

Office of the City Auditor

CONSENT CALENDAR
November 18, 2008

To: Honorable Mayor and Members of the City Council
From: Ann-Marie Hogan, City Auditor
Subject: Audit of Police Overtime and Lost Time: Cost and Risk Can Be Reduced

RECOMMENDATION

Request the City Manager to report back on or before August 2009, and every six months thereafter, regarding the implementation status of the audit recommendations in the attached audit report until each recommendation is fully implemented.

SUMMARY

In fiscal years 2003 through 2007 the Berkeley Police Department (BPD) incurred over 200 thousand lost hours due to personal and family sick leave, job related injuries, state disability leave, and leave without pay. Police lost time cost the City over \$5.5 million during this period. In addition, Police personnel worked over 242 thousand hours of paid overtime at a gross cost to the City of over \$13 million for the five-year period. According to Police management, the BPD uses overtime to provide crowd and traffic control for special events, such as sports events, demonstrations, or to address staffing shortfalls, including those caused by employee absences.

The objectives of our audit were to:

- Examine the costs and trends related to Police overtime and lost time.
- Determine whether overtime is more expensive than hiring more police officers and dispatch personnel.

We report the following observations about Police overtime and lost time:

- Paying overtime is currently less expensive than hiring additional Police staff.
- We found no clear indication that sick leave was abused to extend weekends.
- The Police Department incurred less lost time than all but one of the other City operating departments in FY 2007.
- Police lost time has declined since 2003.

Findings identified during the audit are as follows:

- Approval of compensatory time off in lieu of overtime pay in units with minimum staffing can increase the City's overtime costs by 50% per incident. Minimizing that practice could save the City approximately \$60 thousand in annual overtime costs (Finding 1).
- Fatigue caused by excessive overtime could pose risks to employee safety and service delivery (Finding 2).
- An incorrect interpretation of a Memorandum of Understanding (MOU) provision resulted in questionable payment of double time pay (Finding 3).
- Payroll audit did not have evidence of delegated authority for two employees that approved biweekly timesheets (Finding 4).
- Police personnel who worked overtime to conduct background investigations did not always report overtime in the pay period worked (Finding 5).
- Two overtime requests were not approved by the division commander (Finding 6).

To address these findings, we make 11 recommendations aimed at reducing both overtime costs and risks to employees and the public, clarifying the intent of a provision in the MOU, and improving internal controls.

FISCAL IMPACTS OF RECOMMENDATION

Implementation of our recommendation to approve compensatory time off in lieu of overtime pay on an exception basis only will result in annual cost savings of approximately \$60 thousand.

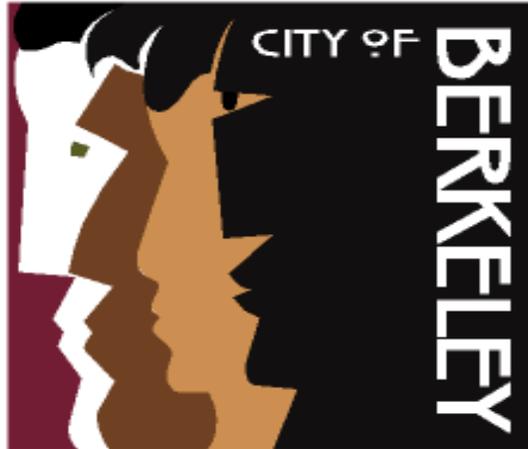
CONTACT PERSON

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Attachment

1. Audit of Police Overtime and Lost Time: Cost and Risk Can Be Reduced

City of Berkeley



Audit of Police Overtime and Lost Time: Cost and Risk Can Be Reduced

Prepared by

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Presented to Council on November 18, 2008

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I. OBJECTIVES OF THE AUDIT

The objectives of the audit were to:

- 1) Examine the costs and trends related to overtime and lost time (absences due to illness, injury, etc.) in the Berkeley Police Department, with a focus on the Central Communications Center (dispatch); and
- 2) Determine whether overtime is more expensive than hiring more police officers and dispatch personnel.

This is our second performance audit report on public safety employee overtime and lost time. In May 2007, we issued a similar report for Fire titled "Fire Department Audit – Lost Time and Overtime." [Fire Overtime Lost Time Audit](#)

II. AUDIT RESULTS

We made the following observations:

- Paying overtime is currently less expensive than hiring additional staff.
- Sick leave did not appear to be abused to extend weekends.
- The Police Department incurred less lost time than all but one of the other City operating departments in FY 2007.
- Police lost time declined substantially from FY 2003 through FY 2007.

In addition, our analysis and testing disclosed the following concerns:

Effective internal controls are necessary to ensure that public resources are properly safeguarded.

- The Police Department could save approximately \$60 thousand per year in overtime costs if Central Communications and Jail staff were not permitted to accrue compensatory time (Finding 1).
- Eleven employees each worked more than 725 hours of overtime in fiscal years 2006, 2007, or both (Finding 2).
- Uncertainty over correct interpretation of a Memorandum of Understanding (MOU) provision led to questionable double-time pay (Finding 3).

- Payroll Audit did not have evidence of delegation of authority for two Police supervisors who approved biweekly timesheets (Finding 4).
- Police Officers did not always report overtime in the pay period in which it was worked (Finding 5).
- Two requests for overtime were not approved by the employees' division commander (Finding 6).

Findings and observations are detailed in Sections IV and V below.

III. BACKGROUND

The Berkeley Police Department's (BPD) mission is to effectively suppress crime and drug related activity, and to provide a safe and secure environment for Berkeley residents and visitors through vigorous law enforcement. BPD seeks to identify and solve problems that threaten the quality of life in Berkeley. To achieve this goal, the Department is organized into the Office of the Chief, the Internal Affairs unit, and four divisions: Patrol, Police Support Services, Administration, and Field Support.

Patrol is the largest Police division and includes:

- Seven uniformed patrol teams,
- Bicycle Patrol, and
- Police Reserve Unit.

Police Support Services includes:

- Detective Bureau,
- Central Communications (dispatch),
- Jail Operations,
- Police Services, and
- Youth Services Bureau.

Field Support includes:

- Traffic Bureau,
- Special Enforcement Unit, and
- Community Services Bureau.

Police Administration includes:

- Bureau of Inspections and Controls, and
- Personnel and Training Unit.

Certain Police units including Patrol, Central Communications, and Jail Operations require 24-hour staffing 365 days a year.

As of June 2007, BPD had 282.5 full time equivalent (FTE) employees. The Department expended almost \$49 million in fiscal year FY 2007, and is budgeted at over \$50 million for FY 2008. Over 90 percent of the funds expended in FY 2007 consisted of salaries and benefits, which include overtime and lost time.

Figure 1 - BPD FY 2007 Expenditures
(Source: City's adopted budget for FY 2008 & FY 2009)

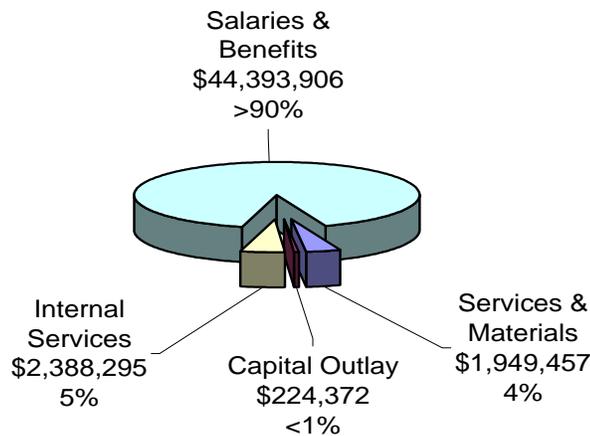


Figure 1 shows direct costs only, which averaged more than \$173 thousand per FTE. The Department's FY 2007 indirect cost allocation of almost \$3.8 million¹ brought total costs to almost \$53 million, or over \$186 thousand per FTE.

Adjusting for indirect costs, BPD costs were over \$186,000 per FTE.

Earned Leave

Earned leave is composed of vacation, holiday, compensatory time, and administrative leave. Earned leave taken by Police employees in fiscal years 2003 through 2007 ranged from almost 64 thousand hours to almost 68 thousand hours per year. In FY 2007, the BPD's earned leave was almost 5.5% of the Department's total expenditures and cost the City over \$2.6 million.

¹ Source: The City's "Indirect Cost Allocation Plan – Fiscal Year 2007."

Lost Time

Lost time includes personal and family sick leave, leave without pay, workers' compensation leave, state disability leave, funeral leave, jury duty, union business, and military leave. In fiscal years 2003 through 2007, the BPD incurred over 200 thousand lost hours, for an average of just over 40 thousand hours per year. In FY 2007, Police lost time was just over 2% of the Department's total expenditures and cost the City over \$1 million.

Overtime

According to Police management, the BPD customarily uses overtime to provide crowd and traffic control for special events, such as sports events or demonstrations, and to fill staffing shortfalls. The necessity for certain units, such as Patrol, Central Communications, and the City Jail to be staffed at all times significantly increases overtime use. According to the Police Chief, long term serious injury and parental related family leave account for significant lost time. He also stated that Central Communications and the City Jail were not fully staffed during the period audited, which increased overtime needs.

In FY 07, overtime accounted for 7% of BPD's expenditures.

In fiscal years 2003 through 2007, Police personnel worked more than 48 thousand hours of overtime per year on average. In FY 2007, they worked over 55 thousand overtime hours at a cost of over \$3.4 million, which was 7% of the Department's total expenditures for the year.

Figure 2 – Overtime, Lost Time, and Earned Leave as a Percentage of Total Police Department Expenditures

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Overtime Costs (a)	\$2,541,485	\$2,235,441	\$2,468,755	\$2,801,238	\$3,429,093
Lost Time Costs (b)	\$1,275,030	\$1,220,880	\$903,132	\$1,041,759	\$1,110,061
Earned Leave Cost (c)	\$2,341,966	\$2,366,916	\$2,401,274	\$2,521,759	\$2,674,735
Total Dept Costs (d)*	\$40,155,631	\$39,127,449	\$42,455,475	\$46,569,691	\$48,956,030
Overtime % (e) = a/d	6.3%	5.7%	5.8%	6.0%	7.0%
Lost time % (f) = b/d	3.2%	3.1%	2.1%	2.2%	2.3%
Earned Leave % (g) = c/d	5.8%	6.0%	5.7%	5.4%	5.5%
Total % = e + f + g	15.3%	14.9%	13.6%	13.6%	14.8%

*Source: City's adopted budgets for FY 2005 and FY 2008/2009

The overtime amounts shown above do not represent net costs to the City. The City bills various entities, including the University of California and Berkeley High School, for providing Police coverage at special events.

A portion of overtime is funded through state grants for alcoholic beverage control and DUI checkpoints, as well as a federal justice assistance grant. According to public safety staff, in fiscal years 2003 through 2007 the City recovered over \$1.5 million, or about 11.5% of overtime costs from these sources.

IV. FINDINGS AND RECOMMENDATIONS

Finding 1 Approval of Compensatory Time Off in Lieu of Overtime Pay Can Increase Overtime Costs Per Incident by 50%

The City incurs up to 50% more overtime costs when an employee is required to work overtime to cover for another employee that is absent and using accrued compensatory time off, than if the absent employee had been compensated with overtime pay. This situation occurs frequently with Central Communications Center (dispatch) and City Jail staff.

Section 15.2 of the MOU with Service Employees International Union (SEIU) Local 790 (now part of Local 1021) provides that compensatory time off may be earned in lieu of overtime pay at the rate of one and one-half hours for each hour of overtime worked up to a maximum of 60 hours. As used therein, 60 hours (of overtime worked) is equal to 90 hours of time off work. The MOU also provides that “whether an employee shall be compensated for overtime by compensatory time off or by payment shall be at the sole discretion of the employee’s Department Head.”

Compensatory time can drive up total overtime costs.

The Lieutenant in charge of the Central Communications Center told us that dispatch personnel have been permitted to accrue up to 90 hours of compensatory time each year.² He estimated that with current staffing,³ when a public safety dispatcher takes time off from work, another employee works overtime to cover for the absent employee 90 percent of the time. As a result, the approval of compensatory time off in lieu of overtime substantially increases total overtime costs.

² The 90 hours would include any balances carried over from the previous year.

³ The Central Communications Center’s staffing was several positions below authorized FTEs.

If, for example, an employee earns compensatory time off for working an extra 10-hour shift,⁴ instead paying that employee for 10 hours at 1 ½ times regular pay, the City is likely to pay another employee for 15 hours (10 x 1.5) at 1 ½ time regular pay. The increase in cost is even greater if the employee who works overtime to cover for an employee that is absent using compensatory time is also permitted to earn compensatory time. The following scenario could occur where \$450 in overtime that would be paid for an extra 10-hour shift could increase to over \$1,000 if both employees were permitted to earn compensatory time.

For example, employee A, whose base pay is \$30 per hour, works 10 hours overtime, accruing 15 hours compensatory time (10 x 1.5). Had A not been granted compensatory time off but instead was simply paid for the overtime, the employee would have earned \$450, including premium pay (10 x \$30 x 1.5).

However, when A is off work to use the 15 hours of compensatory time, should employee B, whose base pay is also \$30 per hour, work 15 hours overtime to cover for the absent A, employee B would be paid \$675, including premium pay (15 x \$30 x 1.5). Therefore, approval of compensatory time in lieu of overtime pay increased total overtime expense by \$225 (\$675-\$450).

If B were **also** granted compensatory time in lieu of overtime pay, B would accrue 22.5 hours compensatory time (15 x 1 1/2). When B takes the compensatory time off, should other employees with the same base pay have to work overtime to cover for the absent B, these employee would earn at least \$1,012.50, including premium pay (22.5 x \$30 x 1.5). The \$450 in overtime pay could possibly grow to \$1,012.50, or 2 ¼ times what it would have cost to compensate employee A with overtime pay (1,012.50/450).

In FY 2007, Communications Center civilian employees were absent from work more than 3,400 hours using compensatory time, for an average of 117 hours per full time equivalent position (FTE).

⁴ Most Police personnel work four 10-hour shifts per week.

There is a similar situation with City Jail personnel, who are also covered by the MOU with SEIU Local 790⁵. While the Jail generally does not approve up to 90 hours of compensatory time, civilian Jail personnel were absent while using compensatory time more than 53 hours per FTE in FY 2007. The Sergeant in charge of the Jail estimated that when a Jail employee takes time off, another employee works overtime to cover for the absent employee 70% of the time.

We estimate that the Police Department could save approximately \$60 thousand per year in overtime costs if Central Communications and Jail staff were not permitted to accrue compensatory time. This estimate is based on: 1) pay rates as of May 2008, 2) total compensatory time used by each unit in FY 2007, and 3) the above estimates of the percent of time that the absence of one employee results in another employee working overtime.

Other Police units had somewhat high levels of compensatory time usage in FY 2007, but not as high as Central Communications. For example, Community Service Bureau sworn staff used 84 hours per FTE, Youth Services Bureau sworn⁶ staff used almost 74 hours per FTE, and Police Administration civilian staff used an average of over 75 hours per FTE. However, we did not obtain information from these units as to reasons for overtime, and whether an absence by one employee would likely result in another employee working overtime.

Recommendation for Police

- 1.1 The Police Chief should exercise his discretionary authority under Section 15.2 of the MOU and approve compensatory time off in lieu of overtime on an exception only basis when approval of compensatory time is likely to result in higher overtime costs. If the absence of one employee is likely to necessitate overtime by another employee, compensatory time off should be approved only if there are extenuating circumstances.

City Manager's response:

The Police Chief agrees with the finding. The Chief will meet with his staff, as well as the union, to consider this recommendation and other alternate means of controlling overtime costs and report back to Council by June 2009.

⁵ SEIU 790 (now part of SEIU 1021) covers certain non-sworn Police personnel.

⁶ Sworn staff are covered by the MOU with the Berkeley Police Association, which has similar provisions for compensatory time.

Finding 2 Fatigue Caused by Excessive Overtime Could Pose Risk to Employee Safety and Service Delivery

Eleven police officers or other Police Department employees⁷ each worked more than 725 hours of overtime in either FY 2006, FY 2007, or both. The overtime hours for these individuals (Table 1) represent 35% to 74% of a FTE.

**Table 1
Individual Overtime In Excess of 725 Hours**

Employee by Position	Overtime Hours (1)	
	FY 2006	FY 2007
Community Service Officer A (2)		781
Community Service Officer B		781
Community Service Officer Supervisor	823	835
Crime Scene Supervisor	913	780
Parking Enforcement Officer		786
Police Officer A	824	
Police Officer B		912
Police Sergeant A	878	976
Police Sergeant B		727
Public Safety Dispatcher II A	1,540	
Public Safety Dispatcher II B	978	1,023

(1) Rounded to the nearest whole hour.

(2) We use "A" and "B" to indicate different employees.

Excessive overtime can lead to fatigue related accidents, lower morale, and create an expectation of overtime pay as part of normal compensation.

Other employees in the same job classifications worked far less overtime in the same fiscal years. It does not appear that it was necessary for the individuals in Table 1 to work so much overtime. Such extensive individual overtime could result in fatigue sufficient to impair the employee's effectiveness in performing their duties.

Conditions that impair a public safety employee's job effectiveness could increase risk to the employee's safety, as well as their service delivery to the public. For example, Police dispatch personnel are responsible for Fire and emergency medical dispatch in addition to Police dispatch. The community service officers and supervisor shown above worked in the City Jail and were responsible for the custody and safety of detainees.

⁷ The 11 employees represent 4% of the Department's average of 284 FTEs for fiscal years 2006 and 2007.

The Department's only overtime restriction is a policy that limits overtime to 16 hours in any 24-hour period (General Order D-16, Part 4).

Recommendation for Police

- 2.1 Evaluate the circumstances involved in the high individual overtime shown in the table and determine whether employees are working excessive overtime that could result in fatigue related job impairment.

- 2.2 Consider establishing additional overtime restrictions, such as a limit on the number of consecutive 16-hour workdays, or a limit on the number of hours that an employee will be permitted to work in any week.

City Manager's response:

The Police Chief agrees with the finding. He stated that it is the Department's intention to avoid forced overtime, which can be disruptive to employees' lives and lead to greater fatigue than having employees volunteer to work at times when they can adjust their personal lives and sleeping patterns to the work hours. The individuals that worked more than 725 hours volunteered for the overtime. Police staff has already dealt with the one employee who worked 1,540 in FY 2006. The Chief also does not consider the other overtime hours excessive. However, he agreed to the recommendations and will report back to Council by June 2009.

Finding 3 Uncertainty Over the Correct Interpretation of an MOU Provision Led to Questionable Double Time Pay

Section 15.1 of the MOU with SEIU Local 790 provides that all work in excess of 8 hours in a 24-hour period shall be compensated at one and one-half (1½) times the employee's regular pay rate for the first four hours of such excess and two times regular pay (double time) for the balance of such excess. However, it also states that this provision is "not applicable when excess hours are required by a schedule adjustment requested by the employee or part of a regular flextime schedule requested by the employee."

The MOU does not specify how an employee is to be compensated for overtime when working a flextime schedule. Also, Administrative Regulation 2.11, entitled "Flextime/Alternative Work Schedules Policy and Guidelines" as written does not address overtime pay for employees whose work schedules consist of four 10-hour work days and three days off each week (4/10 flextime).

For Police units that work a 4/10 flextime schedule, the practice has been to pay overtime at 1 ½ times regular pay for the first four hours in excess of 10 hours in a 24-hour period, and double time for additional time worked.

In testing overtime transactions, we found a situation where an employee was paid double time under circumstances that may have only warranted payment at 1 ½ times regular pay.⁸ When we inquired about the payment, we encountered conflicting opinions from Payroll Audit, Human Resources, and the City Attorneys' Office as to double-time pay eligibility for employees working a 4/10 flextime schedule. At the completion of our audit, Human Resources and the City Attorney's Office were in the process of resolving this issue.

Recommendations for Human Resources

- 3.1 Confer with the City Attorney's Office to resolve the circumstances under which 4/10 flextime employees are eligible to receive double time pay for overtime.
- 3.2 Assess the feasibility of the City taking action to recover any overpayments.
- 3.3 Once the double time eligibility issue is resolved, inform department heads of the double time rules. Department heads should be able to use the information to ensure that timekeeping personnel and supervisors can effectively apply the rule(s) to circumstances under which 4/10 flextime employees are eligible for double-time pay.

City Manager's response:

The Director of Human Resources agrees with the finding. He also agrees with Recommendation 3.1 that department heads and payroll staff need to understand how Section 15.1 of the Memorandum Agreement and Administrative Regulation 2.11 should be interpreted for payment of overtime for employees working a 4/10 work schedule. The Director of Human Resources, the Acting Assistant City Attorney and the Deputy City Auditor for Payroll Management met, discussed and agreed on the correct interpretation on this complex issue. Recommendation 3.1 is fully implemented.

⁸There were other double time payments under similar circumstances, which were not part of our sample.

The interpretation used by timekeeping personnel is incorrect and will be corrected. The Acting Assistant City Attorney and Director of Human Resources will write a memorandum explaining the correct interpretation and will ensure that Administrative Regulation 2.11 is written in a manner that is consistent with this interpretation. The memorandum will also discuss whether it is appropriate for the City to take action to recover any overpayments as per Recommendation 3.2. The Director of Human Resources also agrees that once the memorandum is finalized, he will ensure that it is distributed to department heads.

The Director of Human Resources will report back to Council by June 9, 2009.

Recommendation for Payroll Audit

- 3.4 Request a formal interpretation from Human Resources or the City Attorney's office when clarification of MOU provisions is needed.

City Manager's response:

The Deputy City Auditor for Payroll Management agrees with the finding and the recommendation. On August 26, 2008, formal guidance from the City Attorney's Office and Human Resources was requested. Recommendation 3.4 is fully implemented.

Finding 4 No Documented Authority in Payroll Audit for Two Supervisors Who Approved Biweekly Timesheets

Payroll Audit did not have evidence that the Police Chief had delegated authority to two Department supervisors that approved biweekly timesheets. The timesheets related to a sub-sample of 19 overtime transactions.⁹ Section 4.04.230 of the Berkeley Municipal Code, in compliance with Article X, Section 61 of the Charter, states, "The City shall not pay any salary, wage, or other compensation... unless the payroll timesheet bears the certificate of the department head that the person was employed and was performing the services...." Delegated authority is normally in the form of a list of supervisors that are authorized to approve timesheets. The list bears a sample of each supervisor's signature, and is signed by the Police Chief. The two supervisors in question did not appear on any of the lists on file in Payroll Audit. The omission appeared to be a clerical error.

Sample signatures provide a key internal control against payroll fraud.

⁹The 19 overtime transactions represent one fifth of a random sample of 95 transactions used to test the accuracy of the overtime data extracted from FUNDS\$.

Recommendation for Police and Payroll Audit

- 4.1 Coordinate to ensure that Payroll Audit has updated sample signatures, approved by the Police Chief, of all supervisors who have delegated authority to approve biweekly timesheets.
- 4.2 When the Police Chief authorizes additional employees to approve timesheets, he should notify Payroll Audit by timely submitting sample signatures of the newly authorized individuals.

City Manager’s response:

The Police Chief and Deputy City Auditor for Payroll Management agree with the finding. Effective immediately, the Police Chief will require that a sample signature be submitted to Payroll Audit as soon as an employee is promoted to a supervisory position. Recommendation 4.1 and 4.2 are fully implemented.

Finding 5 Police Did Not Always Report Overtime in the Pay Period in Which Worked

When police officers worked overtime for the purpose of conducting background investigations that spanned more than one pay period, the officers accumulated the overtime hours associated with each investigation. Those hours were then reported in their entirety after the investigation was complete. According to the Police Chief, overtime hours were not reported until the investigation was complete to enable management to determine if hours worked were consistent with the quality of the investigation. Both the Fair Labor Standards Act and state law require that wages owed be paid in the pay period worked or the next pay period.

Timely reporting is a key internal control.

The practice of accumulating overtime worked in more than one pay period increases the risk of errors in reporting overtime. Also, reports that management uses to monitor overtime could be misleading, making it more difficult to manage overtime. Finally, overtime costs recorded in FUND\$ (the City’s automated financial system) might not reflect all cost incurred to date.

Recommendation for Police

- 5.1 Ensure that Police personnel report overtime in the pay period in which it is worked.

City Manager's response:

The Police Chief agrees with the finding and recommendation. On August 27, 2008, he instructed Police management to have background investigators submit overtime requests at the end of each pay period. Recommendation 5.1 is fully implemented.

Finding 6 Two Overtime Requests Were Not Approved by the Division Commander

Proper authorization is a key internal control.

The Extraordinary Duty Requests (the overtime approval form) for two overtime transactions were not signed by the division commander to indicate approval.¹⁰ According to the Police Chief, the requirement of an extra signature (in addition to the lieutenant's and the supervisor's signature) was so the captains had the information needed to monitor overtime. Police Department General Order D-15, Part 18 requires the employee's commanding officer (lieutenant), and division commander (captain) to approve the Extraordinary Duty Request. Typically, the Accounting Office Specialists¹¹ deliver all Extraordinary Duty Requests to the division commanders for final approval. However, it appears that they overlooked obtaining this final level of approval for the two overtime transactions.

One of the two questioned overtime transactions related to a court appearance. As a result of this audit, the applicable division commander sent an email to the Accounting Office Specialists' supervisor asking the supervisor to remind staff that, as a part of processing subpoena overtime requests, a captain must sign the request.

Recommendation for Police

- 6.1 Send a reminder to all Police personnel that, without exception, all overtime requests must be signed by the employee's division commander, or acting commander.

City Manager's response:

The Police Chief agrees with the finding and recommendation. On August 25, 2008, he sent a reminder of the requirement to supervisors in the Police Department. Recommendation 6.1 is fully implemented.

¹⁰ The two transactions represent 8% of a randomly selected sub-sample of 25 overtime transactions we tested to verify approval.

¹¹ The Accounting Office Specialists are Fire Department employees that perform time keeping services for the Police Department.

V. OBSERVATIONS

Overtime is Less Expensive Than Hiring Additional Police Staff

Overtime is expensive, but hiring additional staff would be more expensive given the cost of employee benefits, lost time, and earned leave. In FY 2007 the cost of Police employee benefits, such as retirement, health and dental insurance, and workers' compensation benefits was over 64% of base pay for sworn (uniformed) personnel, almost 61% for civilian field personnel, and over 54% for civilian office staff. Furthermore, in both fiscal years 2006 and 2007, Police personnel were paid while absent from work 17% of the time due to lost time and earned leave. Paid absences combined with employee benefits brought the cost of hiring additional sworn staff to 198% of base pay [164 / (1-.17)]. It brought the cost of hiring additional civilian staff to 194% of base pay for field personnel [161 / (1-.17), or 161 / .83], and 186% of base pay for office personnel (154 / .83).

Benefit costs drive up the cost of hiring additional staff, making overtime less expensive.

By comparison, overtime is generally compensated at 150% of base pay. Therefore, use of overtime would cost from 36% (186%-150%) to 48% (198%-150%) less than hiring additional staff.¹² The difference is even greater when the costs that the City would incur to recruit, train, and equip additional staff are considered. Not considering these additional costs, the fringe benefit rate would have to fall below 24.5%¹³ in order for hiring additional staff to be less expensive than overtime. At 24.5%, the cost of adding new employees would be the same as paying overtime, i.e., 150 % of base pay (124.5 / .83).

However, there could be hidden costs in working overtime. If staff are required or permitted to work excessive overtime, stress related injuries and illness could result in increased use of sick leave and additional workers compensation claims. Total sick leave costs in FY 2007 were \$449 thousand and salary continuation costs under the City's workers compensation program were \$563 thousand,¹⁴ for a total of \$1.012 million. This amount was only 2.3% of the \$44 million cost the BPD incurred for salaries and benefits combined.

¹² Our comparison does not reflect the effect of shift and special assignment pay differentials on overtime costs. Civilian employees receive a pay differential of 7½% or 10% for working evening or night shifts. In addition, uniformed personnel receive pay differentials for certain special assignments, such as explosive ordinance technician, or field training officer. Overtime premium pay applies to these differentials, as well as base pay.

¹³ $[(1.5 \times .83) - 1] \times 100$

¹⁴ This amount was taken from data that IT downloaded from FUND\$. The City also incurs medical costs under the workers' compensation program for treatment of injured workers. The workers compensation percentages shown above were taken from fringe benefit rates published by the City's Budget Office, and cover both medical costs and salary continuation.

No Indication of Sick Leave Used to Extend Weekends

An employee might abuse sick leave privileges by using sick leave to extend weekends. We found no pattern that indicates such abuse. As shown in Appendix 3A, personal sick leave peaked in mid-week (Tuesdays, Wednesdays, and Thursdays). There was also a mid-week peak when personal sick leave was combined with family sick leave.

On the surface, this trend would indicate minimal use of sick leave to extend weekends. However, the mid-week peak could be misleading, given that days off must be spread evenly throughout the week in units that are staffed seven days per week, such as Patrol, Central Communications, and the City Jail. According to the Police Chief, more Police personnel work mid-week than on other days.

The mid-week peak did not apply to Central Communications. As shown in Appendix 3B, in fiscal years 2006 and 2007 personal and family sick leave use was highest in Central Communications on Fridays. Also, Saturday was the third highest day of personal and family sick leave use by that unit. Since Central Communications is one of the units that distribute days off throughout the week, the Friday peak does not necessarily indicate that personnel could be abusing sick leave to extend weekends.

Police Lost Time in 2007 Compared Favorably With Other Departments

When compared to other City operating departments, Police Department lost time does not appear excessive. During FY 2007, at about 100 hours per FTE, Police incurred substantially less lost time than the Citywide average of just under 130 hours per FTE, as shown in Appendix 2A. Police incurred less lost time than all but one of the other City operating departments. Central Communications lost time, at almost 129 hours per FTE, was also slightly below the Citywide average, but substantially higher than other Police units, as shown in Appendix 2B. However, this unit had only 30 FTEs, on average, in FY 2007. With so few employees, unusual use of lost time (such as extended parental leave) by one or two employees could easily skew the unit's lost time picture. It should be noted that Central Communications' Lost Time declined sharply in fiscal years 2005 through 2007 compared to the 2003 and 2004 levels.

During FY 2007, BPD had a lower lost time average than every other City operating department, except one.

Police Lost Time Has Declined Since 2003

Police lost time has declined substantially since 2003. As shown in Appendix 6A, lost time per FTE for sworn and civilian personnel each declined in four of the five one-year time spans between fiscal years 2003 and 2007.

Lost time for sworn staff declined from 140 hours per FTE in 2003 to 82 hours per FTE in 2007. For civilian staff, lost time declined from 225 hours per FTE in 2003 to 178 hours per FTE in 2007. Lost time per FTE for sworn staff increased from FY 2005 to FY 2006, but declined in each of the other one-year time spans. Lost time for civilian staff increased from FY 2003 to FY 2004, but declined in each of the other one-year time spans.

There was a similar trend for the operating divisions, as shown in Appendix 7A. Increases and decreases occurred in the same one-year time spans as for all Police units.

Appendix 6B shows that lost time per FTE, as a percent of an FTE for all Police units, has also declined since FY 2003. Appendix 7B shows a similar trend for operating divisions. Appendix 6C shows that the number of equivalent positions lost declined in three of the four one-year time spans for both sworn and civilian staff. Finally, Appendix 7C shows a comparable trend for operating divisions only.

VI. CONCLUSION

Six issues were identified pertaining to overtime and payroll processing that required management's attention.

1. Approval of compensatory time off in lieu of overtime pay in units with minimal staffing, such as Central Communications and the City Jail, can increase the City's total overtime costs by 50% per incident (Finding 1).
2. What appeared to be excessive overtime worked by several individuals could have increased risk to employees and to service delivery to the public, due to fatigue (Finding 2).
3. Uncertainty over the correct interpretation of an MOU provision led to questionable double-time pay (Finding 3).
4. Payroll Audit did not have evidence of delegated authority with sample signatures for two Police supervisors that approved biweekly timesheets (Finding 4).
5. Police Officers did not always report overtime in the pay period in which it was worked (Finding 5).
6. Two requests for overtime were not approved by the employees' division commander as required by departmental policy (Finding 6).

Audit of Police Overtime and Lost Time

We also noted that overtime is less expensive than hiring additional staff due to the high cost of benefits; sick leave trends did not indicate widespread abuse of sick leave to extend weekends; Police lost time compared favorably with other City departments in FY 2007; and Police lost time declined substantially since FY 2003.

The City Auditor's Office Performance Audit Division thanks the Police Chief and his staff for their cooperation during the audit. We also thank the Fire Department's timekeeping personnel for providing the information required for testing transactions. Finally, we thank Information Technology for extracting payroll data from FUNDS, and Human Resources for providing information about workers' compensation.

As a follow-up to this audit, an audit of workers compensation Citywide was included in the City Auditor's fiscal year 2009 audit plan.

Appendix 1

Scope and Methodology

Our audit focused on overtime and lost time data provided by Information Technology (IT). At our request IT extracted payroll data from FUNDS\$ on specified overtime and lost time codes for fiscal years 2003 through 2007. We completed this audit primarily through:

- Use of audit software to analyze the extracted overtime and lost-time data;
- Validation of the extracted data through transaction testing of random samples;
- Reconciliation of lost-time reports to the extracted lost-time data for FY 2007, and
- Interviews of Police, Fire, and Human Resources personnel.

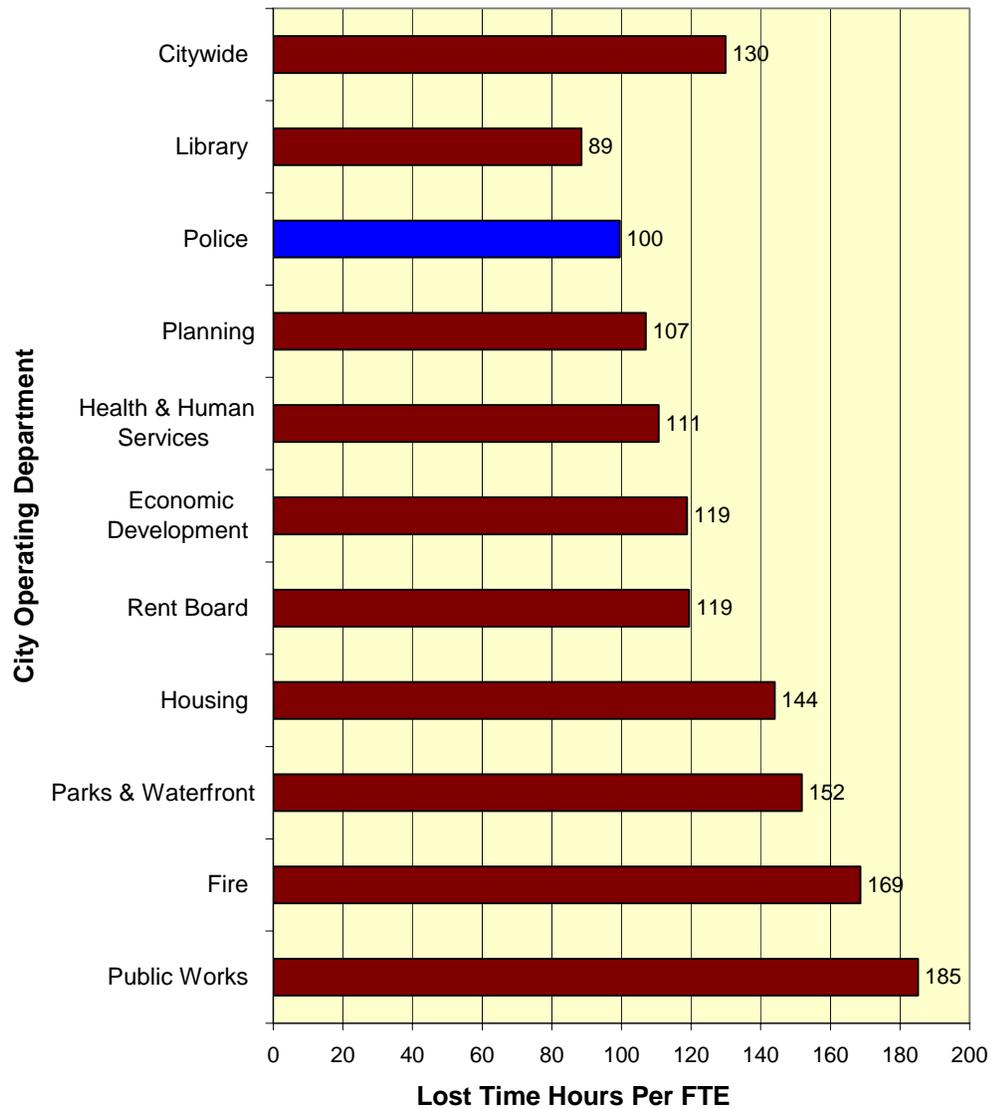
We conducted additional transaction testing to ensure that extraordinary amounts of overtime worked by two employees was supported by timekeeping records and was authorized by management.

Lost-time reports are generated from the City's financial system by the Payroll Audit Division and distributed to City departmental management. The Payroll Audit Division, which reports to the City Auditor, is responsible for certain centralized payroll tasks for the City's decentralized payroll system. We did not review the payroll process.

Our audit was conducted from November 28, 2007 to August 15, 2008. This performance audit was performed in accordance with Generally Accepted Government Auditing Standards and was limited to those areas specified above.

Appendix 2A

**Lost Time Hours Per FTE by Operating Department
Fiscal Year 2007
(rounded to the nearest hour)**

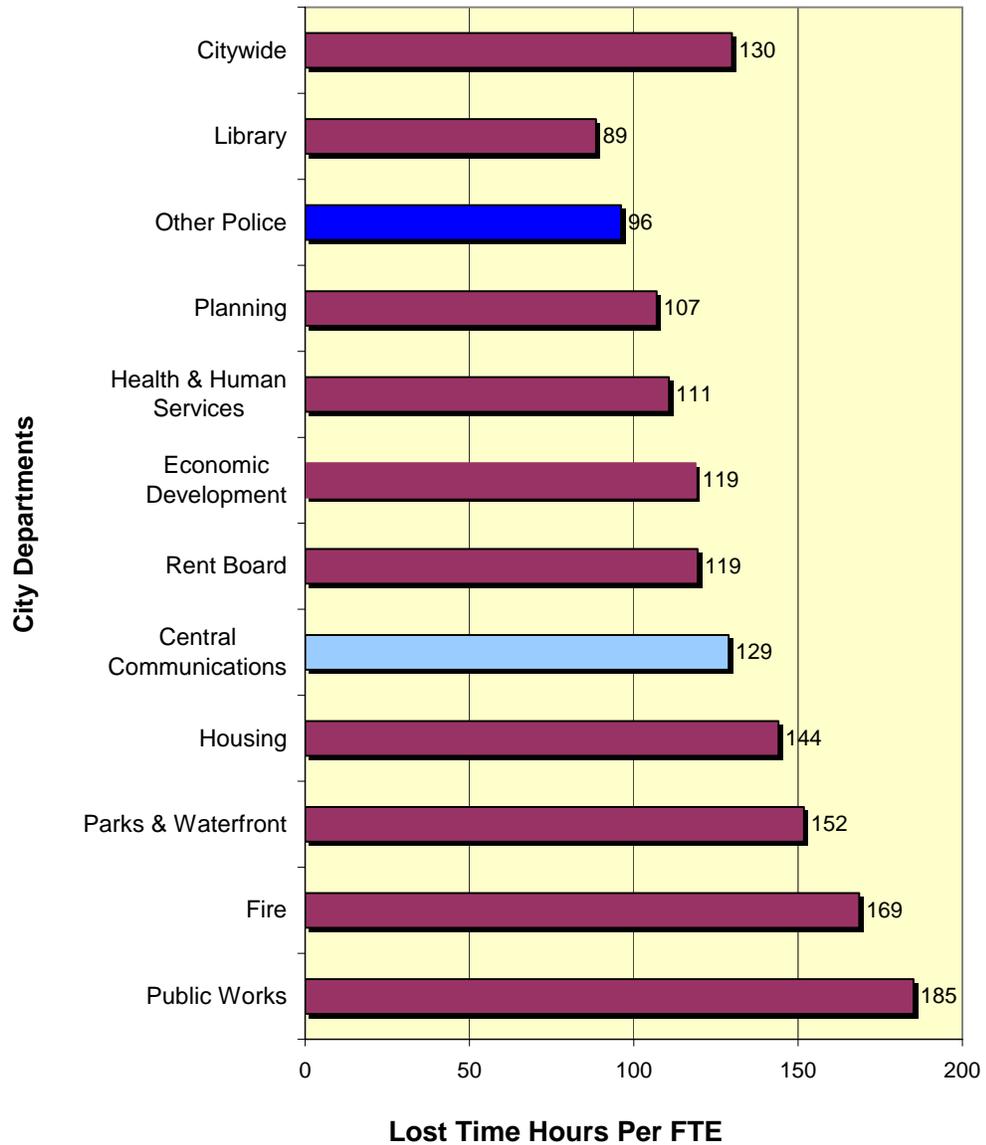


(Source: Lost-time reports that the Payroll Audit Division generated from the City's financial system)

Citywide data includes support departments, such as Finance and Human Resources.

Appendix 2B

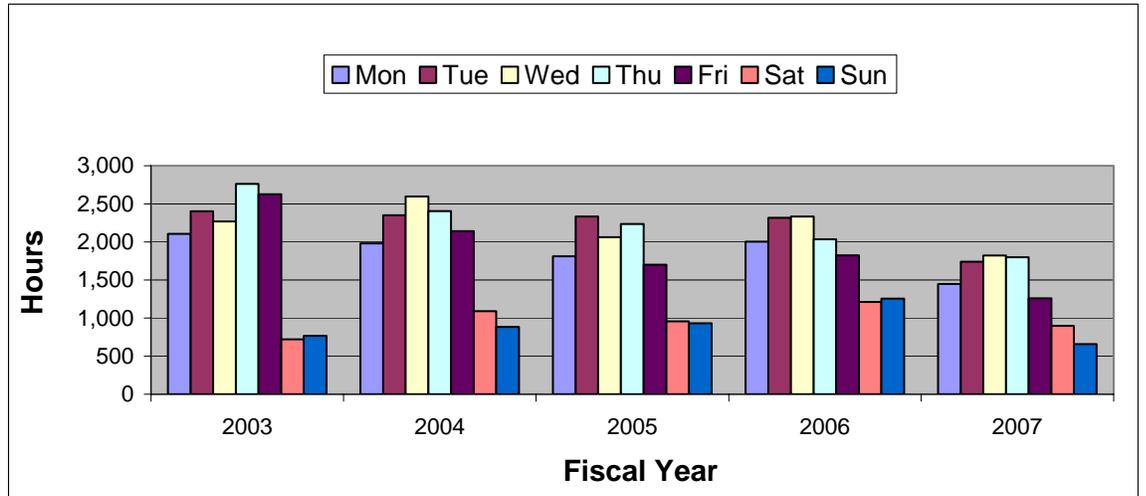
**Lost Time Hours Per FTE By Operating Department
and Police Central Communications
Fiscal Year 2007**



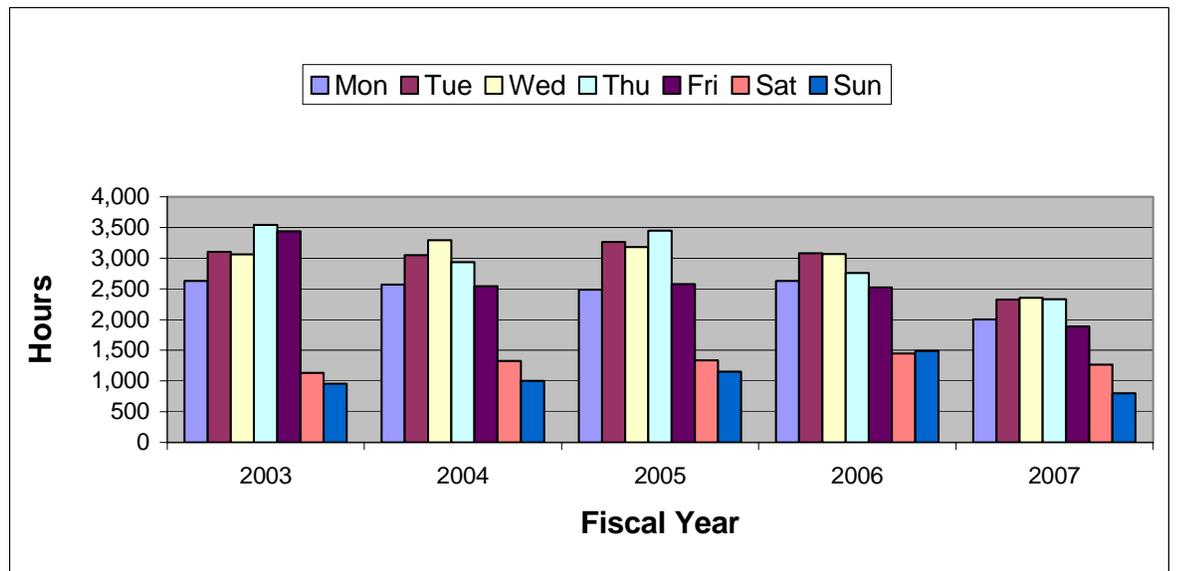
(Source: Lost-time reports that the Payroll Audit Division generated from the City's financial system).

Appendix 3A

Police Personal Sick Leave by Day of the Week

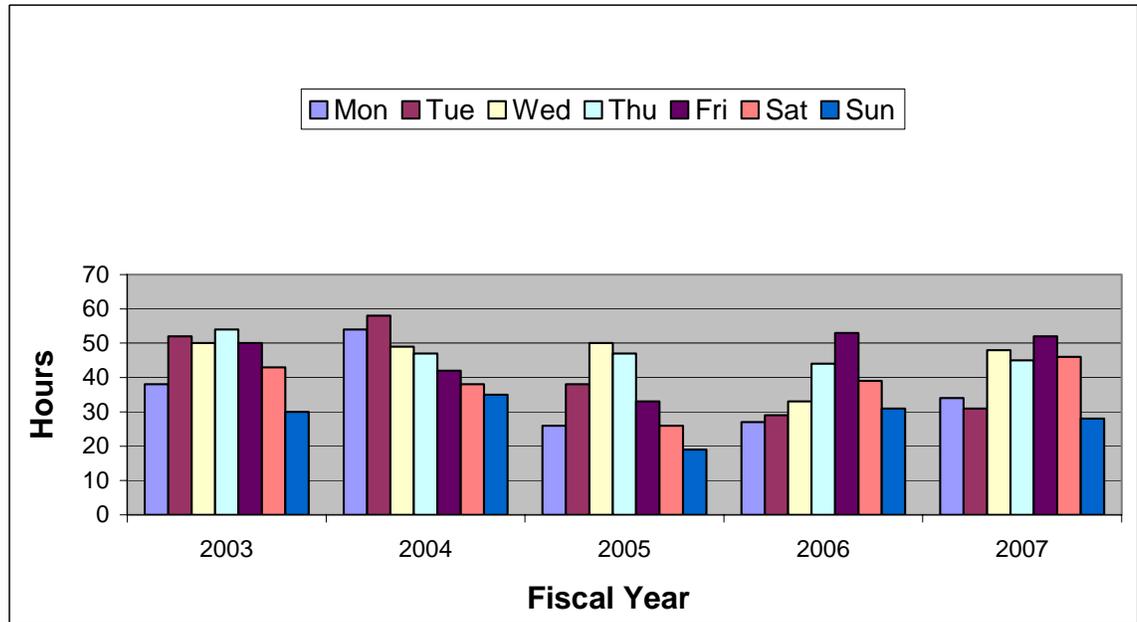


**Police Personal and Family Sick Leave
By Day of the Week**



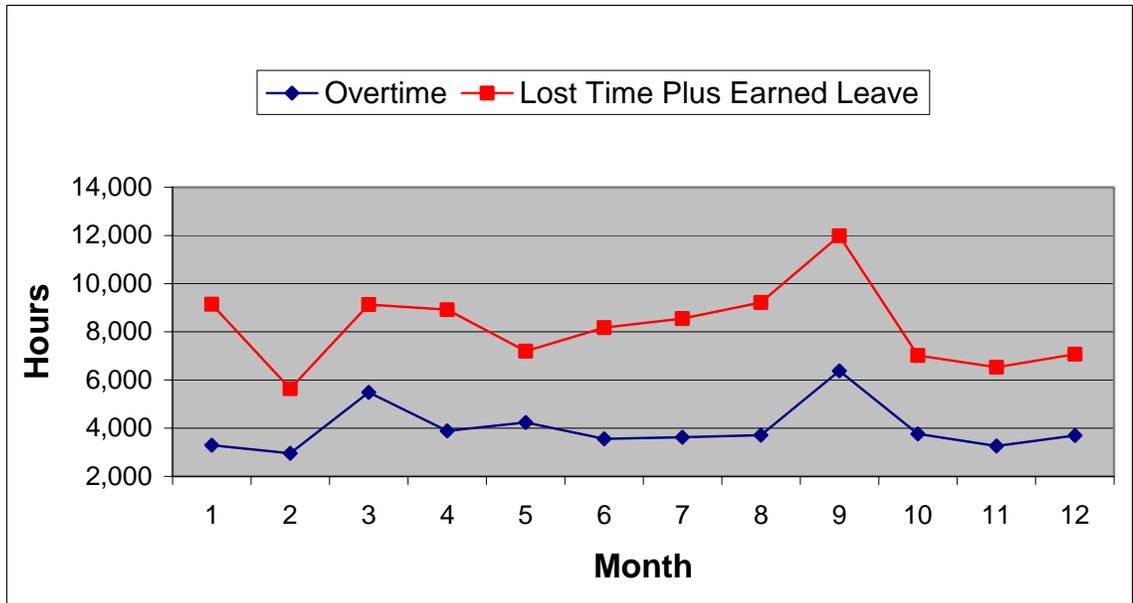
Appendix 3B

Central Communications Personal and Family Sick Leave by Day of the Week

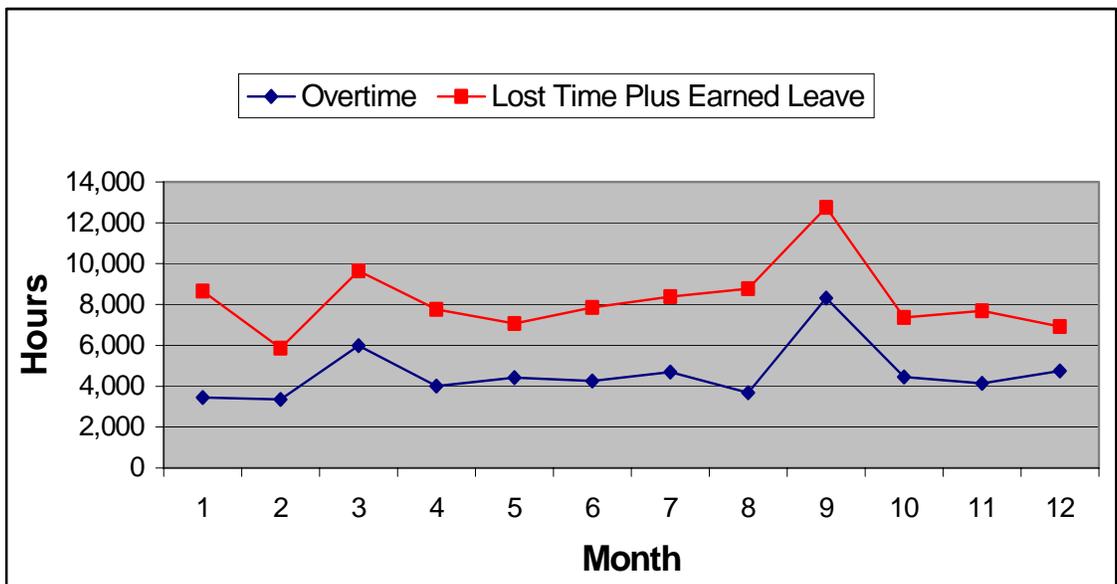


Appendix 4

Police Lost Time Plus Earned Leave Used vs. Overtime Worked by Month in FY 2006

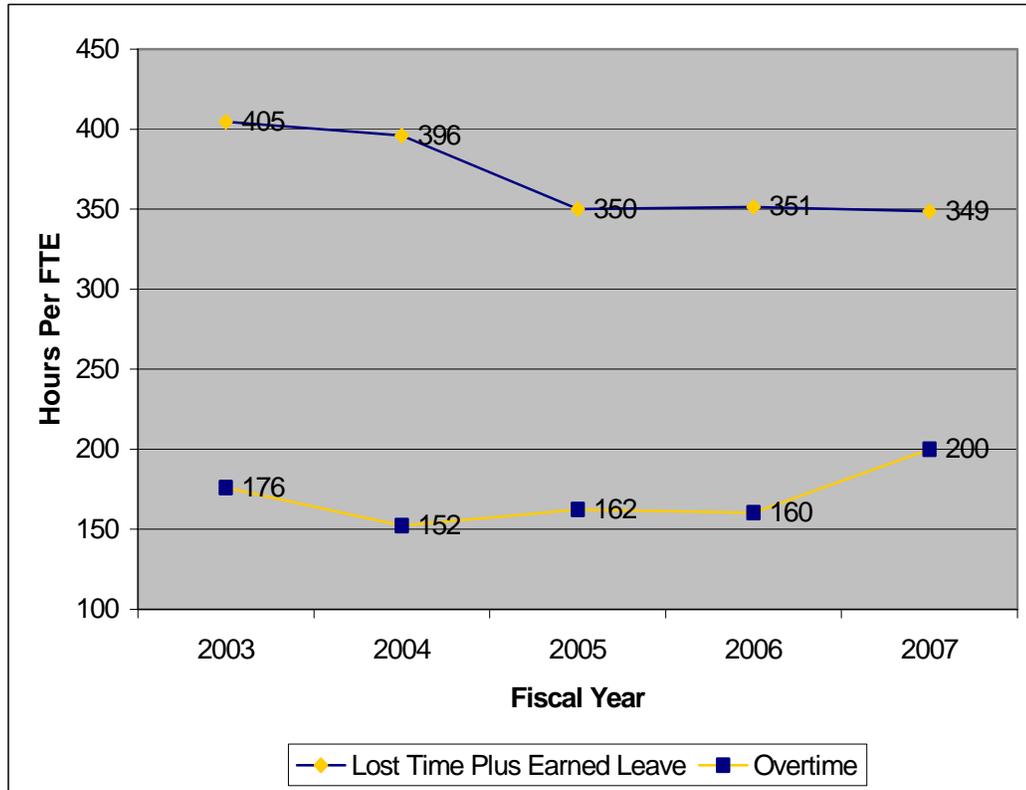


Police Lost Time Plus Earned Leave Used vs. Overtime Worked by Month in FY 2007



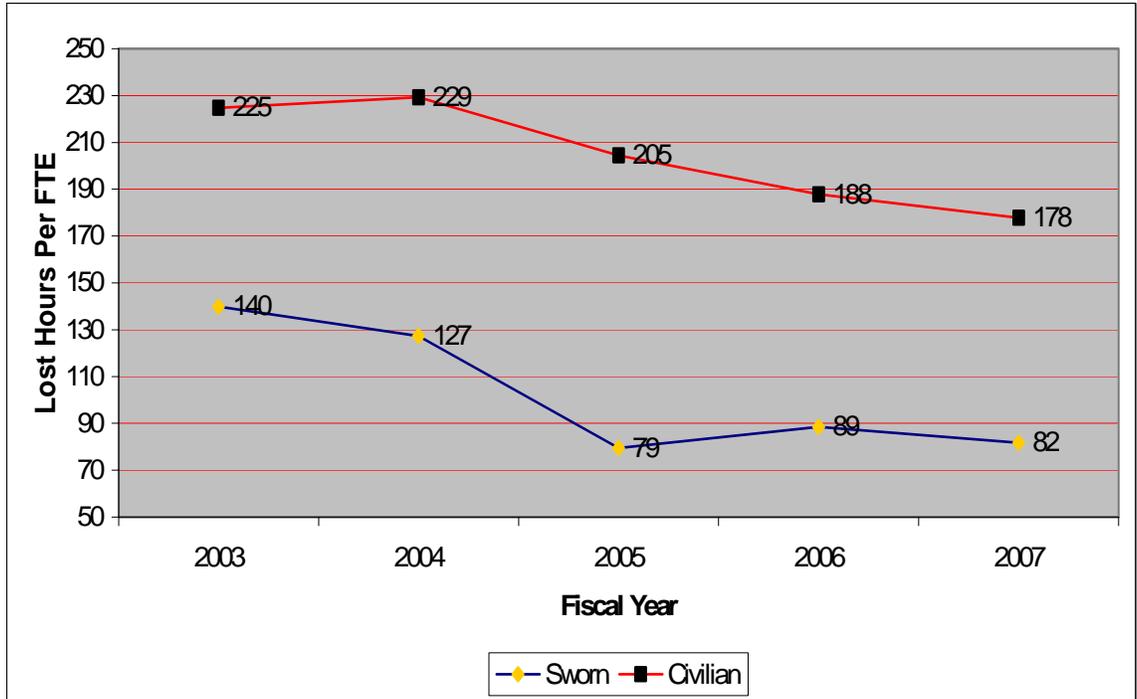
Appendix 5

**Lost Time Plus Earned Leave vs. Overtime by Fiscal Year
Police Operating Divisions**



Appendix 6A

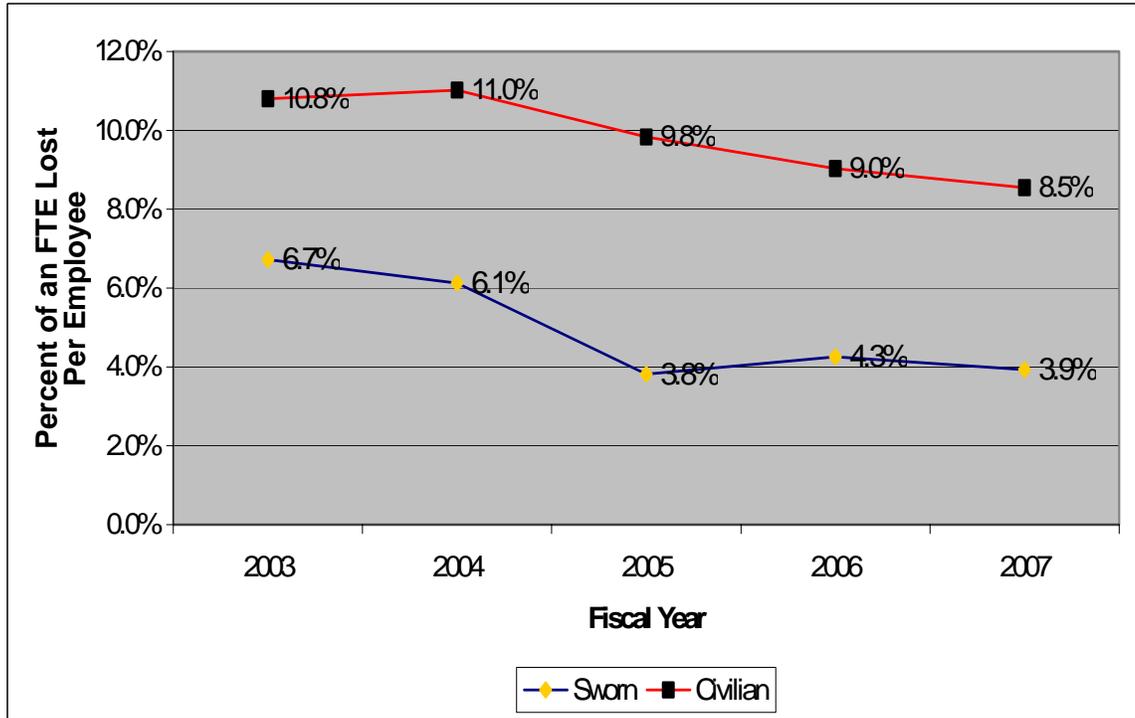
**Police Lost Time Hours Per FTE by Fiscal Year
All Police Units**



Includes administrative personnel. Does not include earned leave.

Appendix 6B

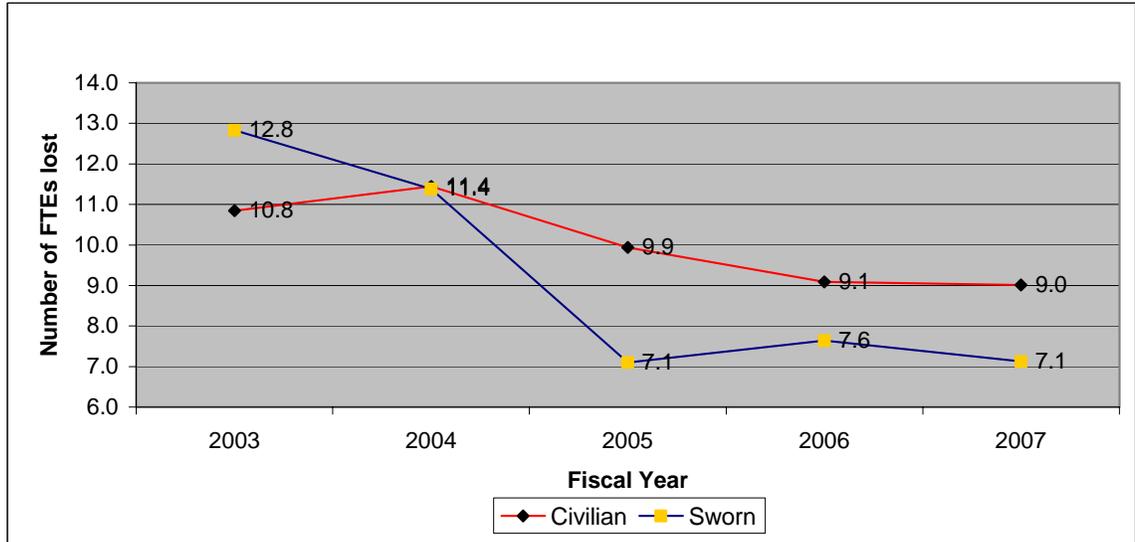
Police Lost Time Hours Per FTE as Percent of an FTE by Fiscal Year – All Police Units



Includes administrative personnel. Does not include earned leave.

Appendix 6C

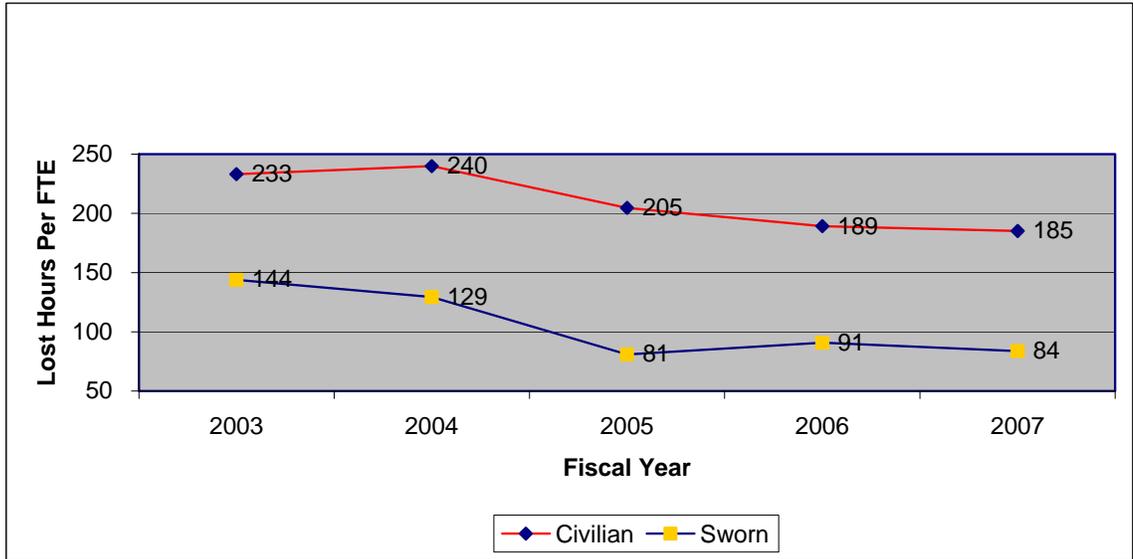
**Number of Equivalent Positions (FTEs) Lost ⁽¹⁾ by Fiscal Year
All Police Units**



(1) Lost time hours divided by 2,080 (52 weeks x 40 hours per week)

Appendix 7A

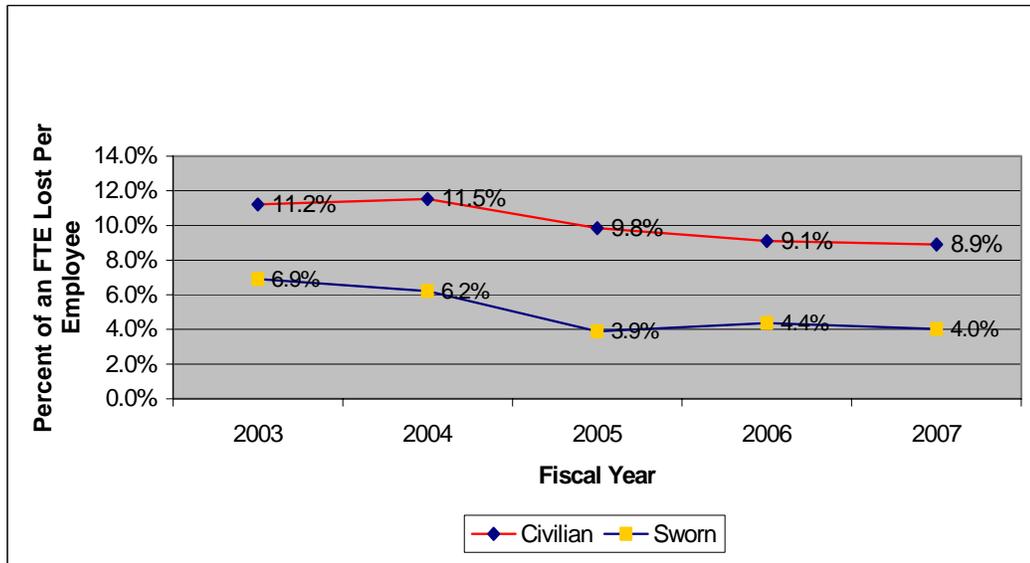
**Police Lost Hours Per FTE by Fiscal Year
Police Operating Divisions**



Excludes administrative personnel.

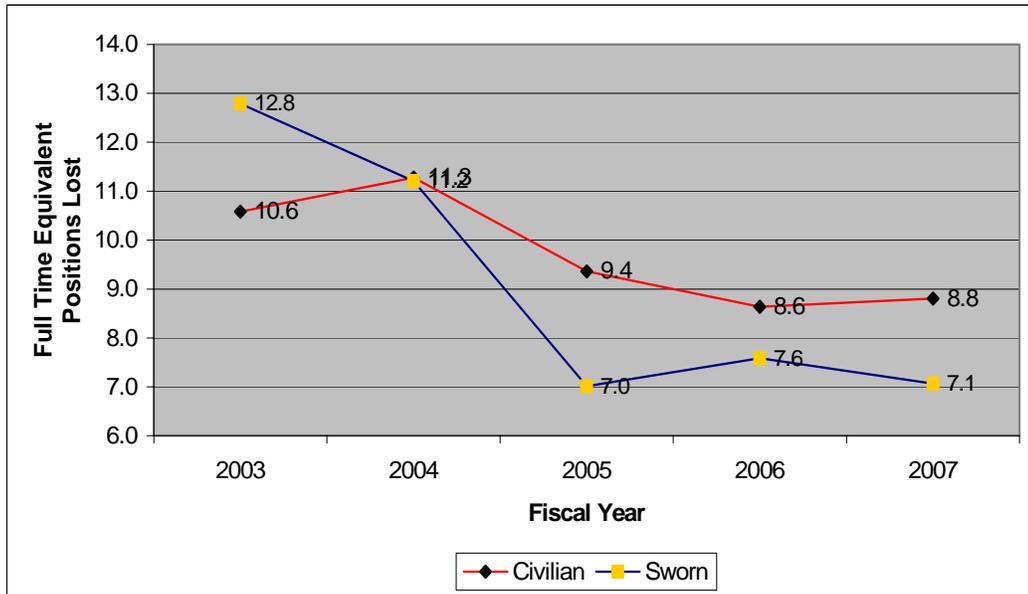
Appendix 7B

**Police Lost Hours Per FTE as Percent of an FTE
Police Operating Divisions**



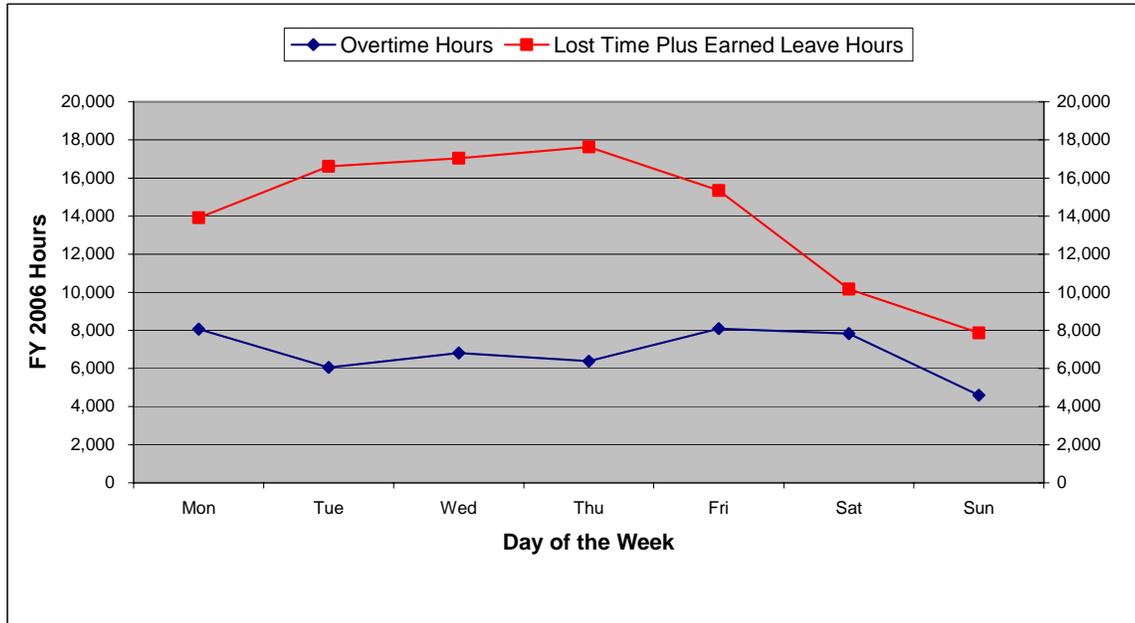
Appendix 7C

**Number of Equivalent Positions (FTEs) Lost by Fiscal Year
Police Operating Divisions**



Appendix 8

Police Lost Time Plus Earned Leave, and Overtime by Day of Week - Fiscal Year 2006



Police Lost Time Plus Earned Leave, and Overtime by Day of Week - Fiscal Year 2007

