

Final Audit Follow-Up

As of September 30, 2009



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Police Overtime

(Report #0726, Issued August 20, 2007)

Report #1009

January 22, 2010

Summary

This is the third and final follow-up audit conducted after the issuance of the original audit report #0726, Police Overtime Audit. Police management has made significant progress toward addressing complex issues related to the tracking and management of overtime activities.

As shown in report Figure 1 and Table 2, management has reduced overtime costs in the department from fiscal years (FY) 2007 to 2009 by 22%.

**Table 1
Police Overtime Costs for FYs 2007 - 2009**

	FY 2007	FY 2008	FY 2009
Overtime Costs	\$3,199,017	\$3,089,713	\$2,410,019
Percent Change	14%	-3%	-22%

Supervisors and managers we interviewed noted that monthly monitoring of overtime budget to actual cost reports was instrumental in helping them control overtime costs.

There were three remaining action steps to be completed during this follow-up period. Police completed one step, partially completed one step, and one step remains not completed. Responsibility for completing the final step is being turned over to management for their resolution.

Police payroll transactions can be very complex due to union contracts and city policies. During the Police Overtime audit, we identified three areas related to the recording of overtime in the payroll system that should

be improved. Management developed 11 action plan steps to address the issues in these three areas. Eight steps have been completed. Of the three remaining action plan steps due, the following step was completed:

- A process was implemented to periodically review payroll transactions involving overtime to identify noncompliance with policies and agreements or incorrectly calculated overtime pay. The Accreditation and Inspection Unit has included an internal pay process and compliance review as part of their three-year cycle of accreditation inspections of Police programs and activities. The internal review focused on the pay process and analyzed pay records and timesheets that included the July 4 holiday.

The step partially completed related to implementing a process to ensure adjustments are made retroactively in the correct pay period affected and not netted to time worked in the current period. Guidelines addressing when and how to make prior period adjustments are included in the newly developed Police General Order 25 that management anticipates will be approved, distributed, and fully implemented by January 31, 2010.

The remaining step not completed is related to developing procedures to monitor retroactive adjustments (also called prior period adjustments). At this point, a process has not been developed to monitor prior period adjustments to assure that all adjustments were properly authorized and approved.

Responsibility for completing the final two steps is being turned over to management for their resolution. We provided recommendations to assist management in further enhancing their controls over timesheets and record retention.

We appreciate the full cooperation provided during this audit follow up from Police Department and Accounting Services Division staff.

Scope, Objectives, and Methodology

We conducted the original audit and this subsequent follow-up audit in accordance with the International Standards for the Professional Practice of Internal Auditing and 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Original Report #0726

The objectives of the audit were to: (1) identify the overtime hours worked and the budgeted and actual overtime costs; (2) determine reasons for overtime in Police divisions with the highest overtime costs; (3) provide recommendations for management's consideration to reduce the need for and utilization of overtime and/or reduce or recover the cost of overtime; and (4) determine whether overtime costs were valid, accurate, properly approved, and in compliance with City policies and procedures.

Report #1009

This is our third and final follow-up on action plan steps identified in audit report #0726. The purpose of this follow-up is to report on the

progress and status in completing the action plan steps due for completion as of September 30, 2009. To obtain information, we reviewed relevant documentation, including policies and procedures and reports; tested payroll transactions; and interviewed key staff.

Previous Conditions and Current Status

In report #0726, our citywide analysis of overtime hours worked and costs revealed that the Tallahassee Police Department (Police) collectively had the highest hours and costs, and Police Communications Division had the highest three-year total overtime amount and hours per full-time equivalent (FTE). Overtime represented eight percent (8%) of Police's total personnel costs.

We concluded that the need for overtime is inherent due to the nature of police work to provide public safety services 24 hours a day, seven days a week, 365 days a year (including responding to calls for service, investigating crimes, and conducting crime prevention activities). At Police, overtime was caused predominantly from staffing shortages, unfilled positions, holidays, special events, special assignments, training, completing paperwork, incentives, and court time. The most critical staffing need at Police was in Public Safety Communications.

Our review of Police overtime transactions indicated that overtime costs were substantially valid, accurate, properly approved, and generally in compliance with City policies and procedures and Police Benevolent Association agreements. Other than a few exceptions, approval documentation existed for most of the overtime transactions sampled in our audit.

During the audit, we identified three issues related to the recording of overtime in the payroll system: 1) in some instances, timekeepers were not calculating holiday overtime compensation consistently resulting in a disparity among employees' pay for the same type of work during the same period; 2) some

overtime adjustments were improperly made in the current period rather than in the period actually worked; and 3) Communications staff acting as trainers were paid more than provided for in City policy.

Police management reported they were actively monitoring police activities and staffing in order to control overtime costs. As shown in Figure 1 and Table 2 on page 4, the Police Department has reduced overtime costs by approximately \$789,000, or 22%, from FY

2007 to FY 2009 (from \$3,199,017 to \$2,410,019). Supervisors and managers we interviewed noted that monthly monitoring of overtime budget to actual cost reports was instrumental in helping them control overtime costs.

Table 3, beginning on page 4, provides a summary of the action steps to address the above issues and management’s current status (as of September 30, 2009).

Figure 1
Police Overtime Costs for FY 2005 – 2009

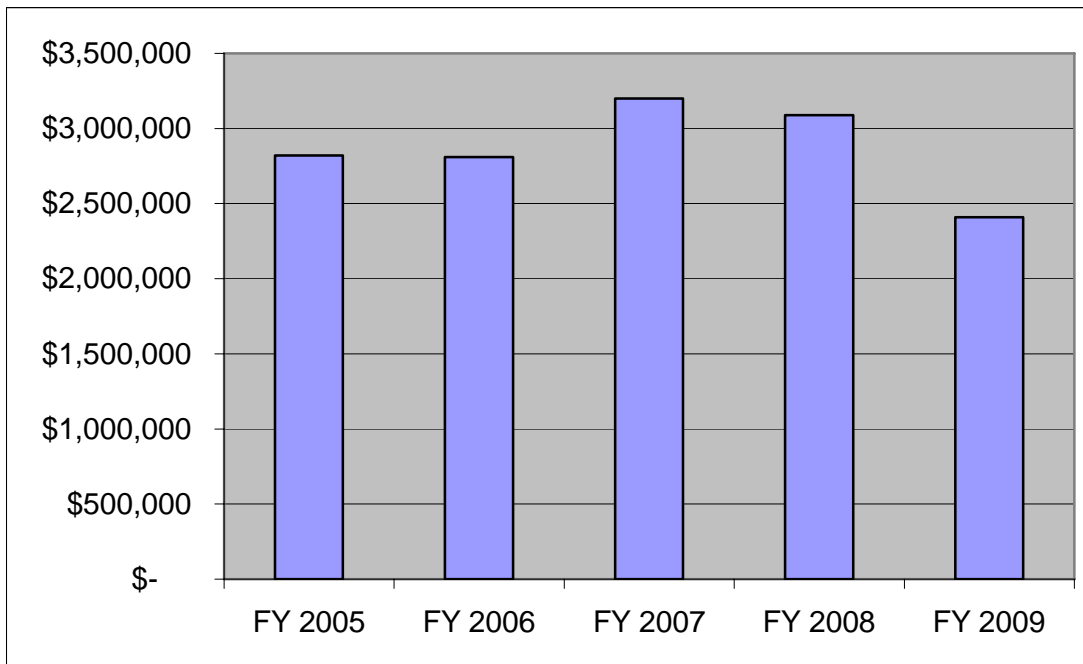


Table 2
Police Overtime Expenditures for FYs 2005 – 2009 by Division

Police Divisions	FY 2005 Overtime Expenses	FY 2006 Overtime Expenses	FY 2007 Overtime Expenses	FY 2008 Overtime Expenses	FY 2009 Overtime Expenses
Office of the Chief	\$ 35,503	\$ 15,527	\$ 16,442	\$ 9,046	\$ 11,977
Employee Resources	\$ 11,460	\$ 11,672	\$ 15,051	\$ 13,864	\$ 5,035
Financial and Supply Management	\$ 0	\$ 35	\$ 37	\$ 730	\$ 83
Operations Bureau *	\$ 377,758	\$ 67	\$ 0	\$ 0	\$ 0
Operations Alpha Bureau *	\$ 388,146	\$ 380,247	\$ 411,096	\$ 412,899	\$ 0
Northern Patrol District *	\$ 253,536	\$ 247,732	\$ 277,572	\$ 306,767	\$ 550,324
Southern Patrol District *	\$ 331,213	\$ 357,230	\$ 408,918	\$ 368,467	\$ 369,556
Support Bureau *	\$ 7,824	\$ 18,163	\$ 35,354	\$ 17,916	\$ 0
Criminal Investigations	\$ 208,136	\$ 179,097	\$ 219,567	\$ 277,275	\$ 175,915
Special Investigations	\$ 154,228	\$ 131,393	\$ 136,172	\$ 134,223	\$ 78,116
Special Operations	\$ 552,317	\$ 572,992	\$ 643,425	\$ 487,280	\$ 336,393
Communications	\$ 370,409	\$ 419,723	\$ 417,137	\$ 495,753	\$ 344,562
Airport Patrol	\$ 76,303	\$ 103,392	\$ 167,246	\$ 67,433	\$ 58,859
Juvenile Program *	\$ 3,874	\$ 7,738	\$ 7,802	\$ 3,172	\$ 0
Administrative Services	\$ 46,757	\$ 13,526	\$ 23,964	\$ 3,801	\$ 8,819
Fleet and Facility Management	\$ 1,725	\$ 229	\$ 1,647	\$ 5,023	\$ 5,192
School Crossings	\$ 236	\$ 344	\$ 2,038	\$ 1,828	\$ 2,214
Homeland Security	\$ 0	\$ 351,120	\$ 415,547	\$ 484,238	\$ 380,315
Training *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,995
Forensics *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,666
Total Overtime	\$2,819,425	\$2,810,224	\$3,199,017	\$3,089,714	\$2,410,019
Percent Change in Overtime Costs from Previous Year		0%	14%	-3%	-22%

Source: City's financial system

Note: * - In FY 2009, the Police Department reorganized its divisions, resulting in cost centers being removed, added, or consisting of different activities. This resulted in either a major increase or decrease in overtime expenditures from FY 2008.

Table 3
Action Plan Steps from Report #0726
Due as of September 30, 2009, and Current Status

Action Plan Steps Due As of September 30, 2009	Current Status
To reduce overtime costs	
<ul style="list-style-type: none"> Review and revise the Special Events Policy as appropriate to reflect the City's intentions related to recovering costs for providing services for private and public special events. The policy should include some level of reporting to provide management adequate information of what special events the City is supporting and the related costs. 	✓ Completed in a prior period.
<ul style="list-style-type: none"> If appropriate in the new policy (develop/revised in Step above), develop a process to determine amounts to charge and method for collection when providing services resulting in overtime costs for private and/or public special events. 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Address the amounts due from FSU for law enforcement services at football games, and reevaluate the policy for recovering costs from the universities. 	✓ Completed in a prior period.
To provide a better accounting of the types of work classified as overtime	
<ul style="list-style-type: none"> Police and Accounting Services work together to consider the use of earn codes/activity codes/class codes to better track the types of work (e.g., court, football games, and directed patrols) and incentives (e.g., tactical, field training officer). 	✓ Completed in the prior period.
To strengthen internal controls over calculating overtime, coding overtime, and complying with City policies and agreements	
<ul style="list-style-type: none"> Clarify the wording in the HR policies and bargaining agreements related to determination and calculation of overtime. 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Provide adequate training (including examples) to all timekeepers regarding how to enter overtime and holiday time correctly to ensure all employees are paid according to City policies and contracts. 	✓ Completed in a prior period.

<ul style="list-style-type: none"> Review the past inconsistencies related to overtime pay on holidays to determine the most efficient and equitable method to address any prior discrepancies. 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> Implement a process to periodically review payroll transactions involving overtime to identify noncompliance with policies and agreements or incorrectly calculated overtime pay. 	<p>✓ Completed. The periodic review has been implemented and is being included in the new General Order 25, which Police management anticipates to be fully implemented by January 31, 2010. Our review of the report methodology and results and discussions with the inspector indicated that there was a good understanding of how overtime was to be applied during weeks that include holidays. Additionally, Employee Resources added a daily hours worked log to the timesheets to provide reviewers the needed detailed information to determine with certainty whether overtime was accurate.</p> <p><u>Audit Comment:</u> The police payroll entry is very complex. We tested 16 payroll transactions involving holiday pay and holiday overtime. Of the 16 transactions tested, we noted 6 (38%) exceptions: two were due to leave data entry errors; one was data entry error where overtime was charged to the wrong Police division; one was miscalculation of overtime hours on holiday; and two transactions did not have evidence that pre-approved leave was approved. Considering the errors made, it seems like there may still be some confusion regarding what constitutes adequate evidence of approval of leave forms, and how OT is to be calculated on weeks with holidays. Additionally, the timesheets did not include the number of hours worked on each day in the pay period to allow accurate calculation of overtime. We recommend the timesheets include a log to record the hours worked each day of the pay period, and guidance is provided to timekeepers regarding what supporting documentation should be retained.</p>
<ul style="list-style-type: none"> Implement a process to ensure that adjustments are made retroactively in the correct pay period affected and not netted to time worked in the current period. 	<p>◇ Partially Completed. The newly developed General Order 25 does include how and when prior period adjustments should be entered, however the policy has not received final approval or been distributed and implemented as of October 1, 2009. Police management indicated the policy is in the final approval</p>

	<p>phase and should be approved, distributed, and implemented by the end of January 2010.</p> <p><u>Audit Comment:</u> We tested five of 36 prior period adjustments made by various Police timekeepers between January 1, 2009 and September 30, 2009. We noted that one timekeeper was not retaining supporting documentation for the electronic timesheets, including prior period adjustments. Absent documentation, it is not possible for Police to demonstrate that leave approvals were obtained according to policies. We recommend timekeepers retain electronic documents according to record retention policies just as paper documents are retained.</p>
<ul style="list-style-type: none"> • Implement a process to ensure that all adjustments are properly authorized and approved by supervisors. 	<ul style="list-style-type: none"> ◦ Not Completed. While electronic timesheets were developed and implemented during Summer 2009, and the newly developed General Order 25 provides guidelines for when and how employee time adjustments should be made, Police management has not implemented a process to monitor prior period adjustments to ensure that adjustments were properly authorized and approved. Given that timekeepers are responsible for inputting their own time records, the risk remains that an improper prior period adjustment could be entered and not be detected in a timely manner. <p><u>Audit Comment:</u> We recommend that management review the prior period adjustment process and implement adequate monitoring steps to ensure there is independent review over timekeepers' prior period adjustments, and guidance is provided to timekeepers regarding what supporting documentation should be retained.</p>
<ul style="list-style-type: none"> • Police implement a process to either a) ensure City policies are adhered to and in-band advancements are paid accordingly or b) management develop or revise the appropriate policies so that they reflect the City's intent regarding how Communication staff trainers are to be compensated. 	<p>✓ Completed in the prior period.</p>

Table Legend:

- Issue in the original audit
- ✓ Issue Addressed and Resolved
- ◇ Issue Partially Completed
- Not Completed

Conclusion

Overall, Police management has made significant progress toward addressing complex issues related to the tracking and management of overtime activities. As shown in report Table 1 and Figure 1, management has reduced overtime costs in the department from FY 2007 to FY 2009 by 21%. Supervisors and managers we interviewed noted that monitoring monthly overtime costs reports was instrumental in helping them control overtime costs.

As described in detail in Table 3, of the three remaining action plan steps due this period, one step was completed, one step remains in progress, and one step has not been completed. The partially completed step is anticipated to be completed when Police General Order 25 becomes fully implemented in January 2010. The remaining outstanding step to be completed is related to providing independent oversight of timekeepers' prior period adjustments. Responsibility for completing the final two steps is being turned over to management for their resolution. We provided recommendations to assist management in further enhancing their controls over timesheets and record retention.

We appreciate the full cooperation provided during this audit follow up from Police Department and Accounting Services Division staff.

Appointed Official's Response

City Manager:

The City Auditor's Office conducted a thorough and detailed audit of the Tallahassee Police Department's complex overtime and payroll processes. I am extremely pleased with the cooperation demonstrated between Mr. McCall's team and the Department and proud of the improvements implemented that resulted in measurable financial results beneficial to this government and community. I have no doubt that the identified policy and procedural changes will ensure internal controls and City policies are strictly adhered to in the future. It is my direction that the Police Department further refine timekeeping processes as identified in the Audit and complete all recommended steps within this current fiscal year.

Copies of this audit follow-up #1009 or audit report #0726 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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