



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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FROM: James J. Sutter, Internal Auditor

DATE: June 23, 2010
AUDIT: Miami Beach Fire Department Overtime Audit
PERIOD: October 1, 2008 through September 30, 2009

This report is the result of a regularly scheduled audit of the processes covering the assignment, documentation, authorization and reporting of the overtime paid to Miami Beach Fire Department employees between October 1, 2008 and September 30, 2009.

INTRODUCTION

The Miami Beach Fire Department (MBFD) was comprised of 203 sworn personnel, 18 civilian personnel and 9 Fire Prevention Plans Analysts for the 2008/09 fiscal year. These employees provide services to the community from four stations located in the City. The Fire Administration and Support Services Division and Ocean Rescue are based out of two separate locations.

The MBFD is responsible for carrying out their mission through the efforts of the Fire Administration Section, the Fire Suppression Division, the Fire Rescue Division, the Fire Prevention Division, the Support Services Division and the Ocean Rescue Division. These divisions are responsible for approving the overtime hours and pay within budgetary constraints; assigning staff to work the shifts in accordance with Standard Operating Guidelines and union contracts; and inputting entries into the TeleStaff Staffing and Overtime Scheduling Management and Notification Software (TeleStaff) used to record the overtime and to authorize its payment.

Overtime can be summarized as all hours worked in excess of forty hours during a union employee's work week. Some variations may occur as it is defined in each of the City's five union contracts presently covering MBFD employees. However, this audit focused on the overtime assigned, earned and paid to members of the International Association of Fire Fighters (IAFF) as the remaining four unions' members overtime was reviewed in two other recently completed audits entitled Selected Departments Payroll Processing and Miami Beach Police Department Overtime audits.

The employees' overtime pay rate can change based on the surrounding factors but most overtime hours and dollars is worked earning compensation at a rate of one and one half times the employee's current hourly rate per Section 7.9 of the IAFF union contract. However, the overtime pay rate can increase to double the employee's current hourly rate for any overtime hours worked on a holiday. There are other overtime pay rates but they occur infrequently and were not encountered during testing.

Fire overtime can be derived from a variety of different sources which includes but is not limited to manpower shortages whereby minimum staffing requirements are not met and fire fighters are voluntarily brought in to reach this threshold; fire fighters are needed to work special events like Halloween, Holocaust Memorial protest and Memorial Day; fire fighters are temporarily held over to resolve a call that occurred near the end of their shift; etc.

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All on-duty and overtime hours worked by MBFD employees is recorded in TeleStaff, whose purchase was authorized from PDSI through the City Commission's ratification of Resolution No. 2005-26031. Among other benefits, TeleStaff has the unique ability to find appropriate candidates based on their rank and specialties and its ability to make outbound telephone calls to offer the opportunity for work or for emergency notification (this feature has not yet been implemented but is expected to be soon). MBFD used TeleStaff versions 2.50 and 2.51 during the audit period but has since upgraded to version 2.52 and has a designated server for this software.

TeleStaff allows authorized users to assign payroll codes that among other things can be used to help track the overtime hours earned, the applicable overtime pay rate, the reason for the overtime, etc. For example, MBFD uses the overtime payroll code OTE for overtime earned during special events, OTHO is for holdover overtime when employees from one shift are retained to work part of the next shift, OT2 is for those occasions whereby the MBFD employee is entitled to receive double pay for the overtime hours worked on a holiday and so on.

The created payroll codes can be as detailed and as numerous as desired. The Fire Department maintained a total of 138 different codes with 16 pertaining directly to overtime which were added/deleted at the discretion of the Fire Chief's Office during the audit period.

The weekly entries into TeleStaff by the fire station officers are approved by the Fire Chief's Office so that the data can be uploaded into the Eden System by the 10:00am Monday deadline. From here, the Finance Department's Payroll Section reviews the entries and performs other functions so that ultimately the employees can be accurately and timely paid.

The following table lists the amounts of overtime paid to MBFD employees in the identified divisions during the last three fiscal years:

	FY 2006/07	FY 2007/08	FY 2008/09	Total
Ocean Rescue	\$194,503	\$132,596	\$84,380	\$411,479
Suppression	\$814,518	\$703,666	\$451,960	\$1,970,144
Fire Rescue	\$655,097	\$496,179	\$351,210	\$1,502,486
Prevention	\$166,534	\$147,915	\$169,712	\$484,161
Support Services	\$49,284	\$69,752	\$27,784	\$146,820
Total	\$1,879,936	\$1,550,108	\$1,085,046	\$4,515,090

Finally, overtime for IAFF union members is pensionable up to a cap equal to 70% of the difference between the annualized pay rate at retirement and the highest annualized pay rate for the next highest salary rank.

OVERALL OPINION

The Miami Beach Fire Department, in trying to estimate and prevent overtime, needs to take into account a number of factors that have the potential to impact overtime usage (the number and size of staged special events, the number of fires and/or rescue calls, the number of employees not reporting for work, etc.). Yet, they also need to ensure that there is sufficient fire coverage to adequately protect Miami Beach's residents, businesses and guests; as well as complying with union contracts, standard operating guidelines, etc. that govern the assignment and payment of overtime during their 24 hour/7 day a week operations. Internal Audit believes that the Fire Department overall has successfully managed to balance these objectives and to have total

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departmental actual overtime be less than the amounts budgeted.

The overtime earned by all employees tested was found to have been paid correctly and was needed based on the reviewed documentation. However, there were two weaknesses noted which globally affected the documentation regarding the overtime assignment and recording process. One was that TeleStaff's outbound calls feature has not yet been effectively implemented although it was one of the reasons that the system was authorized to be purchased in October 2005 by the City Commission. The second was the lack of TeleStaff knowledge and supervisory oversight regarding payroll by fire station employees which became more important due to the Fire Department's decentralized payroll process whereby each fire station is responsible for their shift's payroll and the number of employees having to work out of class.

In addition, the following overtime shortcomings were noted during the audit period and are in need of improvement:

- Paid overtime hourly rates agreed with Fair Labor Standards Act Section 778.200 but were greater than rates specified in union contracts as they were not based on the employees' current hourly rates of pay which Internal Audit believes equals their straight hourly rates. Instead, such incidental pays as shift differential, educational supplements, out of class, longevity, etc. were included in the calculations thereby increasing the employees' corresponding overtime pay.
- The Fire Department's actual annual total overtime decreased 17.5% in FY 2007/08 and 30% in FY 2008/09 from the previous fiscal years and was under budget for these two years. However, within the department, certain divisions exceed budget in at least two out of the three years. The annual actual total overtime amounts could be further reduced by imposing disciplinary actions for those employees that repeatedly take leave time around holidays and on weekends, and by limiting union leave hours to the maximum amount specified in section 6.9 of the International Association of Fire Fighters union contract.
- Shortcomings noted in TeleStaff's configuration and daily usage are noted which are in need of improvement to help prevent possible misuses and to give the reader more information.
- Sufficient overtime documentation was not maintained to verify that all tested transactions were assigned in accordance with union contracts and standard operating guidelines.
- The TeleStaff System lacks certain internal controls to help prevent the entry of inadvertent, incorrect or unauthorized overtime details and pay.

As the result of our verification of departmental measures, Internal Audit noted inaccuracies in the figures reported in the City's performance management software. These measures should be changed to reflect the data supported by the department's records.

PURPOSE

The purpose of this audit was to determine whether maintained accounting records and supporting documentation is organized, complete and sufficient; whether internal controls are soundly developed and functioning and a proper segregation of duties exists; whether overtime was assigned and paid to tested employees in adherence to ordinances, resolutions and personnel policies; and whether overtime is correctly recorded in the City's Financial System and is within City Commission approved budgeted amounts.

SCOPE

1. Confirm that comprehensive policies and procedures exist, are known and are followed by staff.
2. Confirm that overtime is earned, calculated and paid in accordance with implementing ordinances, resolutions and personnel policies.
3. Confirm that maintained accounting records and supporting documentation is organized, complete and sufficient.
4. Confirm that the internal control process is adequate and that a proper segregation of duties exists.
5. Confirm that overtime is assigned to personnel in accordance with stated policies and procedures and signed union contracts.
6. Confirm that the criteria creating the need for overtime is documented and is consistently followed.
7. Confirm that overtime dollars are within budgeted goals approved by the City Commission.
8. Confirm that overtime is entered correctly into TeleStaff which properly flows through into Eden so that journal entries to record these transactions are no longer necessary.
9. Confirm that the amounts reported in Eden correctly reconcile with those in the City's Performance Management System's departmental scorecards.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – Overtime Pay Rates

Overtime pay is defined in the International Association of Fire Fighters (IAFF) union agreement as being equal to one and one-half times the employee's current hourly rate of pay which Internal Audit believes equals their straight hourly rate of pay. However, it was noted that the overtime paid to eligible employees exceeded one and one-half times their current hourly rate of pay when they also earned such incidental pays as out of class, paramedic, fire rescue, inspector, longevity, etc. during the same pay period. The current overtime formula programmed into Eden includes these amounts thereby effectively increasing the employee's hourly rate of pay as required under the Fair Labor Standards Act Section 778.200.

Furthermore, the different language in the union contracts than actual practices and the Fair Labor Standards Act can also affect other situations. For example, FEMA or the Federal Emergency Management Agency reimburses the City for eligible expenses associated with declared natural disasters/emergencies. A source of contention for closeout audits involving City payroll has been the payment of overtime and the associated differences with the union contracts. Fortunately, the explanations given and letters written have overcome their objections to date but it could jeopardize future funding if not changed.

Recommendation(s)

The wording in the union contracts should be amended to avoid further confusion as to which incidental pays are to be included in the City's overtime calculations. Furthermore, it should include a provision stating that it follows the Fair Labor Standards Act's requirements in the event that any subsequent changes are adopted.

Management's Response (Human Resources):

As the current union agreements have expired, the City is currently in negotiations with the

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unions.

2. Finding – *Actual Overtime vs. Budgeted*

The Fire Department's adopted annual budget contains departmental goals for such payroll expenditures as salary, overtime, etc. Although there may be extenuating circumstances outside of the Fire Department's control causing deviations from these figures, it was found that their total actual overtime paid for all five divisions was less than the amounts budgeted for the fiscal years 2007/08 and 2008/09. While total overtime for the department was below budget, certain divisions exceeded budgeted amounts in at least two of the three years as shown in the following table:

	FY 2006/07 (1)	FY 2007/08	FY 2008/09	Total
Departmental Total:				
Actual Overtime	\$1,879,936	\$1,550,108	\$1,085,046	\$4,515,090
Budgeted Overtime	\$1,459,374	\$1,600,535	\$1,140,401	\$4,200,310
Difference	\$420,562	(\$50,427)	(\$55,355)	\$314,780
Ocean Rescue: (2)				
Actual Overtime	\$194,503	\$132,596	\$84,380	\$411,479
Budgeted Overtime	\$111,259	\$156,336	\$162,589	\$419,184
Difference	\$94,244	(\$23,740)	(\$78,209)	(\$7,705)
Fire Suppression:				
Actual Overtime	\$814,518	\$703,666	\$451,960	\$1,970,144
Budgeted Overtime	\$591,118	\$654,880	\$488,732	\$1,734,730
Difference	\$223,400	\$48,786	(\$36,772)	\$235,414
Fire Rescue:				
Actual Overtime	\$655,097	\$496,179	\$351,210	\$1,502,486
Budgeted Overtime	\$488,651	\$537,591	\$253,008	\$1,279,250
Difference	\$166,446	(\$41,412)	\$98,202	\$223,236
Fire Prevention:				
Actual Overtime	\$166,534	\$147,915	\$169,712	\$484,161
Budgeted Overtime	\$120,384	\$171,980	\$109,502	\$401,866
Difference	\$46,150	(\$24,065)	\$60,210	\$82,295
Support Services:				
Actual Overtime	\$49,284	\$69,752	\$27,784	\$146,820
Budgeted Overtime	\$158,962	\$79,748	\$126,570	\$365,280
Difference	(\$109,678)	(\$9,996)	(\$98,786)	(\$218,460)

(1) An Amendment to the fiscal year 2006/07 budget was approved by the Commission on 2/13/08 which included revision to the amounts reflected in the fire divisions above.

(2) Ocean Rescue was not tested during this audit as it had not implemented TeleStaff during the audit period.

While budgeted overtime was exceeded in fiscal year 2006/07, the Fire Department's concerted effort in the next two years reduced actual annual total overtime by 17.5% in FY 2007/08 and an additional 30% in FY 2008/09.

Fire fighters work one 24 hour shift and then receive 48 hours off so the days of the week that they work changes continuously. The Fire Chief's Office provided schedules showing the

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amount of leave time used by employees for each day of the week for the past two years. Although it was determined that the amount of sick, injury service connected and emergency vacation time used during the audit period decreased from the prior fiscal year, it was noted that the leave hours used continue to be much higher on Saturdays, Sundays and Mondays. As a result, overtime is also typically higher on these days to compensate for these unscheduled absences. The following table provides a breakdown of the unscheduled absence hours used by MBFD employees by the day of the week for the past two fiscal years:

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
FY 2007/08							
Emergency Vacation	793.0	1,053.5	373.0	575.0	885.5	1,604.5	1,469.5
Sick	1,834.3	1,919.0	800.5	849.0	1,038.5	1,800.0	2,247.5
Total	2,627.3	2,972.5	1,173.5	1,424.0	1,924.0	3,404.5	3,717.0
FY 2008/09							
Emergency Vacation	1,068.0	649.5	505.5	504.0	795.5	1,119.0	1,448.0
Sick	1,400.0	1,352.0	938.5	907.0	1,100.0	2,029.5	1,940.0
Total	2,468.0	2,001.5	1,444.0	1,411.0	1,895.5	3,148.5	3,388.0

In addition, IAFF union contract section 6.9 establishes an annual time bank of between 2,080 and 2,580 hours for Executive Board members based on the number of unused hours from the previous year. Although the maximum annual hours allowed equaled 2,580, TeleStaff reports showed that 2,619.50 and 2,757.25 union leave hours were used in the 2006/07 and 2007/08 fiscal years respectively. This overage of union time thereby increases the possibility that minimum staffing requirements will not be satisfied and overtime will be incurred.

The Labor Relations Office used a report created by the City's Information Technology Department Called "Labor Relations Report Manager" to track the time bank usage during the past three fiscal years. This report showed much lower union leave hours than the amounts reported in TeleStaff that were in compliance with the IAFF union contract's terms. Upon being contacted, the Labor Relations Office investigated the differences and found the TeleStaff report to be correct and will rely upon it going forward. Meanwhile, they will deduct the excess usage from the new time bank hours to rectify the past identified overages.

Recommendation(s)

Fire Department management should continue to closely scrutinize the root causes for the amount of overtime to determine if alternate solutions can be implemented to help lower actual expenditures further. The repeated usage of sick, injury service connected and emergency vacation leave by employees during weekends should be continued to be monitored. Anyone deemed abusing this benefit should be requested to bring in a doctor's note or be subject to disciplinary action. Finally, the Labor Relations Office should use TeleStaff in the future to calculate the number of annual union leave hours so that it can be compared with the amounts specified in IAFF union contract section 6.9 to ensure that the maximum is not exceeded.

Management's Response (Fire)

Fire Management recognizes the importance of managing unscheduled leave usage. Significant efforts have been dedicated to record and analyze leave usage in order to recognize trends and implement policies that restrict usage and discourage abuse. The unscheduled leave problem has several contributing factors and all need to be recognized and addressed by the Fire Department Management and City Management in collaboration with

the IAFF.

- a. Time off is ample, but inflexible: Although the typical 24 on 48 off schedule provides a significant amount of time off between shifts, it is also very inflexible due to the staffing requirements. For example a firefighter with a Wednesday R day would work a Sunday, be off on regular days Monday and Tuesday, R Day Wednesday and off on regular day Thursday and Friday and not be scheduled to work again until the next Saturday. If the firefighter wanted Saturday off he would have to have scheduled it during the vacation pick of the prior November and would only get it if his/her seniority and staffing levels permit it. There are options like an exchange of shifts; however few peers are willing to do this on weekends, holidays, or other special days.
- b. City sick time policy is very generous and permissive: The City accrual provides a lot of time off and is a generous accrual. The fact that days instead of hours are used for determining progressive discipline steps discourages employees from exercising more self discipline and managing their use. The City policy is actually stricter on tardiness than it is on sick incidents. This encourages the use of sick to avoid tardy, additionally an employee can call in one hour or a full day, either results in one incident and same consequence. Tracking hours instead of incidents or days would encourage employees to use only the time needed. Disciplinary steps should start earlier than they do now and should be similarly applied Citywide. Several measures have recently been implemented by Human Resources (referral of FML to UNUM, proposal to adhere to FLSA standards). Implementation of these proposals should go a long way in discouraging the use of sick time for reason other than illness.

Management takes responsibility for managing, recording and reporting union time usage. Scheduling of union time is currently done in adherence to the contract language. The contract language does not specify what justifies union time and places no limits other than the 2,080 hours plus the 500 carryover. The Fire Department administration recommends the addition of certain justifications and limitations to the contract language. Hours should adhere to regular working hours unless business is being carried out at other times. Generally nights and weekends should not be approved without written justification from the union.

3. Finding – *TeleStaff Configuration and Daily Usage*

Internal Audit met with MBFD management to review TeleStaff Staffing and Overtime Scheduling Management and Notification Software's (TeleStaff) configuration and staff's daily usage to help identify potential misuses and/or deficiencies. In addition, TeleStaff's roster with headcounts was reviewed for 50 randomly selected Fire Department employees out of 299 or 16.72% who earned overtime on 94 different dates to determine if the number of employees fell below the minimum staffing threshold at any times during the day, were the proper payroll codes utilized, etc. The following areas that could be improved were identified:

- a. Detailed overtime payroll codes were not present so that any overtime worked can be easily attributable to a particular purpose (special events like the Holocaust Memorial protest, Memorial Day, etc.; holdover overtime caused due to the completion of a call or paperwork at the end of a shift; satisfying Ordinance No. 2002-3351's minimum staffing requirement of 44 fire fighters; etc.). This level of detail will help the Fire Department Administration more accurately calculate their overtime costs per purpose to aid in future planning, determine where modifications are needed, etc. Conversely, MBFD does not presently use the OT 1.0 payroll code as the IAFF union contract does not adjust overtime hours worked for any sick hours incurred during the same period.

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- b. The payroll code named "SWAT" needs changing because it does not specify that it represents only overtime hours caused by SWAT (Special Weapons and Tactics). Therefore the possibility exists that regular hours worked could be inadvertently assigned to this code resulting in the corresponding employee incorrectly receiving the higher overtime pay for these regular hours worked.
- c. Overtime payroll codes are sorted alphabetically by their names so it was found that overtime codes were not grouped together making it more likely that one may be overlooked. In fact, overtime earned from SWAT and night club inspections were unknowingly omitted from the Fire Department's furnished master report from which Internal Audit's initial sample was chosen.
- d. Payroll entries at the fire stations were occasionally found to be miscoded which can skew any subsequent analyses and possibly result in incorrect decisions being made. For example, six MBFD employees on 11/01/08 were incorrectly coded to OT (Overtime) instead of OTE (Overtime Event). Although the participating employees are paid the same for either code, they are configured differently in TeleStaff as OTE is not included in the headcount which is used to confirm that minimum staffing requirements are met.
- e. TeleStaff overtime entries are currently colored green which is the same as for out of class, night inspections and shift exchanges. Consequently, overtime entries are not easily distinguishable when scanning the lengthy daily rosters.
- f. MBFD employees occasionally change divisions due to promotions or in fulfillment of their annual reassignment requests made in November but effective in February. When a change is approved and implemented, MBFD sends documentation to the City's Human Resources Department notifying them of the pending change. MBFD does not make the corresponding changes in TeleStaff until the City's Human Resources Department makes the necessary modifications in the Eden System and the employee's pay which we are told takes one to two payroll periods.

This delay creates a problem for fire fighters working in the Fire Rescue Division as they are entitled to receive a 5% premium per hour. Until the Eden System is updated, the fire fighter transferring in to Fire Rescue will be underpaid, while the one transferring out will be overpaid. To reduce the amount of the underpayments; the employees transferring in receive \$2 more per hour in rescue out of class pay.

Payroll adjustments are performed for the impacted fire fighters to adjust their regular and overtime pay as addressed in finding #1. Meanwhile, the one transferring out is able to soften the overpayment amount by reimbursing the City in agreed upon installments.

Recommendation(s)

MBFD management should continually review TeleStaff to determine why and where operational breakdowns are occurring. One missing component is the need for additional TeleStaff training classes for staff given their decentralized payroll structure whereby entries can be made by anyone ranked fire fighter 2 or higher (if out of class). Furthermore, the implementation of TeleStaff's ability to rank MBFD employees and to make outbound telephone calls regarding overtime assignments should help resolve documentation and compliance issues with established protocol. The implementation of the following

recommendations should be considered to help resolve the aforementioned shortcomings:

- a. Detailed overtime payroll codes should be added to provide more information as to the reason that the overtime assignment was needed. Conversely, any current payroll codes such as OT 1 that are not used should be eliminated to avoid any potential confusion or incorrect entries.
- b. The payroll code named "SWAT" should be changed to "SWAT Overtime 1.5" to alert the user that it pertains to overtime paid at time and a half and not regular hours to help prevent the employee from mistakenly being paid at the higher rate when this payroll code is used.
- c. Overtime payroll codes should be named accordingly so that they are grouped together to help prevent the likelihood that one would be omitted from analysis.
- d. TeleStaff authorized users should take greater care to ensure that the correct overtime codes are assigned to employees. The input of wrong payroll codes can result in employees being paid incorrectly, future analysis being flawed, the roster with headcount screen may be inaccurate, etc.
- e. Overtime entries should be given their own unique color so that they can be more easily identified.
- f. MBFD and the Human Resources Department should determine a more efficient and effective process by which Fire Department employees switching divisions is recorded simultaneously in the TeleStaff and Eden Systems to help prevent the need for future payroll adjustments.

Management's Response (Fire)

- a. Management pointed out the need to create more codes during the audit. There is a need to create some more codes to more easily analyze and manage staffing costs. At the time of the audit, several projects were simultaneously going on requiring that our personnel learn new software for report writing, scheduling and documentation of training, receiving and responding to calls as well as learning a completely new method of coding the nature of calls. Reconfiguration of Telestaff codes has intentionally been delayed in order to better manage the introduction of other software. It is important to point out that the creation of new codes should not be to the level of individual events like holidays or protests. While this practice would record in the database very specific information about the reason for the OT, it is unlikely that during an audit or OT analysis, all events would be recalled and included in the reports, a naming convention will be implemented that includes more codes for overtime and training, additionally detail codes will be required to better define the reason for overtime. The OT1 code was used during the 2003-2006 contract period; it is configured for use only by the payroll coordinator (1 person) or administrator authority (2 persons). This code is not available to other employees and could be used for not IAFF employees whose hours are adjusted for sick incidents.
- b. The SWAT code was renamed Overtime SWAT. Additional codes will be created for SWAT 2.0 and SWAT regular duty. All 2.0 codes are available only to the Telestaff administrator and payroll coordinator to avoid erroneous use of 2.0 codes.

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- c. These two codes were not omitted due to the fact that similar codes are not always grouped together. They were omitted due to habit. Until recently night inspections and SWAT overtime were excluded from the overtime used to calculate overtime for the picklist. Adhering to past habit these two codes were inadvertently excluded from the report. There is a need to adhere to a new naming convention that will more easily group similar codes together. For example all overtime codes should begin with the word overtime. Currently there are codes like holdover overtime that do not adhere to the recommended naming convention.
 - d. This error was explained to the personnel involved and a department wide clarification of when to use each code was sent out. Additional training was given to the Battalion Chiefs so that they will look for and correct any future errors with the entry of the codes.
 - e. As with the naming convention, the color coding system will be edited and personnel trained on changes.
 - f. The current disconnect between Telestaff and EDEN pertaining to assignment and premium pay creates delays in pay, duplication of data entry and multiple adjustment needs. If possible, Fire Administration, Human Resources, Finance and Information Technology should work together to streamline this process.
4. Finding – *Overtime Assignment Documentation*
Out of the 50 employees sampled as describe in finding #3 above, the overtime earned by 23 Fire Suppression employees in 37 different transactions, 21 Fire Rescue employees in 41 transactions and 6 Fire Prevention employees in 16 transactions was selected. Testing of the corresponding maintained overtime assignment documentation and the monies paid to these MBFD employees during the audit period found the following shortcomings:
- a. Overtime assignments are typically determined based on the number of overtime hours worked by fire fighters during the past three years from the date of the analysis. In the event of a tie between fire fighters with the least number of overtime hours worked, their hire date is the deciding factor. However, this calculated moving overtime number changes daily and cannot be easily re-created in the TeleStaff Staffing and Overtime Scheduling Management and Notification Software (TeleStaff) once the date changes. Therefore, unless this report is printed at the time that the overtime is assigned (which rarely occurs) and is maintained it becomes extremely time consuming to manually re-create the employees overtime hours' ranking in the event of an audit, filed grievance, etc.
 - b. The notes section in TeleStaff was not completed for 51 of the 94 transactions tested (54.26%). The completion of the notes section explaining the reason for the overtime engagement becomes more important given the lack of detailed payroll codes and people's poorer recollection abilities as time passes.
 - c. Documentation was not maintained to indicate which fire fighters were contacted regarding the availability of overtime, which refused the engagement, which were time out before it was offered to the next candidate, etc. thereby making it difficult to confirm that IAFF union contract terms were followed.

Recommendation(s)

Complete detailed documentation should be kept to confirm that overtime hours were fairly assigned in accordance with union contracts, Standard Operating Guidelines, etc. The implementation of the following recommendations should help ensure that a proper audit trail is maintained:

- a. Until TeleStaff's ability to make outbound calls is successfully implemented, TeleStaff should be questioned as to whether employees' three year overtime rankings can be calculated as of past dates. If not feasible, then copies should be maintained whenever overtime is assigned.
- b. The notes section should be completed whenever overtime is assigned so that its purpose can be easily identified. Once detailed overtime codes are created, then this section's completion is not as vital but it still can be used to provide additional supplementary information to the reader.
- c. Documentation should be maintained to indicate the results of employee contact efforts until the successful implementation of TeleStaff's outbound telephone calls feature. Meanwhile, the Fire Department Administration mentioned but has not yet enforced an overtime penalty to be levied against those employees who continually sign up for overtime but turn down the engagement when offered. This so called penalty would represent hours added to their three year overtime totals thereby making employees chances of receiving future engagements less likely. Internal Audit believes that if this problem is pervasive, then it is reasonable to implement this policy to stop this inefficient behavior going forward despite requiring additional monitoring and work by administrative staff.

Management's Response (Fire)

- a. Since the report cannot be recreated in the data base, Battalion chiefs have been instructed to print and file the OT list each morning. The lists will be kept on file for a period of three years.
- b. During the implementation of the new naming convention for codes, we will take advantage of new features available in Telestaff with new releases. The new features include the addition of mandatory detail codes that can be configured for free text or mandatory selection from a drop down list. Additionally more emphasis is being placed on the use of the free text note field.
- c. The addition of the penalty code was discussed with the union and agreed to. The penalty code has been created and is in use. Implementation of the outbound feature and Telephony are being tested and will be implemented once the new naming convention takes effect. Although it could be implemented now, the codes are unintelligible in the Telephony period and need to be re-recorded, this effort is not worth implementing until the new naming convention takes place and all personnel are trained in the new codes. The tentative deadline for implementation of the new naming convention, Telephony and outbound features is July 1, 2010.

5. Finding – TeleStaff Internal Controls

The Fire Department uses TeleStaff primarily for scheduling and for recording the hours worked by its employees. Internal Audit met with MBFD management to review the internal controls incorporated into the system to help identify and prevent potential errors. The following concerns were identified:

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- a. TeleStaff authorization levels given to designated MBFD employees are in need of revision. Instances were noted whereby employees had too much and/or too little authority which could possibly lead to the circumvention of internal controls, unnecessary delays to perform functions, etc. Inquiries found that authorization levels were permanently given to lieutenants and higher ranks that were one level above their current position in the event that they had to temporarily fill in acting out of class during another's absence.
- b. TeleStaff's audit function is to show the time and date each instance that the reviewed screen's corresponding information was changed and by whom. However, several occasions were noted whereby an audit entry was listed but no changes could be identified to the information. As a result, concerns arose as to whether the audit function is working properly or that authorized users are clicking the "OK" button when finished reviewing the entries but not making any changes thereby recording their audit information. Furthermore, the audit trail function does not work when entries or records are deleted thereby leaving no evidence of the transaction or as to whom removed it.
- c. TeleStaff does not alert the enterer as to any overlap in work or duplication of hours, prohibitions against the assignment of overtime to non-eligible employees who are on sick leave, Injury Service Connected leave, etc. when in the edit mode. Therefore, an employee could inadvertently be paid twice for working on-duty and overtime concurrently or receive overtime pay after calling in sick and so forth.
- d. When an overtime code for a particular individual is entered, TeleStaff automatically defaults to 24 hours and the employee will be paid accordingly unless he/she remembers to subsequently change the hours.
- e. New payroll codes being created in TeleStaff already have some boxes checked indicating their configuration and how they are paid, their relationship to other codes, etc. No one questioned was sure as to how or why certain boxes were checked, only that they may represent those attributed to the last payroll code created but this practice makes it more likely that a new payroll code being created may be configured incorrectly.
- f. TeleStaff allows the person receiving the overtime pay to be the same as the one entering it into the system and also approving the transaction.
- g. Only the information reported for the current payroll period is uploaded into Eden for payment. Therefore, any adjustments made to prior TeleStaff pay periods will be accepted but will not impact Eden thereby creating differences between the two systems.

Recommendation(s)

MBFD management and TeleStaff personnel should discuss the implementation of stronger internal controls, including the following, to help prevent the entry of inadvertent, incorrect or unauthorized details for overtime payments:

- a. The Fire Chief's Office should review and adjust current authorization levels given to designated employees as soon as possible to prevent possible misuses.
- b. TeleStaff authorized users should be better trained so as not to impact the audit function

unnecessarily. Also, TeleStaff should be contacted to determine the reasons why the audit function is not capturing all changes to a given record.

- c. TeleStaff should alert the enterer when overtime is being assigned to someone who is not eligible for any reason, any duplication of hours, etc. The reasons for any corresponding system override should be required with the name of the individual performing the transaction recorded in the audit function.
- d. The overtime hour assignment's default should be at zero requiring an entry before the employee is paid.
- e. When a new payroll code is being created, Internal Audit believes that no boxes should be checked forcing the preparer to be more careful in determining the code's configuration.
- f. The person entering and approving the overtime transaction should always be at least one position higher than the one performing the work.
- g. The TeleStaff and Eden Systems should be in agreement so as to avoid confusing the reader. Any changes to one computer system should affect the other or be clearly labeled.

Management's Response (Fire)

- a. The authority templates have been corrected and proper authority and acting authority levels have been restored.
- b. During the audit session we were unable to determine the deletion of assignments. This is different from a staffing record. A staffing record indicates a work code and assigns a time period for the work code, Telestaff does keep accurate record of all staffing records including deletions, it does not record deletion of assignments in the current release 2.52. The new release of Telestaff 2.61 which will be installed by IT there is a capability to audit deletion of assignments.
- c. When in the edit mode, the person entering data can only edit an excising record. For example if an employee is on vacation and the record is edited to enter overtime, the entry will only reflect overtime for the time entered and the vacation period is automatically adjusted to a reduced time period by Telestaff. The correct way to enter a record would be to use the add feature, when using the add feature the person entering the time would get a warning that the employee cannot work overtime, or if the employee was on duty would generate a warning that the employee is already working over the time period. Since the correction of authorities took place, only staff authority can use the no roster impact feature to override the warning. Telestaff will not pay for two codes in the same time period, the edit mode will automatically adjust hours when entries are made it does however allow the editing of codes without warnings since editing does not create two codes in the same time period. Only the add feature could create two separate codes in the same time period, however the add feature does give warnings and add only contains nonworking codes like vacation etc.
- d. Telestaff allows the configuration of multiple schedules, however all time entries are automatically generated to the schedule corresponding to the individuals assigned work hours and length of tour. This cannot be changed and even if it could, setting the default to zero would still require that the person entering the record change the hours to the right amount, the reverse is as likely to happen and the hours would be left at zero. As a matter

of practice, overtime is rarely in 24 hour periods and almost always requires adjustment to a twelve hour period or some other variable, this is not something that has demonstrated to be an issue of concern.

- e. Telestaff automatically starts new codes with the settings of the last code created, there are only two administrators who can create codes and both are aware that each code requires attention to each field in the configuration. It is agreed new codes should be generated with a blank template, this is not something that we can change, but we are aware of how the program works. A similar issue of more concern is the creation of off roster records. This feature is available to station officers, like codes off roster record of work codes automatically generates a record with the last code and time period used by the person making the entry the person making the entry needs to edit the work code and time period for the new record, officers are aware of this issue and know that the work code and time need to be verified in each entry.
 - f. Our process has several layers of review and approval. While there are occasions when a station officer might enter his own overtime, the entries are reviewed at the Battalion Chief and Division Chief level during the daily entry and by the Assistant Chief prior to payroll export. In order to avoid this, Telestaff would have to be configured so that officers can only enter others, this can be done, but create more real problems than the potential problems it might avoid.
 - g. Telestaff only exports the current payroll period, adjustments are not exported from Telestaff to EDEN. If it is possible to do so, the process would be more efficient. Human Resources and Finance would have to be involved in implementing this solution if it is possible. In order to avoid discrepancies between the two data bases, Telestaff entries are only changed once an adjustment has been submitted to EDEN.
6. Finding – *Review of Departmental Performance Measures*

The City's performance measurement software is used to report monthly fire overtime in comparison with targeted values. The departmental performance measure is entitled "Fire Department Overtime Expenditures" and is comprised of the following five separately reported overtime child measures that roll up into this measure: Ocean Rescue Division, Fire Suppression Division, Fire Rescue Division, Fire Prevention Division and Fire Support Services Division. The basis for each measure was reviewed and the reported amounts were compared to the supporting documentation.

At the end of each payroll period, the TeleStaff payroll hours' data is uploaded into the Eden System for processing and payment at the employees' programmed hourly rates. The Eden System will then automatically make the corresponding journal entries based on these calculations. Furthermore, the City's performance measurement software system was set-up to capture the applicable Eden System general ledger balance (ex. Ocean Rescue Division's overtime is 011-0960-000135, Fire Suppression Division's overtime is 011-1210-000135 and so on) as of a prescribed date determined by the Office of Budget and Performance Improvement's (OBPI).

The information must be uploaded into the City's performance measurement software during the next month or no entry will be made for the prior month. For example, the September 2009 upload was performed on 11/06/09 so the City's performance measurement software captured and reported October 2009's figures instead of the desired September 2009 numbers. This also occurred for June 2009 which was promptly identified by the Management Consultant and then corrected by the City's Database Administrator.

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Another shortcoming identified arose when the City's performance measurement software system recorded the Eden general ledger figures as of 09/16/09 or nineteen days before journal entry number 11-059 was entered so it was not recorded in August 2009 or any subsequent months. The journal entry's purpose was to reclassify grant related expenses incurred by Fire Suppression and Fire Rescue Divisions from the general fund to the grant fund account of 193-6051-000367.

The following table shows the differences between the reported and audited figures during the audit period:

Month	Fire Department Overtime		
	Reported	Audited	Difference
October 2008	\$62,200	\$62,200	\$0
November 2008	\$63,974	\$63,974	\$0
December 2008	\$68,510	\$68,510	\$0
January 2009	\$153,636	\$153,636	\$0
February 2009	\$78,976	\$78,976	\$0
March 2009	\$92,965	\$92,965	\$0
April 2009	\$75,614	\$75,614	\$0
May 2009	\$76,138	\$76,138	\$0
June 2009	\$123,832	\$123,832	\$0
July 2009	\$121,418	\$121,418	\$0
August 2009	\$102,691	\$115,902	\$13,211
September 2009	\$0	\$78,302	\$78,302
Total	\$1,085,046	\$1,176,559	\$91,513

Based on the above analysis, Internal Audit concludes that the figures reported for the departmental performance indicator entitled "Fire Department Overtime Expenditures" and the aforementioned five sub measures are inaccurate based on the criteria defined in Exhibit 1. Upon notification, the appropriate changes were timely made into the City's performance measurement software.

Finally, review of these six performance measures (one departmental performance measure and five child measures) found that definitions were not present and the description field merely referenced the associated general ledger accounts and did not provide any additional detail.

Recommendation(s)

The Management Consultant should run the computer script on the last day of the subsequent month so that the monthly upload into the City's performance measurement software will most likely contain all relevant entries. Periodic reconciliations should be performed by the Fire Department to help ensure that any journal entries done after the prescribed run date should be captured and recorded in the City's performance measurement system. If the journal entry impacts more than one month, then each month's figures should be calculated and given to the Database Administrator so that he/she can make the necessary corrections in the City's performance measurement system.

Finally, the performance management software definition and description fields should be revised by the Fire Department to include a definition of the measure, as well as the

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methodology for deriving the measure, the data source, and references and/or sources of comparable benchmarks.

Management's Response (Fire):

The Fire Department agrees to update the overtime performance measures' definition and description fields. In addition, periodic reconciliations will be performed between the monthly overtime expenditures incurred and those amounts reported in the City's performance measurement software to help ensure agreement.

Management's Response (Office of Budget & Performance Improvement):

The Management Consultant will run the computer script closer to the end of each month to help better ensure that all relevant entries are captured.

EXIT CONFERENCE

An exit meeting was held on March 25, 2010 to discuss the audit report and to solicit management responses noted above. Attendees were Assistant Fire Chief Javier Otero, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Management responses were received shortly thereafter. All were in agreement with the contents of this report.

JJS:MC:mc

Audit performed by Senior Auditor Mark Coolidge

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cc: Eric Yuhr, Fire Chief
Javier Otero, Assistant Fire Chief
Ramiro Inguanzo, Human Resource Director
Patricia Walker, Chief Financial Officer

EXHIBIT: 1 – Assessment Categories for Performance Measures Verification

Assessment Category	Criteria
Certified	If reported performance is 100% accurate and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data. Measurement data is supported by source documents.
Certified with Qualifications	This category is assigned under either one of two conditions: 1. <i>Reported performance is within +/- 3%, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</i> 2. <i>The department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.</i>
Factors Prevented Certification	Documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. This category is also assigned when there is a deviation from the measure definition and the reviewer cannot determine the correct measure result.
Inaccurate	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.

EXHIBIT: 2 - Additional References for Performance Management Software's Description of Measure

- 1) **Measure Name:** Should list the name of the measure for which data is being collected and reported.
- 2) **Measure Type:** Should recognize whether the measure is an "Input", "Output", or "Outcome" measure. One must consider whether results are measured through input (Ex: Customer surveys), output (Ex: Number of contracts completed without change orders), or outcome (Ex: % of projects substantially completed or in beneficial use within 120 days).
- 3) **Measure Description:** Should describe the measure. Some measures are self explanatory and some may not; however, a description should always be included (Ex: The measure considers the % of change in the value of the change orders for a specific category divided by the original project cost).
- 4) **Measure Frequency:** Describes how often performance data is reported (Ex: Quarterly).
- 5) **Data Sources:** Should list sources used to collect performance data (Ex: System Software Names, Report Names, Schedules, etc.)
- 6) **Calculation Methodology:** Should explain how data reported was calculated (Ex: change orders for that quarter divided by the original total projects costs, projects substantially completed or in beneficial use within 120 days of the contract milestone date divided by the total number of projects completed during the same quarter).