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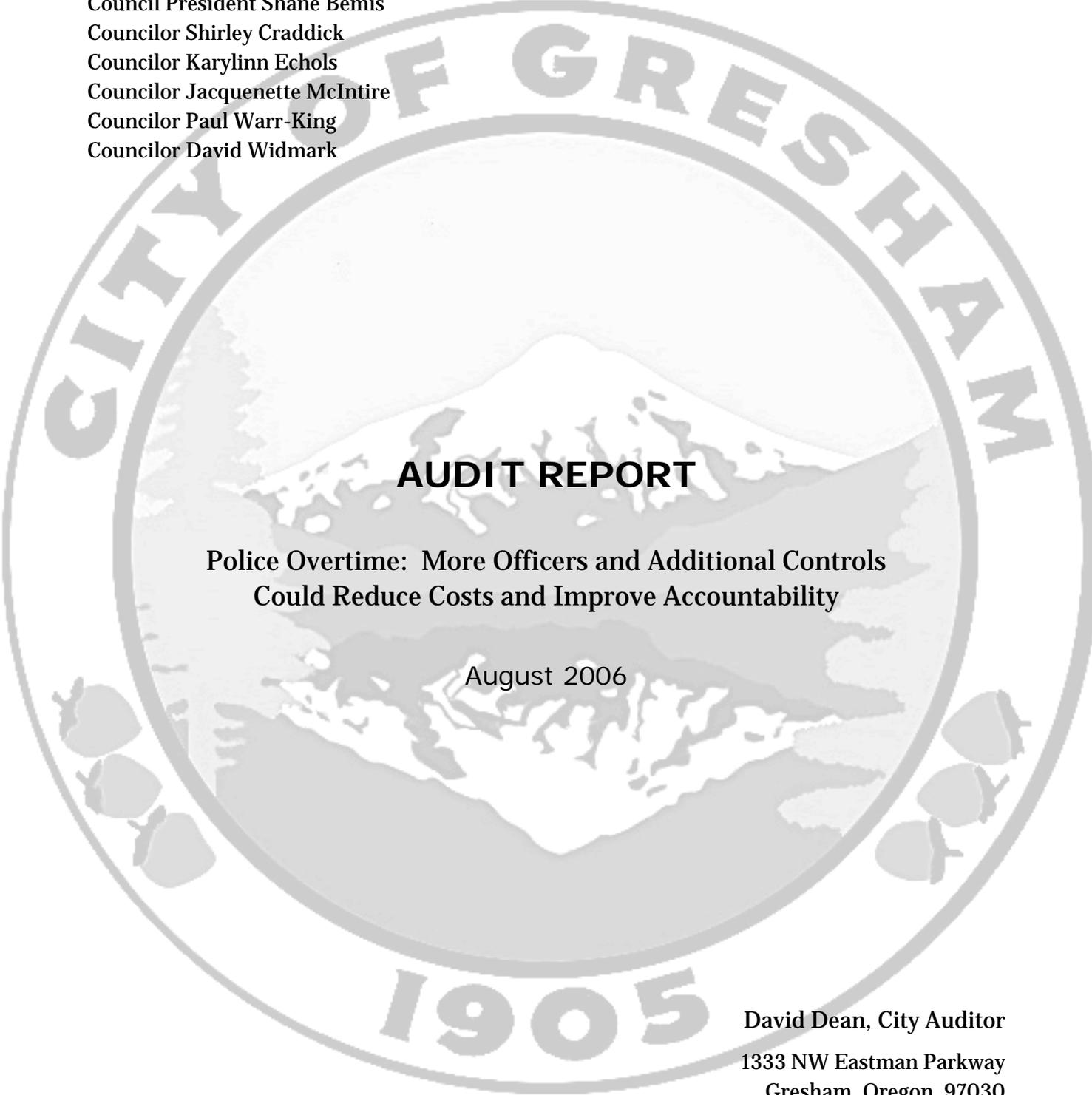
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The seal of the City of Gresham, Oregon, is a large, light gray watermark in the background. It is circular and features a central illustration of a mountain range with a river in the foreground. The words "CITY OF GRESHAM" are written in a semi-circle at the top, and "1905" is at the bottom. There are also small icons of strawberries and acorns on the sides.

AUDIT REPORT

**Police Overtime: More Officers and Additional Controls
Could Reduce Costs and Improve Accountability**

August 2006

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The mission of the City Auditor's Office is to help City Council improve the performance and ensure the accountability of city government for the benefit of the citizens of Gresham.

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**Actions Are
Necessary to
Reduce the High
Cost of Police
Overtime**

SUMMARY

While overtime is an inevitable part of police work and all police organizations rely on it to some extent to meet service requirements, Gresham's reliance on overtime is excessive. Audit results show the percentage of hours worked on overtime in Gresham was nearly double that of six other comparable cities in our region. Similarly, overtime hours per full-time sworn position was 79 percent higher in Gresham than in these other cities. The Department will need more officers and additional management controls to reduce costs and improve accountability. Best practices in police overtime management described in professional literature provide insights into the actions that will be necessary to control police overtime. The combination of more officers and additional controls should enable the Department to bring its overtime usage more in line with overtime use in other similar-sized cities in the region, resulting in saving of about \$300,000 a year.

Introduction

Police organizations from across the country incur expenses for overtime for a variety of reasons. Some of the main causes of police overtime include:

- Temporary personnel shortages that make it necessary for officers to work extra shifts to maintain a minimal level of staffing;
- Criminal investigations, when investigators are called back to duty or when they must work more than a standard work week;
- Time necessary for officers to appear in court;
- Training, special events; and
- Working past the end of their scheduled shifts to process arrests.

Overtime cannot be eliminated altogether, regardless of the number of police officers employed, because of inevitable shift extensions, court appearances, unpredictable events, and contract requirements.

**Though
Overtime Can
Never Be
Eliminated,
It Can Be
Successfully
Controlled**

However, research suggests substantial opportunities for cost savings do exist. Moreover, reliance on overtime can have harmful consequences. Overtime can lead to officer exhaustion and accidents, unwillingness to provide service without tangible reward, increased antagonism between supervisors and line officers, and the undermining of professionalism. Finally, when overtime is repaid as comp time, a ripple effect may be produced if vacant positions must be filled by other officers working more overtime.

Background

The Department's mission is to provide police services which involve the community in problem solving aimed at enhancing public safety and the quality of life and which respect the Constitutional rights of citizens. Its organizational structure includes the following five divisions:

- Field Operations is responsible for calls for service and includes most of the Department's staff;
- Investigations is primarily responsible for detective work;
- Records and Communication supports operational units by providing information support;
- Management Services provides fiscal, budget, analysis and other services; and
- Administration provides overall direction and management.

As shown in Figure 1, over the last three years, the Department's staffing has increased by 2 percent and its inflation adjusted spending has increased by 12 percent. Gresham's spending per capita for police services increased from \$174 in FY 2004 to \$190 in FY 2006, a 9 percent increase.

Figure 1: Police Department Spending and *Staffing*

Adjusted for inflation, in current dollars

Unit	Actual Expenditures		Adopted Budget	3-Year Change
	FY 2004	FY 2005	FY 2006	
Field Operations	\$10,475,747 <i>90 FTE</i>	\$10,633,356 <i>94 FTE</i>	\$11,144,885 <i>93 FTE</i>	+6% <i>+3%</i>
Investigations	\$3,058,490 <i>31 FTE</i>	\$3,071,215 <i>27 FTE</i>	\$3,023,283 <i>27 FTE</i>	-1% <i>-13%</i>
Records & Communications	\$1,417,228 <i>23.5 FTE</i>	\$1,424,049 <i>23.5 FTE</i>	\$1,541,157 <i>22.5 FTE</i>	+9% <i>-4%</i>
Management Services	\$712,390 <i>7.5 FTE</i>	\$571,084 <i>6.5 FTE</i>	\$642,741 <i>6.5 FTE</i>	-10% <i>-4%</i>
Administration	\$244,604 <i>3 FTE</i>	\$478,486 <i>4 FTE</i>	\$602,506 <i>5 FTE</i>	+146% <i>+67%</i>
Designated Purpose Fund ¹	\$362,739 <i>0 FTE</i>	\$895,663 <i>4 FTE</i>	\$1,273,673 <i>4 FTE</i>	+251% <i>n/a</i>
Department Totals	\$16,271,197 <i>155 FTE</i>	\$17,073,854 <i>159 FTE</i>	\$18,228,245 <i>158 FTE</i>	+12% <i>+2%</i>
Spending per capita	\$174	\$181	\$190	+9%

Source: Auditor's analysis of Gresham adopted budgets

Under the collective bargaining agreement between the City of Gresham and the Gresham Police Officers Association, overtime is compensated at the rate of time and a half of regular salary rates. The agreement allows eligible police personnel to be paid for their overtime, or they may accrue comp time off in lieu of payment. Like paid overtime, comp time accrues at the rate of one and one half times the number of hours worked. Comp time can be used either for extra vacation or, up to six times per year, personnel may request payment for their accrued comp time.

Figure 2 summarizes overtime hours worked and costs for overtime during the three-year period from FY 2003 through FY 2005. It shows the number of overtime hours worked increased from 30,470 hours in FY 2003 to 36,215 hours in FY 2005, a 19 percent increase. Similarly, the Department's inflation adjusted costs for overtime (including cash

**Overtime
Accrues at Time
and a Half and
Can Be Taken as
Cash or Extra
Time Off**

¹ Primarily grant funds

Overtime Hours and Costs Have Been Increasing

payments, comp time accruals, and associated payroll costs for PERS, Social Security, MediCare, Tri-Met, and long-term disability insurance) increased from just under \$1.6 million in FY 2003 to over \$1.9 million in FY 2005, a 22 percent increase. Figure 2 also shows a large majority of overtime occurs in the Field Operations Division, which had the largest percent increase in overtime cost of any division during this period, a 29 percent increase.

Figure 2: Overtime Costs and *Hours Worked*

FY 2003 through FY 2005

Unit	Expenditures, adjusted for inflation			
	FY 2003	FY 2004	FY 2005	3-Year Change
Field Operations	\$1,108,131 <i>21,135</i>	\$1,358,705 <i>25,670</i>	\$1,427,135 <i>26,593</i>	+29% <i>+26%</i>
Investigations	\$420,662 <i>7,537</i>	\$320,875 <i>5,643</i>	\$439,407 <i>7,661</i>	+4 <i>+2%</i>
Records & Communications	\$52,641 <i>1,520</i>	\$61,379 <i>1,738</i>	\$63,443 <i>1,736</i>	+21 <i>+14%</i>
Management Services	\$9,756 <i>181</i>	\$14,618 <i>271</i>	\$8,349 <i>160</i>	-14% <i>-12%</i>
Administration	\$5,239 <i>97</i>	\$81 <i>2</i>	\$2,548 <i>65</i>	-51% <i>-33%</i>
Department Totals	\$1,596,402 <i>30,470</i>	\$1,755,658 <i>33,325</i>	\$1,940,882 <i>36,215</i>	+22% <i>+19%</i>

Source: Auditor's analysis of Gresham payroll data

Objectives, Scope, and Methodology

The purpose of this audit was to determine if the Gresham Police Department has developed the kinds of policies, procedures, and management controls described in professional literature or used by other police organizations necessary to prevent overtime abuse, excess, and waste. The audit did not evaluate any other questions. Fieldwork was conducted between January and June 2006. As a part of the audit, the City Auditor conducted research on effective overtime management practices as described in professional literature and performance audits

from other jurisdictions. The City Auditor analyzed budget documents, annual reports, pay and other financial records, other reports and studies, and pertinent sections of the Gresham Administrative Rules and Municipal Code. To gain an understanding of the Department's overtime management practices, the City Auditor reviewed written policies and other guidelines, interviewed department personnel, and observed dispatch operations. To obtain information about the use of police overtime in other jurisdictions, the City Auditor conducted a survey of six other similar-sized cities in our region. The audit was conducted according to generally accepted government auditing standards. The cooperation and assistance received from city staff in the Police Department and from other city staff was greatly appreciated.

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More Officers and Additional Controls Are Needed to Reduce Police Overtime

AUDIT RESULTS

Audit results show the Gresham Police Department relies too heavily on overtime. While it is important to be realistic and recognize that some overtime will always be required, it is clear that the Department could improve its procedures for managing overtime. Insufficient staff is another significant cause for Gresham's heavy reliance on police overtime. More officers and additional controls could reduce total costs and result in a greater degree of accountability for tax dollars spent on overtime. Professional literature provides insights into how the Department could better track and evaluate the causes for its high overtime usage and develop strategies for controlling it.

Gresham is More Reliant on Police Overtime Than Other Similar-Sized Cities in the Region

A comparison of police overtime use in Gresham and six other similar-sized cities in our region found the Gresham Police Department relies on overtime to a greater extent than do these other cities. As shown in Figure 3, overtime amounted to 15.8 percent of all hours worked by sworn personnel in Gresham's Police Department. That was nearly double the average rate of 8.2 percent for the other six cities.

Figure 3: Police Overtime Hours as a Percent of All Hours Worked

Sworn Personnel Only, FY 2005

City	Population	Overtime	Total	Ratio
Vancouver	154,800	26,264	333,092	7.9%
Salem	147,250	31,206	346,538	9.0%
Eugene	146,160	33,241	350,961	9.5%
Gresham	95,900	32,319	203,966	15.8%
Beaverton	83,095	15,380	219,215	7.0%
Hillsboro	82,025	14,963	213,770	7.0%
Medford	70,855	16,635	194,091	8.6%

Average (excluding Gresham) 8.2%

Source: Gresham payroll data and survey of other cities.

**Gresham
Averaged 79
Percent More
Overtime Per
Sworn FTE,
Compared to
Other Similar-
Sized Cities**

A second comparison of overtime, focusing on hours per full-time sworn position, also shows higher than average overtime use in Gresham. Figure 4 shows sworn personnel in the other six similar-sized cities averaged 153 hours of overtime per FTE during Fiscal Year 2005. At 274 hours, Gresham averaged 79 percent more overtime per sworn FTE than the other six cities.

Figure 4: Police Overtime Hours Per Full-Time Sworn Employee

FY 2005

City	Population	Overtime Hours	Sworn FTE	Overtime Per FTE
Vancouver	154,800	26,264	193	136
Salem	147,250	31,206	180	173
Eugene	146,160	33,241	186.5	178
Gresham	95,900	32,319	118	274
Beaverton	83,095	15,380	119	129
Hillsboro	82,025	14,963	115	130
Medford	70,855	16,635	97	171

Average (excluding Gresham)

153

Source: Gresham payroll data and survey of other cities.

Gresham's rate of 274 overtime hours per sworn FTE also was higher than most police departments in other parts of the country. In a 1996 study of overtime sponsored by the National Institute of Justice, out of 75 departments surveyed with over 100 sworn officers, only 11 (14.7 percent) averaged more than 240 hour of overtime per sworn FTE.²

Research Provides Insights Into the Actions Necessary to Control Police Overtime

A 1998 report on police overtime sponsored by the National Institute of Justice (NIJ) examined how state and local police departments managed overtime. Researchers reported there is a perception both inside and

² Bayley, David H. and Robert E. Worken, *Federal Funding of Police Overtime: A Utilization Study*, report to the U.S. Department of Justice, School of Criminal Justice State University of New York at Albany, June 1996.

**Research Shows
Overtime Can
Be Controlled
With Analysis,
Recordkeeping,
Management,
and Supervision**

outside the law enforcement community that overtime is overused, misused, and inadequately regulated. They found police departments around the country varied a great deal in the amount of attention they paid to controlling the cost of overtime. Best practices in overtime management highlighted in the NIJ study include the following:

Analyzing Overtime. Researchers suggest that police managers need to systematically monitor and question overtime expenditures to determine if they are justified in terms of work being done. They suggest monitoring the quantity and kind of work being done on overtime, as well as the circumstances of its use. Additionally, NIJ researchers advise it is critical for analysis to distinguish between paid overtime and comp time because paid overtime increases policing while comp time takes away from existing capacity. For this reason, they advise police agencies to consider if the work being performed on comp time is more important than the work being "scrimped" through comp time payback. Finally, NIJ researchers suggest police agencies analyze patterns of overtime expenditure by individuals, unit, and kind of work being performed because unusual payouts may be indications of abuse.

Recording Overtime. The NIJ study suggests it is important for police agencies to have current records and reports showing total obligations and payments for overtime. Researchers recommend reports of overtime use by individual officer and by organizational unit so managers can see when overtime exceeds predetermined thresholds. NIJ researchers suggest departments should produce reports showing the reasons and circumstances for overtime. Finally, the study recommended tracking overtime payments by funding source to distinguish those categories making a claim to a city's general fund versus claims against grants or contract funds.

Managing Overtime. NIJ researchers concluded that managing overtime requires commitment at the highest level of the organization. Researchers advise that recording, analysis, and supervision are all necessary but must be managed to ensure useful knowledge is available

**Effective
Overtime
Control
Depends on
Structured
Policies Set at
Senior Levels**

to managers who set overtime policies. The NIJ researchers propose several specific policies for departments to consider in the area of court appearances, shift extensions, staff size, emergency mobilizations, and special events.

Supervising Overtime. The NIJ study reports that middle-rank police commanders frequently complain that one of their major responsibilities is controlling overtime. They note, however, that most of the factors that determine overtime are beyond the control of any middle-rank managers and many first-line supervisors are not given the information needed to anticipate workload demands and adjust work schedules. NIJ researchers conclude that while overtime control looks decentralized, it is not. It is structured by policies set at more senior levels or from outside the police force altogether. Researchers suggest that overtime can be supervised by the officers themselves through peer pressure if amounts of overtime worked by individual officers are posted publicly at regular intervals. Knowing that overtime will be scrutinized by their peers, the NIJ researchers suggest that officers will be careful that extra hours claimed are justifiable in operational terms. The complete text of the NIJ report is reproduced in Appendix A.

Further study of this topic by the International Association of Chiefs of Police (IACP), National Law Enforcement Policy Center confirms the need for these actions. In addition, this study describes factors contributing to a reluctance to address overtime problems, including:

- "The view that overtime expenditures are required for the support of the public safety and welfare and therefore are not subject to normal audit and review processes."
- "The view that most overtime is the result of unforeseen circumstances that cannot be planned for or reasonably controlled."
- "The idea that overtime is a means of financial compensation for officers who often have low basic pay scales."

**Appropriate
Controls are
Necessary to
Prevent
Overtime
Excess and
Waste**

- "The fact that overtime is often a hotly contested element of contract negotiations between management and local police bargaining units that sometimes results in restrictions on management's ability to control overtime."

Researchers concluded that most excess and waste associated with police overtime has to do with the failure of police agencies to institute appropriate policy and management controls. The study was accompanied by a model policy on overtime designed to provide a structure for monitoring, managing, and controlling the use of police overtime. The complete IACP study is included in Appendix B; the IACP model policy is included in Appendix C.

The Department Has Some Basic Overtime Management Controls in Place

The Gresham Police Department has some basic overtime management controls in place. According to its managers, the Department already has taken the following steps to help ensure that overtime use is held to a minimum:

Supervisor Approval. Managers report that the Department uses its command and control system as a primary mechanism to manage overtime. Overtime requests are approved by sergeants, then reviewed by lieutenants. According to command staff, the Department depends on its sergeants to control overtime. The Department attempts to have reports written on straight time.

Assessments. To ensure that response teams are not called out unless it is necessary, the Department conducts preliminary assessments using trained staff to make the evaluation. For example, before a crash team is called to the scene of an accident, the officer in charge of the team will assess the situation.

Leave Denial. Department managers report that supervisors will deny officer requests for time off if approval would result in staffing levels that are below specified shift minimum levels.

Schedule Changes. Supervisors sometime adjust schedules so officers can attend training sessions on straight time instead of overtime.

More Officers and Additional Controls Are Needed to Reduce Police Overtime

The combination of lean staffing and insufficient controls contribute to Gresham's high use of police overtime. Gresham's staffing ratio for sworn personnel is lower than most of the other similar-sized cities in the region. Additionally, best practices identified in professional literature suggests new opportunities for additional overtime controls to improve public accountability and reduce costs. Some of the main causes of Gresham's unusually high use of police overtime include the following:

The Department has too few fully trained police officers and consequently must rely on overtime to meet predictable workload needs. Figure 5 shows Gresham has fewer sworn positions per 1,000 population than most other similar-sized cities in the region. At 1.23 sworn FTE per 1,000, Gresham's authorized police staffing level was lower than five out of six of the cities surveyed. Only the city of Salem had a lower staffing level for sworn personnel. Although only one factor contributing to overtime, Gresham's lean police staffing increases the odds that temporary personnel shortages will make it necessary for officers to work extra shifts to maintain a minimum level of staffing.

Cover shift overtime averaged over 800 hours per month during FY 2005, which is the equivalent of approximately six full-employees. If the Department had that many additional officers throughout the year, savings approaching \$200,000 would have been possible by replacing expensive overtime with straight-time wages. Over the last five years, cover shift overtime has been the largest cause of overtime accounting for 23 percent of all overtime hours worked in the Department.

**Gresham's
Staffing Level
Was Lower
Than Five of the
Six Cities
Surveyed**

Figure 5: Sworn Personnel per 1,000 Population Gresham and Six Other Cities

Authorized Positions in Fiscal Year 2005

City	Population	Sworn FTE	Sworn per 1,000
Vancouver	154,800	193	1.25
Salem	147,250	180	1.22
Eugene	146,160	186.5	1.28
Gresham	95,900	118	1.23
Beaverton	83,095	119	1.43
Hillsboro	82,025	115	1.40
Medford	70,855	97	1.37
Average (excluding Gresham)			1.30

Source: Gresham Police Department and survey of other cities.

The Department has not sufficiently defined its expectations for overtime use and management. The Department lacks an explicit overtime management policy. While the Department has numerous policies that relate in some way to overtime, it does not have an overall overtime policy clearly explaining management's philosophy and providing a foundation for other components of overtime management. By adopting a policy similar to the model policy developed by the IACP's National Law Enforcement Policy Center, the Department could more clearly set the tone for overtime management within the department and strengthen the control consciousness of its staff.

The Department's budget does not promote accountability for wages paid at a premium rate. Audit results show Gresham has no readily available source of information showing the full cost of police overtime. Moreover, current budget and accounting methods provide no real spending limits because excess overtime is paid from other unspent funds, including salary savings from unfilled positions. Neither the Department's budget nor any other management report currently available show the full cost of police overtime. While the budgeted amount for police overtime has remained relatively stable in recent years at just over \$1 million, its actual full cost is approaching twice that

**Full Overtime
Costs Were
Nearly Twice
the Budgeted
Amount**

amount and has been increasing. Figure 6 shows the full cost of police overtime increased by 29 percent between FY 2003 and FY 2005, driven by a steep 120 percent increase in comp time.

Figure 6: Summary of Police Overtime Costs by Category

FY 2003 through FY 2005

Category	FY 2003	FY 2004	FY 2005	3-Year Change
Overtime	\$1,007,940	\$1,055,394	\$1,125,565	12%
Comp Time	\$187,650	\$302,414	\$413,473	120%
Payroll Costs	\$312,169	\$354,524	\$401,843	29%
Full Cost	\$1,507,759	\$1,712,332	\$1,940,881	29%

Source: Auditor's analysis of Gresham pay records.

There are two reasons for the discrepancy between the Department's budget for overtime and the actual full cost for police overtime. First, the Department's overtime budget does not include costs for overtime worked but recorded as comp time. Under the police contract, officers have the right to receive either cash or comp time, at their discretion. However, because of the design of the City's financial system, overtime hours that are recorded as comp time are not tracked as overtime. Second, payroll costs (for PERS, Social Security, MediCare, etc.) are not tracked in the overtime budget.

Comp time does not come out of overtime budget allocations and its use has been increasing. Audit results show overtime hours recorded as comp time increased about three fold over the last five years, from 3,431 hours during FY 2001 to 9,960 hours in FY 2005. Largely due to this increase, total overtime use in the Department increased by 8.4 percent during this period. However, because the Department's budget and management systems were not set up to track comp time as a part of the department's overall overtime budget, the large increase went unnoticed.

Overtime Taken as Comp Time Has Not Been Included in Overtime Totals

**Researchers
Point Out That
Overtime
Increases
Policing Activity
but Comp Time
Represents Less
Police Work**

Research on police overtime management suggests it is important to pay attention to comp time use -- and distinguish it from paid overtime use -- because comp time represents less policing and because every hour worked must be repaid at time and a half. Paid overtime, on the other hand, increases policing activity even though it is paid at the same premium rate. Also, Department staff report that federal and state grants have been an increasingly important revenue source to pay for police overtime. Due to an oversight discovered during the audit, it was determined that work performed under a grant, but recorded as comp time, is paid from the City's general fund and not from the appropriate grant fund. Consequently, the City is losing money when overtime incurred on grants is taken as comp time.

The Department's ability to manage overtime is limited by insufficient data analysis. The Department lacks a systematic process to review the major causes of overtime and consider approaches to avoid or reduce it. As discussed previously, NIJ researchers suggest that management of overtime requires the effective interaction of the functions of recording, analyzing, managing, and supervision. To evaluate overtime use patterns, NIJ researchers suggest police departments maintain the following records:

1. Total obligations and payments for overtime, including both paid overtime and comp time.
2. Obligations and expenditures of overtime by individual officers and commands or budgetary units.
3. The uses of overtime broken down by relevant categories such as: shift extensions, backfilling, call backs, court appearances, emergencies, planned events, meetings, and training.
4. Comp overtime opportunity costs (tasks not carried out because officers were granted time and a half off).

**The Department
Lacks Many of
the Overtime
Management
Reports
Suggested by
Best Practices**

5. Circumstances of overtime use: Is overtime occurring chronically in particular units? Is overtime concentrated at particular times of the year?
6. Sources of payments: Was overtime paid from the City's general fund? Federal or State grant funds? Private sources?

Currently, the Department has only one regularly produced report relating to overtime use. A pre-programmed report available from the City's financial system, the "monthly budget report" shows budgeted and actual amounts for all line items in the Department, including one line for overtime. However, because of the way the system is designed, overtime hours that are recorded as comp time are not tracked in the overtime category. Moreover, payroll costs associated with overtime pay also are not included in the amounts shown for overtime. Consequently, only about half of its full cost is shown in the overtime line. The Department has no other regularly produced management information reports showing overtime use patterns for individual officers, the reasons for overtime, or other reports suggested by best practices.

More Officers Could Save Money in the Long Run but Will Require an Initial Investment

Audit results suggest personnel costs for the Gresham Police Department are higher than necessary because the Department relies too heavily on overtime. Adding six officers could save money in the long run by reducing the need for cover shift overtime, but it would require an initial investment in salaries, equipment, and training of about \$600,000. Just as important, the audit suggests the Department needs to develop new procedures for monitoring and managing other categories of overtime. The combination of more officers and additional controls should enable the Department to bring its overtime usage more in line with overtime use in other similar-sized cities in the region, resulting in saving of about \$300,000 a year.

Conclusions

Managing police overtime inevitably involves making difficult choices. On a daily basis, police supervisors must use their discretion to approve or deny overtime for a variety of worthwhile activities including criminal investigations, court appearances, arrest processing, special events, and so on. While the cost of police overtime is high, so too are the consequences of inadequate overtime. Gresham police officials correctly point out that overtime comparisons between jurisdictions raise some unanswered (and potentially unanswerable) questions and should be interpreted carefully. To what extent do differences in collective bargaining agreements account for differences in overtime usage? Are there significant differences in the ways jurisdictions use overtime for training purposes? These are just a few of the potential questions that Department officials may wish to research as they consider specific approaches for controlling overtime costs. How should decisions about overtime be made? Research into best practices suggest that overtime cannot be effectively controlled by front-line supervisors. A more structured set of policies set at senior levels or from outside the Department is necessary. Moreover, additional analytic reports of overtime could provide police managers with information to help them make decisions and explain to others the limits on their ability to control overtime.

RECOMMENDATIONS

To improve accountability and reduce costs the Gresham Police Department should:

1. Work with budget and finance staff and the City Manager to develop stronger budget and accounting procedures for police overtime with the goal of becoming more accountable for the efficient use of overtime dollars. Any new budget procedures should have the goal of bringing overtime use more in-line with average use in other similar-sized cities. New procedures should

establish a clear budget target and spending controls that consider the full cost of overtime.

2. Develop a budget option package requesting authority for six new officers to reduce the need for cover shift overtime for consideration as part of the Department's FY 07/08 budget. Any such proposal to increase staffing should include specific accountability procedures under which the Department would annually report on its use of additional staff to reduce cover shift overtime hours and associated costs.
3. Review the IACP model overtime use policy, tailor it to meet the requirements and circumstances most relevant in Gresham, and adopt a policy clearly stating management's expectations for the use and management of overtime in the Gresham Police Department.
4. Organize a work group to develop overtime management information reports and control strategies based on best practices. Some potential new reports could include: total overtime expenditures to date, overtime activities report, top overtime earners, overtime by employee and activity, and overtime by work unit and supervisor.
5. Implement procedures necessary to ensure the City's general fund is not charged for overtime that should be charged to grants.
6. Seek ways to control and reduce the use of comp time. Some potential changes for consideration include: offering the option of separate checks for overtime (currently offered for comp time); restricting comp time when officers work overtime funded by grants; and seeking to amend the contract to require comp time be taken on an hour-for-hour basis, with the extra half-time amount taken as pay.

Response to the Audit

To: David Dean, City Auditor

From: Carla Piluso, Police Chief

Date: August 17, 2006

Subject: Audit report on police overtime

The Gresham Police Department welcomed the assignment of the Police Overtime Audit by the City Council and now looks forward to developing strategies to better manage, report and further strengthen the internal controls of overtime use.

Overtime is an intrinsic cost of providing police services. The nature of criminal events, court appearances, and other public safety demands often requires police officers and civilian support staff to work beyond normal hours. The majority of the costs associated with overtime are based on contractual obligations. However, as demonstrated in the last contract negotiations, we have been able to find mutual benefit to both labor and management regarding cover-shift overtime. The negotiations resulted in an agreement establishing a higher rate of staffing before allowing time off, and also instituted sick leave monitoring. We will continue to work collaboratively with both the Gresham Police Officers Association and the Teamsters Union to identify mutually supportive means to effectively manage overtime hours, noting that the City must work within the constraints of the Public Employees Collective Bargaining Act passed by the Legislature.

The department has actively sought out grant funding to help pay for overtime activities. The Police Department successfully acquired significant funding from several overtime grants, such as enforcement efforts related to gangs, the Rockwood Weed and Seed Program, and DUII enforcement. And it's important to point out that, although there were initial difficulties related to grant-funded overtime, the problem noted in the auditor's report has been resolved and the City has not lost money in cases where overtime was taken as compensatory time.

Also as a result of this audit, we have been reminded of the fact that there are other overtime policies and procedures in several management documents in the City and the Police Department. It is clear that the Gresham Police Department overtime policies and procedures will benefit from being reviewed and updated. Now is an opportune time to complete a review of all Departmental policies and procedures, to incorporate best practices and assure consistency among documents. I believe the best strategy to achieve results in this area would be to engage the Gresham Police Department in the statewide and national accreditation process, which has long been a goal of the department.

This is a major undertaking that will take at least two years for completion and require additional staff. In the interim, the department will convene a work group, to include finance staff, to determine the best approach to track and report overtime.

Regarding the statement in the audit that the department's budget does not show the full cost of police overtime, this is related to a city-wide financial structure that identifies each operating cost separately. Payroll costs such as Social Security are classified as Employee Benefits rather than Overtime. According to finance staff, this is a recommended practice regarding the classification of costs as described in the GFOA's Governmental Accounting, Auditing and Financial Reporting book. As a result, this particular concern is not in the Police Department's purview to change.

The Police Department would welcome the addition of six police officers, as recommended in the auditor's report. In order to have these officers impact overtime use, it should be kept in mind that they would be assigned to patrol, where the greatest overtime costs are incurred. The increase in staffing will not be available to change the level of service should other service needs be identified by the police department, or the community. In addition, these officers likely will have a minimal impact on overtime during their initial 18 months of training before being assigned solo patrol.

The audit process was a new challenge for the Gresham Police Department. I commend your work and appreciate your candidness of thoughts, interpretations and vision.

Appendix A



National Institute of Justice

Research in Brief

Jeremy Travis, Director

May 1998

Issues and Findings

Discussed in this Research in Brief: Results from a national study sponsored by NIJ on police overtime to examine how State and local police departments managed overtime and how local law enforcement agencies used Federal money authorized for overtime payments.

Key issues: Overtime work has been generally viewed from inside and outside the criminal justice community as overused, misused, and inadequately regulated. In the past 15 years, Federal support to State and local police agencies for overtime has grown. As a result, interest in whether funds used by local law enforcement agencies for overtime payments are well spent has increased.

Study findings:

- U.S. Department of Justice funding accounted for 60 percent of Federal support of State and local police overtime in 1994, with Operation Weed and Seed and the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program being the primary providers of funding for local police agencies.
- Overtime was funded primarily through local sources; Federal funds accounted for 5 to 10 percent of local police overtime outlays, which were less than 6 percent of the departments' total budgets.

continued...

Police Overtime: An Examination of Key Issues

by David H. Bayley and Robert E. Worden

There is a sense both inside and outside the law enforcement community that overtime is overused, misused, and only halfheartedly controlled. Federal officials want to be sure that the funds they award to local police agencies for overtime payments are well spent. Local police agencies are equally concerned. For this reason, the National Institute of Justice commissioned a study of the use of Federal funds provided to local law enforcement agencies for overtime. (See "Methodology" and "Federal Funding of Police Overtime.") This Research in Brief reports what we have learned about improving the management of overtime in American police departments.

The study discovered enormous differences among local police departments in the attention given to the issue, the capacity to produce information about it, and the policies and procedures for managing it. Clearly, some departments do an excellent job of managing overtime. This Research in Brief also shares information about some of these practices as a way to help agencies grappling with the issue and attempts to answer the following questions: Can overtime be responsibly managed? If so, how?

Very little has been written about the management of overtime, except to report that overtime management is viewed as a recur-

ring problem by both private- and public-sector managers.¹ Regarding overtime in policing, almost no information exists in the public domain. For this study, researchers canvassed the major professional organizations specializing in police research, as well as prominent police scholars, and could not find any studies of the use of overtime in policing. Management consultants write private reports to individual police agencies that sometimes address the overtime issue, but this is unpublished literature that is generally not available.

Police departments themselves have vast experience in managing overtime, but they have not yet shared that knowledge. Professionals contacted often chuckled when told of the topic being studied, urging that the research proceed but indicating that there were good reasons why no studies had been performed previously. The universal opinion was that the inquiry was long overdue but that the subject matter might prove too sensitive to study successfully. Readers should understand, therefore, that what the authors present here by way of suggestions for managing overtime very much represents a first cut at a difficult subject.

How does one control overtime in policing? The answer: by recording, analyzing, managing, and supervising. This Research in Brief

Issues and Findings

continued...

- U.S. police departments varied enormously in the attention paid to overtime management and their ability to produce information about it.
- Overtime can be successfully controlled through a combination of analysis, recordkeeping, management, and supervision.
- Police managers should analyze overtime in terms of work done on paid overtime and on unpaid, or compensatory, overtime. Paid overtime increases policing activity, while compensatory time represents less policing because it must be repaid by taking time and a half from other activities.

Implications: Federal money invested in overtime by State and local law enforcement agencies does not supplant local spending on police overtime. Overtime should be viewed, within limits, as an unavoidable cost of policing. Overtime charges cannot be eliminated altogether, regardless of the number of police officers employed, because of inevitable shift extensions, court appearances, unpredictable events, and contract requirements. Concerns about overtime usage should be addressed through controlling overtime usage with improved management techniques.

Target audience: State and local law enforcement officials and administrators, city and county officials, criminal justice policy researchers and practitioners, and policymakers.

will examine each of these activities, so that police managers may better understand what they can do in a practical way to improve overtime performance.

The four activities listed would appear to suggest a temporal order of tasks for police departments: build databases, analyze them for patterns, make appropriate managerial decisions, and supervise the resulting policies. Nothing could be more mistaken. The key element that precedes all others is management. Useful records systems cannot be constructed unless managers anticipate what they need to know. Management is also essential for analysis, and analysis needs to be specified before responsive data systems can be designed. In other words, although it is certainly true that analysis cannot be done without records, records cannot be sensibly constructed without prefiguring analysis. Recording, analyzing, managing, and supervising are interactive, not sequential. The key is managing. One of the problems besetting contemporary policing, as managers everywhere ruefully recognize, is that the new computer-

based information systems pour out data that are not used. Unmanaged information systems are like the legendary sorcerer's apprentice—madly producing data that bury consumers.

In short, the management of overtime comes in two forms: creating an infrastructure for recording and analyzing the use of overtime and making policies about overtime based on an understanding of what is happening. The first sort of management precedes all other activities. The second sort can only take place if the first sort has been done well.

Recognizing that managerial decisions about the kinds of analysis and, consequently, of records that are needed must be made at the very beginning of any attempt to control overtime, the topics will be presented in the following order: analysis, recording, managing, and supervising.

Analyzing overtime

What should managers know to ensure that overtime is used responsibly? What are the major questions they must

F Methodology

Findings from this study are based primarily on information collected from three sources:

- An inventory of U.S. Department of Justice programs administered through the Bureau of Justice Assistance, Federal Bureau of Investigation, Drug Enforcement Administration, and Executive Office for Weed and Seed.
- A seven-page questionnaire on overtime expenditures and practices. This survey was mailed to 2,183 State and local police agencies—a representative sample of police departments that had responded to the 1990 Bureau of Justice Statistics Law En-

forcement Management and Administrative Statistics Survey (LEMAS).^a Followup calls were conducted with 100 of the largest police agencies, which in the aggregate account for most of the police overtime worked in the United States.

- Case studies of overtime practices in 11 police departments of various sizes nationwide.

^a Conducted by the Bureau of Justice Statistics, the LEMAS survey included all U.S. police agencies, except for half of those with five or fewer full-time personnel, which LEMAS data show generated little overtime.

A Federal Funding of Police Overtime

number of observations on how Federal funds are used within local law enforcement agencies for overtime emerged from the study, including the following:

- Total Federal support for policing by State and local governments has been growing in the 1990s. Federal support for overtime has also been growing, but is difficult to estimate because expenditures are scattered among so many agencies (Department of Justice, Department of Housing and Urban Development, Department of Transportation, Department of the Treasury) and programs (Executive Office for Weed and Seed, Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program, Office of Community Oriented Policing Services).
- According to the study, the Department of Justice now accounts for approximately 60 percent of the Federal Government's expenditures on overtime by State and local law enforcement agencies.
- Federal expenditures by the Department of Justice invested in overtime by State and local law enforcement agencies do not supplant local spending on police overtime.
- By and large, overtime money is provided and used to supplement traditional programs, rather than to sponsor programmatic innovations. Federal expenditures shift enforcement priorities somewhat, but they do not bring about substantial organizational change.
- Although overtime expenditures by the Department of Justice provide a genuine increment in policing, analysis is needed to determine whether the increment is valuable enough to be paid for at premium wages.
- Police departments in the United States vary enormously in the attention they pay to overtime, their management of it, and their ability to produce information about it.
- Overtime should be viewed, within limits, as an unavoidable cost of policing. Overtime charges cannot be eliminated altogether, regardless of the number of police officers employed, because of inevitable shift extensions, court appearances, emergency situations, and contract requirements.
- Reimbursing overtime in money is preferable to reimbursing in compensatory time. Paid overtime increases policing activities, while

compensatory time results in less policing because every hour worked must be repaid by the department at time and a half—time taken away from other activities.

- Reliance on overtime in American policing may have harmful consequences that are not sufficiently considered by police managers, such as exhaustion on the part of officers, unwillingness to provide any service without a tangible reward, increased antagonism between supervisors and line officers, and the undermining of professionalism.
- Overtime practices represent substantial possibilities for cost savings. Though overtime can never be eliminated, it can be more successfully controlled.
- Publicizing the practices of police departments found to excel in regulating overtime can contribute to improving overtime management nationally.
- The key to improving overtime management is foresight on the part of senior officers, which requires attention to analysis, recordkeeping, and supervision.

continually ask about overtime in their departments?

Are overtime expenditures justified in terms of the work being done? Because overtime represents police work performed at premium rates—time and a half—managers need the ability to determine whether the same work could be performed at less cost on straight time. Thus, they need to know how much of their agency's work is being performed on overtime, what sort of work it is, and the circumstances of its use.

When analyzing the cost-effectiveness of overtime, it is critical to distinguish

work done on paid overtime from work done on unpaid, or compensatory, overtime. Work done on paid overtime generally increases policing activity, even though paid at time and a half. The cost is borne by city councils as an addition to the police budget. Compensatory time, on the other hand, represents less policing because every hour worked must be repaid by the department at time and a half. Compensatory time comes out of existing capacity. Therefore, managers need to be able to determine whether the work performed on compensatory time is more important than work being "scrimped" through the compensatory time payback.

The implication for recordkeeping is that not only must records on paid time and compensatory time be kept, but also information on their respective uses, including the nature of the work forfeited to pay for compensatory time. These are called opportunity costs—the costs of taking one action at the expense of another.

Do the police and the local government have the capacity to pay for overtime? Answering this question requires police managers to know whether they are "on budget" throughout the year, so as to avoid cost overruns and consequent political exposure. This

means managers need to know how much has been spent throughout the current fiscal year and how the rate of expenditure compares with previous years. They should also examine current expenditures against likely future contingencies; planning requires forecasting overtime needs based on analyses of past patterns. Although some overtime expenditures cannot be predicted, repeated surprises indicate a lack of analysis. As the philosopher George Santayana said, “People who do not know the past are doomed to repeat it.”

Because compensatory time does not come out of existing budgetary allocations, some police departments do not monitor its use as systematically as they do paid overtime. Compensatory time is not costless. Unless police departments keep close track of the amount of compensatory time earned and paid back, cities may suddenly face large unfunded liabilities—financial payouts they have not anticipated. In some departments of officers who do not use their compensatory time can claim it as money at retirement. Police departments also need to track accumulations of compensatory time by individual officers, because departments cannot require officers (under the Fair Labor Standards Act or their own labor agreements) to work more than specified maximums of compensatory time without being paid.² Overtime beyond this amount must be paid as money. Police departments need to know where they stand with respect to this obligation.

Is overtime being abused? “Abused” here is defined as being used in ways that cannot be justified and may cause embarrassment to the organization. Generally, overtime abuses take the form of large, undetected overtime earnings by individuals or units within a police department. Such abuses represent a failure of supervision, which in turn reflects the inability of an organization to know,

in a timely manner, what is happening. To avoid embarrassment, police departments need to analyze patterns of overtime expenditure—both as time and as money—by individuals, by units, and by the nature of the work performed. Unusual payouts to individuals or units may indicate problems of organizational management.

In sum, if a police department is to manage overtime, it must be able to justify expenditures in terms of the work performed, to anticipate the rate and amount of payouts, and to explain why overtime had to be paid to particular individuals and units at particular times.

Recording overtime

To analyze the issues described above, the following records must be current:

- **A police department’s total obligations and payments for overtime**, both paid overtime and compensatory time.
- **Obligations and expenditures of overtime** by individual officers and commands or budgetary units—for example, investigations, traffic, patrol, and SWAT. Computer programs can automatically notify managers whenever overtime obligations exceed specified thresholds—for example, when a police officer earns more than 10 percent of monthly salary or at a projected yearly rate over \$25,000, or when a unit’s overtime budget is running 10 percent ahead of the previous year’s expenditures.
- **The uses of overtime.** Setting up a system that adequately captures the uses of overtime requires forethought because relevant categories can vary with local conditions. The most common categories are holdovers or shift extensions; backfilling or buybacks (that is, paying people on leave to fill temporary vacan-

cies); holidays; briefings and roll calls; court appearances; callbacks to duty; emergencies such as homicides and snowstorms; planned events beyond normal duty, for example, traffic control at venues; and meetings or training outside of working hours.

Monitoring the opportunity costs associated with compensatory overtime involves identifying those tasks that were not carried out because officers were granted time and a half off. This tracking is key to determining the true public safety cost-effectiveness of claiming overtime as time, rather than as money.

- **Circumstances of overtime use.** Knowing where, when, and under what circumstances overtime was incurred is necessary if managers are to anticipate overtime, to justify its payment, and perhaps to find ways to reduce the need for overtime expenditures. For example, if overtime occurs chronically in particular units, then hiring additional officers or reallocating existing personnel may solve the problem. On the other hand, if overtime is concentrated at particular times of the year, hiring additional staff would probably not be the solution.
- **Sources of overtime payments.** Records of such sources of overtime funding as city councils, State government, Federal Government, or private consumers should be kept. When tracking city expenditures, it would be useful to separate overtime accounts from the general fund, the police budget, and charges against the budgets of other municipal agencies.

Not surprisingly, it appears that police departments invest resources in collecting information primarily when it has clear fiscal significance. Of the police departments responding to the overtime survey, the majority (69 percent) were able to provide all 5 years of expenditure information (1990–94);

a much smaller percentage (38 percent) was able to provide the number of overtime hours worked.

Respondents provided limited information about overtime’s functional uses. Among respondents who reported the total number of overtime hours, about 40 percent accounted for all (or virtually all) of those hours by functional category, while another 40 percent could account for about half. The limited ability to monitor and report information about overtime appeared in police agencies of all types (though sheriffs’ departments in this study were somewhat less likely to be able to report overtime information, and State police agencies somewhat more likely) and occurred in all regions of the country.

Developing informative record systems need not be a particularly daunting or costly activity. Commitment seems to be the critical ingredient. Record systems can be put in place within a year or so, with the largest cost probably being incurred for staff to input data. Departments can also make the transition more easily by adapting systems already developed by other departments. Every region of the country has exemplary departments that have developed protocols for recording and analyzing data, programs that automatically provide managers with perspective on overtime. (See “Dollars and Recordkeeping.”)

Managing overtime

Again, it is important to note that managing is not a separate activity from recording, analyzing, and supervising. Recording, analysis, and supervision are required for successful overtime management, but they must be managed so that useful knowledge is available to the managers who set overtime policies. Responsible overtime management requires leadership from the top.

If the chief is indifferent about overtime, the support systems—both human and technical—necessary to manage overtime will be neglected. A chief’s indifference will also leave middle managers exposed—reluctant to go where the chief prefers not to tread, but at risk if overtime problems occur.

It is also important to be realistic about what management can achieve in controlling overtime. For example, some shift extensions are inevitable because police officers generally work 8-hour shifts, and time-consuming problems can occur at any time. Sensational crimes or natural disasters are impos-

sible to predict and require extraordinary outlays of effort. Police work also inevitably generates court appearances, roll calls, meetings, and holidays. This sort of overtime can be viewed as a fixed cost of normal policing and will occur regardless of the number of officers employed. Overtime is not a discretionary category that can simply be managed out of existence. Policymakers and the public should be wary about judging the police according to unrealistic expectations.

Overtime is also critically affected by labor rules—the “contract”—that mandate uses and rates. Visits to police

I Dollars and Recordkeeping

In the one department surveyed in which *all* overtime is compensated with dollars, rather than compensatory time, we found one of the most complete and sophisticated information systems for monitoring overtime use.^a In that department, hours worked and dollars paid were tracked by organizational unit and by function, and this information was updated and disseminated to department managers every 2 weeks.

By contrast, another department, in which much of the overtime was compensated with time off rather than money, had a much more limited capacity to monitor overtime. Numbers of hours worked by individuals were tracked carefully within each division over the course of each 28-day work cycle, so that steps could be taken to minimize the likelihood that patrol officers would accrue hours for which they must be compensated monetarily and at a higher (time and a half) rate. But the aggregate patterns of overtime work were not monitored, and the only information that could easily be retrieved (from payroll records) for analysis was information on expenditures. Overtime

could be analyzed in terms of the activities that were performed only by manually reviewing the paper forms that officers completed.

In another department, overtime was typically compensated monetarily. However, little overtime was incurred, partly because it had to be preauthorized by supervisors, and supervisors took steps to avoid overtime work. Given that overtime was not considered a significant budgetary issue, little information was computerized for analysis. Records of overtime were available, and particularly detailed records of overtime incurred under the auspices of Federal grant programs were kept, but they were not routinely compiled and analyzed; the latter records were available in the event of a Federal audit.

^a An equally complete and sophisticated information system was found in a department that uses both compensatory time and paid compensation. This department is widely regarded as one of the most progressively managed in the country. Furthermore, it is very concerned about the prospect of unfunded liabilities.

departments revealed the following examples of contract stipulations with respect to overtime:

- Any court appearance by an officer, no matter how short, earned a fixed minimum amount of overtime, as much as 3 to 4 hours.
- Officers called back to work were guaranteed a minimum of 2 hours of overtime, no matter how long they actually worked.
- Supervisors who were on standby in the event of an emergency earned a minimum of 3 hours overtime.
- Patrol officers were given between 15 and 30 minutes of overtime each shift for attending roll calls.
- An officer waiting at home to be called to court was allowed a fixed amount of overtime, on the premise that the officer was forfeiting an opportunity to work at another job.
- All meetings outside the department were charged to overtime.

In the survey, 45 percent of police departments reported that overtime was governed by collective bargaining agreements; 39 percent said that such agreements applied specifically to patrol personnel, which is the largest specialty among police officers.

Some departments have tried to divide overtime expenses according to whether they are controllable—probably a fruitless exercise. The issue generally is not whether a particular form of overtime is controllable, but rather by whom and at what cost. Contract stipulations, for instance, are frequently treated as uncontrollable. This may be true from line supervisors' point of view, but not from the view of senior managers who are responsible for contract negotiations. Contract provisions are controllable in principle, even though the likelihood of

doing so, given the political power of unions, is small. Even in the case of shift extensions, the option exists for police to pass work to later shifts. All overtime is potentially manageable by someone, but the costs of doing so in some cases are greater than the benefits. So, when departments say that some proportion of overtime is not controllable, they are making a judgment about options they are willing to try. Their willingness may be based on entirely correct assessments of what is likely to be achieved.

Interviews with police officers nationwide yielded several suggestions for policies to control overtime more tightly.

Court appearances. Agreements between police and court personnel could improve overtime usage. For example, policies could call for court appearances to coincide with usual working hours, rather than with time off. While officers are waiting to appear, they can be given indoor work, such as staffing property rooms, interviewing complainants, preparing shift rosters, or answering questions on the telephone. In addition, district attorneys can be asked to subpoena only those officers listed on arrest reports whose testimony might be important. There is no reason for supervisory personnel to appear in courts, since their testimony would be hearsay. Police can be asked not to list supervisory personnel on incident reports and arrest warrants.

Shift extensions. Responsibility for approving shift extensions rests with immediate supervisors. Managers can assist immediate supervisors by providing them with updated and revised guidelines for approving shift extensions, as well as by reviewing their performances periodically. Survey results show that immediate supervisors were authorized to approve overtime in 91 percent of the responding police

departments, and 73 percent had guidelines that specified the purposes for which overtime could be used.

A more general solution, well beyond the capacity of any police force to enact, is to abolish the 40-hour week as the basis for overtime, aggregating hour-maximums by months or years.³ This would allow departments to require longer hours of work for short periods without incurring overtime costs, compensating officers by less work during slack periods. In 1995, a U.S. Representative proposed hearings on the idea.⁴

Staff size. Persistent backfilling, or employing off-duty officers to fill necessary positions, indicates a chronic shortage of personnel in relation to work needing to be completed. Since local governments determine the strength of police forces, this imbalance is generally beyond the ability of departments to fix unless hiring is allowed. Departments may, however, be able to reduce the period of the imbalance, and hence overtime, by shortening the time needed to recruit and train new police officers. Departments may even consider using civilians, volunteers, or police academy students in nonenforcement lines of police work, thereby freeing experienced personnel for tasks requiring powers of arrest or those where minimum staffing levels must be maintained.

Emergency mobilizations. By carefully studying all unplanned emergency mobilizations, departments can determine how best to use existing capacity and thereby minimize callbacks or extensions. Emergencies require overtime, but they do not justify unlimited overtime. To some degree, overtime can be minimized in emergency situations by fine-tuning responses and making them more efficient, as well as by building the capacity to handle contingencies that singly are unpredictable

but in the aggregate are not. These possibilities are probably more likely for large departments, which can often develop such procedures more easily than small departments, because unpredictable events occur in greater numbers in their jurisdictions and therefore can be “averaged” on a yearly basis. In a small department, on the other hand, events such as a sensational murder may occur once every 20 years.

Special events. Departments often pay officers overtime for handling special events, such as crowd control at festivals or traffic at sporting events. Because these are episodic, it is not cost effective to maintain capacity to handle them. If these events are privately sponsored, departments might consider requiring sponsors to pay the costs of policing as a condition for granting a permit. Many large cities now require event sponsors to complete official statements regarding the effect of special events on police duties. The Madison, Wisconsin, police department, for example, requires that a police impact statement be filed as part of the permit process. In addition, cities and police departments should develop policies about when the costs of policing special events are to be publicly or privately borne. This may be a touchy political matter. For example, some local ordinances (strongly supported by police unions) require police, rather than private security, to work such events. Finally, work schedules of police could be adjusted, if permitted by contract regulations, so that officers can accumulate slack time that can later be allocated for policing predictable manpower-intensive events.

We determined from site visits that police departments throughout the country are experimenting with ways to minimize the burden of overtime. Frustrated by the rigidities of current practice and

fearful of embarrassing public revelations, concerned managers are learning valuable lessons about managing overtime. Unfortunately, this knowledge is not being systematically collected and shared within the profession, which does not generally know which departments are the benchmarks for overtime management. Hence, a national canvas of techniques for managing overtime could be worthwhile to practitioners.

Supervising overtime

Supervision of overtime is often seen as the first line of defense against overtime abuses. Middle-rank commanders everywhere complained that one of their major responsibilities is controlling overtime. They believe it is critical to how they are judged as commanders. In fact, front-line supervision of overtime is the last line of defense, and supervisors are often made the scapegoats for more general failures of management. Most of the factors that determine overtime are beyond the control of any middle-rank manager, such as contract regulations, calls for service, crime emergencies, vacations, injuries, retirements, and approval for special events.

Although first-line supervisors formally approve overtime, in some departments their ability to refuse is restricted. Moreover, in many departments first-line supervisors are frequently not given the information needed to anticipate demands and adjust work schedules. With inadequate recordkeeping and analysis, supervisors cannot control overtime, they can only audit it. The control of overtime looks to be decentralized, but in reality it is not; it is structured by policies set at more senior levels or from outside the police force altogether.

Overtime can also be supervised by the officers themselves through peer pressure if amounts of overtime worked by

individual officers are posted publicly at regular intervals. We visited several departments using this method. Knowing that overtime will be scrutinized by their peers, officers will be careful that extra hours claimed are justifiable in operational terms.

Successful management of police overtime requires assistance outside police departments. At present, police managers often fear that providing outsiders, such as city councils and the media, with information about overtime practices will expose the department to unfair criticism. This is one reason why some departments are reluctant to implement computer-based monitoring and online analysis of overtime. Police managers should realize, however, that factual information about overtime, if it is properly explained, can strengthen their position in advocating needed reforms both inside and outside their organization. Managers have more to fear from lack of information than from too much. Gradually, information in the public domain about overtime will expand. Some cities now regularly report all forms of overtime to city councils and even encourage the media to publish their departmental pattern analyses.

City councils and other outside auditors should also understand that overtime cannot be effectively controlled by front-line supervisors. They should not allow senior officers to pass the responsibility for managing overtime to junior officers. Councils and the media could be educated, most likely by police themselves, about the elements of an effective overtime management system. Analytic reports of overtime could provide police managers with information to explain to others the limits on their ability to control overtime and to construct a fact-based division of responsibilities between themselves and city councils. Police managers have more to gain from

making overtime information available and visible than from keeping it hidden.

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Notes

1. The authors would like to thank Professor Hal Gueutal, School of Business, The University at Albany, State University of New York, and his graduate students for searching the economic and business literature.
2. Under the Fair Labor Standards Act, an officer who agrees to work compensatory time in lieu of cash cannot accumulate more than 480 hours during a lifetime. Many union contracts stipulate more restrictive maximums.
3. Mazur, Laura, "Coming: The Annual Workweek," *Across the Board* (April 1995): 42-45.
4. Laabs, Jennifer, "The Changing Workplace Stirs Up Overtime Pay Debate," *Personnel Journal* (April 1995): 12.

Findings and conclusions of the research reported here are those of the authors and do not necessarily reflect the official position or policies of the U.S. Department of Justice.

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Copies of the full report of the study, *Federal Funding of Police Overtime: A Utilization Study*, are available from the National Criminal Justice Reference Service (NCJRS) on a cost-recovery basis. To order, call NCJRS at 800-851-3420 and ask for NCJ 170614.

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Appendix B

Overtime

Concepts and Issues Paper

May 1, 2000

I. INTRODUCTION

A. Purpose of the Document

This document is designed to accompany the *Model Policy on Overtime* developed by the IACP National Law Enforcement Policy Center. This paper provides essential background material and supporting documentation to provide greater understanding of the developmental philosophy and implementation requirements for the model policy. This material will be of value to law enforcement executives in their efforts to tailor the model to the requirements and circumstances of their community and their law enforcement agency.

B. Background

"Police overtime costs soaring: Some City Council members say review needed."

These actual headlines are only an example of many like them that routinely draw attention to an issue affecting nearly all police agencies. As in this case, such public attention generally charges or indirectly implies that the local police agency is misusing overtime funds or that it lacks the wherewithal to properly manage and control overtime expenditures.

In some isolated cases where agencies do not have appropriate policy to manage overtime, there has been systematic abuse of overtime that borders on fraud. For example, a recent scandal involved officers who amassed court overtime by signing on to DUI arrest reports and other misdemeanor arrests as witnesses simply to be subpoenaed to court. This scam resulted in the loss of tens of thousands of dollars in public funds until it was uncovered by a local investigative news organization. The officers involved were brought under public scrutiny along with their agency in a highly publicized scandal that brought the police department into disrepute.

While abuse of overtime by individual officers occurs, it is the exception to the rule. Most excesses and waste associated with overtime have to do with the failure of police agencies to institute appropriate policy and management controls. These include written policies that require compliance with the Fair Labor Standards Act (FLSA), advance approval of overtime by supervisory personnel, written justification for overtime work, provisions for staff and line audits of overtime expenditures, and pro-

visions for reporting overtime expenditures in the annual budget and similar reporting documents during the course of the fiscal year. These are among the issues that the *Model Policy on Overtime* addresses.

Viewed on a more comprehensive basis, management of overtime is affected by many agency staff management policies, particularly those relating to the manner in which agencies fill staff shortages including long-term and short-term staff requirements. For example, how do agencies backfill positions to cover sick leave and other forms of leave or short and long-term absences? How does the agency deal with staff vacancies?

Overtime is also affected by the mission requirements of the agency. The police agency must perform certain tasks as well as any specially mandated programs or initiatives arising from political and community demands or internal enterprises. This includes for example, joint task forces, special sting or undercover operations directed toward abatement of target crimes, or any number of other community initiatives that have political and social urgency attached to them. Periodic yet sporadic mission requirements can also create special staff demands. These include such activities as response to demonstrations, crowd control at special events, natural disasters, or emergencies, among other occurrences. Under these or similar situations, how does the agency balance the need for mission accomplishment with limited staff resources? Is overtime the typical answer to these demands and, if so, is it a reasonable and cost-effective alternative to other options such as permanent staff additions, or the restructuring of existing personnel and related resources?

In essence, overtime management performed properly involves a comprehensive perspective. Viewed from the overall police profession, a factor that has contributed to failure to address overtime problems is the general taboo about discussing this subject at all. In some ways, overtime has been viewed as a sacred cow issue within the police community. This is due to a number of factors, including:

- the view that overtime expenditures are required for the support of public safety and welfare and therefore are not subject to normal audit and review processes;
- the view that most overtime is the result of unforeseen circumstances that cannot be planned for or reasonably controlled;
- the idea that overtime is a means of financial compensation for officers who often have low basic pay scales; and

- the fact that overtime is often a hotly contested element of contract negotiations between management and local police bargaining units that sometimes results in restrictions on management's ability to control overtime.

Some of the waste and misuse of overtime is also attributable to the inability or unwillingness of some city and county administrators to hold police agencies accountable for overtime usage. Many political bodies fear that critical review of overtime may be perceived by the public as a lack of concern for public safety. The perception by even a few citizens that the city or county could be jeopardizing public safety to save a few dollars is anathema to most elected officials. Moreover, many political leaders at the local level do not understand the intricacies of overtime usage and management within police agencies. The words of one city councilman reflect this problem when he noted that:

"Overtime has been an issue every year, and every year, we're told if we hire these additional people that we should be seeing decreases in overtime or more control over it. The raw figures look like the exact opposite is taking place."

The above comments were made after city officials found that the allotted overtime budget was almost exhausted just halfway through the year. But these comments also suggest a lack of information and understanding by these officials concerning how and why some overtime costs are incurred. Certainly, in this case, adding additional personnel could be a means of reducing overtime costs if new personnel were dedicated to pick up the work formerly performed by staff overtime. But the answer is generally not this simple within a law enforcement agency. There are limitations on the degree to which overtime can be reduced within police departments. What is more, in the foregoing example, additional personnel could lead to additions in overtime expenditures if hiring more officers results in additional arrests and court overtime expenditures and if appropriate staff and programmatic adjustments are not made.

But if local leaders do not understand or know enough to ask the right questions concerning overtime with the local police agency, police officials should not shrink from their responsibility to enlighten them. Local government officials rightfully expect complete explanations of the need for and uses of overtime monies. Police administrators need to be in a position to determine and adequately explain to them and others how overtime monies are being spent. Failure to do so is not a protection from intrusions in this or any other domain of police agency management. Rather, it creates an environment that can jeopardize the continued availability of needed overtime funds for essential functions.

The long and short of it is that police officials, as trustees of public monies, must be in a position to assess whether premium wages expended through overtime are justified in relationship to the services being provided. After all, in many agencies, a sizeable proportion of salaries are devoted to or eaten up by overtime.

II. POLICY RECOMMENDATIONS

A. Reporting and Analysis

In the context of the foregoing background information, the *Model Policy on Overtime* provides a number of recommendations and protocols for managing overtime. The key word here is "management." The management of overtime requires the effective

interaction of the functions of recording, analyzing, managing, and supervising. To manage overtime effectively, agencies must determine the types of information that they need to monitor overtime use and establish or ensure that the necessary mechanisms are in place to capture that information. From this position of informed judgment, administrators can then establish or refine policies needed to effectively manage this function.

For example, the model policy recommends that all overtime worked must be approved for payment by a designated supervisor. This provides an initial level of management control that helps to ensure the efficacy of using overtime and a means of accountability for overtime usage. The model also requires that the category of overtime work performed be "coded in accordance with agency personnel procedure and forwarded by unit commanders to the designated agency unit for recording, accounting and analysis." The model designates three general areas in which overtime should be classified:

1. *Paid overtime and unpaid compensatory time will be recorded separately.*

2. *Overtime expenditures shall be kept separately by function (e.g., briefings and roll calls, training, investigations) and by the agency unit in which the expenditure is incurred. Individual and summary data will be compiled on at least a monthly basis.*

3. *Overtime funds expended under federal or state grant programs will be accounted for separately from those in the general budget.*

These requirements are necessary because a first step in managing and controlling overtime is to gain understanding of the types of work that is being performed on overtime. The ultimate question that must be asked once all information is available in each case is whether there is sufficient justification to perform that work at the premium salary rate.

The records kept and the subsequent assessment that is made must distinguish between *paid overtime* and work performed on *unpaid compensatory time*. The advantage of paid overtime is that it generally extends policing activities. Activities performed on paid overtime provide greater flexibility to ensure that essential tasks are completed in a timely and effective manner (e.g., extended shifts to interrogate arrestees). Overtime is also often essential in meeting short term, unpredictable staff needs that cannot be deferred or met in any other manner, such as call backs in response to natural disasters.

Conversely, unpaid compensatory time off ultimately draws from police activities. This happens when officers take the compensatory time off. When this happens, supervisors must be in a position to fill these vacancies in some manner or risk not performing needed tasks. In effect, use of unpaid compensatory time implies that a decision has been made to perform tasks now at the expense of performing tasks later (at the inflated overtime rate). In order to make these types of decisions, one must have the requisite information available concerning the functions and tasks for which both paid overtime and unpaid compensatory time is being granted. Armed with this information, more reasonable decisions can be made on whether to grant one or both of these overtime measures or whether to approve one in lieu of the other if this option is available.

Another concern with regard to compensatory time as opposed to paid overtime is that, since compensatory time does not represent an immediate cash outlay, it generally does not appear in budgets. Therefore, some perceive it as being less costly than paid overtime or even without cost. Working under these

preconceived notions, compensatory time may be more likely to be approved when another approach may have been taken if information was available. The result is that compensatory time can be costly to an agency and the employing jurisdiction, particularly those that build large backlogs of compensatory time among collective staff members. Additionally, the FLSA requires that officers be compensated in cash when they have exceeded maximum levels of unpaid compensatory time.

As noted in the model policy, agencies should also monitor the degree to which overtime expenditures meet or exceed established overtime budgets on both task and functional bases. The first step in this process, of course, is to ensure that a realistic overtime budget is in place. By means of maintaining good records on overtime usage agencies can adequately project future budget requirements and also determine whether current rates of expenditure exceed projected budgets. Not all overtime can be accurately determined, particularly those involving unusual occurrences. But analysis of prior year histories of overtime expenditures by task, function, and organizational unit can go a long way in predicting future overtime needs.

Analysis of overtime expenditures has implications for both staff and line functions. From the macro budgeting level, overall agency usage levels and patterns are important. But information on expenditures are also important at the line level. Here, analysis of unit and individual overtime usage can detect anomalies that need attention or flag individuals who may be exceeding specified thresholds and who warrant review. In some cases, this can provide early warnings of individual or collective abuses or at least provide the basis for closer examination of how and why these overtime expenditures were made. This is largely a supervisory responsibility. For this reason the model policy requires that:

Unit commanders and supervisors shall monitor individual and summary data reports of overtime expenditure. Identification of unusual, unexplained or disproportionate expenditures in overtime may include but are not limited to the following circumstances:

- a. Disproportionate overtime by individual officer(s) engaged in or assigned to the same task/function;*
- b. Significant and unexplained changes in overtime expenditures when compared to similar periods of time;*
- c. Significantly higher overtime costs for completion of the same or similar activities or tasks previously performed; and*
- d. Expenditure of overtime at a rate that could exceed or negatively affect the agency's budget or that of individual units, programs or functions.*

B. Recording Overtime

From the managerial perspective, analysis of overtime usage patterns and trends requires basic record keeping by both organizational unit and function. In other words, administrators need to understand what functions overtime is being used for (e.g., holidays, briefings and roll calls, court appearances, emergency call ups, training, special events management, task force operations, or investigations, among other possibilities) and who is using it, by duty/unit assignment and individual employee. When the expenditures for these functions or units reach predetermined thresholds, a decision can then be made whether to continue current use patterns or to modify them in some manner. However, in order to monitor these expenditures, periodic sum-

mary or profile reports must be provided to appropriate line supervisors and command staff. Thus the model policy directs that:

The designated entity shall maintain overtime records and provide individual and summary data of overtime worked on a monthly basis to responsible agency supervisors and command personnel.

Information provided in this manner will allow managers to better determine, for example, whether chronic overtime in specific functional areas or units justifies the addition of more personnel or whether it is so sporadic in nature that the addition of full-time staff would not be cost effective. It will also provide administrators with solid data upon which to develop and justify budget requests for overtime to city, county or state officials.

The U.S. Department of Justice funds a large percentage of overtime expenditures for state and local law enforcement agencies. Where these and related funds are provided, through federal or state programs or local efforts (e.g., task forces), separate accounting of overtime is essential. Records must separate the overtime expenditures of the general department budget from monies that should be charged against federal, state or local sources.

Developing or enhancing record-keeping procedures to accommodate these information requirements depends on the status of an agency's present accounting system. But even for agencies that must start from scratch, the basic reporting requirements are not substantial. The entry of basic information from which reports can be generated is the most time consuming, but the use of basic accounting software can make this job much easier. For small agencies that have extremely modest overtime budgets, most of the basic accounting and reporting preparation can be performed manually.

C. Overtime Management

The model policy emphasizes that first line supervisors have a significant, if not the most important, role to play in managing police overtime. These are the individuals who are closest to employees and the individuals who should know the most about the work they perform. While they do not make the policy or negotiate the labor contracts, they are the first line of defense for ensuring that agency policy is followed and that reporting and related requirements are fulfilled.

For example, management of overtime is not simply a book keeping operation. It includes an understanding of the work habits of those involved and the level of effort required to perform various tasks properly. The model policy emphasizes in particular that:

Supervisors shall establish and hold personnel responsible for a level of performance during standard work hours that minimizes the need for overtime and/or the need for additional personnel.

Further, the model policy states that:

No task or function shall be performed on overtime by agency personnel that could otherwise be performed during regular work hours.

These types of determinations can best be made by first line supervisors and they are among the types of assessments that have great impact on decisions to use overtime. As these directives suggest, overtime must be reserved for essential work that cannot be performed during regular duty hours by personnel who are performing their jobs in a professional and reasonably expeditious manner.

Approval for various types of overtime should, therefore, begin with the first line supervisor. These individuals are in the best position to evaluate the value associated with the proposed expenditure and the amount of cumulative overtime or compensatory time being expended by individual officers. Shift extensions to accommodate ongoing and critical investigations or to complete arrest and report requirements are among the functions that may be suitable for supervisory approval. In addition, command-level officers should be made available to first line supervisors to assist in implementing agency overtime policy where necessary and to monitor the manner in which their subordinates employ established agency policy. As the model policy indicates, determinations often have to be made regarding the cost-effectiveness of using overtime to accomplish various functions. In some cases, command level officers need to be involved in such decisions, particularly if the decisions involve substantial amounts of overtime. The model policy suggests in this regard that:

a. Unit and watch commanders and designated supervisors are the personnel primarily responsible for authorizing and managing overtime.

b. Division or comparable level command staff must approve overtime requests designed to fill an ongoing personnel vacancy or meet an unusually high yet foreseeable workload (personnel vacancies are authorized staff positions left unfilled when vacated permanently or for extended and indefinite periods of time).

In addition to providing supervision and authorization for overtime expenditures, supervisory personnel need to be proactive in their attempts to manage overtime. The model policy suggests a number of ways in which this can be performed:

a. Assign non-emergency service requests received near shift change to oncoming shift personnel.

b. Use auxiliary and reserve officers/employees and volunteers where feasible to offset temporary personnel shortages/vacancies and meet specialized needs.

c. Anticipate and manage workload requirements where reasonable to best utilize standard duty hours.

d. Manage and coordinate vacation, leave and related requests to minimize manpower deficiencies.

e. Ensure that officers who make arrests late in their shifts receive available assistance to process prisoners as quickly as possible.

f. Ensure that arresting officers in misdemeanor incidents conduct tests, take statements or witness any actions/procedures essential to prosecutions or that only the officer will be needed to testify in court. Arrest reports should include only the minimum number of officers, those who were integral to the arrest and who must be subpoenaed in any subsequent court testimony.

g. Ensure that agency overtime policy, rules and regulations and the particulars of any labor agreement are consistently adhered to by agency personnel as they relate to overtime for court appearances, standby, travel time, training, holiday leave, vacations and related matters.

h. Coordinate efforts with the court/prosecutor's office to establish overtime limits and control overtime usage.

D. Executive Control and Management

While the model policy assigns the largest responsibility for overseeing overtime usage to first line supervisors, it goes without saying that they do not make agency overtime policy, nor do these personnel negotiate the labor contracts that so often form the cornerstone for overtime usage. It is the agency chief executive and senior management who ultimately control overtime from this level.

A great deal of overtime is not discretionary and while overtime can be controlled to some extent, there will always be requirements for overtime in law enforcement. The issue then becomes: What can be done from the executive level to help control overtime? Some suggestions have already been made, but one of the most significant considerations has to do with labor negotiations on this issue. Police chief executives must closely consider the implications that labor agreements have on their overtime policies and their budgets. This can only be done with necessary information at hand. A study performed by the U.S. Department of Justice, National Institute of Justice (NIJ) makes this point clear. In that study nearly half of police departments reported the following types of labor contract provisions as controlling elements of their overtime policies.

- Any court appearances by an officer, no matter how short, earned a fixed minimum amount of overtime, as much as three to four hours.

- Officers called back to work were guaranteed a minimum of two hours of overtime, no matter how long they actually worked.

- Supervisors who were on standby in the event of an emergency earned a minimum of three hours of overtime.

- An officer waiting at home to be called to court was allowed a fixed amount of overtime, on the premise that the officer was forfeiting an opportunity to work at another job.

Contract provisions such as these, once enacted, remove managerial discretion and control in these areas. Yet these types of situations can be controlled in the sense that management must first agree to them. Granted, the political and labor environment in which most police chief executives work exerts heavy pressure. But, in some cases, these controls are relinquished without a full appreciation for the programmatic and financial impact they have on the agency and jurisdiction. Police chief executives and contract negotiators need to approach these and similar negotiations armed with information concerning the effects of their decisions. As long as they are aware of and can live with the implications of these decisions, overtime expenditures are less likely to be attacked by political interests or financial overseers.

Aside from the realm of labor contracts, police chief executives can take steps to manage and control overtime usage through informal or formal agreements. For example, court appearances typically constitute one of the largest expenditure areas for police overtime. Agreements may be negotiated with prosecutors' offices to subpoena only those officers who are key to case prosecution. For example, an agreement may be made to exclude in certain types of cases the issuance of multiple subpoenas for prosecution of the same case to officers who served only as passive witnesses, supervisors, transportation officers, and others if they are not directly involved in the arrest and not necessary for case prosecution.

By the same token, agencies may wish to take a close look at the types of events and activities that are being provided to the community and to special interests within the community at premium overtime rates. For example, traffic and crowd control at

stadium events, festivals and specially-sponsored functions are often costly undertakings for police agencies that provide these services on an overtime basis. Even where services are provided for these functions on a straight time basis, depletion of staff hours for these purposes may make overtime necessary later for other activities in order to keep abreast of routine business.

As an alternative these police services may be contracted to the event sponsor as off-duty employment for officers under management and direction of the police agency. Adequate compensation for police overtime or straight-time expenditures may also be required of event sponsors as a basis for acquiring a permit for some special events. Again, these decisions are generally made in a political environment in which certain considerations and trade-offs often need to be made. But these must be informed policy decisions. A degree of control is often within reach of police administrators if they are armed with appropriate information to demonstrate the financial and programmatic impact that these types of services have on the agency and the community.

As pointed out earlier there is often a tendency to examine overtime from the perspective of whether more full-time personnel are needed. Evidence of extensive use of overtime is often taken as prima facie evidence that additional personnel are needed. But overtime can mean many things, as has been pointed out here. It may mean that existing personnel are not being used properly or that they are not performing their jobs in an efficient manner. Or, upon further examination of available information, one may find that other policy and programmatic changes can more easily and productively be implemented to meet staff requirements without the often high startup and long term commitment costs involved with new hires.

Nonetheless, the use of overtime may ultimately be the most cost effective means of meeting certain types of unpredictable manpower requirements. This is particularly the case where analysis reveals that certain types of emergencies require officer call backs or where major case investigations may require extensive work in a short period of time with limited resources. On the other hand, consistent and routine backfilling of staff to meet task requirements that occur on a more or less routine basis, often suggests the need for hiring additional full-time staff. This is the case as long as the possibility of meeting these needs through re-deployments of existing staff has been considered.

In the final analysis, the key to making appropriate decisions regarding overtime usage is to develop, monitor and maintain an effective overtime management information system. But as the authors of the aforementioned NIJ study noted, sometimes there

are managerial fears that must be overcome before this can happen. They note:

Successful management of police overtime requires assistance [from] outside police departments. At present, police managers often fear that providing outsiders, such as city councils and the media, with information about overtime practices will expose the department to unfair criticism. This is one reason why some departments are reluctant to implement computer-based monitoring and on-line analysis of overtime. Police managers should realize, however, that factual information about overtime, if it is properly explained, can strengthen their position in advocating needed reforms both inside and outside their organization. Managers have more to fear from lack of information than from too much.

David H. Bayley and Robert E. Worden, "Police Overtime: An Examination of Key Issues," National Institute of Justice, U.S. Department of Justice, May, 1998. Copies of this document may be obtained from the National Institute of Justice/National Criminal Justice Reference Center, Tel: 1-800-851-3420 or 1-301-251-5500. Documents may also be downloaded from the same source over the Internet at www.ncjrs.org.

This project was supported by Grant No. 2000-DD-VX-0020 awarded by the Bureau of Justice Assistance, Office of Justice Programs, U.S. Department of Justice. The Assistant Attorney General, Office of Justice Programs, coordinates the activities of the following program offices and bureaus: the Bureau of Justice Assistance, the Bureau of Justice Statistics, National Institute of Justice, Office of Juvenile Justice and Delinquency Prevention, and the Office of Victims of Crime. Points of view or opinions in this document are those of the author and do not represent the official position or policies of the United States Department of Justice or the IACP.

Every effort has been made by the IACP National Law Enforcement Policy Center staff and advisory board to ensure that this model policy incorporates the most current information and contemporary professional judgment on this issue. However, law enforcement administrators should be cautioned that no "model" policy can meet all the needs of any given law enforcement agency. Each law enforcement agency operates in a unique environment of federal court rulings, state laws, local ordinances, regulations, judicial and administrative decisions and collective bargaining agreements that must be considered. In addition, the formulation of specific agency policies must take into account local political and community perspectives and customs, prerogatives and demands; often divergent law enforcement strategies and philosophies; and the impact of varied agency resource capabilities among other factors.

Appendix C

Model Policy

<i>Effective Date</i> August 1999		<i>Number</i>
<i>Subject</i> Overtime		
<i>Reference</i>		<i>Special Instructions</i>
<i>Distribution</i>	<i>Reevaluation Date</i>	<i>No. Pages</i> 2

I. PURPOSE

The purpose of this policy is to provide a structure for monitoring, managing and controlling the use of personnel overtime.

II. POLICY

All personnel of this agency must be mindful of and exercise fiscal responsibility in the use of public funds and resources. Overtime pay requires particular attention because it constitutes a sizeable expenditure of agency revenue that are provided at premium rates. Without adequate controls, unplanned expenditures can create budget overruns and divert resources from key operational areas. Therefore, it is the policy of this agency to effectively manage the use of overtime and that of each employee to use overtime in a responsible manner and judicious manner.

III. DEFINITIONS

Overtime: Work performed in excess of 40 hours in one week or as otherwise established by state law.

Fair Labor Standards Act (FLSA) (29 U.S.C. 207(a)): Federal law regulating wages and work hours to include provisions for overtime pay.

IV. PROCEDURES

A. General Provisions

1. This agency conforms to overtime provisions of the FLSA and applicable state laws. Personnel shall refer to this agency's personnel pay policy, FLSA policy and labor agreements for details on exempt and non-exempt positions, circumstances in which overtime pay may be granted, rates of payment for all overtime that

qualifies for payment at the premium rate and related matters.

2. Whenever reasonably possible, paid overtime will be used in lieu of unpaid compensatory time off.
- B. Reporting, Recording and Analysis
 1. All overtime worked shall be approved for payment by the designated supervisor. The category of overtime work performed shall be coded in accordance with agency personnel procedure and forwarded by unit commanders to the designated agency unit for recording, accounting and analysis.
 - a. Paid overtime and unpaid compensatory time will be recorded separately.
 - b. Overtime expenditures shall be kept separately by function (e.g., briefings and roll calls, training, investigations) and by the agency unit in which the expenditure is incurred. Individual and summary data will be compiled on at least a monthly basis.
 - c. Overtime funds expended under federal or state grant programs will be accounted for separately from those in the general budget.
 2. The designated entity shall maintain overtime records and provide individual and summary data of overtime worked on a monthly basis to responsible agency supervisors and command personnel.
 3. Unit commanders and supervisors shall monitor individual and summary data reports of overtime expenditure. Identification of unusual, unexplained or disproportionate expenditures in overtime may include but are not limited to the following circumstances:
 - a. Disproportionate overtime by individual

officer(s) engaged in or assigned to the same task/function;

- b. Significant and unexplained changes in overtime expenditures when compared to similar periods of time;
- c. Significantly higher overtime costs for completion of the same or similar activities or tasks previously performed; and
- d. Expenditure of overtime at a rate that could exceed or negatively affect the agency's budget or that of individual units, programs or functions.

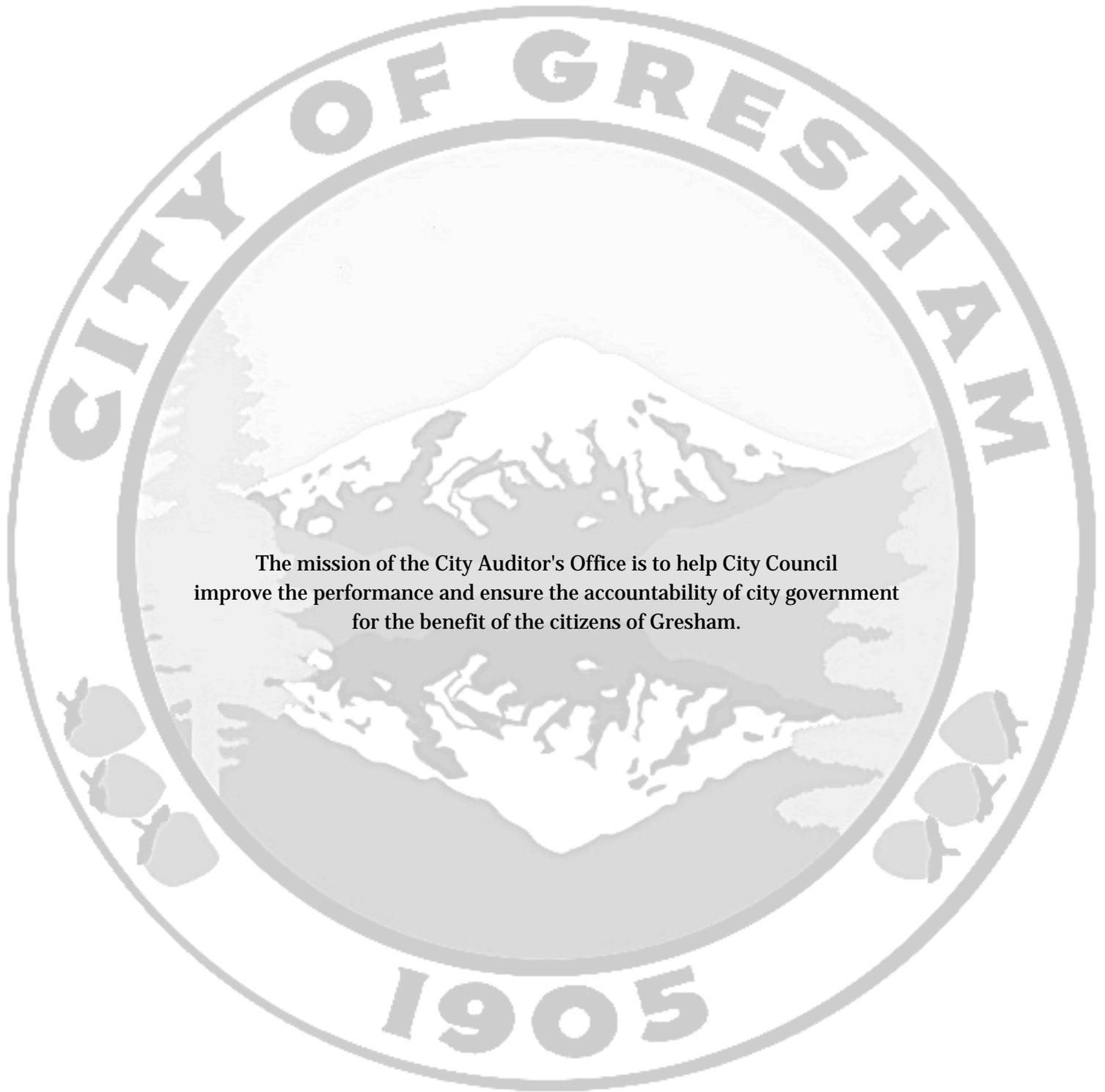
C. Overtime Management

- 1. No task or function shall be performed on overtime by agency personnel that could otherwise be performed during regular work hours.
- 2. Supervisors shall establish and hold personnel responsible for a level of performance during standard work hours that minimizes the need for overtime and/or the need for additional personnel.
- 3. Only overtime required to meet vital service demands of the department shall be authorized.
- 4. All tasks and functions that require the use of overtime shall be routinely evaluated in terms of their cost-effectiveness. Alternatives to the use of premium pay to accomplish these tasks or program objectives shall be evaluated and implemented where appropriate.
- 5. All overtime must receive advance authorization unless unreasonable due to emergency circumstances.
 - a. Unit and watch commanders and designated supervisors are the personnel primarily responsible for authorizing and managing overtime.
 - b. Division or comparable level command staff must approve overtime requests designed to fill an on-going personnel vacancy or meet an unusually high yet foreseeable workload. (i.e., personnel vacancies are authorized staff positions left unfilled when vacated permanently or for extended and indefinite periods of time).
- 6. Supervisors and command staff shall take measures and issue directives where reasonably possible to reduce or limit the demand for overtime. This includes but is not limited to supervisory efforts to perform the following.
 - a. Assign non-emergency service requests received near shift change to on-coming shift personnel.

- b. Use auxiliary and reserve officers/employees and volunteers where feasible to offset temporary personnel shortages/vacancies and meet specialized needs.
 - c. Anticipate and manage workload requirements where reasonable to best utilize standard duty hours.
 - d. Manage and coordinate vacation, leave and related requests to minimize manpower deficiencies.
 - e. Ensure that officers who make arrests late in their shift receive available assistance to process prisoners as quickly as possible.
 - f. Ensure that arresting officers in misdemeanor incidents conduct tests, take statements or witness any actions/procedures essential to prosecution so that only the officer will be needed to testify in court. Arrest reports should include only the minimum number of officers; those who were integral to the arrest and who must be subpoenaed in any subsequent court testimony.
 - g. Ensure that agency overtime policy, rules and regulations and the particulars of any labor agreement are consistently adhered to by agency personnel as they relate to overtime for court appearances, standby, travel time, training, holiday leave, vacations and related matters.
7. Coordinate efforts with the court/prosecutor's office to establish overtime limits and control overtime usage.

This project was supported by Grant No. 95-DD-BX-K014 awarded by the Bureau of Justice Assistance, Office of Justice Programs, U.S. Department of Justice. The Assistant Attorney General, Office of Justice Programs, coordinates the activities of the following program offices and bureaus: the Bureau of Justice Assistance, the Bureau of Justice Statistics, National Institute of Justice, Office of Juvenile Justice and Delinquency Prevention, and the Office of Victims of Crime. Points of view or opinions in this document are those of the author and do not represent the official position or policies of the United States Department of Justice or the International Association of Chiefs of Police.

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The mission of the City Auditor's Office is to help City Council improve the performance and ensure the accountability of city government for the benefit of the citizens of Gresham.

Audit Team: David Dean and Kumar Gajapathi

Report from the City Auditor

AUDIT OF OVERTIME EXPENDITURES



OFFICE OF THE CITY AUDITOR

NOVEMBER 2003

November 18, 2003

The Honorable City Council
Attn: Finance Committee
Palo Alto, California

In accordance with the 2002-03 Audit Plan, we have audited overtime expenditures. The purpose of our review was to audit actual overtime usage, and identify opportunities to better control overtime expenditures.

Citywide overtime expenditures have decreased in the last four years largely due to decreases in the Police and Fire Departments. Major factors for this decline include new relief positions in the Fire Department, and a revised Police Patrol schedule. In FY 2002-03, the City spent about \$4.3 million in overtime pay including \$1.3 million in the Fire Department, \$1.2 million in the Police Department, \$0.5 million in other General Fund Departments, and \$1.3 million in the Enterprise Funds.

The Police and Fire Departments routinely exceed their overtime budgets because they are able to compensate for the difference with salary savings due to vacancies. We recommend increasing public accountability for overtime spending through quarterly reporting and explanations of budget-to-actual overtime expenditures to the Finance Committee.

Minimum staffing contributes to overtime costs. In a sample of Fire Suppression timecards, we found that 98% of overtime hours were due to minimum staffing. This is due in part to the fact that the Fire Department routinely staffs some positions using overtime. We estimate this practice accounts for 46% of Fire Suppression overtime hours. The City has not conducted a comprehensive review of Fire Department minimum staffing levels in a number of years. In FY 2000-01, the Fire Department funded three relief fire suppression positions on the premise that such relief positions were less expensive than paying overtime. In the near future, the rising cost of benefits may make relief firefighter positions more expensive than paying overtime. We recommend closely monitoring the relative cost of overtime versus relief. We also recommend the City conduct a study of Fire Department staffing levels based on call volume, response times, and employee safety.

Higher rank employees working overtime in lower rank positions increases Fire Department overtime costs. In a sample of Fire Department overtime timecards, we found that 51% of the hours were higher rank employees working overtime in lower rank positions – for example, a captain filling in for an absent firefighter and being paid overtime at the captain's rate. Several local jurisdictions distinguish between ranks when offering and assigning overtime. We recommend proposing a revision to the Palo Alto Professional Firefighters' contract that minimizes occurrences of higher rank employees working overtime in lower rank positions.

The 4/11 Police Patrol schedule appears to have reduced overtime hours but monitoring of its impact should continue. In FY 2001-02, the Police Department shifted its Patrol employees from a schedule of four, 10-hour days per week to a schedule of four, 11-hour days per week. One of the goals of this schedule change was to reduce overtime hours. To ensure that the schedule results in lower levels of overtime

over the long-term, we recommend continued monitoring of the impact of this schedule in the context of sick, disability and vacation leave as well as staffing levels and call volumes.

The Police Department has considerable information about the causes of overtime, but should strengthen written policies that specify when overtime is appropriate. We recommend the Police Department establish specific criteria for overtime usage for conducting follow-up work or writing reports; training on overtime; holding meetings on overtime; and officers working overtime in Communications.

The Fair Labor Standards Act (“FLSA”) sets minimum standards for payment of overtime. Like many California jurisdictions, Palo Alto's negotiated overtime practices provide a higher level of benefit than FLSA requires. Areas in which the City's overtime pay practices exceed FLSA requirements include: paying overtime for hours that exceed the standard work day rather than the work week or work period; counting paid leave time as hours worked for purposes of calculating overtime; paying standby or on-call pay (except when significant restrictions are imposed on the employee); and paying premiums and differentials. We recommend that Administrative Services provide cost estimates of salient contract provisions during union contract negotiations.

A number of SEIU contract provisions are confusing and subject to interpretation. We recommend that the contract be clarified with regard to: when double time pay begins (if an employee is held over); when call out pay begins; the intent of the rest period and how employees are paid when the rest period overlaps regularly scheduled hours; and the intent of the in-lieu meal provisions and its relationship to the rest period. We also recommend simplifying overtime meal provisions, and establishing standard meal rates.

The City needs to review the FLSA designations of all employees. We found a number of discrepancies among the City's key documents and systems that specify whether employees are exempt or non-exempt. Discrepancies included differences between job descriptions and the Payroll system as to whether certain employees are exempt or non-exempt; six job titles for which the job description specified the position as exempt, but the 22 employees in the positions are eligible for overtime; two instances in which an employee's FLSA designation was changed from exempt to non-exempt (thus making the employee eligible for overtime) based on a request by the hiring department; some management employees receiving both overtime pay and management leave; and administrative leave granted inconsistently. We recommend that the City conduct a review of the FLSA designation of all positions, and revise job descriptions and policies and procedures to reflect accurate FLSA designations. As part of this process, the City will need to meet with affected employees, supervisors, and union representatives. Union contracts and compensation plans should be updated to accurately reflect exempt and non-exempt status, and indicate if the City plans to pay overtime to any exempt positions. We further recommend that the City establish citywide policies for granting administrative leave, and specifying that management leave is in-lieu of overtime pay.

The Fire Department should simplify overtime tracking and timecard entries, but compile information sufficient to analyze costs and reasons for overtime. The Fire Department goes to considerable effort to compile daily shift staffing reports, however

we identified a number of discrepancies between the report and timecards. For example, the Department staffs Station 8 (the seasonal fire station in the foothills) and Medic 1 (based at Station 1) with regularly scheduled staff on straight time and then backfills the positions they would have worked with overtime. Accurate staffing reports would allow analysis of the actual payroll cost of overtime at Station 8 or on Medic 1. We recommend the Department consider allocating regular hours to pay codes based on averages, while ensuring accurate tracking of the reasons for overtime and reformatting reports to facilitate compilation of costs.

Utility Operations should improve controls over overtime documentation. Approximately 81% of Utilities Department overtime costs occur in the operating divisions (Water-Gas-Wastewater and Electric Operations). Timekeeping in these divisions is complex. We recommend the Department develop and update policies and procedures to ensure consistency and accuracy in completion of timecards.

The pending conversion to SAP Payroll provides an opportunity to improve administrative controls. This includes reviewing and establishing appropriate mapping from pay codes in the payroll system to expense codes in the accounting system; ensuring appropriate controls for electronic timecard routing when a supervisor is absent; ensuring consistency citywide with regard to the roles and responsibilities of timekeepers; establishing a citywide methodology for documenting overtime use and approval in SAP; generating meaningful reports to monitor overtime use and costs; and establishing retention policies for overtime documentation by Payroll and by individual departments.

Opportunities exist to recover additional costs from reimbursable overtime work. The Police and Public Works Departments achieve only partial cost recovery for overtime related to some special events. In addition, there are some services in the Planning Department where overtime is not charged. Furthermore, the rates charged to contractors who cause damage to water or gas lines do not take into account double time pay for Utility emergency work, or lost productivity on other Utility projects (and the potential to cause overtime on those projects). We recommend all departments review the appropriateness and completeness of the rates charged to outside parties for services provided on overtime.

Our report includes a total of 32 recommendations. The City Manger's response is attached.

I will present this report to the Finance Committee on November 18th. If you need additional information in the interim, please let me know. We thank the staff in the Administrative Services, Community Services, Fire, Human Resources, Police, Public Works, and Utilities Departments for their cooperation and assistance during our review.

Respectfully submitted,

/S/

Sharon W. Erickson
City Auditor

Audit staff: Renata Falk, Senior Auditor

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Introduction

In accordance with the 2002-03 Annual Audit Plan, the City Auditor's Office has completed a review of overtime expenditures. The purpose of our review was to (1) review actual overtime usage and (2) identify opportunities to better control overtime expenditures.

Our audit was conducted between March and September 2003 in accordance with generally accepted governmental auditing standards. The City Auditor's Office would like to thank all City staff we worked with for their cooperation and assistance during our review.

Background

The City of Palo Alto ("City") pays overtime wages to its employees based on the requirements of federal Fair Labor Standards Act ("FLSA"), the contracts negotiated with the City's bargaining units, and the City's adopted compensation plans. While FLSA establishes certain standards for overtime pay required under federal law, it did not apply to local governments until 1986. Prior to 1986, negotiated practices and union contracts governed how overtime was paid.

The City has established Merit System Rules and Regulations ("Merit Rules"), Payroll Procedures, and Human Resources Policies that also govern overtime pay. The City is exempt from State law provisions governing overtime.

In Fiscal Year ("FY") 2002-03, the City had 1,304 individuals who were eligible to receive overtime pay, including:

- 83 employees in the Palo Alto Peace Officers Association
- 107 employees in the International Association of Firefighters
- 598 employees in the Service Employees Union International
- 4 employees in the Palo Alto Fire Chief's Association
- 50 unrepresented management and confidential employees (covered by a Compensation plan), and
- 462 unrepresented hourly employees (who are covered by a compensation plan).

Overtime expenditures

In FY 2002-03, the City spent about \$63.4 million in salaries and wages, and an additional \$4.3 million in overtime pay. Exhibit 1 shows overtime expenditures by department for the last six years.¹

Exhibit 1: Overtime Expenditures By Department

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
GENERAL FUND						
Administrative Services	\$43,357	\$51,392	\$74,806	\$98,640	\$75,476	\$55,373
City Attorney	\$370	\$1,288	\$1,156	\$322	\$476	\$729
City Auditor	\$0	\$0	\$0	\$0	\$0	\$0
City Clerk	\$3,590	\$3,587	\$1,509	\$2,850	\$3,639	\$2,292
Community Services	\$183,832	\$210,421	\$265,692	\$200,715	\$216,199	\$245,865
Fire	\$1,387,515	\$1,331,454	\$1,776,642	\$1,439,265	\$1,248,535	\$1,269,629
Human Resources	\$2,264	\$3,740	\$790	\$2,607	\$9,450	\$3,027
City Manager	\$72	\$0	\$0	\$939	\$941	\$2,181
Planning	\$67,534	\$94,750	\$111,564	\$119,717	\$101,763	\$106,618
Police ²	\$1,257,442	\$1,347,657	\$1,466,317	\$1,342,259	\$1,350,844	\$1,192,903
Public Works	\$80,469	\$101,949	\$116,477	\$120,951	\$108,583	\$132,465
SUBTOTAL	\$3,026,445	\$3,146,238	\$3,814,953	\$3,328,265	\$3,115,906	\$3,011,082
ENTERPRISE FUNDS						
Electric Fund *	\$381,611	\$478,974	\$507,019	\$555,056	\$530,360	\$434,751
Gas Fund *	\$150,021	\$153,657	\$196,595	\$179,347	\$245,353	\$241,504
Refuse Fund	\$17,099	\$17,459	\$23,740	\$26,456	\$39,163	\$47,527
Storm Drain	\$92,686	\$30,361	\$35,770	\$35,967	\$29,914	\$37,414
Utilities *	\$411	\$6,827	\$5,481	\$14,695	\$9,429	\$12,262
Water Fund *	\$137,478	\$109,865	\$143,129	\$208,993	\$284,921	\$216,570
Wastewater Collection *	\$88,786	\$83,260	\$86,194	\$120,030	\$156,485	\$177,762
Wastewater Treatment	\$143,934	\$141,109	\$145,579	\$132,353	\$73,141	\$81,893
External Services	\$0	\$0	\$0	\$0	\$9	\$4,005
SUBTOTAL	\$1,012,026	\$1,021,512	\$1,143,507	\$1,272,897	\$1,368,775	\$1,253,688
INTERNAL SERVICE FUNDS						
	\$26,471	\$24,362	\$31,651	\$38,199	\$33,285	\$29,695
TOTAL	\$4,064,942	\$4,192,112	\$4,990,111	\$4,639,361	\$4,517,966	\$4,294,465

* Utilities Department
SOURCE: IFAS Accounting System

Appendix B shows Payroll system detail by division.

¹ Appendices B, C, and D also provide more detail on overtime expenditures paid to employees in FY 2002-03.

² Includes Special Revenue fund overtime.

Causes of overtime

Each department has different reasons for working overtime. Exhibit 2 lists some of the typical reasons why overtime is worked in the six departments with the highest overtime use.

Exhibit 2: Sample Reasons for Working Overtime in the Community Services, Fire, Planning, Police, Public Works, and Utilities Departments

Department/Division	What are typical reasons for overtime?
COMMUNITY SERVICES	
Arts and Culture	<ul style="list-style-type: none"> • Productions at the Children's Theater require intense hours of work just before and during the production.
Recreation and Open Space/Sciences	<ul style="list-style-type: none"> • Summer camp registration day, special events and aquatics. • Open space rangers working on holidays. • Installation of new exhibits at the Junior Museum
Library	<ul style="list-style-type: none"> • Libraries open on Sunday and some holidays. • Updating of computer systems after hours.
Parks and Golf	<ul style="list-style-type: none"> • For Parks, periodic overtime for athletic field renovations • For Golf, staffing on holidays. • For both Parks and Golf Staff standby and emergencies related to irrigation malfunction.
FIRE	
Fire Operations	<ul style="list-style-type: none"> • Medic 1 regular staffing – 12 hours per day year-round • Station 8 (Foothills fire station) regular staffing – 12 hours per day during fire season • Meeting contract-mandated minimum staffing requirements • Paramedic continuing education • Fire inspectors on standby
PLANNING	
Planning	<ul style="list-style-type: none"> • Meeting applicant-requested deadlines. • Attendance at night meetings
Inspection Services	<ul style="list-style-type: none"> • Customer convenience overtime for inspections. The City bills the customer for this service.
POLICE	
Police	<ul style="list-style-type: none"> • Meeting contract-mandated minimum staffing requirements in Patrol (e.g. covering absences and/or the extensive training period before vacancies can be filled). • Extensive training period before officer vacancies can be filled can result in overtime in the interim. • Field training, holding over due to a busy shift, report writing, follow-up/investigative work, training (Patrol) • Court preparation/appearances and meetings during non-scheduled hours. • Initial response to major incidents and SWAT team call outs • Major crime investigations. • Special events
Communications	<ul style="list-style-type: none"> • Meeting internally-mandated minimum staffing (e.g. covering absences and/or the extensive training period before vacancies can be filled).

PUBLIC WORKS	
Operations	<ul style="list-style-type: none"> • Emergency work related to winter storm problems. • Emergency work related to downed tree limbs and line clearing • Emergency street or sidewalk work; emergency sign work (a "stop" sign down, for instance) • Street sweeping to keep storm drains clear during leaf season • Assisting Police Department with traffic control during special events, such as Stanford football games
Facilities Management	<p>Preparing for and cleaning up after night meetings. Custodial staff regularly clean City buildings after hours and may incur overtime if a scheduled employee is absent.</p> <ul style="list-style-type: none"> • Renovation projects in City buildings that are too disruptive to take place during business hours. • Emergency calls such as a broken window or sewer backup.
Wastewater Treatment	<ul style="list-style-type: none"> • Shift coverage in Operations (a 24-hour operation) to meet minimum staffing requirements (e.g. covering for vacancies or absences). • Mechanics who need to make emergency repairs on weekends.
Refuse	<ul style="list-style-type: none"> • Landfill open on certain holidays (because haulers are working). • Regulatory requirements for minimum staffing and training. • The number of hours open has increased in recent years, but the staffing has not. • Recycling coordinator works overtime at special events • Street sweeping maintenance on University Avenue on Sundays.
UTILITIES	
Water-Gas-Wastewater Operations	<ul style="list-style-type: none"> • Emergency repairs to gas, water, or sewer lines due to breaks or accidents, or damage caused by third parties. • Daily water quality monitoring
Electric Operations	<ul style="list-style-type: none"> • Emergency repairs (service outage or safety issue) • Upgrades to infrastructure
Administrative Services	<ul style="list-style-type: none"> • Restoration of service to homes following a water or gas main break. • Periodic overtime for meter readers related to timely billings • Rate analysts' periodic attendance at Utility Advisory Commission meetings

SOURCE: Interviews with department staff

Overtime payments

Exhibit 3 shows the total overtime paid to employees in the 10 job classifications that received the most overtime citywide in FY 2002-03. See Appendix C for additional data on overtime payments categorized by job classification. As shown in Exhibit 3, the 10 highest overtime earning

job classifications accounted for approximately \$2,031,779 million, or about 43% of the City's total overtime spending of \$4,678,424.³

Exhibit 3: Citywide 10 Highest Overtime Job Classifications in FY 2002-03⁴

<i>Job Classification</i>	<i>Total Overtime Paid To Employees In This Job Classification</i>	<i>Number of Employees In This Job Classification Who Received Overtime</i>
1. Fire Captain EMT	\$421,508	24
2. Police Agent-Advanced	\$274,011	15
3. Firefighter EMT	\$270,700	26
4. Firefighter Paramedic 12.5 EMT	\$224,755	21
5. Police Officer	\$150,631	23
6. Police Sergeant-Advance	\$149,332	11
7. Utility Installer/Repairer	\$148,199	12
8. Public Safety Dispatcher	\$136,468	16
9. Fire Apparatus Operator EMT	\$132,618	11
10. Police Officer-Advanced	\$123,557	14
TOTAL	\$2,031,779	173

Source: City Auditor analysis of Payroll data

Exhibit 4 lists the job classification and amount paid to the 10 highest overtime earning *individual* employees in FY 2002-03. The top 10 individuals received about 9% of the City's total overtime pay in FY 2002-03.

Exhibit 4: Citywide 10 Highest Overtime Earning *Individual* Employees in FY 2002-03 By Job Classification⁵

<i>Job Classification</i>	<i>Overtime Pay</i>
1. Police Agent-Advanced	\$67,172
2. Utility Installer/Repairer-Lead	\$48,493
3. Utility Installer/Repairer	\$43,461
4. Utility Installer/Repairer-Lead	\$43,324
5. Theater Specialist	\$41,201
6. Police Agent-Advanced	\$36,480
7. Producer-Arts/Sciences Programs	\$33,772
8. Fire Captain/EMT	\$33,728
9. Police Agent-Advanced	\$33,028
10. Fire Captain/EMT	\$32,747
TOTAL	\$413,406

Source: City Auditor analysis of Payroll data

³ Data is based on Payroll data and therefore differs from IFAS accounting system data shown in Exhibit 1. Payroll data is based on pay periods (as opposed to fiscal years) and includes compensatory time taken.

⁴ Data is based on Payroll data and therefore differs from IFAS accounting system data (see footnote #3).

⁵ Data is based on Payroll data and therefore differs from IFAS accounting system data (see footnote #3).

Exhibit 5 shows total overtime paid citywide in FY 2002-03. Of the 939 employees who received overtime pay in FY 2002-03, approximately 71% received less than \$5,000. Appendix D shows additional data on overtime payments.

Exhibit 5: Statistical Data on Citywide Overtime Payments in FY 2002-03

<i>Annual Overtime Pay Range</i>	<i>Number of Employees Receiving Annual Overtime Amount In This Range</i>	<i>Total Amount of Overtime Paid in This Range Citywide</i>
Less than \$1,000	381	\$137,653
Between \$1,000 and \$4,999	285	\$719,192
Between \$5,000 and \$9,999	117	\$839,175
Between \$10,000 and \$14,999	55	\$679,225
Between \$15,000 and \$19,999	49	\$846,456
Between \$20,000 and \$24,999	24	\$525,088
Between \$25,000 and \$29,999	11	\$300,857
Between \$30,000 and \$34,999	11	\$350,647
Between \$35,000 and \$39,999	1	\$36,480
Between \$40,000 and \$44,999	3	\$127,986
Between \$45,000 and \$50,000	1	\$48,493
Greater than \$50,000	1	\$67,172
TOTAL	939	\$4,678,424 ⁶

Source: City Auditor Analysis of Payroll Data

Organization and responsibilities

The Human Resources Department (“HR”) is the operating department responsible for negotiating employee compensation and establishing compensation policies and procedures. Individual departments are responsible for department-specific overtime policies and procedures. The Payroll Section of the Administrative Services Department (“Payroll”) is responsible for compiling timecards, computing pay amounts, and issuing paychecks. Employees are responsible for preparing bi-weekly time cards to track their hours, and certifying the accuracy of their time cards. Department “timekeepers” coordinate timecard preparation and submission. Supervisors and managers are responsible for approving timecards.

Audit Scope and Methodology

To address the audit objectives, we reviewed and obtained an understanding of the requirements of the Fair Labor Standards Act (FLSA) and contract provisions of the City's union agreements and compensation plans. We reviewed budget and actual spending data from the City's financial accounting system, IFAS. We analyzed data from Payroll on actual overtime payments to employees and used this data to identify trends. We reviewed the Merit Rules with regard to overtime as

⁶ Data is based on Payroll data and therefore differs from IFAS accounting system data (see footnote #3).

well as Human Resources overtime policies and Payroll procedures. We reviewed departmental policies and procedures on overtime.

We interviewed timekeepers and managers from various divisions with significant overtime within the Utilities, Police, Fire, Community Services, and Public Works Departments regarding their timekeeping procedures and the reasons for overtime usage. We also interviewed Fire Department employees regarding scheduling procedures for Suppression staff. We interviewed staff in HR, Payroll and the City Attorney's Office, as well as outside counsel through the City Attorney's Office with expertise in the Fair Labor Standards Act.

We compared the FLSA overtime status shown on job descriptions, lists of employees, the City's overtime policy, job descriptions, and the Lawson Human Resources and Payroll system.

Using data provided by the Police Department, we analyzed trends in the reasons for Police overtime hours over the last three years. While we did not audit this data, we found the Department's procedure for compiling it to be sufficiently reliable to review trends.

We selected samples of timecards in Police, Fire and Utilities with overtime entries. We traced the overtime entries to supporting documentation and tested the timecards for appropriate supervisory approval. We scanned and performed a cursory review of timecards in other Departments for reasonableness. While audit testing reviews the reasonableness of timecard entries, it cannot provide absolute assurance that timecard fraud has not occurred.

We used two primary data sources for information on overtime expenditures. These included: (1) data from the IFAS accounting system that details overtime expenditures by department and program, and (2) data from the Lawson computer system that details of overtime hours and payments by type and by employee. IFAS was active until July 1, 2003 when it was replaced by SAP.

Audit Results

Summary

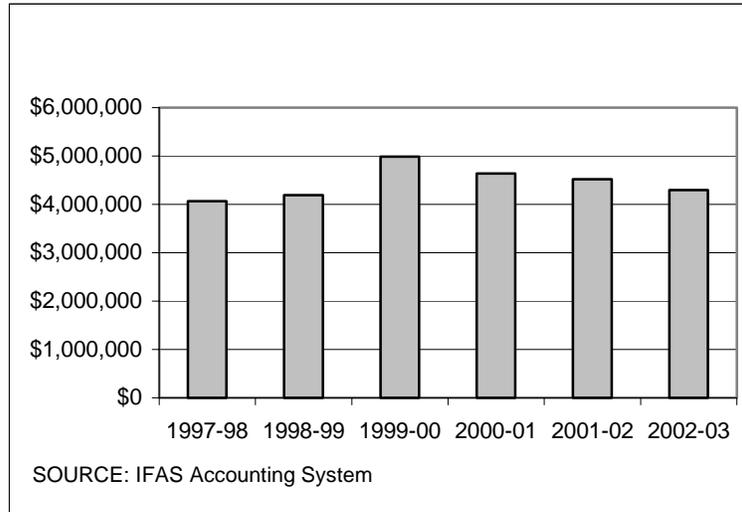
Citywide overtime expenditures have decreased in the last four years. Even so, the City spent \$4.3 million last year on overtime pay. Our review identifies a number of opportunities to better control overtime costs:

- The Police and Fire Departments routinely exceed their overtime budgets because they are able to compensate for the difference with salary savings due to vacancies;
- Minimum staffing contributes to overtime costs;
- Higher rank employees working overtime in lower rank positions increases Fire Department overtime costs;
- The 4/11 Police Patrol schedule appears to have reduced overtime hours but monitoring of its impact should continue;
- The Police Department has considerable information about the causes of overtime, but should strengthen written policies that specify when overtime is appropriate;
- The Fair Labor Standards Act sets minimum standards for payment of overtime. Like many California jurisdictions, Palo Alto's negotiated overtime practices provide a higher level of benefit than FLSA requires;
- A number of SEIU contract provisions are confusing and subject to interpretation;
- The City needs to review the FLSA designations of all employees;
- The Fire Department should simplify overtime tracking and timecard entries, but compile information sufficient to analyze costs and reasons for overtime;
- Utilities Operations should improve controls over overtime Documentation;
- The pending conversion to SAP Payroll provides an opportunity to improve administrative controls; and
- Opportunities exist to recover additional costs from reimbursable overtime work.

Citywide overtime expenditures have decreased in the last four years

Citywide overtime expenditures in FY 2002-03 totaled approximately \$4.3 million. Total overtime expenditures have decreased each year since FY 1999-00 after peaking at \$4.9 million Exhibit 6 shows citywide overtime expenditures since FY 1997-98.

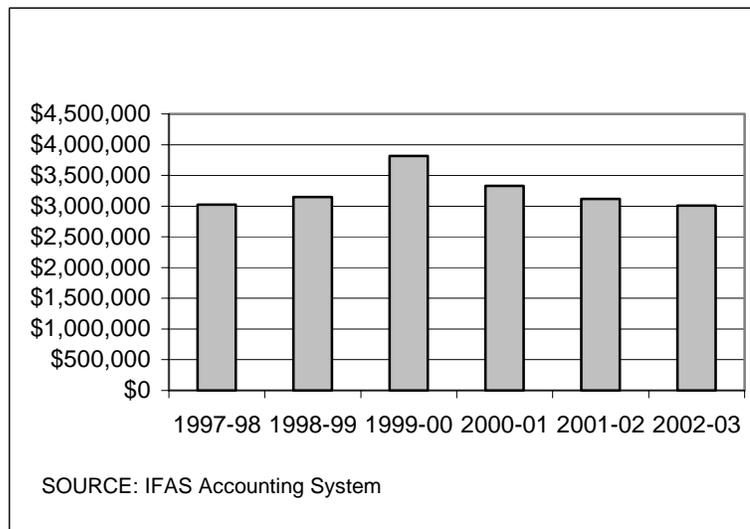
Exhibit 6: Citywide Overtime Expenditures FY 1997-98 to 2002-03



Total General Fund overtime expenditures have decreased

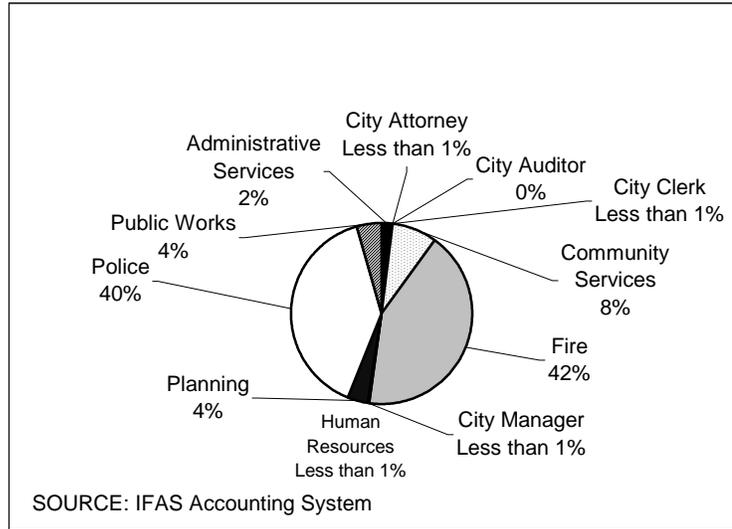
General Fund overtime expenditures totaled approximately \$3 million in FY 2002-03, down from an FY 1999-00 level of approximately \$3.8 million (see Exhibit 7).

Exhibit 7: General Fund Overtime Expenditures FY 1997-98 to 2002-03



Approximately 82% of General Fund overtime expenditures are incurred in the Police and Fire Departments, as shown in Exhibit 8. In FY 2002-03, the overtime expenditures for these two departments totaled approximately \$2.5 million.

Exhibit 8: FY 2002-03 General Fund Overtime Expenditures by Department



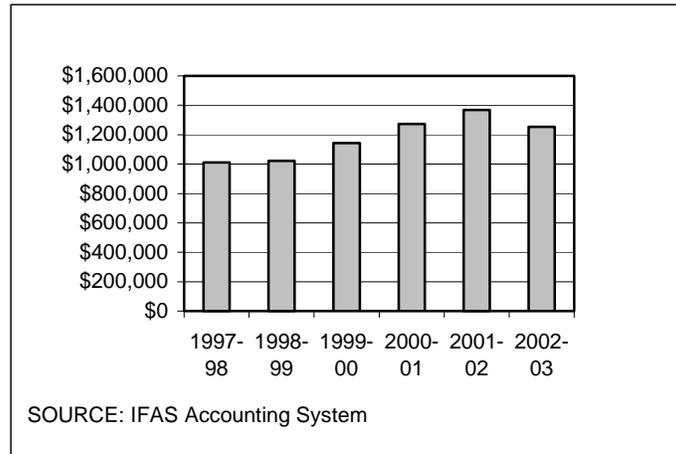
Decreases in General Fund overtime in FY 2002-03 compared to FY 2000-01 are largely the result of decreases in Police and Fire Department overtime expenditures, due in part to new relief positions in the Fire Department, and a revised Police Patrol schedule. The Police Department has taken other steps in the last three years to monitor and attempt to reduce its overtime hours by: maintaining detailed records on overtime hours and tracking specific reasons for the overtime; and conducting a self-audit in FY 1999-00 that identified problem areas with regard to overtime. We commend the Department for these efforts and encourage continued attention to reducing overtime hours.

In addition to using relief positions to reduce overtime costs, the Fire Department began closely monitoring sick leave in an effort to decrease absences and thereby reduce the resulting overtime. The Department tracks sick leave usage by employee and counsels employees whose sick leave appears to be excessive. As part of the FY 2003-04 budget process, the Fire Department proposed reductions to its overtime expenditures that were approved by the City Council.

Enterprise Fund overtime expenditures increased since FY 1997-98

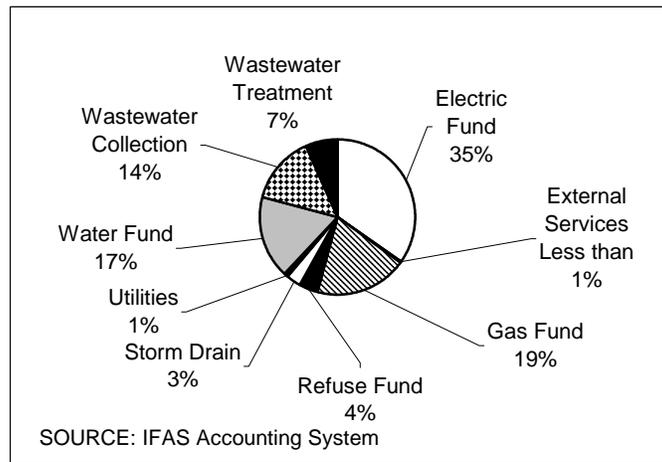
Enterprise fund overtime expenditures totaled approximately \$1.3 million in FY 2002-03. Exhibit 9 shows spending on Enterprise fund overtime increased by about 24% since FY 1997-98. Expenditures decreased about 8% in FY 2002-03 after peaking in FY 2001-02.

Exhibit 9: Enterprise Fund Overtime Expenditures FY 1997-98 to 2002-03



Approximately 85% of Enterprise Fund overtime expenditures are incurred in the Utilities Department Electric, Wastewater Collection, Water and Gas Funds as shown in Exhibit 10. Much of this overtime is driven by emergency incidents such as main breaks.

Exhibit 10: FY 2002-03 Enterprise Fund Overtime Expenditures by Fund



In the Utilities Department, reasons for overtime increases include: pay increases of 15% to 16% in several high overtime job classifications from FY 2000-01 through FY 2002-03⁷; a temporary increase in the number of employees on standby (in Water-Gas-Wastewater Operations); and increased infrastructure replacement work that results in more overtime due to contractor-caused breaks and the need to locate, inspect and reconnect pipelines.

⁷ Includes Utility Installer/Repairer, Heavy Equipment Operator, and Lineperson/Cable Specialist.

Increases in base pay impact overtime costs in other departments

From FY 2000-01 through FY 2002-03, base pay increases have ranged from 15% to 25% for certain high-overtime-earning job classifications in the Community Services, Public Works and Planning Departments.⁸

The Police and Fire Departments routinely exceed their overtime budgets because they are able to compensate for the difference with salary savings due to vacancies

The Police and Fire Departments routinely overspend their overtime budgets. However, they have typically compensated for the difference by spending less than their budgeted amount on salaries. The result is that the Departments spent less than the budgeted amount when salary and overtime expenditures were considered together. With less frequency, other General Fund Departments have also exceeded their overtime budgets. The problem is most significant for the Fire and Police Departments because they represent the majority of General Fund overtime expenditures.

The impact has been that total General Fund overtime has exceeded the budgeted amount in each of the last six years. However, as with the Police and Fire Departments, the General Fund overall has compensated for exceeding the overtime budget by spending less than the budgeted amount for salaries.

Budget to actual comparisons of Police and Fire overtime expenditures

In FY 2002-03, the Fire Department spent approximately 112% of its budgeted overtime amount (\$1,269,629 of \$1,130,675). The Police Department spent approximately 131% of its budgeted overtime (\$1,192,903 of \$910,459). Exhibits 11 and 12 show budgeted and actual overtime expenditures for the last 6 years.

⁸ Includes Theater Specialist, Producer-Arts or Sciences Program, Senior Librarian, Park Ranger, Tree Trimmer/Line Clearing, Planner, Associate Planner, and Senior Planner.

Exhibit 11: Fire Department Overtime Expenditures FY 1997-98 through FY 2002-03

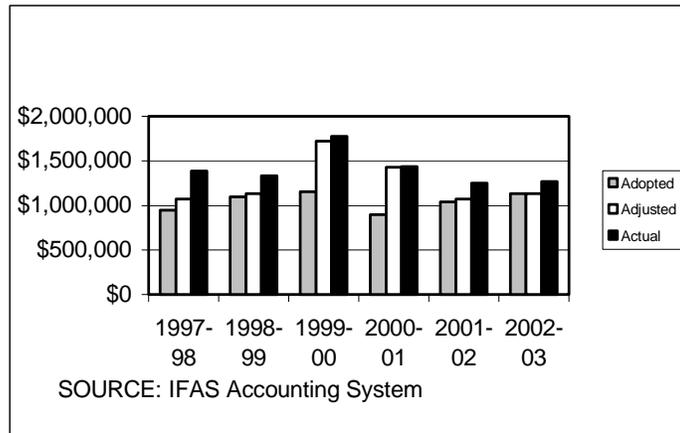
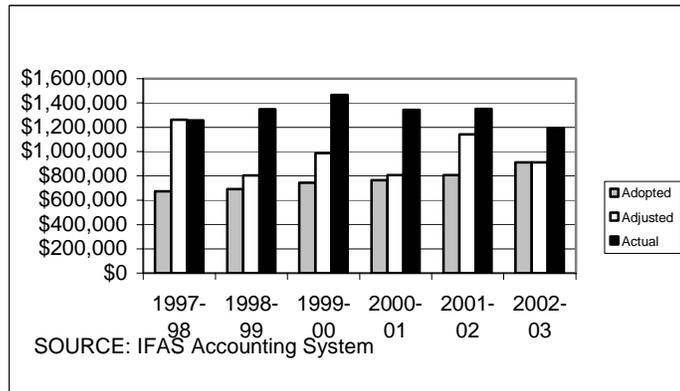


Exhibit 12: Police Department Overtime Expenditures FY 1997-98 through FY 2002-03



Budget to actual comparisons of total salary expense including overtime

When salaries and overtime are considered together, both Departments spent less than their budget amounts in five of the last six years. Exhibits 13 and 14 show budgeted, adjusted, and actual expenditures for overtime and salaries over the last six years.

Exhibit 13: Police Department Total Salaries and Overtime FY 1997-98 through FY 2002-03

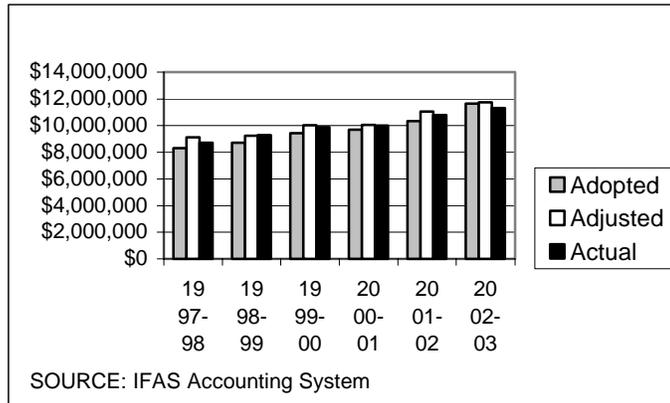
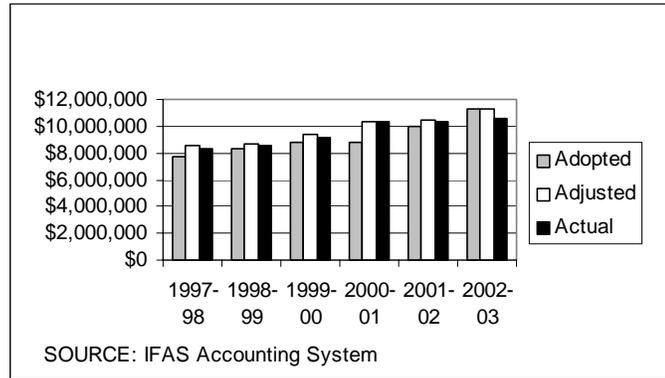


Exhibit 14: Fire Department Total Salaries and Overtime FY 1997-98 through FY 2002-03



In general, Departments that exceed their overtime budgets, make up for excess overtime with savings in salaries due to vacancies. City management has been reluctant to increase funding to historical spending levels due to the concern that the funds will simply be spent if added to the Departments' budgets.

The City's new accounting system, SAP, is expected to allow easier access to the overtime data. In December 2002, the Auditor's Office recommended staff brief the Finance Committee about the General Fund's budget-to-actual status (for revenues and expenditures) on a quarterly basis. Quarterly reports showing line item detail of overtime expenditures would provide a mechanism for monitoring such expenditures and would allow for discussion of reasons underlying the spending.

Recommendation

1. In the quarterly budget-to-actual report, show overtime expenditures separately by Department or at the appropriate level of detail to show variances. Departments should explain and be held accountable for differences.

Minimum staffing contributes to overtime costs

The Police and Fire Departments have minimum staffing levels 24 hours a day for Fire Suppression employees and Police Patrol employees. Minimum staffing levels are intended to ensure the twin goals of public safety and employee safety. The City is contractually obligated, through its union contracts, for scheduling enough staff to meet minimum levels.

The contractually-obligated minimum staffing level in the Fire Department is either 29 or 31 employees depending on whether Station 8 (the seasonal fire station in Foothills Park) is open. The minimum staffing level for Police Patrol is either 6 or 7 sworn employees (depending on time of day), one of whom is a supervisor. In addition, a watch commander (a lieutenant or sergeant) is always on duty. When absences occur (due to illness, vacation, disabilities or any other reason) that would cause the division's staffing to decrease below minimum staffing levels, the resulting vacancies are "backfilled" either with off-duty employees or by extending the shifts of on-duty employees. In either case, these employees are paid overtime.

Police Patrol, for example, currently has 66 filled sworn positions and is technically fully staffed. However, as of August 2003, 13 of those employees were unavailable due to disabilities, field training, Police Academy, or administrative leave. In addition to these absences, absences for vacation and illness must also be covered. As a result, the Department must backfill some absences with overtime. The Department advises that the current situation is an improvement over the last six months to a year in which they estimate they were down by about 14 to 18 positions. Based on Police Department data, we estimate overtime due to minimum staffing was 28% of total Police Patrol overtime hours in 2002-03.

As of August 2003, Fire Suppression had 105 authorized positions, of which 99 were filled. However, 5 of those employees were unavailable due to disabilities, light duty and special assignments. The Fire Department reports that this is an improvement over prior years. Routine absences due to illness and vacation can cause overtime if off-duty employees have to be called in to meet minimum staffing. In a small sample of 17 timecards from Fire Suppression personnel, we identified that 98% of overtime hours (617 out of 628 hours) were due to minimum staffing.

Fire Department minimum staffing levels

The City's contract with Palo Alto Professional Firefighters specifies minimum staffing levels as follows⁹:

	Day	Night
Station 8 Open (Summer)	31	29
Station 8 Closed (Winter)	29	29

The contract specifies that at least two employees (an Operator and a Firefighter) will staff Station 8.

However, the Fire Department routinely staffs at a higher level by having 2 additional employees on Medic 1,¹⁰ and an additional employee at Station 8 (for a total of 3 employees¹¹ rather than the 2 employees specified in the contract). Actual daily staffing is as follows:

	Day	Night
Station 8 Open (Summer)	34	29
Station 8 Closed (Winter)	31	29

The Fire Department routinely staffs some positions using overtime

The Fire Department staffs Station 8 with 12-hour overtime shifts during the summer fire season, and also routinely staffs one of the City's two paramedic units (Medic 1 based at Station 1) with 12-hour overtime shifts.¹² We estimate this accounts for 46% of Fire Suppression overtime hours.¹³ The Fire Department estimates that staffing Station 8 on overtime costs about \$160,000 per year, and staffing Medic 1 on overtime costs about \$320,000 per year.¹⁴ It should be noted that the City bills private parties for the cost of services provided by Medic 1.

⁹ It should be noted that changes to any staffing levels would likely require negotiation with the union.

¹⁰ According to the Fire Department, this was approved by the City Council in 1993 as a result of longer response times after a change in County EMS policies, and the opportunity for increased revenues.

¹¹ The staffing of Station 8 with three people was approved by the City Council as part of the contract with the Los Altos Hills County Fire Protection District.

¹² Station 8 and Medic 1 are staffed with regularly scheduled employees working on straight time. The positions they would have worked were they not at Station 8 or on Medic 1 are filled with employees on overtime. Those employees are the ones who are coding their timecards to indicate the reason (Station 8, Medic 1) for their overtime. For simplicity, we state that Station 8 and Medic 1 are staffed with overtime shifts.

¹³ This is estimated as follows: Station 8 at 3 persons x 12 hours per day x 120 days per year = 4,320 hours. Plus Medic 1 at 2 persons x 12 hours per day x 365 days per year = 8,760 hours. For a total of 13,080, or 46% of total Fire Suppression overtime hours (28,592 hours based on Payroll data for 2002-03).

¹⁴ See page 36 regarding problems tracking the exact cost of Station 8 and Medic 1 overtime.

The City has not conducted a comprehensive review of Fire Department minimum staffing levels in a number of years.

Recommendation

2. The City should conduct a staffing study to assess the appropriateness of current Fire Department minimum staffing levels in the context of call volume, response times, and employee safety.

Calculating the cost of relief positions versus overtime

The Fire Department has three "overfill" relief firefighter positions. The funding for these positions was moved from overtime into regular salaries in FY 2000-01 based on a determination that relief positions (paid at the regular hourly rate) are less expensive than having existing employees work overtime (paid at the time-and-a-half rate).

Whether overfill or overtime is less expensive depends upon several variables including the cost of benefits for relief positions and the rank and step of the employees working the overtime.¹⁵ Our analysis shows that for FY 2003-04, overfilling a relief position with a Step 1 Firefighter/EMT is less expensive than paying overtime at time-and-a-half.

EXAMPLE: Relief is less expensive than overtime in FY 2003-04

We compared the cost per productive hour of a Firefighter/EMT relief position at Step 1 to the cost of filling those hours with overtime worked by employees at various ranks and steps. We based our analysis on FY 2002-03 pay rates as these were the most current available at the time.

The analysis showed in that in FY 2003-04, hiring a relief Firefighter/EMT at Step 1 was slightly less expensive than paying overtime. The hourly rate for the Step 1 Firefighter/EMT relief position was \$32.16. In comparison, the hourly cost for the least expensive overtime (worked by a Step 1 Firefighter/EMT) was \$32.89, and the hourly cost of overtime worked by a Step 3 Firefighter EMT or a Step 5 Fire Captain EMT was \$36.78 and \$50.20, respectively.

However, in FY 2004-05, increasing benefit costs¹⁶ may reverse the situation, and make paying overtime to a regular Firefighter/EMT at Step 1 or Step 2 less expensive than paying for relief. On the other hand, if the overtime is paid to a Firefighter/EMT at Step 3 or above, then the relief is still less expensive.

¹⁵ The Department advises that it is most often a Step 1 employee who works in the relief positions. If higher step employees worked in the relief positions, this would also impact the question of whether relief or overtime is less expensive.

¹⁶ In addition to increasing pension and health care costs, the Budget Division advises that SAP will allow more accurate allocation of workers' compensation costs among Departments. This may increase benefit costs for the Fire Department and make relief positions more costly.

EXAMPLE: In FY 2004-05, overtime worked by certain employees would be less expensive than relief positions

We prepared the same analysis for FY 2004-05, using the projected benefits rate for that year. Due to anticipated increases in benefit costs, this analysis showed that overtime worked by lower rank and lower step employees would still be less expensive than hiring a relief employee. However, if higher step or rank employees work the overtime, the relief remains less expensive.

Specifically, in FY 2004-05, the estimated hourly cost of a Step 1 Firefighter/EMT relief position would be \$35.59 (holding FY 2002-03 pay rates constant). The hourly cost for overtime worked by Step 1 or Step 2 Firefighter/EMT employees would be \$32.89 or \$34.77, respectively – less than the relief position.

However, the hourly overtime cost, for a Firefighter/EMT at Step 3 or a Fire Captain/EMT at Step 5 would be \$36.78 or \$50.20, respectively – more expensive than relief.

The Fire Department's practice of not limiting the frequency of higher rank employees working overtime in lower rank classifications (as discussed below) can affect the difference in cost between overtime and relief. The question of whether relief or overtime is less expensive should be closely monitored, especially if the Department remains unable to selectively call in employees on overtime based on the rank needed.

In assessing whether overtime or relief positions are the most appropriate option, there are considerations other than simply cost. For example, Fire Department management is concerned about the potential for employee burnout and the implications for employee safety if an excessive amount of overtime is worked. On the other hand, if relief employees are hired, there may be times when there is not sufficient work for them if absence rates are low. It is necessary to find a balance among these concerns as well as considering cost.

Recommendation

3. The Fire Department should closely monitor whether overfill relief or regular overtime is less expensive. The Department should use a formula that considers the classification and step of employees who are expected to work the relief or the overtime.

Higher rank employees working overtime in lower rank positions increases Fire Department overtime costs

When an overtime opportunity is available in the Fire Department, the aides to the Battalion Chief follow a specific procedure by which employees who have indicated their interest in working overtime are

called and offered the opportunity to work based on a list.¹⁷ The list includes employees of all three ranks: firefighters, operators and captains. If an opportunity to work as a firefighter arises and a captain is next on the list, the captain is offered the overtime opportunity.¹⁸ This means the Department pays overtime at a Captain's rate of pay to have the Captain work as a firefighter. This increases overtime expenditures because if a firefighter had worked the overtime instead, the rate paid would have been that of a firefighter.

The Department does not compile data on the overtime hours worked by employees of a higher rank for a lower rank. However, in a small sample of 17 timecards we identified that 51% of the overtime hours on those timecards (320 of 631 hours of overtime) were a higher rank employee working overtime in a lower classification. Payroll data indicates that Fire Operations had 24,358 hours of overtime in FY 2002-03 that potentially could have been worked by a higher rank employee than was necessary.¹⁹ If we estimate a Step 5 Captain worked for a Step 3 Firefighter/EMT 30% of the hours, this would have totaled \$98,065²⁰ more than if the Step 3 Firefighter/EMT worked the overtime.

The Department advises that the overtime practice was part of a "meet and confer" process from many years ago and therefore, a change in the practice would require agreement by the Palo Alto Professional Firefighters union or a ruling by an arbitrator.

We conducted a telephone survey of seven area fire jurisdictions including Mountain View, Redwood City, Sunnyvale, City of San Mateo, Menlo Park, Fremont and City of Santa Clara. Six of the seven use a callback process that distinguishes between ranks in calling in employees in on overtime. Mountain View's process is most similar to Palo Alto in that the callback list is not based on rank.

¹⁷ It should be noted that this is not a major issue for the Police Department because the Department maintains separate overtime lists.

¹⁸ The process for filling 12-hour and 24-hour overtime shifts differs slightly. The end result in both situations, however, is that it is possible for higher rank employees to work overtime in lower rank positions.

¹⁹ Of Fire Operations' 29,205 of overtime hours worked, 4,847 were for situations other than ones in which a higher rank employee potentially could have worked in a lower rank position such as lower rank employees working in a higher classification.

²⁰ In FY 2002-03, the cost per hour of overtime worked by a Step 3 Firefighter/EMT was \$36.78 compared to \$50.20 for a Step 5 Captain/EMT, a difference of \$13.42 per hour.

Recommendations

- 4. The City should propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions.
- 5. The Fire Department should track the daily instances of a higher rank employee working for a lower rank, and use this information to assess the cost of this practice.

The 4/11 Police Patrol schedule appears to have reduced overtime hours, but monitoring of its impact should continue

The Police Field Services Division changed its Patrol schedule for sworn officers from four 10-hour days to four 11-hour days beginning July 1, 2001. A goal of the new schedule was to allow training to be built into regularly scheduled hours and reduce the amount of overtime to backfill for employees in training. The 4/11 schedule allows 78 hours of training per Patrol sworn employee to occur as part of regularly scheduled hours.²¹

The Department compiles detailed data on the reasons for overtime. According to this data, the total number of Patrol overtime hours due to minimum staffing decreased from 5,818 in FY 2000-01, to 4,172 in FY 2001-02, to 3,258 in FY 2002-03, or a decrease of about 44% in 3 years. The Department attributes this decrease to the creation of the training bank that has reduced the need to backfill with overtime for employees at training. As shown in Exhibit 15, hours for minimum staffing overtime due to training decreased by 1,013 from FY 2000-01 to FY 2002-03. It appears the 4/11 schedule has been beneficial to the Department in this respect.

Exhibit 15: Major Reasons for Minimum Staffing Patrol Overtime (Police Department)

	FY 2000-01	FY 2001-02	FY 2002-03
Training	1,674	626	661
Sick Leave	937	736	518
Disability/Light Duty	866	342	146
Vacation	1,499	1,622	1154
Total	4,976	3,326	2,479

Source: City Auditor Analysis of Police Department Data

However, Exhibit 15 also shows that overtime hours for minimum staffing due to disabilities, sick leave, and vacations decreased by 1,484.

²¹ The number of hours of training for sworn Patrol employees varies depending upon the specialty of the employee. An employee with multiple specialties may require 200 to 300 hours of training per year. In contrast, a newer officer with few specialties may require from about 118 to 158 hours per year. The training bank allows for 78 of those hours to be obtained during regularly scheduled work hours.

Therefore, a significant portion of the total minimum staffing overtime reduction may be attributable to reasons other than the schedule change.²²

The Technical Services Division's Communications Unit (Public Safety Dispatch) in the Police Department has also proposed switching to the 4/11 schedule. The change has been delayed, however, for further study because different FLSA rules apply to Dispatch than to Patrol.

Recommendation

6. The Police Department should continue to closely monitor the impact of the 4/11 to determine the impact of the schedule change and ensure that overtime does not increase. In addition to FLSA and training considerations, the Department should monitor overtime hours in the context of staffing levels, call volume, disabilities, sick leave.

Monitoring training bank hours

The 4/11 schedule requires administrative monitoring. The Department periodically audits timekeeping records to ensure that employees are working the 78 training hours (since they are paid for those hours), and allocating the training across FLSA work periods so that total hours per work period do not exceed 171 (triggering overtime payments). In addition, Payroll monitors training bank hours to ensure FLSA overtime is not owed. Payroll advised us that recently FLSA overtime was owed because training bank hours caused total hours to exceed 171 in the FLSA work period.

Recommendation

7. The Police Department should prepare policies and procedures for monitoring training bank hours to ensure all of the 78 training hours are worked, and that total hours do not exceed 171 in an FLSA work period (triggering additional overtime costs). In addition, Payroll should alert the Police Department when training bank hours exceed 171 for employees with training bank hours.

The Police Department has considerable information about the causes of overtime, but should strengthen written policies that specify when overtime is appropriate

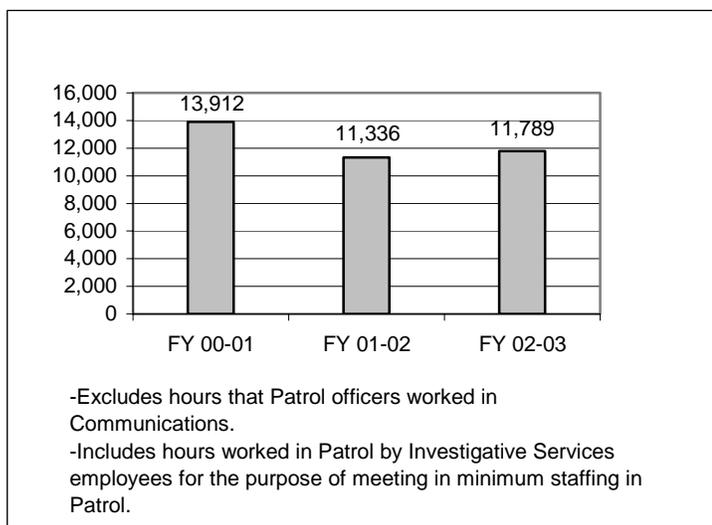
Most of the Police Department's overtime hours occur in the Field Services Division (Patrol) and the Investigative Division. In FY 2002-03, overtime for these divisions totaled 14,248 hours, a decrease of 1,707 hours, or 11%, from the FY 2000-01 level of 15,955 hours.

²² The Department also had fewer sworn vacancies in Patrol in FY 2002-03 compared with FY 2000-01. In FY 2002-03, FTE vacancies were 1.92 compared to 3.75 in FY 2000-01.

Patrol Overtime

Exhibit 16 shows that overtime hours for Patrol have decreased from 13,912 hours in FY 2000-01 to 11,789 hours in FY 2002-03, a decrease of approximately 15%, or 2,123 hours. However, from FY 2001-02 to FY 2002-03, overtime hours increased approximately 4%.

Exhibit 16: Patrol Overtime Hours FY 2000-01 to 2002-03



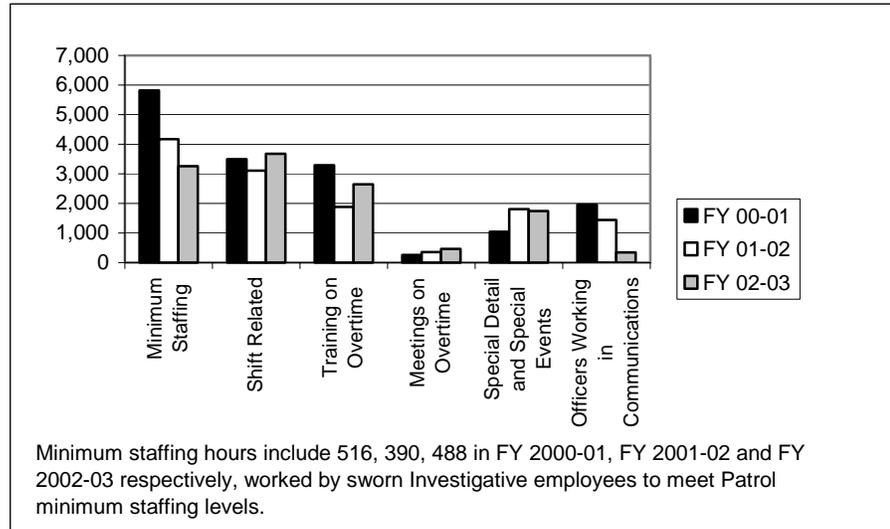
Source: City Auditor Analysis of Police Department Data

The Department maintains detailed records on overtime hours and the reasons for those hours. For example, as Exhibit 17 shows, overtime due to minimum staffing decreased from 5,818 hours to 3,258 hours (44%). Overtime for Special Detail and Special Events²³ increased by 68% (from 1,041 hours to 1,747 hours). Shift-related overtime²⁴ increased by about 5% (from 3,497 to 3,681). Overtime hours for meetings increased by 76% from 261 to 460 hours. The number of overtime hours for training decreased from 3,295 to 2,645.

²³ Overtime time related to certain special details and special events is reimbursable.

²⁴ Shift-related overtime includes staying late or coming in early due to: (1) a busy shift, (2) report writing or (3) following-up on calls. It also includes court appearances.

Exhibit 17: Police Patrol Overtime Hours by Activity

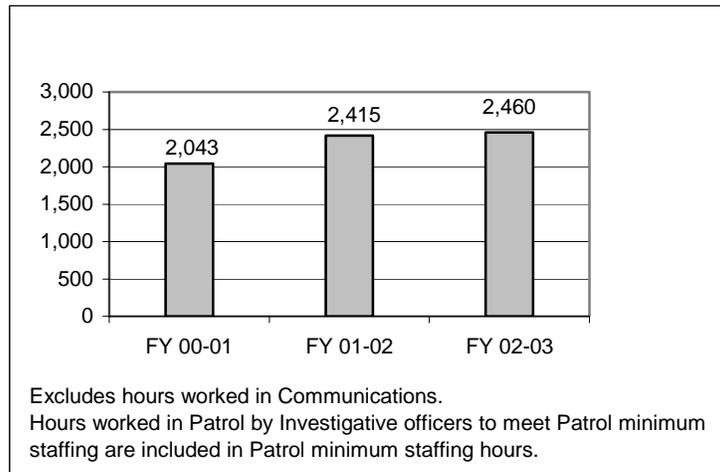


Source: City Auditor Analysis of Police Department Data

Investigative Services Division overtime

Overtime hours in the Investigative Services Division increased by about 20% since FY 2000-01 as shown in Exhibit 18. The Department notes that the complexity of cases has increased (for example, identity theft and computer crimes) and this contributes to overtime.

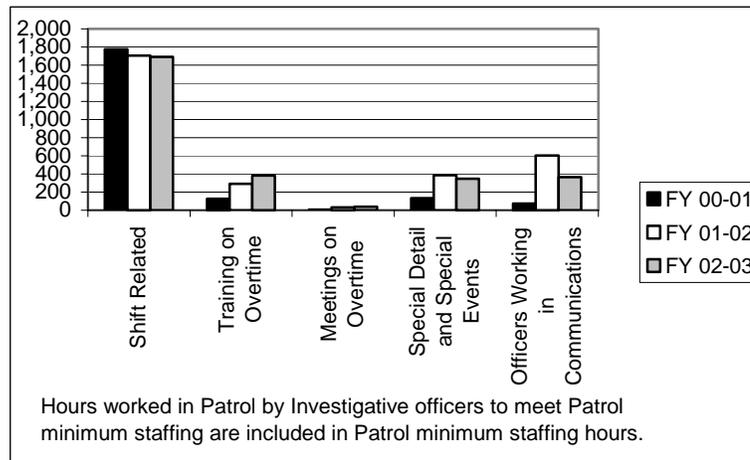
Exhibit 18: Investigative Services Division Overtime FY 2000-01 to 2002-03



Source: City Auditor Analysis of Police Department Data

As shown in Exhibit 19, shift-related work, most notably follow-up and investigation, accounts for most of the Division's overtime hours. FY 2002-03 training hours as well as the number of hours officers worked in Communications increased from the FY 2000-01 levels.

Exhibit 19: Investigate Services Division Overtime by Type²⁵



Source: City Auditor Analysis of Police Department Data

Police overtime policies

Police Department overtime policies need to be updated. The Investigative Services Division does not have written overtime policies. The Field Services Division's overtime policy has not been updated to reflect the 4/11 schedule, and does not provide clear, written criteria for when it is appropriate to stay late or come in early to work overtime, hold meetings on overtime, attend training, or work overtime in Communications. Our timecard testing found that 278 of 464 overtime hours reviewed (60%) were for overtime hours related to these reasons. To enhance management control, a revised policy should clearly address the criteria to be used in determining when it is appropriate for employees to work overtime.

Recommendations

8. The Police Department should update the Field Services Division overtime policy to reflect the 4/11 schedule, and implement an overtime policy in the Investigative Services Division. Both policies should establish clear criteria about when it is appropriate to work overtime for:
 - Shift related issues such as follow-up/investigative work and writing casework/reports.
 - Training and the appropriate use of overtime for training; the policy should identify state and Federal mandated training as opposed to Department-mandated training and stipulate the criteria for allowing them on overtime.
 - Field officer training and the determining criteria of when overtime should be worked for such training
 - Holding meetings on overtime
 - Officers working overtime in Communications

²⁵ Minimum staffing overtime shown in Exhibit 17 includes overtime hours worked by Investigative personnel in Patrol so that Patrol meets its minimum staffing. Investigative Services does not have mandatory minimum staffing levels.

9. The Police Department should update the overtime documentation form to conform to the criteria specified in the revised overtime policy so that Police Department employees will indicate which criteria were met when documenting overtime hours.

FLSA sets minimum standards for payment of overtime. Like many California jurisdictions, Palo Alto's negotiated overtime practices provide a higher level of benefit than FLSA requires

According to outside counsel with labor expertise, Palo Alto's union contracts provide employees a higher level of benefit than FLSA requires including:

Paying overtime for all hours in excess of regularly scheduled shift: FLSA requires employers to pay overtime based on total hours worked in a given work period – **not** work day. However Palo Alto, like many other jurisdictions, pays Fire, Police, SEIU, and non-exempt Management employees, overtime for hours worked beyond the standard workday.

- FLSA specifies that sworn police employees can work up to 171 hours in a 28-day work period before the employer is required to pay overtime. Palo Alto pays sworn police employees overtime for any hours that exceed their standard 11-hour workday or that deviate from normally scheduled hours regardless of how many hours the employee has worked in the work period.
- FLSA specifies that Firefighters can work up to 212 hours in a 28-day period before the employer is required to pay overtime. Palo Alto pays firefighters overtime for any hours that exceed their standard 24-hours shift or that deviate from normally scheduled hours regardless of how many hours the employee has worked in the work period.

Outside counsel with expertise in this area estimated that about 70% of California jurisdictions pay overtime for hours in excess of the standard workday.

Paying overtime regardless of hours actually worked: FLSA considers only hours actually worked in determining if overtime is owed to an employee. Palo Alto pays overtime for any hours that deviate from regularly scheduled hours, regardless of the number of hours worked or not worked in the work period (i.e. paid leave time counts as hours worked for purposes of calculating overtime pay). Outside counsel with expertise in this area estimated that about 90% of California jurisdictions also count paid leave time.

EXAMPLE: Counting Paid Leave Hours Towards Overtime

FLSA requires the employer to consider only hours actually worked in determining whether an employee is owed overtime pay. For example, FLSA stipulates that firefighters can work up to 212 hours over 28 days before the employer must pay them overtime. In totaling the 212, FLSA considers only the hours actually worked and does not include any paid leave time taken. In Palo Alto, in a typical 28-day period, a firefighter would be scheduled for nine, 24-hour shifts or a total of 216 hours. Thus the firefighter would be entitled to four hours of overtime pay under FLSA. However, if the firefighter takes two shifts of vacation during the 28 days, he or she would work only seven shifts or 168 hours in the 28 days. If the employee then worked a 24-hour shift that was not part of his or her regular schedule (and not a vacation day), the employer would not be obligated to pay overtime for that shift under FLSA because the employee had worked less than 212 hours. Palo Alto, however, pays the overtime rate for those overtime shifts. In other words, the employee may be on vacation on Tuesday and Thursday (days for which he was regularly scheduled) but he may accept an overtime shift on Wednesday and be paid overtime even if those are the only hours he works that week and even if the total hours worked over the 28 days at the regular pay rate are less than 212.

Paying stand-by or on-call pay: FLSA does not require the employer to compensate employees for stand-by or on-call pay except when the employee has no freedom to attend to his or her own affairs during that time. Palo Alto compensates SEIU, Management and Fire employees with a daily per diem for being on standby, with higher rates for standby pay on weekends and holidays.

Paying premiums and differentials: FLSA does not require an employer to pay premiums for certain types of work or for work performed during certain hours or on weekends and holidays.

- Palo Alto pays night differentials to Police and SEIU employees for overtime work performed between 6 p.m. and 8 a.m.
- Palo Alto pays double-time to SEIU employees for emergency overtime, billable customer convenience overtime, and overtime hours resulting from being held over on shift for more than four hours. SEIU employees receive holiday pay of 2.5 times regular pay. SEIU employees also receive night differentials when earning double-time or holiday pay at night.

The tables in Appendix A provide more detailed information on the overtime provisions of the City's contracts and pay plans. Appendix E provides information on estimated costs of selected provisions.

Knowing the cost of provisions that exceed FLSA requirements is important to the negotiations process

Agreed-upon overtime provisions that exceed FLSA requirements are part of the City's employee compensation and benefits package. Changes to contract provisions are negotiated with the City's bargaining units, and are subject to binding arbitration and consideration of prevailing practices for the Fire and Police Department contracts.

The law firm of Liebert Cassidy Whitmore publishes a guide, "The Fair Labor Standards Act: A Public Sector Compliance Guide." The guide includes a "FLSA Negotiations Checklist" with a number of suggestions for reducing overtime costs by seeking to bring practices more in line with FLSA standards. The checklist includes:

- Seek to bring the agency and/or departmental overtime systems into line with minimum required under FLSA;
- Pay an overtime premium only where hours actually worked exceed FLSA overtime thresholds (don't count paid leave time);
- Eliminate premium pay for hours worked over 8 per day (or standard work day and just use FLSA standard of hours worked per week);
- Create separate compensatory time banks for FLSA and non-FLSA "comp time" (non-FLSA compensatory time can be accrued at straight time rather than time-and-a-half);
- Maximize discretion as to overtime assignments so as to be able to minimize costs by assigning those who took paid leave time during the work period; the checklist notes that this is particularly advantageous in the case of Fire; and
- Eliminate or reduce minimums on call-out pay.²⁶

Recommendation

10. During contract negotiations, ASD should provide cost estimates of salient contract provisions to the negotiating team based on available data.

A number of SEIU contract provisions are confusing and subject to interpretation

The SEIU agreement includes provisions on overtime and related pay (standby, meals). In some cases, these provisions are extremely detailed and could be simplified. In other cases, we believe they should be more specific. We believe an excessive amount of administrative time is necessary to ensure compliance with the various provisions.

Simplify double-time overtime provisions

The SEIU agreement defines overtime pay as one-and-a-half times the employee's basic hourly salary. But it further specifies that the rate is double-time for billable customer service overtime and emergency overtime. Emergency is defined as "*unplanned overtime work arising out of situations involving real or potential loss of service or property or personal danger.*" The agreement excludes certain types of overtime from being considered emergencies: (1) overtime to maintain scheduled staffing, (2) overtime work planned in advance, and (3) overtime resulting from being held over for up to four hours to finish work performed during

²⁶ Call-out pay is paid based on a minimum of 2 hours of pay for SEIU (unless the employee is already on standby).

the regular shift.²⁷ Although work in excess of four hours is paid at the emergency double-time rate, this is not readily apparent from reading the contract.

Recommendation

11. Clarify in the SEIU agreement that four hours or more of overtime work beyond the regular shift is paid at the double-time rate

Simplify meal provisions

The SEIU agreement provides for overtime meals in certain situations. The agreement distinguishes between emergency overtime meals and non-emergency overtime meals. The employee is entitled to an emergency overtime meal if:

- (1) Called back and on duty for three consecutive hours; entitled to an additional meal for each additional five hours on duty
- (2) Held over at the end of the shift for two hours or more; entitled to an additional meal for each additional five hours on duty
- (3) Called out two hours or more before a regularly scheduled day shift; in this case, employee is entitled to breakfast and lunch with the lunch consumed on the employee's own time and no in-lieu pay provided for the meals not taken
- (4) Recalled for two hours or less after the end of a regular shift, if not on standby

Non-emergency overtime meals are provided if an employee is held over more than two hours after a regular or overtime shift and at intervals of five hours thereafter.

If an employee is entitled to a meal and the meal is not provided due to working conditions, the employee has the option of receiving an hour of overtime compensation in lieu of the meal (except as noted in #3 above). In-lieu overtime hours are paid at the same rate in which the employee is working during the overtime shift. For example, if the shift is paid at double-time with night differential, then the in-lieu meal hour is also paid at this rate. Employees who choose to take the meal are reimbursed for the meal as well as paid for the hour to eat the meal. The SEIU agreement contains separate but very similar meal provisions for meals provided to public safety dispatchers in the Communications Unit in the Police Department.

The agreement does not specify the rates at which employees are reimbursed for meals. Rather it simply states that meals provided "shall be comparable substitutes for the employee's regular meals." This lack of specificity results in inconsistent practices and makes the provision subject to interpretation. For example, Public Works Operations does not have set reimbursement rates for meals. The Utilities Department

²⁷ Overtime is paid at the 1-1/2 time rate for the first 4 hours, but is paid at the double-time rate for overtime in excess of 4 hours.

reimburses employees up to \$9 for breakfast, \$12 for lunch and \$24 for dinner.

The agreement also does not specify the hours during which certain meals are paid. For instance, if an employee is called in and works emergency overtime from 11 p.m. to 3 a.m., is the employee entitled to the dinner reimbursement rate or the breakfast reimbursement rate?

Other options to simplify meal provisions overall Include:

- Simply state that when an employee is called out or held over to work at least a fixed number of hours of overtime, he or she receives a meal.
- Consider paying a fixed rate each time an employee is entitled to a meal.
- A more drastic approach would be to consider eliminating the overtime hours paid for meal consumption or in-lieu hours and simply provide a fixed rate for each meal to which the employee is entitled. As noted in Appendix E, the City paid an average of \$41,722 per year for 784 hours of overtime in-lieu of meals.²⁸ Had the City simply paid \$20 for each of these hours instead, it would have paid \$26,042.

Recommendation

12. The City should confer with SEIU with the goal of clarifying and simplifying meal provisions, promoting consistency between departments and reducing administrative paperwork. Consideration should be given to simplifying the circumstances under which an employee is entitled to a meal (e.g. after working overtime a fixed number of hours whether held over or called back) and establishing standard reimbursement rates for meals. Consideration should be given to combining provisions for meals for Public Safety Dispatchers with provisions for all employees.

Clarify the intent of SEIU contract provisions on call out pay, in-lieu meals, and rest periods

It is essential that contract provisions be clear and that their intent be communicated to employees and timekeepers. During our review, we identified inconsistencies in the interpretation of some contract provisions.

Call out pay: Call out pay is paid when an employee is called in to work overtime during a non-regularly scheduled time. An example of this would be during a winter storm when employees are called in to remove downed tree limbs. The SEIU contract states that employees called out to perform work shall be compensated "*from the time of the call-out for each occurrence at the appropriate overtime rate.*" However, Section 509 of the Merit Rules states that "*overtime shall commence at the time an employee reaches the place where he/she is directed to report and shall continue until he/she is released or the work is completed, whichever is*

²⁸ During the three-year period of FY 2000-01, 2001-02 and 2002-03.

earlier." Thus, the City has negotiated a higher benefit for SEIU-represented employees.

In addition to the fact that the City and SEIU negotiated a higher benefit than in the Merit Rules, we found that practices differ among and within departments. For example, Public Works Facilities pays an employee from the time he/she arrives; whereas Public Works Operations pays an employee from the time he or she notifies Communications that he or she is on the way. Utilities Electric Operations pays from the time the employee receives the call unless it takes an exceptionally long time for the employee to arrive. Water-Gas-Wastewater Operations pays from the time the employee receives the call.

Rest periods: With regard to a rest period, in Article VIII, Section 2(d) the SEIU contract states "*When an employee is required to work 6 or more hours of overtime (either emergency or prearranged) during the 16 hour period immediately preceding the beginning of employee's regular shift on a workday, the employee shall be entitled to an eight-hour rest period before returning to work.....Any portion of the rest period falling within the employee's work shift will be considered as hours worked and compensated at the straight time rate.*"

A Utilities employee explained this provision to us as meaning that when the rest period overlaps the regular work shift, the employee is in effect paid double-time (straight time for the rest period as well as straight time for the regular hours). However, a Public Works employee explained it to us differently, stating that the employee receives only straight time pay for such overlapping hours. Payroll told us that timecards should be coded to reflect only straight time for rest period hours that overlap the regular work shift.

In-lieu pay: Similarly, with regard to the in-lieu pay, we noted differences in interpretation. Article VIII, Section 4(d) of the SEIU contract states that if a meal is "*not provided due to working conditions, the employee shall have the option of receiving for each meal not provided an additional one hour of overtime compensation in lieu of such meal. This hour will not be considered as time worked or part of the rest period, but will be applied to qualify for the rest period.*" Again, a Utilities employee explained to us that the last portion of the section means that in-lieu hours are added to the end of the shift and then the rest period begins after that. So, for example, if the overtime work is completed at 11 p.m. but two meals are owed, those two in-lieu hours would be added to the timecard. The rest period would then begin at 1 a.m. In contrast, a Public Works employee told us that the in-lieu hours do not count towards the rest period. This employee said that the phrase "will be applied to qualify for the rest period" means that if an employee works only five hours of overtime and is owed an in-lieu hour such an in-lieu hour may counted to reach the six hours required in order to be eligible for a rest period.

Recommendation

13. Clarify the following contract provisions through use of specific examples:

- That call-out pay begins from the time of the call out and specify how much time the employee is allowed for travel. The Merit Rules should be revised to reflect the SEIU call-out provision;
- The intent of the rest period provision and how an employee is paid: (a) for the eight-hour rest period and (b) if the rest period overlaps the regular work schedule; and
- The intent of the in-lieu meal provision and its relationship to the rest period.

Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.

Eliminate administrative complexities

Completing timecards that comply with the various SEIU overtime provisions creates significant administrative work as shown in the following example.

EXAMPLE: Number of timecard entries required

Suppose a SEIU employee whose regular shift ends at 4 p.m. is held over to work emergency overtime until 11 p.m. Suppose, too, that the employee does not eat any meals during this time.

The hours from 4 to 6 p.m. would be paid at time-and-a-half and the hours from 6 to 8 p.m. would be paid at time-and-a-half with night differential. The hours from 8 p.m. to 11 p.m. would be paid at double-time with night differential. Each of these separate rates requires a separate timecard entry.

Because the employee worked seven hours, he is entitled to two meals (one after the first two hours and an additional one for the five hours after that). Since the employee did not eat the meals, the timecard is coded to reflect two hours of in-lieu double-time with night differential.

The employee is also entitled to an eight-hour rest period since he worked more than six hours in the 16 hours preceding the start of his regular shift. For the half hour from 6:30 a.m. to 7 a.m. that the rest period overlaps regular work hours, the employee is paid straight time for the rest period. This requires an additional entry on the timecard. Regular pay then begins after the rest period ends and requires another entry.

The end result is that for the seven-hour overtime shift, at least six separate timecard entries are required (hours at time-and-a-half, hours at time-and-a-half with night differential, hours at double-time with night differential, hours for in-lieu overtime, hours for rest period pay, and hours for regular time pay).

In addition to the administrative burden, this creates opportunities for error.

Recommendation

14. Consider the value of the level of detail currently tracked with regard to SEIU overtime and whether it is justified given the administrative work it creates. If it is not justified, management should work with Payroll and SEIU to identify opportunities to simplify tracking and timekeeping.

The City needs to review the FLSA designations of all employees

The FLSA designation of a given position as "exempt" (from FLSA) or "non-exempt" determines whether an employer is **obligated** to pay overtime to an employee. FLSA requires that employees receive overtime pay for hours worked in excess of 40 hours per week (with certain exceptions such as for public safety employees), unless the employer can prove that the employee is "exempt" from the law's requirements. FLSA does not preclude an employer from paying exempt salaried employees overtime, if the employer so desires. The FLSA designation of a position is determined by the employer based on criteria specified by FLSA.²⁹

According to HR, the City updates individual job descriptions as needed. During our review, we found a number of discrepancies in FLSA exemption status between what is shown in job descriptions, compensation plans, overtime policies, and the Lawson payroll system. This included:

- 10 management/confidential job titles for which the FLSA designation of the position was not consistent³⁰
- 2 job classifications in which one employee is treated as exempt while another in the same classification is treated as non-exempt.³¹
- 6 SEIU job titles for which the job description specified the position as exempt, but the 22 employees in the six job titles are treated as non-exempt by the City and are paid overtime.³²

In addition to discrepancies in the FLSA designation of positions among various source documents, we also identified:

²⁹ The City Attorney's Office advises that the FLSA designation of a filled position is contingent upon the actual duties performed by the individual in that position – not just the job description. It is therefore possible that some employees in a given job classification may be exempt while others may be non-exempt.

³⁰ For example, the Supervisor of Water Transmission's job description states that the position is exempt, but the City's Human Resources/Payroll system indicates that the employee is non-exempt.

³¹ The two classifications are "Manager-Main Library Services" and "Project Manager".

³² For example, the job description for the Theater Specialist position for the Children's Theater states that it is an exempt position. However, the City's Human Resources/Payroll system indicates that the employee in that position is treated as non-exempt.

- 12 discrepancies between job titles listed in the management overtime policy and the corresponding job descriptions.
- 25 job titles that are not listed in management overtime policy.

The Management Compensation Plan does not specifically identify the positions that it covers. In addition, the SEIU contract does not indicate that the job description for some employees states that they are exempt. We also noted two instances in which the FLSA designation of an employee's position appears to have been changed from exempt to non-exempt based on a request by the hiring Department. In our opinion, the job descriptions, contracts, procedures and policies should appropriately reflect the FLSA designation of a position based on the tests specified in the law.

It is not clear when a citywide review of all positions with regard to FLSA designation was last undertaken.³³ The Federal Department of Labor has issued proposed revisions to the exemption analysis tests in FLSA that may impact the status of some City positions. HR should revise job descriptions, policies, and procedures to reflect current practice and make them consistent. In addition, if an FLSA review identifies positions that should be reclassified as exempt or non-exempt, the City may need to enter into negotiations with affected employees and their representatives.

Recommendations

15. The City should conduct a review of the FLSA designation of all positions. The review should consider the impact of proposed revisions to FLSA regulations.
16. HR should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while others are non-exempt, then separate job descriptions/classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the Lawson computer system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.
17. After a citywide review of the FLSA status of positions is completed, HR should work with employee representatives to update union contracts and compensation plans so that they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.

³³ HR is currently conducting an FLSA review of 42 non-exempt Management positions.

Management leave benefit

All management and confidential employees receive 80 hours of management leave annually. This amount is pro-rated for part-time employees. Of the 287 management and confidential employees, 237 (83%) are exempt, salaried employees, and are not eligible for overtime; 50 employees are currently classified as non-exempt and eligible for overtime.

We surveyed five area jurisdictions (Mountain View, Redwood City, Menlo Park, Los Altos and San Jose) with regard to management leave benefits. All but Menlo Park offered an employee benefit similar to Palo Alto's management leave. These benefits ranged from 16 to 160 hours annually. While each City has its own definition of management employees, this information provides a general benchmark. We found:

- San Jose provides 40 hours of executive leave to all management classification positions. San Jose also offers 16 hours of administrative leave to non-management employees. The City describes the 40 hours of executive leave as "*in-lieu of overtime.*"
- Redwood City provides 160 hours of "*in-lieu*" time to high-level managers within the City. Other Redwood City managers are unionized and receive overtime pay and therefore do not receive additional leave time.
- Mountain View grants 10 days leave to full-time management employees, except for the City Manager who receives 15 days. Part-time management employees do not receive this benefit.
- Los Altos offers 40 hours of administrative leave to the City Manager, department heads, assistant department heads and division heads.

By specifying that the leave time is in-lieu of overtime, San Jose and Redwood City clearly convey that employees either receive additional leave time or they receive overtime pay, but not both.

However, as noted previously, Palo Alto currently has 50 non-exempt management and confidential employees who receive both management leave and overtime pay. In FY 2002-03, they were granted approximately 3,848 hours of management leave at a value of about \$144,577. During FY 2002-03, these employees worked 3,018 hours of overtime at a cost of \$129,424.

Recommendation

18. HR should establish a policy that management leave is granted "in lieu" of overtime pay, and include the policy in the Management Compensation Plan. After conducting a citywide FLSA review, HR should determine how to fairly treat employees who currently receive both management leave and overtime pay.

Administrative leave policy

The City's practices are inconsistent with regard to the use of administrative leave. Administrative leave is commonly used as a tool to maintain the status quo while the City conducts investigations into potential misconduct. However, one Department has granted administrative leave to management employees as additional time off.³⁴ The Merit Rules state that *"in the event department or division operations require extraordinary work assignments for an employee so designated, he/she may be authorized time off with pay by the department head, according to procedures set forth in the Policy and Procedures manual."* However, the City's Policies and Procedures do not include a policy statement on when a grant of additional time off is warranted.

Recommendation

19. Human Resources should clarify, through a policy, union contracts and compensation plans, the appropriate uses of Administrative Leave and other additional paid time off that may be granted to employees.

The Fire Department should simplify overtime tracking and timecard entries, but compile information sufficient to analyze costs and reasons for overtime

Fire Suppression employees record a project code on their timecard if they work overtime due to minimum staffing. The codes indicate (1) minimum staffing overtime for Station 8, (2) minimum staffing overtime for Medic Unit 1, or (3) other minimum staffing overtime.³⁵ The Department also maintains a daily shift staffing report of overtime that is completed at the end of each day by a Battalion Chief's Aide.

However, in our audit testing, we found inconsistencies between the overtime project code entered on the timecard and the overtime project code entered on the daily shift staffing report on 14 of 23 timecards that we reviewed.³⁶ Inconsistent data hinders the Department's ability to track reasons for overtime as well as the cost of the overtime. For example, since the timecard data differed from the daily shift staffing report data,

³⁴ As of the end of May 2003, non-disciplinary use of administrative leave during 2002-03 included 257 hours (totaling \$16,442) of granted to exempt employees in the City Attorney's Office, and 12 hours (totaling \$348) granted to non-exempt employees in the City Attorney's Office.

³⁵ Station 8 and Medic 1 are staffed with regularly scheduled employees working on straight time. The positions they would have worked were they not at Station 8 or on Medic 1 are filled with employees on overtime. It is these employees who are coding their timecards to indicate the reason (Station 8, Medic 1) for their overtime.

³⁶ We reviewed 23 timecards of high overtime users. We found discrepancies in 216 of the 786 overtime hours worked, or 27%. We further noted that two project codes are so similar, they could be easily transposed. The code for general minimum staffing overtime is "97512" while the code for Station 8 minimum staffing is "97521."

we were unable to verify the actual payroll cost of overtime at Station 8 or on Medic 1.

Recommendation

20. The Fire Department should assess whether it is necessary to track the minimum staffing project codes on both employee timecards and the daily master log. If it is not necessary for both sources to include the codes, the Department should not require employees to enter it on their timecards. If the Department determines it is necessary, management should ensure that project codes are correct on both the timecards and the daily log.

Allocate Fire Suppression hours based on averages

In addition to coding timecards with pay codes (for overtime, premium pay, etc.), Fire Suppression employees code their timecards with a key code, to indicate how they spent their time (responding to calls, in training, etc.) during their shift. The Fire Department has 21 key codes, each a string of 8 digits, from which employees must choose to code their work time. The Fire Department should consider the practice the Police Department adopted for its Patrol Officers. The Police Department analyzed how their time is typically spent and established percentage allocations based on this analysis. The hours worked are simply allocated to key codes based on this formula. Employees do not then have to try to remember how they spent their time prior to completing their timecard.

Recommendation

21. Allocate Fire Suppression hours on timecards based on averages.

Compile data on reasons for Fire Department minimum staffing

As discussed above, the Fire Department's daily master log includes data on total minimum staffing overtime hours as well as data on sick leave, disabilities, and vacation leave hours. The Department goes to considerable effort to have Battalion Chief's Aides track this data daily to ensure that the leave and overtime hours on employee timecards are accurate. However, the Department does not subsequently compile this data into periodic reports in order to evaluate the reasons for minimum staffing overtime. If this data were compiled daily as part of the log preparation, it would be easier for the Department to assess the hours of leave time each in day in relation to the hours of minimum staffing each day.

Recommendation

22. As part of daily log preparation, the Fire Department should compile data on minimum staffing overtime hours and leave hours into a spreadsheet so that this data is easily available for subsequent analysis. The Fire Department should use this data to proactively manage overtime costs.

Utilities Operations should improve controls over overtime documentation

Approximately 81% of Utilities overtime costs occur in Water-Gas-Wastewater and Electric Operations. Overtime payments to employees in these two divisions in FY 2002-03 totaled \$955,006 (including compensatory time off taken).

Water-Gas-Wastewater and Electric Operations do not have timekeeping procedures that provide clear direction to employees for completing timecards (active pay codes and key codes to use, appropriate use of pay codes and key codes, etc). Electric Operations provided us with an undated, draft timekeeping procedure that was intended to apply to both divisions. However, it is not in use and it did not address specific issues surrounding completion of timecards.

We sampled 15 timecards of high overtime users and traced entries for overtime hours to supporting documentation. The 15 timecards included 152 overtime entries. We identified 11 minor discrepancies in the 152 entries.³⁷ However, we believe the complexity of the rules in the SEIU agreement significantly contributes to the likelihood of such errors. We recommend the City attempt to reduce such complexities (see page 27).

The divisions periodically issue memos on overtime issues of particular concern and this helps to address potential errors and inconsistencies. However, timekeeping procedures should also be revised and implemented, especially given the significant changes expected to occur with the implementation of SAP. Such procedures should include controls to ensure that supporting documentation for overtime ties to entries on timecards.

³⁷ The 11 discrepancies included 2 differences in total number of hours between the timecard and supporting log (one was in favor of the employee; the other was in favor of the City); 2 differences in the key code listed on timecard and supporting log; and 2 instances in which there was no supporting documentation for overtime entries on timecard; 2 instances of a nonexistent pay code (intended to be a meal pay code); and 3 minor differences in favor of employees between the time entered on the timecard and the supporting log.

Recommendation

23. The Utilities Department should develop and implement timekeeping procedures to improve controls over overtime documentation and ensure consistent application of timekeeping practices and accuracy in completion of timecards.

The pending conversion to SAP Payroll provides an opportunity to improve administrative controls

The Payroll module for the City's new computer system, SAP, is expected to be operational in early 2004. The new system will have a significant impact on current timekeeping and overtime documentation and controls. During the course of our audit, we noted inconsistencies in practices related to overtime approvals, documentation and monitoring among Departments. The conversion to SAP provides an opportunity to improve controls and make practices more consistent.

Ensure that payroll data is properly allocated in the accounting system

During our review, Accounting Services provided us with a list that shows how Payroll data has historically been allocated into the IFAS accounting system. The conversion to SAP provides an opportunity to ensure that payroll costs are appropriately allocated. For example, we found instances in IFAS where night differentials associated with overtime were summarized as overtime, rather than as night differentials.

Recommendation

24. Ensure through the conversion to SAP that payroll costs are allocated to the appropriate expense account in the accounting system.

Accommodate Utilities Operations pay codes

Our 1998 audit of Utilities Operations overtime found that the Payroll system did not recognize certain pay codes used by Utilities' in-house timekeeping system. The department uses these pay codes to track overtime by type (planned, extended day, etc.). Utilities Operations has been told that such pay codes will not be recognized by SAP and because the Utilities in-house system will be eliminated under SAP, the capability to track overtime by these categories will be eliminated.

Recommendation

25. Utilities management should determine whether the current additional pay codes for tracking overtime are a necessary management tool. If so determined, they should be added to the SAP Payroll module so that the Department does not create an internal system in addition to SAP to capture this data.

Electronic timecards

Several timekeepers expressed concern during our audit about employees being required to complete their own electronic timecards. Payroll advises that the new system will be rolled out slowly and all employees will not immediately be completing their own timecards. We also noted that if a supervisor is absent, the timecard will need to be routed to an alternate supervisor for approval.

Recommendation

26. Ensure that the SAP Payroll module includes controls to route timecards to an appropriate alternate supervisor if needed.

Timekeeper duties

The City's Payroll Procedures states that *"timekeepers are responsible for checking timecard entries for accuracy and legibility. Timecard hours are to be totaled both horizontally and vertically... Timekeepers should sign the timecards as timekeeper and obtain the signature of the employee and supervisor."*

However, during our audit, we found that the role of timekeeper varied significantly among Departments. In some cases, the timekeeper performed the tasks described in the procedures. In others, the timekeeper simply gathers the timecards for submission to Payroll and the employee signs as timekeeper.

SAP will allow timekeepers to enter time for employees within their workgroups and to route such time entered to the supervisor for approval. If the employee, however, completes his own timecard, then it will be routed to the supervisor and then to Payroll without timekeeper involvement. The appropriate role for the timekeeper should be redefined with SAP and clearly conveyed to Departments.

Recommendation

27. Management should use the SAP Payroll module roll-out as an opportunity to promote consistency citywide with regard to the roles and responsibilities of timekeepers.

Supporting documentation for overtime hours worked

We found the methods for documenting overtime hours worked varied significantly among Departments. Some Departments require employees to note hours worked and the reason for the hours on the back of the timecard. Others have overtime forms in addition to the timecard. At least one program does not record any explanation of the reasons for overtime either on the timecard or a separate form.³⁸

A citywide minimum standard should be established under SAP. For example, SAP allows electronic notes on its electronic timecards (the electronic equivalent of the current entry on the back of the timecard) that could be used to document the reasons for the overtime. Departments could choose to exceed that standard, but a clear standard would ensure a minimum level of overtime documentation citywide.

Recommendation

28. Management should establish a citywide minimum standard for documenting overtime use and approval in SAP.

Overtime reports

The SAP system is expected to allow Departments the capability to generate reports based on data in the system. If a Department wanted to run a report on overtime hours, for example, by employee for a given time frame, the system is expected to be able to accommodate this.

Consideration should be given, with input from Departments, on which types of reports will be most useful for purposes of monitoring overtime. The City should obtain assistance, if needed, from the consultants creating the system to ensure such reports are easily accessible to Departments.

Recommendation

29. Management should use the SAP Payroll module roll-out as an opportunity to generate meaningful reports to monitor overtime use.

³⁸ Children's Theater in the Community Services Department

Document retention

During the course of our audit, several timekeepers requested our advice with regard to how long they need to retain overtime documentation and timecard data. Payroll currently retains timecards but Departments maintain supporting overtime documentation.

FLSA requires that the employer retain documentation to support overtime payments for three years. The City should have a clear policy on records retention that identifies the appropriate roles of both Payroll and Departments. The impact of SAP should be considered in writing such a policy.

Recommendation

30. ASD, in conjunction with the Attorney's Office, should write a policy on timecard and overtime documentation records retention that clearly identifies the roles and retention periods for Payroll and for Departments.

Opportunities exist to recover additional costs from reimbursable overtime work

Management should review whether there are additional opportunities to recover costs for services provided on overtime. We found that such opportunities may exist in the Utilities, Police and Planning Departments. Management should direct all Departments to confirm that they are appropriately charging and recovering funds related to services provided on overtime.

Adopt fees specifically for contractor damage to water and gas lines

Contractors cause damage to City water and gas lines that result in costs to the City to repair. The Water-Gas-Wastewater Operations Division of the Utilities Department documented 206 instances over the last four years of damage to water and gas lines caused by contractors as shown in Exhibit 20.

Exhibit 20: Incidents of Contractor-Caused Damage

	Water	Gas	Total
FY 1999-00	13	30	43
FY 2000-01	21	59	80
FY 2001-02	16	42	58
FY 2002-03	8	17	25
TOTAL	58	148	206

Source: Water-Gas-Wastewater Operations Data

When such damage occurs, Water-Gas-Wastewater crews working on other projects are taken away from their work to repair the damage. In addition to paying employees for the time to repair the damage,

completion of other, regularly scheduled projects is delayed. Direct overtime results if the crew must work beyond the scheduled end of the day. If the crew must work longer than four hours beyond the regular end of the day, double-time overtime is paid to employees per the SEIU contract. In addition to the repair of the gas line, Utilities may need to re-lighting pilot lights – a time consuming job if a significant number of customers are without power (restoration of service is provided by Utilities Administrative Services employees).

Water-Gas-Wastewater Operations and Administrative Services separately compile data on costs so that a bill to the contractor can be generated. The Department charges contractors for actual materials costs associated with the repairs, and charges \$93 and \$111 per hour for labor during business hours and after hours, respectively.³⁹

The \$111 after-hours rate was designed around the time-and-a-half overtime rate and does not take into account the fact that employees are paid double-time for overtime emergency work. In our opinion, the Department should review its rates and assess whether:

- Lost productivity on other projects should be considered;
- The contract requirement to pay double-time to employees after four hours of work should be considered; and
- Overtime rates should be charged during business hours if the work will likely result in overtime to complete regularly scheduled projects that were delayed as a result of the contractor's damage.

The City Attorney's Office advises that City contracts should include clear provisions that allow the City to recover related costs from the contractors for damage caused, including any overtime incurred directly or indirectly.

Recommendation

31. The Utilities Department should reanalyze the rates charged for contractor-caused damage to determine if costs are fully recovered given lost productivity, direct and indirect overtime that may be incurred. The Department should also consider whether it is appropriate to charge an overtime rate during regular business hours if overtime can reasonably be expected to occur as a result of work delayed by the contractor-caused damage.

Other departments should also charge overtime rates where appropriate

The Planning Department also does not charge overtime rates to applicants for services performed on overtime. Rather, the Department bills an applicant at the highest step (for classified positions) or control point (for other positions). Additionally, the Department charges an

³⁹ Includes overhead.

overhead rate of approximately \$36 per hour and advises that this rate has not been recently reviewed or revised.

The Police Department and Public Works Operations provide traffic control services to Stanford University during football games. The agreement with Stanford provides that the University pays half of the overtime salary costs associated with these services. The City pays benefits and other overhead as well as vehicle and any other costs. The Police Department advises that until several years ago, the City paid the full cost of such services.

The Police Department also seeks reimbursement for overtime costs related to certain special events and security services provided to local businesses. The Department received reimbursements for overtime-related expenditures of \$21,000, \$44,000 and \$51,000 in FY 2000-01, 2001-02, and 2002-03 respectively.

The Police Department is planning a review of these charges and others in the near future. This should include consideration of whether partial cost recovery of traffic control continues to be the most appropriate policy for the City.

Recommendation

32. The Administrative Services Department and the City Manager's Office should direct all Departments to review the appropriateness and completeness of the rates charged to outside parties for services provided on overtime.

Conclusion

Citywide overtime expenditures have decreased during the last four years. While Departments have taken some steps to better control overtime costs, opportunities exist to better monitor and control such costs through: increased budgetary accountability; reviewing staffing levels; written overtime policies and procedures; reviewing, clarifying, and simplifying certain contract provisions and overtime tracking; reviewing FLSA designations; reviewing reimbursable costs; and using the pending conversion to the SAP payroll system as an opportunity to improve administrative controls.

**Memorandum
Administrative Services**

Date: November 18, 2003
From: Frank Benest, City Manager
By: Carl Yeats, Director of Administrative Services
Subject: Response to Audit of Overtime Expenses

The City Auditor has provided an excellent review of citywide overtime expenditures. Staff has reviewed the audit recommendations and where possible, will implement these recommendations immediately. There are other recommendations that require longer-term solutions and staff will continue to work on these in an effort to proactively control overtime costs. As noted in the audit, total overtime costs have been reduced by \$0.8 million since 1999-2000. For fiscal year 2002-03 total salaries for all operations were approximately \$67.7 million and overtime cost were \$4.3 million, which represents 6.8% of total salary expense. A detailed breakdown of overtime expenses by fund is provided below.

Overtime Expense by Fund		
Fund Type	Amount	% Of Total
General Fund	\$ 3,011,082	70.1%
Enterprise Funds	1,253,688	29.2%
Internal Service Funds	29,695	0.7%
Total Overtime Expense	\$ 4,294,465	100.0%

A further analysis of General Fund overtime expenses has determined that \$2.46 million or 81.8% of all General Fund overtime occurs in Fire and Police and is primarily related to minimum staffing requirements, criminal investigations and/or dispatching. Only \$0.54 million or 18.2% occurs in other General Fund Departments, of which less than 2% occurs in the area of administrative departments (ASD, HR and CAOs).

General Fund Overtime Expense by Department		
Department	Amount	% Of Total
General Fund		
Administrative Services	\$ 55,373	1.8%
City Attorney	729	0.0%
City Auditor	-	0.0%
City Clerk	2,292	0.1%
City Manager	2,181	0.1%
Community Services	245,865	8.2%
Human Resources	3,027	0.1%
Fire	1,269,629	42.2%
Planning	106,618	3.5%
Police	1,192,903	39.6%
Public Works	132,465	4.4%
Total	\$ 3,011,082	100.0%

Enterprise Fund overtime expenses mainly occur in Electric, Gas, Water and Waste Water Collection operations and are related to emergency incidents the provision of 24 X 7 customer service. Approximately \$1.07 million or 85.4% of the total expense is attributed to these operations.

Overtime Expense by Enterprise Fund		
Fund Description	Amount	% Of Total
Electric	\$ 434,751	34.7%
Gas	241,504	19.3%
Water	216,570	17.3%
Waste Water Collection	177,762	14.2%
Sub Total	1,070,587	85.4%
Other Funds	183,101	14.6%
Total Overtime Expense	\$ 1,253,688	100.0%

Staff has completed an analysis of the audit recommendations categorizing them into major areas of concern and assign a responsible department for insuring that the appropriate action is taken. It is important that a significant number of the audit

recommendations are proposed to be resolved with the implementation of the SAP Payroll module. The planned “go-live” date for that system is December 18, 2003.

Audit Response Categories		
Total	Description	Responsible
4	Policy or Procedures update required	Manager
5	FLSA clarification or modification	HR
6	Budget related	ASD
8	MOA/Contract clarification or negotiation	HR
11	SAP Payroll module implementation	ASD/HR

Finally, a summary of all audit recommendations is attached to facilitate discussion. Included in this table are staff’s comments as it relates to each recommendation. Staff is completely supportive of the Auditor’s findings and appreciates the work she and her staff have completed.

Recommendation	Dept	Response
<ol style="list-style-type: none"> 1 In the quarterly budget-to-actual report, show overtime expenditures separately by Department or at the appropriate level of detail to show variances. Departments should explain and be held accountable for differences. 2 The City should conduct a staffing study to assess the appropriateness of current Fire Department minimum staffing levels in the context of call volume, response times, and employee safety. 3 The Fire Department should closely monitor whether overfill relief of regular overtime is less expensive. The Department should use a formula that considers the classification and step of employees who are expected to work the relief or the overtime. 4 The City should propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions. 5 The Fire Department should track the daily instances of a higher rank employee working for a lower rank, and use this information to assess the cost of this practice. 6 The Police Department should continue to closely monitor the impact of the 4/11 to determine the impact of the schedule change and ensure that overtime does not increase. In addition to FLSA and training considerations, the Department should monitor overtime hours in the context of 	<p>ASD</p> <p>Fire</p> <p>Fire</p> <p>HR</p> <p>Fire</p> <p>Police</p>	<p>Staff concurs and will provide explanation of significant budget-to-actual variances as part of the quarterly reports. However, it is unlikely that a significant variance would appear until the 3rd or 4th quarter of the fiscal year.</p> <p>Staff concurs and will conduct a "standards of coverage" study to determine the appropriateness of current staffing levels. Staff expects to complete the study by the end of the 4th quarter of the fiscal year with outside assistance.</p> <p>Staff concurs and will work closely with ASD and the Auditor's Office to evaluate the annual variance between overtime costs and overfill relief. Staff will utilize whichever is less expensive to the degree that it does not compromise firefighter safety.</p> <p>Staff concurs and will propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions.</p> <p>Staff concurs and will track the daily instances of higher ranking employees working at a lower rank to assess the cost. Staff will work with Human Resources to negotiate changes, as appropriate.</p> <p>Staff concurs and will continue to closely monitor the 4/11 schedule in Patrol and its impact on overtime expenditures.</p>

Recommendation	Dept	Response
<p>6 staffing levels, call volume, disabilities and sick leave.</p> <p>7 The Police Department should prepare policies and procedures for monitoring training bank hours to ensure all of the 78 training hours are worked and that total hours do not exceed 171 in an FLSA work period (triggering additional overtime costs). In addition, Payroll should alert the Police Department when training bank hours exceed 171 for employees with training bank hours.</p>	<p>ASD/Police</p>	<p>General guidelines on the use of training bank hours for mandated training and flexible training are outlined in the current Memorandum of Agreement (MOA) with the Police Officers Association (POA). Staff concurs with this recommendation and has begun preparing policies and procedures for monitoring training bank hours. The Police Department has initiated a process that requires the supervisor to check a log of remaining training bank hours prior to approving an employee's request for a training class to ensure the minimum use of overtime. Once the SAP Payroll module is implemented, employees and their supervisors will have online real time access to training bank balances, which will further ensure that all training hours are worked and that overtime costs are not incurred for non-essential training courses.</p>
<p>8 The Police Department should update the Field Services Division overtime policy to reflect the 4/11 schedule, and implement an overtime policy in Investigative Services Division. Both policies should establish clear criteria about when it is appropriate to work overtime:</p> <ul style="list-style-type: none"> - Shift related issues such as follow-up/investigative work and writing casework/reports. - Training and the appropriate use of overtime for training; the policy should identify state and Federal mandated training as opposed to Department-mandated training and stipulate the criteria for allowing them on overtime. - Field officer training and the determining criteria of when overtime should be worked for such training 	<p>HR/Police</p>	<p>Staff concurs that written overtime policies in the Field Services and Investigative Services Divisions need to be updated to reflect the 4/11 schedule and current practices in the Investigative Division for the identified tasks in the recommendation. It is important to note that Communications has updated and implemented an overtime policy to provide full staffing for the safety of the public and to control overtime costs. In an effort to further minimize overtime costs, limitations on sworn officers working overtime in the Dispatch Center have been put into practice and will be included in the updated overtime policy in Communications. Additionally, Human Resources will work in conjunction with Police Executive Management to prepare overtime</p>

Recommendation	Dept	Response
<p>8 - Field officer training and the determining criteria of when overtime should be worked for such training</p> <ul style="list-style-type: none"> - Hold meetings on overtime - Officers working overtime in Communications <p>9 The Police Department should update the overtime documentation form to conform to the criteria specified in the revised overtime policy so that Police Department employees will indicate which criteria were met when documenting overtime hours.</p> <p>10 During contract negotiations, ASD should provide a cost estimate of salient contract provision to the negotiating team based on available data.</p> <p>11 Clarify in the SEIU agreement that four hours or more of overtime work beyond the regular shift is paid at the double time rate.</p> <p>12 The City should confer with SEIU with the goal of clarifying and simplifying the meal provisions, promoting consistency between departments and reducing administrative paperwork. Consideration should be given to simplifying the circumstances under which an employee is entitled to a meal (e.g. after working overtime a fixed number of hours whether held over or called back) and establishing standard reimbursement rates for meals. Consideration should be given to combining provisions for meals for Public Safety Dispatchers with provisions for all employees.</p>	<p>Police</p> <p>ASD</p> <p>HR</p> <p>HR</p>	<p>recommendations based on FLSA requirements and update policies. This change will require a meet and confer process, but the new policy will address the criteria to be used in determining when it is appropriate for employees to work overtime.</p> <p>Staff concurs and will update the overtime documentation to conform to the revised overtime policy.</p> <p>Staff concurs and it is current practice that the negotiations team includes either the ASD Director or the Budget Manager</p> <p>Staff concurs and Human Resources will clarify in the SEIU agreement commencing with 2004, all overtime provisions including the provision that four hours or more of overtime work beyond the regular shift is paid at the double time rate.</p> <p>Staff concurs and Human Resources will confer with SEIU in 2004 to clarify and simplify meal provisions during the next contract negotiations to provide for consistency between departments and the reduction of administrative paperwork.</p>

Recommendation	Dept	Response
<p>16 HR should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while other are non-exempt, then separate job descriptions/classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the payroll system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.</p>	HR	<p>Staff concurs. Following the completion of the city wide FLSA review, Human Resources will update job descriptions, policies and procedures, and other documentation as necessary.</p>
<p>17 After a citywide review of the FLSA status of positions is completed, HR should work with employee representatives to update union contracts and compensation plans so they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.</p>	HR	<p>Staff concurs and upon completion of the FLSA study Human Resources will update compensation plans to include exempt/non-exempt status.</p>
<p>18 HR should establish a policy that management leave is granted "in-lieu" of overtime pay, and include the policy in the Management Compensation Plan. After conducting a citywide FLSA review, HR should determine how to fairly treat employees who currently receive both management leave and overtime pay.</p>	HR	<p>Human Resources will review and confer with management employees.</p>

Recommendation	Dept	Response
<p>19 HR should clarify, through a policy, union contracts and compensation plans, the appropriate uses of Administrative Leave and other additional paid time off that may be granted to employees.</p> <p>20 The Fire Department should assess whether it is necessary to track the minimum staffing project codes on both employee timecards and the daily master log. If it is not necessary for both sources to include the codes, the Department should not require employees to enter it on their timecards. If the Department determines it is necessary management should ensure that project codes are correct on both timecards and the daily log.</p>	<p>HR</p> <p>Fire</p>	<p>Staff concurs and will prepare additional language which will address administrative leave in future compensation plans.</p> <p>Staff will evaluate the necessity of using both sources. Staff will coordinate with ASD on timekeeping improvements available for this purpose with the new online timekeeping system.</p>
<p>21 Allocate Fire Suppression hours on timecards based on averages.</p>	<p>Fire</p>	<p>The new online timekeeping system will correct the need for pre-allocation of hours.</p>
<p>22 As part of daily log preparation, the Fire Department should compile data on minimum staffing overtime hours and leave hours into a spreadsheet so that this data is easily available for subsequent analysis. The Fire Department should use this data to proactively manage overtime costs.</p>	<p>Fire</p>	<p>Staff concurs and will compile the data in an electronic format to allow for subsequent analysis and use by managers.</p>
<p>23 The Utilities Department should develop and implement timekeeping procedures to improve controls on overtime documentation and ensure consistent application of timekeeping practices and accuracy in completion of timecards.</p>	<p>Utilities</p>	<p>Staff concurs. See item 26.</p>
<p>24 Ensure though the conversion to SAP that payroll costs are allocated to the appropriate expense account in the accounting system.</p>	<p>ASD</p>	<p>Staff concurs. As part of the SAP Payroll implementation, General Ledger accounts are configured with the system and all manual pays are posted automatically with SAP.</p>

Recommendation	Dept	Response
<p>25 Utilities management should determine whether the current additional pay codes for tracking overtime are a necessary management tool. If so determined, they should be added to the SAP Payroll module so that the department does not create an internal system in addition to SAP to capture this data.</p> <p>26 Ensure that the SAP payroll module includes controls to route timecards to an appropriate alternate supervisor if needed.</p> <p>27 Management should use the SAP Payroll module roll-out as an opportunity to promote consistency citywide with regard to the roles and responsibilities of timekeepers.</p> <p>28 Management should establish a citywide minimum standard for documenting overtime use and approval in SAP.</p> <p>29 Management should use the SAP Payroll module roll-out as an opportunity to generate meaningful reports to monitor overtime use.</p>	<p>Utilities/ASD</p> <p>ASD</p> <p>ASD</p> <p>ASD</p> <p>ASD</p>	<p>Staff concurs. All pay codes have been reviewed as part of the SAP Payroll module implementation.</p> <p>Staff concurs. The timekeeping portion of the SAP Payroll module will standardize the time entry process. Eventually, all employees will be responsible for entering their time into an electronic timecard application (CATS). This application will verify time entered, accruals, pay codes, and accounting entries. Once the timecard is entered correctly, it will be routed automatically to the approving supervisor and then once approved routed to Payroll.</p> <p>Staff concurs. See item 26.</p> <p>Staff concurs. In the SAP Payroll module overtime will be fully documented.</p> <p>Staff concurs. All payroll reports will be evaluated for usefulness and new reports created to allow management to fully utilize the SAP Payroll module.</p>

Recommendation	Dept	Response
<p>30 ASD in conjunction with the City Attorney's Office, should write a policy on timecard and overtime documentation records retention that clearly identifies the roles and retention periods for Payroll and for the Department.</p> <p>31 The Utilities Department should reanalyze the rates charged for contractor-caused damage to determine if costs are fully recovered given lost productivity, direct and indirect overtime that may be incurred. The Department should also consider whether it is appropriate to charge an overtime rate during regular business hours if overtime can reasonably be expected to occur as a result of work delayed by the contractor-caused damage.</p> <p>33 ASD and the City Manager's Office should direct all Departments to review the appropriateness and completeness of the rates charged to outside parties for services provided on overtime.</p>	<p>ASD</p> <p>Utilities</p> <p>ASD/CM</p>	<p>There is current retention schedule for timecards. As part of the conversion to the SAP Payroll module, all timecards will be completed by the individual staff member and routed to the appropriate person for supervisor approval. This will be completed in an electronic paperless environment. These electronic records will be maintained according to the current retention schedule.</p> <p>Staff agrees with the recommendation. The current fees were increased 16% last year to recover all direct labor, material, vehicle, and indirect overhead costs. The auditor has suggested some additional cost components such as lost productivity that should be considered for inclusion in the fee. Utilities staff will move forward to ascertain the legality of including such costs. If such indirect costs meets applicable legal and accounting standards and can be reasonably calculated, staff will include these additional fees as part of the 2004-05 budget.</p> <p>Staff concurs this is part of the annual budget process for departments to review costs related to cost recovery where Council has an established cost recovery level. Staff will begin the process of reviewing all current cost recovery levels to determine if they are appropriate.</p>

Recommendation	Dept	Response

APPENDIX A: OVERVIEW OF OVERTIME CONTRACT PROVISIONS AND ASSOCIATED DIFFERENTIALS

Police (Palo Alto Peace Officers' Association; agreement beginning July 1, 2001 through June 30, 2007)

Contract Provision	Description	Comments
Overtime pay rate [Section 25(a)]	Rate is one-and-a-half times employee's regular rate including night differential, working-out-of-class-pay and specialty premiums (bilingual, court, field training officer). Specialty premiums and night shift differential are 5%. Working out-of-class differential is 7%.	Field training officer, court liaison, and bilingual premiums paid for all hours in each pay period in which employee is certified to provide the specialty skill (as opposed to the hours that employee actually provides the skill). This means, for example, that an officer who works overtime in Communications (dispatch) receives overtime based on the field training officer premium even though those hours of work do not involve field training.
Compensatory Time Off [Section 25(b)]	Rate is one-and-a-half times each overtime hour worked. May be taken instead of overtime pay.	
Call Out Pay [Section 25(c)]	Employees not otherwise excluded from receiving overtime pay who are called out to perform work, attend meetings or required training shall be compensated for at least three hours for each occurrence at the appropriate overtime rate.	
Court Pay [Section 14]	Employees required to appear in court receive pay time-and-a-half pay ranging from a two to four hour minimum depending on the timing of the appearance relative to the employee's schedule. The exception to the two to four hour minimum is court appearances immediately preceding or following the employee's shift. For these, the employee will be paid time-and-a-half for the amount of time the appearance requires.	
Overtime for Hours In Excess of Regular Day (Patrol Division) (Appendix A-Timekeeping and Payroll)	An employee will be compensated according to overtime rates anytime he/she works in excess of an 11-hour day, on any day off other than the designated training days, training not covered under the flexible training hours or in excess of 171 hours in a 28-	

Contract Provision	Description	Comments
	day cycle.	
Holiday Pay [Section 9(c)]	Field Services watch employees shall not receive paid holidays but instead receive 4.19 in-lieu hours straight time pay, while in a pay status, to a maximum of 109 hours per year.	
Overtime Meals for Investigative Services Division (Section 46)	ISD personnel who are working authorized investigative overtime extending for a period either four hours after the conclusion of their normal work shift or four hours prior to the beginning of the normal work shift, shall be entitled to reimbursement for the appropriate meal at the City per diem rate. The meal reimbursement shall also apply for any authorized investigative overtime on a weekend or holiday in excess of four hours.	
Education Incentive Program (Section 11)	To encourage individual development through a comprehensive incentive program, achievement of the POST Intermediate Certificate and the POST Advanced Certificate shall provide a premium of 5% and 7.5%, respectively, to the base salary of the affected employee.	

SEIU (Local 715, Service Employees' International Union; agreement beginning May 1, 2001 through April 30, 2004)

Contract Provision	Description	Comments
Definition of Overtime (Art. VIII, Sect. 2)	Overtime defined as any time worked beyond the standard workday (8,9, or 10 hours depending on schedule) or beyond the standard workweek.	
Definition of Emergency Overtime [Art. VIII, Sect. 2 (a)]	Emergency overtime is defined as unplanned overtime work arising out of situations involving real or potential loss of service or property or personal danger. It does not include (1) OT work resulting from personnel replacement for purposes of maintaining scheduled staffing (2) OT work which is planned in advance and (3) OT work resulting from being held over for up to four hours to finish work performed during the regular shift.	If held over for more than four hours after regular shift end time, emergency overtime rate (double time) is paid.
Compensation for Employees Working Overtime [Art. VIII, Sect. 2 (b)]	Will be in the form of additional pay at the rate of one and one-half times (two times for billable customer convenience overtime and emergency overtime as defined in subsection (a) above) the employee's basic hourly salary with the exception that an employee may request and, upon approval, be granted compensatory time off at the rate of one and one-half hours for each hour of overtime worked, subject to limits of applicable state and federal laws.	
Compensatory Time [Art. VIII, Sect. 2 (b)]	In the event compensatory time is used as the method of compensating for overtime, the time off will be taken prior to the end of the quarter following the quarter in which the overtime has been worked. If employee is denied this provision, he/she will be compensated in pay for such time at the appropriate rate specified by these sections, or at the employee's option, the earned compensatory time will be added to the employee's vacation balance.	
Time Counted for Overtime	All time for which pay is received shall count as hours actually worked for the computation of regular, overtime pay; however, non-productive time will not be included	

Contract Provision	Description	Comments
	in the computation of any additional FLSA premiums.	
Rest Period [Art. VIII, Sect. 2(d)]	When an employee is required to work 6 or more hours of overtime (either emergency or pre-arranged) during the 16 hour period immediately preceding the beginning of the employee's regular shift on a workday, the employee shall be entitled to an eight-hour rest period before returning to work. If the rest period overlaps into the second half of the work day, the employee may be given (with supervisor approval) the remaining time off (up to a maximum of 3 hours) at the straight time rate of pay. Any portion of the rest period falling within the employee's work shift will be considered as hours worked and compensated at the straight time rate.	
Cancellation of non-emergency overtime [Art. VIII, Sect. 2 (e)]	If non-emergency overtime is cancelled without at least 40 hours clock notice, the City shall pay the affected employees two hours pay at time-and-a-half.	
Release of Employees Due to Fatigue [Art. VIII, Sect. 2(f)]	Employees working overtime who are too fatigued to continue or return to work, for safety reasons will be released from duty without compensation.	
Emergency Overtime Meals [Art. VIII, Sect. 4 (a)]	<p>Emergency overtime is defined as overtime arising out of situations involving real or potential loss of service or property or personal danger. The City will provide meals in the following emergency overtime situations:</p> <p>(1) Employee is called back and is on duty for a period of three consecutive hours, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime assignment ends</p> <p>(2) Employee is held over on duty so that his/her overtime assignment extends two hours after shift end, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime</p>	

Contract Provision	Description	Comments
	<p>assignment ends.</p> <p>(3) Employee is called out two hours or more before a regularly scheduled day shift and works the regularly scheduled shift, he/she will be entitled to breakfast and lunch. Lunches will be consumed on employee's own time. No in-lieu pay will be made for meals not taken.</p> <p>(4) When recalled two hours or less after the end of a regular shift, unless assigned to standby.</p>	
Non-Emergency Overtime Meals [Art. VIII, Sect. 4 (b)]	The City will provide meals for personnel assigned to non-emergency overtime work where the assignment extends more than two hours after the regular or overtime shift end and at intervals of five hours thereafter.	
Meal Is "Comparable Substitute" [Art. VIII, Sect. 4 (c)]	With regard to emergency and non-emergency overtime meals, all meals provided shall be comparable substitutes for the employee's regular meals. Where possible, the City will arrange purchase orders at mutually agreeable restaurants. The time necessarily taken to consume a meal provided under this section shall be considered time worked to a maximum of one hour, except as noted in (a)(3)	<p>For both emergency and non-emergency meals, employees receive an hour of overtime pay whether they take the meal or not. If they don't take the meal, they receive the in-lieu hour as described below. If they do take the meal, they are paid for an hour to eat the meal and they are reimbursed for the meal.</p> <p>"Comparable substitute" language is subject to interpretation. Utilities uses \$9 for breakfast, \$12 for lunch and \$24 for dinner. MOA does not specify which meals are applicable to which hours. If an employee works from 10 p.m. to 6 a.m., does he receive breakfast or dinner?</p>
Pay In-Lieu of Meal	For both emergency and non-emergency meals, in the event an employee is to be provided a meal or meals pursuant to this section and such meal(s) are not provided due to working conditions, the employee shall have the option of receiving for each meal not provided an additional one hour of overtime compensation in lieu of such meal. This hour will not be considered as time worked or	-The in-lieu hour paid is at the same rate that the employee is working during the overtime shift. For example, if the employee is receiving double time, he/she will receive the in-lieu hour as double time.

Contract Provision	Description	Comments
	part of the rest period, but will be applied to qualify for the rest period.	
Emergency Overtime Meals for Public Safety Dispatchers [Art. VIII, Sect 4(e)]	<p>The Police Department will provide meals to employees in an emergency overtime situation involving real or potential loss of service or personal danger.</p> <p>(1) Employee is called back and is on duty for a period of three consecutive hours, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime assignment ends</p> <p>(2) Employee is held over on duty so that his/her overtime assignment extends two hours after shift end, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime assignment ends.</p> <p>(3) When an employee is called out two hours or more before a regularly scheduled shift. The employee will be entitled to two meals, the second meal will be consumed on the employee's own time. No in-lieu pay will be made for meals not taken.</p> <p>(4) When recalled for two hours or less after the end of a regular shift, unless assigned to standby.</p>	
Non-emergency overtime meals for Public Safety Dispatcher [Art. VIII, Sect 4 (f)]	The Police Department will provide meals to employees in non-emergency situations where the assignment extends more than two hours after the regular or overtime shift end and at intervals of five hours thereafter. This policy only applies when an employee is held over, either voluntary or mandated, on duty beyond a scheduled regular or overtime shift.	
Pay In-Lieu of Meal [Art.	If due to working conditions the	

Contract Provision	Description	Comments
VIII, Sect. 4 (g)]	Communications Unit is unable to provide a meal to which an employee is entitled, he or she has the option of receiving one hour of overtime compensation.	
Standby Pay, Call Out Pay [Art. VIII, Sect. 7(a)]	Employees performing standby duty shall be compensated at the daily rates of \$50 for Monday through Friday and \$73- for Saturday, Sunday, Holidays	
Minimum Call Out Pay [Art. VIII, Sect. 7(b)]	Employees not otherwise excluded from receiving overtime pay who are called out to perform work shall be compensated for at least two hours' pay from the time of the call out for each occurrence at the appropriate rate. The two-hour minimum does not apply to employees called out to work while earning pay for being in a standby status unless called out to perform billable customer convenience work in which case the two-hour minimum will apply.	We noted inconsistencies in the practices among Departments and divisions as to whether call out pay begins when the employee receives the call or when the employee arrives at work.
Night Shift Premium (Art. VIII, Sect. 8)	An additional \$1.44 per hour effective with the pay period including May 1, 2003, night shift premium shall be paid to employees for work performed between 6:00 pm and 8:00 am. A minimum of two hours must be worked between 6 p.m. and 8 a.m. to qualify for the premium. Employees who regularly work night shifts shall receive appropriate night shift premiums, relating to night shift hours worked, in addition to base pay for holidays, sick leave and vacation.	Night shift differential is paid on all hours between 6 p.m. and 8 a.m., including double time overtime and meals.
Work on Fixed Holidays (Art. X, Sect. 3)	Any employee required to work on a fixed holiday shall be paid time-and-one-half for such work in addition to his or her regular holiday pay. Work on a fixed holiday beyond the number of hours in a regular shift shall be compensated at double time and one-half.	

Management and Confidential Personnel and Council Appointees Compensation Plan (agreement beginning July 1, 2002 through June 30, 2003)

Contract Provision	Description	Comments
Overtime, In-Lieu Holiday Pay (Sect. II, A)	Compensation for overtime work, and scheduled work on paid holidays for certain designated non-exempt employees shall be in conformance with the Merit Rules and Regulations and Policies and Procedures. Overtime eligible employees shall be paid at the rate of time and one-half times the employees' basic hourly salary unless called out for an emergency arising out of situations involving real or potential loss of service, property or personal danger, in which case the additional pay will be at the rate of two times the employees' basic hourly salary.	
Working out-of-class Pay (Sect. II, B)	Where management employees, on a temporary basis, are assigned to perform all significant duties of a higher classification, the City Manager may authorize payment within the range of they higher classification for the specified time frame. Typically working out of class pay is 5-10% more than the employee's current salary.	
Stand-by Pay (Sect. II, C)	Employees eligible for overtime may be entitled to stand-by pay, approved by the City Manager on a case by case basis, in extreme circumstances involving the unavailability of non-management staff. Compensation is \$40 per day for Monday through Friday and \$58 per day for Saturday, Sunday, Holidays.	
Night Shift Premium (Sect. II, D)	Night shift differential shall be paid at the rate of 5% to regular, full-time employees who are regularly assigned to shift work between 6 p.m. and 8 a.m. Night shift premium will not be paid for overtime hours worked or to Fire personnel assigned to shift duty.	
Safety Differentials (Sect. F, 1,2)	Police Department- Personnel Development Program Pursuant to administrative rules governing eligibility and qualification, the following may be granted to sworn police personnel:	

Contract Provision	Description	Comments
	<p>P.O.S.T. Intermediate Certificate- 5% above base salary</p> <p>P.O.S.T. Advanced Certificate- 7 1/2% above salary</p> <p>Fire Department-EMT Differential- 2.5% above base salary</p>	
Management Annual Leave	<p>At the beginning of each fiscal year regular management and confidential employees will be credited with 80 hours of annual leave which may be taken as paid time off, added to vacation accrual (subject to vacation accrual limits), taken as cash or taken as deferred compensation. Entitlement under this provision will be reduced on a prorated basis for part-time status, or according to the number of months in paid status during the fiscal year.</p>	

Palo Alto Professional Firefighters (agreement beginning July 1, 2000 through June 30, 2003)

Contract Provision	Description	Comments
Overtime Compensation- (Article X, Section 1)	Shift personnel assigned to overtime relief duty in addition to their regular 56-hour shift schedule shall receive overtime compensation at a rate of one and one-half times the employee's basic 56-hour rate, or out-of-class rate if such applies, for all hours of the relief duty shift. Required off-duty training will be compensated at the rate of one and one-half times the basic 40-hour rate or as otherwise agreed, and emergency callback will be compensated at a rate of one and one-half times the basic 40-hour rate to a maximum of 8 hours, and at a rate of one and one-half times the basic 56-hour rate those hours in excess of 8 hours.	
Fire Inspectors (Article X, Section 2)	Fire Inspectors performing standby duty for the purpose of fire/arson regulations shall be compensated at the rates established below: For a regularly scheduled work day rate is \$45 (as of 7/1/02); for regular days off and holidays, it is \$68. Employees receiving fire/arson investigation pay must be available to respond to Palo Alto Civic Center within one hour of call out.	
Out-of-Class Compensation (Art. VII, Section 2)	All represented employees who are assigned work in a higher classification for longer than four continuous hours will be compensated at a higher pay rate for all hours worked during the out-of-class assignment. The provision applies as follows: Fire Fighter, Apparatus Operator, Captain or Inspector working in a higher classification: step to step. Representation unit class working as a Battalion Chief, 10% above 5th Step-Captain, but not to exceed 93% of Battalion Chief control point. Representation unit class working in any other management position, within the range of the management position.	

Contract Provision	Description	Comments
Pay for Court Appearances (Article VII, Section 3)	For any or all court time during scheduled shift, employee will be paid straight time during shift at 56-hour rate. For other appearances (not during shift and/or not on a work day), pay is time and one-half at the 40 hour rate for a minimum of 2 to 4 hours, depending on the circumstances.	
Paramedic Differential (Article VIII, Section 1)	Paramedics who have completed the required training and have been certified in accordance with the program will receive a 12.5% differential in addition to their base salary effective beginning with the date of assignment to rotational Paramedic duty. The Paramedic salary differential will terminate with the cessation of assignment to rotational Paramedic duty, except that Paramedics with six or more years of Palo Alto Paramedic service will be Y-rated upon cessation of assignment.	
Haz Mat Differential	Effective beginning with the pay period including July 1, 1990, a maximum of nine positions who are primarily assigned to rescue and who are Haz Mat trained and certified will receive a 5% differential in addition to their base salary. This differential does not apply to minimum staffing requirements.	
EMT Differential	The EMT differential as of July 1, 2002 increased to 3%. The EMT differential includes compensation for EMT paramedic support. EMT certification for all suppression personnel is mandatory.	

Palo Alto Fire Chiefs' Association (agreement beginning July 1, 2000 through June 30, 2003)

Contract Provision	Description	Comments
Overtime Compensation for Battalion Chief Classifications (Article IX, Section 1)	Employees in the FLSA exempt Battalion Chief classifications will be paid overtime at the rate of time and one-half for hours authorized and worked in excess of the work week schedule (56 hours or 40 hours as scheduled). Shift personnel assigned to overtime relief duty in addition to their regular 56-hour shift shall receive overtime compensation at a rate of one and one-half times the employee's basic 56-hour rate for all hours of the relief duty shift. Required off-duty training will be compensated at the rate of one and one-half times the basic 40-hour rate, and emergency callback will be compensated at the rate of one and one-half times the basic 40-hour rate to a maximum of eight hours, and at a rate of one and one-half times the basic 56-hour rate for those hours in excess of eight hours. All overtime hours must be pre-authorized by the Fire Chief or designee.	
EMT Differential (Article V, Section 2)	Employees who maintain EMT certification receive a 3% differential in addition to their base salary.	

Hourly Employees Compensation Plan (agreement beginning July 1, 2002 through June 30, 2003)

Contract Provision	Description	Comments
Overtime Pay (Section III, C)	Unless designated by the Director of Human Resources as exempt from the provisions of the Fair Labor Standards Act, hourly employees are eligible for overtime pay at time and one-half when required to work more than 40 hours in a week (for example: 8 hours/five day week; 9 hours/four and one-half day week or other pre-determined or pre-approved work schedule) or on an official City holiday.	

APPENDIX B: DEPARTMENT OVERTIME BY DIVISION

This data is taken from the City's Payroll system, and differs from data in Exhibit 1 on page 2 of the report because of timing differences between Payroll and Accounting data, and because this data includes compensatory time taken.

Administrative Services Department

Administration	\$0
Accounting Services	\$7,398
Treasury	\$26,455
Budget	\$3,894
Purchasing and Printing Services	\$10,472
Real Estate	\$1,380
Information Technology Services	\$22,339
Total	\$71,938

City Attorney's Office

Administration and General	\$729
Total	\$729

City Auditor's Office

Administration and General	\$0
Total	\$0

City Clerk's Office

Administration and General	\$4,646
Total	\$4,646

Community Services Department

Administration	\$2,407
Arts and Culture	\$124,616
Recreation/Open Space and Sciences	\$90,213
Library	\$58,635
Parks and Golf	\$28,762
Total	\$304,633

Fire Department

Operations	\$1,336,667
Support	\$14,463
Total	\$1,351,130

Human Resources Department

Administration and General	\$0
Employment	\$1,998
Benefits	\$0
Compensation and Employee Relations	\$0
Human Resources Development	\$1,302
Risk Management	\$0
Total	\$3,300

City Manager's Office

Administration and General	\$6,480
Total	\$6,480

Planning and Community Environment Department

Planning	\$73,936
Transportation	\$10,315
Inspection Services	\$40,752
Total	\$125,003

Police Department

Police	\$966,164
Communications	\$220,374
Animal Services	\$66,608
Total	\$1,253,146

Public Works Department

Administration	\$0
Engineering	\$14,956
Facilities Management	\$72,558
Equipment Management	\$33,902
Operations	\$73,953
Wastewater Treatment- Environmental Compliance	\$11,301
Wastewater Treatment-Operations	\$81,575
Storm Drainage	\$7,700
Refuse	\$79,066
Total	\$375,011

Utilities Department

Administration and General	\$985
Administrative Services	\$179,862
Electric Operations	\$395,107
Electric Engineering	\$8,037
Water-Gas-Wastewater Engineering	\$24,692
Water-Gas-Wastewater Operations	\$559,899
Resource Management	\$13,825
Total	\$1,182,407

Source: City Auditor Analysis of Payroll Data

APPENDIX C: OVERTIME STATISTICS BY JOB CLASSIFICATION¹

Police Department² FY 2002-03

10 Highest Overtime Earning *Individual* Employees By Job Classification

<i>Job Classification</i>	<i>Overtime Pay</i>
1. Police Agent-Advanced	\$67,172
2. Police Agent-Advanced	\$36,480
3. Police Agent-Advanced	\$33,028
4. Police Agent-Advanced	\$28,011
5. Police Sergeant-Advanced	\$26,066
6. Police Officer-Advanced	\$25,858
7. Police Sergeant-Advanced	\$22,204
8. Police Officer- Intermediate	\$21,903
9. Police Sergeant- Advanced	\$21,720
10. Police Sergeant-Advanced	\$20,466

Source: City Auditor analysis of Payroll data

Fire Department Operations FY 2002-03

10 Highest Overtime Earning *Individual* Employees By Job Classification

<i>Job Classification</i>	<i>Overtime Pay</i>
1. Fire Captain EMT	\$33,728
2. Fire Captain EMT	\$32,747
3. Fire Apparatus Operator- Hazmat and EMT	\$32,236
4. Fire Captain EMT	\$30,601
5. Fire Captain EMT	\$30,559
6. Fire Captain EMT	\$30,272
7. Fire Apparatus Operator- EMT	\$29,679
8. Operator-Paramedic-12.5 EMT	\$28,311
9. Fire Captain EMT	\$27,396
10. Fire Captain EMT	\$27,057

Source: City Auditor analysis of Payroll data

¹ Data is based on Payroll data and therefore differs from IFAS accounting system in that Payroll data is based on pay periods and includes compensatory time taken.

² Does not include Communications and Animal Services employees but does include overtime paid to sworn employees who worked overtime hours in Communications.

**Utilities Operations (Water-Gas-Wastewater and Electric) FY 2002-03
10 Highest Overtime Earning *Individual* Employees By Job Classification**

<i>Job Classification</i>	<i>Overtime Pay</i>
1. Utility Installer/Repairer-Lead	\$48,493
2. Utility Installer/Repairer	\$43,461
3. Utility Installer/Repairer-Lead	\$43,324
4. Gas System Technician	\$32,226
5. Senior Water System Operator	\$31,109
6. Maintenance Mechanic	\$30,369
7. Line Person/Cable Specialist-Lead	\$28,792
8. Utility Installer/Repairer-Assistant	\$24,037
9. Heavy Equipment Operator	\$24,023
10. Supervisor Water Transmission	\$23,631

Source: City Auditor Analysis of Payroll Data

APPENDIX D: OVERTIME PAYMENTS STRATIFIED BY AMOUNT¹

Statistical Data on Police Department² Overtime Payments For FY 2002-03

<i>Annual Overtime Pay Range</i>	<i>Number of Employees Receiving Annual Overtime Amount In This Range</i>	<i>Total Amount of Overtime Paid in This Range In Department</i>
Less than \$1,000	30	\$11,474
Between \$1,000 and \$4,999	31	\$72,650
Between \$5,000 and \$9,999	27	\$189,321
Between \$10,000 and \$14,999	12	\$144,172
Between \$15,000 and \$19,999	13	\$225,530
Between \$20,000 and \$24,999	5	\$106,402
Between \$25,000 and \$29,999	3	\$79,935
Between \$30,000 and \$34,999	1	\$33,028
Between \$35,000 and \$39,999	1	\$36,480
Between \$40,000 and \$44,999	0	\$0
Between \$45,000 and \$50,000	0	\$0
Greater than \$50,000	1	\$67,172
Total	124	\$966,164

Source: City Auditor analysis of Payroll data

¹ Data is based on Payroll data and therefore differs from IFAS accounting system data in that Payroll data is based on pay periods and includes compensatory time taken.

² Does not include Communications and Animal Services employees but does include overtime paid to sworn employees who worked overtime hours in Communications.

Statistical Data on Fire Department Operations Overtime Payments For FY 2002-03

<i>Annual Overtime Pay Range</i>	<i>Number of Employees Receiving Annual Overtime Amount In This Range</i>	<i>Total Amount of Overtime Paid in This Range In Fire Operations</i>
Less than \$1,000	8	\$4,496
Between \$1,000 and \$4,999	18	\$51,445
Between \$5,000 and \$9,999	24	\$182,309
Between \$10,000 and \$14,999	19	\$238,106
Between \$15,000 and \$19,999	19	\$331,501
Between \$20,000 and \$24,999	8	\$172,520
Between \$25,000 and \$29,999	6	\$166,146
Between \$30,000 and \$34,999	6	\$190,143
Between \$35,000 and \$39,999	0	\$0
Between \$40,000 and \$44,999	0	\$0
Between \$45,000 and \$50,000	0	\$0
Greater than \$50,000	0	\$0
Total	108	\$1,336,667

Source: City Auditor analysis of Payroll data

Statistical Data on Utilities Water-Gas-Wastewater and Electric Operations Overtime Payments For FY 2002-03

<i>Annual Overtime Pay Range</i>	<i>Number of Employees Receiving Annual Overtime Amount In This Range</i>	<i>Total Amount of Overtime Paid in This Range In Utilities Operations</i>
Less than \$1,000	22	\$11,649
Between \$1,000 and \$4,999	34	\$92,635
Between \$5,000 and \$9,999	21	\$156,315
Between \$10,000 and \$14,999	10	\$119,823
Between \$15,000 and \$19,999	7	\$115,681
Between \$20,000 and \$24,999	9	\$201,127
Between \$25,000 and \$29,999	1	\$28,792
Between \$30,000 and \$34,999	3	\$93,705
Between \$35,000 and \$39,999	0	\$0
Between \$40,000 and \$44,999	2	\$86,785
Between \$45,000 and \$50,000	1	\$48,493
Greater than \$50,000	0	\$0
Total	110	\$955,006

Source: City Auditor analysis of Payroll data

APPENDIX E: COST OF SELECTED CONTRACT OVERTIME PROVISIONS

Using data from the Lawson system, we were able to estimate the cost of some contract provisions. We estimate the following contract provisions increase the cost of overtime by at least \$160,000 per year.

Paying double time overtime rather than time-and-a-half overtime that FLSA requires (SEIU): In 1997, the City began paying double time overtime to SEIU employees called out to work emergency overtime, billable customer convenience overtime, and overtime hours resulting from being held over for more than four hours. The reason for this decision was problems recruiting and retaining employees in the Utility Line Person/Cable Splicer classification because other Utilities were paying double overtime for emergency work.¹ This provision costs about **\$92,000** per year.²

Paying for meal hours and meal reimbursements: FLSA does not require that overtime meals be provided or that overtime meal hours be counted as hours worked unless the employer imposes significant restrictions on the mealtime.³ The City's contract with SEIU gives employees working overtime the option (after a certain number of hours) to either take a paid meal hour to eat a meal for which they are reimbursed, or receive an additional hour of overtime pay. The meal hour is paid at the same rate of pay in which the employee is working at the time. For example, if the employee is working emergency overtime at night, the meal hour (whether the employee takes the meal time or the in-lieu time) is paid at the same rate (double time plus \$1.44 per hour night differential). The average per year cost for in-lieu meal hours paid by the City over the three-year period was \$41,722 for 784 hours.⁴ If the City did not pay overtime for these 784 in-lieu hours and instead simply provided a \$20 per diem for each meal, the City would have paid \$15,680, or **\$26,042** less than was paid.

Premium pay: FLSA does not require employer to pay premiums for certain types of work or for work performed during certain hours or on weekends and holidays. Palo Alto pays night differentials to Police and SEIU employees for overtime work performed between 6 p.m. and 8 a.m. The Palo Alto Peace Officers (Police Department) MOA stipulates that overtime is paid based upon a base pay rate that includes applicable premiums such as for night shift and for

¹ While the intent of this provision was to recruit and retain certain Utilities employees (Line Person/Cable Splicer and similar lead classifications), all SEIU employees became eligible for double time pay at that time. Overtime eligible management employees also receive double time during emergency work. In FY 2002-03, double time paid to the Line Person/Cable Splicer and the similar lead classifications accounted for only 23% of double time paid.

² In the three years FY 2000-01 through FY 2002-03, the City spent on average \$368,555 per year for double time pay. If the City had instead paid time-and-a-half for these hours, it would have cost \$276,416 or \$92,139 less.

³ An example would be in the Communications Unit of the Police Department in which an employee on a meal break can be mandated to immediately return to work.

⁴ This amount may be understated as it did not appear that all Departments were using the special in-lieu pay code but may instead have coded the hour as overtime worked. In addition, this amount does not include the hours for employees who ate a meal and were paid for the hour. It also does not include the reimbursement amounts for meals.

working-out-of-class.⁵ Including these premiums in the base upon which overtime is calculated increases overtime costs. On average for each of the three most recent fiscal years, police overtime pay that included these premiums totaled \$235,057 per year. We conservatively estimated that if these differentials had not been included in the base, overtime pay would have been 5% less or \$223,863, a savings of **\$11,194**.

Field Training Officers: Sworn police employees also receive 5% premiums for field training, bilingual, and court liaison skills.⁶ The City could potentially save money with regard to the field training premium if employees were paid the premium only for hours for which they actually engaged in field training. For each year in the three-year period, the City paid on average per year \$107,887 for average field training overtime hours of 1,808 per year. However, many of these hours were not actually field training but rather were all hours worked during pay periods in which employees provided some field training. Police Department data indicates that the average number of overtime hours per year for actual field training were 513. Employees received overtime plus the premium for the remaining 1,295 hours (1,808 less 513) at a cost of \$77,273 on average per year. If the 5% premium was not paid for these 1,295 hours, the City would have saved about **\$3,680** per year.

Paying overtime based on 40-hour workweek rate rather than a 56-hour week (Fire): Most of the overtime the Fire Department pays to Suppression staff is based on their 56-hour average workweek. However, the Department pays overtime based on a 40-hour workweek for required callback and emergency callback to a maximum of 8 hours with subsequent hours paid based on a 56-hour workweek. On average for each of the last three years, the City spent \$51,559 on the 40-hour workweek overtime. Had this been paid based on the 56-hour workweek instead, the City would have spent \$36,828, or **\$14,731** less.

Paying overtime based on a working-out-of-class rate (Fire): If a Fire Suppression employee is working-out-of-class and working overtime, the overtime pay is based on the working-out-of-class pay rate. The City spent an average for each of the last three years of \$146,215 on Fire Department overtime for employees who were working out of their classification. If this amount were reduced by 7%, the City would instead have spent \$136,650 or **\$9,565** less.

Paying holiday pay at two-and-a-half times regular pay (SEIU): SEIU employees who work holidays receive pay that is 2.5 times their regular pay rate. If the holiday work is at night, they also receive the \$1.44 per hour night differential. Over the three-year period, the City spent an average annual amount of \$6,130 per year on holiday pay for SEIU employees. Had this been paid at the 1.5 rate, instead, it would have cost \$3,678, or **\$2,452** less.

⁵ FLSA does require that these premiums be included in the calculation of the FLSA overtime rate but not in the daily (contract) overtime rate.

⁶ The MOA states that the Field Training premium is paid to employees during each pay period: (1) in which officers, agents and traffic team members provide training to police recruits, Community Service Officers or Level II reserve officers who are working on their Level I certificate (2) in which management-assigned field training officer sergeants supervise assigned field training officers or agents who are actively training police recruits, Community Service Officers or Level II reserve officers who are working on their Level I certificate. This provision has been interpreted as allowing the field training employee to be paid the premium for all hours in the pay period whether the employee is actually engaged in an activity that requires the particular skill or not. For example, if a field-training officer works overtime in the Communications unit, the employee receives overtime pay based on a rate that includes the field-training premium even though the officer is not involved in field training during those hours.



PORTLAND FIRE & RESCUE:

More active management of overtime and call shifts
needed for good stewardship of limited resources

June 2012

LaVonne Griffin-Valade

City Auditor

Drummond Kahn

Director of Audit Services

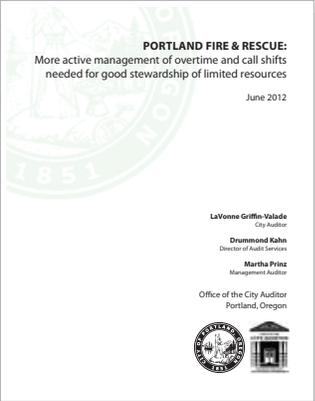
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June 28, 2012

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Chief Erin Janssens, Portland Fire & Rescue

SUBJECT: Audit Report: *Portland Fire & Rescue: More active management of overtime and call shifts needed for good stewardship of limited resources* (Report #418)

The attached report contains the results of our audit of the management of overtime and call shifts at Portland Fire & Rescue (PF&R). Our audit found that the Bureau has made recent improvements in managing extra pay for extra work. However, we also found that the Bureau can further enhance its efforts to monitor and manage the \$8 million it spends for extra pay each year.

We recommend that the Commissioner-in-charge direct the Fire Chief to take a number of actions to provide better stewardship over limited resources and increase oversight of call shifts and overtime. We recommend that PF&R strengthen its "tone at the top" emphasizing the Bureau's commitment to minimizing the use of overtime and call shifts. We also recommend that the Bureau increase its analysis of the specific uses of call shifts and overtime in order to identify possible operational efficiencies, recognizing that in some cases these efficiencies will require changes to the City's contract with the Portland Fire Fighters' Association. We further recommend that analyses used by the Bureau for decision-making always include full costs to City taxpayers of both hiring new firefighters as well as having existing employees work call shifts.

We ask that Portland Fire & Rescue provide us with a status report in one year, through the Office of the Commissioner-in-charge, detailing steps taken to address the recommendations in this report.

We very much appreciate the cooperation and assistance we received from Portland Fire & Rescue as we conducted this audit.


LaVonne Griffin-Valade
City Auditor

Audit Team: Drummond Kahn
Martha Prinz

Attachment

PORTLAND FIRE & RESCUE:

More active management of overtime and call shifts needed for good stewardship of limited resources

Summary

Like all municipal governments, the City of Portland must provide a variety of services to its residents, while at the same time being mindful of the costs to taxpayers. With personnel costs consuming a significant portion of the City's budget, management of employee compensation is especially important. Bureaus where employees receive extra pay for working extra hours must be especially careful to manage personnel costs, because the expenses can have a significant impact on both the short- and long-term health of the bureau's finances, not to mention the City's.

Extra pay for extra work is a reality in public safety agencies, and Portland Fire & Rescue (PF&R) is no exception. As a first responder to emergency situations, PF&R must have certain staff and equipment available at all times, and this need for around-the-clock coverage is the cause of most instances of employees working hours beyond their regular schedule. These extra shifts are called "call shifts," and the Bureau has different approaches to call shifts within the bureau.

Federal labor law and the City's contract with the Portland Fire Fighters' Association (PFFA), Local 43, include provisions for additional wages that apply to PFFA-represented employees. The Bureau calls these extra wages "overtime." At times, overtime claims are even a cause of call shifts, resulting in situations in which an employee claiming overtime hours as time off leads to a second employee working a call shift, which is also paid at a higher rate than regular pay. (See Figure 1 for a discussion of terminology).

Figure 1 **When does PF&R provide extra pay for extra work and what do they call it?**

PF&R uses two different terms to refer to employees earning extra money for working beyond their regular hours.

By the Bureau's definition, which is based on the City's contract with the PFFA, **overtime** refers to situations in which certain employees earn extra pay for work done outside of the employees' normal schedule. This type of **overtime** is paid for attendance at committee meetings, completion of training on off-duty time, attendance at court, or for a call back, among other reasons. In some cases, the employee is compensated for a minimum amount of time even if he or she only worked for part of that time, such as for a court appearance. There are also instances in which **overtime** pay is required to comply with federal labor law when employees work hours in excess of certain thresholds, or beyond a scheduled shift.

The Bureau calls a second type of extra pay for extra work a **call shift**. A **call shift** is when one employee replaces another to cover all or part of the absent employee's shift.

Beginning June 30, 2012, both **overtime** and **call shifts** pay the employee their regular rate of salary, plus a bonus of 50 percent. Both involve costs and require management. Although we will use the Bureau's own terminology as much as possible for the sake of clarity, we note that we consider both **overtime** and **call shifts** as types of "overtime" in the larger sense of the word.

Source: Audit Services Division analysis

We conducted this audit to determine how PF&R is managing the use of overtime and call shifts, and whether processes and controls necessary for good management are in place. Situations requiring extra pay should be matched with extra oversight and management. We found that in some areas the Bureau is taking steps to manage instances of extra pay, while in other areas it has more work to do.

PF&R has made recent improvements in managing extra pay for extra work, and the Bureau's fiscal year 2012-13 budget includes ongoing and one-time reductions in overtime and call shifts totaling \$505,000.

However, our audit found that the Bureau can further enhance its efforts to monitor and manage the approximately \$8 million it spends for extra pay each year. Increased management and oversight of this significant resource will help the Bureau continue to fulfill its overall mission while maintaining closer control over the costs.

In this report, we make a number of recommendations for actions the Bureau can take to improve its management of overtime and call shifts, with the goal of ensuring that public resources are used as wisely as possible. The City's Financial Planning Division recently directed the Bureau to "consider new approaches to the way business has been done in the past and prepare for a 'new normal' of diminished funding." With that in mind, this report points out steps the Bureau can take to identify potential savings in the way it provides services and manages overtime and call shifts.

Background

The mission of PF&R is to aggressively and safely protect life, property, and the environment. The Bureau provides emergency services in fire, medical and other incidents 24-hours-a-day, and also operates fire prevention, public education, and disaster mitigation programs.

There are four divisions at the Bureau, all reporting to the City's Fire Chief:

- The **Emergency Operations Division** (EOPS), which includes most of the Bureau's employees, primarily in emergency response, overseen by the EOPS Division Chief
- The **Management Services Division** (MSD), covering business operations and logistics, overseen by the Senior Business Operations Manager
- The **Prevention Division**, overseen by the Fire Marshal, and covering code inspections, investigations and other functions
- The **Training and Safety Division**, responsible for training, recruiting and safety, and includes emergency medical services (EMS), overseen by the Training and Safety Division Chief

The Bureau has 748 budgeted positions, most of which are for fire suppression employees in the EOPS division. All sworn Bureau employees are firefighters, with some serving in such capacities as lieutenants, captains, battalion chiefs, fire inspectors, and fire investigators. Most sworn employees are represented by the PFFA. The Fire Chief, Fire Marshal, Division Chiefs, Deputy Chiefs, and Assistant Fire Marshals are the only sworn employees who are not union represented.

In FY 2011-12, the Bureau was slated to spend \$98.1 million (primarily from the City's General Fund), with \$84.1 million, or 86 percent, being personal services expenditures.

Several shifts and a pool of standby firefighters are used to staff stations

Per union contract, PF&R fire suppression employees work approximately 51.92 hours a week, rotating through cycles of 24 hours on duty followed by 48 hours off duty. Each 72-hour block of time is covered by firefighters working either an "A" shift (first 24 hours), "B" shift (second 24 hours) or "C" shift (third 24 hours). In addition, every firefighter gets his or her 13th shift off, and that shift is covered by a group of firefighters known as the "D" shift, or the Kelly Pool. As 52-hour employees, lieutenants, captains, battalion chiefs and deputy chiefs also get a Kelly shift off.

When a scheduled employee is absent, a Traveling firefighter or call shift is used

The Bureau maintains a "Traveler Pool" of on-call firefighters who fill in for absent firefighters. After completing nine months of initial training, newly hired firefighters move up the ranks, with initial placement in the Kelly Pool, followed by placement in the Traveler Pool, and finally permanent placement at a specific station, working either an A, B or C shift. Once hired, Travelers are always paid a salary. When there are more Travelers than the Bureau needs to fill vacancies, they are placed at fire stations as excess staff.

The Bureau uses its A, B, C, and D shifts and Travelers to maintain “minimum staffing” levels at stations. Many times, PF&R is able to move firefighters from one spot to another and use Travelers when a shift becomes vacant. Vacancies occur for a variety of reasons, such as vacations, sick leaves, injury leaves, military leaves, and retirements.

If no regularly scheduled staff member or Traveler can fill a vacancy, the Bureau uses a call shift to fill the spot, meaning that another firefighter works a shift or partial shift outside of his or her normal schedule. Fire suppression employees show their willingness to work a call shift by logging onto the Bureau’s personnel system and indicating which shift(s) or partial shift(s) they are willing to work. Requests for call shifts are ranked based on the number of call shifts already worked by the employee, as well as by the employee’s seniority.

The Bureau uses call shifts when it is unable to use a Traveler to fill a vacancy, making the size of the Traveler Pool an important factor in how much the Bureau spends on call shifts. A smaller Traveler Pool could mean more call shifts, while a larger Traveler Pool could lead to less need for call shifts, since more absences could be filled by Travelers. Throughout the year, Bureau management adjusts a model of the Traveler Pool to facilitate hiring decisions and management of total personal services costs.

PF&R employees earn overtime pay due to federal law and several labor contract provisions

The federal Fair Labor Standards Act (FLSA) requires the City to pay certain employees overtime (at 150 percent of pay) once a certain number of hours have been worked. FLSA standards were noted as a factor in Citywide overtime spending in our 2009 Audit Report, *Overtime Management: Significant City expenditures lack policies and safeguards* (Report #369A).

For fire suppression employees, FLSA standards dictate that overtime must be paid when an employee works more than 212 hours in a 28-day work period. As law enforcement agents, fire investigators have

a different standard under FLSA, and are paid overtime for working more than 171 hours in a 28-day work period.

FLSA also allows some employees of state and local governments to receive compensatory time (comp time) instead of cash payments at the same rate as overtime pay, meaning that for each extra hour worked, the employee earns 1.5 hours of paid time off. Comp time is available for employees to take as paid leave or to “cash-out” later. The PFFA contract limits comp time accrual to 80 hours at one time, as do many other City union contracts. PF&R pays out any comp time owed the employee at the end of the fiscal year, or, by mutual agreement, it may be carried over to the next fiscal year. This provision is also found in other labor contracts with the City.

PF&R employees earn extra pay or comp time in several ways as dictated by the PFFA contract. For example, employees earn 150 percent of pay for work done outside of their normal shift, which might happen for such reasons as attending a committee meeting or training, being held over beyond a shift, being called back to work, or being required to testify in court. Court time is paid at a minimum of four hours, and call backs are paid at a minimum of six hours, regardless of the actual time worked.

Other contract provisions or less formal agreements with the union are also factors in the amount of overtime and call shift pay earned by employees. One example is that, with some exceptions, the number of employees that can be on vacation at any given time is dictated by contract. At peak vacation times, when all vacation slots are being used, Travelers alone might not be enough to fill the resulting vacancies, meaning that more call shifts will be needed.

In a second example, PF&R has an understanding with the PFFA that due to safety concerns, only a handful of sworn employees can “act up” (work above class) at any given time. This limits the Bureau’s ability to have lower ranking employees fill in for higher ranking employees, which can increase call shift frequency for officers (who earn higher salaries) as compared to firefighters.

As shown in Figure 2, rates of extra pay for extra work have varied, depending on whether a call shift or overtime was used. Beginning June 30, 2012, all categories of extra pay for extra work will be paid at 1.5 times the regular rate of pay.

Figure 2 Categories of overtime at Portland Fire & Rescue

PF&R name	Description	Rate of pay (prior to June 30, 2012)	Rate of pay (as of June 30, 2012)
FLSA overtime	For work in excess of a certain number of hours	1.5 times regular pay	1.5 times regular pay
1.5 overtime	To attend a meeting or training, or for a holdover, callback, court time, or other approved activity (also may be taken as comp time at rate of 1.5 hours off for each hour worked)	1.5 times regular pay	1.5 times regular pay
call shift	To fill a vacant shift or partial shift	1.25 times regular pay	1.5 times regular pay

Source: Audit Services Division summary of PF&R information

Audit Results

Management committed to good service, but should improve the culture of resource stewardship

Clearly defined rules, policies and communication of objectives and expectations are management tools needed to safeguard public resources, which is especially important when employees are being paid at rates beyond their normal salaries. When there is extra pay, there should be added scrutiny and management of public resources.

Although PF&R cannot be expected to eliminate the need to pay employees additional compensation to work outside their normal schedules, it should keep a close watch on the use of extra pay because funding is limited, and because there are competing demands

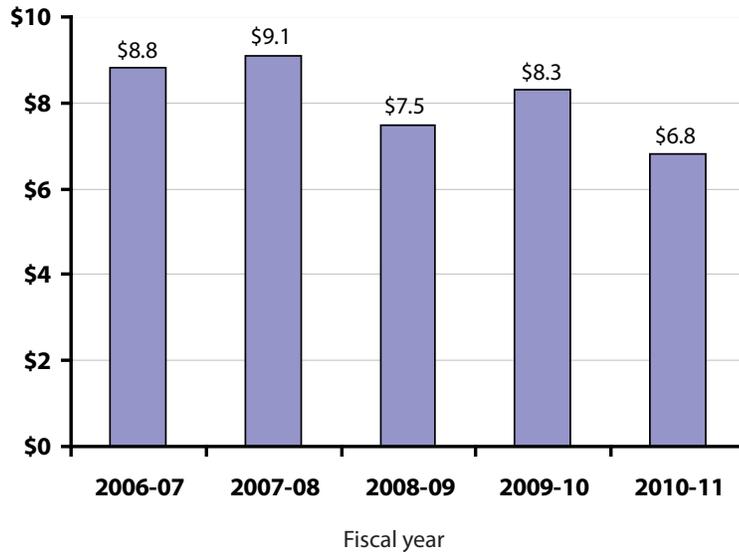
on the City's resources. Regular analysis of detailed information about how and why employees earn extra pay should be a key part of the Bureau's operational strategy to ensure that services are provided at the minimum cost necessary.

Good stewardship of public funds is more likely to occur in an environment where the "tone at the top" about the use of extra pay is strongly stated, and is effectively and regularly communicated through the ranks. This tone should reflect management's commitment to its public safety mission, but also to safeguarding public resources. In all cases, the culture of a public agency should be rooted in providing service to the community as efficiently and effectively as possible. While procedures for authorization and proper use are important, employees should have a clear understanding of management's mindset on resource management, especially in cases where extra pay is available.

While overtime and call shifts are significant categories of Bureau spending, in many cases, the culture we encountered at the Bureau and that was described to us did not reflect a consistent commitment to limiting their use. Managers talked about call shifts, in particular, as inevitable or a "necessary evil," and few managers expressed a need to limit their use as much as possible. The Bureau's view that call shifts are something other than overtime - in some cases it calls them "replacement time" - obscures the fact that call shifts are an expensive way to fill vacancies and that there are different angles from which managers can work to limit their use. Some strategies may require the Bureau to negotiate the terms of its contract with PFFA.

According to the Bureau, in FY 2010-11, PF&R employees earned a total of \$6.8 million in overtime and call shifts combined, and an additional \$30,000 in comp time payouts. Over the past five years, overtime and call shift payments (not including comp payouts) have averaged \$8.1 million per year, or 10.5 percent of the Bureau's personal services budget (inflation adjusted). Call shifts typically account for 75 to 80 percent of Bureau spending on overtime and call

Figure 3 Overtime and call shift expenditures (millions, adjusted)



Source: Audit Services Division analysis of PF&R data
Note: Data does not include comp time payouts

shifts combined. In FY 2009-10, PF&R estimated that increasing the rate of call shift pay to 150 percent of salary would add approximately \$600,000 to annual call shift spending.

There is a wide range of earnings among employees eligible for overtime and call shift pay, with some earning very little, and a few earning more than \$40,000 in extra pay per year. Some positions tend to earn more than others in overtime and call shift pay, and in some cases the extra earnings are a substantial addition to the employee's regular pay. Overall, we found that in FY 2010-11, 623 of all City employees earned \$100,000 or more per year, and 206 of these top earners (33 percent) were Fire Bureau employees. More than a quarter - 28 percent - of the Bureau's employees earned over \$100,000 in the last fiscal year.

New PF&R overtime policy tightens internal controls but lacks a strong “tone at the top” statement

Soon after our audit work began, the Bureau issued a memorandum from the Fire Chief on the overtime approval and monitoring process. In the memo, the Chief noted the need to “more effectively budget for and monitor the use of overtime within PF&R.” Prior to the release of the memo, overtime requests did not always require signoffs at the division chief level, which in a hierarchical organization meant that many levels of employees had sign-off powers for other employees. In one example of a problem associated with this, a supervisor was signing off on overtime for a lower level employee, who was also a supervisor and who was himself signing off on overtime for his subordinate for similar work. This is a problem because it may lead to an unnecessary duplication of effort.

Although the new policy contained in this memo is an improvement, it stops short of expressing a strong management statement about the need to spend as little as possible on overtime. The memo states the need to *monitor* the use of overtime, rather than the need to *minimize* overtime. As a result, the policy is more of a procedural directive than a strong statement of management’s commitment to minimizing overtime.

The memo formalizes the existing practice of designating certain uses of overtime as “preapproved,” meaning an employee only needs the approval of a supervisor, rather than a division chief. Division chiefs are required to send the Bureau’s Senior Business Operations Manager a list of preapproved overtime activities at the start of each fiscal year. During the course of our audit work, the list of preapproved uses of overtime went through two iterations, which resulted in 40 different activities being listed. According to the Bureau, most of the overtime submitted has been for preapproved items. While it might save time to have preapproved uses of overtime, it will be important for the Bureau to continually ensure that items on the list are worthy of “preapproved” status.

Detailed tracking of spending categories has been challenging due to implementation of the City’s new business system

PF&R’s efforts to track categories of expenses over the course of time, or by employee or expense type, has been challenging. During the changeover from the City’s former business system to the current SAP system, pay categories were renamed, and in some cases reconfigured, making “apples to apples” comparisons across time difficult. Bureau officials told us that in some cases they have to devise “work-

arounds” to categorize overtime and call shift data correctly. The data we received from the Office of Management and Finance’s accounting division on individual overtime and call shift pay included pay that does not meet the definition of either overtime or call shift pay.

In another example, SAP does not allow the Bureau to separate out overtime earned as a result of FLSA requirements from overtime earned as a result of the Bureau’s own rules, making it difficult for employees to know whether or not their paychecks are accurate, and for Bureau management to easily track categories of spending.

As we gathered data for this audit, the Bureau told us that they had concerns that “pre-SAP” and “post-SAP” data might not be comparable, since there have been so many challenges in categorizing data correctly in SAP. In addition, the Bureau told us that in some cases SAP locks them into reports that are not flexible.

According to the Bureau, the City’s old timekeeping system allowed payroll staff to more easily record comments about the use of overtime, and that in some cases it is either impossible or too cumbersome to use SAP for these purposes. The Bureau is working with the Office of Management and Finance to address these issues. For more on the topic of SAP, see our 2010 Audit Report: *Business System Software Implementation: Expensive, late, and incomplete* (Report #392).

The Bureau is making better efforts to track causes of overtime

Prior to our audit work at PF&R – and separate from any difficulties the Bureau is having with SAP – Bureau division chiefs were not all requesting or receiving overtime information. In a few cases, managers were aware of areas in which employees work a lot of overtime, but to some extent the Bureau did not appear to have a proactive approach to identifying or addressing areas of high overtime use.

As required by the Fall 2011 Chief’s memo, the Bureau’s Management Services Division is now providing a monthly overtime report to the Bureau’s top managers for review. MSD began distributing these reports soon after our audit work began. The earliest version of these reports showed the employee name, number of hours worked, date overtime earned, whether the overtime was taken as pay or accrued as comp time, and in some cases the spending category to which

overtime was charged. These early reports did not describe the activity, sort the data by activity, or show dollar amount by person and activity.

Bureau staff told us that at the time they were not able to track overtime spending in as much detail as they would like. Also, MSD was giving each division chief a report for his or her division only. The information that forms the basis for these reports is found in the Bureau's overtime authorization forms. Before our audit work began, employees were sometimes filling out overtime authorization forms with insufficient detail to provide an understanding of why the overtime was to be used. By the end of our audit work, the Bureau had modified its overtime authorization form to make tracking causes of overtime easier.

Figure 4 PF&R overtime reporting: contents and distribution of reports

	Fall 2011	Spring 2012
Includes employee name, date, hours earned	Yes	Yes
Indicates if overtime paid or accrued as comp time	Yes	Yes
Includes code to categorize purpose of overtime	Sometimes	Yes
Includes brief description of overtime activity	No	Yes
Sorted by activity	No	Yes
Sorted by person	Yes	Yes
Includes dollar amount by person and activity	No	Yes
All reports given to all division chiefs	No	Yes

Source: Audit Services Division analysis of information and reports obtained from PF&R

By the time we ended our audit work, the overtime reports had undergone a number of improvements: each division chief was given all reports for the Bureau, the reports had become much more detailed, and all entries included a code to categorize the purpose of the overtime. Also, the most recent version of the overtime reports were sorted not only by person, but by activity, included descriptions of each activity, and included dollar amounts by person and by activity. In other words, the Bureau has begun to improve its ability to track detailed information about spending on overtime.

The overtime reports are an important first step in Bureau management gaining a more thorough understanding of how overtime is being used, but will only be meaningful if management uses them to identify and follow through on cost reduction opportunities. These reports are produced on a monthly basis. Ideally, they would also be produced on a quarterly, semi-annual, and annual basis to show overtime in the aggregate. Bureau management has expressed a willingness to reduce overtime expenditures by reducing the use of overtime for committee work and other bureau-supported activities while off-duty, and included a reduction in its requested budget for these activities. There may be other activities performed on overtime that might be performed on straight time, and these reports are an important step in identifying those activities.

PF&R call shift policy focuses only on procedures, and does not state that management is committed to the efficient use of call shifts

Although call shifts have historically consumed between 75 and 80 percent of the Bureau's spending on extra pay for extra work, the Bureau does not have a policy that states the importance of their efficient use. Instead, the Bureau has a procedural document covering the process by which EOPS staff sign up for call shifts and how call shifts are assigned by Bureau headquarters staff. The document does a good job explaining a variety of rules related to call shifts, but does not state that management is committed to using call shifts only when necessary. Staff in the Prevention Division have recently developed their own procedural document, based on the EOPS call shift procedures.

A different set of reports are available that include call shift spending, but not all divisions request or receive these reports

In addition to the overtime reports discussed above, Bureau staff produce a report that shows, by employee, any activity paid at more than straight time, including call shift pay, overtime pay and comp time accrual. This monthly report is known as the “CATS_DA” report, and is produced because Prevention Division and EMS staff request the information. No other divisions request or receive this report. The report could be of significant value to all managers, because it gives a snapshot view of all instances in which an employee works for extra compensation. EMS staff told us that the reports are used only to track reimbursable expenses, such as for paramedic training. The Prevention Division uses them for this purpose as well, but also tracks cost recovery rates for fee-bearing services, and to do some overall analysis of the use of call shifts and overtime.

Although these reports contain valuable information, they are cumbersome, and could be retooled to convey additional information in a more user friendly way, or additional reports could be created. For example, the Bureau could provide all reports to all managers with summary information broken down in several different ways: totals and individual items by person, by activity, by job title, and by type of extra pay (call shift, overtime, comp accrual).

Further reporting on call shifts could include:

- reason for call shift use (sick leave, vacation leave, etc.)
- call shift use by day of the week
- call shift by time of the year

A variety of “slices” of data could improve understanding of how call shifts are being used, which will be essential for the Bureau to ensure that call shifts are used efficiently and ensure that there is not abuse. Without more detailed reports showing how and why call shifts are used, it would be difficult for the Bureau to know if all call shifts used were unavoidable, or to identify operational changes that could be used to reduce future call shift use.

The Bureau has taken only limited steps to analyze and control call shift use

We found that the Bureau's management of call shifts is primarily focused on a few areas:

- determining the point at which hiring Travelers becomes cost inefficient as compared to using call shifts
- estimating the number of sworn employee retirements that will occur each year
- filling some EOPS vacancies with existing employees when possible on a day-to-day basis
- monitoring year-to-date spending on call shifts as compared to the overall personal services budget, and as compared to the previous year's spending on call shifts

Traveler Pool

Determining the optimal size of the Traveler Pool, and planning hiring around that analysis, is a key component of minimizing call shift use in EOPS. Unlike employees working call shifts, Travelers are paid at straight time with no premium pay, and, on average, are paid at a lower rate than existing (and more senior) employees who sign up for call shifts.

The Bureau determines the ideal size of the Traveler Pool using a model that takes a number of factors into account, and estimates the most cost-effective number of Travelers for the Bureau to have on staff. The estimate takes such expenses as Traveler Pool salary, some benefits, and training into account, and contrasts the per-Traveler cost with the costs of having existing firefighters work a call shift. The call shift estimation part of the model includes an average of the various premiums that existing employees working call shifts receive (for paramedic and other specialty pay).

The Traveler Pool model is a useful tool, but it has some limitations. The model does not include positions other than firefighters, even though there are officers in the pool, and officers earn more than firefighters. Also, the model does not always reflect the full costs to taxpayers of either Travelers or call shifts, since it does not always include retirement and disability costs associated with hiring new

firefighters or having existing firefighters work call shifts. As noted in our 2011 audit report: *Fire and Police Disability and Retirement: Improvements resulted from 2006 Charter reforms, but significant fiscal challenges remain* (Report #408), the costs of providing pensions for both current and future retirees of PF&R and the Portland Police Bureau are rapidly increasing, and are not expected to peak for many more years.

Call shifts are becoming more expensive for taxpayers because employees working call shifts have a higher rate of pay as of June 30, and also because employees hired since January 2007 are covered by the Oregon Public Employees Retirement System (PERS). These employees' overtime and call shift pay is a factor in both the City's PERS employer contribution, and the final average salary used to calculate retirement benefits. That is not true for employees covered by the FPDR pension program, who were hired before the 2006 City Charter reforms went into effect. The number of employees covered by PERS will grow over time, and these employees will work an increasing share of the Bureau's call shifts, as well as earning overtime pay.

The Traveler Pool model we received from the Bureau indicates that the ideal size of the Traveler Pool is between 18 and 39 firefighters, with 30 Travelers offering the most savings to the Bureau, at \$384,000 per year. According to the model, Travelers become more expensive than using call shifts when there are 51 or more Travelers in the pool.

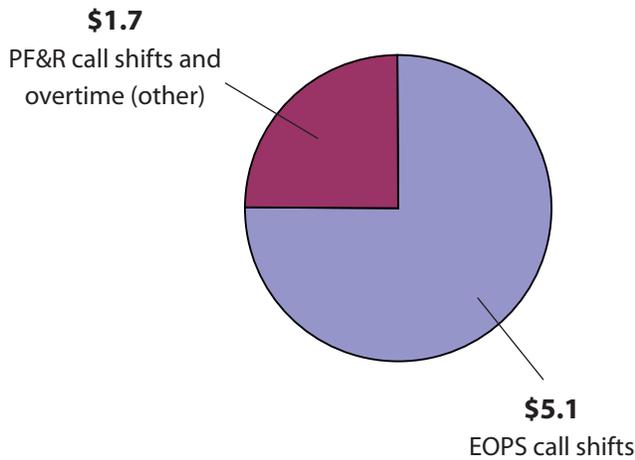
Projecting retirements

Bureau forecasts of retirement rates are another factor in deciding how many new firefighters to hire into the Traveler Pool. The workforce is aging, meaning that an increasing number of employees will be eligible for retirement. However, fewer employees than the Bureau projected retired in 2010-11, and Bureau managers told us that it can be difficult to anticipate retirements accurately. The Bureau told us that an uncertain economy may be among the reasons that employees remain in their jobs longer than the Bureau anticipated.

Emergency Operations Division staffing

As the Bureau's largest division by far, with most employees assigned to positions that the Bureau uses to achieve "minimum staffing," the Emergency Operations Division has the highest level of spending on call shifts, as shown in Figure 5.

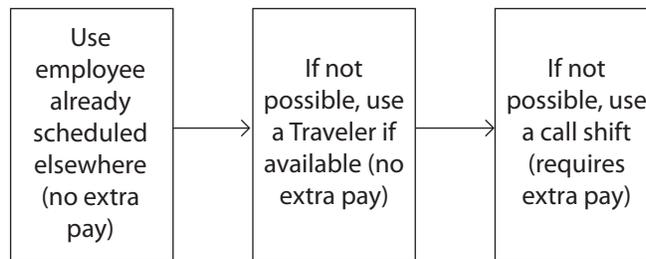
Figure 5 2010-11 EOPS call shift expenditures (millions)



Source: Audit Services Division analysis of PF&R data

EOPS has a process in place to help minimize the use of call shifts by EOPS employees on a day-to-day basis. Using this process, Bureau headquarters staff (BHQ) are notified when an EOPS employee is not able to report for duty, and have primary responsibility for filling the position. First, BHQ determines if an employee already on the schedule can be moved from one spot to another to fill the vacancy. If that is not possible, BHQ determines if a Traveler is available. If not, BHQ staff uses a call shift. To do so, they use the Bureau's call shift system to determine which employee is eligible for the next call shift, which factors in the number of call shifts already worked during the current year, as well as the seniority of the employee requesting the call shift.

Figure 6 Steps Bureau takes to fill a vacant EOPS shift



Source: Audit Services Division summary of PF&R information

EOPS employees are only rarely used to fill in for a vacant position that is of a higher rank than their own, and the Bureau told us that this practice is limited by agreement with the union out of concern that employees are not working above a level for which they are qualified.

Increased commitment to operational efficiency may help Bureau achieve savings

During the course of our audit, managers conveyed some options for the Bureau to achieve its mission more cost-effectively. In addition to the examples we identify below, in an early discussion of this report, Bureau management noted that other specialty groups with few members – for example, harbor pilots – contain employees with high levels of extra earnings. With further analysis and effort in these and other areas, the Bureau may discover a variety of ways to provide services with less overtime and fewer call shifts.

Investigators

According to the Bureau, call shift rates for investigators are a concern. At the time of our audit work, only limited steps had been taken to address this challenge, although the Bureau has recently begun to explore a schedule change that may help reduce investigators' call shift use. The most recent budget proposal includes a reduction of \$70,000 in this area, pending successful negotiations with the union.

According to the Bureau, other causes for investigators' high rates of call shift earnings are:

-
- There are a small number of investigators,
 - The investigators have no Traveler Pool positions,
 - The Bureau investigates a high percentage of fires, and
 - There are no restrictions on when vacation is taken.

In addition, investigators are law enforcement officers, giving them a broad scope of responsibilities in fire investigations, as well as a lower threshold at which FLSA overtime pay begins. According to the Bureau, in other cities, investigators are generally not law enforcement agents.

Battalion chiefs

In general, the Bureau only occasionally has employees work out of class to fill in for absent employees. In the case of battalion chiefs, the Bureau tends to have battalion chiefs work call shifts for each other, rather than have captains work out of class to fill in, with the exception of the Bureau calling on a captain who is on the promotion list to fill in for a battalion chief on injury leave, which can be a prolonged absence. Battalion chiefs work an average of more than 12 call shifts per year, and battalion chiefs are among the City's top earners. In addition, as senior employees, battalion chiefs earn vacation time at higher rates than lower ranking employees, may have a lot of vacation saved, and have no restrictions on when they can take vacations. Some Bureau staff indicated that it might be possible to have captains "act up" as battalion chiefs more often.

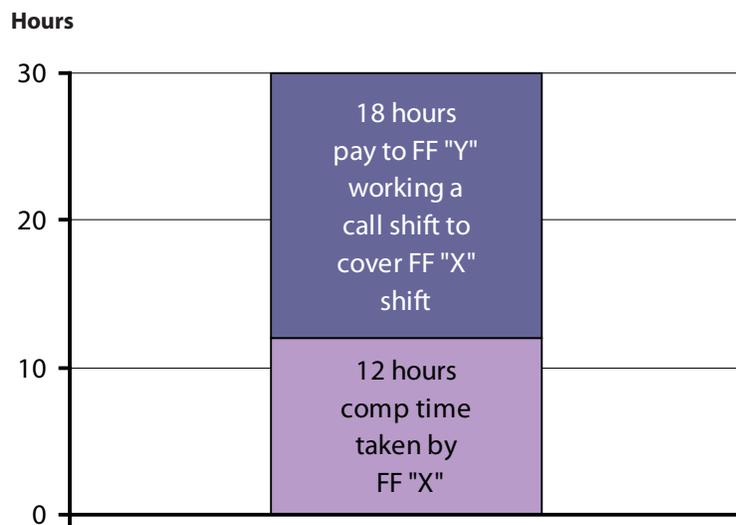
Backfilling and training done off duty

There are some situations in which the Bureau has to "backfill," or pay more than one employee simultaneously in order to have coverage of one vacant shift. In one example, if a firefighter whose job must always be covered goes to an 8-hour class during off-duty time, the firefighter can choose to be compensated by claiming 12 hours of comp time during a subsequent on-duty time. Another firefighter must then fill in for the first firefighter, and that second firefighter must be paid at one-and-one-half times the normal rate, which means that, from a cost perspective, it is as if that replacement firefighter worked 18 hours. As a result, an 8-hour training requiring 12 hours of coverage can cost the equivalent of 30 hours of pay (12 hours of pay to the first firefighter plus 18 hours of pay to the

second firefighter), or, stated differently 250 percent of what it would normally cost to cover 12 hours. According to the Bureau, PF&R is addressing this issue.

One specific example of a situation in which this happens is when a firefighter paramedic is allowed to complete required training on his or her off-duty time, which means they either earn overtime pay or accrue comp time that they can claim later. If they choose to take comp time, a call shift will need to be worked by someone else, leading to the need for “backfilling” if a Traveler cannot be used to fill the vacancy. Even if the firefighter paramedic does not choose to take comp time, the employee is earning overtime for training that is a job requirement.

Figure 7 Cost of backfilling 8 hours of training completed by firefighter “X” on off-duty time



Source: Audit Services Division analysis of PF&R information

Other operational changes

In addition to the examples described above, the Bureau may find other areas in which savings in call shifts and overtime can be achieved. In many cases, the changes will require revisions to the contract with PFFA.

Objectives, Scope and Methodology

The objectives of this audit were to determine how Portland Fire & Rescue is managing the use of overtime and call shifts, and to determine if the Bureau has adequate processes in place to manage overtime and call shifts. We did not analyze overtime and call shift management from the perspective of equity among employees, but from the perspective of good resource management.

To accomplish these objectives, we reviewed applicable federal law as well as literature from the Committee of Sponsoring Organizations of the Treadway Commission on internal controls, and best practices documents and professional literature on overtime management. We reviewed our own audits, as well as those from other cities; the websites of industry-specific professional associations; PF&R's policies and procedures and other documents, reports, and models produced by PF&R; City administrative rules; the contract between the City and the Portland Fire Fighters' Association; and reports of the Fire and Police Disability and Retirement Fund. We analyzed overtime and call shift spending data provided by PF&R, as well as overtime and call shift data from the Office of Management and Finance.

We interviewed the Fire Chief and PF&R division chiefs, other PF&R management and staff members, the Commissioner-in-charge, the head of the Portland Fire Fighters' Association, and the City Attorney's office. We also spoke with the City economist, the City's Central Accounting staff, and staff members of the International Association of Fire Chiefs, the International Association of Fire Fighters, and the National Fire Protection Association.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Recommendations

To provide better stewardship over limited resources and increase oversight of call shifts and overtime, we recommend that the Commissioner-in-charge direct the Fire Chief to:

1. Strengthen the “tone at the top” to emphasize a commitment to minimizing the use of overtime and call shifts as a means to protect scarce public resources.
2. Pursue greater efficiency of operations in terms of minimizing the use of call shifts and overtime. These may involve operational, scheduling, training or work rule changes, some of which may involve changes to the City’s contract with the PFFA.
3. Substantially increase routine analysis and reporting of all types of overtime and call shift spending and distribute reports to all division chiefs. Include individual earnings, average earning by ranking and specialty, causes of overtime and call shifts, and other detailed analyses as discussed in the report, with the goal of identifying savings.
4. Ensure that Traveler Pool vs. call shift analysis used by the Bureau includes all pension and disability costs (FPDR and PERS) of both Travelers and employees working call shifts. Continue to monitor this balance in light of call shift rate increase and PERS rules on retirement calculation that benefit employees who work overtime.
5. Report annually to City Council on progress made towards reducing overtime and call shift spending.

RESPONSES TO THE AUDIT



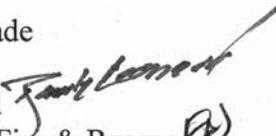
PORTLAND FIRE & RESCUE



Randy Leonard, Commissioner
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Date: June 15, 2012

To: Auditor LaVonne Griffin-Valade

From: Commissioner Randy Leonard 
Chief Erin Janssens, Portland Fire & Rescue 

Subject: Response to Audit Report #418, More Active Management of Overtime and Call Shifts Needed for Good Stewardship of Limited Resources

Thank you for the opportunity to provide response feedback for Audit Report #418, *More active management of overtime and call shifts needed for good stewardship of limited resources*. We appreciate the Auditor's review of both overtime and call shift utilization at Portland Fire & Rescue (PF&R). As you know, PF&R has already taken proactive steps to reduce these overtime costs by over \$500,000 in FY 2012-13 as the bureau continues its commitment to maximizing its efficient use of public resources.

We need to note that PF&R must provide minimum staffing levels to adhere to unique operational scheduling requirements, National Fire Protection Association safety recommendations, strict public safety response reliability standards, and the City's contract with PFFA. Due to these parameters, reducing call shifts and related overtime is not always possible. However, PF&R has performed extensive call shift and Traveler Pool data collection and analysis for many years. Using this information, PF&R has strived to maintain the Traveler Pool staffing level within an optimal range that allows the bureau to reduce call shift expenses while meeting numerous mandates. In addition, PF&R has taken other proactive steps to minimize costs and provide the most fiscally responsible alternative to call shift overtime usage. These measures include acting up eligible firefighters to officers to reduce higher-cost officer call shifts, as well as back filling absent premium pay assigned firefighters with less expensive traveling firefighters while maintaining PF&R's advance life support and special rescue capability.

PF&R believes our model of minimizing *total* personal services expenditures is a more important goal for good stewardship of public resources than limiting only call shift-related overtime costs. For example, hiring additional firefighters for the Traveler Pool and other staff reduces call shift and overtime usage, yet also carries significant salary and benefit costs that outweigh call shift-related overtime. We attempt to utilize these costs to minimize even greater ongoing personnel and pension costs to the taxpayers.

PF&R has effectively and efficiently managed its personal services and other financial resources to maximize its service delivery, despite significant budget cuts totaling \$15.8 million ongoing and \$4.2 million one-time reductions since FY 1998-99. Nevertheless, PF&R is very open to practical suggestions that can continue to improve bureau management and efficient use of public resources.

Thank you for your work on this audit and for your assistance to Portland Fire & Rescue.

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Portland Fire & Rescue: More active management of overtime and call shifts needed for good stewardship of limited resources

Report #418, June 2012

Audit Team Member: Martha Prinz

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandoregon.gov/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Residential Solid Waste: Customer rates accurate, but monitoring should continue (#429, June 2012)

Portland Water Bureau: Further advances in asset management would benefit ratepayers (#405, June 2012)

Portland Housing Bureau: Bureau acting on risks, although more remains to be done (#421, May 2012)





POLICE OVERTIME:

Most recommendations implemented,
but more could be done

A REPORT FROM THE CITY AUDITOR
February 2008



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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February 15, 2008

TO: Tom Potter, Mayor
Sam Adams, Commissioner
Randy Leonard, Commissioner
Dan Saltzman, Commissioner
Erik Sten, Commissioner
Rosanne Sizer, Chief of Police

SUBJECT: *Audit – Police Overtime: Most recommendations implemented, but more could be done* (Report #361)

Attached is Report #361 containing the results of our audit of police overtime. Mayor Potter, Police Chief Sizer, and managers within the Portland Police Bureau have reviewed report drafts, and we have included their written responses at the back of this report.

We make several recommendations in the report, and as a result we ask the Police Chief, through the Mayor's Office, to provide a status report on implementation of those recommendations within one year.

We appreciate the cooperation and assistance we received from Portland Police Bureau personnel as we conducted this audit.


GARY BLACKMER
City Auditor

Audit Team: Drummond Kahn
Ken Gavette
Kristine Adams-Wannberg
Martha Prinz

Attachment

POLICE OVERTIME:

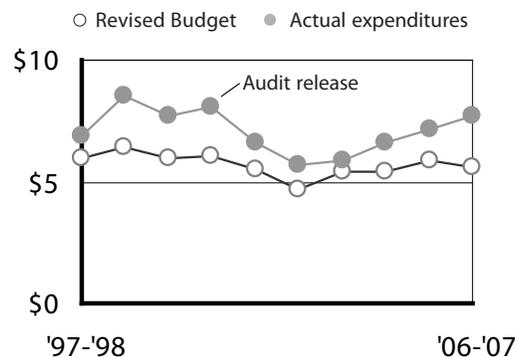
Most recommendations implemented,
but more could be done

Background

In 2000, the Auditor's Office published an audit report on the Portland Police Bureau's use of overtime, *Portland Police Bureau: A Review of Overtime Management Systems*, November, 2000. Overtime expenses were increasing, with the Bureau consistently spending more than its overtime budget on a variety of activities, often by as much as \$2 million. We made several recommendations to help the Bureau control its use of overtime.

In the two years following the release of our audit, overtime expenditures declined by about 30 percent. Since 2003, however, actual expenditures for overtime, as well as the gap between budget and actual expenditures, have increased. The Bureau has generally covered that difference with savings from personnel vacancies. Figure 1 shows the relationship of the Bureau's discretionary overtime budget to its actual expenditures.

Figure 1 **Portland Police Bureau discretionary overtime**
(in millions, adjusted for inflation)



Source: Portland Police Bureau Overtime Management System

Our prior audit noted that, according to available literature, a certain amount of overtime is unavoidable in police work. Overtime charges cannot be eliminated completely because of inevitable court appearances, shift extensions, and unpredictable events. In addition, we found:

- Most other police agencies spend less than 6 percent of their total budget on overtime. According to the Office of Management and Finance, the Police Bureau is generally below that.
- Even though the Bureau stays within its total personnel budget, excessive overtime can result in officer exhaustion, lower morale, and an expectation of overtime pay.
- Overtime is generally more expensive than regular pay and results in less police work.

Our earlier audit found opportunities for improvement in four major areas:

- Internal controls
- Patrol Officer availability
- Limiting accrual of compensatory time
- Recovery of special event costs

For this report, we revisited the Bureau's management of overtime spending as part of the City's annual budget process. Specifically, we reviewed the Bureau's process in implementing our recommendations.

Objectives, scope and methodology

To accomplish this objective, we reviewed Bureau documents, including Bureau audit responses, annual budgets, work plans, performance reports, internal memos, and the Bureau's Manual of Policy and Procedure. In addition, we reviewed internal reports on staffing, overtime management, and spending. We also reviewed current labor agreements, court rulings, and City Code and administrative regulations governing special events.

We conducted a review of overtime variance reports to determine the extent to which overtime management reports are collected from Bureau supervisors and used for decision-making.

We interviewed Police Bureau staff, including senior managers and precinct supervisors, and Revenue Bureau staff in charge of special events.

We compared current Bureau efforts to control overtime to those we recommended in the 2000 audit. We realize that over several years, circumstances may have changed the relevancy and practicality of prior recommendations. Thus, we did not attempt to verify that each recommendation was implemented exactly as written. Rather, we sought to assess whether the Bureau has made progress toward implementing the spirit, if not the letter, of the recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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.

Summary

We found the Bureau has taken significant steps to improve management of overtime since our last audit. Specifically:

- Many audit recommendations have been implemented.
- Additional management initiatives have been taken to address overtime issues.
- Further improvements could be made by more fully implementing prior audit recommendations and those made in this report (page 11).
- "Personnel shortage" continues to be the largest category of overtime spending and needs to be addressed.

Internal controls

Good internal controls are necessary to ensure public resources are safeguarded against waste, fraud and abuse. Examples of good internal controls are proper authorizations for overtime, accurate payments for time worked, verification processes, good management reports, and a strong statement of ethical values and commitment to reducing overtime.

Our prior report found a generally strong authorization process, segregation of duties, accurate payment calculations, and good data collection. However, we found that timekeeping policies and procedures were out of date and did not reflect major timekeeping and labor contract changes, that there was inconsistent communication of policies and procedures among payroll staff and to operations personnel, and that management reports were not very useful.

In our 2000 audit, we recommended:

- An updated basic statement on overtime timekeeping that clarifies rules, emphasizes the importance of controlling overtime usage and is readily accessible to employees.
- Improved communication of policies and procedures among payroll staff and with Operations personnel.
- Improvement to the overtime database to generate more useful reports and also better reflect periodic adjustments made in the City's financial system.

In the current audit, we found:

- Overtime policies were revised and updated in 2001, 2002 and 2003 and are available in guidebook format for all employees.

-
- More restrictive practices have been enacted for overtime approval, including prior approval for late report-writing and discretionary overtime use in general, and for court overtime.
 - A Lead Accountant was hired to help train and communicate timekeeping policies and procedures to payroll accountants and to other Bureau managers.
 - Improved overtime reporting was implemented in the form of the Overtime Management System. For example, the Chief's Overtime Report shows each Division's overtime spending as compared to budget. Supervisors must explain overtime use when they exceed 5 percent of their Accounting Period budget. They also must present a plan to get back into alignment with the budget during the remainder of the fiscal year.

However, we found several areas that could use additional attention:

- The Manual of Policy and Procedure (MPP) lacks a strong statement on the need to control overtime.
- In general, interviews with Bureau staff showed a resigned sense that personnel shortages will continue to have an impact on the need for overtime as long as the Bureau is less than full strength.
- Written communications to Bureau managers from the Chief stressing the need to control overtime are rare. Although Branch Chiefs developed overtime reduction strategies with their respective staffs in 2006, according to the Bureau, the most recent overtime policy memo from the Chief to managers was written in 2002.
- Variance reports have not been submitted consistently. In addition, explanations are sometimes vague (i.e., they seem *pro forma*) or are missing altogether. Few supervisor reports included plans for how to get back on track.

Patrol Officer availability

Our prior audit found that “personnel shortage” (i.e., need to cover minimum staffing requirements) was a significant component of overtime spending (\$1.6 million in FY 1999-00). According to Bureau reports, personnel shortage is the largest single category of overtime at about \$2 million in FY 2006-07.

In 2000, we found that the availability of officers for patrol duties was affected by:

- Trained officers being used in various Bureau positions where civilians might be equally or better qualified, and more cost effective.
- Some precinct shifts which had more officers than minimum staffing requirements, while adjacent precincts had less. The result was that precincts with less than the minimum needed to ask officers to work extended shifts or come into work, while adjacent precincts had more officers than needed.
- Specialized units used many potential Patrol Officers (we estimated 182 at the time), but lacked good management information to track performance and support staffing and strategy decisions.

In our 2000 audit, we recommended:

- The Bureau pursue opportunities to free officers for policing duties by adopting a civilianization policy and beginning a review of specific opportunities to employ civilians.
- The Bureau encourage precinct supervisors to share officers on a short term basis with other precincts when appropriate.
- The Bureau mandate that all specialized units develop performance measures in order to review the continued need for special unit assignments.

The Bureau has taken steps to improve officer availability in several areas:

- The Bureau has made good progress in adding civilians, particularly in key positions such as Human Resources Manager and Fleet Coordinator.
- Instead of sharing officers on a whole-shift basis, supervisors ask for short-term help from adjacent precincts to cover calls when they get very busy.
- The Bureau tracks the actual number of officers available to each precinct and rebalances assignments each month based on call volume. The goal is to maintain each precinct's staffing to within 1 percent of targets based on the total number of officers available.
- The North and Northeast Precincts have been combined during certain shifts to more efficiently use officers and supervisors.
- The Bureau is purchasing a telecommunications product that allows officers to enter their availability for overtime and be automatically notified when needed. It can be programmed to follow labor rules and policy guidelines so that only officers meeting certain criteria are notified
- The number of officers assigned to non-patrol, special units has decreased.

Two items from our previous audit still need to be addressed.

- The Bureau has not adopted a civilianization policy. A formal policy will ensure that the momentum toward greater civilianization continues. A good policy will also clarify what types of positions should be considered for civilianization and will spell out the Bureau's commitment to, and procedures for, civilianization.
- Although we estimate the number of officers assigned to specialized, non-patrol units has decreased in recent years, the Bureau has also discontinued work on performance

measures for these units. Performance measures are important for any organization, even those as small as some of the specialized policing units. Performance measures help managers determine a unit's effectiveness and, importantly, when goals have been achieved and officers may be released to other duties.

Use and accrual of compensatory time

Compensatory time accrual can become a significant liability for the Bureau. Our prior audit found that compensatory time was decreasing, but was still at \$1.7 million. Our current audit found accrual trends continuing downward, but at 44,872 hours as of November, 2007, still represented a sizable liability of \$1.4 million. Compensatory time generally results in less policing because it is not an hour-for-hour trade for time worked. It is accrued at 1.5 hours for each hour worked. In addition, the type of work for which overtime is used (for instance, a festival or parade) might not be as important as regular patrol duties that may later be missed.

In our 2000 audit, we found that labor contracts allowed more costly options than necessary with regard to accumulating and compensating officers for compensatory time. For example, labor contracts allowed earning comp time on grant-funded activities, and stipulated that comp time could be taken off at the accumulated rate of 1.5 times the hours actually worked (instead of being paid for the time). These conditions can be negotiated in labor union contract talks.

In our 2000 audit, we recommended:

- Labor contracts not allow earning compensatory time on grant-funded projects.
- Labor contracts stipulate that compensatory time be taken on an hour-for-hour basis with the extra half taken in cash payment.
- City Human Resources and Attorney fast track review of a labor decision allowing governments to mandate that compensatory time be used within a certain time period.

In our current audit work, we found:

- The City's contract with the police union now includes a provision to not provide compensatory time for grant-related activities. Grant-funded overtime must be paid in cash.
- The City Attorney has provided helpful guidance to the Bureau on relevant court cases dealing with the use of compensatory time.
- The City's contract with the police union has not been amended to stipulate that compensatory time be taken on an hour-for-hour basis, with the extra half hour taken as pay. The Bureau has indicated this may be done in future contract negotiations.

Revenue recovery from special events

Our prior report found that the majority of special events were covered on overtime, rather than straight time, and that overtime expenditures related to community festivals, parades, fun runs, etc., represented about 6 percent to 10 percent of all overtime expenditures. At that time, the Bureau only recovered about 4 percent of these costs. The Revenue Bureau is responsible for setting fees for these special events.

In our 2000 audit, we recommended:

- The Mayor's Office ask the City Council to direct the Bureau of Licenses to review its fee policy for recovering costs from special events and community festivals.

In our current audit work we found that, although Bureau costs are hard to estimate, it is clear that fees still do not come close to recovering the full costs of special events. For example, in Calendar Year 2006, the Traffic Division spent \$363,000 in overtime for special events, while in FY 2006-07 they recovered only \$48,000. One specific example of an event is the annual Bridge Pedal, which cost the Traffic Division \$22,312 in FY 2006-07. According to the current rate schedule, the Bureau is set to receive only \$1,195. This is the largest fee the Bureau can recover from any special event.

The number of events seem to be increasing, according to Bureau staff. The Revenue Bureau reports there were 119 permitted special events in 2007, up from 96 events in 2006, and 103 in 2005. These do not include other events such as dignitary escorts, or events where police services are requested.

A Police Bureau proposal for a three-year phased-in cost recovery has not been acted upon, but representatives from the Revenue Bureau said they will be leading a multi-bureau focus group on this issue.

Recommendations

In order to build on current Bureau initiatives to control overtime use, we recommend the Mayor direct the Police Bureau to:

1. Strengthen language in the Manual of Policy and Procedure (MPP) concerning the need to control overtime, and consider adding strategies from the Work Plan to the MPP.
2. Regularly reiterate a commitment to controlling overtime, along with suggested overtime reduction strategies.
3. Clarify the need for, and use of, the variance reports.
4. Monitor the implementation of the new accounting system to insure integrity of timekeeping information.
5. Adopt a civilianization policy such as the International Association of Chiefs of Police model policy.
6. Proceed with efforts to develop reliable, relevant, performance measures for specialized units.
7. Seek to amend labor contract to stipulate that compensatory time be taken on an hour-for-hour basis, with the extra half hour taken as pay.

We recommend to the Mayor's Office:

8. Bring forth proposals to recover special event costs for City Council consideration.

RESPONSES TO THE AUDIT



Office of Mayor Tom Potter
City of Portland

MEMORANDUM

Date: January 31, 2008

To: Gary Blackmer, City Auditor

From: Tom Potter, Mayor 

CC: Commissioner Sam Adams
Commissioner Leonard
Commissioner Saltzman
Commissioner Sten
Chief Rosie Sizer

RE: Response to Police Use of Overtime Audit

I would like to thank Auditor Blackmer for his work on the report to assess the progress of the Portland Police Bureau in implementing the recommendations of the November, 2000 Use of Overtime audit. The recommendations have helped the Bureau to improve its management of its overtime budget and the monitoring of overtime use.

I'd also like to thank Chief Sizer and the Portland Police Bureau leadership for their efforts to implement the recommendations. Chief Sizer has worked to make several changes in our recruitment and hiring practices. She has also worked to help ameliorate the need for overtime usage.

I am pleased at the work the Auditor and Bureau have done to increase our ability to be better stewards of the public's funds. Thank you again for your service to our city.



CITY OF PORTLAND, OREGON



Bureau of Police

Tom Potter, Mayor

Rosanne M. Sizer, Chief of Police

1111 S.W. 2nd Avenue • Portland, OR 97204 • Phone: 503-823-0000 • Fax: 503-823-0342

Integrity • Compassion • Accountability • Respect • Excellence • Service

February 4, 2008

Gary Blackmer
City Auditor
1221 S.W. 4th Avenue, Room 310
Portland, OR 97204

Dear Mr. Blackmer,

The recent review of the Police Bureau's overtime expenditures was a welcome opportunity to examine our systems and policies in this area. I want to thank Director Drummond Kahn, Principal Management Auditor Ken Gavette, and the review team for their thorough and fair evaluation.

It is clear from this report that much progress has been made since the audit in 2000. The Police Bureau has significantly improved internal controls and has made gains in civilianization of positions. I believe an additional key element to enhance accountability and control is to have a budget that is sufficient for actual expenditure patterns of overtime. Generally, I agree with the recommendations contained in the report, and in January I issued an updated Overtime Policy Statement which was disseminated to the entire organization. We will work in the coming months to address the additional recommendations, some of which will require bargaining with our labor unions and City Council action.

It was acknowledged in your report that overtime is unavoidable in police work due to the nature of service we provide. Despite these challenges, we are committed to managing our budget in a manner that effectively and efficiently meets the Bureau's mission and goals and the level of service the community expects.

Sincerely,

ROSANNE M. SIZER
Chief of Police

Community Policing: Making the Difference Together
An Equal Opportunity Employer

**Audit Services Division
Office of the City Auditor
1221 SW 4th Avenue, Room 310
Portland, Oregon 97204
503-823-4005
www.portlandonline.com/auditor/auditservices**

*Police Overtime: Most recommendations implemented,
but more could be done*

Report #361, February 2008

Audit Team Members: Ken Gavette, Kristine Adams-
Wannberg, Martha Prinz

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandonline.com/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Construction Contracts: Bureau of Environmental Services strengthened its contract management procedures (#348B, February 2008)

Construction Contracts: Facilities Services needs to improve coordination with bureaus to reduce costs and delays (#348A, January 2008)

City of Portland Service Efforts and Accomplishments: 2006-07, Seventeenth Annual Report on City Government Performance (#340, December 2007)





Office of the City Auditor

**Report to the City Council
City of San José**

**AN AUDIT OF THE CITY OF
SAN JOSÉ FIRE DEPARTMENT'S
OVERTIME EXPENDITURES**

**Opportunities Exist To Better Control The
San Jose Fire Department's Overtime
Expenditures**

**Report 01-02
April 2001**



CITY OF SAN JOSÉ, CALIFORNIA

800 N. First Street • San Jose, California 95112 • Tel: (408) 277-4601

GERALD A. SILVA
City Auditor

April 13, 2001

Honorable Mayor and Members
of the City Council
801 North First Street, Room 600
San Jose, CA 95110

Transmitted herewith is a report on *An Audit Of The City Of San Jose Fire Department's Overtime Expenditures*. This report is in accordance with City Charter Section 805.

An Executive Summary is presented on the blue pages in the front of this report. The City Administration's response is shown on the yellow pages before the Appendices.

I will present this report to the Finance and Infrastructure Committee at its April 25, 2001, meeting. If you need additional information in the interim, please let me know. The City Auditor's staff members who participated in the preparation of this report are Mike Edmonds, Eduardo Luna, and Gitanjali Mandrekar.

Respectfully submitted,

Gerald A. Silva
City Auditor

finaltr
GS:bh

cc: Manuel Alarcon
Del Borgsdorf
Kay Winer
Larry Lisenbee
Rick Doyle

Danielle Kenealey
Scott Johnson
Dale Foster
Melvin Meeks
Joe Loguidice



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Executive Summary

In accordance with the City Auditor's 2000-2001 Audit Workplan, we audited the San Jose Fire Department's (SJFD) use of overtime. This audit is the first audit in a series of audit reports on the SJFD. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

Finding I Opportunities Exist To Better Control The San Jose Fire Department's Overtime Expenditures

Overtime pay to San Jose Fire Department (SJFD) personnel has been a significant issue since 1992-93. Between 1993-94 and 1999-00, SJFD personnel earned \$45.1 million in overtime compensation. During this period, SJFD overtime averaged \$6.4 million per year. In 1999-00, SJFD overtime expenditures peaked at \$9.6 million—a 55 percent increase from the previous year. The majority of the SJFD's 1999-00 overtime expenditures went to meet minimum staffing. We identified that 12 percent of SJFD personnel worked a third of the overtime hours. In April 2000, the SJFD and the City's Budget Office completed a review of the SJFD's overtime situation. Based on that review, the Administration accurately reported that the primary cause of the high overtime expenditures in 1999-00 was an increased absence rate. However, we also identified the following additional factors that contributed to the SJFD's increased overtime costs in 1999-00:

- SJFD difficulty in estimating vacancy projections and an unsuccessful targeted hiring effort;
- Specific Memorandum of Agreement and Official Action Guide provisions;
- Underestimated staffing needs in the SJFD's staffing model; and
- The SJFD need for more relief Fire Paramedics.

In order to better control overtime expenditures, the SJFD needs 1) more accurate and complete management data regarding absence rates and vacancy rates; 2) to identify current

staffing needs; and 3) to improve its ability to project future staffing needs. Furthermore, the SJFD needs to revisit its assessment of the most efficient and effective means to meet minimum staffing and take into account the various intangible factors that can affect the cost-effectiveness of using overtime versus additional relief personnel. Finally, the SJFD needs to proactively control those factors that increase absence rates and resultant overtime costs.

RECOMMENDATIONS

We recommend that the SJFD:

- Recommendation #1** **Ensure that fire personnel that are held over properly document the absence they are covering. (Priority 3)**
- Recommendation #2** **Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes. (Priority 3)**
- Recommendation #3** **Analyze vacancy rate data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs. (Priority 3)**
- Recommendation #4** **Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis. (Priority 3)**
- Recommendation #5** **Report to the City Council updated staffing information by December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies. (Priority 3)**
- Recommendation #6** **Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs. (Priority 3)**

Recommendation #7 **Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions. (Priority 3)**

Recommendation #8 **Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)**

We recommend that the SJFD and Administration:

Recommendation #9 **Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)**

Introduction

In accordance with the City Auditor's 2000-2001 Audit Workplan, we audited the San Jose Fire Department's (SJFD) use of overtime. This audit is the first audit in a series of audit reports on the SJFD. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor's Office thanks the San Jose Fire Department for their time, information, insight, and cooperation during the audit process.

Background

SJFD Mission And Organization

The SJFD's mission is to serve the community by protecting life, property, and the environment through prevention and response. The SJFD mitigates emergencies through prevention and response, ensuring public safety and preservation of the environment.

The SJFD is organized around a hierarchical structure. The head of the SJFD is the Fire Chief. The Office of the Fire Chief represents the Fire Chief and Assistant Fire Chief, Recruitment Officer, Battalion Chief for the Safety Division, and Public Information Officer. There are five Deputy Fire Chiefs, each of whom heads a bureau and reports to the Fire Chief through the Assistant Fire Chief. These five bureaus include:

- Bureau of Field Operations (BFO),
- Bureau of Support Services (BSS),
- Bureau of Administrative Services (BAS),
- Bureau of Fire Prevention (BFP), and
- Bureau of Education and Training (BET).

The BFO is the largest component of the SJFD because it is responsible for providing emergency response services. Under the Deputy Fire Chief of the BFO, are three Division Chiefs, each responsible for a work shift- A, B, or C. In turn, each Division Chief has command over five Battalion Chiefs, who command a set number of fire stations.

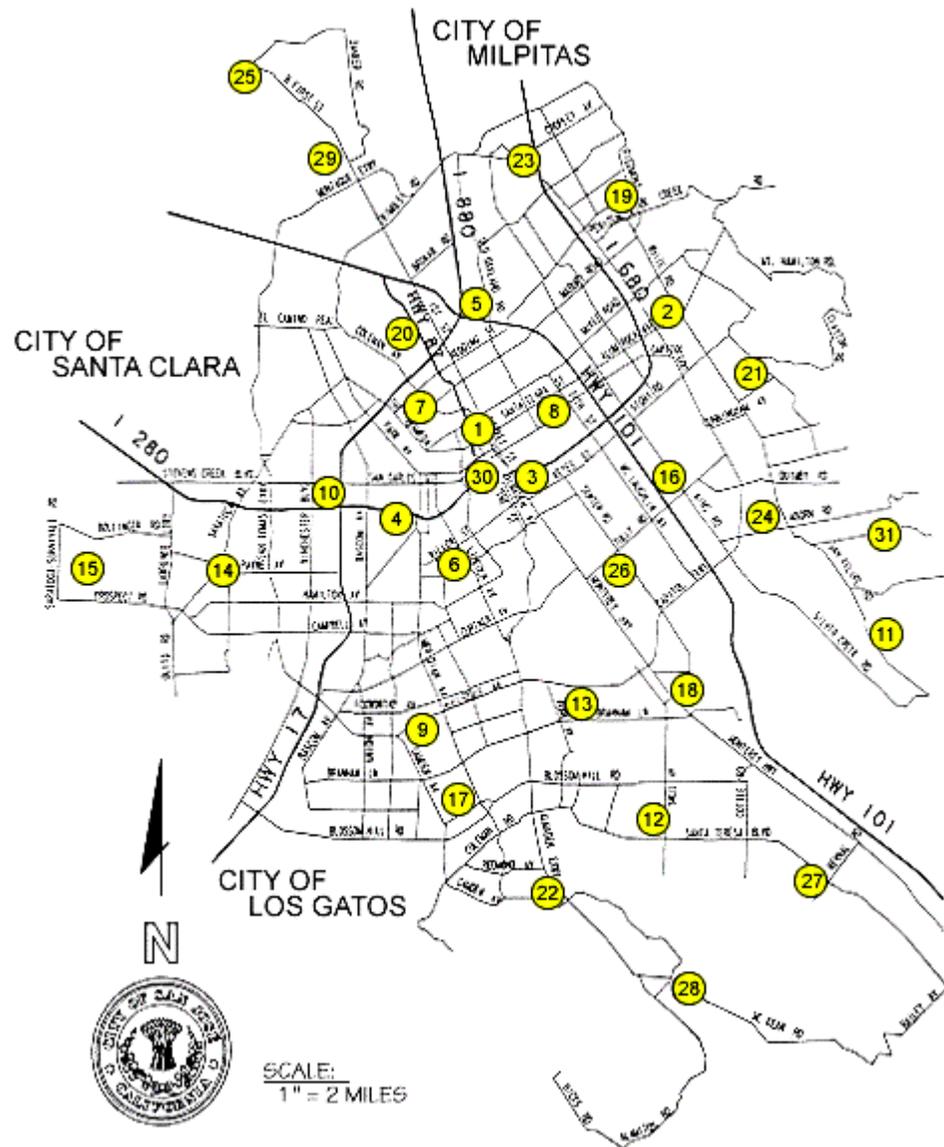
Fire Department Overtime Expenditures

The City has a total of 31 fire stations. Each fire station is assigned an Engine Company, which includes a Captain, Fire Engineer, Firefighter/Paramedic¹, and a Firefighter. In addition, there are eight Truck Companies assigned to select fire stations. Each Truck Company consists of a Captain, two Fire Engineers, and Firefighters.² Exhibit 1 shows the various fire stations within the City of San Jose.

¹ In June 1994, the City adopted a paramedic program and in August 1995, the City of San Jose and County of Santa Clara entered into an agreement for the City to provide Advance Life Support First Responder Services within areas served by the City's Fire Department. The City is required to use Emergency Medical Technician-Paramedics on fire apparatus vehicles. The City staffs each of the 31 fire engine companies with a Firefighter/Paramedic position.

² Four of the truck companies have a firefighter/paramedic and a fire firefighter configuration.

Exhibit 1 Locations Of The 31 City Of San Jose Fire Stations



Source: SJFD.

In addition, to the Engine and Truck Companies, the SJFD operates and maintains certain specialized units which generally consist of a Captain, two Fire Engineers, and two Firefighters.³ These specialized units include the following groups:

³ Some of the specialized units have other configurations of Fire Engineers and Firefighters.

- Airport Crash Rescue Vehicles (FAA requirement)—Station 20;
- Hazardous Materials Unit—Station 29; and
- Three Urban Search and Rescue Companies—Stations 5, 13, and 16, which specialize in either water, collapsed trench, or collapsed structure rescues.

Minimum Staffing

The SJFD must staff 194 line positions (plus one Division Chief) on a daily basis. The practice of ensuring that these positions are filled each day is called minimum staffing in accordance with the current Memorandum of Agreement (MOA)⁴. With certain exceptions, personnel working minimum staffing will fill vacancies to maintain line positions at the MOA defined levels. According to the MOA a certain minimum number of personnel should staff the various engine and truck companies at all times. Exhibit 2 below shows the SJFD’s assessment of the number of line personnel needed to cover minimum staffing in 1999-00.

Exhibit 2 SJFD’s Assessment Of The Number Of Line Personnel Needed To Cover Minimum Staffing In 1999-00

Rank	Daily Minimum Staffing	Total Staffing	Relief Positions	Total
Battalion Chief	5	15	2	17
Captain	44	132	27	159
Fire Engineer	66	198	24	222
Firefighter/Paramedic	79	237	19	256
Total	194	582	72	654

Source: SJFD.

The daily minimum staffing shown above is for one shift, while the total staffing is for all three shifts—A, B, and C. Relief positions are personnel assigned to a shift and battalion, but do not have a specific engine or truck assignment. Relief positions

⁴ The MOA is an understanding signed between the City of San Jose and the International Association of Firefighters, Local #230. The purpose of this agreement is to set forth the full agreements of the parties reached as a result of meeting and conferring in good faith regarding wages, hours, and other terms and conditions of employment of the employees the International Association of Firefighters, Local #230 represents.

are used to cover vacancies and absences due to sick leave, vacation, and disability or modified duty leaves.

Work Schedule

The SJFD operates 24 hours a day, 365 days a year. Fire line personnel work 24-hour work shifts on the basis of one day on, second day off, third day on, fourth day off, fifth day on, and the sixth through ninth days off. During a nine-day period, line personnel work three 24-hour day shifts. This translates to 122 days per year or about ten days per month or 56 hours per week. Personnel are assigned to either the A, B, or C work shift.

As shown in the example below, in April 2001, personnel assigned to the B shift would work on April 1st, 3rd, 5th, 10th, 12th, 14th, 19th, 21st, 23rd, 28th, and 30th. Whereas, personnel assigned to the A shift would work on April 2nd, 7th, 9th, 11th, 16th, 18th, 20th, 25th, 27th, and 29th. Finally, personnel assigned to the C shift would work on April 4th, 6th, 8th, 13th, 15th, 17th, 22nd, 24th, and 26th.

April 2001 Shift Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 B	2 A	3 B	4 C	5 B	6 C	7 A
8 C	9 A	10 B	11 A	12 B	13 C	14 B
15 C	16 A	17 C	18 A	19 B	20 A	21 B
22 C	23 B	24 C	25 A	26 C	27 A	28 B
29 A	30 B					

SJFD Budget

In 2000-01, the SJFD adopted operating budget totaled \$88.7 million, of which \$82 million or 92 percent of the budget was for personal services. This \$82 million includes salaries, benefits, and \$7.6 million for overtime compensation. In 2000-01, the SJFD increased the number of relief Firefighter/Paramedic positions from the 19 shown in Exhibit 2 to 40 in order to meet minimum staffing requirements. The SJFD expects the cost of these 21 positions to be offset by a reduction in overtime costs. The SJFD also expects these 21 relief Firefighter/Paramedic positions to enhance deployment in major emergencies and reduce injuries.

In terms of funding, the BFO has the largest operating budget at \$68.1 million, followed by the Bureau of Support Services at \$8.5 million and the Bureau of Fire Prevention at \$5.7 million. Exhibit 3 shows the SJFD's adopted budget by Bureau for 1999-00 and 2000-01.

Exhibit 3 The SJFD's Adopted Budget By Bureau For 1999-00 And 2000-01

Bureau	1999-00	2000-01
Administrative Services	\$ 2,282,245	\$2,396,358
Field Operations	67,820,646	68,079,356
Support Services	7,629,683	8,496,763
Fire Prevention	5,842,883	5,722,639
Education and Training	3,522,954	3,980,033
Total	\$87,098,411	\$88,675,149

Source: SJFD.

Audit Scope, Objectives, And Methodology

Our audit objective was to evaluate the causes of the SJFD's high overtime expenditures in 1999-00. We reviewed the adequacy of the methods and systems in place for controlling overtime use. We also reviewed the following:

- overtime use trends in the past five years;
- existing SJFD internal control systems used to control overtime;
- the SJFD's overtime policies and practices compared to other cities;
- the validity of the data the SJFD uses to forecast overtime expenditures; and
- opportunities and methods to control, reduce, and explain overtime costs and improve overtime management.

We also conducted interviews with SJFD personnel and other City employees. In addition, we reviewed internal reports, memoranda and other documents related to overtime use in the SJFD. We also conducted interviews with ten California cities to review their overtime management systems.

We reviewed overtime data from the SJFD's Minimum Staffing Reports filed in 1999-00; Supplemental Employee Attendance

Record System (SEARS) data from January 24, 2000 to June 30, 2000; and the City's Financial Management System (FMS). We reviewed Bi-Weekly Muster Reports and selected timesheets for selected periods and PeopleSoft earning data for 1999-00.

**Major
Accomplishments
Related To This
Program**

In a memorandum (See Appendix B), the Fire Department informs us of major program accomplishments.

Fire Department Overtime Expenditures

Finding I

Opportunities Exist To Better Control The San Jose Fire Department's Overtime Expenditures

Overtime pay to San Jose Fire Department (SJFD) personnel has been a significant issue since 1992-93. Between 1993-94 and 1999-00, SJFD personnel earned \$45.1 million in overtime compensation. During this period, SJFD overtime averaged \$6.4 million per year. In 1999-00, SJFD overtime expenditures peaked at \$9.6 million—a 55 percent increase from the previous year. The majority of the SJFD's 1999-00 overtime expenditures went to meet minimum staffing. We identified that 12 percent of SJFD personnel worked a third of the overtime hours. In April 2000, the SJFD and the City's Budget Office completed a review of the SJFD's overtime situation. Based on that review, the Administration accurately reported that the primary cause of the high overtime expenditures in 1999-00 was an increased absence rate. However, we also identified the following additional factors that contributed to the SJFD's increased overtime costs in 1999-00:

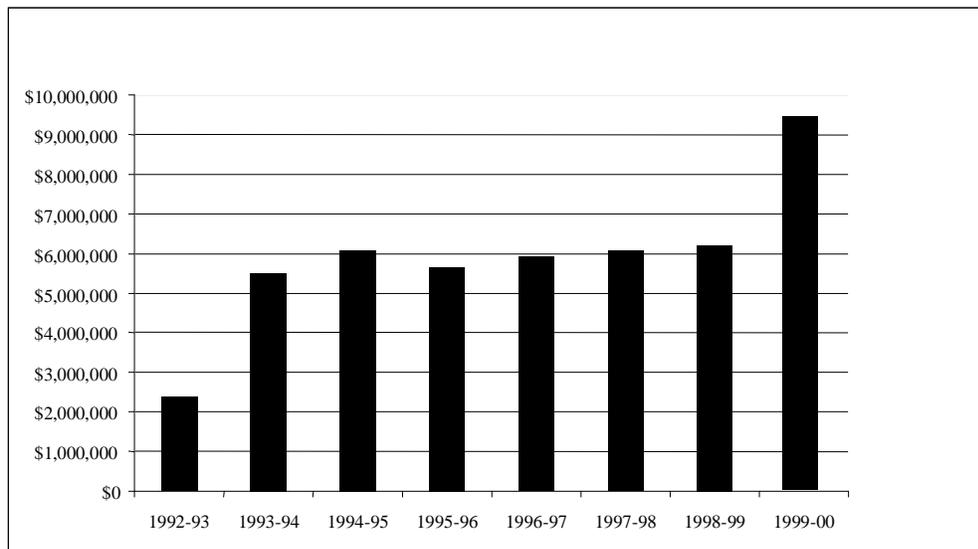
- SJFD difficulty in estimating vacancy projections and an unsuccessful targeted hiring effort;
- Specific Memorandum of Agreement and Official Action Guide provisions;
- Underestimated staffing needs in the SJFD's staffing model; and
- The SJFD need for more relief Fire Paramedics.

In order to better control overtime expenditures, the SJFD needs 1) more accurate and complete management data regarding absence rates and vacancy rates; 2) to identify current staffing needs; and 3) to improve its ability to project future staffing needs. Furthermore, the SJFD needs to revisit its assessment of the most efficient and effective means to meet minimum staffing and take into account the various intangible factors that can affect the cost-effectiveness of using overtime versus additional relief personnel. Finally, the SJFD needs to proactively control those factors that increase absence rates and resultant overtime costs.

SJFD Overtime Expenditures Increased Since 1992-93

Higher overtime expenditures began after the SJFD eliminated 41 relief staff positions in 1992-93, and the Administration decided to use overtime to staff SJFD absences. The decision was based upon an SJFD analysis that compared the cost of meeting minimum staffing with relief staff versus overtime. The SJFD reviewed absence rates, fringe benefits, and total hours of compensation and concluded that using overtime to meet minimum staffing was 22.6 percent cheaper than using relief staff. As a result of the SJFD eliminating 41 relief staff positions, SJFD overtime costs increased from \$2.4 million to \$5.5 million or 130 percent from 1992-93 to 1993-94. Between 1993-94 and 1998-99, SJFD overtime costs remained fairly steady at about \$6 million per year, until 1999-00 when SJFD overtime costs reached \$9.6 million. Exhibit 4 shows overtime expenditures from 1992-93 through 1999-00.

Exhibit 4 SJFD Overtime Costs From 1992-93 Through 1999-00



Source: SJFD.

Overtime Expenditures Peaked In 1999-00

In 1999-00, the SJFD exceeded its overtime budget of \$8.5 million by 13 percent and paid \$9.6 million in overtime—a 55 percent increase in overtime pay from the previous fiscal year. Monthly Financial Reports gave early warning that SJFD overtime expenditures were higher than expected. Specifically, the Budget Office reported that through September 1999, the SJFD's overtime expenditures were \$2.24 million or 34.1 percent of budgeted level as compared to a budgeted level of 21.8 percent. The Budget Office reported two causes for SJFD

overtime tracking at higher levels. First, the SJFD had a decline in over-strength positions⁵ as incumbents were placed in permanent positions. Secondly, higher SJFD vacation usage was resulting in additional overtime to cover minimum staffing.

The Budget Office reported that through February 2000, the SJFD's overtime expenditures were \$6.2 million or 89.9 percent of the SJFD's budgeted level of \$6.9 million. The SJFD should have spent 64 percent of its budgeted level or about \$4.4 million through February 2000—a difference of about \$2.4 million. The Budget Office reported that its staff along with SJFD staff had analyzed the SJFD's overtime expenditures to determine the causes of the higher-than-expected expenditures. The Budget Office focused its analysis on quantifying the types of absences that resulted in overtime to meet minimum staffing requirements. The Budget Office reported that the overall absence rate had increased 9.5 percent from the previous year, due to a 14 percent increase in sick leave, a 21 percent increase in disability use, and a 40 percent increase in modified duty assignments. According to the Budget Office, these absence rate increases represented \$625,000 of the \$2.4 million in increased overtime expenditures through February 2000.

The Budget Office reported that the SJFD had implemented various measures to control overtime expenditures. These measures included the following:

- Stopped back-filling the Division Chief position (assigned to the County's First Responder Request For Proposal) and the Division Chief and Arson Investigator positions for minimum staffing purposes;
- Reassigned a Captain from an unbudgeted assignment to a budgeted assignment; and
- Temporarily reassigned Battalion Chiefs with administrative assignments to the relief pool.

*Overtime
Expenditures
Incurred To Meet
Minimum Staffing*

The Bureau of Field Operations (BFO) incurred the most overtime in 1999-00 at \$8.5 million or 89 percent of overtime expenditures, as shown in Exhibit 5.

⁵ An over-strength position entails carrying additional personnel in excess of projected vacancies.

Exhibit 5 Summary Of SJFD Overtime Costs By Bureau In 1999-00

Bureau	Amount	Percent
Administrative Services	\$ 196,901	2.0
Support Services	175,342	1.8
Education and Training	235,829	2.5
Fire Prevention	484,394	5.0
Field Operations	8,518,220	88.6
Total	\$9,610,686	100.0

Totals may not add due to rounding.

Source: SJFD.

In 1999-00, we found that almost all of the BFO overtime expenditures were related to minimum staffing and suppression activities, as shown in Exhibit 6 below. Specifically, these activities accounted for \$7.5 million or 88 percent of the BFO’s overtime expenditures.

Exhibit 6 Bureau Of Field Operations Overtime By Program In 1999-00

BFO Program	Overtime Amount	Percentage	Cumulative Percentage
Minimum Staffing and Suppression	\$7,454,817	87.5%	87.5%
Fair Labor Standards Act ⁶	\$981,000	11.5%	99.0%
Other BFO Programs	\$82,403	1.0%	100.0%
Total	\$8,518,220		

Source: SJFD.

Overtime Earnings And Hours Worked

In 1999-00, SJFD personnel worked 1.7 million hours, of which, 1.5 million were regular hours (the equivalent to 63,668 work shifts) and 207,527⁷ were overtime hours, which equaled 8,647 overtime shifts. In other words, about 12 percent of SJFD hours worked in 1999-00 were related to overtime. Our analysis revealed that on average, line personnel worked 329 overtime hours or the equivalent of 14 overtime shifts. As

⁶ Line personnel are compensated for 112 hours each pay period or 56 hours per week. The number of hours exceeds Fair Labor Standards Act rules requiring overtime pay for more than a 53 hour workweek or 106 hours per pay period. As a result, line personnel are compensated at the overtime rate of time and half for six hours.

⁷ In 1999-00, line personnel worked 203,023 overtime hours or 98 percent of all SJFD overtime hours.

shown in Exhibit 7, average SJFD overtime earnings, hours, and days varied by classification.

Exhibit 7 Summary Of SJFD Line Personnel Overtime Hours Worked By Classification In 1999-00

Classification	Average Overtime Earnings	Average Overtime Hours	Average Overtime Days
Battalion Chief	\$ 19,613	370	15.4
Captain	\$ 11,263	266	11.1
Fire Engineer	\$ 15,413	419	17.4
Firefighter	\$ 9,413	285	11.9
Fire Paramedic	\$ 10,172	308	12.8

Source: Auditor analysis of SJFD data.

12 Percent Of SJFD Personnel Worked A Third Of Overtime Hours

In accordance with the Memorandum of Agreement (MOA) between the City and the Firefighter's Union, SJFD personnel sign-up to work Minimum Staffing on a voluntary basis. We identified that 12 percent of SJFD line personnel worked about a third of all overtime hours. Specifically, we found that 69 line personnel worked 65,231 overtime hours, which is the equivalent of working 2,718 overtime shifts (24 hours per shift). Each of these 69 line personnel worked from 27 to 98 overtime shifts. In terms of compensation, these 69 line personnel earned \$2.4 million in overtime or an average of \$34,200 per person. We found that these personnel received total compensation that averaged \$102,000 per year. We also identified at least two personnel who earned more in overtime than in their regular salaries.

Potential Harmful Effects Of Working Overtime

Potential consequences of individuals working excessive overtime hours include injury, job burnout, poor morale, and increased fatigue. In an August 22, 1994 memorandum, the Fire Chief at that time reported that it was his experience that job burnout could occur with personnel working excessive overtime. Further, in an August 17, 1992 memorandum, the SJFD reported that if the use of overtime to fill absences is too high, it will eventually affect morale, which could be demonstrated in reduced volunteers to work overtime. Another potential problem with individuals working excessive overtime is fatigue, which diminishes productivity, safety, morale, and general job performance.

SJFD Overtime Study

On March 31, 2000, the SJFD and the Budget Office completed an analysis of SJFD overtime expenditures, established an overtime base, and determined that increased SJFD line personnel absences were the main force driving increased overtime expenditures. These absences were due to vacation, sick leave, disability, and modified duty. The hours associated with these absences compared to total available staff hours constitute the SJFD's absence rate. Staff reviewed the factors contributing to the absence rate from 1997-98 through the first half of 1999-00. During this period, staff found that the SJFD experienced a significant increase in the overall absence rate in the first half of each of three years, 1997-98 to 1999-00 (July to December data only). Specifically, the SJFD's absence rate was 13.26 percent, 14.18 percent, and 15.18 percent in 1997-98, 1998-99, and 1999-00, respectively.

The staff found that in the first half of each of three years, 1997-98 to 1999-00 (July to December data only), modified duty increased 40 percent, disability absences increased 21 percent, and sick leave usage increased 14 percent. Staff determined that the increased modified duty hours resulted from an increase in off-duty injuries, pregnancies, and injuries that prevented staff from returning to active line positions. Staff concluded that the significant increase in hours attributed to modified duty assignments in the first half of the year was unlikely to continue at the same rate for the remainder of the year.

Additional Factors Contributed To Increased Overtime Expenditures

The Administration reported that the increased absence rate was the primary cause of the high overtime expenditures in 1999-00. We came to the same conclusion after reviewing SJFD data. However, we also identified the following additional factors that contributed to increased SJFD overtime costs in 1999-00:

- SJFD difficulty in estimating vacancy projections and an unsuccessful targeted hiring effort;
- Specific Memorandum of Agreement and Official Action Guide provisions;
- Underestimated staffing needs in the SJFD's staffing model; and
- The SJFD need for more relief Fire Paramedics.

SJFD Difficulty In Estimating Vacancy Projections And Unsuccessful Targeted Hiring Efforts

We found two additional factors that contributed to high SJFD overtime in 1999-00. First, it was difficult for the SJFD to estimate its number of projected vacancies. Second, a SJFD and Department of Human Resources (HR) targeted hiring effort for candidates with paramedic and bilingual skills did not produce an adequate number of recruits. As a result, the SJFD cancelled a critically important Spring 1999 academy and graduated only 58 percent as many recruits in 1998-99 and 1999-00 as it did in 1996-97 and 1997-98.

According to a Bureau of Education and Training (BET) memorandum, each fire recruit academy is planned for 26 hires. The BET plans two recruit academies per fiscal year and anticipates training 52 fire recruits each fiscal year. From 1996-97 through 1999-00, the SJFD should have graduated 208 recruits (52 graduates x 4 fiscal years). However, in a December 1999 memorandum, the SJFD stated that its prior projections of SJFD vacancies did not support holding a Spring 1999 academy. While the SJFD was unable to provide us with the specifics on its projections, our analysis indicates that the SJFD had sufficient vacancies to support an academy. During the six months between January 1, 1999 and June 30, 1999, the SJFD experienced 46 vacancies—27 promotions, 18 retirements, and 1 separation. This number of vacancies is more than enough to justify a 26 recruit academy and is nearly enough to justify two 26 recruit academies. According to SJFD officials, they had difficulties in estimating the number of vacancies because of delayed retirements and intra-departmental promotions of firefighters to higher ranked positions.

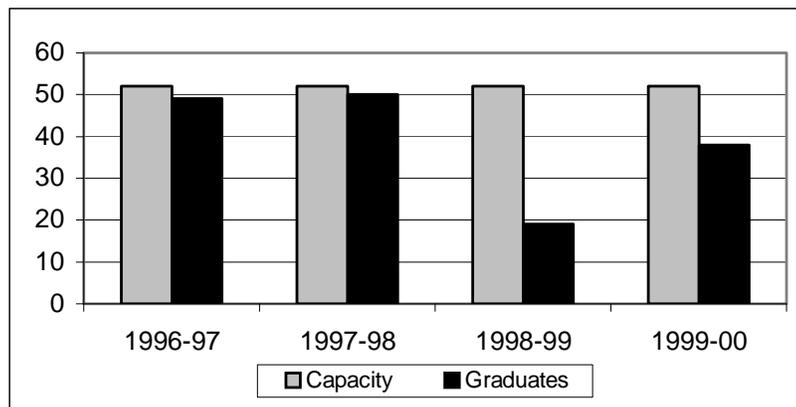
A second factor that contributed to high SJFD overtime in 1999-00 was an unsuccessful SJFD and HR targeted hiring effort for candidates with paramedic and bilingual skills. A SJFD memorandum projected a need for paramedic and bilingual skills for the Fall 1999 academy. In the same memorandum, the SJFD indicated that the paramedic and bilingual skills represented on the existing Firefighter Recruitment Eligibility List were not sufficient to meet the SJFD's needs. Consequently, the SJFD and HR recruited for paramedic and bilingual skills. The initial testing for that list was done in June 1999. After completion of the written and oral examinations, the SJFD merged new recruits with paramedic and bilingual skills onto the existing list. This resulted in a list with 1,600 names. According to the SJFD and

HR this new list provided an “unprecedented opportunity” to select a full academy of recruits who possessed a combination of skills. The SJFD and HR believed it was possible to select 26 candidates from the merged list with both bilingual and paramedic skills. In August 1999, HR began polling the entire merged list of 1,600 candidates, to selectively certify candidates with both bilingual and paramedic skills. By September 20, 1999, of the 1,600 candidates polled, 50 responded that they were interested in the job and possessed both skills.

In October 1999, the SJFD eliminated 33 of the 50 candidates that had responded to the polling for a variety of reasons, including invalid certifications or failure to pass the physical agility test. As a result, only 17 recruits started the academy in November 1999, 15 of whom graduated in February 2000.

Because of the previous two factors, the SJFD only graduated 57 recruits from its 1998-99 and 1999-00 academies instead of its target of 104 graduates. Exhibit 8 compares the number of fire recruit graduates against the capacity of the academies for 1996-97 through 1999-00.

Exhibit 8 Comparison Of Fire Academies’ Capacities To Graduates For 1996-97 Through 1999-00



Source: Auditor analysis of SJFD data.

As shown in Exhibit 8, the SJFD graduated 49 and 50 recruits from academies in 1996-97 and 1997-98, respectively, but graduated only 19 recruits in 1998-99 and 38 recruits in 1999-00.

The SJFD tries to schedule recruit academies twice a year in order to graduate Firefighters in June and December to coincide with high vacation usage during those periods. The BET is

essentially limited to scheduling two recruit academies per year. In 2000-01, the BET held a recruit academy in September 2000, with 28 graduates. The BET is planning on a Spring academy in March 2001 for 32 recruits. In addition, the BET is planning on holding a lateral academy⁸ in July 2001 for 32 recruits.

Memorandum Of Agreement (MOA) And Official Action Guide (OAG) Provisions Contribute To Increased Overtime

Other factors that contributed to increased SJFD overtime costs included certain MOA and OAG⁹ provisions. Specifically, the MOA and OAG have provisions that result in the payment of 24.5 hours of overtime for a 24-hour shift. Further, the OAG has a provision that allows personnel of higher rank to work overtime for lower rank personnel. The MOA and OAG provisions accounted for \$60,000 and \$32,306, respectively in SJFD overtime costs in 1999-00.

MOA And OAG Provision Allows Rounding Of Shift Hours

We found that both the MOA and OAG allow the use of a rounding factor that results in paying up to 24.5 hours of overtime at time and half for a 24-hour work shift. The MOA specifies that any overtime worked that exceeds 30 minutes in any workday should be computed to the nearest half-hour. The OAG further specifies that personnel will be paid from the most recent half-hour before arrival at the assigned station. The OAG provides examples of how this practice is to be implemented:

An individual arriving at a station at 8:57 am will be paid from 8:30 am. An individual arriving at 9:04 am will be paid from 9:00 am. Those arriving at exactly the hour or half-hour will be paid from time of arrival.

These rounding provisions often result in paying arriving personnel to the nearest half-hour of arrival and paying relieved personnel to the nearest half-hour of departure. As a result of these rounding factors, the City ends up paying line personnel 24.5 hours of overtime to cover a single 24-work shift. Paying overtime (time and half) to cover a 24-hour shift is the equivalent of paying 36 hours at regular salary. However, the

⁸ A lateral academy is a six-week field training program for Firefighters with two or more years experience in a paid full-time position as a sworn uniformed Firefighter in any city, county, state, or federal fire department.

⁹ The SJFD's OAG documents all official SJFD policies and procedures for administrative duties, personnel issues, and routine and emergency operations.

rounding factors result in the equivalent of paying 36.75 hours of regular salary to cover a single 24-hour shift.

We reviewed SJFD data for the last six months of 1999-00 to determine the extent to which this practice occurred. We estimate that the City paid almost \$60,000 in overtime expenditures to cover the rounding provision of the MOA. Additionally, we also noted that the SJFD had routinely paid more than 24.5 hours of overtime to cover certain shift absences. For example, the SJFD had paid up to 28 hours of overtime to cover a 24-hour shift. On June 4, 2000, a Fire Engineer, assigned to Station 29, used vacation leave for 24 hours. According to the Supplemental Employee Attendance Reporting System (SEARS) database, timecards, and station journal entries, the SJFD paid one Fire Engineer 24 hours of overtime to cover the absence, and held over a second Fire Engineer for 4 hours to cover the same absence for a total of 28 hours of overtime. At time and half this was the equivalent of 42 hours of regular pay to cover the 24-hour absence. In another instance, a Firefighter who was held over 1.5 hours claimed two overtime hours, while a second Firefighter claimed 24 hours of overtime for a total of 26 overtime hours or the equivalent of 39 hours regular pay. When we reviewed station log entries with the Deputy Fire Chief, he said that a contributing factor in about half of these cases may be a documentation issue. Specifically, fire personnel who were held over did not properly document the specific absence they were covering. In our opinion, the SJFD needs to adequately document when personnel are held over to ensure that overstaffing does not occur.

We recommend that the SJFD:

Recommendation #1

Ensure that fire personnel that are held over properly document the absence they are covering. (Priority 3)

*Higher Rank
Personnel Can Work
Overtime For Lower
Ranked Personnel*

Another contributing factor to increased overtime expenditures was a specific OAG provision that allows personnel of higher rank to work overtime for lower rank personnel. In the event that not enough Firefighters are signed up and agree to work, personnel will be called out-of-rank before using the mandatory call back process for Firefighters. Minimum Staffing personnel will first call Fire Engineers and then Captains using the minimum staffing process. If not enough personnel are reached

through this process, the SJFD will go to mandatory callback for Firefighters. This practice can result in higher rank personnel working overtime to fill-in for lower rank personnel.

In 1999-00, we identified 183 instances where higher-ranked personnel filled a lower-ranked position on an overtime basis. Further, of these 183 instances, 135 involved Captains relieving Firefighters, one instance involved a Battalion Chief relieving a Captain, nine instances involved Captains relieving Fire Engineers, and 38 instances involved Fire Engineers relieving Firefighters. We also identified that of these 183 instances, 143 or 77 percent occurred on Fridays, Saturdays, and Sundays and that 126 or 69 percent occurred during the four-month period of September through December. Exhibit 9 summarizes by month the number of times higher-ranked SJFD personnel filled a lower-ranked position on an overtime basis in 1999-2000.

Exhibit 9 Summary Of The Number Of Times Higher-Ranked SJFD Personnel Filled A Lower-Ranked Position On An Overtime Basis In 1999-00

Month	Number	Percent	Cumulative Percent
July	5	2.7%	2.7%
August	3	1.6%	4.4%
September	35	19.1%	23.5%
October	29	15.9%	39.3%
November	29	15.9%	55.2%
December	33	18.0%	73.2%
January	14	7.7%	80.9%
February	1	0.6%	81.4%
March	5	2.7%	84.2%
April	4	2.2%	86.3%
May	11	6.0%	92.4%
June	14	7.7%	100.0%
Total	183		

Totals may not add due to rounding.

Source: Auditor analysis of SJFD data.

In 1999-00, the SJFD used higher-ranked personnel to fill 4,055 hours of lower-ranked positions' absences. The SJFD paid Captains, Fire Engineers, and one Battalion Chief \$167,398 in overtime compensation to cover Fire Engineer, Firefighter, and Captain absences. If the SJFD would have staffed these

absences with similarly-ranked personnel, 1999-00 overtime costs would have been reduced by \$32,306.

The SJFD’s Staffing Model Underestimated Staffing Needs

Another contributing factor to increased SJFD overtime costs in 1999-00 was the SJFD underestimating its staffing needs. Specifically, the SJFD used a staffing model that did not reflect the actual absence and vacancy rates. Consequently, the staffing model’s calculated number of staff needed to meet minimum staffing was understated. The SJFD inaccurately projected its need for fire personnel by 49 positions because it used incorrect absence rates. Specifically, the SJFD projected the need for a total of 654 line personnel including relief personnel. We estimate that if the SJFD had used the correct absence rates, it would have projected a need for 703 line personnel, or 49 more. Exhibit 10 compares the SJFD’s projected staffing needs for 1999-00 to our estimate of actual SJFD staffing needs by rank.

Exhibit 10 Comparison Of The SJFD’s Projected Staffing Needs For 1999-00 To The City Auditor’s Estimate Of Actual Staffing Needs By Rank

Rank	SJFD Projected Staffing Needs	City Auditor Estimate of SJFD Staffing Needs	Difference
Battalion Chief	17	18	1
Captain	159	163	4
Fire Engineer	222	237	15
Firefighter	256	285	29
Total	654	703	49

Source: Auditor analysis of SJFD data.

According to SJFD staff, they were aware that they were understaffed in 1999-00. Therefore, in 2000-01, the SJFD was authorized 21 additional relief Firefighter positions to augment the current 19 relief Firefighter positions used to meet minimum staffing requirements. Consequently, the SJFD will have 675 line personnel to meet minimum staffing in 2000-01. This is still 28 positions short of the 703 positions that we estimate the SJFD actually needs to meet minimum staffing and relief position coverage.

It should be noted that even if the City funded these 703 full-time equivalent positions to meet minimum staffing coverage, it

would not eliminate SJFD overtime. The SJFD would potentially still need at least \$1 million in overtime to cover the absence factor for relief personnel, Fair Labor Standards Act compensation, and activities not related to minimum staffing purposes.

*The Absence And
Vacancy Rates In
The SJFD Staffing
Model Are Incorrect*

During 1999-00 and 2000-01, the SJFD's staffing model included incorrect absence and vacancy rates. Specifically, the SJFD's staffing model assumed the same absence rate for the various ranks. In addition, the SJFD's staffing model assumed absence rates that were too low. Finally, the SJFD's staffing model assumed incorrect vacancy rates. As a result, the SJFD's staffing model underestimated both the staffing levels and overtime needed to meet minimum staffing.

*The SJFD
Underestimated The
Absence Rate*

The SJFD uses staffing ratios to calculate the staffing coverage required to meet minimum staffing levels, including expected absences. For example, for each firefighter position, three personnel are needed to cover the three shifts (A, B, & C). This equates to a ratio of three personnel for each position. The SJFD adds an absence rate factor to these three personnel to accommodate for absences such as sick leave, vacation leave, and disability leave. According to a SJFD official, the SJFD has historically used a National Fire Protection Handbook staffing ratio of 3.5, which translates to an absence rate factor of 15.18 percent in its staffing calculations. The SJFD used that 15.18 percent absence rate factor to staff for all ranks—Battalion Chief, Captains, Fire Engineers, and Firefighters. As such, the SJFD assumed that each position required 3.46 personnel (3×1.1518).

Beginning in 2000-01, the SJFD started using different personnel-to-position ratios for different ranks ranging from 3.2 for Firefighters to 3.6 for Captains. These personnel-to-position staffing ratios were the product of assumed absence rates that ranged from 6.7 percent for Firefighters to 20 percent for Captains. However, we found that the SJFD actual absence rate ranged from 14.8 percent for Fire Paramedics to 24.1 percent for Firefighters. As a result, the personnel-to-position staffing ratios that the SJFD used should have been 3.4 to 3.7, instead of 3.2 to 3.6. Exhibit 11 compares the SJFD's assumed absence rates and resultant staffing ratios to our calculated absence rates and resultant staffing ratios for 2000-01.

Exhibit 11 Comparison Of The SJFD’s Assumed Absence Rate And Resultant Staffing Ratio To The City Auditor’s Calculated Absence Rate And Resultant Staffing Ratio For 2000-01

Rank	SJFD Assumed Absence Rate	Resultant SJFD Staffing Ratio	City Auditor Calculated Absence Rate	City Auditor Resultant Staffing Ratio	Difference In Absence Rates	Difference In Staffing Ratios
Battalion Chief	13.3 %	3.4	20.8 %	3.6	7.5 %	.2
Captain	20.4 %	3.6	20.8 %	3.6	0.4 %	--
Fire Engineer	12.4 %	3.4	21.5 %	3.6	9.1 %	.2
Firefighter	8.0 %	3.2 ¹⁰	24.1 %	3.7	16.1 %	.5
Fire Paramedic	8.0 %	3.2	14.8 %	3.4	8.1 %	.2

Source: Auditor analysis of SJFD data.

Because the absence rate for each rank can be different depending on the years of service and seniority, the SJFD should not use the same absence rate for all ranks. Therefore, in our opinion, the SJFD should calculate an absence rate for each rank using the most accurate and reliable data available for determining SJFD staffing requirements and management reporting purposes.

We recommend that the SJFD:

Recommendation #2

Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes. (Priority 3)

The SJFD’s Overtime Staffing Model Underestimated The Vacancy Rate

We also found that the SJFD’s 2000-01 overtime staffing model included a three percent vacancy rate assumption when calculating SJFD staffing and overtime needs. According to a Budget Office analyst, they have historically used a three percent vacancy rate. This rate has been used without regard to the SJFD’s actual vacancy rate. The problem with this approach is that the SJFD’s vacancy rate was 50 percent higher

¹⁰ The SJFD does not identify the Fire Paramedic as a separate rank, but as a unique skill. Consequently, the SJFD uses the same staffing ratio for Firefighters and Firefighter/Paramedics.

than the three percent vacancy rate in 1999-00. Specifically, the SJFD vacancy rate was 4.6 percent in 1999-00. Exhibit 12 lists the SJFD’s vacancy rates by rank in 1999-00.

Exhibit 12 Listing Of SJFD Vacancy Rates By Rank In 1999-00

Rank	SJFD Vacancy Rate
Battalion Chief	2.9%
Captain	4.9%
Fire Engineer	3.3%
Firefighter ⁶	7.1%
Average	4.6%
Total	N/A

Source: SJFD data.

The SJFD estimated that in 2000-01, a three percent vacancy rate would result in 57,290 absence hours. However, if the SJFD had applied each ranks’ vacancy rates, the projected vacancy absence hours would have been 98,655 hours, or 72 percent more. Consequently, the SJFD underestimated the line personnel and overtime needed to fulfill minimum staffing requirements in 1999-00.

We recommend that the SJFD:

Recommendation #3

Analyze vacancy rate data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs. (Priority 3)

SJFD Should Use Complete Management Information For Determining Staffing Needs

The SJFD relies predominantly on the PeopleSoft Payroll Software System (PeopleSoft) to obtain information on absences and overtime use. However, a recent SJFD review of timesheet entries revealed potential problems with the PeopleSoft data. Specifically, SJFD staff found that personnel had incorrectly filled out timecards and adjustments were not entered into the PeopleSoft system. The SJFD recognized that timesheet errors were a problem and issued a bulletin on July 20, 2000, to inform all personnel on proper procedures for filling out timecards. Additionally, we found that the PeopleSoft system did not capture leave information that

impacted minimum staffing, such as training or when personnel performed other assignments away from the station.

In addition to the PeopleSoft system, the SJFD has SEARS, which is an in-house designed, Filemaker Pro database that the SJFD implemented on January 24, 2000. The SJFD uses SEARS to record all daily staffing transactions, such as training or other assignments that may not show up on other databases. Specifically, SEARS has information on the name and rank of the person absent, the name and rank of the person working in relief, date of absence, why the person was absent (absence code), station, pay type, charge code, and number of absence hours. The 15 Battalion Chiefs assigned to the line are supposed to enter information into SEARS to record all absences, and indicate whether or not overtime was used to cover the absence. However, we found that SEARS was not error-free and was also prone to data entry errors.

In our opinion, the SJFD would benefit from using both PeopleSoft and SEARS data to determine staffing needs. The SJFD can use the SEARS data to complement the PeopleSoft data that would result in a comprehensive picture of leave information. However, if both systems are to be of any value to the SJFD, PeopleSoft and SEARS must generate complete and reliable absence rate information. The SJFD needs to ensure that the correct data and proper adjustments are entered into both systems. Further, the SJFD needs to designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis.

We recommend that the SJFD:

Recommendation #4

Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis. (Priority 3)

The SJFD Did Not Have Enough Relief Fire Paramedics

A factor in the SJFD's increased overtime costs in 1999-00 was that the SJFD did not have enough relief paramedics. On a daily basis, the SJFD must staff 35 paramedic positions, which equals 105 paramedics for three shifts. The SJFD assumed an absence rate of 8 percent, which produced a personnel-to-positions staffing ratio of 3.24, or 113 paramedic personnel

($35 \times 3.24 = 113$). Consequently, the SJFD had eight paramedics assigned to relief paramedic positions ($113 - 105 = 8$). As shown in Exhibit 13, the paramedic absence rate was actually 14.8 percent, not 8 percent. This translates to a staffing ratio of 3.4 instead of the 3.24 the SJFD used. At the staffing ratio of 3.4, the SJFD needed at least 121 paramedics in 1999-00, or 8 more relief paramedics than the 113 actual paramedics.

The SJFD considers paramedics as a skill, as opposed to a separate rank. The SJFD staffing practice is that other paramedics can only replace paramedics. This means that when a paramedic is absent, his or her replacement can only be another paramedic. This problem becomes exacerbated when the SJFD does not calculate separate paramedic absence rates, even though the SJFD is limited in how it can use paramedics. Given that the SJFD did not have enough relief paramedics and was limited on how it could use the paramedics it did have, the SJFD relied on overtime to meet minimum staffing. This resulted in Fire paramedics earning more overtime than other Firefighters. Specifically, on average, Firefighters earned about \$9,400 in overtime while Fire paramedics earned \$10,200. Additionally, the average paramedic worked 308 hours of overtime, compared to 285 hours of overtime for the average Firefighters. According to SJFD staff, they corrected this problem by hiring and training additional paramedics.

**Improved Efforts
To Project Future
Staffing Needed**

The SJFD has begun to perform regular and systematic reviews of staffing needs in terms of projecting upcoming retirements and vacancies. In November 1999, at the request of the City Council, the SJFD projected upcoming and potential retirements in order to develop recruitment schedules and needed budget changes. The SJFD reported that as of March 2000, there were 189 line personnel with 20 or more years of service. The SJFD also projected substantial retirement in the Battalion Chief, Captain, and Fire Engineer classifications over the next three to five years. These three classifications represented 79 percent of the potential retirements.

We reviewed SJFD retirement data as of June 2000 and determined that, on average, SJFD line personnel retired with almost 27 years of service, while almost three fourths of SJFD line personnel had less than 20 years of service. Specifically, 46 percent of the line personnel had between 6 to 20 years of service; 28 percent had less than five years of service; and 26

percent had 21 or more years of service. Exhibit 13 summarizes the years of service for SJFD line personnel as of June 2000.

Exhibit 13 Summary Of SJFD Line Personnel Years Of Service As Of June 2000

Years Of Service	Number Of Line Personnel	Percent	Cumulative Percent
0 to 5 years	179	27.7%	27.7%
6 to 10 years	102	15.8%	43.4%
11 to 15 years	93	14.4%	57.8%
16 to 20 years	107	16.5%	74.3%
21 to 25 years	47	7.3%	81.6%
26 to 30 years	96	14.8%	96.4%
31 or more years	23	3.6%	100.0%
Total	647¹	100.0%	

Totals may not add due to rounding.

¹This number does total to 654 personnel because of seven vacancies.

Source: SJFD.

The SJFD is in the process of updating its staffing plan. According to a SJFD analyst, preliminary indications are that the SJFD will need to fill 120 Firefighter positions in 2001-02. The analyst indicated that he is working with the BET on planning to address the staffing needs and plans to update the staffing plan on a quarterly basis.

According to SJFD officials, they have attempted to increase the size of the academies to better meet staffing needs. Specifically, they expanded the size of the Fall academy class from 26 to 28 recruits, and have a goal of training 32 recruits for the Spring 2001 academy. Further, they have a goal of training 32 recruits in the Summer 2001 lateral transfer academy.

Given the limited capacity of the Fire Recruit Academy and the need to hire 21 relief Firefighters, improved planning is necessary between the BET and the BAS. In our opinion, the need to fill the latter relief positions will be compounded by existing vacancies and up to 120 vacancies that the SJFD will need to fill due to retirements. Therefore, it is very likely that

overtime costs related to minimum staffing will continue to be an issue until the SJFD can fill its vacancies.

Bi-Annual Staffing Reports Can Help

The San Jose Police Department (SJPD) reports key staffing information to the City Council Finance and Infrastructure Committee every six months. The SJPD reports hiring projections, vacancies, vacancy projections, recruitment, and current staffing. These reports provide the City Council, Administration, and SJPD management with information on efforts to reduce vacancies and achieve near-term staffing goals. In our opinion, the SJFD can benefit from issuing a similar periodic staffing report. Such a SJFD staffing report could include:

- Current staffing levels by rank;
- The number of vacancies by rank;
- The number of personnel on modified duty and disability leave;
- The number of fire recruits needed to staff academies as to accommodate vacancies caused by attrition, promotions, and retirements;
- Projected vacancies for the next six months and year; and
- A plan to fill projected vacancies so as to meet minimum staffing and stay within overtime budgets.

The SJFD Personnel Division analyst indicated that the SJFD plans to update its staffing plan on a quarterly basis. In our opinion, the SJFD should also incorporate into their staffing plan information on staffing levels by rank, vacancies by rank, number of personnel on disability and modified duty, and projected short-term and long-term vacancies.

We recommend that the SJFD:

Recommendation #5

Report to the City Council updated staffing information by December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies. (Priority 3)

The SJFD Needs To Determine The Most Efficient And Effective Manner To Meet Minimum Staffing

In order to better control overtime expenditures, the SJFD needs to determine the most efficient and effective means for meeting minimum staffing. In 1992, the SJFD determined that overtime was the most cost effective means for meeting minimum staffing requirements. Consequently, the SJFD eliminated 41 relief staff. As noted earlier in this report, since the elimination of these positions, overtime costs have increased significantly. Moreover, sick leave and disability leave have also increased.

The SJFD's decision to eliminate the 41 relief positions in 1992 was based on a cost analysis that indicated overtime was 22.6 percent less costly than using relief personnel to meet minimum staffing. In 2000-2001, the SJFD updated this analysis to evaluate the benefit of adding 21 relief Firefighters. The SJFD's recent analysis indicated that the SJFD could save as much as \$333,000 by using 21 relief Firefighters instead of overtime in 2000-2001.

We also analyzed the cost benefit of using relief staff instead of overtime to meet minimum staffing. We found that using relief staff may or may not be more cost effective depending on variables such as pay steps, employee benefits, and absence rates. For instance, our analysis indicates that using relief staff is most cost effective when the relief staff are at the first two pay steps. Conversely, when the relief staff are at the higher pay steps, overtime appears to be more cost effective. Moreover, changes in the cost of employee benefits and absence rates also affected the outcome of our cost/benefit analysis.

Although our cost/benefit analysis did not clearly favor using relief staff over overtime, we identified that additional relief staff can help reduce several operational costs or produce certain intangible benefits. For example, from an operational perspective having relief staff assigned to particular battalions and shifts allows them to become familiar with geographical areas, operational practices, and their supervisors. In addition, additional relief staff creates a larger pool of Firefighters from which to draw in the event of a major emergency.

There are also some operational cost benefits of using relief staff instead of overtime to fill absences. For instance, as we noted on page 17, the SJFD incurred additional overtime costs of \$92,000 for the following situations:

- Rounding of hours at the beginning and end of shifts;
- Staff being held over for several hours at the end of a shift; and
- Higher-ranked personnel working overtime for lower-ranked personnel.

If the SJFD had more relief staff available, these costs should be reduced. For instance, if more relief staff were available, the number of instances that higher-ranked personnel work overtime for lower-ranked personnel should be reduced. Furthermore, having relief staff available should also reduce the need to hold staff over for several hours at the end of shifts.

Having an adequate complement of relief staff should also have several intangible benefits for the SJFD. For example, if the SJFD uses overtime to fill absences too often, it can affect morale and reduce the number of Firefighters who volunteer for overtime. In that event, the SJFD would have to rely more on mandatory call-backs to meet minimum staffing. Furthermore, overly relying on overtime to meet minimum staffing may increase Firefighter sick and disability leave usage.

A 1992 SJFD study reported that the most efficient and effective manner to meet minimum staffing was to staff 73 percent of absences with relief personnel and staff 27 percent of absences with overtime. The SJFD study found that as the percentage of relief staff increased above 75 percent, relief staff would report to work without absences to fill. However, the results of the SJFD's 1992 study are out-dated. In our opinion, the SJFD should update its 1992 study regarding the use of relief staff and overtime to meet its minimum staffing needs. In addition, the SJFD should annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs.

We recommend that the SJFD:

Recommendation #6

Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs. (Priority 3)

SJFD Can Reduce Overtime Expenditures By Proactively Controlling Factors That Affect The Absence Rate

We found that the SJFD does not proactively control and manage factors that increase the absence rate, which increases the number of relief staff and/or overtime costs. In March 2000, the Administration reported that the absence rate was the driving force in the increased overtime expenditures. Administration staff reviewed the absence rate from 1997-98 through the first half of 1999-00 and found that the SJFD had experienced a significant increase in the overall absence rate. The staff found that from 1998-99 to 1999-00, modified duty increased 40 percent, disability absences increased 21 percent, and sick leave usage increased 14 percent. In our opinion, the Administration can better control two of the factors that affect the absence rate—sick leave and disability leave. To the extent the Administration can reduce the absence rate, the need for additional relief staff and/or overtime will also be reduced.

Questionable Patterns Of Sick Leave Use

In 1999-00, line personnel used a total of 51,649 sick leave hours, of which, the SJFD was able to staff 33,371 hours (65 percent) with overtime and 18,278 hours (35 percent) with relief staff. Sick leave usage was equal to 79 hours or 3.3 days per line personnel.¹¹ The SJFD spent \$1.3 million in overtime to staff these sick leave absences. We found that Firefighters took disproportionately more sick leave on weekends and on days when vacation limits were met. Specifically, 53 percent of sick leave use that required overtime to meet minimum staffing occurred on weekend days—Friday, Saturday, and Sunday. The days when Firefighters were least likely to use sick leave were Tuesday and Thursday.

Firefighters' sick leave use also increased for certain ranks when daily vacation limits were met. The SJFD controls vacation leave by allowing a maximum of 25 personnel to use vacation leave per shift. On each shift, the SJFD has allocated Firefighters and Captains eight vacation slots for each rank and 9 slots for Fire Engineers. We found Fire Engineers had the highest sick leave usage when vacation shift limits were met. Specifically, between January 24, 2000 and June 30, 2000, there were 20 days when vacation shift limits were met for the rank of Fire Engineers. During those 20 days, Fire Engineers' sick leave usage increased by 30.4 hours or the equivalent of 1.3 Fire Engineers. While Fire Engineers averaged only 35.2

¹¹ There are a total of 654 projected line personnel, which include 582 positions to cover minimum staffing and 72 relief positions.

hours of sick leave per day when the vacation shift limits were not met, they averaged 65.6 hours of sick leave per day (86 percent more) when vacation shifts were filled.

According to a SJFD Chief, overuse of sick leave does not appear to be a problem for the SJFD. However, the same Chief acknowledged that the SJFD had not studied, tracked, or benchmarked sick leave use. In our opinion, a sick leave benchmark is an important management tool. Without proper control or monitoring of sick leave use, the SJFD has no assurance that sick leave abuse is not occurring. By reviewing sick leave use on a periodic basis, management can identify possible patterns of abuse and take appropriate follow-up actions.

We recommend that the SJFD:

Recommendation #7

Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions. (Priority 3)

Potential To Reduce Sick Leave Use And Related Overtime Costs With Proactive Approach

We found that some fire departments in California have adopted a more proactive approach toward controlling sick leave use. For example, the Long Beach, California Fire Department has a Sick Leave Reduction Program that attempts to make employees aware of the value of unused sick leave so that they will protect “this valuable asset.” In Long Beach, as in San Jose, retirees can receive a sick leave payoff. According to a manager in the Long Beach Fire Department, the reduction program includes the following aspects:

1. Educate personnel at monthly drills by explaining the City’s policy of allowing unlimited accrual of sick leave and that employees may, upon retirement, convert sick leave hours to years of service credit or cash at their retiring hourly rate with the funds placed in a trust fund for use in paying their health insurance premiums in retirement.
2. Send letters to personnel with perfect attendance and continually advise them of the value of their unused sick leave.

3. Reward employees with perfect attendance with “visible gifts,” such as large coffee mugs or logo watches as “demonstrations of...commitment.”
4. Report progress to the City Manager.

In October 2000, the Long Beach Fire Chief reported to the City Manager that after nine months, the Sick Leave Reduction Program was going to result in a 27 percent decrease in the use of sick leave, which represented a decrease of 8,556 hours. If the SJFD were to implement a similar program and achieve a 27 percent reduction in sick leave hours, it would represent a decline of almost 14,000 sick leave hours or \$588,000 of overtime cost.

We recommend that the SJFD:

Recommendation #8

Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)

Modified Duty And Disability Leave Usage In 1999-00

In 1999-00, line personnel incurred 63,427 disability leave hours and 33,003 modified light duty hours—a total of 96,430 hours and the equivalent of 33 full-time equivalent positions. Between 1996-97 and 1999-00, the total number of disability leave hours increased 31 percent from 48,443 hours to 63,427 hours. During the same period, the total modified duty hours fluctuated between 34,889 hours and 33,003 hours. In 1999-00, Workers’ Compensation costs for fire personnel on disability and modified duty leave were \$3.2 million.

Based on our review of minimum staffing data in 1999-00, the SJFD covered 31 percent of its total disability leave and modified duty leave with overtime. Specifically, the SJFD incurred 29,703 overtime hours to cover those absences—18,953 overtime hours for disability leaves and 10,750 overtime hours to cover modified duty leaves. The associated overtime expenditures for these 29,703 overtime hours were \$1.2 million. The SJFD covered the remaining 66,727 hours with relief personnel at regular pay.

*Other Jurisdictions
Have Attempted To
Reduce Disability
Leave*

We learned that other local jurisdictions had reduced job-related injuries for Firefighters through the implementation of a comprehensive fitness wellness program. The International Association of Firefighters and the International Association of Fire Chiefs developed the Fire Service Joint Labor Management Wellness-Fitness Initiative (Wellness-Fitness Initiative) to improve the wellness of fire personnel. The Wellness-Fitness Initiative includes medical fitness, physical fitness, emotional fitness, and access to rehabilitation, when required. Ten U.S. and Canadian cities' fire departments require the mandatory participation of all of their uniformed personnel in this program.

There are significant cost benefits to implementing or expanding wellness programs. It was reported that in Phoenix, Arizona, during the first eight years of their program, the number of job-related injuries decreased by 26 percent and the average number of days off due to on-the-job-injuries was reduced by 42 percent. A SJFD official provided us with comparative disability leave statistics for Phoenix, Arizona and Seattle, Washington fire departments. Both of these cities had implemented the Wellness-Fitness Initiative and had lower average disability leave hours per employee than the SJFD. For instance, in 1999-00, SJFD averaged 81 disability leave hours per employee, while the Phoenix Fire Department averaged 25 hours per employee, and the Seattle Fire Department averaged 29 hours per employee.

*SJFD May Benefit
From Implementing
The Wellness-Fitness
Initiative*

SJFD staff has done some preliminary research on implementing the Wellness-Fitness Initiative. In May 2000, the SJFD held a strategic planning meeting, and in December 2000, the Safety Officer briefed the SJFD's senior staff on the Wellness-Fitness Initiative. A SJFD official estimated that implementing a Wellness-Fitness Initiative program would cost \$275,000 in one-time costs and about \$500,000 in on-going operating costs. Currently, the SJFD spends \$211,000 on a wellness program, which includes fitness evaluations, fitness self-assessments, and exercise prescriptions. Upgrading the current program would require exercise specialists, peer trainers, additional exercise equipment, rehabilitation, and data collection to track injuries and trends.

In our opinion, the SJFD may benefit from implementing a Wellness-Fitness Initiative program. Wellness-fitness type programs across the country have demonstrated benefits

ranging from 1.07 to 3.43 times the cost of the program. Research studies over the last 15 years have shown a return on investment ranging as high as 6.2 to 1. In our opinion, the SJFD and Administration need to further evaluate the program and determine the feasibility of implementing the program in San Jose.

We recommend that the SJFD and Administration:

Recommendation #9

Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)

CONCLUSION

In order to better control overtime expenditures, the SJFD needs 1) more accurate and complete management data regarding absence rates and vacancy rates; 2) to identify current staffing needs; and 3) to improve its ability to project future staffing needs. Furthermore, the SJFD needs to revisit its assessment of the most efficient and effective means to meet minimum staffing and take into account the various intangible factors that can affect the cost-effectiveness of overtime usage versus relief staffing. Finally, the SJFD needs to proactively control those factors that increase the absence rate and resultant overtime costs.

RECOMMENDATIONS

We recommend that the SJFD:

Recommendation #1

Ensure that fire personnel that are held over properly document the absence they are covering. (Priority 3)

Recommendation #2

Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes. (Priority 3)

Recommendation #3

Analyze vacancy rate data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs. (Priority 3)

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- Recommendation #4** **Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis. (Priority 3)**
- Recommendation #5** **Report to the City Council updated staffing information by December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies. (Priority 3)**
- Recommendation #6** **Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs. (Priority 3)**
- Recommendation #7** **Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions. (Priority 3)**
- Recommendation #8** **Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)**
- We recommend that the SJFD and Administration:
- Recommendation #9** **Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)**

Fire Department Overtime Expenditures

Memorandum

TO: Gerald Silva
City Auditor

FROM: Manuel Alarcon
Fire Chief

SUBJECT: **RESPONSE TO AUDIT OF THE
CITY OF SAN JOSE FIRE
DEPARTMENT'S OVERTIME
EXPENDITURES**

DATE: April 11, 2001

Approved

Kay Winer

Date

4/13/01

The Fire Department has reviewed the final draft report on *An Audit of the City of San Jose Fire Department's Overtime Expenditures*. We are generally in agreement with the results and the recommendations of the report. We are satisfied that the Audit Report recommendations address documentation and process and that there was no evidence of misuse or fraud. It should be noted that the Fire Department overtime budget for 2000-2001 is tracking, with Personal Services offsets, within budget. It is also noteworthy that there were no priority 1 or 2 recommendations. All nine recommendations have been given "Priority 3" ranking. It is our opinion that these recommendations argue in favor of an enterprise records management system, which will enhance effective and efficient data collection and tracking. Specific responses to the audit recommendations are provided below, and the recommendations will be implemented as indicated.

Recommendation #1

Ensure that fire personnel that are held over properly document the absence they are covering.

The Fire Department concurs. The Bureau of Field Operations has been directed to reinforce standing procedures with Company Officers and Battalion Chiefs when entering information on timesheets, the SEARS report, battalion muster sheets, and company and battalion journal entries. The retraining will be coordinated with the Bureau of Administrative Services and the Bureau of Field Operations.

Recommendation #2

Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes.

Gerald Silva
Response to Audit of the City of San Jose
Fire Department's Overtime Expenditures
April 11, 2001
Page 2

The Fire Department agrees with the recommendation to track the absence rate by each rank. The Fire Department will use a specific absence rate for determining staffing needs. The Fire Department, however, does not believe that individual absence rates will necessarily lead to a more reliable projection of overtime costs. Key to this belief is the fact that fire service personnel, for minimum staffing purposes, may fill in at higher or lower ranks, skewing cost projections by rank.

Recommendation #3

Analyze vacancy rates data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs.

The Fire Department will implement this recommendation; however, the City Administration generally uses a vacancy rate of 3 % for departments. The Department questions the value of tracking vacancies by rank in view of the vacancy rate applied citywide.

Recommendation #4

Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis.

The Department concurs. The Fire Department has an overstrength Staff Technician position to implement, monitor, analyze and evaluate the PeopleSoft and SEARS data. The Fire Department is in complete agreement that we require a full-time person to monitor and track our \$7.38 M overtime budget. To that end, this Staff Technician position has been proposed for permanent status in the 2001-2002 Operating Budget process.

Recommendation #5

Report to the City Council updated staffing information by December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies.

The Department concurs. An annual staffing report will be provided to the City Council in December of each year.

Recommendation #6

Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs.

The Department concurs. The Fire Department will update its 1992 study to determine the best possible mix of relief staff and overtime funding to meet the Department's minimum staffing needs.

Recommendation #7

Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up action.

The Department concurs. The Fire Department has analyzed sick leave data in the past; however, there have been no regular reports to Fire Senior Staff. The Bureau of Administrative Services will be directed to develop semi-annual reports. We agree that there should be reinforcement of the existing City of San Jose and Fire Department policies regarding sick leave usage and documentation.

Recommendation #8

Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance.

The Department will attempt to implement this recommendation; however, any substantive proactive sick leave reduction program would be a Meet and Confer issue and require negotiations with the Firefighter's bargaining unit. The Department will meet with Employee Relations to develop a plan of implementation.

Recommendation #9

Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial.

The Department concurs. The Fire Department has had a full time Safety Officer for 3 years, whose duties include wellness and fitness. Moreover, the Fire Department has had an active Wellness Program, which includes physical assessments and training, for a similar period. Since the implementation of both

Gerald Silva
Response to Audit of the City of San Jose
Fire Department's Overtime Expenditures
April 11, 2001
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the position and program, there has been a general decline in the number of disability claims for major injuries. The Fire Department has continued to work closely with the City's Wellness Program Director, on a monthly basis, to implement programs that will benefit and prevent lost time due to illness or injury.



MANUEL ALARCON
Fire Chief

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class¹	Description	Implementation Category	Implementation Action³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. **(CAM 196.4)**

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.
(CAM 196.4)

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.
(CAM 196.4)

APPENDIX B



Memorandum

TO: Gerald Silva
City Auditor

FROM: Manuel Alarcon
Fire Chief

**SUBJECT: SIGNIFICANT MANAGEMENT
ACCOMPLISHMENTS:
OVERTIME EXPENDITURES
AUDIT**

DATE: April 11, 2001

Approved

Date

This memorandum responds to the request for the Fire Department accomplishments related to overtime expenditure management.

The Fire Department administers a \$7.38 million overtime budget allocation in Fiscal Year 2000-2001. The Department is required by union contract, to fully staff 31 fire stations. The result of requiring fully staffed fire stations necessitates significant overtime budget expenditures.

For the last 10 years, the development of overtime budget projection models and the control on the usage of overtime have been on going challenges. The Fire Department has implemented a number of procedures and hired a Staff Technician to address the overtime budget deficit.

The following are some of the controls put in place to improve overtime efficiency:

- Hiring of a Staff Technician has been a significant accomplishment in overtime management. The responsibility of that position is to monitor, audit, and assist in the development of procedures in the control of overtime expenditures.
- To provide improved accountability of overtime, the Supplemental Employee's Attendance Reporting Systems (SEARS), which is an internally controlled database, was developed and implemented.
- Telestaffing, a software system for managing minimum staffing and timekeeping, continues to move forward.
- The Bureau of Administrative Services is coordinating efforts providing complete charge codes and full documentation on the need for overtime rules, policies, and procedures regarding the use of overtime.

Gerald Silva
Significant Management Accomplishments:
Overtime Expenditures Audit
April 11, 2001
Page 2

- The Fire Department and Manager's Budget Office have been routinely overseeing the Department's overtime expenditure.


MANUEL ALARCON
Fire Chief

Report on Review of Payroll at the Vermont Department of Public Safety

Respectfully Submitted by

StoneTurn Group LLP

Office of the Vermont State Auditor

February 11, 2013

Executive Summary

In July 2012, Vermont Governor Peter Shumlin announced an investigation into allegations that a Vermont State Trooper, referred hereafter as “Trooper A”, had fraudulently claimed large amounts of overtime pay for hours not actually worked. Governor Shumlin requested the State Auditor’s Office conduct a review of payroll transactions, processes and procedures relating to the reporting of overtime at the Department of Public Safety (“DPS”). The Vermont State Auditor’s Office (“SAO”) engaged StoneTurn Group LLP (“StoneTurn”), an independent forensic accounting firm, to assist to (1) develop a work plan; (2) team with SAO staff to assess existing processes and controls intended to mitigate fraud, abuse and waste relating to DPS overtime pay; and (3) design and execute forensic data analytics covering the period January 1, 2010 through September 30, 2012 to identify indicators of possible fraudulent, abusive or wasteful activities. These factual analyses do not constitute opinions or judgments regarding whether fraud or other misconduct by any group or individual occurred, nor are they an audit conducted in accordance with generally accepted auditing standards. Additionally, StoneTurn has not been engaged to investigate potential civil or criminal violations and we offer no opinion on such matters.

This report describes the work performed and the corresponding results. The report begins with a summary of significant findings and recommendations relating to the controls review and forensic data analytics. It follows with a more detailed discussion of the background, scope of services, procedures, results and recommendations.

Department of Public Safety Overtime Processes and Controls

The review of processes and controls at DPS revealed vulnerabilities to fraud, abuse and waste across the process of approving, reporting, processing and monitoring overtime. The State is planning in the near future to implement a new payroll reporting system. The new system is likely to address certain vulnerabilities identified by this review. We recommend that SAO and/or DPS conduct a review of the new system after it has been fully implemented to ensure that it is designed and operating effectively to mitigate fraud, abuse and waste vulnerabilities. Following are our observations and recommendations regarding processes likely to remain intact after the new systems are implemented.

Table 1 – Summary of Observations and Recommendations for DPS Payroll Processing		
Overtime Process	Observations	Recommendations
Supervisor approval of expected and unexpected overtime.	<ul style="list-style-type: none"> • DPS policy of permitting troopers to “self-activate” to on-duty status without prior approval is inherently vulnerable to abuse. • Third party contracts, e.g. local town patrols, Federal grants and 	<ul style="list-style-type: none"> • Implement recurring, standard and detailed reports / analyses as a monitoring control of overtime. • Implement threshold criteria to limit overtime amounts for individual projects and require rotation of individuals charging projects.

Table 1 – Summary of Observations and Recommendations for DPS Payroll Processing		
Overtime Process	Observations	Recommendations
	<p>utility company homeland security services are inherently vulnerable to abuse.</p> <ul style="list-style-type: none"> • Vulnerabilities in the advanced approval process could subject DPS to overtime amounts that are excessive or unnecessary. • Expected overtime for specific projects is not managed for optimal efficiency. 	<ul style="list-style-type: none"> • Consider periodic independent party review to validate that overtime is or was required.
DPS employee completion of time reports.	<ul style="list-style-type: none"> • Manual nature of time reports and complexity in time coding leaves opportunity for errors or intentional misreporting. 	<ul style="list-style-type: none"> • Formalize and circulate time keeping instructions to DPS employees. • Implement formal time keeping training. • Embed automated controls into new time reporting system.
Supervisor approval of time reports.	<ul style="list-style-type: none"> • Anecdotal evidence indicates that supervisors provide “rubber stamp” approval of time reports and perform inadequate review. 	<ul style="list-style-type: none"> • Prohibit template electronic signatures. • Require supervisors to conduct periodic detailed overviews of overtime incurred by direct reports. • Periodically audit individual payroll reports, including of overtime activity, on both a random and judgmental basis. • Hold supervisors accountable for errors in time reports.
Supervisor submission of time sheets to DPS Payroll at DPS Headquarters.	<ul style="list-style-type: none"> • There is risk that an employee or another individual modifies time reports between supervisor approval and submission to DPS Payroll. • Absence of formal chain of custody process and documents heightens risk and hinders detection of errors. 	<ul style="list-style-type: none"> • Implement a structured and documented chain of custody for submission of time reports. • Include in new time reporting system historical logs of time stamped approvals for time keeping entries.
DPS review and processing of payroll.	<ul style="list-style-type: none"> • The payroll process is subject to human error or manipulation because payroll review and processing are largely manual and heavily reliant upon a small number of key individuals. • DPS current payroll system data validation checks are largely undocumented. 	<ul style="list-style-type: none"> • Embed controls into new reporting system to prevent and detect entry of ineligible overtime. • Include authorization levels in new time reporting system for payroll adjustments and related atypical payroll entries. • Enhance documentation of payroll system rules, controls and processes.
DPS Headquarters monitoring and oversight of employee overtime.	<ul style="list-style-type: none"> • DPS Commanding Officers and payroll personnel perform high-level review of overtime with a focus on budget, rather than detecting fraud, abuse and waste. • DPS employees not aware or concerned that they are being monitored or that overtime abuse will be detected. 	<ul style="list-style-type: none"> • Specifically include fraud, abuse and waste as an objective of DPS Commanding Officers and payroll personnel periodic overviews. • Schedule review of overtime and finance activity at regular and surprise intervals and incorporate forensic data analytics to identify potential anomalies. • Share results and obtain sign off from supervisors of reviewed employees.

Forensic Data Analytics

Forensic data analytics involves the design and execution of custom queries, algorithms and analyses of data to identify possible indicators of fraud, abuse or waste. The fact that an individual is flagged in a particular data test does not, in and of itself, prove any impropriety. Rather, test results might indicate the need for investigation by law enforcement personnel.¹ Our factual analyses do not constitute opinions or judgments regarding fraud or other misconduct by any group or individual.

We developed and executed forensic analytics that collected and assimilated data from disparate sources of Vermont government data, including payroll data from the Human Capital Management system and DPS / Vermont State Police “Spillman System”, the primary communications and database tool used by State law enforcement and emergency response personnel. The table below summarizes test objectives and select results.

Test	Objective	Result
Benchmarking by Title and Department ²	Obtain baseline by earnings code, department, title and individual to determine average levels of overtime by department and title for comparison to each individual.	167 individuals at DPS flagged in one or more benchmarking tests for having above average overtime compared to peer groups.
Trending Analysis by Pay Period	Consider whether decrease of overtime after investigation became public indicates change in overtime patterns.	172 individuals flagged in overtime trending analysis.
Consecutive Periods with Overtime	Consider consecutive number of periods with overtime in a row by individual.	37 flagged in consecutive overtime analysis.
Overtime Activity by Project Code	Consider whether project codes indicate unusual activity, e.g., disproportionate trends of law enforcement services under contract with towns lacking a stand-alone police force.	15 individuals flagged in project code analysis.
Recurring Overtime Amounts	Consider whether data indicates certain troopers routinely charged the same amount of overtime.	82 individuals flagged in recurring overtime analysis.

¹ StoneTurn will provide DPS with all forensic analyses described herein simultaneous to the issuance of this report for DPS to perform additional procedures, if any, it deems appropriate.

² For purposes of our report and accompanying analyses, the term “department” corresponds with the field in the payroll data provided by the State “HR_DEPTID_VT”. This field typically identifies the DPS division, subdivision and location for each individual.

Table 2 – Summary of Forensic Data Analytic Tests, Objectives and Select Results		
Test	Objective	Result
Miscellaneous Payroll Activity	Consider standard fraud, waste and abuse anomaly tests, e.g., address matches, round dollar transactions.	No significant findings.
Risk Scoring	Aggregate results of each data test to derive a total risk score for each DPS individual.	Risk scores across DPS personnel ranged from 0 to a high of 10. One individual (Trooper A) scored 10, followed by one with a score of 8, one with a score of 7, eight with a score of 6, ten with a score of 5, and the remaining with scores of 4 or less. The vast majority of DPS employees (85%) had risk scores of 1 or 0.
Compare Payroll Data to Spillman Data	Use law enforcement radio log data to test the validity of the time reported in the payroll system for certain individuals.	Comparison of Spillman data to payroll data of 16 upper-tier risk-score individuals confirmed information reported in time records with one exception. Results for one individual (Trooper A) indicated hours reported were not fully supported by Spillman data. We recommend that the DPS and other state agencies consider implementing similar forensic data analytics as a preventive and detective tool.

Virtually all of our testing procedures flagged Trooper A for anomalous activity and resulted in Trooper A having, by a notable margin, the highest risk score of all DPS employees. We designed our forensic analytics neither to support the criminal investigation nor identify specific instances of misconduct by Trooper A. Nonetheless, Trooper A topped the list of employees flagged with data anomalies. These results validate the procedures performed and, more importantly, demonstrate the importance and usefulness of data analytics to detect overtime and, potentially, other government fraud, waste and abuse. We recommend that the DPS and other state agencies consider implementing similar forensic data analytics as a preventive and detective tool.

Discussion

1.0 Introduction

In early July 2012, Vermont Governor Peter Shumlin disclosed an investigation into a Vermont State Trooper, who was alleged to have claimed excess and fraudulent overtime. The investigation began as a result of another trooper reporting suspicious billing to superiors after he noticed that a fellow trooper had billed for hours not worked.³

In response to these allegations, Governor Shumlin requested the Vermont SAO perform a review of payroll transactions, processes and procedures for DPS, with a particular focus on reporting of overtime. SAO engaged StoneTurn to assist the review.

StoneTurn is an independent consulting firm that provides specialized financial, economic, and accounting analyses to various clients in forensic accounting, complex litigation, data analytics, forensic technology and intellectual property matters. The firm consists of practitioners with a wide range of experience in forensic accounting investigations, evaluation of internal controls, regulatory matters and complex business disputes.

2.0 Background on the Department of Public Safety

The DPS website describes the purpose of DPS as “to promote the detection and prevention of crime, to participate in searches for lost and missing persons, and to assist in cases of state wide or local disasters or emergencies.” DPS is organized into four primary divisions, the Vermont State Police (“VSP”), Vermont Emergency Management (“VEM”), Criminal Justice Services (“CJS”), and Fire Safety.⁴

The VSP is the primary law enforcement agency serving approximately 200 towns, 90% of the land mass and 50% of the population of the State of Vermont, in addition to supporting local, county and federal partners. The Vermont State Police consists of 327 sworn members, approximately 90 emergency communication dispatchers and civilian support staff, whose mission is to serve and protect by providing the highest quality law enforcement services.⁵

³ <http://vtdigger.org/2012/07/10/vermont-state-police-sergeant-committed-time-sheet-fraud-shumlin-says/>

⁴ <http://www.dps.vermont.gov/aboutus>

⁵ http://vsp.vermont.gov/about_us

3.0 Scope of Services

The SAO engaged StoneTurn to develop a work plan and, in conjunction with SAO staff, conduct a forensic review of overtime pay practices of DPS.⁶ The State requested that these procedures include:

- Review of internal controls intended to prevent fraud, abuse and waste relative to how DPS overtime is processed, approved, managed and controlled, and;
- Analytic and transaction testing of the available data and records to search for indicators of possible fraud, abuse, or waste, including anomalous overtime activity and other unusual activity. The payroll transaction testing covered the period from January 1, 2010 through September 30, 2012.

StoneTurn performed its work in accordance with the terms of the agreement with the State and with the Standards for Consulting Services of the American Institute of Certified Public Accountants. These procedures do not constitute an audit of the DPS or State financial statements or any other attestation service, including an attestation on the operating effectiveness of internal controls.

StoneTurn's findings are strictly limited to the procedures performed, documents analyzed and discussions held in the capacity of consultant to the State. StoneTurn reserves the right to modify this report should additional relevant facts or information become available to us.

The procedures performed as part of the forensic accounting review were executed by a combination of StoneTurn and/or SAO personnel and were based on data, documents and other information provided by the State. The procedures performed consisted of factual analyses of the information provided related to DPS payroll and the results described herein are observations or findings related to the underlying data and/or documentation considered. These factual analyses do not constitute opinions or judgments regarding, for example, whether fraud or other misconduct by any group or individual has, or might have, occurred.

We understand that additional follow-up procedures may be performed by the State at its discretion, including by law enforcement personnel. The State did not engage StoneTurn to assist with any subsequent evaluation of employee misconduct or investigation of potential civil or criminal violations and we offer no such opinion. StoneTurn will provide DPS with all forensic analyses simultaneous to the issuance of this report.

⁶ Our engagement scope encompassed DPS as a whole; however, certain procedures were focused on VSP due to the nature of the data available.

4.0 Summary of Procedures Performed

StoneTurn, in conjunction with the SAO, performed various procedures, including, but not limited to: (1) periodic meetings and discussions with StoneTurn and SAO representatives; (2) interviews with DPS personnel; (3) interviews with Department of Human Resources (“DHR”) personnel; (4) interviews with Department of Information & Innovation (“DII”) personnel; (4) review of available documentation regarding payroll processing, data and internal controls; (5) observing certain information systems; (6) performing data analytics on payroll-related data sources; and (7) performing independent research.

5.0 Review of Existing Policies, Procedures and Internal Controls of Overtime at DPS

StoneTurn and the SAO began the review of DPS overtime policies, procedures and internal controls by gaining an understanding of the existing policies, procedures and internal controls through review of documentation and discussions with relevant personnel. We then conducted a risk assessment to identify inherent⁷ fraud, abuse and waste risks related to overtime pay. The team then assessed the design of existing processes and controls to determine residual risk⁸ and considered these risks against existing processes and controls.

We are aware that DPS has taken certain steps to bolster control and oversight of overtime since learning of the alleged misreporting of overtime by Trooper A. In addition, the State is implementing a new payroll reporting system in the near future which may address certain issues. Our evaluation focused on those policies, procedures and internal controls that are likely to remain in place after the new system is implemented.

5.1 Supervisor Approval of Expected and Unexpected Overtime

Existing Processes / Controls:

DPS employees must receive approval to work overtime, except for instances where no advance approval is obtained by a trooper due to the nature of a law enforcement incident. The specific

⁷ Inherent risk refers to vulnerabilities without regard to existing controls. The assessment considers both likelihood and significance of identified risk. Our focus was on risks that had reasonably possible likelihood and a more than inconsequential impact if they occurred.

⁸ Residual risk refers to vulnerability after the design and operating effectiveness of controls are taken into account. Our scope was limited to design effectiveness; that is, whether the controls, if operating effectively would mitigate the risk. The State did not request that we evaluate whether processes and controls were, in fact, operating as designed.

advance approval process for overtime may vary slightly for each department, but the underlying tenets are the same.

DPS differentiates between “expected” and “unexpected” overtime. Expected overtime includes time spent working on such tasks as public event security, training and construction details. Supervisors approve expected overtime during scheduling and departmental planning meetings.

In some instances, overtime hours are awarded on a first-come/first-served basis. For these tasks, supervisors post schedules for expected overtime at various DPS locations / barracks and overtime hours are signed-up for by individuals.

In other instances, expected overtime occurs as part of a third party contract whereby DPS receives reimbursement for overtime cost. These include contracts for such things as local town patrols, grant programs (e.g. Federal Click-It-Or-Ticket program) and utility company homeland security services. The DPS finance team tracks amounts charged to these contracts using project codes and bills for the services rendered. In addition, finance reconciles the total amounts charged to such projects to the contract amount in order to track billing against contracts. The DPS finance team also then provides project-level reports to the Station Commanders tasked with overseeing individual projects for their review.

Unexpected overtime typically requires the approval of a supervisor with rank above the individual requesting to work overtime. Approval can occur by phone, in person, or through dispatch in connection with emergency calls. For troopers, there may be instances where no advance approval is obtained due to the nature of a law enforcement incident. In these circumstances, VSP policy states that officers may “self-activate to an on-duty status when immediate law enforcement action is justified and appropriate under the presented circumstances.”⁹

As a practical matter, the reactive nature of law enforcement makes it difficult for shift supervisors to ensure on a real-time basis the valid need for unexpected overtime. Given this inherent vulnerability, DPS should conduct after-the-fact reviews of communication logs and incident records to ensure that the overtime was warranted and performed. After-the-fact reviews also provide a convenient way to remind troopers that DPS is monitoring overtime usage.

Expected overtime is easier to monitor and control. We learned anecdotally that DPS finance and Station Commanders provide some level of oversight; however, there is no clear method of accountability for the financial impact of each individual project. We further understand that project codes used to track expected overtime events may not be subject to disaggregated analyses on a recurring basis. Notwithstanding advance supervisor approval, there does not

⁹ Vermont State Police Rules and Regulations - Section V, Chapter 3, Article XI,3.1

appear to be a practice of ensuring projects overall are being managed efficiently in terms of the appropriate number of overtime hours or with who is incurring those overtime hours.

For example, the forensic data analysis revealed that experienced troopers, such as sergeants, accounted for a large percentage of overtime cost related to local town patrol contracts. There does not appear to be any analysis into whether these contracts can be serviced with more junior (and presumably less expensive) DPS personnel. We also note that local town patrol and other contracts are inherently vulnerable to abuse as there is a natural tendency to pay less attention to cost when a service is being paid by a third party.

Recommendations:

- As a detective monitoring control, DPS should implement detailed and recurring reports for reviewing payroll-related transactional data, including overtime and project codes by individual. This analysis would provide DPS personnel with operational and financial insight that would prove useful in managing overall overtime costs and identifying unusual trends.
- For recurring projects with foreseeable overtime amounts, we recommend that DPS implement overtime criteria designed to prevent dominance of select projects by one or few individuals. These controls might include monthly employee limits for overtime amounts on individual projects and mandatory rotations of those individuals that work on project-based overtime.

5.2 Time Reporting Process

Existing Processes / Controls:

Vermont government employees manually complete a time report on a bi-weekly basis. Certain employees, such as salaried administrative employees, report only on an exception basis. They provide details of the hours worked each day only if there is a payroll event outside of their normal work schedule, e.g., a sick day. A large proportion of DPS staff report on an affirmative basis; that is, the employee completes an itemized breakdown of hours for each day worked. Most State Troopers, for example, itemize their work days on time reports and code their time spent for regular hours, overtime and personal time, among others.

This coding of time in time sheets is accomplished through the use of earnings codes. Earnings codes are a combination of numerical digits and/or letters input onto a time sheet by an employee in order to identify hours by category. For example, earnings code “16” indicates “call-in hours cash”, meaning hours worked by a trooper that has been called in to work unexpectedly and wishes to be compensated in cash for those hours. The earnings codes drive how hours are

translated into pay dollars and dictate such things as whether time should be paid at straight time or time-and-a-half and whether hours should be deducted from accrued paid time off.

Employees that work overtime hours, including State Troopers, are required to complete an overtime recap form that provides detail regarding the overtime work, such as detail on projects or grants worked on, case or incident numbers, dates of overtime, earnings code charged and free-form notes regarding the work performed. These overtime recaps may vary by DPS group and can be completed in excel template or hard copy, but generally include similar information.

DPS employees manually complete their own time sheets. Given the various options for earnings codes and project codes, the opportunity for intentional or unintentional errors exists for every time report.

DPS developed a “Reporting Time Instructions” guide for DPS employees regarding employee codes, earnings codes and union requirements that should be taken into consideration when filling out (and approving) timesheets. We learned anecdotally that DPS payroll does not formally or systematically circulate the manual to all DPS personnel, but rather distributes on an ad hoc basis.

Recommendations:

- DPS should formalize and circulate written time reporting instructions. The instructions should, at a minimum, include a guide that references the most common coding by level, manner in which the reports should be completed and contact information for payroll related questions.
- DPS should implement and provide formal training, including comprehensive training for new employees and an annual refresher course for current employees regarding (1) the various codes that are used for time entries; (2) applicable regulations that should be followed when filling out time sheets (e.g. union agreements); and (3) updates that may be implemented to the payroll system and payroll process.
- We understand that the State is in the process of implementing a new payroll module of its ERP system, including an electronic time reporting mechanism. An electronic timesheet system should help reduce/prevent errors associated with the current manual process. In addition, an electronic time reporting system should reduce, if not prevent, eligibility errors.
- The new time reporting system should include automated controls, such as real time systematic verification of payroll reporting codes, prompts requiring employees to complete certain required fields based on data entered, and a comprehensive set of time reporting “rules” embedded into the system to ensure accuracy in reporting for employees depending on department, level, employment contract, etc. For example, an electronic time sheet could

have embedded controls which prevent individuals from using certain codes for pay they are not eligible for or from charging paid personal time they have not accrued.

- We also suggest that the electronic time reporting system allow for free-form comments and descriptions of hours entered to provide for a formal record of what the hours related to, particularly for overtime and call-in pay. These comments can then be used in verification and subsequent auditing of hours reported.

5.3 Supervisor Approval of Time Reports and Overtime “Recaps”

Existing Processes / Controls:

After overtime has been incurred, employees separately identify the overtime and call-in hours on the bi-weekly time sheet through specific earnings and project codes. The employee then signs each time sheet under penalties of perjury. The DPS employee’s direct supervisor then reviews time sheets prior to submission to DPS payroll. Supervisors evidence their review via signature of employee time sheets. DPS policy provides for hand written approval signatures; however, we learned that, on some occasions an “electronic” (historically a jpeg image of signature included on a spreadsheet template) signature has been used.

With regards to overtime, DPS policy requires the employee’s direct supervisor to review overtime recap forms to verify that the description/reason for the overtime hours provided reasonably supports the hours recorded on the front page of each employee’s time report. DPS policy also expects direct supervisors to review leave slips, radio logs and other documentation to verify time actually worked.

DPS modified the process in August 2012, presumably as a result of the Trooper A investigation. DPS policy now demands advance approval whenever possible and mandates that all DPS divisions use overtime/leave slips to document overtime and leave.

The use of an electronic signature template (i.e. jpeg) for supervisor approval creates risk in the review process as it provides an opportunity for the employee to alter or circumvent the supervisor approval process altogether if time sheets are not custody controlled. When an electronic signature image is saved on a template, employees can circumvent altogether the review process by completing a “pre-approved” time sheet. They can even submit the timesheet to DPS payroll without review by their supervisor.

The current review process, moreover, depends highly on the supervisors to conduct an adequate review of time sheets. We received anecdotal evidence that some supervisors performed little or no detailed review, resulting in a “rubber stamp” approval. We also noted that scanning the descriptions provided by the employee on overtime recaps attached to time sheets may not, in

and of itself, validate the legitimacy of the recorded hours. Employees can falsify explanations and/or reference task or job codes that were not actually worked.

Rubber stamping of time sheets contributes to a lax organizational culture and creates substantial risk that intentional or unintentional errors in employee time sheets go undetected. It also tempts DPS employees, who might not otherwise engage in time abuse, to do so because they perceive that their misconduct will go undetected.

Recommendations:

- DPS should prohibit the use of the electronic signature images in template form by supervisors. We understand that DPS recently notified supervisors that electronic signatures will no longer be accepted.
- Employee time sheets currently include a section for employees to attest that their time sheet is true and accurate as evidenced by their signature. Supervisor signature lines are adjacent to the employee's signature under the same language. We recommend these time sheets have distinct attestation statements for employees and supervisors, with the former focusing on the accuracy of the hours reported and latter indicating that the supervisor specifically reviewed and approved the hours reported by each employee. In addition, reference to available whistleblower and fraud hotline numbers could also be incorporated in order to set an appropriate tone that time keeping fraud is taken seriously.
- DPS should require all supervisors to submit periodic (i.e. monthly or bi-weekly) overtime reports that include the detail on overtime, call-in and special compensation time recorded for the period for their direct reports. These reports should include a signed certification that the supervisor verifies that the information contained on the report is truthful and accurate to the best of their knowledge.
- DPS should implement a process for periodic random and judgmental sample auditing of payroll records with a focus on overtime and call-in hours. These sample audits should include review of timesheets and supporting documentation regarding reported overtime in order to assess the validity. Supporting documentation could include, but is not limited to, records from the Spillman system tracking law enforcement activity, data regarding citations issued during the applicable time periods, and proof of call-ins.
- DPS should publicize these audits to prevent abuse by personnel who believe that DPS will not detect their misconduct. These audits would also allow for assessment of effectiveness of supervisor review and would provide additional assurance that reported overtime is valid.

5.4 Supervisor Submission of Time Reports to DPS Headquarters

Existing Processes / Controls:

DPS requires approved time sheets to be delivered directly from the supervisor to DPS Payroll via email, fax or paper form for manual entry into the Paradox payroll system. Employees may not take back possession of a time sheet after receiving supervisor approval.

Paper time report submission requires the supervisor to have time reports delivered to DPS Headquarters Room 108 (DPS Payroll Coordinator's office) and placed in a designated time report basket within the office. Some supervisors electronically deliver time sheets via fax or email. If a correction is required, the supervisor communicates and documents approval by email.

Our understanding of current practices indicates that physical submission or fax of timesheets to DPS payroll does not provide a sufficient audit trail for the chain of custody of timesheets. For example, current procedures do not require DPS payroll to track or maintain a record of individuals who deliver timesheets. Therefore, DPS remains vulnerable to an individual other than the supervisor physically accessing and altering the time sheet prior to submission to payroll.

Recommendations:

- DPS should implement a formal chain of custody form that requires a signature from the individual(s) that collect timesheets from supervisor and deliver to DPS payroll. The hard copy timesheets delivered to DPS payroll should be delivered in sealed envelopes and contain a signed chain of custody form. Alternatively, time sheets sent electronically should be emailed directly from the supervisors and emails should be retained in a segregated payroll email account to provide an adequate audit trail. Delivery of timesheets via fax should be permitted only if accompanied by a signed chain of custody form.
- DPS should require DPS payroll administrators to confirm with supervisors via email or phone before processing edits/corrections to ensure that they are legitimate and authorized appropriately. Such edits should be logged accordingly.
- We understand the State is in the process of implementing an electronic time keeping system which will render delivery of timesheets from each DPS location obsolete. The implementation should ensure that unique logins for each individual time keeper and supervisor and should maintain a historical, time stamped log of electronic approvals by the employee and approving supervisor for payroll activity in order to provide an adequate audit trail for time keeping entries and approval.

5.5 DPS Payroll Processing of Time Sheets

Existing Processes / Controls:

As discussed, DPS employees populate payroll earnings codes when filling out their time reports. These codes identify overtime paid to employees. A DPS payroll administrator collects all the timesheets provided by the supervisors and compares the names of the employees on the timesheets to a certification report to confirm that all timesheets have been collected.

Additionally, the DPS payroll administrator confirms that the timesheets are completed fully and do not contain missing or incorrect information, including missing fields or employee and supervisor signatures, among other things. After the DPS payroll administrator finishes the review, he or she manually keys time sheet information by earnings code and date into Paradox, DPS's current payroll entry system.

After entry into the Paradox system, the DPS payroll administrator runs two system reports to assist in identifying any manual entry errors. The first report identifies any missing timesheets. The second report captures any instances in which an activity code has been entered for an employee who is ineligible for that particular activity code.

Additionally, the DPS payroll administrator uses the information contained on the certification report to prepare a list of individuals qualified for special compensation items. The DPS payroll administrator reviews the list and confirms that those eligible for the additional compensation benefits receive them. These additional compensation benefits include such things as clothing allowances, a contractually guaranteed forty-hour annual payment, special teams pay and canine feeding pay.

Within Paradox, each employee has an overtime code designation that is specific to their job type. DPS developed this designation to prevent employees from being paid for tasks that do not conform with the rules for their designated overtime type. We further understand that Paradox contains additional systematic edit checks and data rules to convert DPS payroll data in hours into their data equivalents in the primary ERP system at DHR (PeopleSoft) in both hours and dollars. This conversion is what ultimately calculates each employee's paycheck based on the hours entered into their time report.

Based on our discussions with payroll personnel at DPS and at DHR in Montpelier, we understand that the systematic edit checks currently in existence in the Paradox system perform limited verifications. We also understand that many of the verifications of payroll accuracy performed at DPS are done on a manual basis by the payroll personnel who, through experience, are knowledgeable of the types of issues and inaccuracies to look for in individual time sheets. DPS payroll personnel appear very knowledgeable of the many rules and nuances associated with the various DPS employment contracts and pay structures. In addition, DPS payroll personnel have developed written instructions and guidelines for processing payroll each bi-

weekly period. However, the primarily manual review that is required each payroll period is subject to human error and relies heavily on the personal knowledge of a select group of professionals.

While DPS and DHR personnel manually verify payroll amounts to ensure payments to employees correspond to time reporting, lack of documentation as to the exact manner in which the existing payroll system is applying rules and running systematic verification procedures makes auditing, confirming and updating the payroll system extremely difficult, if not impossible. Specifically, we learned through discussions with DPS, DHR and DII personnel that the time entry data verification rules, or edits, exist in Paradox are embedded in the decades-old software code and that an itemized list of those rules did not exist in written form.

Recommendations:

- The new time reporting system should significantly strengthen controls and reduce the potential for human error with regards to manual entry of time sheet entries and subsequent verification. All Vermont government agencies, including DPS, should be consulted and work closely with the implementation team in order to ensure seamless transition and accurate payroll processing.
- The State should develop system controls to prevent and/or timely detect ineligible overtime from being entered by an employee when completing his or her time sheet. These system controls should allow only eligible overtime reporting based on each employee's pre-defined earnings codes, pay grade, union status, and whether or not the individual is eligible for special benefits compensation.
- The system should include electronic checks using authorization thresholds/limitations for certain payroll adjustments, merit bonuses and other atypical payroll entries.
- Currently, formal documentation regarding the antiquated payroll system serving the 9,000+ State employees is limited or non-existent. Under the new time keeping system, we recommend that the time reporting system rules, controls and processes be well documented in order to provide adequate auditing, maintenance, adaptation, modification and control over payroll activities.

5.6 DPS Headquarters Monitoring and Oversight of Trooper Overtime

Existing Processes / Controls:

DPS payroll personnel perform a secondary review after payroll has been entered into Paradox and sent by DPS payroll to DHR for processing. Written procedures indicate that the review should be completed while processing the payroll; however, if time is of the essence, DPS payroll may perform the review after payroll has been processed. The review includes checking, among other things, adjustment codes for prior pay periods, regular hours for employees required to affirmative report hours, call-in codes and holiday codes.

In addition to DPS payroll review of bi-weekly payroll, DPS finance and DPS Commanding Officers (including the VSP Colonel, DPS Commissioner and Majors) monitor payroll, including overtime and call-in pay, through budget analyses and financial reporting at periodic departmental meetings. These reviews are intended to provide general oversight of overtime and identify unusual trends or spending variances by individual, Troop or other divisions within DPS.

Recommendations:

- Implementing detailed and formal periodic overtime reports will allow supervisors to review overtime-related hours and compensation for direct reports on a periodic basis. Such a review allows supervisors to monitor overtime at each DPS location and potentially identify outliers or amounts that appear to be inconsistent with other personnel within their department and/or with the supervisor's understanding of work activity of subordinates.
- DPS should ensure the review of overtime budget and actual performance be continued and occurs at regular intervals. These reviews should include follow-up with supervisors or individuals on an as needed basis in order to better understand potential anomalies. Analyses used for such monitoring reviews should include overtime reports on a disaggregated basis, including by project code, department, level and individual, as well as reports on aggregated activity levels.

6.0 Forensic Data Analytic Procedures

At the request of the State, our procedures also included performing analytic and transaction testing of DPS payroll-related data in order to identify possible indicators of fraudulent, abusive or wasteful activities at DPS, including anomalous overtime activity and other unusual activity.¹⁰

Our team of data analysts and forensic accountants, working with the SAO, designed and executed custom queries, algorithms, and analyses of payroll-related data in order to profile the activity contained in individual data sets and across multiple discrete data sets. We designed data tests to identify red flags, trends, anomalies or other indicators of fraud, abuse, or waste with respect to overtime at DPS. We will provide DPS with all forensic analyses simultaneous to the issuance of this report for whatever additional investigation or other action the agency deems appropriate.

We tracked the number of unique tests flagged for every DPS employee. We then created a risk score by totaling the number of tests that flagged an individual employee, e.g., an employee receiving a risk score of 5 means that data analytics flagged the employee on five tests. Trooper A, incidentally, received the highest risk score of any DPS employee which, as we discuss below, demonstrates the importance and usefulness of forensic analytics as a tool to curb government fraud, abuse and waste.

Note: The fact that an individual is flagged in a particular data test *does not*, in and of itself, prove any impropriety. Our tests, rather, identify *possible indicators* of fraud, abuse or waste. Our observations and findings derive from data provided by the State. Our procedures present factual analyses and *do not* constitute opinions or judgments regarding, for example, whether fraud or other misconduct by any group or individual has occurred. Neither StoneTurn nor the SAO has participated in, or has direct knowledge of, investigative or other procedures that the State has performed or plans to perform.

Our procedures, as defined by the State, covered the period from January 1, 2010 through September 30, 2012. The State Human Capital Management system (“HCM”) served as a primary data source. This data included detailed records of DPS employee timekeeping entries, with fields identifying such information as date, earnings code, position, department, hours and payroll dollar amount. We used various tests to understand trends by pay groups, department, positions and individuals.

We also used non-payroll data, for example, data from the VSP Spillman System (“Spillman”), the primary communications and database tool used by law enforcement and emergency

¹⁰ Our review did not consider manipulation of overtime to increase pension benefits. We excluded procedures aimed at identifying this practice, known as “spiking”, from our analysis as it has recently been addressed in a separate review by SAO and action by the Vermont State Legislature.

response personnel. Spillman includes, among other things, data regarding communication between sworn officers and dispatchers, i.e. radio logs, and other data regarding incidents responded to by sworn officers. We used Spillman data as a tool to compare payroll data with radio logs for 16 employees receiving high risk scores. This analysis validated the hours recorded on employees' time sheets with the exception of Trooper A.

6.1 Summary of Earnings Codes at DPS

We categorized the dozens of earnings codes used by DPS employees into groups to understand and summarize DPS earnings code activity. These groups included: (1) regular pay; (2) benefits; (3) overtime; (4) other pay; (5) expense reimbursement; and (6) compensatory time ("comp time") payoff. Regular pay and benefits comprise approximately 90% of the total compensation cost, with overtime pay being the next highest amount at 7.7%, or \$11.5 million during the two year and nine month study period.

Table 3 – Summary of DPS Payroll for the Period 2010 – 2012 by Earnings Code					
Category	2010	2011	2012*	Total	%
Regular Pay	\$ 31,987,816.46	\$ 34,305,812.31	\$ 25,900,739.82	\$ 92,194,368.59	61.5%
State Share Benefits	\$ 14,547,586.45	\$ 15,788,456.59	\$ 12,238,025.90	\$ 42,574,068.94	28.4%
Total Overtime	\$ 3,838,718.87	\$ 4,367,739.33	\$ 3,275,254.77	\$ 11,481,712.97	7.7%
Other Pay	\$ 1,029,362.60	\$ 1,076,245.84	\$ 780,332.16	\$ 2,885,940.60	1.9%
Expenses	\$ 150,559.46	\$ 192,731.41	\$ 142,587.34	\$ 485,878.21	0.3%
Comp Time Payoff	\$ 136,088.07	\$ 116,633.51	\$ 156,055.84	\$ 408,777.42	0.3%
Total Pay	\$ 51,690,131.91	\$ 55,847,618.99	\$ 42,492,995.83	\$ 150,030,746.73	100.0%

*Through September 30, 2012

We further grouped overtime by the primary earnings code categories and call-in pay. Of the \$11.5 million in total overtime, \$9.7 million (84%) was regular overtime taken in cash, followed by call-in pay of \$0.9 million (8%).

Table 4 – Summary of DPS Overtime for the Period 2010 – 2012 by Earnings Code						
OT Category	Earnings Code	2010	2011	2012*	Total	%
Overtime Cash	2P	\$ 2,938,086.12	\$ 2,938,497.68	\$ 2,124,481.85	\$ 8,001,065.65	69.7%
Overtime Cash	12	\$ 254,931.70	\$ 753,247.46	\$ 673,090.55	\$ 1,681,269.71	14.6%
Call In Pay	Various	\$ 314,079.34	\$ 357,930.89	\$ 247,552.70	\$ 919,562.93	8.0%
Overtime Holiday Cash	2A	\$ 208,343.63	\$ 146,451.65	\$ 141,604.82	\$ 496,400.10	4.3%
Overtime Holiday Cash	2H	\$ 98,675.80	\$ 142,536.06	\$ 65,859.62	\$ 307,071.48	2.7%
Guarantee Overtime	G1	\$ 19,243.68	\$ 20,455.20	\$ 15,459.84	\$ 55,158.72	0.5%
WKND DIFF 2ND+SHF DIFF OT	Q8	\$ 3,913.98	\$ 6,664.15	\$ 5,485.40	\$ 16,063.53	0.1%
WKND DIFF 1ST SHIFT OT	Q7	\$ 1,444.62	\$ 1,956.24	\$ 1,719.99	\$ 5,120.85	0.0%
Total Overtime		\$ 3,838,718.87	\$ 4,367,739.33	\$ 3,275,254.77	\$ 11,481,712.97	100.0%

*Through September 30, 2012

Additional discussion of earnings code categories can be found in subsequent sections of this report.

6.2 Benchmarking Analysis by Title and Department

Our analytics performed on the underlying DPS payroll data began by calculating overtime and total pay statistics in a variety of manners for use in benchmarking analyses. For these analyses, we summarized data by earnings code, department, and pay period, as well as by earnings code, title and pay period in order to determine average levels of overtime by department and title for use in comparing individuals to their peer groups. These analyses were done in terms of overtime dollars, hours and days, in increments that included pay periods, calendar years and across all periods combined. This was also done for overtime as a whole and call-in pay (a subset of overtime) broken out separately.

Benchmarking is a useful method for identifying outliers, which in this case would be those DPS employees whose overtime activity exceeded averages. In the benchmarking analyses performed, we divided total overtime and call-in time for each individual by that individual's total pay over the entire study period in order to arrive at overtime and call-in pay as a percentage of the individual's pay. The individual's overtime and call-in percentages were then compared, or benchmarked, to the averages for their department and for their title. We expressed this comparison in terms of a percentage, e.g. individual's overtime percentage ÷ department overtime percentage.

Based on discussions with DPS personnel, we understand that overtime is often voluntary and allocated on a first-come/first-serve basis. The analysis reveals that some employees actively seek out overtime shifts while others choose not to seek out overtime at all, and varying degrees in between the two extremes. This provides one explanation for the differences in overtime amounts between individuals.

We also understand that overtime variability results from title, department, job and rank. Variability in overtime amounts can occur because duties differ, e.g., a sergeant subject to unexpected overtime spent investigating crime scenes vs. a sergeant in an administrative role.

In order to take such job-specific variability into account, we structured our analysis to identify individuals whose transactional data demonstrated outlier traits for *both* their title and department. We flagged those individuals who exceeded the average overtime for their title by 50% *and* exceeded the average overtime for their department by 50%. We performed the same analyses for (1) total overtime dollars, (2) call-in dollars on a stand-alone basis, (3) total

overtime hours, (4) call-in hours, (5) total overtime days and (6) call-in days. These analyses yielded the following results in terms of individuals flagged:¹¹

- Overtime as % of Pay in Dollars** - There are 95 individuals that exceeded the average overtime % of total pay for their respective title and department by more than 50%. The 95 individuals represent \$1.5 million or 13% of the total \$11.5 million of overtime recorded by DPS for the period January 1, 2010 through September 30, 2012. These results by title and department are summarized in the charts below:

Table 5 - Summary of Individuals that Exceeded Average Overtime % of Total Pay in \$ (by Title)				
Title	No. of Employees	Total OT	Total Pay	Average Overtime % of Total Pay for Flagged Individuals
Sergeant	13	\$ 447,483.86	\$ 2,229,377.19	20.1%
Senior Trooper - Station	7	\$ 157,506.16	\$ 877,122.03	18.0%
Senior Auxiliary Trooper	6	\$ 12,871.90	\$ 74,473.33	17.3%
Fire Prevention Officer	6	\$ 41,157.87	\$ 923,026.47	4.5%
PSAP Emrgcy Comm Dispatcher II	6	\$ 342,423.25	\$ 1,412,824.92	24.2%
Trooper Recruit	6	\$ 5,049.00	\$ 79,173.31	6.4%
All Other Titles	51	\$ 498,413.08	\$ 3,764,807.46	13.2%
Grand Total	95	\$ 1,504,905.12	\$ 9,360,804.71	16.1%

Table 6 - Summary of Individuals that Exceeded Average Overtime % of Total Pay in \$ (by Department)				
Department	No. of Employees	Total OT	Total Pay	Average Overtime % of Total Pay for Flagged Individuals
DPS-FST-Training	11	\$ 20,122.39	\$ 105,696.00	19.0%
DPS-SP-LE-Recreation Safety Pr	9	\$ 15,245.40	\$ 88,475.08	17.2%
DPS-SP-SS-OPD-Recruits	7	\$ 6,059.53	\$ 107,685.21	5.6%
DPS-SP-LE-Dispatching-Willisto	4	\$ 259,381.20	\$ 1,098,823.31	23.6%
DPS-SP-LE-Williston	4	\$ 170,216.04	\$ 751,577.29	22.6%
All Other Departments	60	\$ 1,033,880.56	\$ 7,208,547.82	14.3%
Grand Total	95	\$ 1,504,905.12	\$ 9,360,804.71	16.1%

- Call-In as % of Pay in Dollars** - There are 73 individuals that exceeded the average call-in % of total pay for their respective title and department by more than 50%. The 73 individuals represent \$325K or 35% of the total call-in recorded by DPS for the period January 1, 2010 through September 30, 2012.

¹¹ For purposes of each unique test, individuals are defined as each employee-title-department combination. Therefore, certain employees may be flagged in a particular test more than once to the extent they have worked in multiple departments or had various titles over time. Employees that are flagged multiple times for an individual test due to more than one employee-title-department combination would only be counted once toward the final risk score for that test.

Table 7 – Summary of Individuals that Exceeded Average Call In % of Total Pay in \$ (by Title)				
Title	No. of Employees	Total Call In	Total Pay	Average Call In % of Total Pay for Flagged Individuals
Senior Trooper - Station	25	\$ 149,289.46	\$ 4,727,085.98	3.2%
Sergeant	23	\$ 121,749.70	\$ 3,891,947.47	3.1%
Trooper 1/c - Station	7	\$ 22,084.52	\$ 694,244.91	3.2%
All Other Titles	18	\$ 31,425.97	\$ 2,656,571.86	1.2%
Grand Total	73	\$ 324,549.65	\$11,969,850.22	2.7%

Table 8 – Summary of Individuals that Exceeded Average Call In % of Total Pay in \$ (by Department)				
Department	No. of Employees	Total Call In	Total Pay	Average Call In % of Total Pay for Flagged Individuals
DPS-SP-LE-St Albans	7	\$ 51,045.20	\$ 1,306,862.25	3.9%
DPS-SP-LE-Williston	6	\$ 61,135.73	\$ 1,418,106.80	4.3%
DPS-SP-BCI-Administration	6	\$ 23,914.82	\$ 680,118.07	3.5%
DPS-SP-LE-Brattleboro	6	\$ 31,169.40	\$ 1,073,384.29	2.9%
DPS-SP-LE-Middlesex	5	\$ 21,133.19	\$ 752,113.86	2.8%
All Other Departments	43	\$ 136,151.31	\$ 6,739,264.95	2.0%
Grand Total	73	\$ 324,549.65	\$11,969,850.22	2.7%

- Individual Overtime Hours as % of Average Overtime Hours** – There are 35 individuals that exceeded the average overtime hours for their related title and department by more than 50%. The 35 individuals had 38,000 overtime hours or approximately 10% of the 400,000 overtime hours recorded by DPS for the period January 1, 2010 through September 30, 2012.

Table 9 – Summary of Individuals that Exceeded Average Overtime Hours % (by Title)			
Title	No. of Employees	Average Overtime Hours for Flagged Individuals	Average Title Overtime Hours
Sergeant	9	1,100	543
PSAP Emrgcy Comm Dispatcher II	7	1,937	1,122
Trooper 1/c - Station	3	1,034	597
Senior Trooper - Station	3	1,217	660
All Other Titles	13	524	274
Grand Total	35		

Table 10 – Summary of Individuals that Exceeded Average Overtime Hours % (by Department)			
Department	No. of Employees	Average Overtime Hours for Flagged Individuals	Average Department Overtime Hours
DPS-SP-LE-Dispatching-Williston	5	2,115	1,247
DPS-SP-LE-Traffic Safety Progr	3	1,029	527
DPS-SP-BCI-Administration	3	58	34
DPS-SP-LE-Dispatching-Rockingham	3	2,331	1,190
All Other Titles	21	825	466
Grand Total	35		

- Individual Call-In Hours as % of Average Call-In Hours** – There are 65 individuals that exceeded the average call-in hours for their related title and department by more than 50%. The 65 individuals had 9,300 call-in hours or approximately 30% of the 31,000 call-in hours recorded by DPS for the period January 1, 2010 through September 30, 2012.

Table 11 – Summary of Individuals that Exceeded Average Call In Hours % (by Title)			
Title	No. of Employees	Average Call In Hours for Flagged Individuals	Average Title Call In Hours
Senior Trooper - Station	24	189	89
Sergeant	21	141	51
Trooper 1/C	5	149	76
Trooper 1/c - Station	4	158	77
PSAP Emrgy Comm Dispatcher II	3	5	0
All Other Titles	8	51	19
Grand Total	65		

Table 12 – Summary of Individuals that Exceeded Average Call In Hours % (by Department)			
Department	No. of Employees	Average Call In Hours for Flagged Individuals	Average Department Call In Hours
DPS-SP-LE-Williston	8	197	84
DPS-SP-BCI-Administration	6	90	30
DPS-SP-LE-Middlesex	5	268	163
DPS-SP-LE-St Albans	5	255	137
DPS-SP-LE-Brattleboro	5	198	120
All Other Departments	36	86	43
Grand Total	65		

- Overtime Days as % of Average Overtime Days** – There are 28 individuals that exceeded the average overtime days for their related title and department by more than 50%.

Table 13 – Summary of Individuals that Exceeded Average Overtime Days (by Title)			
Title	No. of Employees	Average Overtime Days for Flagged Individuals	Average Title Overtime Days
Sergeant	9	289	141
PSAP Emrgcy Comm Dispatcher II	5	383	224
Lieutenant	3	251	153
Trooper 1/c - Station	3	269	155
Senior Trooper - Station	3	203	126
PSAP Emrgcy Com Dsp Spvrs	2	417	253
All Other Titles	3	78	40
Grand Total	28		

Table 14 – Summary of Individuals that Exceeded Average Overtime Days (by Department)			
Department	No. of Employees	Average Overtime Days for Flagged Individuals	Average Department Overtime Days
DPS-SP-LE-Dispatching-Rockingham	3	435	248
DPS-SP-LE-Traffic Safety Progr	3	251	142
DPS-SP-LE-Dispatching-Willisto	3	453	260
DPS-SP-LE-Rutland	2	233	151
DPS-SP-LE-Shaftsbury	2	286	151
DPS-SP-LE-Williston	2	360	178
All Other Departments	13	198	114
Grand Total	28		

- **Call-In Days as % of Average Call-In Days** – There are 66 individuals that exceeded the average call-in days for their related title and department by more than 50%.

Table 15 – Summary of Individuals that Exceeded Average Call In Days (by Title)			
Title	No. of Employees	Average Call In Days for Flagged Individuals	Average Title Call In Days
Senior Trooper - Station	24	43	21
Sergeant	21	30	10
Trooper 1/C	5	34	17
PSAP Emrgcy Comm Dispatcher II	4	2	0
Trooper 1/c - Station	3	28	15
All Other Titles	9	10	4
Grand Total	66		

Table 16 – Summary of Individuals that Exceeded Average Call In Days (by Department)			
Department	No. of Employees	Average Call In Days for Flagged Individuals	Average Department Call In Days
DPS-SP-LE-Williston	8	46	19
DPS-SP-BCI-Administration	6	17	6
DPS-SP-LE-Middlesex	5	57	36
DPS-SP-LE-Brattleboro	5	46	27
DPS-SP-LE-St Albans	4	62	33
All Other Departments	38	17	9
Grand Total	66		

6.3 Trending Analysis of Overtime by Pay Period

Overtime irregularities at DPS became public during the second week of July 2012. Simultaneously, Governor Shumlin announced a criminal investigation of Trooper A and a DPS-wide payroll review. We theorized that individuals who had systematically inflated reported overtime, if any, might cease their misconduct after the Governor’s announcement. We thus compared average overtime levels before the Governor’s announcement to overtime levels subsequent to his announcement.¹² We flagged individuals whose average overtime as a percentage of total pay decreased by a set threshold of at least 20%. This resulted in 88 individuals being flagged.¹³ A summary of the number of individuals having at least a 20% decline in average overtime as a percentage of total pay after the Governor’s announcement and the average change by title is reflected in the following table:

¹²Note, however, that overtime activity available to study subsequent to the Governor’s announcement was limited to the period July 2012 through September 2012 which is much shorter than the period analyzed prior to the announcement and which included Hurricane Irene and other events that likely required substantial overtime.

¹³ Individuals that had 100% decrease in overtime were not considered for this analysis as these individuals appear to be no longer working for Vermont DPS or appear to be still working for Vermont DPS but received a small amount of overtime prior to the announcement and none subsequently.

Table 17 – Summary of Individuals with Overtime as % of Pay that Decreased by more than 20% after Disclosure of Fraud (by Title)		
Title	No. of Employees	Average % Decrease in Overtime
Sergeant	11	-47.3%
Senior Trooper - Station	7	-37.6%
Senior Auxiliary Trooper	5	-51.5%
PSAP Emrgcy Comm Dispatcher I	5	-48.3%
PSAP Emrgcy Comm Dispatcher II	4	-49.8%
Hazmat Response Team Member	4	-33.1%
All Other	52	-47.3%
Total	88	-47.1%

In addition to looking at the results by title, we have also presented the number of individuals by department that have at least a 20% decline in average overtime as a percentage of total pay after the Governor’s announcement in the following table:

Table 18 – Summary of Individuals with Overtime as % Pay that Decreased by more than 20% after Disclosure of Fraud (by Department)		
Department	No. of Employees	Average % Decrease in Overtime
DPS-FST-Training	11	-54.9%
DPS-SP-LE-Recreation Safety Pr	7	-59.5%
DPS-SP-LE-Williston	6	-48.0%
DPS-FS-Haz Mat Response Prog	5	-41.1%
DPS-EM-Emerg Mgmt Prog Grant	5	-36.6%
DPS-SP-LE-Dispatching-Rockingh	4	-46.6%
All Other Departments	50	-43.7%
Total	88	-47.2%

We performed the same trending analyses on call-in pay, which flagged 54 individuals. Of these individuals, the average percentage drop ranged between 23% and 78%. A summary of these results by title is reflected in the following table:

Table 19 – Summary of Individuals with Call In as % Pay that Decreased by more than 20% after Disclosure of Fraud (by Title)		
Title	No. of Employees	Average % Decrease in Call In
Senior Trooper - Station	31	-44.2%
Sergeant	13	-48.4%
Trooper 1/c - Station	6	-43.4%
Senior Trooper - Outpost	2	-70.0%
Trooper 1/C	2	-65.1%
Total	54	-46.8%

A review of the results by department indicates that the 54 individuals with a call-in percentage drop greater than 20% originated from 16 different departments at DPS. A summary of the number of individuals having at least a 20% decline in average call-in pay and the average change by department is reflected in the following table:

Table 20 – Summary of Individuals with Call In as % Pay that Decreased by more than 20% after Disclosure of Fraud (by Department)		
Department	No. of Employees	Average % Decrease in Call In
DPS-SP-LE-Royalton	8	-42.3%
DPS-SP-LE-St Albans	6	-45.6%
DPS-SP-LE-Rockingham	6	-45.1%
DPS-SP-LE-St Johnsbury	5	-53.8%
DPS-SP-LE-Rutland	5	-46.1%
DPS-SP-LE-Williston	5	-36.1%
All Other Departments	19	-50.7%
Total	54	-46.8%

6.4 Analysis of Consecutive Overtime by Pay Periods

We theorized that a large number of consecutive overtime pay periods might be indicia of misconduct. We therefore quantified the total number of consecutive bi-weekly periods that each individual recorded overtime. We flagged those individuals with greater than 50 bi-weekly periods in a row (out of 73 in our study period). This resulted in 39 individuals totaling \$1.7 million, or approximately 15%, of the total \$11.5 million of overtime recorded at DPS for the period from January 1, 2010 through September 30, 2012. The number of consecutive pay periods with overtime pay ranged between 50 and 73 for the flagged individuals. A summary of these results by title is reflected in the following table:

Table 21 – Summary of Individuals with Overtime Pay Exceeding 50 Consecutive Pay Periods (by Title)			
Title	No. of Individuals	Average Consecutive Pay Periods with Overtime Pay	Total Overtime (\$)
Sergeant	11	61	\$ 614,876.16
Senior Trooper - Station	8	61	\$ 261,731.59
PSAP Emrgcy Comm Dispatcher II	7	68	\$ 360,554.94
Lieutenant	3	62	\$ 149,938.41
PSAP Emrgcy Com Dsp Spvsrs	2	73	\$ 139,109.93
Captain	2	62	\$ 70,571.42
VSP Fire Investigator	1	53	\$ 64,027.35
Instructor & Prog Trng Coord	1	72	\$ 24,203.04
Identification Specialist	1	56	\$ 14,123.31
Fire Academy Instructor & Prog	1	72	\$ 30,955.68
Grand Total	37		\$ 1,730,091.83

In addition to presenting the results by title, we have also summarized the consecutive pay periods with overtime analysis by department in the following table:

Table 22 – Summary of Individuals with Overtime Pay Exceeding 50 Consecutive Pay Periods (by Department)			
Department	No. of Individuals	Average Consecutive Pay Periods with Overtime Pay	Total Overtime (\$)
DPS-SP-LE-Rutland	5	60	\$ 148,163.79
DPS-SP-LE-Dispatching-Williston	5	69	\$ 273,916.30
DPS-SP-BCI-Drug Enfr Prog-NIU	4	61	\$ 172,098.53
DPS-SP-LE-Traffic Safety Progr	3	64	\$ 172,063.86
DPS-FST-Administration	2	72	\$ 55,158.72
DPS-SP-LE-Williston	2	69	\$ 174,561.53
DPS-SP-LE-St Johnsbury	2	57	\$ 80,034.94
DPS-SP-LE-Dispatching-Rutland	2	73	\$ 102,280.91
DPS-SP-LE-Royalton	2	58	\$ 96,711.35
DPS-SP-LE-Rockingham	2	53	\$ 103,565.41
DPS-SP-LE-Dispatching-Rockingh	2	65	\$ 123,467.66
DPS-CJS-VT Crime Info Center	1	56	\$ 14,123.31
DPS-SP-BCI-Administration	1	73	\$ 34,628.70
DPS-SP-BCI-Arson	1	53	\$ 64,027.35
DPS-SP-BCI-Rutland	1	73	\$ 51,001.23
DPS-SP-BCI-ICAC	1	55	\$ 27,301.56
DPS-SP-LE-Derby	1	62	\$ 36,986.68
Total	37		\$ 1,730,091.83

6.5 Analysis of Overtime Activity by Project Code

The payroll data provided by the State includes information related to specific project codes that can be used by DPS employees to identify payroll hours spent on certain projects, grants or task types. These include tasks such as criminal investigations, responding to house alarms, assisting with motor vehicle crashes, covering shifts for employees out on leave, construction details and patrolling certain geographic regions. Not all time keeping entries require a project code, but many DPS employees use such codes to explain time recorded on their time sheets, including time spent working overtime. We extracted those overtime pay records which included project coding and analyzed by project, department, title and individual. For informational purposes, a summary of the top ten project codes for overtime is included below.

Project Code	2010	2011	2012	Total	%
Criminal Investigation	\$ 482,913.74	\$ 352,951.94	\$ 239,269.86	\$ 1,075,135.54	13.0%
Dispatchers-Shift Coverage	\$ 342,576.90	\$ 335,192.52	\$ 347,035.37	\$ 1,024,804.79	12.4%
USF_Positions	\$ 284,976.23	\$ 269,903.62	\$ 101,024.38	\$ 655,904.23	7.9%
Crash Investigation	\$ 93,991.36	\$ 92,459.10	\$ 63,891.73	\$ 250,342.19	3.0%
Training	\$ 21,541.49	\$ 92,733.46	\$ 102,614.28	\$ 216,889.23	2.6%
Holiday	\$ 16,254.69	\$ 69,687.09	\$ 111,341.53	\$ 197,283.31	2.4%
Administration	\$ 59.90	\$ 50,794.12	\$ 81,058.90	\$ 131,912.92	1.6%
Domestic/Family Disturbances	\$ 26,970.97	\$ 57,195.33	\$ 46,500.65	\$ 130,666.95	1.6%
NULL	\$ 577.15	\$ 2,819.89	\$ 126,683.27	\$ 130,080.31	1.6%
LTC_Jericho	\$ 49,743.43	\$ 47,928.84	\$ 20,273.73	\$ 117,946.00	1.4%
Remaining Project Codes Combined	\$ 1,473,540.63	\$ 1,607,806.33	\$ 1,268,174.19	\$ 4,349,521.15	52.5%
Total Project Code Overtime	\$ 2,793,146.49	\$ 2,979,472.24	\$ 2,507,867.89	\$ 8,280,486.62	100.0%

Based on discussions with DPS personnel, we understand that some of the overtime irregularities allegedly perpetrated by Trooper A involved coding false overtime hours to project codes related to certain contracts between the VSP and local towns. Under these local town contracts (“LTC”), the VSP would agree to provide law enforcement services to towns that did not have stand-alone police forces in exchange for payment. A summary of the top ten LTC project codes for overtime is included below.

Table 24 – Summary of Overtime by LTC Project Codes					
LTC Project Description	2010	2011	2012	Total	%
LTC_Jericho	\$ 49,743.43	\$ 47,928.84	\$ 20,273.73	\$ 117,946.00	14.9%
LTC_Dorset	\$ 38,046.82	\$ 40,212.96	\$ 28,534.07	\$ 106,793.85	13.5%
LTC_Poultney	\$ 36,617.32	\$ 36,321.17	\$ 22,926.08	\$ 95,864.57	12.1%
LTC_Hartland	\$ 34,172.34	\$ 34,262.28	\$ 25,964.73	\$ 94,399.35	11.9%
LTC_East Montpelier Town	\$ 15,717.47	\$ 17,716.06	\$ 12,486.42	\$ 45,919.95	5.8%
LTC_Cambridge Town	\$ 21,709.40	\$ 9,182.05	\$ 10,374.12	\$ 41,265.57	5.2%
LTC_Burke	\$ 8,846.66	\$ 10,486.98	\$ 7,435.37	\$ 26,769.01	3.4%
LTC_Franklin_Cty_Caring_Comm	\$ 11,301.09	\$ 13,705.11		\$ 25,006.20	3.2%
LTC_Huntington	\$ 10,189.56	\$ 6,273.57	\$ 7,716.07	\$ 24,179.20	3.1%
Remaining LTC Projects Combined	\$ 92,060.96	\$ 65,818.42	\$ 55,534.75	\$ 213,414.13	27.0%
LTC Project Total Overtime	\$ 318,405.05	\$ 281,907.44	\$ 191,245.34	\$ 791,557.83	100.0%

We separately analyzed the LTC projects in order to identify any trends in the data by individual. From this analysis, it was apparent that in many of the larger LTC project codes, one individual, often at the sergeant or senior trooper level, comprised a significant portion of the overtime cost. For example, with the highest dollar value LTC project code related to the town of Jericho, Trooper A comprised approximately 31% of the total cost for that contract even though 33 other troopers had recorded time on patrol for Jericho. In some instances, an individual trooper was the top overtime earner for multiple LTC project codes.

We noted that those troopers comprising a high percentage of a given LTC project code typically had a large disparity between the next closest trooper charging overtime for that project code; therefore we developed a threshold for identifying those top overtime earners. For purposes of this analysis, we flagged those individuals with at least \$10,000 in total overtime to a project code who comprised at least 20% of that given project code over the study period. This resulted in 7 individuals being identified.

In addition, when analyzing project codes used by Trooper A, we noted that he frequently used certain codes in his time records. These included “LTC_Jericho” (discussed previously), as well as “Crash Investigation” and “Alarm Response” project codes. When the latter two project codes were considered separately, we observed that Trooper A comprised an inordinately high percentage of the overtime charged to these particular project codes. Trooper A represented approximately 8% of the Alarm Response overtime project code (out of 276 troopers charging the project code) and 7% of the Crash Investigation overtime project code (out of 212 troopers charging the project code). Trooper A was again flagged in relation to these project codes.

Of the total overtime coded to projects during the study period, over 65% of the total amount was attributed to 3 employment titles out of 111 different titles using project codes. Sergeants were the highest at 27%, followed by Senior Trooper – Station at 25% and PSAP Emergency Communications Dispatcher II at 13%. When we considered the top 10 individuals for project code overtime, we noted that Dispatchers, particularly at Williston and Rockingham locations, make up 5 of the top 10 spots (approximately \$351,000 in total overtime cost). It is our understanding that Dispatchers have been required to code overtime using project codes to

identify shift coverage and overtime to be paid for out of certain allocated funds. In addition, 4 of the top 10 are Sergeants (approximately \$292,000), including Trooper A who had the highest project coded overtime pay of any DPS employee. The top 10 project code overtime earners were flagged as part of the project code analysis.

In total, the project code analyses flagged 15 individuals based on the criteria of: (1) the top 10 project code overtime earners; (2) specific analysis of the LTC; and (3) Crash Investigation and Alarm Response project codes. Trooper A was the only individual flagged in all three analyses.

6.6 Analysis of Recurring Overtime Amounts

Each record in the payroll data provided by the State included detailed information on the pay amount. Generally, one record corresponds to one payroll item on a particular day from an individual's time sheet, e.g. two hours of overtime on 1/1/20XX. Using the transactional data we were able to ascertain the number of times a particular time sheet entry was repeated over time by analyzing the pay amounts and hours for each record in the data. A general premise of anomaly detection is that amounts that recur with high frequency in a data set can sometimes be indicative of unusual activity. For example, suppose hypothetically that a DPS employee reported two hours of overtime on multiple work days each pay period. A recurring overtime activity analysis would identify those amounts that repeat over time and the individual whose payroll data demonstrated that pattern.

Our analysis identified those overtime dollar amounts that repeated multiple times in the transaction data and calculated the number of instances those amounts occurred for each respective DPS employee. We then aggregated the total number of recurring overtime instances by employee in order to evaluate an individual's overtime billing pattern for duplicate amounts against that of their peers. While there are some reasons that recurring amounts would naturally occur in the data, the magnitude by which one DPS employee's recurring overtime entries compares to another offers a useful evaluation metric.¹⁴

After aggregating each employee's total number of recurring overtime instances, we calculated both a department and title average in order to perform peer-to-peer comparisons. We flagged any DPS employees whose aggregate recurring overtime instances exceeded the average for their department *and* title by 50% over the study period. This resulted in 82 flagged individuals. The 82 flagged individuals have 30 different titles and represent 30 different departments. As

¹⁴ It should be noted that certain DPS personnel are contractually eligible to receive a minimum of four hours of overtime pay for each "call-in" instance served even if the call-in lasts under four hours. Therefore, it is reasonable to expect the presence of recurring overtime amounts within the payroll data for call-in.

reflected in the table below, approximately half of the total number of flagged individuals are represented by four titles.

Table 25 – Summary of Individuals with Recurring Overtime Amounts (by Title)		
Title	No. of Employees	% of Total
Senior Trooper - Station	15	18.3%
Sergeant	13	15.9%
PSAP Emrgcy Comm Dispatcher II	7	8.5%
Trooper I/C	5	6.1%
All Other Titles	42	51.2%
Grand Total	82	100.0%

A review of the recurring overtime payments by department indicates dispersion among various departments. The following table summarizes the flagged individuals for recurring overtime payments by department.

Table 26 – Summary of Individuals with Recurring Overtime Amounts (by Department)		
Department	No. of Employees	% of Total
DPS-FST-Training	8	9.8%
DPS-SP-LE-Rutland	6	7.3%
DPS-SP-LE-Dispatching-Willisto	6	7.3%
DPS-SP-LE-Recreation Safety Pr	4	4.9%
DPS-SP-LE-St Albans	4	4.9%
DPS-SP-LE-Dispatching-Rockingh	4	4.9%
DPS-SP-LE-St Johnsbury	4	4.9%
All Other Departments	46	56.1%
Grand Total	82	100.0%

6.7 Other Miscellaneous Payroll Activity Analyses

In addition to the procedures focused specifically on overtime, we conducted several standard forensic data analytic procedures. These procedures included: (1) searching for round dollar payroll entries; (2) searching for employees with multiple payroll identification numbers; (3) searching for multiple employees in the payroll data with common addresses; and (4) searching for employees with P.O. box addresses. These general tests did not identify any significant unexplained anomalies and did not impact the summary risk scoring.

6.8 Risk Scoring

After completing the analyses using payroll data, we analyzed the number of times that each specific DPS employee was flagged in our data tests. We assigned a risk score to reflect the number of times a test flagged each individual DPS employee. A risk score of six, for example, means that the employee was flagged on six separate analytics. The following table summarizes the risk scoring across all DPS employees from the analyses performed after the completion of the aforementioned procedures:

Risk Score	No. of Individuals	% of Total
10	1	0.1%
8	1	0.1%
7	1	0.1%
6	8	0.9%
5	10	1.1%
4	23	2.5%
3	32	3.5%
2	61	6.6%
1	171	18.5%
0	615	66.6%
Grand Total	923	100.0%

Trooper A is the individual with the Risk Score of 10.

6.9 Comparison of Payroll Data to Spillman Data

After conducting the aforementioned risk scoring analyses using payroll system data, we performed an additional procedure on certain individuals with higher risk scores to cross-reference their hours reported in the payroll system with radio activity logs from the Spillman data. For this procedure, we selected troopers having a risk score of 5 or greater (i.e. employees flagged in 5 or more tests).¹⁵

As noted, Spillman is the primary communications and database tool used by law enforcement and emergency response personnel at DPS, primarily the VSP. Spillman includes historical

¹⁵ There were 21 individuals from DPS with risk scores of 5 or more (16 troopers and 5 dispatchers). However, for purposes of this analysis, Spillman data could be used to validate only trooper hours as dispatchers often spend portions of shifts manning radios and other portions taking calls from E-911. While Spillman radio log data does contain some information on the dispatcher activity interfacing with troopers when the dispatcher was on radio, it does not include records of hours spent by dispatchers on other activities, such as E-911, training, supervisory or administrative tasks. As a result, Spillman data did not represent a complete record of a dispatcher's work day.

database tables that track, among other things, records of communication between sworn officers and dispatchers, i.e. radio logs, and other data regarding incidents responded to by sworn officers.

The radio log tables in the Spillman system house records on each radio transmission between a trooper and dispatcher, as well as for each entry made by a trooper into the laptop computer system present in the trooper's automobile. Each radio log record is date and time-stamped and includes, among other things, codes regarding the activity associated with each transmission, the unit number associated with the transmission, and in some instances free form notes.

For our detailed analysis on the selected individuals, we first identified the particular unit number associated with each respective individual in order to extract that individual's radio log records.¹⁶ From the extracted radio log records, we identified those records associated with the trooper signing on-duty and off-duty throughout a shift. We then calculated the total number of hours on-duty in a given shift day using the radio log date and time-stamping field.¹⁷ We then compared the total number of hours in each shift day from the Spillman radio log data to the reported hours in the respective individual's time keeping records to determine if radio activity corroborated the hours reported by trooper.

From this analysis, we were able to independently corroborate the hours reported in the payroll system with those hours in Spillman radio log data for all troopers tested except for Trooper A. When comparing the shift hours calculated from Spillman to reported payroll hours for each day, we found that Trooper A's radio log activity validated on average for a given day only 84% of his hours reported, whereas all other troopers subject to this additional procedure yielded validation of at least 99% of the hours reported on average.

Due to the time intensive and complex nature of this analysis to compare Spillman data to the HCM payroll system data for each individual, we focused our analysis on those individuals with higher risk scores. Nonetheless, the results demonstrate the usefulness of Spillman data in assessing and validating reported hours. DPS could use Spillman as an effective monitoring tool on a go-forward basis if it makes modest modifications to the structure of Spillman data tables.

¹⁶ Radio log data is catalogued by unit number and does not keep historical record of the individual trooper name assigned to that unit number at the time of the transmission. However, we were able to independently corroborate what unit number in the radio log data was associated with a particular individual trooper by comparing the radio log records to a separate table of law incidents which lists the responding unit *and* name of the responding officer by incident and day.

¹⁷ Certain shifts cross calendar days, such as a shift from 4:30PM to 1:30AM. For purposes of this analysis, shifts that start and end on different calendar days are factored into our data query logic and considered to be one shift day.

6.10 Summary of Data Analytics

As noted, Trooper A is the individual with the Risk Score of 10. The team, however, did not design the forensic analytics to support the criminal investigation or identify specific instances of potential misconduct of Trooper A. Nonetheless, Trooper A topped the list of data anomalies.

These results validate the design of the procedures performed. Most importantly, they demonstrate the importance and usefulness of data analytics to detect overtime and, potentially, other government fraud, waste and abuse. We recommend that the DPS and other state agencies consider implementing similar forensic data analytics as a preventive and detective tool.