



Office of the City Auditor

CONSENT CALENDAR

May 22, 2007

To: Honorable Mayor and  
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Audit: Fire Department – Lost Time And Overtime

RECOMMENDATION

That Council request the City Manager to implement the recommendations in the attached report, and to report back by September 2007, and every six months thereafter, until all recommendations are implemented.

CURRENT SITUATION AND ITS EFFECTS

The auditors examined costs, risks, and trends related to Fire Department overtime and “lost time”, absences for reasons such as employee or family member illness or injury.

From FY 2002 to FY 2006, the Berkeley Fire Department incurred an average payroll cost for lost time of \$806,980 a year. Between FY 2002 and FY 2005, overtime was six to eight percent of Fire expenditures. During FY 2006, some fire companies were temporarily closed as a cost saving measure. As a result, overtime was only three percent (\$719,899) of the Fire Department’s FY 2006 expenditures.

Community members, and reports from other cities, generally express concern about the use of overtime in the public sector. We found that the use of overtime in the Berkeley Fire Department is currently considerably less expensive than hiring new staff and that overtime is used for intended purposes.

In examining the reasons that overtime is cheaper than new hires, it is important to understand the significance of the fluctuating costs in employee benefits. Over the last several years, the cost of the California state wide pension system increased dramatically, as did the costs for healthcare for all California consumers and workers’ compensation for employers. The steady progress the City has made in reducing workers’ compensation injuries is one positive indicator for reducing employee benefits costs in the future.

Although use of overtime is currently considerably less expensive than hiring additional staff, the auditors did not recommend increasing the use of overtime. Fire management covers vacancies with a combination of additional staffing and overtime and needs to maintain that flexibility. The use of overtime carries risks of abuse, and, even more significantly, risks that employee health and safety might be compromised. We did not find abuse of overtime or excessive use of sick leave.

We found evidence of management systems and practices aimed at oversight of lost time and overtime. However, since the Fire Department's budget of over \$24 million is largely personnel costs, a commitment to steadily and substantially improving employee health and safety could have significant financial impact. Accordingly, we recommended continuous monitoring and improvement of analytical systems and practices. We also recommended consideration of an employee wellness program. An effective wellness program can help improve employee health, thereby reducing illnesses and injuries. Based on reports from other jurisdictions, an effective wellness program helps to reduce sick time, injuries, and preventable costs to the City.

#### FISCAL IMPACTS OF RECOMMENDATION

No immediate fiscal impact is anticipated. Taking steps to improve management monitoring systems should not necessarily incur additional costs. Depending upon the scope, the potential costs of a wellness program, or a pilot wellness program, could vary considerably, as could the resulting cost savings.

#### RATIONALE FOR RECOMMENDATIONS

The use of lost time and the use of overtime carry risks that they might be abused. Excessive overtime may compromise employee health and safety. Therefore, lost time and overtime uses must be carefully monitored and controlled.

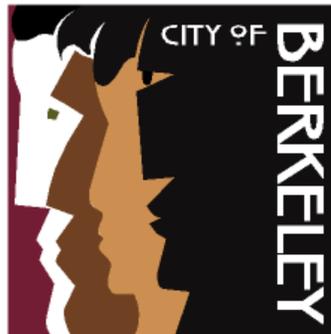
#### CONTACT PERSON

Ann-Marie Hogan, City Auditor, 981-6750

#### Attachments:

1. Fire Department Audit - Lost Time and Overtime

# City of Berkeley



## Fire Department Audit - Lost Time and Overtime

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Presented to Council May 22, 2007

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## Fire Department Audit – Lost Time and Overtime

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## I. OBJECTIVES OF THE AUDIT

The objectives of this audit were to:

- Examine the costs, risks, and trends related to overtime and to “lost time” (absences due to injury, illness, etc.).
- Determine whether overtime is more expensive than hiring new firefighters.
- Examine the Fire department’s management of lost time and overtime<sup>1</sup>.

This performance audit was initiated by the Auditor’s Office and was scheduled to be performed as part of the fiscal year (FY) 2007 audit plan. The FY 2007 audit plan was presented to City Council on June 20, 2006.

## II. SCOPE AND METHODOLOGY

The information used to perform this audit was obtained primarily through:

- A survey of Fire Department employees.
- Discussions with Fire Department management and staff.
- Review of labor agreements.
- An analysis of overtime and lost time such as sick leave, family leave, disability leave, and workers’ compensation (WC) leave.
- Review and verification of data, including the monthly Lost Time Report, from the payroll system for fiscal year 2002 to fiscal year 2006.

The monthly Lost Time Report is printed from the City’s financial system by the Payroll Audit Division and distributed to City departments’ management. The Payroll Audit Division reports to the City Auditor. The Payroll Audit Division is responsible for managing certain centralized payroll tasks of the City’s decentralized payroll system including generating the Lost Time Report.

We did not perform a detailed review of the payroll process or the Telestaff system, a staff resource scheduling software, used by the Fire Department to schedule and record on-duty and off-duty hours. Audit work was performed in accordance with generally accepted government auditing standards and was limited to those areas specified in the scope and methodology section of this report.

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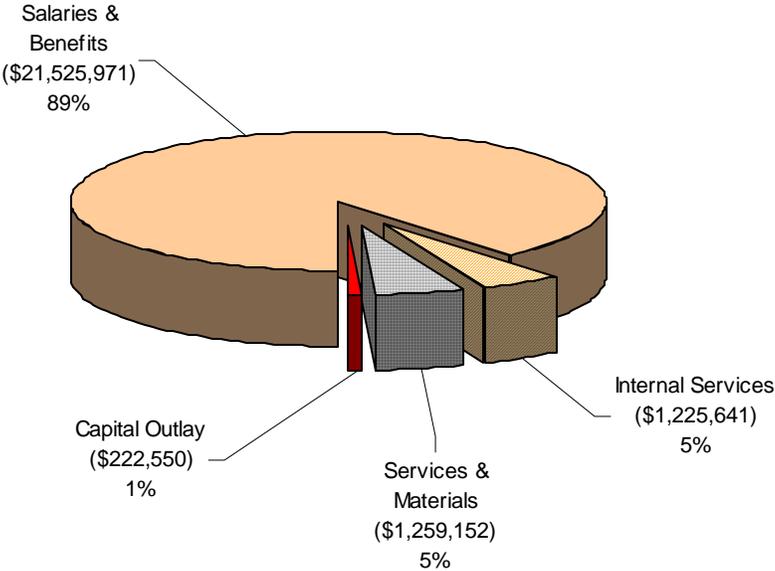
<sup>1</sup> Overtime in this audit did not include adjustments for Section 207(k) employees as provided by the Fair Labor Standards. Fire protection employees and emergency medical service employees who are an integral part of a public agency’s fire protection activities are entitled to one and one-half times the regular rate for the work hours that exceed 212 hours within a 28 consecutive-day work period (2 pay periods).

### III. BACKGROUND

The Berkeley Fire Department (BFD) was established in 1904. Its mission is to provide comprehensive fire protection, emergency medical, disaster preparedness, and related services in an efficient, effective, and caring manner to the Berkeley community. The department also provides fire safety education, code enforcement and inspections, hazard abatement, and rescue services. The department has four functional areas: Administrative Services, Fire Prevention/Office of Emergency Services, Operations, and Training/Emergency Medical Services. (See Appendix 1)

For fiscal year 2006, the Berkeley Fire Department was budgeted for 135.75 full-time equivalent (FTE) employees. The Fire Department’s FY 2006 adopted budget was \$24,233,314, excluding costs for Fire Department support (payroll, legal support, accounting etc) by other departments. If those expenditures were included, using an approximation of the City’s approved overhead, costs would be about \$26,000,000 or about \$190,000 per Fire employee.

**Figure 1 - FY 2006 Fire Department Adopted Budget**



The Berkeley Fire Department operates seven fire stations. The stations house seven engine companies, two truck companies, and three ambulances.

**Figure 2 - Fire Station Locations and Distribution of Fire Apparatus**

Station	Location	Engine	Truck	Ambulance
#1	2442 8th St	1	---	1
#2	2029 Berkeley Way	1	1	1
#3	2710 Russell St	1		---
#4	1990 Marin Ave	1	---	---
#5	2680 Shattuck Ave	1	1	1
#6	999 Cedar St	1	---	---
#7	3000 Shasta Rd	1	---	---
<b>Total</b>		<b>7</b>	<b>2</b>	<b>3</b>

A fire engine is designed to pump water, which can be obtained via an on board water supply, fire hydrant, water tender or any other available water source. A fire truck differs from a fire engine in that it has no onboard water supply. Fire trucks are instead equipped with a mix of ground ladders, hydraulic ladders, additional firefighting equipment, medium rescue tools, extrication equipment, and other emergency gear.<sup>2</sup>

The Berkeley Fire Department is staffed for 24-hour protection. Three shifts (A, B, and C) are scheduled for each station year round. An on-duty firefighter works 24 hours from 8:00 a.m. to 8 a.m. followed by 24 hours off-duty. The basic work cycle is called a “tour of duty”, which averages 56 hours per work week consisting of nine consecutive days, during which the employee is scheduled for 3 days on duty and 6 days off duty. The following table demonstrates a typical nine-day cycle.

**Figure 3 – Shift Schedule**

DAY	1		2		3		4		5		6		7		8		9	
<b>Time</b>	<b>Fr</b>	<b>To</b>	Fr	To	<b>Fr</b>	<b>To</b>	Fr	To	<b>Fr</b>	<b>To</b>	Fr	To	Fr	To	Fr	To	Fr	To
	<b>8</b>	<b>8</b>	8	8	<b>8</b>	<b>8</b>	8	8	<b>8</b>	<b>8</b>	8	8	8	8	8	8	8	8
	<b>am</b>	<b>am</b>	am	am	<b>am</b>	<b>am</b>	am	am	<b>am</b>	<b>am</b>	am	am	am	am	am	am	am	am
<b>Duty</b>	<b>On</b>		Off		<b>On</b>		Off		<b>On</b>		Off		Off		Off		Off	
<b>Hours</b>	<b>24 Hr</b>		24 Hr		<b>24 Hr</b>		24 Hr		<b>24 Hr</b>		24 Hr		24 Hr		24 Hr		24 Hr	

<sup>2</sup> Source: [http://en.wikipedia.org/wiki/Fire\\_engine](http://en.wikipedia.org/wiki/Fire_engine) and the Fire Chief

As of June 30, 2006, of the 137.35 FTE Fire employees identified in the Lost Time Report, 119 responded to emergency calls on a regular basis. The minimum staffing requirement for each shift is 34: one Assistant Fire Chief, three Fire personnel on each engine, three on each truck, and two paramedics on each ambulance. Staffing levels are stipulated in the 2000-2006 Memorandum of Understanding.

**Figure 4 - Minimum Staffing**

	<b>Engine</b>	<b>Truck</b>	<b>Ambulance</b>	<b>Command Vehicle</b>	<b>Total</b>
Assistant Fire Chief	-	-		1	1
Fire Officer	1	1	-	-	2
Apparatus Operator	1	1	-	-	2
Firefighters	1	1	-	-	2
Paramedics on Ambulance	-	-	2	-	2
<b>Total on Apparatus</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>9</b>
Number of Apparatus	7	2	3	-	
<b>Minimum Staffing Per Shift</b>	<b>21</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>34</b>

Source: Fire Department

Note: The job titles used in this table represent personnel in these classifications and also those who are qualified to perform the required duties.

### Earned Leave

Earned leave includes hours used for vacation, holidays, special bonus time (such as for maintaining a low use of sick leave), compensatory time, and administrative leave. Earned leave taken by Fire employees between FY 2002 and FY 2006 ranged from 27,000 hours to 31,000 hours annually. In FY 2006 earned leave taken by Fire cost the City \$1,025,201, about 7.6 percent of the Fire Department's salary expenditures.

### Lost time

Lost time includes absences for personal sick leave, family sick leave, authorized and unauthorized leave without pay (LWOP), Family and Medical Leave Act (FMLA), workers' compensation leave, state disability leave (SDI), funeral leave, jury duty, union business, and military leave. From FY 2002 to FY 2006, the Berkeley Fire Department incurred a total of 152,752 hours of lost time, an average of 30,550 hours a year. In FY 2006 Fire lost time taken cost \$815,921, about 6 percent of the Fire Department's salary expenditures.

Overtime

Overtime is used to meet daily minimum staffing levels. Overtime can be mandatory or voluntary. Overtime is needed to fill in for employees who are absent because of earned leave used, lost time, training, or special deployment. The City’s MOU with the Berkeley Fire Fighters Association stipulates that overtime is used when an employee is required to work during scheduled time off. Overtime is paid at one and one-half times the straight time rate.

Between FY 2002 and FY 2005, the Fire Department spent six to eight percent of its target expenditures on overtime. During FY 2006, only three percent of Fire’s budgeted expenditures were for overtime. According to the Fire Chief, several factors contributed to the reduction in the Fire Department’s FY 2006 overtime expenditures:

*“During FY 2005, the FY 2006 Reduction Plan was adopted to address a projected General Fund deficit. This reduction plan required the Fire Department to close one of the two truck companies and eliminate 10.5 FTE. Beginning in November 2004, the Fire Department implemented temporary truck company closures, which closed one of the two truck companies during the hours of 6 p.m. to 8 a.m. if regularly scheduled staff were unavailable to work. During departmental budget submittals for FY 2006/2007, the Fire Department submitted an alternate Balancing Option to the FY 2006 Reduction Plan. This proposal required a reduction of the minimum staffing level of the Fire Department instead of using overtime to maintain the current minimum staffing level. This reduction was achieved by placing up to two fire companies out of service for limited durations. While fewer fire companies were available to respond to emergencies at certain times, the company still existed and there were no losses of valuable trained firefighters.”*

**Figure 5 – Overtime, Lost Time, and Earned Leave as a Percentage of Total Departmental Expenditure**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Overtime Expenditure (I)	\$1,414,031	\$1,323,937	\$1,295,484	\$1,548,671	\$719,899
Lost Time Expenditure (II)	\$587,823	\$817,481	\$856,928	\$956,748	\$815,921
Earned Leave (III)	\$731,723	\$880,610	\$925,728	\$953,290	\$1,025,201
Total Department Expenditure* (IV)	\$18,003,762	\$18,384,674	\$19,947,740	\$23,061,916	\$24,233,314
Overtime % (V) = (I)/(IV)	7.9%	7.2%	6.5%	6.7%	3.0%
Lost Time % (VI) = (II)/(IV)	3.3%	4.4%	4.3%	4.1%	3.4%
Earned Leave % (VII) = (III)/(IV)	4.1%	4.8%	4.6%	4.1%	4.2%
<b>Total % (V)+(VI)+(VII)</b>	<b>15.3%</b>	<b>16.4%</b>	<b>15.4%</b>	<b>14.9%</b>	<b>10.6%</b>

\* Source: FY 2006 & FY 2007 Adopted Budget

## IV. RESULTS

### **Cost of Lost Time, Leave Time, and Overtime**

The Fire Department uses overtime pay to meet required staffing levels when staff are sick, injured, or on vacation. Hours paid for job-related injuries, personal sick leave, and family sick leave are included in “lost time”, while vacation pay is “leave time”.

The cost of lost time, leave time, and overtime pay is significant and the costs are inter-related. If all FY 2006 lost time (\$815,912) were covered by overtime at time and a half pay, overtime costs related to lost time would have been \$1,223,882.

Injury and illness also trigger substantial medical, therapy, and attorney costs in the workers’ compensation system. The City’s workers’ compensation claims administrator, Innovative Claim Solutions, Inc. (ICS), reported that from July 1, 2005 through June 30 2006, the Fire Department had 17 percent of the workers’ compensation claim counts Citywide but 25 percent of the cost. The cost for Fire for the twelve-month period was \$393,764.

The calendar year 2006 lost time rates for the Fire Department did not appear excessive compared to other City departments. However, any reduction in employee absences due to illnesses or injuries could result in a reduction in overtime.

Heart attack is the leading cause of fatal injuries to firefighters according to a study issued by the Federal Emergency Management Agency (FEMA) in April 2002. According to the Director of Human Resources, State law mandates that a heart attack of a firefighter is presumptively job related regardless of other contributing factors such as smoking or poor diet. Medical costs associated with heart attacks can be costly. In Los Angeles, a fire employee who suffered a heart attack on duty incurred over \$1.2 million of medical costs.

The Director of Human Resources stated that injuries from staff with longer years of service were mainly due to wearing out the bodies from overuse. With over 50 percent of the line staff having over ten years of service at the Berkeley Fire Department, there are growing needs for a long term commitment to help the line staff to withstand the extreme physical demands associated with their jobs. Of the 92 Fire Department employees surveyed, only 23 percent agreed “The combined efforts of the physical fitness program, the annual physical exam program, and the safety committee are reasonably effective in reducing preventable injuries and illness.” An effective wellness program could help to improve their quality of life, strength, overall wellness, and safety at work.

The Orange County Fire Authority reported in May 2006 that since the implementation of its Firefighter Wellness and Fitness Program in January 2004, firefighter fitness and health improved. They anticipated the program would continue to assist in workers’ compensation cost control by lowering the risk of death, injury, or disability from disease. Other jurisdictions contacted also reported positive results from their wellness programs. The City of Fort Wayne noted that its program helped to improve the Fire Department’s average fitness score by over 10 percent within a

year. The City of Los Angeles' wellness program is comprised of comprehensive medical examinations that identify physical conditions requiring immediate attention or medical procedures. It also includes personal counseling and aggregate data analysis. Its health and fitness awareness program resulted in heightened awareness of wellness that might have attributed to its recent decrease in injuries.

### **Overtime Is Cheaper Than Hiring Additional Staff**

Although expensive, using overtime is less expensive than hiring new staff. This is because the current cost of employee benefits, such as the State's public employees' retirement system (PERS), health insurance, retiree medical, and workers' compensation, is over 57 percent of salary. When adjusted for time available after earned leave and lost time, total benefited staffing cost rises to 185 % of salary. Overtime is paid at 150% of salary. However, this is a complex policy issue as well as a complex fiscal issue and it should be remembered that cost accounting is an art, not a science.

Policy considerations include potential negative health impacts of excessive overtime. Fiscal considerations include significant fluctuations in workers' compensation rates as well as PERS rates and rising national healthcare costs. Cost accounting issues include recent changes to historical methods of recognizing workers' compensation costs.

According to the Director of Human Resources (HR), the current rates that are charged for workers' compensation include the projected costs of current year's injuries, as well as payments for injuries occurring in prior years that are paid for in the current year. This is because the projected future costs were not captured in the workers' compensation rates in the past years. As a result, current rates are somewhat higher even though the number of Fire's indemnity claims has been declining. The Director of HR expects a Citywide decrease in the workers' compensation rates in FY 2008.

To determine the cost of fully staffing a shift, vacation and sick leave use must be considered. The time available for a line employee to work after subtracting current rates of "earned leave" usage and "lost time" usage, is about 85 percent on average, bringing the direct cost of a new hire to 185 percent (157 percent/0.85) of the cost of salary.

If one-time direct costs such as recruiting, training, and equipping new fire staff were included, the cost of a new hire would be even higher than 185 percent of salary. Although overtime may be cheaper than hiring new staff at present, the auditors do not recommend increasing the use of overtime or decreasing recruitments of permanent staff. With overtime comes not only additional risks to employees' health and safety, but also risks that overtime might be abused. Therefore, the use of overtime must be carefully monitored and controlled.

For hiring new staff to be less expensive than overtime, the cost of fringe benefits would have to drop below 27.5 percent. At 27.5 percent, the cost of adding a new hire would be 150 percent (127.5 percent/0.85) of salary which equals the cost of overtime. However, the 27.5 percent fringe benefit rate would have to be further reduced initially by the one-time direct costs (recruiting, training, and additional equipment). According to the Fire Chief:

*"The Berkeley Fire Department uses a combination of carrying extra staff and hiring overtime to maintain minimum staffing levels. This combination works best for the Fire*

*Department for two main reasons. The department has both short-term and long-term vacancies that occur. Most short-term vacancies are leave based, such as vacation and sick leave. The use of vacation also has a seasonal pattern and does not result in a constant vacancy. The long-term vacancies are usually injury or retirement/resignation based. Long-term injury leaves have the added impact of not allowing replacement with new staff. Retirements or resignations allow for replacement with new staff; however bringing new staff on is a nine to twelve months process. The bigger issue is employee safety because of the excessive hours that employees will be required to work. Bigger agencies can use overtime only to fill vacancies because there is a larger work force that can be used to work overtime. Historically with the size of the Berkeley Fire Department, when there is excessive overtime because of a high number of short and long term vacancies, existing employees stop volunteering to work overtime at some point. The reasons are varied. This results in an increase of mandatory hiring for overtime. When a person is forced to work overtime the concern about worker safety and city liability increases. The current combination of extra staffing and reasonable overtime works best operationally for the Fire Department.”*

### **Risk Of Abuse: Overtime and Sick Leave**

#### **(A) Risk of abuse of overtime:**

Ways that overtime might be abused if proper controls are not in place include:

- Inequitable or unnecessary assignment of overtime.
- Payment for overtime not authorized or not worked.
- Excessive use of sick leave by employees who then work overtime on “days off”.

Based on our analysis of data, discussions with Fire and Human Resources management, and survey of Fire staff, the review of risk factors associated with abuse of overtime did not result in indications of abuse by City Fire staff.

#### **Risk of inequitable or unnecessary assignment of overtime:**

To avoid inequities in the assignment of overtime, the Fire Department uses a computerized system, Telestaff, to schedule overtime. For voluntary overtime, the system makes an automated phone call to whichever individual has volunteered for overtime, and selects the one with the fewest overtime hours first. Mandatory overtime is also assigned systematically, by position, and assigned to the person with the fewest hours. According to the Director of Human Resources, implementation of the Telestaff system has resulted in an end to employee grievances about unfair allocation of overtime. Ninety percent of the 92 fire employees we surveyed agreed that “Voluntary overtime is assigned fairly and equitably” and seventy-eight percent agreed that “Mandatory overtime is assigned fairly and equitably.”

#### **Risk of excessive use of sick leave by employees with high overtime usage:**

Our survey of 92 Fire employees indicated that only a small number of employees believed that there was some abuse of overtime. Less than eight percent of survey respondents disagreed with the statement “Employees in my unit do not abuse overtime.” Only fourteen percent agreed with the statement “ People in my company expect overtime and consider it part of their annual base salary.” Eighty-four percent of the surveyed respondents indicated that the amount of mandatory overtime they worked in the last 12 months did not result in

excessive fatigue. Ninety-one percent of them also indicated that the amount of voluntary overtime they worked in the last 12 months did not result in excessive fatigue. Finally, we found that the 17 employees with the highest overtime usage had lower usage of lost time compared to the average of all line personnel.

Risk of payment of overtime not eligible or not worked:

Controls in place over overtime authorization include the Telestaff system and its reports, employee and supervisor signatures on time cards, and review of signed time cards by non-Fire department staff in Payroll Audit. Our review did not reveal indications of abuse of overtime.

**(B) Risk of Abuse of Sick Leave**

The inherent risk that an employee will abuse sick leave is primarily the risk that the employee will call in sick when he, she, or a family member is, in fact, not sick. Management controls to identify and prevent abuse should include clear policies and good data analysis. The controls in place include a review of the monthly Lost Time Reports. It should be noted that the Fire Chief has requested a number of improvements to the City's current Lost Time Report, which Information Technology expects to deliver at year-end.

A limited review of reports from other cities identified some patterns of abuse to look for such as sick leave that is higher on weekends. A report by the Kansas City auditors discussed their city's fire department pattern of unusually high use of sick leave on Saturdays and Sundays<sup>3</sup>. We used Audit Command Language (ACL), a data analysis software, to identify patterns of personal sick leave and family sick leave by the day of the week to determine whether sick leave was highest on weekends. Our review of Fire payroll data did not reveal a consistent pattern of high use of sick leave on weekends or any other patterns over the past five years. (See Appendix 3a, 3b) We also noted that lost time per available hour in Fire was lower than in many City Departments. During fiscal year 2005, there was higher use of sick leave over the weekends, but it did not appear to be consistent or excessive.

**Overtime: Risk of Employee Injury or Illness Due to Excessive Hours Worked**

Although overtime is less expensive than hiring new employees, employees' health should be carefully monitored to ensure that working extra hours does not present unnecessary health risks. Fire staff generally did not feel that the current level of voluntary or mandatory overtime resulted in excessive fatigue. However, our survey was conducted during a year when the overtime use was unusually low, about half of normal use.

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<sup>3</sup> Kansas City firefighters work one 24 hours shift on and 48 hours off duty for 24 days, followed by 72 hours off duty (3 days). This 27-day cycle repeats throughout the year resulting in an average workweek of 50 hours. Berkeley firefighters work one 24 hours shift on and 24 hours off duty for 6 days, followed by 72 hours off duty (3 days). This 9-day cycle also repeats throughout the year, resulting in an average workweek of 56 hours.

Due to budgetary constraints, budgeted overtime was reduced in 2006. This sometimes resulted in temporarily taking fire companies (vehicles and their staff) out of service when full staffing was not available. Available staff from the closed company was deployed to other stations, instead of using overtime, to meet minimum staffing requirements per vehicle. This is called “flexing a fire company”. As a result, overtime expenditure dropped 54 percent from \$1,548,671 in FY 2005 to \$719,899 in FY 2006. (See Appendix 4).

Time lost due to personal sick leave as well as family sick leave also decreased in FY 2006. Personal sick leave and workers’ compensation leave decreased by 18 percent and family sick leave decreased by 27 percent. Furthermore, our data showed that the 17 employees using the most overtime over the past five years used less lost time than other fire employees on average. This result indicated that overtime worked by the 17 employees did not result in higher than average injuries or illnesses.

Improving employee safety and reducing on-the-job accidents has been a high priority for the City for several years. According to the City’s Occupational Health & Safety Coordinator, a decrease in workers’ compensation hours was anticipated. The City has made a concerted effort to train employees and encourages them to report injuries as soon as they occur. Early and proper treatment minimized the severity of injuries and lost time use. In FY 2006, workers’ compensation hours of Fire employees dropped 22 percent compared to FY 2005. ICS reported that Citywide job-related injury claims dropped 10% from 273 cases in FY 2005 to 245 cases in FY 2006.

It is possible that working fewer hours of overtime resulted in fewer accidents and illnesses. However, there is no apparent reason for the reduction in family sick leave (see Appendix 3a), which is used when an employee takes time off work to care for an ill or injured family member.

**V. OTHER OBSERVATIONS**

**Opportunity to Streamline Payroll Processes**

The Accounting Office Specialist at the Fire Department exports payroll data from the Telestaff system to an Excel worksheet and manually enters the data into the payroll system. This process may be streamlined if the data could be uploaded directly to the payroll system, thereby eliminating the manual process. At the same time, data accuracy may be improved since there is less chance for input error. Since potential costs to explore this opportunity are unknown, we do not include a related formal recommendation.

## **Corrections to the Lost Time Report**

During the process of verifying the Citywide Lost Time Report, used by management, to the lost time data in the City's financial system, we found the following three hour codes that should have been included in the Lost Time Report were missing.

- "WD" – WC-Sick Leave Used After 365
- "60" – LWOP Parental/USERRA Leave
- "FF"- FMLA Family Sick Leave

From January 2003 to June 2006, the number of hours from "FF", "60", and "WD" were 3,409 hr, 7,290 hr, and 9,456 hr respectively. The missing hours appeared to be immaterial when the City was taken as a whole, but might be more material to an individual department. For example, the missing workers' compensation hours from "WD" was likely to affect departments that generally had higher workers' compensation.

## **Concerns Over US HealthWorks**

- (A) There is no executed contract that covers the services provided by U.S. HealthWorks. On November 18, 2003, the City Council authorized execution of a contract between the City and U.S. HealthWorks for occupational health medical examinations including pre-placement and annual physicals, and drug and alcohol sample collections for the period November 1, 2002 through June 30, 2005, in an amount not to exceed \$150,000.

This contract was the responsibility of the Human Resources Department. A contract covering these items and an additional item, an occupational medicine clinic for evaluation and treatment of work related injuries and illnesses was prepared by Human Resources and signed by U.S. HealthWorks. However, it was never signed by the City Manager and executed by the City.

Over the years, U.S. HealthWorks has been providing services to City employees without an executed contract. From FY 2003 to FY 2005, \$244,873 was paid to the provider. In FY 2006, \$65,101 was paid. In the absence of an executed contract, the terms of the contract may not be legally binding when disputes occur. It also makes it difficult for the City to monitor and ensure service quality delivered by U.S. HealthWorks.

- (B) Our survey results revealed that there was a common perception and/or experience among the line personnel that the Fire Department's occupational health service provider, U.S. HealthWorks, failed to provide proper and attentive service and that if such service had been provided, the length of workers' compensation leave could have been significantly reduced. However, the Deputy Fire Chief stated that employees might not have a clear understanding of which services were performed by U.S. HealthWorks and which services were provided by Innovative Claim Solutions, the City's workers' compensation claim administrator.

The Safety Coordinator pointed out that U.S. HealthWorks appeared to provide adequate post injury treatment. However, it was not doing a good job of record keeping and occupational health, i.e. injuries/illness prevention, annual physicals, or evaluation of when employees could return to work. It should be noted that the scope of services from the unexecuted contract does not mention a wellness program.

The Fire Chief also agreed that there had been ongoing problems with U.S. HealthWork's customer service and record keeping. Prior to this audit, the Fire department was in the process of changing the service provider for pre-placement and annual examinations.

## VI. RECOMMENDATIONS

### **Recommendation 1: Fire and Human Resources**

Management should continue to monitor and to improve systems for analyzing lost time and increasing oversight over sick leave. We recommend Human Resources provide Fire Department management, as well as the City Manager, and other Department Directors, the analytical reports needed to identify specific areas and types of injuries which are contributing to lost time due to sick leave and workers' compensation. A similar recommendation was made in our 2002 "Police Staffing Audit" report.

#### *City Manager's Response:*

*Implemented. The Fire Department implemented the use of project codes to monitor and analyze lost time and overtime. This system has been in place for several years and is periodically evaluated. This system continues to be an effective management tool. Even with future improvements, the lost time report provides limited information, which is why the Fire Department established and maintains a system of tracking overtime via project codes. The Fire Department will continue to monitor oversight of sick leave use. The Fire Department meets with Human Resources on a regular basis and receives analytical information regarding injuries. Improvements to the monitoring process will be made on a continued basis as they are identified.*

### **Recommendation 2: Fire, Human Resources, and Budget**

Consider enhancing the employee wellness program. Evaluate the current program to determine whether it effectively meets the needs of Fire staff. Consider performing an assessment of the costs and benefits of a more comprehensive program.

#### *City Manager's Response:*

*Partially implemented. The Fire Department has a physical fitness program, which includes annual physical exams in accordance with the National Fire Protection Association recommendations. Based on injury trends, the Human Resource Department is in the process of delivering training to the Fire Department targeted at preventing specific types of injuries. By May 31, 2007, a one-year contract will be executed with Save-A-Back for back/lifting safety training to address the concerns*

*about injuries from pushing, pulling, and lifting. The Fire Department will continue to work with the Fire Fighters Association in the meet and confer process to explore options to implement a wellness program.*

### **Recommendation 3: Fire**

With the restoration of the Fire Department's overtime budget, overtime levels may revert to previous levels. Continue to monitor overtime and assess its impact on personal sick leave, injuries, and accidents. Costs versus benefits should be weighed in determining whether to cover vacancies with overtime or new hires.

#### *City Manager's Response:*

*Implemented. The Fire Department will continue to monitor overtime and assess impacts on all types of leave as it has done in the past. The Fire Department will continue to fill vacant positions as quickly as practical. The Fire Department recognizes the use of overtime to fill vacancies is less expensive only up to a certain point and increases the potential for fatigue and injury. A Fire academy is scheduled to begin on May 14, 2007. It is projected that the Fire Department will be fully staffed by September 2007.*

### **Recommendation 4: Payroll Audit and Information Technology**

We recommended that Information Technology should correct the errors in the Citywide Lost Time Report that were identified by the auditors. Payroll Audit should verify with Information Technology that all changes to lost time codes are captured in the Lost Time Report.

#### *City Manager's Response:*

*Partially implemented. When the auditor reported the errors to the Information Technology Department (IT), the errors were corrected the same day. Whenever new time card codes are created and are to be included in the Lost Time Report, Payroll Audit must inform IT and IT must add those codes to the lost time reporting system. By June 30, 2007, Payroll Audit and IT will develop a formalized procedure to ensure all pertinent codes are included in the software and correctly captured in the Lost Time Report.*

### **Recommendation 5: Fire and Human Resources**

Continue moving forward with a change of service provider for pre-placement and annual physical examinations. Execute a legal contract with each service provider providing occupational health services, exams, and employee wellness data or services. Consider including service related performance measures as part of the providers' contracts with the City. When new contracts are in place, actively monitor the effectiveness of the services provided.

In addition, communicate to Fire staff the type of services provided by the new occupational health services provider or providers (formally U.S. HealthWorks) versus the services provided by Innovative Claim Solutions, Inc.

City Manager's Response:

*Partially implemented. Human Resources has submitted a Council Consent Item for the May 8, 2007 council meeting to contract with Kaiser Permanente to provide occupational health services (not including workers' compensation) for the period July 1, 2007 through June 30, 2012.*

*On April 27, 2007, Human Resources executed a contract with The Permanente Medical Group for occupational health services for the period from March 31, 2007 to December 31, 2007, in an amount not to exceed \$24,999 to address concerns over quality of service provided by the current provider, U.S. HealthWorks. Human Resources communicated the types of services to be provided and the Fire Department had input in the process.*

*Human Resources will submit a Council Consent Item for the May 22, 2007 council meeting to contract with U. S. HealthWorks to cover the period FY 2002 through FY 2007 where payments for occupational health services have been made.*

**Recommendation 6: Finance**

Finance should develop a plan to prevent payments for services which are not supported by executed contracts, and/or which are in excess of amounts approved by Council.

City Manager's Response:

*Finance will have a plan to track service purchase orders that should be on contracts by June 30, 2008 for phased implementation in FY 2009.*

**VII. CONCLUSION**

Overtime is used to meet daily minimum staffing levels. Overtime is needed to fill in for employees who are absent and is paid at one and one-half times the straight time rate. Given the current minimum staffing levels and the current fringe benefit rate, the cost of overtime is less expensive than the cost of adding new hires. For additional hiring to be less expensive than overtime, the cost of the fringe benefit rate would have to drop below 27.5 percent of the cost of salary.

Although overtime is less expensive than adding new staff, using only overtime to fill temporary vacancies may not be the optimal solution because the nature and duration of vacancies varies. Other fiscal factors such as fluctuations in workers' compensation and PERS rates and the rising national healthcare costs should be considered. In addition, the use of overtime carries risks that it might be abused, and that employee health and safety might be compromised. Therefore, the use of overtime must be carefully monitored and controlled. Our audit did not find indications of abuse of overtime or excessive use of sick leave in the Berkeley Fire Department.

Fire management should continue to monitor overtime, since future increases in overtime could possibly lead to fatigue and more injuries. Due to the large dollars at stake, even minor improvements to the health and safety of Fire staff would benefit the City. To possibly reduce overtime costs without reducing services, we recommend careful consideration of the costs and benefits of establishing an effective wellness program to improve employee health. Based on reports from other cities, a well-established wellness program could help to reduce sick time, injuries, and preventable costs to the City.

Lost time was reduced substantially during FY 2006. It was attributed to the successful efforts to control workers' compensation injuries. We commend Fire management on a doing a good job in monitoring and controlling lost time.

We would like to thank the Information Technology Department, which significantly contributed to the success of the Fire survey. We especially thank the 92 Fire employees who participated in the survey. We would also like to thank the administrative staff and management in the Fire Department for their cooperation during the audit.

**VIII. APPENDIX**

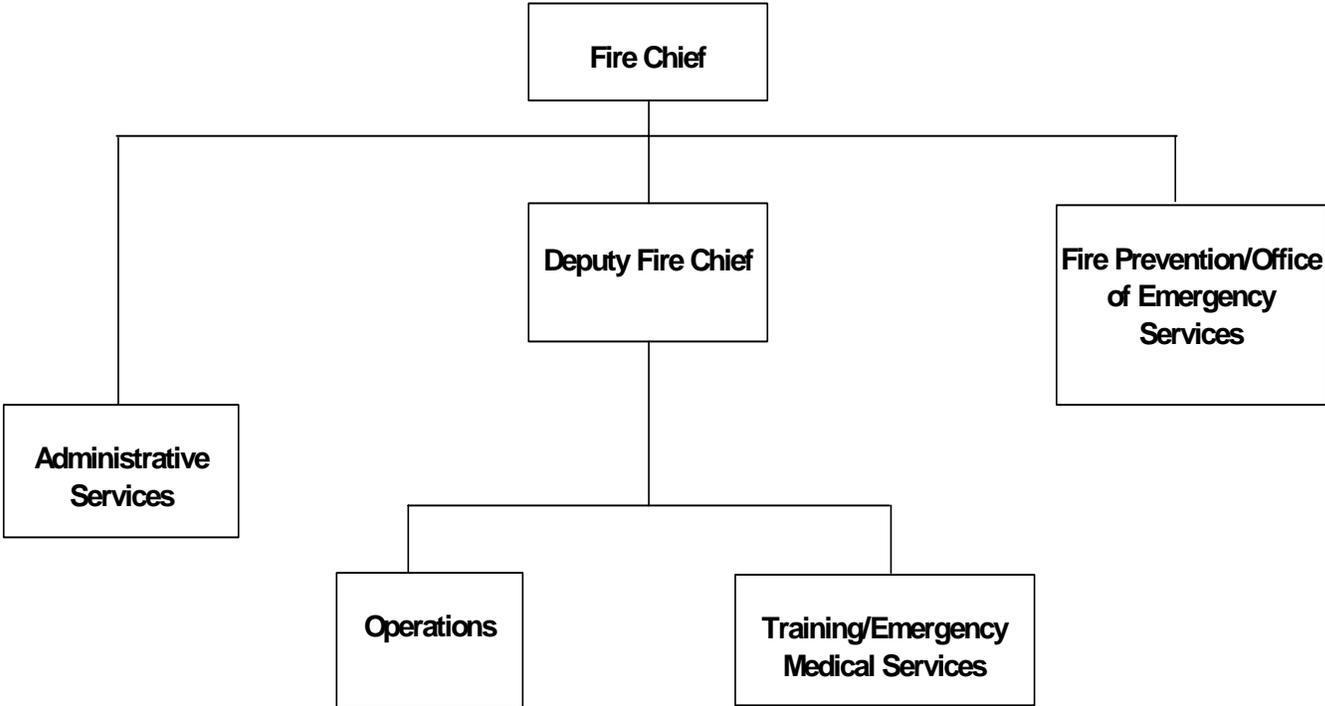
**Appendix 1 – Fire Department Organization Chart**

Source: FY 2006 & FY 2007 Adopted Biennial Budget

**MISSION STATEMENT**

*The men and women of the Berkeley Fire Department are committed to providing comprehensive fire protection, emergency medical, disaster preparedness, rescue, and other related services in an efficient, effective, and caring manner to the diverse Berkeley community.*

**ORGANIZATION CHART**

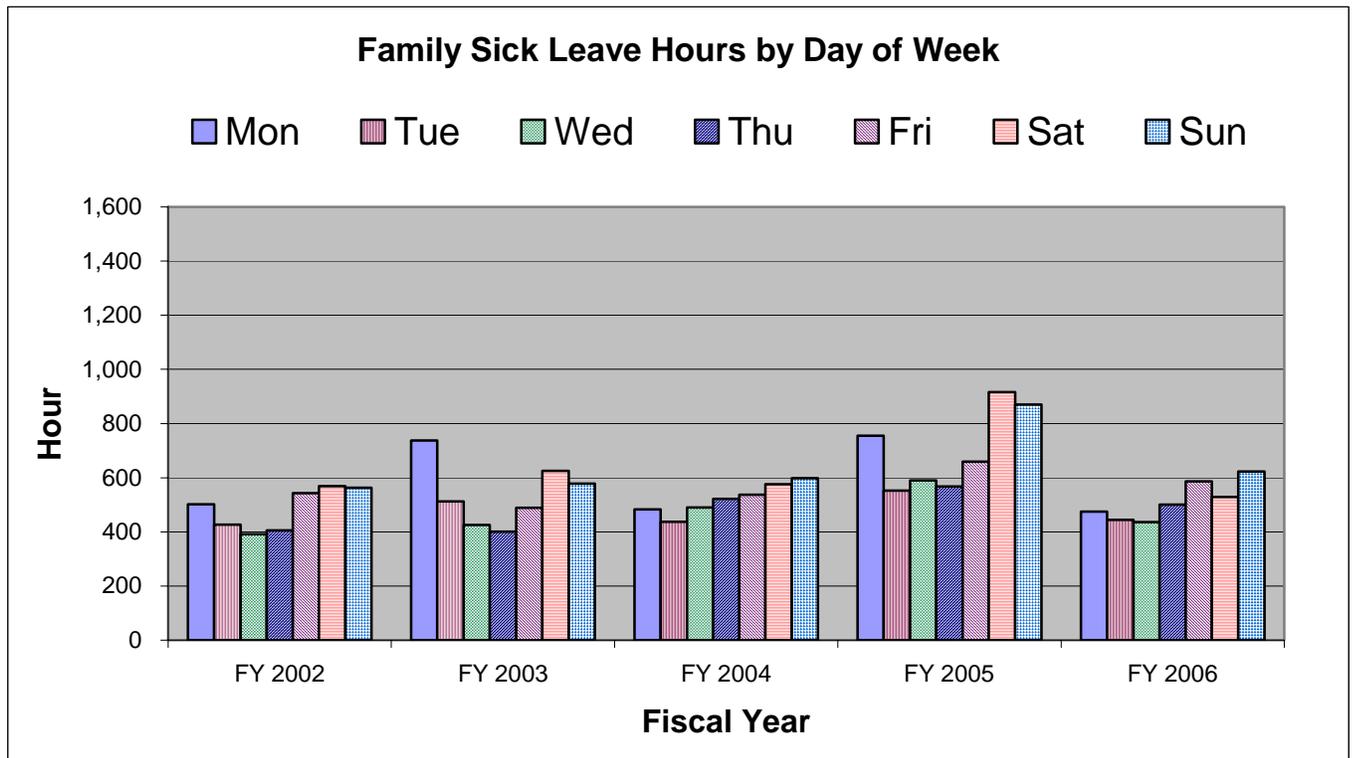
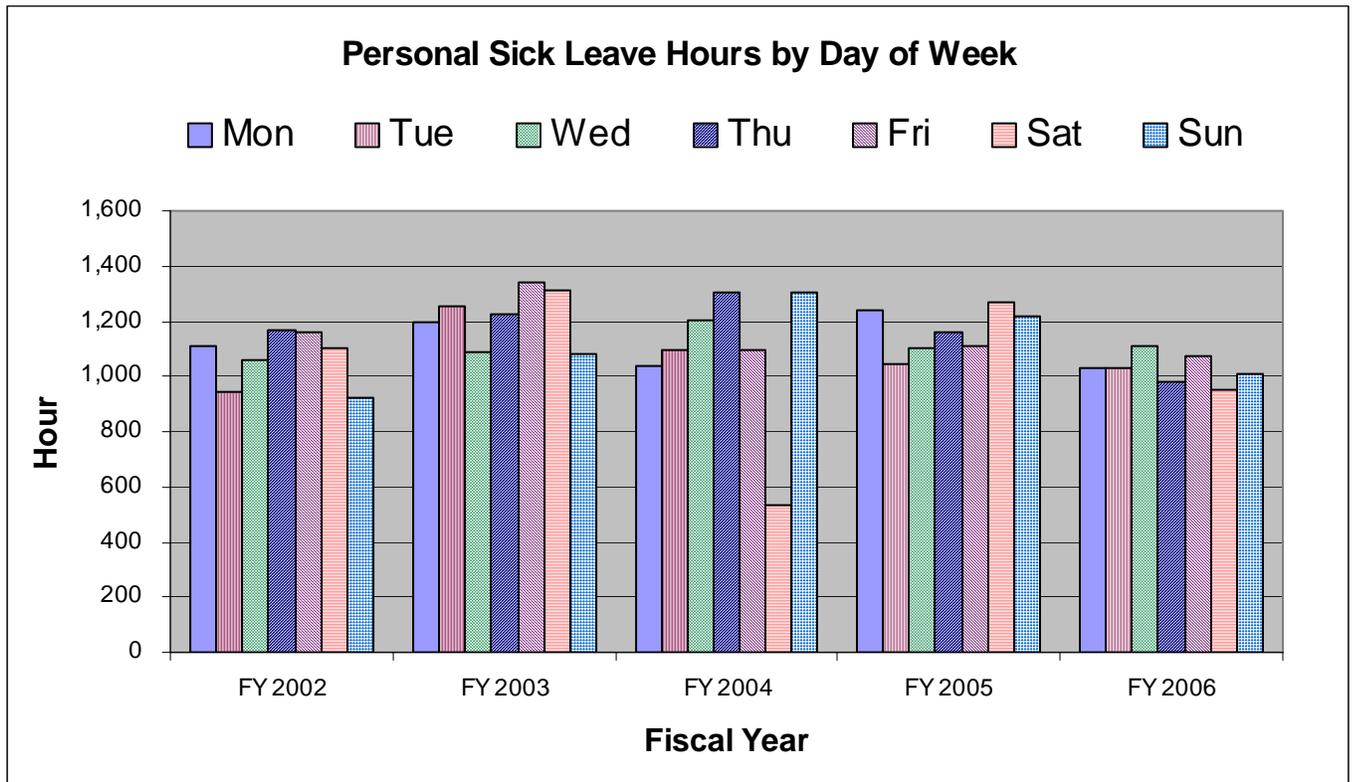


## **Appendix 2 - Fringe Benefit Rates as a Percentage of Salary For Fire Employees**

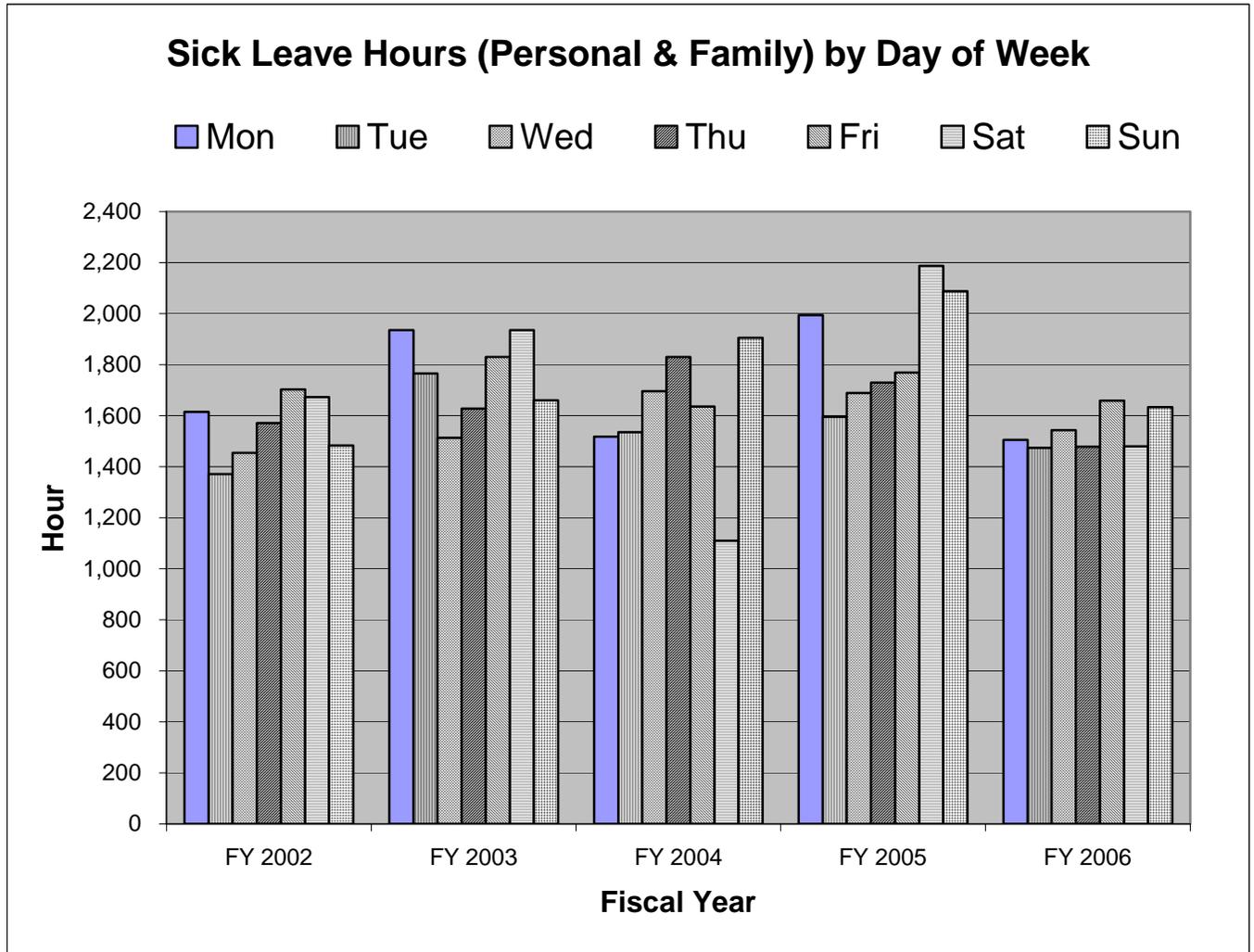
Source: Budget Office

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>PERS</b>	<b>9.375%</b>	<b>4.078%</b>	<b>6.000%</b>	<b>25.075%</b>	<b>29.200%</b>	<b>25.794%</b>
<b>Health Insurance</b>	<b>6.676%</b>	<b>6.728%</b>	<b>6.792%</b>	<b>7.558%</b>	<b>8.189%</b>	<b>9.393%</b>
Dental Insurance	1.721%	1.542%	1.643%	1.621%	1.606%	1.680%
Life Insurance	0.080%	0.072%	0.069%	0.064%	0.037%	0.036%
Medicare	1.450%	1.450%	1.450%	1.450%	1.450%	1.450%
Retiree Medical	4.550%	4.550%	4.550%	4.550%	4.550%	4.550%
Uniform Allowance	1.078%	0.965%	0.925%	0.855%	0.821%	0.793%
Other Benefits	0.130%	0.610%	2.160%	1.980%	3.110%	3.130%
Workers' Compensation	11.560%	7.900%	8.090%	9.280%	10.600%	10.370%
<b>TOTAL FRINGE BENEFIT</b>	<b>36.620%</b>	<b>27.895%</b>	<b>31.679%</b>	<b>52.433%</b>	<b>59.563%</b>	<b>57.195%</b>
% Change Compared to FY 2002		-24%	-18%	50%	44%	35%

**Appendix 3a**



**Appendix 3b**



**Appendix 4**

