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**Audit Report**

**CITYWIDE OVERTIME**

**December 15, 2004**

**Office of the City Auditor**  
**Austin, Texas**

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# City of Austin

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December 15, 2004

To: Mayor and Council

From: Stephen L. Morgan

Subject: Citywide Overtime Audit Report

Attached is our report on the Citywide Overtime audit. This audit arises from the FY 2003-04 Service Plan. In this project, we reviewed the City's overtime processes.

In general, we found that the Budget Office has made improvements in the process of budgeting for, and monitoring of, overtime. We also noted that the City is most at risk in the area of overtime use by individuals.

We found that overtime usage can be further improved by strengthening controls and updating Citywide policies and procedures. Finally, we noted that distribution of opportunities for employees to earn overtime are planned to ensure equal distribution, however along with a lack of authorization and monitoring controls contributing to higher levels of overtime for some individuals, management asserts that there are many other factors that influence who actually performs the work, which results in an inequitable distribution among like positions.

We understand that management has been charged with formalizing the process of authorization and monitoring of overtime; our recommendations will aid in that process.

We appreciate the cooperation we received from staff in the Budget Office, the Controller's Office, the Human Resources Department, the Police Department, the Emergency Medical Services Department, the Fire Department, Austin Energy, and the Public Works Department.

Stephen L. Morgan, CIA, CGAP, CFE, CGFM  
City Auditor

## **CITYWIDE OVERTIME AUDIT COUNCIL SUMMARY**

This report presents the results of our audit of Citywide overtime usage, which was approved by the Council Audit and Finance Committee as part of our office's 2004 service plan. Our objectives were to determine:

- What is the level of overtime usage across the City and how does it compare to similar entities?
- Do overtime authorization processes allow departments to adequately monitor the heaviest users of overtime?
- Is overtime equitably distributed among like positions or job titles?

Our work focused on Citywide, departmental, and individual use of overtime, and we ascertained that risks to the City from poor data reliability or fraudulent activity were low.

While City management appeared to be controlling overtime usage from an overall perspective, audit results indicated that the greatest risk for overtime is centered at the level of individual usage. Departmental overtime spending had been reduced over the last two fiscal years, but is again approaching high levels.

Austin's departmental overtime levels are not out of line with other cities. We gathered additional information from cities with better overtime to personnel cost ratios in key departments and found that, due to budget pressures, some have instituted additional levels of controls, mirroring some of the controls already in place in Austin.

For the City budgetary orgs we examined, controls over the use of overtime are incomplete and inconsistently enforced. We found that the City of Austin places no limit on the number of hours worked in succession for non-civil service employees, although civil service employees may not exceed certain numbers of hours per day or week. Furthermore, there is no requirement for higher-level review of overtime once a set level of overtime is reached.

The Budget Office compiles data downloads from the Controller's Office at the fund and agency levels, but not at the level of individual usage. These reports are distributed to Assistant City Managers and department directors. Lack of aggregated overtime reporting for individuals hampers supervisory management's ability to control overtime, and in fact, monitoring of individual overtime and reimbursable overtime expenditures varies throughout the organizations reviewed.

Approval and after the fact documentation for non-emergency overtime work varies and timesheet signatures are not adequate proof that overtime hours worked were pre-authorized. Moreover, justifications for exempt employees who may earn overtime pay in certain situations are not regularly reviewed.

Finally, although processes are in place to provide equal opportunities for employees to earn overtime, in the orgs we examined, the lack of authorization and monitoring controls contribute to high levels of overtime earned by some individuals. Management does assert that there are many factors that lead to inequitable distribution among like positions. Some examples are: Overtime levels are largely dependent on availability of employees to work overtime hours beyond their regular schedule, and some work requires specific individuals with special qualifications and experience. Processes to

distribute overtime opportunities equitably are undermined by the fact that on-call overtime may not be needed or employees may decline or trade availability.

We have issued seven recommendations and management has concurred with six of them. Our recommendations would:

- Establish limits and thresholds that give supervisors guidelines to follow when making decisions on overtime assignments and a higher level of supervisory review once an individual reaches a pre-set threshold.
- Make reports showing overtime use per pay period available to all levels of management and require periodic analysis of overtime use and trends.
- Establish separate budgetary orgs, along with a reconciliation process to ensure that all revenues, and waivers for revenues, for reimbursable overtime charges are properly handled.
- Require that all non-emergency overtime be authorized prior to it's being worked and that all timesheets be signed and dated by an employee's supervisor as evidence of their review, along with emphasizing that timesheet signatures are not to serve as a substitute for pre-approval.
- Require periodic review and justification of the situations causing the need for exempt personnel to be allowed to earn overtime pay.



## ACTION SUMMARY CITYWIDE OVERTIME

| Rec. # | Recommendation Text  | Management<br>Concurrence | Proposed<br>Implementation<br>Date |
|--------|--|---------------------------|------------------------------------|
| 01.    | In order to ensure a higher level of scrutiny when an individual earns overtime significantly in excess of their expected wage level, a higher level of supervisory review should be performed after the individual reaches a pre-set threshold of overtime earned. The Director of Human Resources should require such additional review, and should establish a threshold that gives supervisors guidelines to follow when making decisions on overtime assignments.   | Concur                    | 10/01/05                           |
| 02.    | When formalizing a process to monitor and authorize overtime, FASD should consider developing reports showing overtime use per pay period, such as those currently provided to the Budget office by the Controller's office but at a greater level of detail. These reports should be made available to all levels of management either by sending them down the line and requiring signoffs, or provided electronically through systems such as the Info-View portion of the Controller's website. The requirement for signoffs, or electronic tracking of who accessed electronic reports, will ensure evidence of review at all levels. | Disagree                  | N/A                                |

- |     |   |                 |                 |
|-----|---|-----------------|-----------------|
| 03. | The Budget Officer should work with the City Manager's Office and department directors to ensure that lower levels of management perform periodic analysis of overtime use. This analysis should include a review of staffing levels, usage trends, equitable distribution of overtime among employees, and determinations of whether it would be less expensive to hire more staff instead of using overtime to meet minimum service levels. | Partially Agree | N/A             |
| 04. | In order to allow for better reconciliation and determination of charges for reimbursable activities, the Controller's Office should work with the department directors to establish separate orgs at each department that has reimbursable activities. Reconciliation processes should also be established to ensure that all revenues, and waivers for revenues, are managed like all other accounts receivables.                           | Partially Agree | See Finding #05 |
| 05. | In order to ensure that all overtime is properly authorized, prior approval for non-emergency overtime should be required by the Chief Financial Officer. The supervisory level necessary for authorization should also be established.   | Agree           | Feb. 2005       |
| 06. | In order to ensure that supervisors understand the importance of reviewing timesheets for accuracy and completeness, to clarify the distinction between pre-approval and supervisory review, to ensure that there is documented evidence of timely supervisory review and approval, and to strengthen the corresponding controls, the Chief   | Partially Agree | FY 2006         |

Financial Officer should establish policy and procedures requiring that all timesheets be signed and dated by an employee's supervisor, as evidence of their review. Additionally, supervisors should be informed that supervisory signatures on timesheets are meant to document the supervisor's review and authorization of time charged, and not to serve as a substitute for pre-approval of overtime.

- |     |  |        |          |
|-----|--|--------|----------|
| 07. | In order to ensure that exempt personnel allowed to earn overtime pay do not do so indefinitely, periodic review and re-justification of the situations causing the need should be required by the Human Resources Director. | Concur | 12/30/05 |
|-----|--|--------|----------|



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## **INTRODUCTION**

This audit was approved by the City Council Audit and Finance Committee in the FY 2003-04 Service Plan and has been performed in two stages. In the preliminary stage, the work focused on three levels of overtime usage:

- Citywide, by reviewing the processes and systems involved;
- Departmental, by comparing expenditure levels to those of other cities; and,
- Individual, by reviewing the amounts paid to individuals in each department.

On July 27, 2004, we presented the information from our preliminary work to the Audit and Finance Committee of the City Council. After discussion, committee members charged the auditors to carry out additional audit work, based on the reported risk of excessive individual overtime.

Further, auditors were asked to work with the staff from the Financial and Administrative Services Department (FASD) to ensure that a formal overtime monitoring and authorization process be put into place throughout City departments.

We provided general information on trends and types of overtime uses, both within the City of Austin and in other cities surveyed, to FASD staff for consideration as they formalize the overtime monitoring process.

## **BACKGROUND**

The federal Fair Labor Standards Act (FLSA), first enacted in 1938, establishes minimum wage, overtime pay, record keeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments. The act stipulates that all non-exempt workers in the United States be paid overtime when they work more than 40 hours in a week and also defines which conditions must be met to be exempted from the terms of the law. FLSA is a dynamic instrument, and many of the requirements have been enacted over the years through judicial challenges. In 1966, Congress voted to apply the FLSA to certain employees of state and local governments. A 1985 U. S. Supreme Court decision applied the basic requirements of FLSA to virtually all state and local governments.

The most far-reaching exemptions generally are those exempting executive, administrative, and professional employees, sometimes called the white-collar exemptions, from minimum wage and overtime requirements. Those workers considered exempt are usually paid a salary, which is not reduced because of variation in the hours or quality of work performed. Furthermore, the primary duty for exempt employees is management, defined by example, not clearly by the law. Examples of management activities include:

- Interviewing, selecting, and training employees,
- Setting and adjusting pay rates and hours,
- Directing work and evaluating employees, and
- Handling employee grievances and discipline

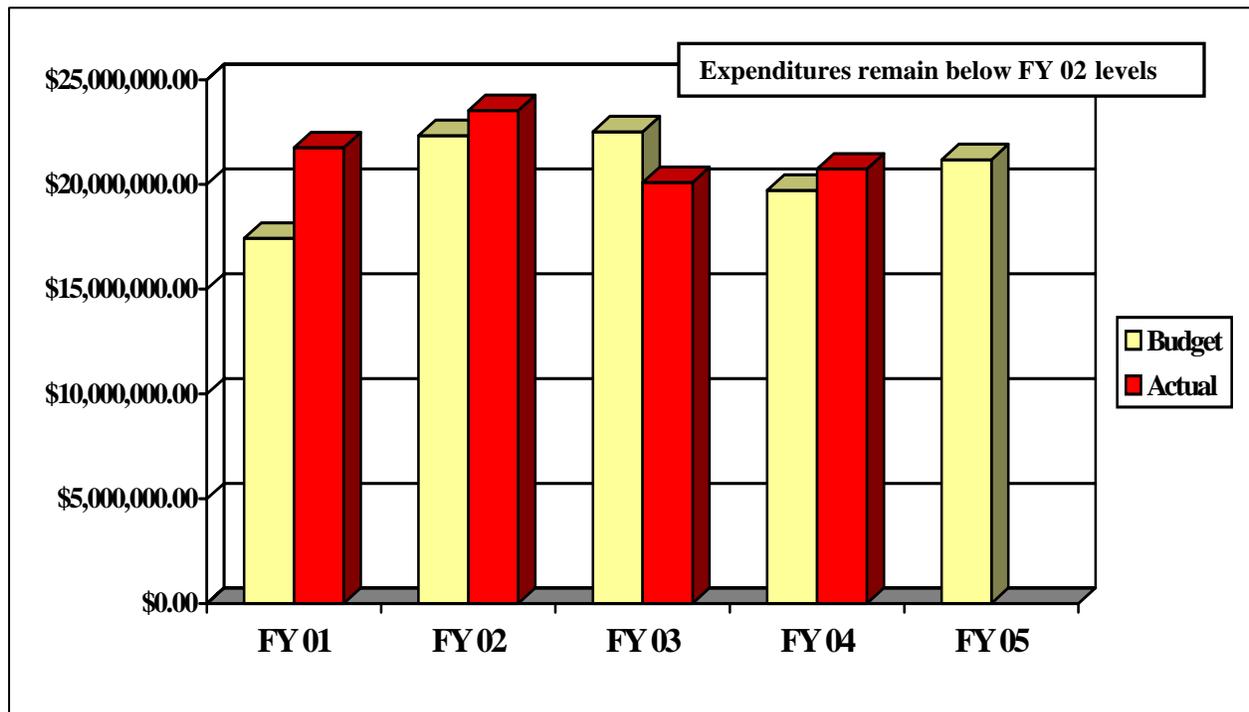
In contrast, employees who supervise a number of other employees may not qualify for exemption if they also perform a substantial amount of non-exempt work identical or similar to work done by the employees they supervise.

A section of the FLSA provides for a partial exemption from overtime pay requirements for fire fighters and law enforcement, who work shift schedules that cause them to work a flexible schedule frequently totaling more than 40 hours in a week.

**In the past, Austin exceeded the minimum overtime requirements of FLSA.** For many years the City chose to calculate overtime by including leave time as time worked, thus paying employees more generously than required by FLSA legislation. An audit on employee compensation, issued by this office in November 1996, included a recommendation that the City adopt the more conservative FLSA definition of productive hours worked for computing overtime. At the time, City management agreed with the finding but decided that the timing was not right to implement the recommendation. Since then, however, in the beginning of Fiscal Year 2003-04, the City gave notice to non-exempt employees that overtime would no longer include computations based on time not worked, such as leave. Because of the Meet and Confer agreements with the Police and Fire departments, the City continues to pay overtime to include leave, as before, to these civil servants.

**The City's overtime expenditures have trended lower since FY 2002.** According to data compiled by the Budget Office, Citywide overtime expenditures increased to a high of \$23.2 million in Fiscal Year 2001-02. Two years after that, they remain below that level.

**Exhibit 1  
City Overtime Expenditures Have Remained Below FY 02 Levels**



SOURCE: AFS2 - Data through FY 03 has been audited by City's external auditors, but not verified by OCA.

The exhibit below shows the last three fiscal years' worth of departmental budget and expenditure trends and the approved budget for Fiscal Year 2004-05, for each of the top ten departments. A Citywide total that includes all City departments is included at the bottom of the table.

**Exhibit 2**  
**Top Ten Departmental Users of Overtime and Citywide Total**

| Agency Name                 | FY 2002           |                   | FY 2003           |                   | FY 2004           |                   | FY 2005           |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                             | Amended Budget    | Actual            | Amended Budget    | Actual            | Amended Budget    | Actual            | Approved Budget   |
| Police Department           | 6,872,568         | 6,751,136         | 6,529,181         | 5,801,905         | 5,770,652         | 7,458,901         | 5,058,962         |
| Emergency Medical Services  | 2,367,890         | 3,955,173         | 2,091,809         | 3,456,905         | 2,129,714         | 3,681,883         | 5,317,135         |
| Austin Energy               | 5,169,439         | 3,395,414         | 4,404,474         | 3,153,013         | 3,719,125         | 2,828,000         | 3,356,075         |
| Water & Wastewater          | 2,753,377         | 2,627,889         | 2,733,170         | 2,159,821         | 2,185,783         | 1,797,532         | 2,007,154         |
| Fire Department             | 1,792,379         | 2,158,540         | 2,220,573         | 1,883,488         | 2,446,537         | 1,845,332         | 1,837,924         |
| Public Works & Transp.      | 880,286           | 964,286           | 829,681           | 815,935           | 744,026           | 813,368           | 731,860           |
| Solid Waste Services        | 679,755           | 1,099,471         | 1,056,962         | 806,478           | 946,095           | 496,555           | 950,165           |
| Aviation                    | 300,106           | 655,694           | 1,205,364         | 577,614           | 404,547           | 325,012           | 507,501           |
| Watershed Prot. & Dev. Rev. | 416,099           | 245,200           | 423,428           | 355,269           | 374,500           | 345,447           | 455,372           |
| Parks & Recreation          | 146,190           | 423,836           | 145,636           | 265,133           | 91,245            | 331,893           | 139,364           |
| <b>Citywide Total</b>       | <b>22,329,621</b> | <b>23,253,323</b> | <b>22,513,924</b> | <b>20,091,790</b> | <b>19,716,712</b> | <b>20,729,634</b> | <b>21,183,412</b> |

SOURCE: Controller's Office intranet - Data through FY 03 has been audited by City's external auditors, but not verified by OCA.

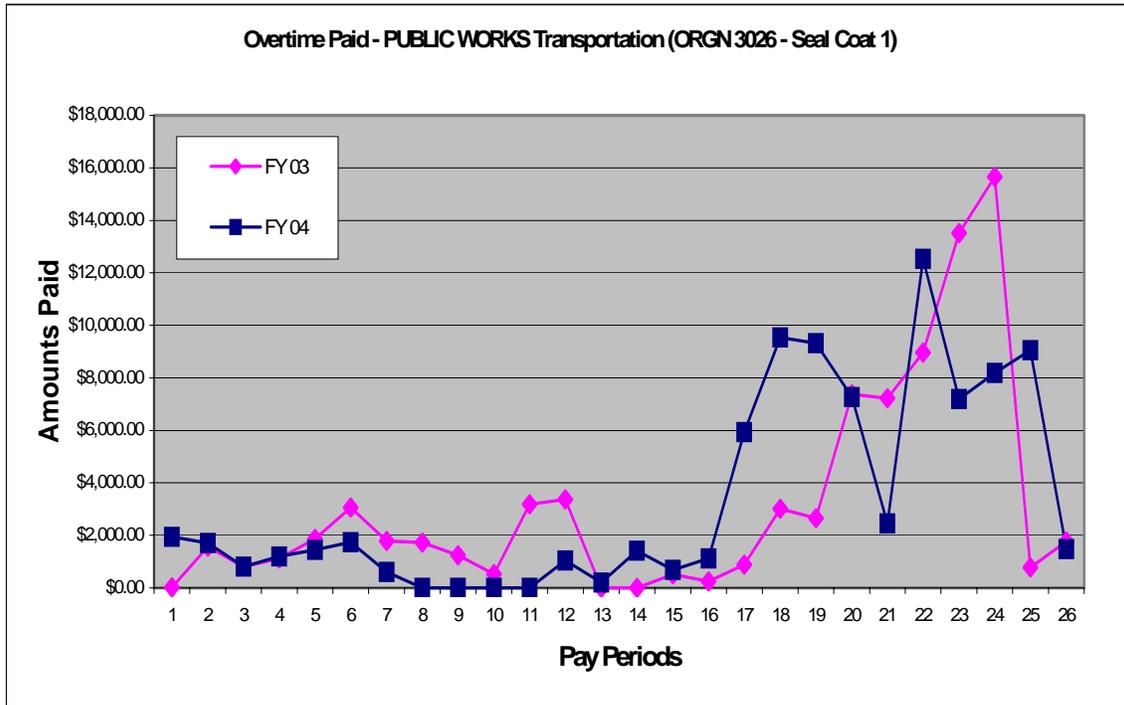
**City management called for departments to justify need and reduce overtime budgets.**

According to the Budget Office, during the budget process for FY 2003-2004, City management talked with every department director to determine cause and justification for overtime budget levels. All departments, including those with steady levels, were asked to do more to reduce overtime expenditures. Based on their analysis, City management concluded that the budgeted level of overtime was lower than in prior years and was justified to continue to meet service needs.

**Overtime use and trends vary across City activities and derive primarily from the nature of the work.** There are differences in the way that overtime is used within departments. Overtime is charged to "orgs," the lowest budgetary unit within an activity, and departments use overtime in many different ways. Trends in overtime use also vary greatly ranging from those with "periodic" spikes of overtime to those with more consistent use of overtime.

- **Some orgs had periodic overtime spikes.** For example, Public Works has times during the year when overtime must be paid in order to get a majority of its workload completed. Because of the need for certain temperature levels to adequately use "hot-mix" asphalt, the Street and Bridge division must perform a majority of its work during the summer months. This causes a "spike" in the level of work. While there are some opportunities to re-arrange regular schedules for overnight work, scheduling of work crews during weekends is common during this part of the year. As shown in Exhibit 3 below, Public Works Seal Coat has a minimal amount of overtime use driven by workload. This type of trend, which does not show constant usage throughout the year, is an example of "normal" overtime usage caused by specific events.

### Exhibit 3 Overtime Trend Showing Periodic Spikes



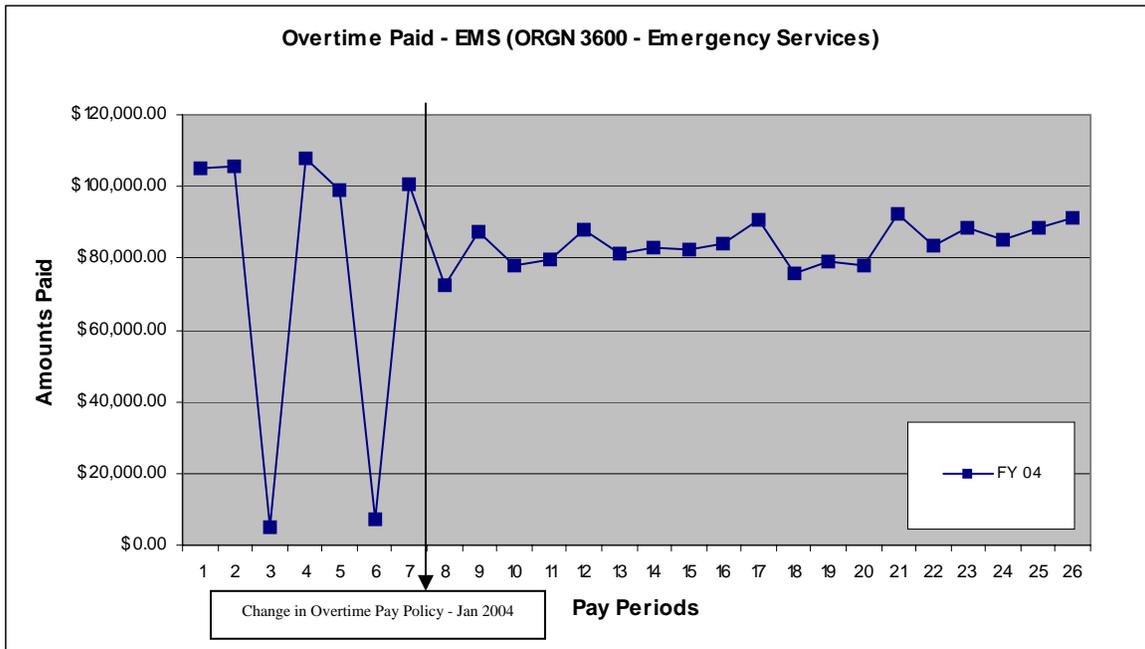
SOURCE: AFS2 - Data through FY 03 has been audited by City's external auditors, but not verified by OCA.

- **Some orgs had continuous use of overtime throughout the year.** Two types of trends represent a continuous use of overtime throughout the year.

The first type of constant trend shows a constant level of overtime use throughout the time period. This may be caused by a variety of reasons including higher than anticipated levels of work, lack of filled positions, or because of “built-in” scheduling, such as at EMS. Because of their shift-method of staffing, approximately 832 hours of overtime are “built-in” to each individual’s salary because they are scheduled to work 24-hours “on” and 48-hours “off”, creating a constant level of overtime use throughout the year.

Prior to January 2004, EMS overtime policy was to pay overtime only for hours worked over the regularly scheduled hours every three weeks (a shift cycle) instead of for hours over 40 worked each week. As of January 2004, overtime must be paid for any hours worked over 40 hours each week. Thus, in any week selected, personnel in one of the three shifts scheduled will work approximately 72 hours, which results in 32 hours of overtime for those employees. Exhibit 4 below shows that after January 2004, EMS overtime has a more-or-less constant level of overtime use driven by scheduling.

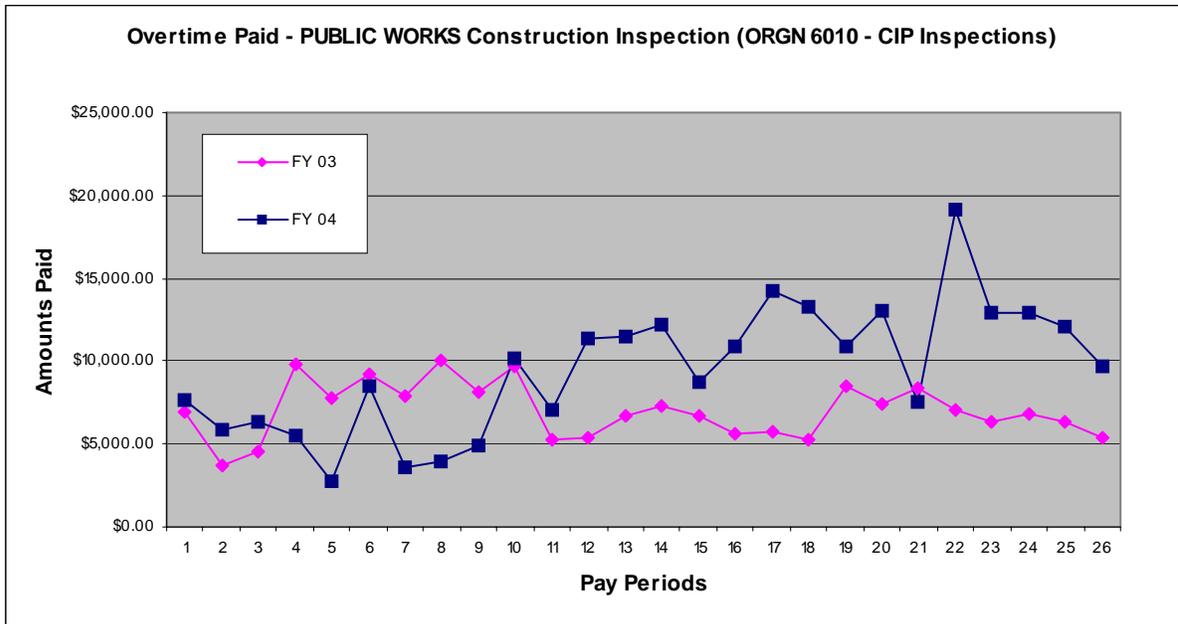
**Exhibit 4  
Overtime Trend Showing Constant Use Due to Scheduling**



SOURCE: AFS2 - Data through FY 03 has been audited by City’s external auditors, but not verified by OCA.

The second type of constant trend has a constant level of overtime throughout the year, with periodic “spikes,” usually caused by periods of increased workloads due to special events or emergencies. For example, as shown below in Exhibit 5, Public Works Construction Inspection overtime had a certain amount of overtime throughout the year, with spiking at different times during the year:

**Exhibit 5  
Overtime Trend Showing Constant Use of Overtime along with Periodic Spikes**



SOURCE: AFS2 - Data through FY 03 has been audited by City’s external auditors, but not verified by OCA.

## **OBJECTIVES, SCOPE & METHODOLOGY**

### **Objectives**

The audit objectives were:

- What is the level of overtime usage across the City and how does it compare to similar entities?
- Do overtime authorization processes allow departments to adequately monitor the heaviest users of overtime?
- Is overtime equitably distributed among like positions or job titles?

### **Scope**

We used data from the Banner Human Resources Information System (Banner) and AFS2, the City's financial system of record, for calendar year 2003, FY 2002-03, and FY 2003-04 in our fieldwork.

Along with reviewing a sampling of calendar year 2003 timesheets from ten of the City's departments where individuals earned over 20 percent of the standard 2,080 annual hours in overtime, we performed specific additional testing in the following five departments:

- Police (APD),
- Fire (AFD),
- Emergency Medical Services (EMS),
- Public Works, and
- Austin Energy.

This additional testing included interviewing managers and supervisors about overtime pay in Calendar Year 2003 and Fiscal Years 2002-03 and 2003-04, as well as about their current overtime monitoring and authorization processes.

### **Methodology**

#### Data Reliability Testing

Testing of data reliability included basic logic testing of the elements of the Banner database, a timekeeper survey related to Banner experiences, and testing of Banner's calculations of overtime against stated formulas.

A sample of timesheets for employees with overtime hours totaling at least 20 percent of the 2,080 standard annual hours, was taken. Timesheets were collected from ten of the City's departments for two Fiscal Year 2002-03 pay periods and were used in the testing of the Banner system's calculations.

A variety of basic tests were conducted on Banner System databases. These tests were designed to find indicators of potential fraudulent overtime reporting such as:

- Exempt employees who earned overtime
- Employees who collected overtime every pay period

- Employees who collected the same number of overtime hours every pay period
- Employees who earned more than 80 hours of overtime in a pay period
- Banner users who earned overtime
- Employees who earned over 100 hours in comp time

To satisfy audit standards regarding basic fraud testing, any indications of potential irregularities have been referred to the City Auditor’s Integrity Unit (CAIU) for follow up. The CAIU may report on any resulting findings under separate cover.

Benchmarking against other cities

Financial information related to overtime in Fiscal Year 2003 was obtained from five other cities in Texas along with nine other cities in the United States. Departmental and citywide overtime as a percentage of total personnel costs were compared.

Additional information related to how other cities currently monitor and otherwise control overtime was obtained from seven of the nine cities outside of Texas, and from three of the cities within Texas. All of those cities were selected because they had overtime percentages lower than the City of Austin’s overtime percentages.

Detailed Testwork on Individual High Overtime Earners

Calendar year 2003 overtime data was used to determine which orgs to review. That process involved the following steps:

- The highest earners of overtime throughout the City were identified by selecting those individuals that earned over 20 percent of their salary in overtime in calendar year 2003, and removing those that earned less than \$10,000 in overtime.
- The employee information (i.e., position number, name, employee number, etc.) for each of the 550 “highest earners” was then used to determine which “orgs” those employees charged overtime to, throughout FY 2002-03 and FY 2003-04.
- When departmental overtime totals by department were ranked, in most cases the orgs charged-to most by the 550 “highest earners” were also the highest charged-to orgs in each department. Additionally, the majority of the “highest earners” were in the same departments previously identified as having the highest overtime expenditures.
- Using a combination of departmental spending rankings and a listing of where the “highest earners” were employed, six “orgs” within five departments were chosen to review. Because specific testing was limited to the work in six “orgs” (the lowest budgetary units within an activity), we cannot extrapolate specific results Citywide.
- The six orgs and their overtime amounts by fiscal year were:

| Dept.    | Org                                   | Fiscal Year 2002-03 |                     | Fiscal Year 2003-04 |                     |
|----------|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
|          |                                       | Overtime Total      | % of Dept. Overtime | Overtime Total      | % of Dept. Overtime |
| Electric | Org 3415: Substation Constr. & Maint. | 330,398.58          | 10.48 %             | 293,147.60          | 10.37 %             |
| EMS      | Org 3600: Emergency Services          | 2,078,437.82        | 91.11 %             | 2,121,465.96        | 92.38 %             |
| Fire     | Org 2302: Communications              | 193,420.54          | 10.27 %             | 242,343.97          | 13.48 %             |
| Police   | Org 3130: Reimbursed Overtime         | 922,436.51          | 11.70 %             | 758,926.30          | 8.76 %              |
| PWrks*   | Org 3026: Seal Coat 1                 | 83,273.51           | 19.19 %             | 86,897.52           | 22.74 %             |
| PWrks    | Org 6010: CIP Inspections             | 181,812.19          | 63.80 %             | 244,311.76          | 69.94 %             |

SOURCE: AFS2 - Data through FY 03 has been audited by City’s external auditors, but not verified by OCA

Note \* Transportation-related data for Public Works is accounted for separately in AFS2. Therefore “Percentage of Dept. Overtime” is computed using a separate departmental total.

City personnel policies and Administrative Bulletins were reviewed, and auditors interviewed managers and supervisors in each of the five departments selected. We also examined a small sample of timesheets to document each of the authorization and monitoring processes.

#### Distribution of Overtime

The Budget Office uses financial system data provided by the Controller's office to analyze overtime by fund and agency after each pay period. These data were used as the source of overtime data analysis by fiscal year because they show the overtime usage each pay period by each individual employee earning overtime pay.

Using a graphical analysis of the expenditures by pay period, auditors analyzed how overtime is distributed throughout the year, and how individual overtime is distributed among employees.

This audit was conducted in accordance with generally accepted government auditing standards.

## AUDIT FINDINGS

From Citywide and departmental standpoints, City management appears to be controlling overtime usage. Our work indicated greater risks in the areas of individual usage and authorization. For the activities reviewed during the detailed testing of sampled overtime activity orgs, controls for overtime usage are not complete and are not consistently enforced. In addition, Citywide policies and procedures need to be updated in order to better reflect expectations. Also, although the processes in place provide equal opportunities for employees to earn overtime, many factors lead to some employees in like positions earning more than others.

**While City management appeared to be controlling overtime usage from an overall perspective, our work indicated the greatest risk for overtime is centered at the level of individual usage.**

Overtime data was deemed reliable and fraudulent activity testing was performed. The City of Austin compared favorably with other cities in terms of departmental overtime usage in Fiscal Year 2002-03. However, the City is most at risk in the areas of individual usage and authorization.

**Citywide, risks from poor data reliability or fraudulent activity were deemed of low vulnerability.** Overtime data was assessed to be reliable. The results of this work showed no major issues with the software or data reviewed.

A variety of rudimentary tests designed to find possible indicators of fraudulent overtime reporting (such as the same amounts of overtime claimed each pay period, etc.) were conducted. Of the six tests run, two did not indicate a possibility of fraud. The results of the four remaining tests were found to be inconclusive, but did not materially affect our audit work. To satisfy audit standards, the information from these was submitted to the City Auditor's Integrity Unit for further review. To date, no integrity violations have been confirmed.

**Austin's overtime levels are not out of line with other cities.** The assertion by City management that overtime levels are justified appeared to be substantiated by benchmarking Austin against other cities. Exhibit 6 below shows the proportion of overtime expenditures to total personnel costs for a variety of cities in Texas and the United States. Austin compared favorably in all departments except Aviation, expending less overtime as a percentage of personnel expenditures than the average of other cities, and ranked in the middle for electric utilities, although only three communities had city-owned electric companies.

**Exhibit 6**  
**Percentage of Overtime to Total Personnel Costs by Department for Major Cities**  
**FY 2003**

|                      | Arlington | Austin | Dallas | El Paso | Ft. Worth | Houston | Kansas City, MO | Las Vegas, NV | Long Beach, CA | Mesa, AZ | Oklahoma City, OK | Phoenix, AZ | San Jose, CA | Tucson, AZ | Virginia, Beach, VA | AVERAGE<br>(not incl. Austin) |
|----------------------|-----------|--------|--------|---------|-----------|---------|-----------------|---------------|----------------|----------|-------------------|-------------|--------------|------------|---------------------|-------------------------------|
| Police               | 1.8       | 4.0    | 4.5    | 6.4     | 0.5       | 4.6     | 4.1             | -             | 2.3            | 5.3      | 4.4               | 6.0         | 3.1          | 4.5        | 6.4                 | 4.1                           |
| Fire / EMS           | 9.9       | 5.1    | 9.3    | 11.2    | 0.0       | 10.0    | 5.5             | 12.5          | 4.5            | 9.3      | 7.6               | 3.2         | 11.5         | 6.0        | 4.6                 | 7.5                           |
| Electric Utility     | -         | 3.3    | -      | -       | -         | -       | -               | -             | -              | 2.6      | -                 | -           | 4.0          | -          | -                   | 3.3                           |
| Public Works         | 1.4       | 2.0    | 1.1    | -       | 1.1       | 4.8     | 4.4             | 2.1           | 1.2            | 1.5      | 1.2               | 2.1         | -            | 1.1        | 16.4                | 3.2                           |
| Water Utility        | 3.0       | 4.0    | 8.2    | -       | 3.2       | 9.7     | 5.4             | -             | 1.0            | 3.9      | 1.0               | 4.9         | -            | 2.6        | -                   | 4.3                           |
| Solid Waste Services | 12.6      | 4.7    | 12.5   | -       | -         | 7.4     | 12.2            | -             | 0.5            | 4.9      | 5.3               | 5.9         | -            | 4.4        | 2.7                 | 6.8                           |
| Watershed Protection | -         | 1.6    | -      | -       | 4.0       | -       | -               | -             | -              | 4.7      | 1.4               | -           | -            | -          | -                   | 3.4                           |
| Aviation             | -         | 3.1    | 1.1    | -       | 0.3       | 3.1     | 6.6             | -             | -              | 0.9      | 1.1               | 4.3         | -            | -          | -                   | 2.5                           |
| Parks and Rec        | 1.6       | 1.0    | 1.3    | -       | 0.2       | 1.5     | 3.5             | 1.1           | 1.0            | 0.8      | 0.1               | 0.6         | 0.0          | 0.3        | 1.5                 | 1.0                           |
| Comm. Care Services  | -         | 1.5    | -      | -       | -         | 2.2     | 1.4             | -             | 0.4            | 8.1      | -                 | -           | -            | -          | 5.3                 | 3.5                           |
| Information Services | 0.2       | 0.7    | 0.1    | -       | 1.8       | 0.1     | 0.2             | 0.7           | 0.7            | 0.3      | 0.0               | 0.6         | 0.7          | 0.5        | 9.2                 | 1.2                           |

SOURCE: Survey conducted by OCA.

Note: A “dash” in a cell indicates that a city did not have comparable data for this department.

**The City is most at risk in the areas of overtime use by individuals.** Over 6,000 employees earned some level of overtime each year. This is quite a large number to keep track of, especially when overtime in some departments is not coordinated by the same supervisor that an employee reports to on a daily basis. This, coupled by the number of employees that earn over 20 percent of their salary, or over \$10,000, in overtime indicates that individual use is the area of greatest risk to the City. Five hundred fifty people fit both of those categories.

As shown in Exhibit 7 below, the number of employees earning overtime is being reduced, but the range of overtime amounts earned is somewhat constant throughout the fiscal years.

**Exhibit 7**  
**Employees Earning Overtime and Range of Amounts Earned**

| Time Period           | Number of Employees | Range of overtime amounts earned |
|-----------------------|---------------------|----------------------------------|
| Fiscal Year 2002-03   | 6,914               | \$0.13 to \$41,972.83            |
| Calendar Year 2003    | 6,859               | \$0.45 to \$39,090.15            |
| Fiscal Year 2003-04 * | 6,740               | \$0.18 to \$46,100.46            |

SOURCE: Compiled using Banner database and Controller’s Office data downloads to the Budget Office - Data through FY 03 has been audited by City’s external auditors, but not verified by OCA

Note\* Fiscal Year 2003-04 data shown is with adjustments through Oct. 5, 2004.

- **More than 800 people earned over 20 percent of their salary in overtime in calendar year 2003.** Calendar year 2003 data showed that while most City employees who worked overtime earned less than 20 percent of their salary in overtime, a substantial number—843, earned more

than that. Of the 843 employees, 212 earned between 30 and 40 percent of their salaries in overtime, 114 earned between 40 and 50 percent, and 8 earned over 50 percent.

- **More than 600 people earned over \$10,000 in overtime in calendar year 2003.** The table in Exhibit 8 below illustrates that the majority of employees' overtime pay is less than \$10,000 per person. However, 664 individuals earned over \$10,000 in overtime pay during calendar year 2003. Of those, 580 earned between \$10,000 and \$20,000; 72 earned between \$20,000 and \$30,000; and 12 earned over \$30,000 in overtime during calendar year 2003.

**Exhibit 8**  
**Distribution of Overtime Earnings by Individuals in Each Department**  
**Calendar Year 2003**

| <b>Department</b>          | <b>Over<br/>\$30k</b> | <b>\$20k<br/>to<br/>\$30k</b> | <b>\$10k<br/>to<br/>\$20k</b> | <b>\$5k<br/>to<br/>\$10k</b> | <b>Below<br/>\$5k</b> | <b>Dept.<br/>Totals</b> |
|----------------------------|-----------------------|-------------------------------|-------------------------------|------------------------------|-----------------------|-------------------------|
| Police                     | 8                     | 30                            | 179                           | 369                          | 1063                  | 1649                    |
| Fire                       |                       | 2                             | 12                            | 55                           | 929                   | 998                     |
| Austin Energy              |                       | 9                             | 111                           | 172                          | 623                   | 915                     |
| Austin Water               | 1                     | 10                            | 69                            | 136                          | 363                   | 579                     |
| Parks & Recreation         |                       |                               |                               | 9                            | 407                   | 416                     |
| Emergency Medical Services | 2                     | 16                            | 177                           | 58                           | 111                   | 364                     |
| Solid Waste Services       |                       | 1                             | 3                             | 27                           | 313                   | 344                     |
| Aviation                   |                       |                               | 9                             | 15                           | 286                   | 310                     |
| Public Works               | 1                     | 2                             | 10                            | 34                           | 182                   | 229                     |
| Community Care             |                       |                               | 3                             | 6                            | 198                   | 207                     |
| Watershed Protection       |                       |                               | 2                             | 21                           | 149                   | 172                     |
| Convention Center          |                       |                               | 2                             | 4                            | 130                   | 136                     |
| Health & Human Services    |                       |                               |                               |                              | 101                   | 101                     |
| All other departments      |                       | 2                             | 3                             | 28                           | 406                   | 439                     |
| <b>Totals</b>              | <b>12</b>             | <b>72</b>                     | <b>580</b>                    | <b>934</b>                   | <b>5261</b>           | <b>6859</b>             |

SOURCE: Controller's Banner database - Data through FY 03 has been audited by City's external auditors, but not verified by OCA

Due to a problem with the completeness of one data report that we originally obtained from the Banner system, incorrect figures were reported during our survey briefing at the July Audit and Finance Committee meeting. Exhibit 8 above shows the correct figures for calendar year 2003.

**Controls over the authorization and monitoring of overtime can be strengthened.**

In order to compare the City of Austin's processes against benchmarks, data was gathered from other cities found to have better overtime to personnel cost ratios as noted in Exhibit 6 above. Due to budgetary constraints, other cities are instituting a variety of controls, some of which the City of Austin has already instituted. Fieldwork also revealed that controls over the monitoring of overtime could be strengthened. The City of Austin places no limit on the number of hours worked in succession for non-civil service employees. Also, no higher-level review of overtime is performed once a set threshold of overtime earned is reached. Individual aggregate overtime data are available to supervisors but are not part of the Budget Office reports sent to them. Additionally, monitoring of individual overtime varies and controls over the monitoring of reimbursable overtime expenditures are not consistent. Prior authorization of overtime is not

always possible, and timesheet signatures are not adequate proof of overtime authorization. Finally, periodic review of justifications for exempt employees earning overtime is not required on a regular basis.

**Cities are changing how they authorize, monitor, and otherwise control overtime use.** Both budget office and departmental personnel in several cities were contacted during the first phase of the audit and information on how they authorize, monitor, and control overtime use was gathered.

Some cities have instituted additional levels of controls due to budget pressures. On a citywide level, they range from:

- Mid-year and annual reports to City Council and
- Division Director sign-off for specific types of overtime, to
- Sporadic testing of overtime over \$5,000, mainly due to equity issues.

On a department-level, additional controls range from using overtime in extraordinary emergency situations only, to implementing strategies such as the following:

- Adding higher-level sign-off on timesheets;
- Requiring two levels of approval for overtime not related to a constant staffing model;
- Scheduling temporary duty assignments, such as training, ahead of time and realigning work schedules within a pay cycle so that if they fall on someone's day off they will adjust the schedule;
- Scheduling "rovers" on every shift or using call backs to help with spiking overtime needs;
- Adjusting shift times to use available daylight;
- Adjusting schedules to work overnight for work that needs to be done overnight and off time during daytime in order to not use overtime; and
- Not budgeting any overtime and requiring that funding for additional work come from other sources or from vacancy savings.

While management over the six orgs that were reviewed has already instituted some of those same controls, there are several opportunities for the City to implement or improve on those controls, and the ones noted during fieldwork, as discussed below.

**The number of hours worked in succession for non-civil service employees are not limited.**

Some supervisors do not place limits on the number of hours that employees work, especially when there is a job or project that needs to be completed. A review of City policies, however, found that there is no established written criteria setting a limit on the amount of hours either per day, or per week, at which a non-civil service employee can be assumed to be too tired to perform his/her duties adequately and safely. Common sense dictates that employees should not be overworked to the point where their well-being comes into question or where the work suffers, especially in cases where the public could be impacted negatively.

Although the Fair Labor Standards Act specifies that time-and-a-half overtime must be paid for any work over 40 hours per week, it does not establish a ceiling. A few states have enacted legislation requiring state employees to have a day of rest for every six days worked, unless there are extreme circumstances, however these states exempt law enforcement agencies.

**Conversely, civil service employees' overtime levels are limited.** The negative effects of police officers working long hours are well documented. A national study conducted under the auspices of the Police Executive Research Forum has recognized the role of overtime in managing police fatigue and the repercussions of "tired cops." The Austin Police Department (APD) has general orders that limit hours that an employee can work in one 24-hour period to 16 hours, beginning with the employees shift. The department also sets a maximum number of elective departmental outside overtime hours an employee may work in a workweek to 36 hours, and there are controls in place for logging secondary employment activities and monitoring by supervisors.

**No higher-level review of overtime is called for, once a threshold of overtime earned is reached.** No controls or limits exist that would require extra scrutiny for individuals earning high levels of overtime, such as a requirement for a higher-level of review by division or department managers. Additionally, no threshold of overtime hours, or amount of overtime earned, is in place that can be used to trigger such a higher-level review. Such a review is useful to ensure that supervisors are distributing overtime equally among similarly qualified employees.

**Budget Office reports are not presented at the individual level.** At present, the Budget Office receives overtime data downloads from the Controller's office after each pay period. While the Controller's Office data is available at the individual level, an analysis is performed Citywide at the fund and agency level only. Reports are distributed to Assistant City Managers and department directors. Alerts are issued when overtime levels exceed the proportionate percentage of budgeted overtime for an agency and/or fund. Additionally, according to the management analyst in charge of producing and distributing the reports, feedback or evidence of review, is almost never received back at the Budget Office.

**Individual aggregate overtime data is not routinely distributed to supervisors.** In most cases, department management is receiving and reviewing budget reports for department, and even group or activity levels. However it is unclear whether supervisors are receiving reports to know how much overtime each individual employee has earned throughout the year. This is important because overtime can be accumulated in other work areas, and a lack of aggregated overtime reporting for individuals hampers management's ability to control overtime scheduling and approval. Without reports that show all overtime earned by an individual, supervisors are unable to properly monitor their employees' level of overtime earned to date.

**Monitoring of individual overtime varies in the organizations reviewed.** Monitoring of individual overtime is necessary to ensure that overtime use is justified and controlled. Two types of monitoring: directly by supervisors, or by a centralized group, are the most common. Examples of centralized monitoring can be found in the Fire (AFD) and Emergency Medical Services (EMS) departments, where overtime worked is tracked on automated systems, and the data is available for supervisors to review. Additionally, centralized schedulers at EMS review individual overtime work schedules prior to making assignments.

**Reimbursed and unreimbursed activities are not consistently tracked.** Reimbursed activities are those where personnel are assigned to perform a function and the City would be reimbursed for those costs. These activities should be managed like any other accounts receivable to the City. Billing and collection for these activities should be reconciled to reimbursements received.

While there are some departments, such as APD, where separate “orgs” are set up to track both types of expenditures, there is no consistent tracking of reimbursements received or reconciliation to amounts charged to the separate orgs. Without such a process, it is unknown if the fees charged for such activities, or waivers of such fees, are properly handled. Additionally, determining if all costs (including administrative and overhead) are recovered is difficult to do without a better tracking process.

Detailed testing to reconcile the payments and identify if any events or companies warranted further collection efforts was not performed. However, such work should be considered for future study.

**Authorization of overtime prior to its being worked is not always possible.** According to federal law, the employer is obliged to pay overtime whether it was pre-approved or not. Therefore, authorization of overtime is important to ensure that supervisors are aware of their overtime costs. Authorization of overtime varies from being done directly by supervisors such as in the Public Works and Electric Departments, to being done by centralized groups using automated systems such as at EMS, AFD, and APD. Both appear to be adequate approaches, depending on the number of employees monitored.

The documentation of overtime authorization also varies. At least two departments, Police and Public Works, have overtime authorization forms in addition to timesheets to document approval of overtime. Other departments use only the timesheet as proof of authorization. Depending on the nature of the work, some overtime may be authorized at the last minute on the job because of the need to finish a task or project. In cases like this, as discovered during fieldwork, approvals are granted after the fact and indicated officially only by the supervisor signing the timesheet, which may occur as much as almost a week after the occurrence.

**Timesheet signatures are not adequate proof of overtime authorization.** A web-based survey of timekeepers, using the Banner timekeeper distribution list provided by the Human Resources Department, showed that employee and supervisor signatures were usually present on timesheets. Also, most of the timesheets reviewed in the sample of timesheets for employees with overtime hours totaling at least 20 percent of the 2,080 standard annual hours, exhibited timesheet signatures by both the employee and supervisor. What could not be determined, however, was when those signatures occurred and more importantly when the supervisor actually approved the hours charged. Having the date show when the signature was affixed shows when the timesheet was actually reviewed for accuracy and completeness by a supervisor. The supervisor’s signature is basically an authorization for the City to pay the hours charged, not an authorization to actually work overtime, and it is important for supervisors to understand this.

Moreover, while it is standard practice in the City that supervisors review and sign-off on timesheets, a review of City personnel policies and Administrative Bulletins revealed no specific policy or procedure on signing timesheets or establishing the supervisory level for doing so. Thus signatures on timesheets may be perceived as mere formalities.

**Justifications for exempt employees earning overtime pay are not current.** A total of 43 exempt employees authorized to earn overtime pay were identified. Verifications of Human Resources Department (HRD) approval were found for only the two employees from the Health and Human Services Department. During calendar year 2003, 40 of those exempt employees

earned approximately \$266,000.00 in overtime. Twenty-six were in the EMS department, twelve were medical professionals in the Community Care Services Department, and two were in the Health and Human Services Department.

Usually, exempt employees are not eligible for overtime according to the Fair Labor Standards Act. However there are some exceptions, one of which is for employees assuming duties of a non-exempt position. According to City policy, in some unusual instances, the City’s Human Resources Director may authorize overtime for exempt employees. According to the current HR Director, these exemptions are usually for a short, or specific, period of time when a business need calls for it. The director stated that no authorizations had been issued within the last three years.

HR personnel recalled that most authorizations were given in the late 1980s and mid 1990s and were likely never reviewed after the initial authorization. The reasons for authorization given were as follows:

| Job Titles   | Rationale as provided by HRD  |
|--|---|
| EMS <ul style="list-style-type: none"> <li>- District Commander</li> <li>- Clinical Practice Coordinator</li> <li>- Communications Commander</li> <li>- Senior Division Commander</li> <li>- Academy Field Training Coordinator</li> </ul> | EMS has a 24/7 operation that periodically allows employees to serve in the place of their peer group, who take leave. The approval was granted in 1985 by the Director of Human Resources. |
| Job Titles   | Rationale as provided by HRD  |
| Community Care <ul style="list-style-type: none"> <li>- Administrative Supervisor</li> </ul>   | Due to decreased staffing levels, employee worked extra hours to provide support for the night clinics  |
| Community Care <ul style="list-style-type: none"> <li>- Registered Nurse / Public Health Supervisor</li> <li>- Pharmacist III</li> <li>- Dentist</li> </ul>  | Policy decision – market sensitive strategy consistent with comparable pay within Brackenridge Hospital   |
| Health & Human Services <ul style="list-style-type: none"> <li>- Warehouse Supervisor</li> </ul>   | At HHS, employee was formerly a Pharmacist Tech, and reclassified to a Warehouse supervisor. Still serves as the only person responsible for warehousing of pharmaceuticals for CCSD.       |
| Health & Human Services <ul style="list-style-type: none"> <li>- Shelter Veterinarian</li> </ul>   | Increased demand for surgeries at the Animal Shelter.   |

SOURCE: Human Resources Department.

**Although processes in place attempt to provide equal opportunities for employees to earn overtime, many factors lead to some employees earning more than others in like positions.**

Distribution of overtime opportunities is planned to ensure equal chances, however there are many factors that influence who actually performs the work, resulting in an inequitable distribution among like positions.

**Many factors contribute to inequitable distribution among like positions.** Along with the lack of authorization and monitoring controls over overtime contributing to high levels of overtime earned by some individuals, management noted several other reasons including: some

employees having special qualifications and experience necessary for specific jobs and/or projects, the availability of employees to work overtime beyond their regular duties, and opportunities for employees to decline overtime assignments or trade their scheduled availability.

Testing revealed that the distribution of overtime among personnel in like positions within the orgs reviewed is not equal. Exhibit 9 below shows the number of individuals in each of three earned overtime levels in each fiscal year.

**Exhibit 9**  
**Number of Individuals Earning Overtime**

| Department / Org<br>Position Titles                                   | Fiscal Year 2002 – 03 |                            |                  | Fiscal Year 2003 – 04 |                            |                  |
|---|-----------------------|----------------------------|------------------|-----------------------|----------------------------|------------------|
|   | Below<br>\$5,000      | Between<br>\$5k &<br>\$10k | Over<br>\$10,000 | Below<br>\$5,000      | Between<br>\$5k &<br>\$10k | Over<br>\$10,000 |
| <b>Electric - Org 3415: Substation Construction &amp; Maintenance</b> |                       |                            |                  |                       |                            |                  |
| Distribution Electrician Supervisor                                   |                       |                            | 3                |                       |                            | 3                |
| Substation Electrician III  | 5                     | 8                          | 7                | 6                     | 7                          | 6                |
| Substation Electrician II   | 3                     | 2                          |                  | 4                     | 2                          |                  |
| Substation Electrician I  | 4                     | 1                          |                  | 5                     |                            |                  |
| Power Control Systems Tech II   | 2                     |                            | 2                |                       | 4                          |                  |
| Construction Analyst  |                       | 1                          |                  |                       |                            | 1                |
| Scheduler Analyst   |                       |                            | 1                |                       |                            | 1                |
| <b>Totals</b>   | <b>14</b>             | <b>12</b>                  | <b>13</b>        | <b>15</b>             | <b>13</b>                  | <b>11</b>        |
| <b>EMS - Org 3600: Emergency Services</b>                             |                       |                            |                  |                       |                            |                  |
| District Commander  | 4                     | 6                          | 5                | 6                     | 4                          | 3                |
| Senior Division Commander   | 1                     |                            |                  | 1                     |                            |                  |
| Paramedic   | 44                    | 30                         | 96               | 20                    | 28                         | 101              |
| Cadet   | 35                    | 17                         |                  | 21                    | 10                         | 2                |
| Scheduling Specialist   |                       | 3                          |                  | 2                     |                            | 1                |
| Special Ops Training Captain  | 2                     |                            |                  |                       |                            |                  |
| Special Ops Training Instructor                                       |                       | 1                          |                  |                       |                            | 1                |
| Special Ops Flight RN   | 2                     |                            |                  |                       |                            |                  |
| Flight Paramedic  | 1                     |                            |                  |                       |                            |                  |
| Information Coordinator   | 1                     |                            |                  |                       |                            |                  |
| Stores Coordinator  |                       |                            |                  | 1                     |                            |                  |
| Stores Specialist Senior  |                       |                            |                  | 1                     |                            |                  |
| Stores Specialist   |                       |                            |                  | 1                     |                            |                  |
| Financial Consultant  |                       |                            |                  | 1                     |                            |                  |
| Academy Field Training Coordinator                                    |                       |                            |                  | 1                     |                            |                  |
| Communication Shift Supervisor  |                       |                            |                  | 3                     |                            |                  |
| Communications Medic  | 2                     |                            |                  | 13                    |                            |                  |
| Cadet – Telecomm  | 2                     |                            |                  | 2                     |                            |                  |
| <b>Totals</b>   | <b>94</b>             | <b>57</b>                  | <b>101</b>       | <b>73</b>             | <b>42</b>                  | <b>108</b>       |
| <b>Fire - Org 2302: Communications</b>                                |                       |                            |                  |                       |                            |                  |
| Captain   |                       | 1                          |                  | 1                     |                            | 1                |
| Lieutenant  | 3                     | 1                          | 2                | 5                     |                            | 2                |
| Battalion Chief   | 1                     |                            |                  | 1                     |                            |                  |
| Firefighter   | 9                     | 6                          | 1                | 11                    | 3                          | 3                |
| Fire Specialist   | 2                     | 1                          | 3                | 3                     | 2                          | 3                |
| Fire Dispatcher   | 2                     | 1                          |                  |                       | 3                          |                  |
| <b>Totals</b>   | <b>17</b>             | <b>10</b>                  | <b>6</b>         | <b>21</b>             | <b>8</b>                   | <b>9</b>         |

| Department / Org<br>Position Titles                          | Fiscal Year 2002 – 03 |                            |                  | Fiscal Year 2003 – 04 |                            |                  |
|--|-----------------------|----------------------------|------------------|-----------------------|----------------------------|------------------|
|  | Below<br>\$5,000      | Between<br>\$5k &<br>\$10k | Over<br>\$10,000 | Below<br>\$5,000      | Between<br>\$5k &<br>\$10k | Over<br>\$10,000 |
| <b>Police - Org 3130: Reimbursed Overtime</b>                |                       |                            |                  |                       |                            |                  |
| Sergeant   | 62                    | 2                          | 1                | 48                    | 3                          |                  |
| Detective  | 101                   | 7                          | 2                | 78                    | 6                          | 1                |
| Corporal   | 29                    | 1                          | 1                | 22                    | 3                          |                  |
| Officer  | 454                   | 12                         | 4                | 316                   | 11                         | 6                |
| Administrative Specialist                                    | 1                     |                            |                  | 1                     |                            |                  |
| Totals   | <b>647</b>            | <b>22</b>                  | <b>8</b>         | <b>465</b>            | <b>23</b>                  | <b>7</b>         |
| <b>Public Works (Transportation) - Org 3026: Seal Coat 1</b> |                       |                            |                  |                       |                            |                  |
| Street & Drainage Ops Superintendent                         |                       |                            | 1                |                       |                            | 1                |
| Street & Drainage Ops Maintenance Supervisor                 |                       | 1                          |                  | 4                     | 1                          |                  |
| Heavy Equipment Operator Lead                                | 3                     |                            |                  | 3                     | 1                          |                  |
| Heavy Equipment Operator II                                  | 6                     | 2                          |                  | 9                     | 1                          |                  |
| Heavy Equipment Operator I                                   | 3                     |                            |                  | 3                     |                            |                  |
| Street & Drainage Maintenance Senior                         | 1                     |                            |                  | 6                     |                            |                  |
| Street & Drainage Maintenance Associate                      | 4                     |                            |                  | 4                     |                            |                  |
| Street & Drainage Maintenance Assistant                      | 2                     |                            |                  | 4                     |                            |                  |
| Welder Lead  | 1                     |                            |                  |                       |                            |                  |
| Truck Driver   | 8                     |                            |                  | 15                    |                            |                  |
| Temporary Maintenance Worker                                 |                       |                            |                  | 4                     |                            |                  |
| Totals   | <b>28</b>             | <b>3</b>                   | <b>1</b>         | <b>52</b>             | <b>3</b>                   | <b>1</b>         |
| <b>Public Works - Org 6010: CIP Inspections</b>              |                       |                            |                  |                       |                            |                  |
| Construction Inspectors                                      | 22                    | 11                         | 4                | 23                    | 11                         | 7                |
| Engineering Associate C                                      |                       |                            |                  | 1                     |                            |                  |
| Engineering Technician A                                     |                       |                            |                  | 1                     |                            |                  |
| Accounting Technician  |                       |                            |                  | 1                     |                            |                  |
| Administrative Specialist                                    | 2                     |                            |                  | 1                     |                            |                  |
| Totals   | <b>24</b>             | <b>11</b>                  | <b>4</b>         | <b>27</b>             | <b>11</b>                  | <b>7</b>         |
| <b>Citywide</b>  | <b>5471</b>           | <b>899</b>                 | <b>544</b>       | <b>5294</b>           | <b>859</b>                 | <b>587</b>       |

SOURCE: AFS2 - Data through FY 03 has been audited by City's external auditors, but not verified by OCA

**However, the processes for distributing overtime among employees do attempt to provide equitable distribution.** The processes for providing opportunities to earn overtime pay varied greatly. In the sense that they attempt to provide equal chances for individual employees to earn overtime, the underlying principles throughout were the same.

Some examples of the many processes used, and some opportunities to earn additional overtime, are as follows:

- Public Works – signups and volunteers are used, but assignments are based on the skills/qualifications needed to complete the jobs. As in most areas, if someone does not want to work overtime, others will sign up to work it. Therefore, those with advanced skills and those eager to earn more overtime, will earn more.
- APD –A list of officers who are interested in working additional assignments is used. Sign up lists are created for each event requiring manpower, and broadcast messages are sent out to those on the list. The first ones to sign up on the lists are the ones that get to work. Again, those eager to work will earn more overtime.
- EMS – Several processes are used depending on the type of assignment. Assigned rotations are used in cases when someone calls in sick or for scheduled vacation, and sign-up sheets are used for non-shift/special events overtime. Individuals on the schedule might not actually work if there is no need for additional forces on the day that they are scheduled to be available. Additionally, schedules and additional information are

available to all employees via the EMS intranet. Trade-outs are allowed, and this makes it possible for some individuals to pickup extra overtime if others do not want it. (An audit of EMS scheduling and staffing is currently underway.)

## **RECOMMENDATIONS**

01. In order to ensure a higher level of scrutiny when an individual earns overtime significantly in excess of their expected wage level, a higher level of supervisory review should be performed after the individual reaches a pre-set threshold of overtime earned. The Director of Human Resources should require such additional review, and should establish a threshold that gives supervisors guidelines to follow when making decisions on overtime assignments.

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**MANAGEMENT RESPONSE: CONCUR.**

The Human Resources Department (HRD) management agrees that the use of overtime should be monitored and appropriate supervisory actions taken to avoid excessive use. HRD will examine the operational impact of pre-set limits and thresholds for triggering a higher level of supervisory review of overtime usage and develop and communicate necessary guidelines.

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02. When formalizing a process to monitor and authorize overtime, the Financial and Administrative Services Department should consider developing reports showing overtime use per pay period, such as those currently provided to the Budget office by the Controller's office but at a greater level of detail. These reports should be made available to all levels of management either by sending them down the line and requiring signoffs, or provided electronically through systems such as the Info-View portion of the Controller's website. The requirement for signoffs, or electronic tracking of who accessed electronic reports, will ensure evidence of review at all levels.

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**MANAGEMENT RESPONSE: DISAGREE.**

Reports showing overtime use per pay period at a detailed (employee) level exist now and are available to supervisors and managers. It is not clear what the benefit of this recommendation would be. Evidence of signoff would be perfunctory in most cases.

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03. The Budget Officer should work with the City Manager's Office and department directors to ensure that lower levels of management perform periodic analysis of overtime use. This analysis should include a review of staffing levels, usage trends, equitable distribution of overtime among employees, and determinations of whether it would be less expensive to hire more staff instead of using overtime to meet minimum service levels.

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**MANAGEMENT RESPONSE: PARTIALLY AGREE.**

FASD already works with departments as part of the budget process to analyze adding staff vs. incurring overtime.

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04. In order to allow for better reconciliation and determination of charges for reimbursable activities, the Controller's Office should work with the department directors to establish separate orgs at each department that has reimbursable activities. Reconciliation processes should also be established to ensure that all revenues, and waivers for revenues, are managed like all other accounts receivables.

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**MANAGEMENT RESPONSE: PARTIALLY AGREE.**

In FY 04, APD had about 85% of the total reimbursed overtime in the City. FASD will work with APD, who already has separate orgs for reimbursed overtime, to ensure they are appropriately collecting their charges. FASD will use the administrative bulletin discussed in (Finding) 05 to document procedures for billing and collecting reimbursed overtime for all departments.

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05. In order to ensure that all overtime is properly authorized, prior approval for non-emergency overtime should be required by the Chief Financial Officer. The supervisory level necessary for authorization should also be established.

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**MANAGEMENT RESPONSE: AGREE.**

The Chief Financial Officer will issue an administrative bulletin establishing that non-emergency overtime should be authorized by a supervisor and will work with HRD to see that this is part of their supervisory training.

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06. In order to ensure that supervisors understand the importance of reviewing timesheets for accuracy and completeness, to clarify the distinction between pre-approval and supervisory review, to ensure that there is documented evidence of timely supervisory review and approval, and to strengthen the corresponding controls, the Chief Financial Officer should require that all timesheets be signed and dated by an employee's supervisor, as evidence of their review. Additionally, supervisors should be informed that supervisory signatures on timesheets are meant to document the supervisor's review and authorization of time charged, and not to serve as a substitute for pre-approval of overtime.

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**MANAGEMENT RESPONSE: PARTIALLY AGREE.**

Implementation of this recommendation would make the use of paper timesheets mandatory, which is not now the case. Before implementing this recommendation, FASD would like to review thoroughly the citywide implications of this.

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07. In order to ensure that exempt personnel allowed to earn overtime pay do not do so indefinitely, periodic review and re-justification of the situations causing the need should be required by the Human Resources Director.

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**MANAGEMENT RESPONSE: CONCUR.**

HRD plans to amend current compensation procedures and earning codes to better track the use of extra compensation for exempt employees.

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## **ISSUES FOR FURTHER STUDY**

Collection effectiveness of reimbursable overtime (to include all elements of an accounts receivable system such as: reconciliation of receipts, review of fees collected and fee waivers issued, overhead and administrative cost recovery, etc.) should be considered for further review.

**APPENDIX A**  
**MANAGEMENT RESPONSE**





## Memorandum

**To:** Steve Morgan, City Auditor  
**From:** John Stephens, Chief Financial Officer JS  
**Date:** December 9, 2004  
**Subject:** Responses to Citywide Overtime Audit

Thank you for allowing us to comment on your citywide overtime audit. I believe you have highlighted some areas where the City manages the use of overtime well. You have also identified some areas where the City could improve on its practices dealing with overtime, e.g. in the approval of non-emergency overtime.

Nevertheless, I am concerned that on balance your recommendations are excessive, i.e. that they will not be cost effective. For this reason, I have disagreed with some of them.

Over the last three years, the City has made administrative staff cutbacks in both the “direct” departments and the support service departments. The latter in particular have dealt with cutbacks and are operating now at close to what I would describe as a “bare bones” level.

Although I am not sure I would agree with some of your recommendations regardless of our staffing levels, certainly in the environment we are operating in now I do not know what tasks or functions I would propose to reduce in order to accommodate your recommendations.

I believe that your recommendation 05, to require supervisory pre-approval of non-emergency overtime is a good one. However, I believe that some of your other recommendations do not have clearly demonstrable benefits or are too costly, *particularly in light of implementing recommendation number 05.*

Given your findings – that the City’s use of overtime does not appear to be excessive in comparison to other cities, and that risks from poor data reliability or fraudulent activity were deemed of low vulnerability – I cannot justify implementing reporting systems that require detailed information on overtime to “force fed” to all levels of management

throughout the city and further require evidence that all levels of management reviewed the reports.

First of all I do not believe that such a system would produce the desired results – evidence of review in such a system could be as perfunctory as a “point and click.” It would be counterproductive to require all levels of City management to review detailed overtime reports by employee and would instill a culture of disregard for instructions from the central support departments.

Second, as stated above, your findings do not warrant such an elaborate checking or monitoring system if non-emergency overtime has been approved in advance by supervisors.

Finally, we will continue to pay attention to overtime as a corporate issue in the future, as we have for the last three years. Under the current City Manager’s administration, in which all Assistant City Managers receive overtime reports for their departments, we will continue to work with departments to ensure that overtime is budgeted properly and is not abused.

I have attached the action plan matrix for your recommendations to this memo, but I also wanted to provide you with this fuller explanation of why I responded as I did to your recommendations.

John Stephens  
Chief Financial Officer

xc: Taylor Dudley  
Robert Elizondo  
Vickie Schubert  
Kristen Vassallo



**M E M O R A N D U M**

**To:** Taylor Dudley, Assistant City Auditor  
**From:** Tommy Tucker, Assistant Director, Human Resources Department  
**Date:** December 14, 2004  
**Subject:** Management Response—Citywide Overtime Audit Report

In response to your memorandum dated October 14, 2004, please find attached the management response from the Human Resources Department (HRD) to recommendation #01 of the Citywide Overtime Audit Report. The department concurs with this recommendation. Please contact me at 974-3220 if you have questions or require additional information.

A handwritten signature in cursive script that reads "Tommy J. Tucker".

Tommy J. Tucker  
Assistant Director  
Human Resources Department

Attachment



## MEMORANDUM

**To:** Taylor Dudley, Assistant City Auditor

**From:** Tommy Tucker, Assistant Director, Human Resources Department

**Date:** October 22, 2004

**Subject:** Management Response—Citywide Overtime Audit Report

In response to your memorandum dated October 14, 2004, please find attached the management response from the Human Resources Department (HRD) to recommendation #09 of the Citywide Overtime Audit Report. The department concurs with this recommendation. Please contact me at 974-3220 if you have questions or require additional information.

Tommy J. Tucker  
Assistant Director  
Human Resources Department

TJT:jac

Attachment

**ACTION PLAN  
CITYWIDE OVERTIME AUDIT**

| <b>Rec. #</b> | <b>Recommendation Text</b>   | <b>Proposed Strategies for Implementation</b>   | <b>Status of Strategies</b> | <b>Responsible Person/Phone Number</b>   | <b>Proposed Implementation Date</b> |
|---------------|--|---|-----------------------------|--|-------------------------------------|
| 01.           | In order to ensure a higher level of scrutiny when an individual earns overtime significantly in excess of their expected wage level, a higher level of supervisory review should be performed after the individual reaches a pre-set threshold of overtime earned. The Director of Human Resources should require such additional review, and should establish a threshold that gives supervisors guidelines to follow when making decisions on overtime assignments. | CONCUR.<br>HRD will examine the operational impact of pre-set limits and thresholds for triggering a higher level of supervisory review of overtime usage and develop and communicate necessary guidelines. | Planned.                    | Tommy Tucker,<br>Assistant Director,<br>Human Resources Department<br>974-3220 | 10/01/05                            |
| 02.           | When formalizing a process to monitor and authorize overtime, FASD should consider developing reports  | DISAGREE.<br>Reports showing overtime use per pay period at a detailed (employee) level exist now   | N/A                         | N/A  | N/A                                 |

|     |   |   |              |     |     |
|-----|---|---|--------------|-----|-----|
|     | <p>showing overtime use per pay period, such as those currently provided to the Budget office by the Controller's office but at a greater level of detail. These reports should be made available to all levels of management either by sending them down the line and requiring signoffs, or provided electronically through systems such as the Info-View portion of the Controller's website. The requirement for signoffs, or electronic tracking of who accessed electronic reports, will ensure evidence of review at all levels.</p> | <p>and are available to supervisors and managers. It is not clear what the benefit of this recommendation would be. Evidence of signoff would be perfunctory in most cases.</p> |              |     |     |
| 03. | <p>The Budget Officer should work with the City Manager's Office and department directors to ensure that lower levels of management perform periodic analysis of overtime use. This analysis should include</p>   | <p>PARTIALLY AGREE. FASD already works with departments as part of the budget process to analyze adding staff vs. incurring overtime.</p>                                       | Implemented. | N/A | N/A |

|     |   |  |          |                           |                  |
|-----|---|--|----------|---------------------------|------------------|
|     | a review of staffing levels, usage trends, equitable distribution of overtime among employees, and determinations of whether it would be less expensive to hire more staff instead of using overtime to meet minimum service levels.  |  |          |                           |                  |
| 04. | In order to allow for better reconciliation and determination of charges for reimbursable activities, the Controller's Office should work with the department directors to establish separate orgs at each department that has reimbursable activities. Reconciliation processes should also be established to ensure that all revenues, and waivers for revenues, are managed like all other accounts receivables. | PARTIALLY AGREE. In FY 04, APD had about 85% of the total reimbursed overtime in the City. FASD will work with APD, who already has separate orgs for reimbursed overtime, to ensure they are appropriately collecting their charges. FASD will use the administrative bulletin discussed in (Finding) 05 to document procedures for billing and collecting reimbursed overtime for all departments. | Planned  | John Stephens<br>974-2076 | See Finding #05. |
| 05. | In order to ensure that all overtime is properly authorized, prior  | AGREE. The Chief Financial Officer will issue an   | Planned. | John Stephens<br>974-2076 | February 2005    |

|     |  |  |                      |                           |         |
|-----|--|--|----------------------|---------------------------|---------|
|     | approval for non-emergency overtime should be required by the Chief Financial Officer. The supervisory level necessary for authorization should also be established.   | administrative bulletin establishing that non-emergency overtime should be authorized by a supervisor and will work with HRD to see that this is part of their supervisory training.   |                      |                           |         |
| 06. | In order to ensure that supervisors understand the importance of reviewing timesheets for accuracy and completeness, to clarify the distinction between pre-approval and supervisory review, to ensure that there is documented evidence of timely supervisory review and approval, and to strengthen the corresponding controls, the Chief Financial Officer should establish policy and procedures requiring that all timesheets be signed and dated by an employee's supervisor, as evidence of their review. Additionally, supervisors should be | PARTIALLY AGREE. Implementation of this recommendation would make the use of paper timesheets mandatory, which is not now the case. Before implementing this recommendation, FASD would like to review thoroughly the citywide implications of this. | Under consideration. | John Stephens<br>974-2076 | FY 2006 |

|     |   |   |          |  |          |
|-----|---|---|----------|--|----------|
|     | informed that supervisory signatures on timesheets are meant to document the supervisor's review and authorization of time charged, and not to serve as a substitute for pre-approval of overtime.                            |   |          |  |          |
| 07. | In order to ensure that exempt personnel allowed to earn overtime pay do not do so indefinitely, periodic review and re-justification of the situations causing the need should be addressed by the Human Resources Director. | CONCUR.<br>HRD plans to amend current compensation procedures and earning codes to better track the use of extra compensation for exempt employees. | Planned. | Cathy Rodgers<br>HRD Assistant<br>Director<br>974-2631 | 12/30/05 |

Status of strategies: planned, underway, or implemented.

Auditor Reply to Management Response is attached

## **AUDITOR'S REPLY CITYWIDE OVERTIME AUDIT**

We were asked to provide best practice information from other cities to management in preparation for revisiting controls over the use of overtime. As such, we provided recommendations that are designed to ensure that overtime is properly authorized, monitored, and controlled.

Management has not fully agreed with the following recommendations, so we are providing clarifications of our recommendations to assist in understanding the differences:

**Recommendation 02.** When formalizing a process to monitor and authorize overtime, FASD should consider developing reports showing overtime use per pay period, such as those currently provided to the Budget office by the Controller's office but at a greater level of detail. These reports should be made available to all levels of management either by sending them down the line and requiring signoffs, or provided electronically through systems such as the Info-View portion of the Controller's website. The requirement for signoffs, or electronic tracking of who accessed electronic reports, will ensure evidence of review at all levels.

**Mgmt Response:** Disagree. Reports showing overtime use per pay period at a detailed (employee) level exist now and are available to supervisors and managers. It is not clear what the benefit of this recommendation would be. Evidence of signoff would be perfunctory in most cases.

**Auditor's Reply:** These reports would ensure that supervisors are aware of how much overtime each employee has earned to-date, especially when their employees may also work overtime under a different supervisor. Interviews of managers and supervisors showed that these types of detailed reports were not distributed to them.

**Recommendation 03.** The Budget Officer should work with the City Manager's Office and department directors to ensure that lower levels of management perform periodic analysis of overtime use. This analysis should include a review of staffing levels, usage trends, equitable distribution of overtime among employees, and determinations of whether it would be less expensive to hire more staff instead of using overtime to meet minimum service levels.

**Mgmt's Response:** Partially agree. FASD already works with departments as part of the budget process to analyze adding staff vs. incurring overtime.

**Auditor's Reply:** While annual review of the organization's overtime use does help with staffing decisions during the budgetary process and helps control overtime at a larger level, it does not necessarily address the distribution of overtime among individuals within the organization.

**Recommendation 04.** In order to allow for better reconciliation and determination of charges for reimbursable activities, the Controller's Office should work with the department directors to establish separate orgs at each department that has reimbursable activities. Reconciliation processes should also be established to ensure that all revenues, and waivers for revenues, are managed like all other accounts receivables.

**Mgmt's Response:** Partially agree. In FY 04, APD had about 85% of the total reimbursed overtime in the City. FASD will work with APD, who already has separate orgs for reimbursed overtime, to ensure they are appropriately collecting their charges. FASD will use the administrative bulletin discussed in 05 to document procedures for billing and collecting reimbursed overtime for all departments.

**Auditor's Reply:** All departments with reimbursable activities should establish separate orgs to track these expenditures and perform reconciliations to ensure that all revenues are accounted for.

**Recommendation 06.** In order to ensure that supervisors understand the importance of reviewing timesheets for accuracy and completeness, to clarify the distinction between pre-approval and supervisory review, to ensure that there is documented evidence of timely supervisory review and approval, and to strengthen the corresponding controls, the Chief Financial Officer should establish policy and procedures requiring that all timesheets be signed and dated by an employee's supervisor, as evidence of their review. Additionally, supervisors should be informed that supervisory signatures on timesheets are meant to document the supervisor's review and authorization of time charged, and not to serve as a substitute for pre-approval of overtime.

**Mgmt's Response:** Partially agree. Implementation of this recommendation would make the use of paper timesheets mandatory, which is not now the case. Before implementing this recommendation, FASD would like to review thoroughly the citywide implications of this.

**Auditor's Reply:** We acknowledge that some timesheets are electronic documents. Accordingly, this recommendation would need to be applied differently to departments with paperless systems. During our exit conference with management, we discussed options such as a pilot project for a paperless environment, with an eye towards future incorporation of such principles citywide.