> The analysis did not evaluate the specific circumstances that caused the continuous work over the periods assessed, nor did it evaluate any subsequent adjustment of the hours worked by the employees.

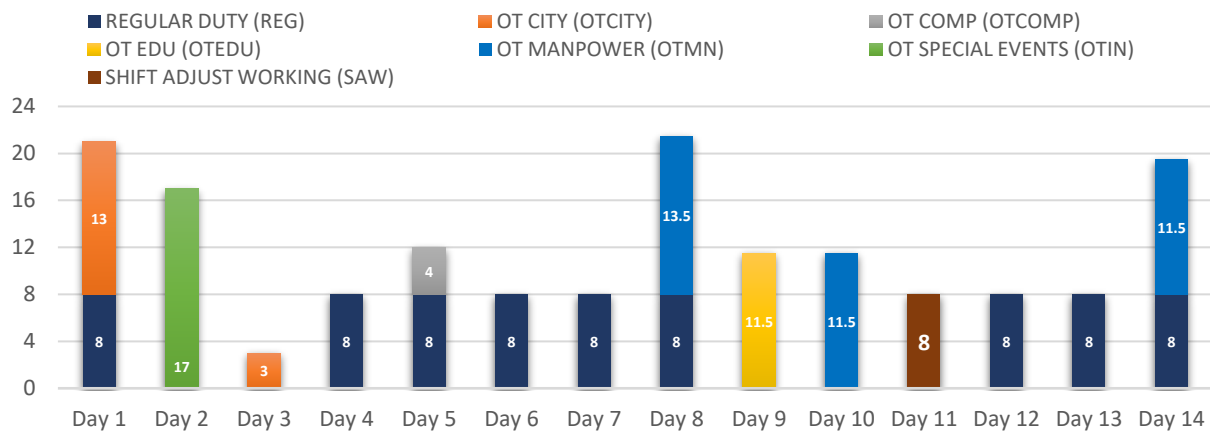
<sup>9</sup> The period included 61 hours from Day 22 to Day 27 dedicated to emergency response in the Florida Panhandle related to Hurricane Michael.

<sup>10</sup> Exhibit A shows a description of the abbreviations used in the graphics that follow.

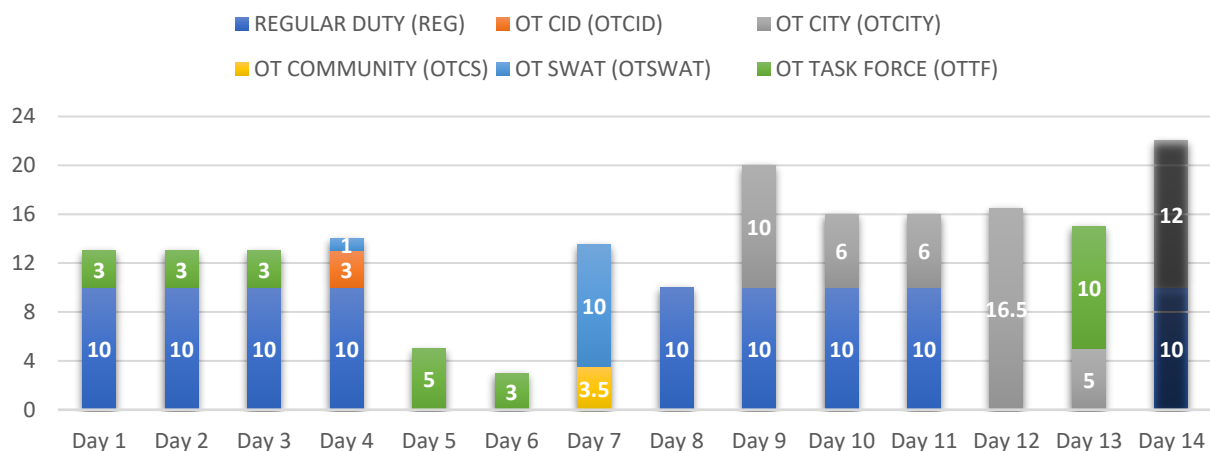
**Example 1: One Officer logged 200 hours in a 14-day period  
(11/12/18-11/25/18)**



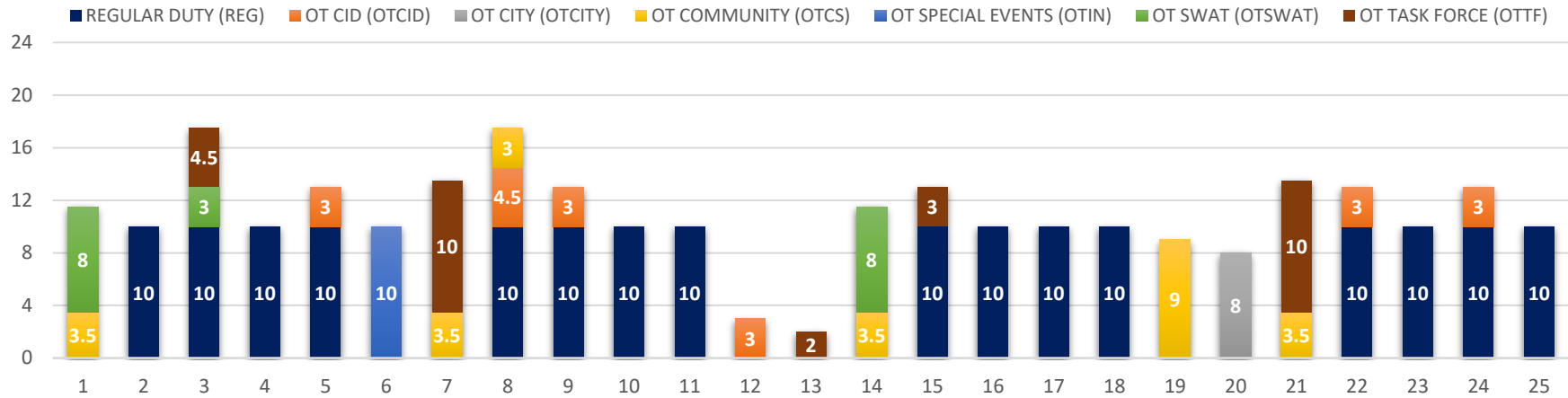
**Example 2: One Officer logged 165 hours in a 14-day period  
(10/26/18-11/08/18)**



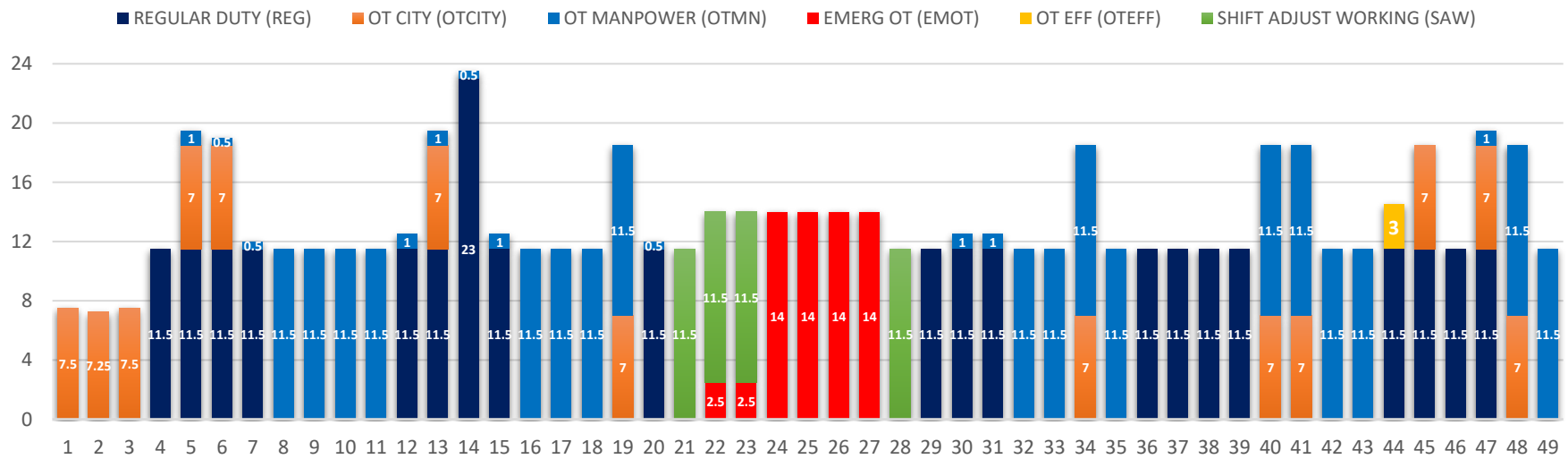
**Example 3: One Officer logged 190 hours in a 14-day period  
06/11/18-06/25/18**



### Example 4: One Officer logged 272 hours in a 25-day period (2/25/19-3/22/19)



### Example 5: One Officer logged 659.75 hours in a 49-day period (10/08/18-11/25/18)





## Excessive Number of Overtime Hours

Working substantial hours of overtime is not uncommon. During FY2019, Police Department personnel accumulated nearly 197,000 overtime hours, with 115,000 hours paid for by the City, and 81,000 hours paid for by third-party vendors<sup>11</sup>.

### ▪ Overtime Hours of the Top-20 Earners of CITY-PAID Overtime

An analysis showed that the top-20 earners of City-paid overtime worked an average of 28.6 hours of overtime per week during FY2019, of which 20 hours (70%) were paid by the City and 8.6 hours (30%) were paid by third parties. When adding the 40 hours of regular-duty work hours and subtracting leave hours, each of the top-20 worked, on average, 63.5 hours each week for the entire fiscal year. Based on these figures (regular hours and City-paid overtime hours), the limitation of 16 work hours in a rolling 24-hour period could have been exceeded weekly multiple times.

**Top-20 Earners of City-Paid Overtime<sup>5</sup>  
Average Weekly Overtime (OT) and Regular Hours – FY2019**

<b>Officer Analysis Number</b>	<b>Average No. of City-Paid OT Hours Per Week in a Year<sup>1</sup></b>	<b>Average No. of Vendor- Paid OT Hours Per Week in a Year<sup>2</sup></b>	<b>Average No. of Total OT Hours per Week in a Year<sup>3</sup></b>	<b>Average No. of On-Duty &amp; Off-Duty Hours Per Week in a Year<sup>4</sup></b>
Officer 1	26.4	14.3	40.8	71.7
Officer 2	19.1	18.3	37.4	71.6
Officer 3	21.1	15.7	36.8	71.3
Officer 4	24.7	8.7	33.3	70.1
Officer 5	24.2	12.1	36.3	68.9
Officer 6	23.5	7.3	30.9	67.4
Officer 7	19.5	9.1	28.6	66.4
Officer 8	20.6	10.4	31.0	66.0
Officer 9	20.6	8.3	28.9	65.5
Officer 10	19.3	9.1	28.5	64.8
Officer 11	27.0	0.0	27.0	64.3
Officer 12	17.6	9.4	27.0	62.8
Officer 13	20.0	7.4	27.5	62.4
Officer 14	21.1	5.0	26.1	61.4
Officer 15	15.8	9.3	25.2	59.8
Officer 16	19.5	4.6	24.0	59.0
Officer 17	15.1	9.5	24.6	57.6
Officer 18	18.2	7.4	25.6	56.2
Officer 19	12.6	5.5	18.0	54.5
Officer 20	13.8	0.3	14.1	49.2
<b>Average</b>	<b>20.0</b>	<b>8.6</b>	<b>28.6</b>	<b>63.5</b>

<sup>1</sup> Calculated by dividing the total annual number of City-paid overtime hours by 52 weeks in a year.

<sup>2</sup> Calculated by dividing the total annual number of vendor-paid overtime hours by 52 weeks in a year.

<sup>3</sup> Calculated by adding the average City paid and vendor-paid weekly overtime hours.

<sup>4</sup> Calculated by adding 40 hours per week of regular on-duty time and subtracting leave time.

<sup>5</sup> Top-20 are defined as the employees that earned the most City-paid overtime.

<sup>11</sup> Overtime paid by the City represents additional hours necessary to continually fill staffing needs or to complete ongoing assignments, as well as hours for policing City-related activities. Overtime paid by third-party vendors relates to events contracted by a private entity and paid at contract rates pursuant to collective bargaining agreements.

- Overtime Hours of the Top-20 Earners of **VENDOR-PAID** Overtime

An analysis showed that the top-20 earners of vendor-paid overtime worked an average of 25.2 hours of overtime, each week, of which 6.5 hours (26%) were paid by the City and 18.7 hours (74%) were paid by third parties. Adding 40 hours of regular-duty work hours and subtracting leave hours, each of the top-20 worked, on average, worked 60 hours each week for the entire fiscal year. Based on these figures (regular hours and vendor-paid overtime hours), the limitation of 16 work hours in a rolling 24-hour period could have been exceeded multiple times in a week.

**Top-20 Earners of Vendor-Paid Overtime<sup>5</sup>  
Average Weekly Overtime (OT) and Regular Hours**

<b>Officer Analysis Number</b>	<b>Average No. of City-Paid OT Hours Per Week in a Year<sup>1</sup></b>	<b>Average No. of Vendor-Paid OT Hours Per Week in a Year<sup>2</sup></b>	<b>Average No. of Total OT Hours (City &amp; Vendor Paid) per Week in a Year<sup>3</sup></b>	<b>Average No. of On-Duty &amp; Off-Duty Hours Per Week in a Year<sup>4</sup></b>
Officer 1	19.1	18.3	37.4	71.6
Officer 2	21.1	15.7	36.8	71.3
Officer 3	18.5	16.2	34.8	70.8
Officer 4	10.2	26.5	36.6	70.7
Officer 5	4.7	25.1	29.8	66.9
Officer 6	4.0	29.1	33.1	66.2
Officer 7	1.3	25.8	27.1	62.8
Officer 8	6.9	17.4	24.3	60.1
Officer 9	0.0	21.9	21.9	59.0
Officer 10	7.6	15.1	22.7	58.1
Officer 11	1.9	18.8	20.6	56.0
Officer 12	4.7	16.4	21.1	55.8
Officer 13	7.6	15.2	22.8	55.5
Officer 14	5.8	16.3	22.0	55.4
Officer 15	2.7	16.0	18.7	55.0
Officer 16	1.2	17.0	18.2	54.3
Officer 17	5.6	14.6	20.2	54.2
Officer 18	3.1	16.3	19.5	53.1
Officer 19	2.7	14.6	17.3	52.2
Officer 20	1.4	16.8	18.3	51.6
<b>Averages</b>	<b>6.5</b>	<b>18.7</b>	<b>25.2</b>	<b>60.0</b>

<sup>1</sup> Calculated by dividing the total annual number of City-paid overtime hours by 52 weeks in a year.

<sup>2</sup> Calculated by dividing the total annual number of vendor-paid overtime hours by 52 weeks in a year.

<sup>3</sup> Calculated by adding the average City paid and vendor-paid weekly overtime hours.

<sup>4</sup> Calculated by adding 40 hours per week of regular on-duty time and subtracting leave time.

<sup>5</sup> Top-20 are defined as the employees that earned the most vendor-paid overtime.

**Criteria**

Police Department SOP II-3, *Special Events, Extra-Duty Details and Outside Employment*, establishes that the total number of hours worked in any 24-hour rolling period cannot exceed 16 hours, as described in Section VIII, Ineligibility, Item Q.

Exceptions include any employee ordered to work in accordance with the collective bargaining agreement.

Additionally, best practices related to managing payroll and overtime require clear data collection and reporting procedures to alert employees and managers when overtime thresholds are exceeded, and to identify inappropriate overtime patterns among employees or for specific activities or programs.

### **Cause**

Although detailed policies exist to limit the number of hours worked in any 24-hour rolling period, there are no specific procedures or mechanisms in place to ensure that policies are actually followed. Further, there are no policies in place to limit the number of overtime hours in one week or in a single pay period.

Inadequate data collection, reporting and monitoring of overtime activity, including regular and off-duty hours and cost, is at the root cause for the excessive number of overtime hours. This condition limits police supervisors' ability to effectively control overtime for patrol officers. There are no reports available for supervisors and managers to be able to manage excessive overtime. While the main cause of overtime has been attributed to staffing shortages, without detailed data and activity reports, it is difficult to verify that staffing shortages are definitively the main driver of overtime.

### **Effect**

Long work hours cause fatigue, impair performance and can create a public safety concern. Researchers<sup>12</sup> have documented that officers who work excessive overtime:

- Were more prone to accidents and injuries on duty.
- Had a higher risk of injury or death in the line of duty.
- Had a higher incidence of burnout, which can lead to early retirement.
- Used sick time more often.
- Had increased time-management issues.
- Fell asleep more on duty.

### **Recommendation 3**

City Administration, in conjunction with the Police Department, should strengthen controls around the maximum allowed work hour thresholds and mitigate the fatigue factor, by:

- a. Ensuring that officers comply with the existing 16 hours in a rolling 24-hour period working limitation by developing a procedure to compile and monitor the regular and extra-duty hours worked.

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<sup>12</sup> Bryan Vila, Gregory Morrison, and Dennis Kenney, "Improving Shift Schedule and Work-Hour Policies and Practices to Increase Officer Performance, Health, and Safety." *Police Quarterly*, April 2002. (2) Dennis Lindsey "Police Fatigue: An Accident Waiting to Happen." *FBI Law Enforcement Bulletin*, August 2007.

- b. Implementing additional restrictions for the maximum number of hours worked per week or per pay period, in addition to the existing 16 hours in a rolling 24-hour period limitation. (See **Finding 1**)
- c. Developing detailed procedures to compile the regular and extra-duty hours worked to guarantee that officers do not exceed the existing and the newly developed weekly or per pay period workload thresholds. Procedures should include documentation trail and review steps.
- d. Continually monitoring adherence to the established overtime and total work hours thresholds, and reporting to upper management on a periodic basis.
- e. Maximizing the reporting capability of TeleStaff and EDS to create reports to track and monitor City-paid and Vendor-paid overtime. Officer overtime reports should include:
  - Total hours of overtime within a relevant period such as day, week, pay-period, etc.
  - Total hours and number of instances of report-writing overtime.
  - Total hours and number of instances of late-call overtime.

Patrol sergeant reports should include:

- Number of times personnel shortage overtime is used above shift minimums.
- Number of times leave is approved above the threshold.
- Number of times overtime is used to back-fill positions vacated for discretionary training.

### **Management Response**

Administration and the Police Department agree with this recommendation. Management has requested IT consider a transition from Telestaff to On Duty Solutions, which has the benefit of a joint calendar for on duty and extra duty work. IT is in the process of upgrading Telestaff for Police and Fire and has requested Police wait to embark upon this project until after the upgrade is complete. The upgrade has been in process for a year or more and while Telestaff will integrate more fully with Kronos, it will not have the added function of automatically merging regular and extra duty job calendars. Telestaff does not have the features identified as most valuable when EDS was selected over Power Details. EDS collects payments from vendors, ensures officers verify time and are paid for their work hours at the contracted rates. Cash payments to officers were eliminated and taxable income reporting is consolidated for employees working extra duty details. On Duty Solutions does have the ability to create flat files for integration with Kronos and would facilitate the integrated scheduling and reporting requested in this recommendation.

The reporting described in the management response to Recommendations 1 and 2 will be developed to include the Patrol Sergeant report issues identified in the latter half of Recommendation 3e.

**Target Implementation Date:** February 26, 2021

## 4. Poor Controls Over Police Extra-Duty and Outside Employment

### Condition

The management systems and controls in place to ensure compliance with the special events, extra-duty, and outside employment program (hereinafter referred to as “the Program”) policies are not effective.

The following specific control breakdowns were noted. Taken as a whole, these problems create risk of abuse, potential theft of time, and require immediate change.

- Lack of a process to verify that the regular hours modified in order to work vendor-paid details were actually worked.
- Lack of independent verification that the number of extra-duty hours entered in Telestaff by the officers match the number of hours registered in Extra Duty Solutions (EDS) the software that currently manages extra-duty work.
- Lack of controls to ensure that officers are not selecting and working more than one extra-duty detail per day or more than 30 details per month.
- Lack of a procedure to account for travel time between off-duty and on-duty work and vice-versa.
- Lack of procedures to verify arrival and departure to assigned to extra-duty jobs.<sup>13</sup>
- Lack of procedures to compile the regular duty and the extra-duty hours to verify that the 16 maximum hours worked in a 24-hour rolling period are not exceeded.
- Lack of procedures to reconcile regularly scheduled city-paid hours, vendor-paid hours recorded versus hours actually paid.

This audit identified specific problems including an excessive number of combined regular duty and extra-duty hours that can cause fatigue and jeopardize public service as described in **Finding 3**. We also found instances of overlap in time reported for off-duty employment while also working regular duty, as well as instances where the make-up of regular hours taken to work vendor-paid details could not be verified as described in **Finding 5**.

### Criteria

There are several articles within SOP II-3, Special Events, Extra-Duty Details and Outside Employment that describe the controls necessary for the program to function effectively. These include Section VI, Supervisory Responsibilities, Items I and F; and Section XI, Signing for Extra-Duty Details, Item D and E.

Operationally, and for the Program to function effectively, there has to be an adequate management structure with sufficient dedicated resources, clear accountability mechanisms, effective procedures, and adequate technology that yields the data necessary for oversight and control.

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<sup>13</sup> A report by the Palm Beach County Office of Inspector General (Audit Report 2019-A-001, dated September 18, 2019) found no evidence that City officers called in to dispatch at the assigned start time for 27% of sampled extra-duty invoices assignments paid by the County. The audit also found no evidence that City officers called into dispatch when ending service in 59% of the sampled invoices.

## Cause

We found the following causes for the conditions described above:

- **Program Structure.** The existing volume of work and oversight requirements of the Program do not have adequate resources to ensure effective program management. Currently, there are approximately 1,500 vendor-paid details every month. All administrative and oversight duties, including approval, assignment and scheduling of officers, are the responsibilities of one Special Events Coordinator. We noted that the Special Events Coordinator was in the top-20 of city and vendor paid overtime hours earned. Thus, having only one assigned employee to manage the entire program weakens controls, creates segregation of duties concerns, and results in poor program management.
- **Accountability for Compliance.** Although the roles and responsibilities of the Special Events Coordinators are clearly described in policy, such duties are not being fulfilled and accountability for enforcing control policies is unclear.
- **Technology and Data Accessibility.** The Police Department does not have direct access to the data necessary to properly oversee the Program. Basic data like the combined number of hours worked in regular duty and extra-duty jobs, the times all details are worked, the recovery of regular hours used to work extra-duty details, or the amount of money earned by employees from extra-duty work, resides in different systems. A critical issue is the lack of an interface between EDS and the City's timekeeping and financial systems (TeleStaff, Kronos, and Oracle).

Because of the fragmentation of data across multiple systems, ongoing consolidation of data is needed to ensure compliance with policy and to prevent abuse. This is currently a labor-intensive effort that could require a dedicated resource.

- **Policies and Procedures.** There is a need to regulate certain processes to increase control and minimize abuse. Additionally, although detailed policies exist for the Program, certain specific procedures need to be defined in order to carry out the policies.
- **Police Officer Pay.** As mentioned previously, in general, the City's Police Officer's entry-level pay grades lag behind the current market. This pay discrepancy may present itself in different ways. In this case, it may be a factor in the excessive number of hours worked, as officers may seek opportunities to make up the pay gaps through additional work.

## Effect

The combination of 1. inadequate management and oversight, 2. automated systems that do not communicate with one another, and 3. the absence of essential data, results in an ineffective control structure that cannot manage the Program. These conditions contribute to excessive overtime levels that can lead to fatigue, generate public safety concerns, potential overpayments, and potential theft of time.

As mentioned previously, when the three elements of the fraud triangle (opportunity, pressure, rationalization) are present, it becomes highly likely that fraud may occur or could be occurring undetected.

#### **Recommendation 4**

The Police Department should make changes necessary to strengthen controls over the extra-duty and outside employment program, provide sufficient oversight to achieve accountability, and ensure compliance with SOP II-3. Changes can be accomplished in the areas below as follows:

##### **a. Program Structure**

- Re-evaluating the supervisory hierarchy and oversight roles and responsibilities of the Special Events Coordinator in-charge.
- Distributing and/or reassigning responsibilities among other Department employees, including civilian resources to assist with planning, coordination, and oversight.

##### **b. Improving Accountability**

- Redefining accountability mechanisms as necessary to hold Special Events Coordinators and supervisors responsible for enforcement of SOP II-3.
- Enforcing compliance with policy for officers to go in and out of service on the radio to allow verification of attendance, and for supervisors to look for officers that do not comply or that do not show up on an attendance roster.
- Conducting a full reconciliation of timecards for the remainder of employees that work extra-duty details and perform outside employment that were not reviewed in the audit to determine if there are other instances of timecard conflicts.

##### **c. Program Policies**

- Modifying the current policy that allows the entry of vendor-paid time in TeleStaff directly by the officer, to have such time entered by another independent employee in an oversight role.
- Adding limitations to the number of weekly hours worked to help ensure compliance with the maximum number of hours allowed.
- Developing a policy to require authorization in advance to work flexible hours to accommodate vendor-paid details.
- Developing a make-up time policy to address changes to regular hours in order to work vendor-paid details within the same time period.

##### **d. Improving Technology and Access to Data**

- Dedicating resources to finding one automated solution that can support all aspects of the extra-duty and outside employment program, satisfy all data needs, and integrate with the City's timekeeping and financial systems. The capabilities of an integrated system should include:

- Shift trades
- Advanced scheduling
- Time & attendance
- Biometric identification
- Staff shortage management
- Pitman schedule & Kelly time tracking
- Open shift processing
- Ad hoc reporting
- Officer certification tracking
- On-call employee management
- Daily rosters
- Shift bidding
- Advanced court scheduling
- Rotating & fixed schedules
- Timesheets & payroll integration – supports integration into Oracle.
- Export roster to CAD
- Overtime & PTO management
- Extra-duty, including a vendor billing module

- Considering the implementation of other technological enhancements for monitoring of resources and ensuring that they are present where they are scheduled to be. These include:

- Using a web-based application to enter time into TeleStaff.
- Expanding the use of available global positioning systems (GPS) to elevate police accountability and ensure resources are present at assigned city paid and extra-duty detail locations. GPS is currently used to research complaints and investigations and is available for live view or for historical view.

**e. Procedures**

Until a comprehensive automated solution is implemented, developing procedures to exercise control, avoid noncompliance, and improve detection of timecard irregularities, including:

- A procedure to verify that the combined regular duty and extra-duty hours worked in any 24-hour rolling period is not exceeded.
- A procedure to independently reconcile the City-paid hours in Telestaff to the EDS records for vendor-paid details.
- Procedures to verify that only one extra-duty detail is selected per day and no more than 30 per month.

**f. Evaluation of Program Scope**

The Police Department should also analyze the costs and benefits of continuing to provide policing services to third parties through the outside employment program at the current scale, along with the potential effects of limiting the program. Currently, it is difficult to determine if there is sufficient staff to provide some of the third-party policing services, due to poor management of overtime. If the Department finds that the program provides a broad public benefit that does not interfere with the Police Department's primary obligations of effectively policing the City, then steps should be taken to deploy sufficient human and financial resources to properly monitor the program and ensure compliance with policies. If this is not possible or the Department concludes that the program is not advantageous for the City, the Department should consider limiting extra-duty and outside employment in order to ensure that primary policing obligations to the City are fulfilled.



## **Management Response**

The Police Department agrees with this recommendation. A comprehensive review of the Special Events Coordinator position will be undertaken and coordinated with the requested position of Police Administrative Services Coordinator. Additional Civilian position duties will be reviewed to maximize cross training and accountability and timely reporting support. Daily overtime job schedules should be automatically generated and supplied to Dispatch and supervisors for daily accountability checks and officer safety.

The recommended full reconciliation of timecards for remaining officers who worked outside employment and extra duty is dependent upon staffing and funding (if consultant is retained).

While remaining with Telestaff, it would be an unreasonable burden for the one Special Events Coordinator to enter all vendor paid extra duty overtime in Telestaff. Management will consult with IT on an integration or identify other personnel in the comprehensive review described above to make those entries.

Management will first ensure enforcement of the 16 in 24-hour time limit to evaluate its impact on excess overtime and fatigue factor risks. Management does recognize, given the reactive nature of policing, there will always be some exceptions to the hour limitation based on exceptional circumstances. Flexible hours do require supervisory authorization (supervisors must approve the Telestaff codes), however, transitioning to a software platform like On Duty Solutions would prevent officers from requesting a conflicting job until after their supervisor has approved the flexed hours.

In regard to the increased usage of GPS (currently in marked police units), the City is in the RFP process for Body Cameras. Many body camera solutions include a GPS component. The current vendor does offer it in their next version; however, the cost is a significant increase. Embedded GPS technology in other devices may also be considered to help mitigate concerns identified.

The Chief will review the volume and characteristics of Extra Duty overtime jobs accepted; however, it is notable that due to the current pandemic conditions a significant number of extra duty jobs have been eliminated.

**Target Implementation Date:** February 26, 2021

## 5. Inaccurate Police Officer Timecard Reporting

### Condition

We conducted a test to reconcile FY2019 city-paid and vendor-paid hours recorded in EDS, Power Details<sup>14</sup>, TeleStaff, and in Oracle. We first conducted preliminary assessments on the top-20 City-paid and vendor-paid overtime earners. However, due to the labor-intensive nature of the reconciliation process, extensive testing could only be conducted on three officers based on initial discrepancies identified. The three officers included two command staff officers and one rank and file officer<sup>15</sup>.

The test disclosed multiple instances of overlapping hours for two of the three officers, as shown in the table below. For example, Officer 1 registered four (4) hours from 1PM to 5PM for city-paid regular hours and for a vendor-paid detail on 7/26/19. Similarly, Officer 2 registered six (6) overlapping hours from 10AM to 4PM on 5/23/19.

### Example of Overlapping Hours

Example	Date	Pay Type	7	8	9	10	11	12	1	2	3	4	5	6	7	Overlapping Hours	Time In	Time Out
			AM	AM	AM	AM	AM	PM	PM	PM	PM	PM	PM	PM	PM			
Officer 1	7/26/2019	Lakes of Laguna OHara Landscaping Regular Duty (REG)							3			3				4	13:00 16:00 16:00 19:00	16:00
Officer 2	05/23/19	Palm Beach Outlets Regular Duty (REG)		8		6										6	10:00 8:00	16:00 16:00

### Summary of Reconciliation Testing Results

Test Results	Officer 1	Officer 2	Officer 3
Number of times hours overlapped during FY2019	24	6	0
Total overlapped hours	41.25	21.5	0
Value of overlapped hours (multiplied by employee's hourly rate)	\$2,899.88	\$1,383.53	\$0

Based on our analysis, the two officers were overpaid by a combined total of about \$4,300. We provided our results to the Police Department and received confirmation that the issues identified do exist for these two officers. We worked with the Police Department to validate the exceptions and ensure that valid errors that may normally occur, were not included in our results. Thus, our results are more closely indicative of patterns, rather than anomalies.

Further, the Police Department also identified a similar issue of overlapping hours related to different officers from those we identified.

<sup>14</sup> Power Details was the software used prior to the EDS implementation in April 2019.

<sup>15</sup> We note that these three officers worked on the School Board details (see Finding 6) and recorded the highest number of overtime hours for their individual ranking positions.

We also noted that the Palm Beach County Inspector General's Office identified similar issues in their investigation of the Police Department's management of the Manatee Program particularly as related to the accuracy of actual hours worked. The officers identified in that report are different from those we identified.

Based on these results, we find that it is probable that there may be other instances of overlapping hours or inaccurate timecards. As such, we cannot provide assurances that more instances of overlap do not exist among other officers that work extra-duty details.

### **Criteria**

All City employees are expected to accurately report time worked. Further, the City has an ethics policy that all City employees are required to adhere to.

### **Cause**

The conditions we identified occurred due to:

- Systems that do not communicate with one another, thereby making it difficult to flag overlapping hours.
- Higher ranking staff that can enter their own hours and do not require approval.
- Inadequate monitoring for the process as a whole. However, considering that the conditions were related to high ranking command staff, they generally would not be monitored closely.

In other findings we noted that lower pay may be a factor in excessive overtime and hours worked and it may be a factor in this finding as well, in the form of a perceived or actual pay inequity.

### **Effect**

Failure to properly manage and oversee employees, results in an organization that is highly susceptible to improper actions that costs the organization financially and negatively impacts its reputation. When overtime occurs so frequently that it becomes a part of an organization's culture, overtime trends can go unidentified or unquestioned, causing employers to miss red flags and cost-saving opportunities.

As stated previously, when conditions are such that: 1. controls are weak or virtually nonexistent it creates an **opportunity**; 2. there is a need which creates **pressure**; and 3. there is a pay discrepancy which permits **rationalization** of actions; the organization now has the three elements of the fraud triangle and it becomes highly likely that fraud may occur or could be occurring undetected.

### **Recommendation 5**

The Police Department should ensure adequate monitoring and accurate reporting of hours worked by:

- Expanding the use of available global positioning systems (GPS) to elevate police accountability and ensure resources are present at assigned locations. GPS is currently used to research complaints and investigations and is available for live

view or for historical view. This should improve oversight of employees working extra hours and should be applicable to all officers, particularly high-ranking officers;

- Improving technology as described in **Finding 4**.
- Conducting a full reconciliation of timecards for the remainder of employees that work extra-duty details or outside employment that were not reviewed in the audit to determine if there are other instances of timecard conflicts. Overpayments identified should be recovered.

### **Management Response**

The Police Department agrees with this recommendation. While timecard schedule conflicts have been identified, further investigation venue will be determined once supporting documentation is extensively reviewed. The remaining items are fully addressed in previous Management Responses.

**Target Implementation Date:** February 26, 2021

## 6. Police Department's PBC School Board Agreement Concerns

### Condition

Not setting up policing initiatives with other entities under a third-party agreement, creates financial disadvantages for the City.

The City and the School Board of Palm Beach County entered into an agreement to provide law enforcement presence for the two-year period ending in September 2020 to fulfill the effort to protect schools within the City's jurisdiction in accordance with the Marjorie Stoneman Douglas (MSD) Act and in accordance with the *Palm Beach County Law Enforcement Agencies Combined Operational Assistance and Voluntary Cooperation Mutual Aid Agreement* ("Mutual Aid Agreement"). Service is provided at five elementary schools and two high schools and the School Board reimburses the City at a current rate of \$100.35 per hour.

The School Board agreement was not set up as an independent vendor contract and therefore, the payments received by the officers became pensionable. According to Police Department financial analyses, the pension costs associated to this work were covered in year 1 and year 2 of the contract. However, the City is burdened with the long-term financial impact of the associated pension costs because the earnings from the School Board details get included in the pension calculation of these officers. This increases the City's long-term pension benefit costs because the higher the rank, the higher the earnings, and therefore, the higher the City's pension contribution<sup>16</sup>.

Additionally, Captains and Assistant Chiefs were allowed to work on the School Board details. Payments to Captains and Assistant Chief are not charged to the overtime account; they are paid from the City's Special Pay account at a rate of \$60 in year 1 and \$73 in year 2.

Further, Captains and Assistant Chiefs can change their regular schedules to work on the School Board details during the school week as long as they work the originally scheduled regular hours either in advance or later in the week. Currently, specific TeleStaff codes are used to indicate the change from regular scheduled assignment to work either a different day or shift, but those codes are not used uniformly or consistently and written policy for their use does not exist. Additionally, a process is not in place to independently reconcile regularly scheduled city-paid hours, vendor-paid hours recorded, and hours actually paid. Nor is there a process to verify that the regular hours modified in order to work vendor-paid details are actually worked. As identified in **Finding 5**, the testing indicated that in some cases regular work hours that were changed to accommodate other work were not made up.

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<sup>16</sup> The amount of a typical retirement pension is based on a participant's credited service, final average salary, and the pension multiplier. The final average salary is the average monthly salary paid to a participant during the three years of credited service producing the highest average. This is not an issue if the employee entered DROP before the 27<sup>th</sup> year of service because the DROP freezes the salary, and distribution is based on the salary at the time they entered DROP.

**Criteria**

Provision of police services for other government agencies should be set up in a manner that is most cost-effective to the City and mutually beneficial to both organizations. Future relationships in which exempt employees provide policing services should only be set up as a separate third-party contract.

**Cause**

According to Police Department management, the School Board policing agreement was not structured as a third-party relationship because the School Board would not pay the officers directly, but collectively through the City.

**Effect**

Whenever the City pays for extra-duty officers, instead of a third-party, the City's costs increase, and the General Fund is impacted. This is due to the pension obligation year over year, and the fact that the more overtime officers have in each paycheck, the more the hourly rate compounds to a higher amount. Finally, the absence of a process to verify that the regular hours used to work on overtime details are made up, creates the risk of theft of time.

**Recommendation 6**

In the future, the Police Department should establish all extra-duty work under a third-party vendor contract to ensure that the City bears no pension-related liability. (See also **Finding 4** recommendations)

**Management Response**

The Police Department agrees with this recommendation. Management notes that at the time of the School Board request for assistance to comply with the Marjorie Stoneman Douglas Act which require officers at each campus, the Police Department used the extra-duty overtime system, Power Details, which required vendors to pay officers individually. Countywide, municipal and county agencies handled the payments similarly. Extra Duty Solutions (EDS) became the department's provider in 2019 and could now treat the School Board jobs as third party contract work. In the event an on-duty person was needed to cover the position, the City could recover at the contract rate only, absent an independent agreement directly with the School Board. Any on-duty or overtime coverage under those circumstances would be at City rates and pensionable.

**Target Implementation Date:** February 26, 2021

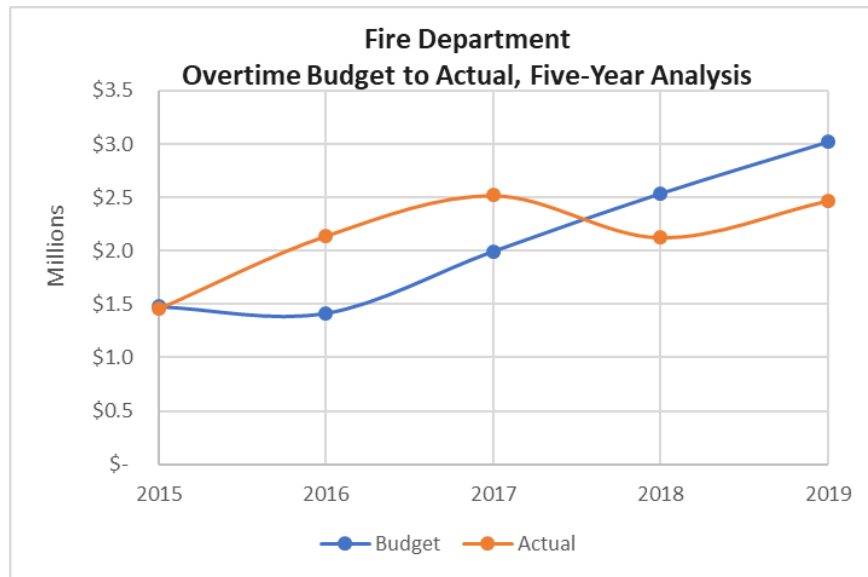
## 7. High Fire Department Overtime Budget and Spending

### Condition

The Fire Department's overtime budget consistently increased between FY2016 and FY2019; however, actual overtime expenses have been under the budgeted amounts in the last two consecutive years. The level of overtime as a percent of base earnings ranged between 24% and 50% for the department's top-20 earners of overtime, which appears to be high.

#### a. Overtime Budget to Actuals

The Fire Department's FY2019 overtime was budgeted at \$3.0 million and the actual expenditures were \$2.5 million, or 18% under the budget. This pattern indicates a reasonable connection between budgetary forecasting and staffing practices, along with ongoing monitoring of cost center budgets to ensure budgets are not exceeded.



#### b. Impact of Overtime Earnings

Our analyses indicated that the amount of overtime earnings, as a percent of the base earnings, ranged between 24% and 50%, an average of 35% per top earner, as shown in the table below. For the top-20 Fire Department earners of overtime, overtime earnings added between \$27,945 and \$61,055 to base salaries, which ranged from \$59,230 to \$129,206 in FY2019. Adding the other salary pay<sup>17</sup>, the total earnings of the top-20 overtime earners ranged between \$103,452 and \$212,895. These employees worked between 588 and 1,142 hours of overtime.

<sup>17</sup>Other salary pay is contractually agreed upon compensation separate from regular wages, such as holiday pay, job differential pay, uniform allowance, hazardous duty benefit, life and accidental death benefit, education degree, and specialty certificates, among others.

**Fire Department Overtime to Base Salary Ratio FY2019  
Top-20 Overtime Earners**

<b>Top Earners of Overtime</b> (Sorted by Overtime to Base Salary Ratio)	<b>Base Salary</b>	<b>Other Salary Pay</b>	<b>Overtime Pay</b>	<b>Total Earnings Including Overtime</b>	<b>Overtime to Base Salary Ratio</b>	<b>Overtime Hours</b>
Employee 1	\$59,230	\$14,847	\$29,375	\$103,452	50%	1,142
Employee 2	\$125,922	\$25,919	\$61,055	\$212,895	48%	1,209
Employee 3	\$102,611	\$20,121	\$45,803	\$168,535	45%	1,096
Employee 4	\$102,611	\$22,981	\$42,793	\$168,385	42%	1,023
Employee 5	\$129,206	\$26,091	\$51,520	\$206,817	40%	996
Employee 6	\$82,259	\$19,828	\$30,678	\$132,765	37%	906
Employee 7	\$77,164	\$18,908	\$28,440	\$124,513	37%	861
Employee 8	\$75,876	\$ 2,487	\$27,945	\$106,307	37%	916
Employee 9	\$80,558	\$15,187	\$28,979	\$124,723	36%	848
Employee 10	\$95,226	\$18,044	\$33,870	\$147,140	36%	860
Employee 11	\$102,611	\$17,744	\$35,298	\$155,652	34%	848
Employee 12	\$102,611	\$25,458	\$33,078	\$161,146	32%	776
Employee 13	\$93,076	\$16,746	\$29,900	\$139,723	32%	726
Employee 14	\$103,396	\$22,102	\$30,868	\$156,366	30%	751
Employee 15	\$102,611	\$32,784	\$30,577	\$165,972	30%	733
Employee 16	\$102,611	\$17,137	\$29,949	\$149,697	29%	677
Employee 17	\$ 99,437	\$19,150	\$28,424	\$147,012	29%	693
Employee 18	\$102,611	\$18,025	\$28,684	\$149,319	28%	698
Employee 19	\$117,739	\$19,636	\$31,720	\$169,096	27%	655
Employee 20	\$127,103	\$27,299	\$30,093	\$184,495	24%	588

**Criteria**

The annual submittal of the budget carries a commitment by the departments to stay within budget for the upcoming year. Reasonable and necessary overtime can be expected, but the variances should remain within a reasonable range (e.g. ± 5%) of the budget. Other municipalities establish limitations or ratios for acceptable overtime earnings to base pay earnings that help ensure that overtime remains within acceptable levels.

**Cause**

Fire Department overtime has increased gradually starting in FY2017 as a result of union contract changes that allowed overtime to be earned after 159 hours instead of the previous 176 hours. In April 2018, the overtime threshold changed again from 159 and was lowered to 144 hours. These changes resulted in significant increases in overtime.

Additionally, overtime went from being awarded to the employee with the lowest number of hours overall to the employee with the lowest number of hours by rank. This change directly impacted the average overtime cost per hour because whereas a Battalion Chief can earn an overtime rate of up to \$78 per hour, a firefighter's overtime is up to \$45 per hour.



A comparison of the overtime to base salary ratio for FY2017, prior to the union contract changes, showed that overtime earnings as a percent of the base earnings was generally lower in FY2017 than in FY2019, by about 30% on average. The analysis also indicated that during this two-year period, all four Battalion Chiefs were within the top-20 earner group and increased their overtime earnings as a percent of the base earnings from 43% to 77%.

**Comparison of Overtime to Base Salary Ratio FY2017 and FY2019  
Top-20 Overtime Earners**

Top Earners of Overtime	Employee Rank	Overtime to Base Salary Ratio FY2017	Overtime to Base Salary Ratio FY2019	Two-Year Increase/ (Decrease)
Employee 1	Firefighter	61%	50%	(18%)
<b>Employee 2</b>	<b>Battalion Chief</b>	<b>29%</b>	<b>48%</b>	<b>70%</b>
Employee 3	Firefighter	17%	45%	159%
Employee 4	Operations Captain	48%	42%	(13%)
<b>Employee 5</b>	<b>Battalion Chief</b>	<b>23%</b>	<b>40%</b>	<b>77%</b>
Employee 6	Operations Lieutenant	51%	37%	(27%)
Employee 7	Driver/Engineer	46%	37%	(20%)
Employee 8	Firefighter	19%	37%	96%
Employee 9	Driver/Engineer	37%	36%	(3%)
Employee 10	Operations Captain	16%	36%	122%
Employee 11	Operations Captain	26%	34%	31%
Employee 12	Operations Captain	37%	32%	(13%)
Employee 13	Operations Lieutenant	26%	32%	24%
Employee 14	Operations Captain	14%	30%	114%
Employee 15	Operations Captain	33%	30%	(9%)
Employee 16	Operations Captain	21%	29%	41%
Employee 17	Operations Captain	26%	29%	10%
Employee 18	Operations Captain	31%	28%	(9%)
<b>Employee 19</b>	<b>Battalion Chief</b>	<b>17%</b>	<b>27%</b>	<b>57%</b>
<b>Employee 20</b>	<b>Battalion Chief</b>	<b>17%</b>	<b>24%</b>	<b>43%</b>

Another factor increasing overtime cost is the current staffing structure of three firefighters per 24-hour shift. Fire Department management conducted a study and estimated that a potential overtime cost savings of approximately \$121,000 to \$412,000 could be attained by hiring nine firefighters, reducing overtime, and still satisfying the staffing coverage needs. The proposed staffing structure would increase the staffing ratio from 3.6 to 4.3 per riding position, and cover the majority of annual leave, sick, FMLA, etc., with regular salary, not the higher overtime rate. We note that the Fire Department generates revenues from special/private events to help offset the overtime expense.

**Effect**

Inordinate levels of overtime can cause fatigue, which can lead to injuries or accidents. High levels of overtime costs may not be sustainable in the long term and may impact the financial health of the City. According to the Budget Manager, for the Fire Department, about 48% of their pay is pensionable and is a high driver of their costs.

**Recommendation 7**

The Fire Department should take measures to reduce the overtime costs to a level that is sustainable, where earning as a percent of the base earning is more even among employees and fatigue is minimized. Measures include:

- a. If possible, negotiating an agreement with the bargaining unit to return to the previous method of awarding overtime by lowest hours irrespective of rank and increasing the overtime threshold, if that is not an option, then negotiating to the closest possible terms of the previous method.
- b. Moving forward with the proposal to hire nine firefighters to increase staffing ratios and reduce overtime costs. Such action can realize savings of at least \$121,000 annually, increase staffing ratios from 3.6 to 4.3 per riding position, and cover the majority of annual leave, sick, FMLA, etc., with regular salary, not overtime.

**Management Response**

Management agrees with the recommendations.

- a. The IAFF Local 727 Collective Bargaining Agreement is currently being negotiated. We will have more information on the outcome of the negotiated Overtime Article (#22) after October 1, 2020.
- b. The current staffing factor as of 8/24/20 is 3.74. Once we add the 9 additional firefighters in the proposed FY21 budget, we will be at 3.9, which will lower our overtime costs. The target staffing factor of 4.3 could be obtained by hiring 23 additional firefighters on top of the 9 planned. Once the FY21 budget is ratified, fire will begin the hiring process for the proposed 9 firefighters. The projected timeframe is for them to begin shift work by December 15th, 2020 at which time we will begin to realize some of the savings.

**Target Implementation Date:** February 26, 2021

## 8. High Overtime Budget and Spending in Four Departments

### Condition

We found that the ratios of overtime pay as a percent of the base earnings was high in the Public Utilities, Public Works and Development Services departments. Further, the budget to actual variances during the last three fiscal years have been high for Development Services and for Parks and Recreation.

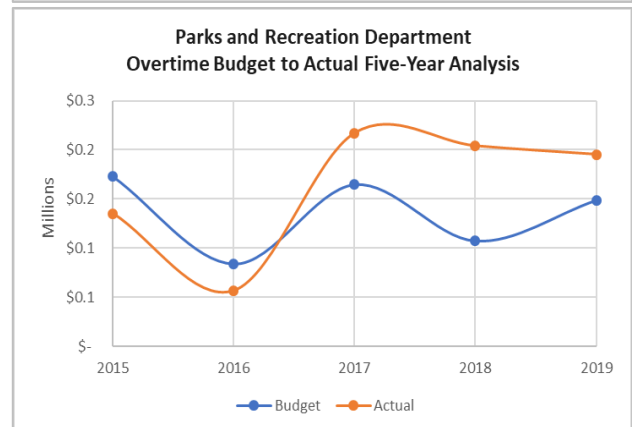
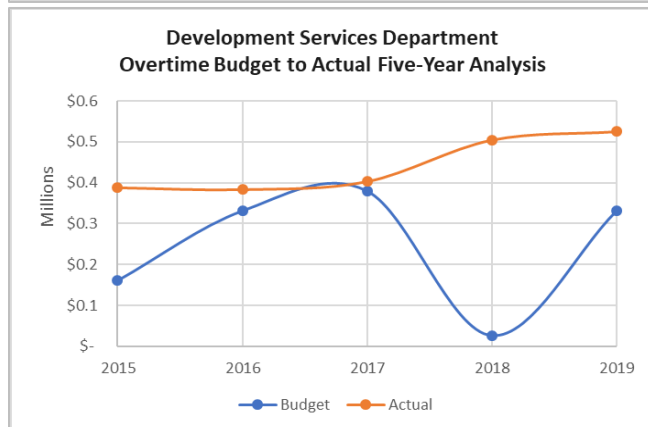
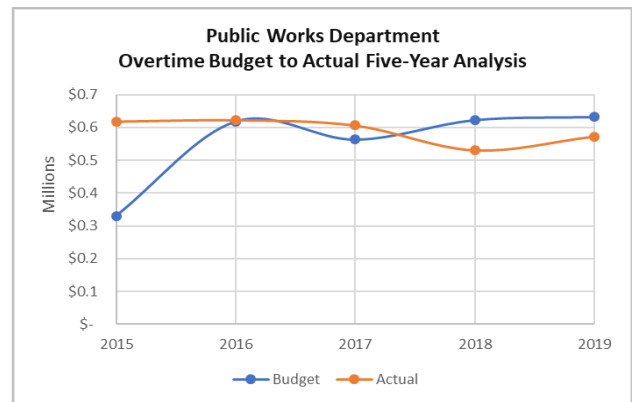
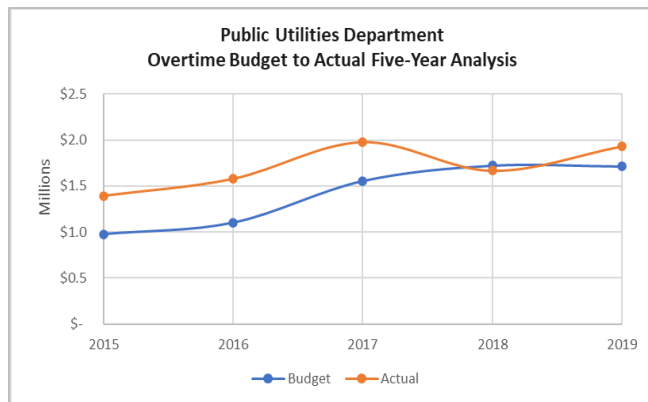
#### a. Overtime actual exceeding budget

We analyzed the overtime budget to actual variances of the four departments and found the following:

- Public Utilities: In the last five years, the Public Utilities Department's overtime budget went from \$975 thousand in FY2015 to \$1.7 million in FY2019. In FY2019, the Department spent 13% over the overtime budget amount.
- Public Works: The Public Works Department's budget has increased from \$331 thousand to \$632 thousand from FY2015 to FY2019. The actual overtime expenditure has been under budget in the last two fiscal years by 15% and 9%, respectively. We note that our FY17 audit report on Commercial Refuse identified opportunities to reduce overtime for Public Works and corrective action was taken. Although overtime is still high, in the two fiscal years following the audit report, the actual overtime was less than in previous years which is a good improvement.
- Development Services: From FY2015 to FY2019, the Development Services Department's overtime budget doubled, from \$160 thousand to \$331 thousand. However, the Department's actual overtime expense has significantly exceeded the budget in the last two fiscal years. In FY2019, the budget to actual difference was approximately 59%.
- Parks and Recreation: The overtime budget of the Parks and Recreation Department has decreased by 14% over the last five years, however, the actual overtime expenditure has exceeded the budget in the last three years by an average of 50% thus negating the decreasing in the budget.

The following charts depict the overtime budget to actuals trends for the four departments over five years.

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## b. Impact of Overtime Earnings

Our analyses of the top-20 earners of overtime within the four departments showed that the amount of overtime as a percent of base pay doubled for some employees in the Public Utilities, Public Works, and Development Services Departments.

- **Public Utilities:** The base salary of four of the department's top-20 earners of overtime doubled as a result of the overtime earnings. For the top-20 earners of overtime, the amount of overtime as a percent of the base earnings ranged from 40% to 128%. In FY2019, Public Utilities personnel registered 72,258 overtime hours, which represent an expenditure of approximately \$2.2 million. See Exhibit B for the table of the top-20 earners.
- **Public Works:** The amount of overtime, as a percent of the base earnings of the department's top-20 earners of overtime, ranged between 14% and 49%. In FY2019 the Public Works Department personnel registered a total of 8,186 overtime hours, which represents an expenditure of approximately \$525 thousand. See Exhibit B for the table of the top-20 earners.
- **Development Services:** The amount of overtime, as a percent of the base earnings of the department's top-20 earners of overtime, ranged from 14% to 52%. In FY2019 the Development Services Department personnel registered 14,290 overtime hours, which represented an expenditure of approximately \$566 thousand. See Exhibit B for the table of the top-20 earners.

Most of the Department's overtime is incurred by the building services personnel. Per the Development Services Department Director, one of management's goal is to review residential and commercial permit applications within 14 and 30 days, respectively, which requires overtime hours. Faster reviews lead to permits being issued more quickly, projects completed and additional tax revenues for the City. It should be noted that building permit revenues pay for the overtime incurred.

- Parks and Recreation: The amount of overtime, as a percent of the base earnings of the Parks and Recreation Department's top-20 earners of overtime, ranged from 7% to 29%. In FY2019, the Parks and Recreation personnel registered 7,196 overtime hours, which represent an expenditure of approximately \$205 thousand. See Exhibit B for the table of the top-20 earners.

### **Criteria**

The annual submittal of the budget carries a commitment by the departments to stay within budget for the upcoming year. Reasonable and necessary overtime can be expected, but the variances should remain within a reasonable range (e.g.  $\pm 5\%$ ) of the budget. Additionally, other municipalities establish limitations or ratios for acceptable overtime earnings to base pay earnings that help ensure that overtime remains within acceptable levels.

### **Cause**

To cover overtime costs, departments rely on the amounts budgeted for unfilled positions and vacancies from attrition or extended leaves for personal reasons or workers' compensation. While the rationale is that there are savings from not having additional expenses associated with new employee such as benefits, uniforms, equipment, vehicles and training, there is a concern that the rate of overtime may exceed the cost of new hires.

### **Effect**

When a department spends more than the budgeted amount, the department must cover the difference from other resources (i.e. General Fund, Enterprise Fund) in order to maintain a balanced budget. This impacts the delivery of other programs or services. Further, insufficient planning and monitoring of overtime leads to an overtime cost that is not sustainable in the long term.

Finally, when overtime occurs so frequently that it becomes a part of an organization's culture, overtime trends can go unidentified, unquestioned and inadequately budgeted for, causing managers to miss cost-saving opportunities.

### **Recommendation 8**

- a. The Parks and Recreation and the Development Services Departments, in coordination with the City's Budget Division, should implement data-driven planning, budgeting, and forecasting practices.
- b. The Public Utilities, Public Works, and Development Services Departments should determine if the overtime to base pay ratio is reasonable in terms of the department's

budget, and sustainable in the long run. If the departments determine that overtime is the most cost-effective solution to meeting staffing needs, then, the departments should develop a process to closely monitor and appropriately manage overtime to ensure overtime costs are financially sound.

**Management Response**

Generally, the departments agree with the recommendations. See **Exhibit D** for responses from each of the departments.

**Target Implementation Date:** February 26, 2021

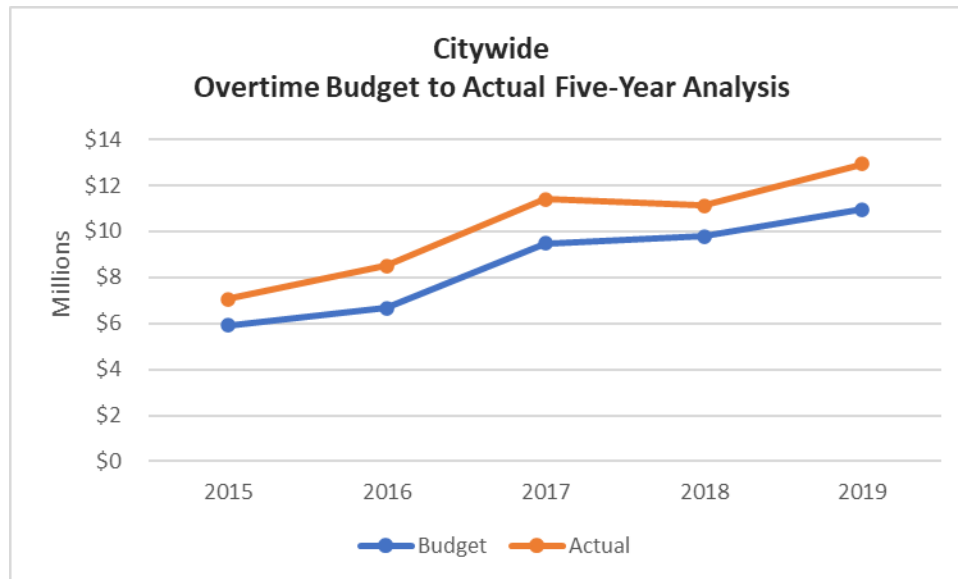
## 9. Excessive City-wide Budget to Actual Variances

### Condition

City-wide overtime expenses almost doubled in the last five years and the City's actual overtime expense was consistently over the budgeted amount during that period. Additionally, overtime significantly increased some employees' salaries. In FY2019, some employee salaries in multiple departments doubled with overtime earnings.

### Overtime Five-Year Increase

Over the last five fiscal years, the City's overtime spending has increased, almost doubling from FY2015 to FY2019, reaching almost \$13 million in FY2019. Over the five-year period, the overtime budgeted amounts increased 85% while actual expenses increased 83% at an average of approximately 20% each year. The largest growth in overtime expenses was a \$2.8 million increase (34%) from FY2016 to FY2017, and the difference between budgeted and actual overtime has fluctuated between 14% and 27% over the last five years. On average, the City's overtime expense has been under-budgeted by 20% each year during this period.



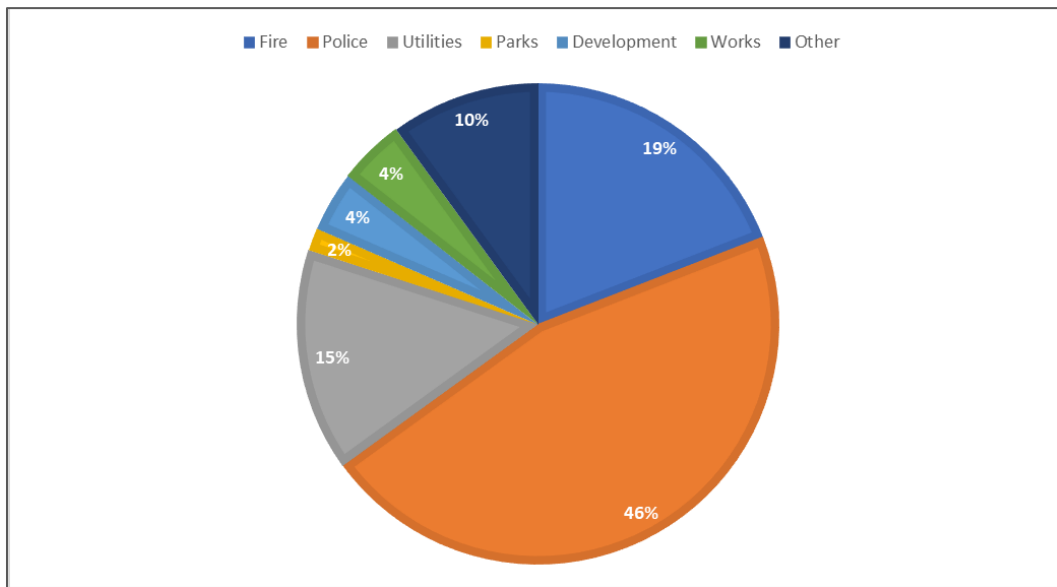
### Departments that Provide Essential Services Drive the City's Overtime Budget

Three of the City's 21 departments, Police, Fire and Public Utilities, accounted for 80% of the City-wide overtime expenses in FY2019. In that year, the Police Department contributed to 47% of the total City-wide overtime expense. The table and graphic below illustrates the breakdown of the FY2019 overtime expense of \$13 million, and the overtime budget and actual amounts.

### City-wide Overtime Budget to Actual Amounts FY2019

Department	Overtime Budget	Overtime Actual	Percent Over (Under) Budget
Police	\$4,676,120	\$5,940,039	27%
Fire	\$3,017,831	\$2,469,674	(18%)
Public Utilities	\$1,715,900	\$1,932,340	13%
Public Works	\$632,000	\$572,891	(9%)
Development Services	\$330,600	\$525,193	59%
Parks and Recreation	\$148,880	\$195,397	31%
Other Departments	\$423,182	\$1,297,689	(207%)
<b>Total</b>	<b>\$10,943,513</b>	<b>\$12,933,222</b>	

#### Police, Fire, and Public Utilities Accounted for 80% of the City's Overtime Spending in FY2019



#### Analysis of Overtime Expenditures by Selected Departments

The table and graphic below illustrate the change in overtime expense of the six departments that had the highest overtime expenses in FY2019. The five-year net expenditure change ranged from minus 7% by the Public Works Department to 107% by the Police Department.

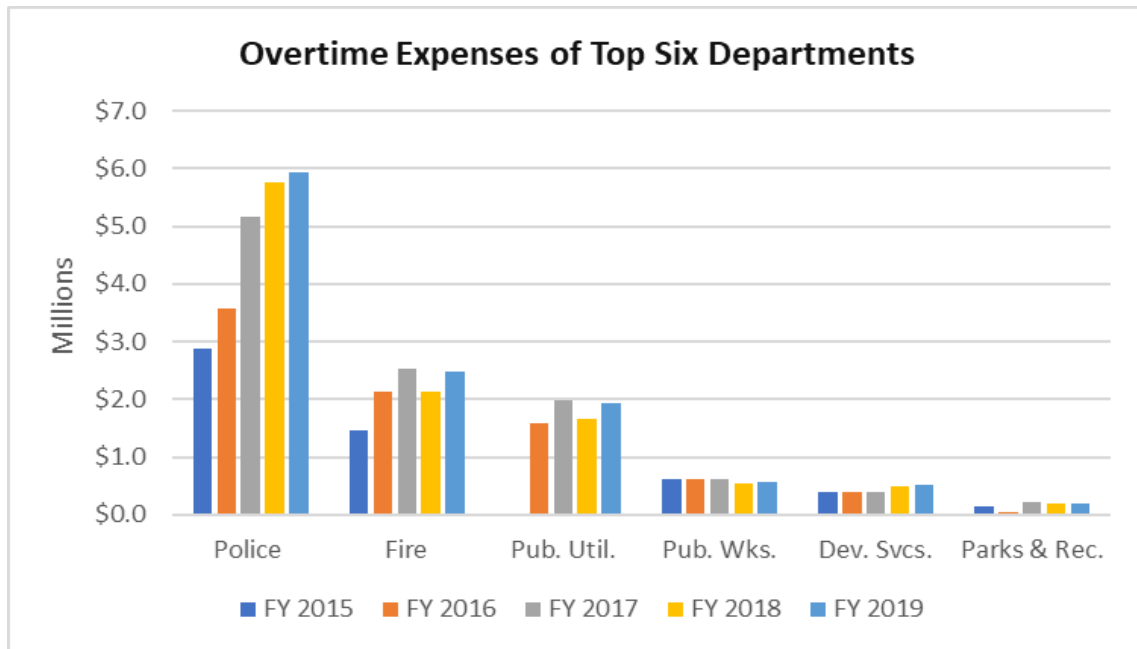
**Additional results on overtime expenditures of the six departments with highest overtime expenditures are included in separate findings.**



### Net Overtime Budget Increase from FY2015 to FY2019

Department	Expenditure Net Dollar Increase (In Millions)	Percent Increase
Police	\$3.07	107%
Fire	\$1.02	70%
Public Utilities	\$0.35	22%
Development Services	\$0.14	35%
Public Works <sup>1</sup>	-\$0.05	-7%
Parks and Recreation	\$0.06	45%

<sup>1</sup> The Public Works Department had a net decrease over the five-year period.



### Overtime as a Percent of Total Personnel Expenses

Overtime expenses were between 2% and 13% of total personnel costs in the selected departments during FY2019. The Police Department had the highest overtime expense to total personnel expense ratio. See table below.

**Overtime Cost as a Percent of Total Personnel Expenses FY2019**

<b>Department</b>	<b>2019 Total Personnel Costs (In Millions)</b>	<b>2019 Overtime Cost (In Millions)</b>	<b>Percent</b>
Police Department	\$45.7	\$5.9	13%
Public Utilities Department	\$22.4	\$1.9	9%
Public Works	\$7.3	\$0.6	8%
Fire Department	\$36.1	\$2.5	7%
Development Services	\$8.4	\$0.5	6%
Parks and Recreation	\$10.5	\$0.2	2%
<b>Average</b>			<b>7%</b>

Impact of Overtime Over Employee Earnings

During FY2019, the six departments with the highest overtime expense in FY2019 incurred a total of 295,793 hours of City-paid overtime, which represented approximately \$12 million in employee earnings.

An analysis of the top-20 earners of overtime in each of the six departments, showed that the amount of overtime earnings as a percent of the base earnings varied significantly among departments, and ranged from 7% to 141% of the base earnings. The table below summarizes the ratio of overtime earnings over base salary earnings for the top-20 earners of overtime by department.

**Additional results on overtime expenditures of the six departments with the highest overtime expenditures are included in separate findings.**

**Overtime to Base Salary Ratio by Department FY2019  
Top-20 Overtime Earners in Six Departments**

<b>Top Earners of City-Paid Overtime</b>	<b>Police</b>	<b>Fire</b>	<b>Public Utilities</b>	<b>Development Services</b>	<b>Public Works</b>	<b>Parks and Recreation</b>
Employee 1	141%	50%	128%	52%	49%	29%
Employee 2	101%	48%	121%	43%	44%	23%
Employee 3	97%	45%	106%	48%	35%	20%
Employee 4	92%	42%	101%	41%	35%	17%
Employee 5	91%	40%	82%	43%	34%	14%
Employee 6	89%	37%	78%	38%	33%	14%
Employee 7	79%	37%	75%	36%	33%	13%
Employee 8	79%	37%	73%	32%	33%	13%
Employee 9	78%	36%	71%	31%	32%	12%
Employee 10	78%	36%	67%	30%	31%	12%
Employee 11	76%	34%	64%	24%	31%	10%
Employee 12	73%	32%	64%	27%	30%	10%
Employee 13	72%	32%	63%	21%	29%	10%
Employee 14	72%	30%	61%	20%	28%	9%
Employee 15	68%	30%	57%	19%	26%	9%
Employee 16	66%	29%	57%	19%	25%	9%
Employee 17	60%	29%	48%	19%	23%	9%
Employee 18	57%	28%	45%	16%	21%	9%
Employee 19	52%	27%	44%	15%	17%	8%
Employee 20	48%	24%	40%	14%	14%	7%

**Criteria**

Overtime expense ratios such as budget to actual variances, overtime expense over total personnel costs, and employee overtime earnings to base salary earnings, should remain within an established and typically predetermined level.

The City's Budgetary Level of Control Policy, dated 10/31/2012, outlines levels of control by fund and category type. The policy does not have specific guidelines on overtime expenditure ratios such as budget to actual variances. The City's Budget Division does establish certain benchmarks for the percent of budget that should be used each quarter, as a guide for budget to actual variance. The Budget Division conducts a quarterly review of budget to actual overtime expenses compared to the benchmarks and discusses large variances with individual departments.

The annual submittal of the budget carries a commitment by the departments to stay within budget for the upcoming year. Reasonable and necessary overtime can be expected, but the variances should remain within a reasonable range (e.g.  $\pm 5\%$ ) of the budget.

## **Cause**

A direct cause for large budget to actual variances is linked to inadequate planning and forecasting within the departments that show large variances, along with insufficient budgetary control and management. We also noted that union contracts state that when employees are called back to work, outside their regular hours, they are entitled to a minimum of 2.5 to 3 hours of pay, which increases overtime.

The Budget Manager provided the following explanations for the overtime increases and for the differences between budget and actual overtime expenses affecting all City departments since FY2016:

- To cover overtime costs, departments rely on the amounts budgeted for unfilled positions and vacancies from attrition or extended leaves due to family or workers compensation to cover the unbudgeted overtime expense. For example, the Police Department uses overtime as the means to be able to staff certain policing initiatives. The rationale is that there are savings from not having additional expenses associated to a new employee's benefits, uniforms, equipment, vehicles and training.
- A portion of the overtime increases for all departments in the past three years is due to the six-week paid parental leave which went into effect in October 2016. The six-week parental leave for essential road patrol and firefighter positions requires overtime to cover absences.
- The City granted two additional paid holidays each year. All essential personnel cannot take the holidays on the same day, and when they take the time later, overtime is incurred to cover their absence.

## **Effect**

Insufficient planning and monitoring of overtime leads to an overtime budget that is not sustainable in the long term. When a department spends more than its budget allows for, the difference is paid for from other funds, and the department has to allocate resources from other sources in order to maintain a balanced budget.

Further, when overtime occurs so frequently that it becomes a part of an organization's culture, overtime trends can go unidentified, unquestioned and inadequately budgeted for, causing managers to miss cost-saving opportunities. If a department determines that overtime is the most cost-effective solution to meet their staffing needs, then the overtime expense must be monitored closely and managed correctly to ensure overtime costs remain as a cost-effective solution.

## **Recommendation 9**

We recommend that City Administration, in conjunction with the Budget Division, develop measures to increase control over overtime budget to actual variances and expenditures by:

- Implementing data driven planning, budgeting, and forecasting practices for the departments.

- Creating more detailed accountability guidelines for expenditures over budgeted amounts.
- Developing an overtime budget to actual variance range. Variances should remain within a reasonable range (e.g.  $\pm 5\%$ ) of the budget.
- Developing a variance range for acceptable overtime budget to total personnel budget.
- Requiring departments to report significant quarterly budget to actual variances to City Administration with adequate justification.
- If possible, negotiating with the unions for a lower minimum of hours paid when employees are called back to work outside of their regular hours.

**Management Response**

Management agrees with the recommendations. The Budget Division in collaboration with City Administration will work to develop measures to increase control over overtime budget to actual variances and expenditures. We reviewed each of the recommendations below and will implement accordingly.

**Administration Response:** Administration agrees with the recommendations.

**Target Implementation Date:** February 26, 2021

## 10. Lack of Review and Approval of Timecards

### Condition

We conducted a statistical analysis and found that the six departments with the highest number of overtime hours, do not fully adhere to existing timecard review and approval policies. As a result, there was an excessive number of timecards that were pending approval after the payroll cycle closed. This occurs on a regular basis and these unapproved timecards are processed and paid without being approved, as a matter of City practice.

We developed a comprehensive statistical analysis<sup>18</sup> of all overtime instances recorded in FY2019 by the six departments with the most overtime, to verify three key review and approval requirements: 1) Approval of individual overtime events, 2) Overtime reasons/comments, and 3) Timecard approvals. The analysis showed that, among the departments:

- The approval rate for individual overtime events ranged from 34% to 95%.
- The documentation of overtime reasons/comments ranged from 21% to 100%.
- The timecard approval rate ranged from 73% to 95%.

### Statistical Verification of Timecard Review and Approval Requirements FY2019

Department	Approval of Individual Overtime Event (TeleStaff or Kronos)	Overtime Comments (TeleStaff or Kronos)	Approval of Related Timecard (Kronos)
Police	82%	79%	73%
Fire	95%	100%	95%
Public Utilities	66%	90%	94%
Public Works	34%	66%	91%
Development Services	74%	21%	95%
Parks and Recreation	92%	83%	92%
<b>Average</b>	<b>74%</b>	<b>73%</b>	<b>90%</b>

We provided the departments with the instances where the three requirements tested were not satisfied and asked them to provide an explanation. In some cases, departments provided additional supporting documentation. Refer to Exhibit C for the general Department Comments.

### Criteria

The City's Personnel Policy Sections 4-11 and 4-21 indicate that:

- Adjustments to hours must be posted at least weekly by supervisors.

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<sup>18</sup> In FY2019, there were a total of 55,377 individual overtime events for the six selected departments. To statistically select the sample size, nine possible scenarios were simulated with a reliability of 90, 95 and 99 percent and margins of error of 10, 5 and 1 percent. From this simulation we selected a sample of 269 overtime events for review. This sample has a reliability of 95% with a margin of error of 5%.

- Supervisors/Managers shall employ best efforts to review and clear exceptions on the employee timecards **daily** and must approve them prior to the pay period deadline. This approval indicates the supervisor/manager have reviewed each employee's time for accuracy.
- Perform a final review and **approve timecards at the end of each pay period** prior to 12 noon on the following Monday.

### **Cause**

We found the following causes for the condition stated above:

- Lack of full adherence to City timecard review and approval policies by managers and supervisors is the key factor contributing to the large number of unapproved timecards each pay period. For example, while the expectation is that supervisors review the entries daily, the practical rule is to ensure that all changes are made, reviewed and approved before the timekeeping system is locked down for the pay period, not necessarily daily.
- Although Kronos has a feature to allow timecard review and approval by the employee and supervisor, the City has not implemented it. At the time of the review, there was no attestation capability for employees to access their timecards and review for accuracy.
- Another important cause is the City's practice of processing the payment of all timecards, even those that have not been approved. This practice is not in a documented policy, yet Kronos was programmed to process payment even when the timecards are not approved. The rationale is to ensure that no employee is underpaid. While this is a worthy practice, it requires strict adherence to timely review and approval of timecards in order to prevent inappropriate payments. Requiring approval of timecards as a condition for processing payment is a typical practice in other jurisdictions.
- There are no uniform standard operating procedures (SOPs) in place for the departments that detail review and approval steps and specific responsibilities of employees, technical support staff, supervisors and managers. Some departments have written procedures and others do not; existing procedures are not uniform and, in some cases, incomplete. Uniform SOPs have not been prioritized because of reliance on individual department efforts to create procedures that fit each department's needs.
- Inquiries with staff indicated that there is insufficient formality or clarity regarding the consequences of not adhering to timekeeping policies.
- Insufficient resources and/or inadequate use of resources both centrally and at the individual departments is another factor contributing to timecard review and approval concerns. See **Finding 15**.

**Effect**

Lack of adherence to review and approval of timecards increases the risk of misuse of overpayment, and theft of time. The inordinate amounts of overtime reported in several findings (i.e. 2, 3, 5, 7, 8) illustrate this effect. Absent strong controls or lack of enforcement, a culture of disregard and indifference can develop because there is no accountability or consequences for not complying with the policies. Accountability begins with the employee and culminates with the supervisor/manager. These risks are exacerbated when there is a practice of paying employees without express supervisory timecard approval.

**Recommendation 10**

City Administration should take measures to improve control over the timekeeping review and approval procedures by:

- a. Changing the existing City policy to not allow the processing of payroll and subsequent payment of timecards that have not been approved, modifying Kronos settings accordingly, and creating or adjusting existing processes to support the change.
- b. Developing accountability measures for employees and supervisors or managers that do not adhere to timecard review and approval guidelines.
- c. Collaborating with the Police Department to develop specific guidance describing the approval authority of supervisors, and the circumstances in which approval authority can be delegated outside of the chain of supervision.
- d. Developing central guidelines for the creation of department-level policies and standard operating procedures for detailed timecard review and approval steps, and enforcing responsibilities of employees, technical support staff, supervisors and managers.
- e. Implementing the Kronos feature that allows timecard review and approval by employees and supervisors to all City departments and creating a policy to ensure compliance with the new timecard attestation procedure.

**Management Response**

Administration agrees with the recommendations.

**Target Implementation Date:** February 26, 2021



## 11. Unapproved Timecards and Other Unresolved Errors

### Condition

An analysis to evaluate citywide compliance with timecard review and approval policies that showed that on average, approximately 11% of the 1,700 timecards processed each pay period were not approved. However, these unapproved timecards were processed and paid, as a matter of City practice. In addition, there were exceptions to the timecards that were not resolved prior to payment.

### Unapproved Timecards

The analysis of the *Unapproved Timecards PreApproval Check* report for four consecutive payroll periods between April 6 and May 18, 2019 showed that 182 (11%) of the 1,681 timecards processed each pay period, were flagged as unapproved. The Police Department accounted for 127 (69%) of those timecards; the Mayor's Office for 17 (9%), and the Public Utilities Department for 13 (7%). The analysis also showed that 9 of the 10 City managers/supervisors with the highest number of unapproved timecards, were Police Department managers/supervisors and one was from the Mayor's Office.

### Analysis of Unapproved Timecards Four consecutive payroll periods (PPE 4/6/19, 4/20/19, 5/4/19 and 5/18/19)

Department	Total Number of Unapproved Timecards, Four Pay Periods	Percent	Average Number of Unapproved Timecards Per Pay Period
Police Department	506	70%	127
Mayor's Office	68	9%	17
Public Utilities Department	54	7%	13
Information Technology	21	3%	5
Finance Department	16	2%	4
Parking	13	2%	3
Public Works	16	2%	4
Fire Department	9	1%	2
Human Resources Department	8	1%	2
Library Department	5	1%	1
Parks and Recreation	5	1%	1
Development Services	4	1%	1
Support Services Department	3	0%	1
Housing & Comm Dev. Dept.	0	0%	0
City Attorney Department	0	0%	0
Engineering Services Department	0	0%	0
<b>Total</b>	<b>727</b>		<b>182</b>

## Other Exceptions

The analysis above also disclosed that there was no mechanism in place to verify that all the exceptions shown in the *Unapproved Timecards PreApproval Check* report were resolved with a RetroActive Timecard (RAT) when warranted. However, the timecards that had these exceptions were also processed and paid, as a matter of City practice.

The analysis of the exceptions showed that in each of the four selected payroll periods there were, on average:

- 9 timecards with at least one instance of a Missed Punch
- 73 timecards with at least one instance of an Unexcused Absence
- 199 timecards with at least one instance of Unapproved Overtime

The table below shows the summary of exceptions shown in the *Unapproved Timecards PreApproval Check* report for the four consecutive payroll periods selected.

### **Analysis of Unapproved Timecards Four consecutive payroll periods (PPE 4/6/19, 4/20/19, 5/4/19 and 5/18/19)**

<b>Pay Period End Date</b>	<b>Missed Punch</b>	<b>Unexcused Absence</b>	<b>Unapproved Overtime</b>
4/6/2019	15	67	195
4/20/2019	6	75	203
5/4/2019	6	69	201
5/18/2019	10	82	198
<b>Average</b>	<b>9</b>	<b>73</b>	<b>199</b>

As required by the Personnel Policy, Section 4-11, the Payroll Supervisor submits the *Unapproved Timecards PreApproval Check* report to all departments prior to the close of each pay period as a reminder to address exceptions and approve timecards. The Payroll Supervisor runs the report again after payroll is processed often noting that the number of unapproved timecards does not change significantly for some departments.

### **Criteria**

The City's Personnel Policy Sections 4-11 and 4-21 indicate that:

- Adjustments to hours must be posted at least weekly by supervisors.
- Supervisors/Managers shall employ best efforts to review and clear exceptions on employee timecards **daily** and must approve them prior to pay period deadline. This approval indicates the supervisor/manager have reviewed each employee's time for accuracy.
- Supervisors/Managers shall perform a final review and **approve timecards at the end of each pay period** prior to 12PM on the following Monday.

### **Cause**

The condition stated above is due to supervisors/managers not adhering to the timecard review and approval policies. This was the key factor contributing to the large number of

unapproved timecards, unexcused absences, overtime and missed punches exceptions in each pay period.

Insufficient and/or inadequate use of resources supporting payroll both in the central Payroll Office and the departments, was another factor contributing to timecard review and approval concerns. See **Finding 15**.

### **Effect**

The combination of a. unapproved timecards and overtime, b. unexcused absences and c. missed punches exceptions that are not resolved, creates conditions ripe for theft of time to go undetected. Without strong controls or lack of enforcement, a culture of disregard can develop because there is no accountability or consequences for not complying with the policies. Accountability begins with the employee and culminates with the supervisor. Further, without a restriction to not pay unless express approval is in place, the risks increase.

### **Recommendation 11**

City Administration should take measures to improve control over timecard accuracy and review and approval procedures by:

- a. Changing the existing City policy that allows the processing and subsequent payment of timecards that have not been approved, modifying Kronos settings accordingly, and creating or adjusting existing processes to support the change. Approval should be provided once outstanding issues such as missed punches or unexcused absences are resolved.
- b. Preparing a dashboard of unapproved timecard data and timecard exceptions on a periodic basis (i.e., every other pay period), and submitting it to City leadership for additional enforcement.
- c. Establishing a goal for the number of errors permitted along with clear accountability policies.
- d. Developing central guidelines for the creation of department-level policies and standard operating procedures for detailed timecard review and approval steps, and specific responsibilities of employees, technical support staff, supervisors, and managers.

### **Management Response**

Administration agrees with the recommendations.

**Target Implementation Date:** February 26, 2021

## 12. Excessive Payroll Corrections

### Condition

The number of RetroActive Timecard (RATs) adjustments generated throughout the City is excessive and is a direct result of not properly approving timecards as discussed in previous findings. RAT adjustments are the process by which incorrect payroll information that has already been closed out in Kronos can be corrected, such as missing pay codes, incorrect transfer information, missing or incorrect punches, inaccurate leave payments, or retroactive wage adjustments.

An analysis of the RATs processed during FY2019 indicated that the six departments selected for analyses accounted for 6,310 (85%) of all 7,413 RATs processed in the fiscal year as shown below.

**Summary of RetroActive Timecards FY2019 <sup>(1)</sup>**

Department	RATs Count FY2019	Percent	Average Number of RATs Per Pay Period
Police	3,580	57%	138
Parks and Recreation	1,313	21%	51
Public Utilities	554	9%	21
Public Works	374	6%	14
Fire	299	5%	12
Development Services	190	3%	7
<b>Total</b>	<b>6,310</b>		<b>243</b>

(1) **NOTE:** All RATs indicate an adjustment, whether initiated by the department or a system. We note that the FY2019 *Payroll RATs and Adjustment* report used for the analysis of adjustments does not distinguish between the number of RATs submitted by departments to correct an error from those that are automatically generated by the system or those that are generated by Human Resources or by Payroll.

### Criteria

Best practices call for timely accounting and payroll transactions. Regular (at least monthly) review of payroll transactions must be performed, and most retroactivity should be limited to the current fiscal year.

### Cause

Although the RATs are a necessary and justified payroll process, the RATs are many times the direct result of inaccurate, untimely or incomplete payroll approvals.

**Effect**

Processing RATs is a very time-consuming process that ties up administrative support resources and is inefficient. During interviews, staff cited examples of RATs that required research of records spanning multiple months, which took significant time and effort to resolve.

**Recommendation 12**

City Administration should ensure the accuracy of payroll by:

- a. Implementing a dashboard of RetroActive Timecards (RATs) by department on a periodic basis (i.e., every other pay period), that is submitted to City leadership periodically for monitoring and enforcement.
- b. Establishing a goal for the number of RATs permitted, along with a clear accountability policy for noncompliance. The goal can be to initially reduce the number of RATs by 50%, and then continue to decrease until the number of RATs is minimal.

**Management Response**

Administration agrees with the recommendations.

**Target Implementation Date:** February 26, 2021

## **13. Timely Employee Profile Changes and Notifications**

### **Condition**

Specific timeline standards for the submittal of employee *Status Change* forms by the departments or for the processing of the changes in Oracle by Human Resources (HR) are not formalized in writing. Untimely changes to employee payment profiles can cause inaccurate payments.

During audit interviews, some departments expressed concern with the length of time it takes to process changes after the *Status Change* forms are submitted to Human Resources. However, due to insufficient timestamp data such concerns could not be validated.

Additionally, Payroll does not receive notification of changes made to pay profiles when the change is made in Oracle, which limits Payroll's ability to help ensure that changes are processed in an accurate and timely manner.

### **Criteria**

All changes to the employee payment profiles must be processed on time to be reflected in the pay period immediately following the effective date of the change. Further, Payroll should be notified of pay profile changes when the change occurs in Oracle.

### **Cause**

The Human Resource Department's internal guideline is to process changes no later than the Monday of the pay week, but a process is not in place to track the length of time it takes to make the changes, nor are there written guidelines for other departments to follow.

Although Oracle issues an automatic notification of changes to employee profiles when the change occurs, Payroll is not receiving the notifications.

### **Effect**

Untimely communication of changes to employee profiles by departments or untimely processing of such changes by Human Resources creates a risk of error such as employees not getting incorrect payments or terminated employees receiving payment.

### **Recommendation 13**

Human Resources should continue to emphasize the importance of timely communication of changes to HR, document the timeline of employee profile changes in writing, and develop additional guidelines for the departments as needed. HR should also ensure that timestamps are available to monitor deadlines. Finally, HR should work with IT to add Payroll to the list of parties that are notified when a change in the employee's pay profile is modified.

**Management Response**

Human Resources agrees with the recommendation. Status change forms sent to HR for processing are processed in the Oracle system prior to the effective date of the change which is normally the beginning of the pay period and not later than the end of the pay period when the change became effective. As part of the internal processes, status changes need to be processed not later than Thursday of each week. Delays in processing changes in the Oracle system are primarily a result of the form not been processed on time by the generating department.

The form is electronically routed and provides history/timestamp from the moment the form is created to the moment it is processed by the HR Analyst (Compensation). When there is a need to process retro-payment to the employee, the HR Analyst (Compensation) sends a "yellow card" to the Payroll Division indicating the salary change and the time frame for the retro-payment.

**Target Implementation Date:** February 26, 2021

## 14. Overpayments - Negative Leave Accrual Balances

### Condition

Paid leave, such as vacation and sick leave, may not always be accurately utilized and managers sometimes approve leave hours requested by employees in excess of available balances.

Oracle's *Payroll Employee Accrual* report summarizes the negative accrual balances for each pay period by employee. A negative accrual balance indicates that the number of paid leave hours approved was greater than the hours that were available. The table below shows the number of negative accruals reported for five selected pay periods.

### Summary of Negative Accrual Balances Counts from Five Payroll Employee Accrual Reports for the Six Departments Evaluated in the Audit

Paid Leave Accrual Category	PPE 01/12/19	PPE 03/09/19	PPE 04/20/19	PPE 06/01/19	PPE 08/24/19
Sick	2	3	1	3	2
Vacation	3	3	2	4	
Disabled				1	
Holiday Saved			2		
Earned Personal Leave		1			

We selected a sample of five *Payroll Employee Accrual* reports to research negative vacation and sick leave balances, and the actions by the corresponding department to correct the error. The following are two examples of inaccurate payment found and corrections made by management:

- Public Works Department: For the pay period of March 9, 2019, one employee had a sick leave balance of 2.929 hours, however the employee requested and received approval for 8 hours, which resulted in 5.071 hours that were overpaid as well as an incorrect number of hours accrued. The department acknowledged this issue and corrected the error via a retroactive adjustment.
- Development Services Department: For the pay period of March 9, 2019, one employee had a sick leave balance of 7.557 hours, and requested and received approval for 24 hours, which resulted in 16.44 hours of overpayment. The Manager determined that the error was due to not treating incentive sick leave the same as sick leave time. The error was acknowledged and corrected.

### Criteria

Before approval, supervisors must verify that the number of paid leave hours requested by the employee does not exceed the existing available leave balances. The paid leave to be accrued in the current pay period should not be counted as part of the available balance.



**Cause**

Management does not always verify that there are sufficient leave balances in the system before approving an employee's leave request. Additionally, while the *Payroll Employee Accrual* report is available to all managers, not all managers/supervisors check the report each pay period for anomalies.

**Effect**

Approving hours in excess of the available leave balances results in overpayment if the error is not detected and corrected.

**Recommendation 14**

Human Resources should coordinate with the Payroll Division to ensure that payroll payments are accurate by:

- Enforcing procedures such that Departments are required to verify the sufficiency of leave balances prior to approving leave requests.
- Providing additional training to the departments on addressing the negative leave balances and formalize a policy for the review of negative accruals each pay period. As part of the training, employees should be reminded that no leave request can exceed the balances available in the prior pay period.
- Departments could be directed to conduct self-audits of negative accrual balance errors on a periodic basis.

**Management Response**

Human Resources agrees with this recommendation. The City offers monthly training on the Kronos Workforce system and the process to approve timecards and/or leave requests in the system. As part of the training, emphasis will be given to ensure that managers/supervisors review the employee's accrual prior to approving the leave requests to prevent negative balances. Even if the leave request is approved for the hours requested, if the employee does not have enough hours to be paid, a process is in place in Kronos that automatically converts the hours to ELWOP or leave without pay. When those hours are transferred to Oracle, the payment is zero earnings.

**Target Implementation Date:** February 26, 2021

## **15. Inadequate Payroll Resources**

### **Condition**

The staffing structure and distribution of payroll-related duties within Finance's Payroll Division may not be adequate to fulfill all payroll support functions. Similarly, the staffing supporting payroll at the Police Department may also be inadequate.

For Finance's Payroll Division, there is one Payroll Supervisor and one Payroll Coordinator to handle all the payroll processing functions for the City, while continually supporting all departments with resolving payroll problems. The Payroll Coordinator position has high turnover leaving the bulk of the workload to the Payroll Supervisor without anyone else who is fully cross trained. The existing workload only allows the Payroll Division to focus on critical tasks to ensure that employees are paid on time and that no employee is underpaid their regular hours in each pay period. Other functions such as structured auditing and evaluation of diagnostics reports, validating information that is entered by department personnel, continuous evaluation of the payroll processes for improvement and reconciliation of the payroll transactions in the accounting system, are not being carried out.

At the Police Department, payroll functions are carried out solely by one Senior Accounting Clerk. This clerk has 15 years of experience working in that position and has no other person cross-trained in the position. There are no manuals available for the work performed nor are there policies or documented procedures that describe job responsibilities. Duties have been established through patterns and practice since nothing is in writing. We observed that there may be enough payroll-related workload for one, or possibly two additional clerks.

### **Criteria**

The staffing level of the payroll function combined with the allocation of duties among staff should be such that all responsibilities are fulfilled.

### **Cause**

The decentralized payroll model relies on individual departments to designate sufficient resources to ensure that the departments are individually responsible for the timely completion and accurate processing of payroll processing and related functions. This model still necessitates sufficient resources in Finance's Payroll Division to complete City-wide duties.

### **Effect**

Limited resources or inadequate division of roles and responsibilities affects the completion of City-wide analytical procedures such as validation of information entered by department staff (i.e., use of vacation time when none is available resulting in negative accrual balances, entering overtime worked as regular hours which violates laws and regulations, etc.). Limited resources supporting payroll processing may lead to time consuming and inefficient processes, and increased efforts to make corrections for the accuracy of the payroll.

### **Recommendation 15**

- a. The Finance Department should complete the tasks listed below to determine whether the staffing of the payroll function is adequate.
- Identify the functions/activities that are not being performed such as structured auditing and evaluation of diagnostics reports, validating information that is entered by department personnel, reconciliation of the payroll transactions in the accounting system, and continuous evaluation of the payroll processes for improvement.
  - Evaluate the adequacy of the number of staff supporting payroll within the Payroll Division, with respect to the existing workload as well as the additional work that should be completed.
  - Analyze the adequacy of the delegation of duties and division of responsibilities.
  - Cross-train other employees to support the main payroll staff.

Once the above tasks are completed, Finance should then present the results to City Administration to consider an increase in staffing, if warranted. Under the current economic conditions this may be challenging. Thus, in the interim, an emphasis should be placed on streamlining the payroll process and holding departments and employees accountable for ensuring accurate payroll records. This can be accomplished by implementing other recommendations provided within this audit report.

- b. The Police Department should evaluate the adequacy of the number of staff supporting the payroll process with respect to the existing workload as well as to the functions/activities that are not being performed. The evaluation should include the resources required to properly support the extra-duty and outside employment program as well as cross training other employees to support the payroll function. (See **Finding 4**)

#### **Management Response:**

- a. The Finance Department agrees with the finding and as recommendation described above. The current City Administrator has introduced measures to enforce City policies concerning payroll and timecard action approvals, which has somewhat reduced the number of errors reported in each payroll period and the necessary burden to make corrections subsequent the payroll processing. We will continue to work with City Administration to ensure other established policies are enforced and that the payroll function is appropriately supported to complete all necessary tasks. Additionally, the Finance Department has already begun cross-training staff to support the payroll functions.

**Target Implementation Date:** February 26, 2021

- b. The Police Department has already trained an additional staff member to act as back-up for the primary payroll tech. in spite of currently frozen vacancies in the Fiscal Services Section. The extra-duty overtime duties are addressed in responses to earlier recommendations.

**Target Implementation Date:** February 26, 2021

## 16. Untimely Posting of Payroll Costs

### Condition

The current Finance Department practice is to post all payment transactions, including payroll transactions, by the 5<sup>th</sup> business day after the close of the previous month. An analysis of six randomly selected months showed that it took 14 business days on average for the payroll cost information of the prior month to be posted and visible to the departments in the current month. The analysis showed one instance where the payroll costs were posted 30 business days after the close of the relevant month.

Month	Posting Date	Number of Business Days for Information to be Visible to Departments
June 30, 2019	July 10, 2019	8
July 31, 2019	September 10, 2019	30
August 31, 2019	September 20, 2019	15
September 30, 2019	October 18, 2019	15
November 30, 2019	December 13, 2019	10
December 30, 2019	January 9, 2020	8
	<b>Average</b>	<b>14 Business Days</b>

### Criteria

Monthly payroll entries should be recorded in the accounting system promptly to allow user departments to have access to the most up-to-date information possible for decision-making. Finance's current standard is 5 business days.

### Cause

While the Finance Department aims at posting all transactions in Oracle, including payroll, by the 5<sup>th</sup> business day after the close of the relevant month, the standard is not always met. According to the City's Accounting Manager, the main contributing factor is the limited resources dedicated to payroll function. Another factor cited was the new payroll personnel in training during the third quarter of FY2019.

### Effect

Without timely, up-to-date payroll information, department managers do not have accurate cost data necessary for budget and actual expense management and decision-making.

### Recommendation 16

The Finance Department should ensure that the recording of payroll costing transactions in Oracle occurs no later than the 5<sup>th</sup> business day of the following month for timely analysis by City departments. Further, the recommendations presented in Finding 15 regarding the adequacy of payroll function staffing, will help improve the timeliness of posting payroll transactions.

**Management Response**

The Finance Department agrees with the finding and recommendation as described above. However, the Finance Department payroll function has been short staffed for some time and was then supported by a new employee in FY 2019. This new employee was learning the payroll process which resulted in delays in posting some of the payroll transactions selected for audit. We will make every effort to ensure payroll records have been recorded within the relevant month for timely analysis by department personnel.

**Target Implementation Date:** February 26, 2021

## **EXHIBIT A – Abbreviations Included in Five Daily Activity Graphics**

- EMERGENCY OT: Overtime during emergency conditions
- OT CID: Overtime related to the Investigative Division/Community work
- OT CITY: Overtime on a City detail
- OT COMMUNITY: Overtime on a community program or initiative
- OT COMP: Overtime worked and paid only in compensatory time
- OT EDU: Overtime related to staffing shortages on special details
- OT EFF: Overtime for mandatory training on Fire/Hazmat, crown control details
- OT MANPOWER: Overtime to cover for staffing shortages
- OT SPECIAL EVENTS: Overtime on City Special Events
- OT SWAT: Overtime on SWAT assignments
- OT TASK FORCE: Overtime on a Task Force assignment
- REG: Regular duty hours
- SHIFT ADJUST WORKING: Time changed to work on a different assignment

## EXHIBIT B – Top 20 Overtime Earners’ Ratios – Four Departments

### Public Utilities Department Top-20 Overtime Earners Overtime to Base Salary Ratio FY2019

Top Earners of Overtime (Sorted by Overtime to Base Salary Ratio)	Base Salary	Other Salary Pay <sup>19</sup>	City-Paid Overtime Earning	Total Earnings Including Overtime	Overtime to Base Salary Ratio	Overtime Hours
Employee 1	\$41,726	\$6,105	\$61,194	\$109,026	<b>128%</b>	2,085
Employee 2	\$38,864	\$877	\$47,951	\$87,692	<b>121%</b>	1,750
Employee 3	\$31,408	\$37	\$33,222	\$64,667	<b>106%</b>	1,392
Employee 4	\$38,070	\$6,418	\$45,134	\$89,622	<b>101%</b>	1,421
Employee 5	\$40,448	\$480	\$33,712	\$74,639	<b>82%</b>	1,216
Employee 6	\$57,746	\$3,072	\$47,685	\$108,503	<b>78%</b>	1,317
Employee 7	\$51,353	\$316	\$38,756	\$90,424	<b>75%</b>	1,109
Employee 8	\$54,495	\$3,663	\$42,566	\$100,723	<b>73%</b>	1,074
Employee 9	\$56,186	\$835	\$40,764	\$97,785	<b>71%</b>	1,014
Employee 10	\$44,587	\$4,672	\$32,830	\$82,089	<b>67%</b>	1,126
Employee 11	\$41,106	\$2,155	\$27,792	\$71,053	<b>64%</b>	995
Employee 12	\$53,367	\$3,621	\$36,493	\$93,481	<b>64%</b>	974
Employee 13	\$67,388	\$969	\$42,808	\$111,164	<b>63%</b>	983
Employee 14	\$40,864	\$2,017	\$26,006	\$68,887	<b>61%</b>	901
Employee 15	\$58,023	\$2,600	\$34,290	\$94,913	<b>57%</b>	860
Employee 16	\$49,903	\$6,577	\$31,935	\$88,414	<b>57%</b>	886
Employee 17	\$60,283	\$2,578	\$30,212	\$93,072	<b>48%</b>	752
Employee 18	\$62,127	\$3,654	\$29,325	\$95,106	<b>45%</b>	662
Employee 19	\$64,391	\$3,788	\$30,251	\$98,431	<b>44%</b>	658
Employee 20	\$57,063	\$8,777	\$26,543	\$92,383	<b>40%</b>	643

<sup>19</sup> Other salary pay is a contractually agreed upon compensation benefit other than an employee’s regular wages such as holiday pay, job differential pay, uniform allowance, hazardous duty benefit, life and accidental death benefit, education degree, and specialty certificates, among others.

**Public Works Department Top-20 Overtime Earners  
Overtime to Base Salary Ratio FY2019**

<b>Top Earners of Overtime (Sorted by Overtime to Base Salary Ratio)</b>	<b>Base Salary</b>	<b>Other Salary Pay</b>	<b>City-Paid Overtime Earning</b>	<b>Total Earnings, Including Overtime</b>	<b>Overtime to Base Salary Ratio</b>	<b>Overtime Hours</b>
Employee 1	\$39,730	\$1,303	\$19,582	\$60,615	<b>49%</b>	706
Employee 2	\$37,974	\$370	\$16,598	\$54,942	<b>44%</b>	599
Employee 3	\$39,374	\$585	\$13,844	\$53,803	<b>35%</b>	513
Employee 4	\$54,266	\$1,534	\$18,857	\$74,658	<b>35%</b>	498
Employee 5	\$43,927	\$2,640	\$14,955	\$61,522	<b>34%</b>	518
Employee 6	\$38,080	\$185	\$12,682	\$50,947	<b>33%</b>	487
Employee 7	\$37,507	\$785	\$12,275	\$50,567	<b>33%</b>	465
Employee 8	\$63,956	\$7,565	\$20,906	\$92,426	<b>33%</b>	469
Employee 9	\$39,286	\$844	\$12,445	\$52,574	<b>32%</b>	461
Employee 10	\$57,637	\$2,265	\$17,949	\$77,852	<b>31%</b>	450
Employee 11	\$32,613	\$627	\$9,991	\$43,231	<b>31%</b>	453
Employee 12	\$38,427	\$370	\$11,535	\$50,332	<b>30%</b>	431
Employee 13	\$43,219	\$1,242	\$12,339	\$56,799	<b>29%</b>	417
Employee 14	\$40,648	\$555	\$11,455	\$52,658	<b>28%</b>	415
Employee 15	\$38,293	\$185	\$9,869	\$48,347	<b>26%</b>	380
Employee 16	\$38,109	\$780	\$9,686	\$48,575	<b>25%</b>	370
Employee 17	\$54,717	\$1,379	\$12,603	\$68,698	<b>23%</b>	336
Employee 18	\$49,823	\$989	\$10,586	\$61,397	<b>21%</b>	317
Employee 19	\$63,983	\$8,662	\$10,896	\$83,541	<b>17%</b>	186
Employee 20	\$64,015	\$8,263	\$9,077	\$81,355	<b>14%</b>	200



**Development Services Department Top-20 Overtime Earners  
Overtime to Base Salary Ratio FY2019**

<b>Top Earners of Overtime (Sorted by Overtime to Base Salary Ratio)</b>	<b>Base Salary</b>	<b>Other Salary Pay</b>	<b>City-Paid Overtime Earning</b>	<b>Total Earnings, Including Overtime</b>	<b>Overtime to Base Salary Ratio</b>	<b>Overtime Hours</b>
Employee 1	\$85,183	\$10,033	\$44,137	\$ 139,353	<b>52%</b>	721
Employee 2	\$72,981	\$361	\$31,745	\$105,087	<b>43%</b>	705
Employee 3	\$85,081	\$12,026	\$40,847	\$137,953	<b>48%</b>	735
Employee 4	\$82,244	\$85	\$34,098	\$116,428	<b>41%</b>	667
Employee 5	\$54,871	\$5,545	\$23,573	\$83,989	<b>43%</b>	636
Employee 6	\$45,270	-	\$16,989	\$62,259	<b>38%</b>	544
Employee 7	\$35,555	\$1,659	\$12,734	\$49,948	<b>36%</b>	511
Employee 8	\$64,086	\$599	\$20,578	\$85,263	<b>32%</b>	520
Employee 9	\$35,942	\$55	\$11,175	\$47,172	<b>31%</b>	472
Employee 10	\$64,317	\$911	\$19,495	\$84,723	<b>30%</b>	446
Employee 11	\$81,040	\$1,359	\$19,487	\$101,887	<b>24%</b>	340
Employee 12	\$83,255	\$10,275	\$22,083	\$115,613	<b>27%</b>	378
Employee 13	\$86,822	\$96	\$18,241	\$105,159	<b>21%</b>	380
Employee 14	\$102,735	\$130	\$20,096	\$122,961	<b>20%</b>	401
Employee 15	\$61,577	\$66	\$11,520	\$73,163	<b>19%</b>	327
Employee 16	\$83,023	\$88	\$15,518	\$98,628	<b>19%</b>	333
Employee 17	\$81,965	\$107	\$15,208	\$97,279	<b>19%</b>	305
Employee 18	\$102,723	\$1,719	\$16,500	\$120,942	<b>16%</b>	236
Employee 19	\$72,805	\$60	\$10,750	\$83,614	<b>15%</b>	217
Employee 20	\$102,574	\$940	\$14,171	\$117,685	<b>14%</b>	209

**Parks and Recreation Department Top-20 Overtime Earners  
Overtime to Base Salary Ratio FY2019**

<b>Top Earners of Overtime (Sorted by Overtime to Base Salary Ratio)</b>	<b>Base Salary</b>	<b>Other Salary Pay</b>	<b>City-Paid Overtime Earning</b>	<b>Total Earnings, Including Overtime</b>	<b>Overtime to Base Salary Ratio</b>	<b>Overtime Hours</b>
Employee 1	\$42,109	\$2,040	\$12,235	\$56,384	<b>29%</b>	432
Employee 2	\$47,806	\$247	\$11,042	\$59,095	<b>23%</b>	310
Employee 3	\$37,399	\$1,188	\$7,464	\$46,051	<b>20%</b>	282
Employee 4	\$32,519	-	\$5,685	\$38,204	<b>17%</b>	201
Employee 5	\$57,927	\$939	\$8,301	\$67,167	<b>14%</b>	202
Employee 6	\$42,594	\$1,373	\$6,054	\$50,021	<b>14%</b>	192
Employee 7	\$35,376	\$1,375	\$4,768	\$41,520	<b>13%</b>	188
Employee 8	\$43,796	\$2,344	\$5,561	\$51,702	<b>13%</b>	180
Employee 9	\$44,275	-	\$5,479	\$49,753	<b>12%</b>	176
Employee 10	\$31,884	\$185	\$3,801	\$35,870	<b>12%</b>	176
Employee 11	\$36,224	\$9,945	\$3,803	\$49,972	<b>10%</b>	148
Employee 12	\$51,861	\$1,973	\$5,327	\$59,161	<b>10%</b>	149
Employee 13	\$43,353	\$2,933	\$4,206	\$50,492	<b>10%</b>	139
Employee 14	\$40,396	\$740	\$3,830	\$44,967	<b>9%</b>	146
Employee 15	\$53,773	\$1,870	\$4,869	\$60,512	<b>9%</b>	134
Employee 16	\$44,153	\$3,721	\$3,986	\$51,860	<b>9%</b>	124
Employee 17	\$44,712	\$3,408	\$3,984	\$52,104	<b>9%</b>	130
Employee 18	\$53,944	\$3,094	\$4,601	\$61,639	<b>9%</b>	125
Employee 19	\$53,357	\$1,525	\$4,355	\$59,237	<b>8%</b>	126
Employee 20	\$61,598	\$53	\$4,033	\$65,684	<b>7%</b>	105

## EXHIBIT C – Department Comments Regarding Payroll Exceptions

The following is a summary of the comments from the departments that had payroll timecard exceptions:

- Police: Supervisors have TeleStaff overriding authority which allows their own overtime to not require approval within the system, and TeleStaff does not alert when this occurs. This issue has been discussed internally and the department believes it will be resolved with a planned upgrade to the newest version of TeleStaff. Regarding the absence of overtime comments, the policy is that overtime for regular vacant positions due to vacations, sick leave, etc., does not require the addition of comments in TeleStaff.
- Fire: One instance where approval was not found was discussed and acknowledged by the department as an exception.
- Public Utilities: The department could not provide further documentation to explain why individual overtime events were not approved and/or comments were not documented.
- Public Works: Instances where approval of individual overtime events and absence of overtime comments were discussed and acknowledged as exceptions. The Department Director has implemented a Pre-Approval Form for pre-scheduled overtime to improve control, and supervisors were recently advised on the need to adhere to policies and procedures.
- Development Services: Overtime comments are not always left in Kronos as required by policy, but the reason for overtime is documented in the Community Plus system, which does not interface with Kronos.
- Parks & Recreation: Instances in which overtime was not approved or no comments included were due to weekend call outs for emergency or last-minute requests, which in some cases cannot be provided with enough time to meet the timecard approval deadline.

## EXHIBIT D – Recommendation 8 Management Responses

- Public Utilities: Management agrees with the recommendation for Public Utilities and propose the implementation of a comparison and review the industry standards by December 1, 2020.

We have been reviewing and evaluating overtime and will continue to do so. Based on review and changes we have made in the past few months, we have seen a reduction in call outs for at least one division (pumping operation) and they attribute this to putting resources in proactive maintenance, standardizing equipment, training staff etc. so equipment and stations run more optimally and there are fewer call outs afterhours. The two treatment plants are also evaluating where the maximum overtime is used and are looking at operations to make adjustments for reducing overtime. The increase in overtime budget for Utilities is because in the past this line item was not adequately budgeted. We are also looking at number of personnel in positions that end up having more overtime to see if changes are needed in the workforce.

- Public Works: Management agrees with the recommendation. The overtime ratio is reasonable, but not necessarily sustainable. Our Department has embraced the concept of continuous improvement and will continue to look into efficiencies related to the reduction of overtime. Among other things, the following measures have been put in place to closely monitor and appropriately manage our department's overtime:
  - Require an OT justification form to be completed by supervisors for all scheduled OT
  - As part of the timecard approval process, supervisors are required to comment on all OT prior to approving the timecard
  - Administrative staff runs a report to ensure the second bullet takes place
  - Superintendents are expected to review their division's OT budget and review Statement of Encumbrances and Expenditures on at least a monthly basis
  - Public Works developed an SOP for monitoring OT.
  - Sanitation supervisors meet with their drivers monthly. As part of their monthly meeting, they discuss the cycle times for each route to make sure they are completing their routes per the known cycle times
- Development Services: Our overtime in Building could be significantly reduced but that comes with a reduction in service levels. The developers in our community have indicated that they want a quick turnaround in permitting and, short of adding considerable staffing, that can be achieved through overtime and using private contractors to assist us.
- Parks and Recreation: With a high level of vacancies in the Recreation Division and the Parks Division, job duties which are required to meet service delivery expectations necessitate the need to schedule overtime. Overtime assignments within the Parks

Division is managed by rotation of employees. Employees are not mandated to work overtime unless in an emergency. Additionally, certain overtime assignments require a specific skill or knowledge of the task, which may limit the number of eligible employees.

The hiring of new employees to reduce the need for OT has been challenging. During this time frame unemployment was very low and other municipal jurisdictions were paying higher salaries. Should we have had a full complement of Parks and Recreation personnel we would have stayed within our OT budget allotment.

Also, some jobs require scheduling of staff to work on a Saturday or early mornings due to safety issues when working along the roadways. This includes tree trimming, banners, median maintenance, etc. Therefore, there will continue a need for a reasonable amount of dollars budgeted for OT.

In an effort to reduce the need for certain OT duties, we continue to strive to create teams which are permanently scheduled to work unusual shifts like Tuesday – Saturday or Sunday – Thursday. The Parks Division, though in this report shows a high variance in budget versus actual, this fiscal year the OT budget will not exceed the allotment, due to the changes made.