



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: December 7, 2010
AUDIT: Public Works Department Overtime Audit
PERIOD: December 21, 2009 through August 29, 2010

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 sixty-five randomly tested Miami Beach Public Works Department employees between December 21, 2009 and August 29, 2010 coinciding with current year completed payroll periods to date. When applicable, historical information is presented from prior years for comparison purposes.

INTRODUCTION

The Miami Beach Public Works Department mission statement reads "*We are dedicated to providing effective and efficient public works services and managing the City infrastructure to ensure the safety, health and well being of all who live, work, and play in our vibrant, tropical, historic community.*" To help accomplish this mission, the department has a total of 402 positions during the 2009/10 fiscal year according to the City's adopted budget book.

Three pay periods with ending dates April 11, 2010, July 18, 2010 and August 1, 2010 were randomly selected out of the eighteen completed periods to date during the current payroll year. From these three pay periods, a total of 65 employees who earned overtime were randomly sampled from the total population of 315 employees for those Public Works Department divisions that incurred the overwhelming majority of overtime. The divisions that comprise this sample and a short summary of their responsibilities, as well as the pertinent number of employees and overtime transactions tested by Internal Audit follow:

1. Sanitation is responsible for the management of the residential waste collection and disposal contract, and to keep the City clean, including canals and public restrooms.
 - Nineteen Sanitation Operations employees involving twenty-nine overtime transactions were tested.
 - Eleven South Beach Service Team employees involving seventeen overtime transactions were tested.
2. Property Management is responsible for the operation, maintenance and repair of all City buildings and facilities, including construction and renovation projects (nine employees involving twenty-four overtime transactions were tested).
3. Water Operations is responsible for providing reliable and high quality water that protects public health and safety and complies with all federal, state, and local regulations (thirteen employees involving twenty-three overtime transactions were tested).
4. Sewer Operations is responsible to operate and maintain a reliable sanitary sewer

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system that protects public health and safety and complies with all federal, state and local regulations (seven employees involving nine overtime transactions were tested).

5. Stormwater is responsible to operate and maintain a reliable stormwater collection and conveyance system that protects public health and safety and complies with all federal, state and local regulations (two employees involving three overtime transactions were tested).
6. Streets & Streetlighting is responsible for the construction and/or maintenance and repair of the City's streets and streetlighting (four employees involving eight overtime transactions were tested).

These divisions are responsible for approving their employees' overtime hours and pay within budgetary constraints; assigning staff to work the shifts in accordance with union contracts; and documenting all overtime worked to support any payments made.

Overtime can be summarized as all hours worked in excess of forty hours during an employee's work week. Annual leave, holiday leave, and other paid leave shall be considered as time worked for the purpose of computing overtime, but sick leave shall not. Similar wording is found in the City's three union contracts applicable to this audit, which are the Communications Workers of America, Local 3178 (CWA); American Federation of State, County and Municipal Employees, Local 1554 (AFSCME); and to a much lesser extent those in the Governmental Supervisors Association of Florida International Union, Local 100 (GSA).

The employees' overtime pay rate can change based on the surrounding factors but most overtime hours and dollars earn compensation at a rate of one and one half times the employee's regular hourly rate (OT 1.5). However, the overtime pay rate can increase to double the employee's regular hourly rate for any overtime hours worked on a holiday or for all hours worked on an employee's seventh consecutive day within the work week (OT 2.0). The overtime pay rate can also decrease to equal the employee's regular hourly rate (OT 1.0) for all overtime hours worked that do not exceed the corresponding number of sick hours taken during the same work week. There are other overtime pay rates but they occur infrequently and were not encountered during our testing.

The Public Works Department's overtime can be derived from various sources. Examples include but are not limited to emergency repairs such as water or sewer pipe breaks; manpower shortages due to employees taking leave time; ongoing work that needs to be completed before the end of the day but that cannot be finished during the employees' normal shift; staffing planned events such as night inspections where City streetlights are reviewed for outages, annual physical inventory counts, refurbishing offices, cleaning carpets; etc.

All hours worked by departmental employees is recorded in the City's enterprise financial and administrative system, Eden Systems, Inc. (Eden). The time entry function is performed by the designated Public Works Department payroll coordinators or their back-ups.

The department has used the Novatime hand reading time clock system at its tested divisions for various lengths of time with the most recent implementation being Sanitation's in the 2003 calendar year. Most Public Works employees are required to use this system to record their daily hours worked with a few exceptions who instead clock in and out via the computer or

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another separately maintained time card machine.

Some combination of the following payroll documentation is prepared at the aforementioned tested divisions where it is ultimately submitted to the division directors or their designees as support for the listed entries:

- Absentee reports and leave requests detailing the reasons why the employee did not report for scheduled work.
- Timecard reports which indicate the hours worked by the listed employees during each day of the Monday through Sunday work week.
- Weekly Time and Attendance Forms which classifies all hours worked by employees during the pay period as either sick, vacation, overtime, etc.
- Acceptance/Denial of Overtime forms used to indicate which employees were offered and/or accepted the engagement.
- Request For Overtime Approval forms detail the work to be performed, the associated job order to be charged, the employees authorized to do the work and who approved the engagement.

Once this documentation is reviewed and approved, the payroll data is forwarded through either manual entry into the Eden QuickEntry screen or by uploading directly into Eden from Novatime to the Finance Department's Payroll Section by 10:00am Monday every other week for processing.

The table below lists the total amount of overtime dollars (rounded to the nearest dollar) paid to Public Works Department employees in the sampled divisions during the stated fiscal year periods according to the City's Financial System:

| Division | General Ledger Account # * | FY 2007/08 | FY 2008/09 | 10/01/09 – 08/29/10 | Total |
|--------------------------|----------------------------|-------------|-------------|---------------------|-------------|
| Sanitation Operations | 435-0430-000135 | \$178,377 | \$126,143 | \$125,912 | \$430,432 |
| South Beach Service Team | 435-9962-000135 | \$93,567 | \$108,852 | \$123,207 | \$325,626 |
| Property Management | 520-1720-000135 | \$122,576 | \$175,956 | \$118,994 | \$417,525 |
| Water Operations | 425-0410-000135 | \$434,618 | \$339,769 | \$170,472 | \$944,859 |
| Sewer Operations | 425-0420-000135 | \$232,618 | \$241,973 | \$121,779 | \$596,370 |
| Stormwater | 425-0427-000135 | \$86,588 | \$96,440 | \$39,869 | \$222,898 |
| Streets & Streetlighting | 011-0840-000135 | \$160,609 | \$153,791 | \$48,099 | \$362,499 |
| Total | | \$1,308,953 | \$1,242,924 | \$748,332 | \$3,300,209 |

* These listed general ledger accounts do not necessarily reflect all overtime earned by departmental employees as it only includes the accounts for the affected sampled employees.

OVERALL OPINION

The Miami Beach Public Works Department, in trying to estimate and prevent overtime, needs to take into account a number of extenuating and unpredictable factors that have the potential to impact overtime usage. Yet, they also need to ensure that there is sufficient coverage to

adequately serve Miami Beach's residents; as well as complying with union contracts, policies and procedures, etc. that govern the assignment and payment of overtime during their operations.

The overtime earned by the randomly tested sixty-five employees was found to have been paid correctly and was apparently needed based on the reviewed documentation. However, the following overtime shortcomings were noted during the audit period and are in need of improvement:

- A review of the Eden System's tested general ledger overtime accounts for the divisions sampled, show the trend of overtime exceeding budgeted amounts improving over the previous fiscal years presented for comparison purposes. Furthermore, the monthly overtime figures are not tracked in the City's performance measurement system to better determine their ability to meet targeted goals.
- Several Novatime shortcomings are noted which are in need of improvement so that the payroll process can be expedited, less dependent on internal reviews and expenditures reduced.
- Sufficient, standardized overtime documentation was not maintained to verify that all tested transactions were accurately assigned.

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.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – Actual Overtime vs. Budgeted as Recorded in the Eden System
 The Public Works Department's adopted annual budget contains departmental goals for such payroll expenditures as salary, overtime, etc. Although there may be extenuating circumstances outside of their control causing deviations from these figures, a review of the Eden System's tested general ledger overtime accounts for the divisions sampled show the following trend of overtime exceeding budgeted amounts improving over the previous fiscal years presented for comparison purposes:

| | FY 2007/08 | FY 2008/09 | 10/01/09 – 8/29/10 * |
|--------------------------------|-------------|-------------|-------------------------|
| Total All Sampled Divisions ** | | | |
| Actual Overtime | \$1,308,953 | \$1,242,924 | \$748,397 |
| Budgeted Overtime | \$904,211 | \$865,581 | \$821,029 |
| Difference | \$404,742 | \$377,343 | (\$72,632) |
| Sanitation Operations | | | |
| Actual Overtime | \$178,377 | \$126,143 | \$125,912 |
| Budgeted Overtime | \$76,630 | \$80,000 | \$80,000 |
| Difference | \$101,747 | \$46,143 | \$45,912 |
| South Beach Service Team | | | |
| Actual Overtime | \$93,567 | \$108,852 | \$123,207 |
| Budgeted Overtime | \$56,121 | \$56,121 | \$60,000 |
| Difference | \$37,446 | \$52,731 | \$63,207 |
| Property Management | | | |
| Actual Overtime | \$122,576 | \$175,956 | \$118,994 |
| Budgeted Overtime | \$75,000 | \$75,000 | \$69,580 |
| Difference | \$47,576 | \$100,956 | \$49,414 |
| Water Operations | | | |
| Actual Overtime | \$434,618 | \$339,769 | \$170,472 |
| Budgeted Overtime | \$302,561 | \$302,561 | \$242,522 |
| Difference | \$132,057 | \$37,208 | (\$72,050) |
| Sewer Operations | | | |
| Actual Overtime | \$232,618 | \$241,973 | \$121,779 |
| Budgeted Overtime | \$311,899 | \$256,899 | \$258,927 |
| Difference | (\$79,281) | (\$14,926) | (\$137,148) |
| Stormwater | | | |
| Actual Overtime | \$86,588 | \$96,440 | \$39,869 |
| Budgeted Overtime | \$37,000 | \$37,000 | \$52,000 |
| Difference | \$49,588 | \$59,440 | (\$12,131) |
| Streets & Streetlighting | | | |
| Actual Overtime | \$160,609 | \$153,791 | \$48,163 |
| Budgeted Overtime | \$45,000 | \$58,000 | \$58,000 |
| Difference | \$115,609 | \$95,791 | (\$9,837) |

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- * The budgeted overtime figures listed represent those amounts budgeted for the entire fiscal year, while the actual overtime amounts depict those amounts paid to employees for the listed eleven month period.
- ** These listed general ledger accounts do not necessarily reflect all overtime earned by departmental employees as it only includes the accounts for the affected sampled employees.

The above table summarizing departmental overtime shows a trend that both budgeted and actual overtime have been decreasing over the past three fiscal years. Finally, these overtime figures are not currently recorded in the City's performance measurement software so as to better track the department's ability to meet targeted goals as currently done by such other departments as Fire, Parks & Recreation and Police.

Recommendation(s):

Public Works 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.

Also, the creation of a departmental performance measure entitled "Public Works Department Overtime" in the City's performance measurement software should be considered. Additionally, the Public Works Department should coordinate with the Office of Budget and Performance Improvement to separately report sub-measures for all the corresponding general ledger entries that roll up into this measure automatically through the initiation of a pre-designed computer script.

Management's Response:

Management agrees that close scrutiny of overtime needs to continue. To this end, division teams will meet periodically to discuss root causes of overtime and develop action plans in an attempt to minimize budget overages. These actions plans will be reviewed by the Division leads and reported on to the Public Works Director on a quarterly basis. The following highlights primary causes of overtime by division:

- Operations Division / Water: Water line crew repair of water main and service breaks occurring outside of regular working hours and weekends / Door-to-door issuance of precautionary Boil Water Notices to homeowners following water main breaks / Water main shut down / turn on operations following damage to water mains by right-of-way contractors after working hours / Major special events. Stand-by pay is calculated into the overtime item but employees were paid regular hours stand-by. The City's Human Resources Department made a correction in early 2010.
- Operations Division / Stormwater: Citywide cleaning of catch basins on off-hours and weekends following major rainfall events. Stand-by pay was calculated in the overtime item but employees were paid regular hours stand-by. The City's Human Resources Department made a correction in early 2010.
- Operations Division / Streets and Street Lighting: Street asphalt crews working overtime placing temporary asphalt due to other Divisions performing emergency repairs / Street lighting crews working on major outages on off-hours and weekends /

Monthly night inspections on a Citywide basis. Stand-by pay was calculated in the overtime item but employees were paid regular hours stand-by. The City's Human Resources Department made a correction in early 2010.

- Sanitation Division: The amount of overtime incurred is largely related to the special events that are held throughout the City.
- Property Management Division: All overtime, without exception, was to address emergency call-in issues or to perform needed repairs that would be disruptive to staff working conditions during normal business hours, thus requiring the repairs be completed either after hours or on weekends.

Management views as a redundancy the creation of a new "Public Works Department Overtime" performance measure, as it already uses the overtime budget - which it monitors on an on-going basis, and tracks on a monthly basis as a performance measure. It can be difficult to accurately budget for overtime, as in some cases it results from unpredictable situations and emergency response activities.

2. Finding – Identified Novatime Shortcomings are Addressed

Internal Audit met with various Public Works Department representatives at the tested divisions to discuss and review the current usage of the Novatime or the hand reading time clock system. In doing so, the following shortcomings were noted which could affect the accuracy of the reported payroll data if not corrected by subsequent internal reviews or increase City expenditures:

- a. Novatime treats each day as a separate entity so it assumes that the employees did not clock out when they clock in on one day and out on another. Therefore, all the corresponding calculated daily hours worked are incorrect and have to be manually determined by the payroll coordinator.
- b. Novatime was occasionally found to have incorrectly calculated employees' regular and overtime hours worked. For example, employee identification number 19176 worked a total of 43.00 hours during her Monday through Friday work week. Yet, Novatime incorrectly wanted to pay the employee for 37.00 hours at her regular hourly rate and 6.00 hours at OT 1.5 or time and a half (other similar instances were found) rather than the correct 3.00 OT 1.5 hours.
- c. Water Operations, Sewer Operations, Stormwater, Streets and Streetlighting Division payroll coordinators refer to a printed schedule to recalculate any Novatime hours recorded (other than the employees' normal shifts) to check for accuracy. At a minimum, there are minor changes needed due to rounding because Novatime apparently tracks but does not report the seconds that the employee clocks in and out in calculating the time worked.
- d. Inquiries found that the Novatime system occasionally has difficulty in reading employees' hands particularly at the end of shifts due to dirt or cuts present, the addition or deletion of jewelry and acrylic finger nails, etc.

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- e. The Water Operations, Sewer Operations, Stormwater, Streets & Streetlighting Divisions payroll coordinators have to manually re-enter all the payroll data accumulated by Novatime into the Eden QuickEntry screen thereby increasing the associated time and the likelihood of mistakes. They cannot upload the data directly into Eden because they have an older FoxPro version of Novatime for which the City's Information Technology Division's written interface does not work. Similarly, the Sanitation Division's payroll coordinator also had this problem until they recently upgraded to Novatime's Sequel version and began uploading directly into Eden starting with the payroll period ending August 29, 2010.
- f. Department employees are only able to clock in and out on appropriately programmed Novatime system hand readers as they are not linked. For example, Sanitation employees cannot clock in or out on another division's system as they have to return to their hand reader system of origin which may result in additional payroll expenses being incurred due to the associated travel time.

Furthermore, inquiries found that the Novatime systems are currently purchased individually so that the City may not be taking advantage of their purchasing power and economies of scale, additional maintenance costs may be incurred as system fixes have to be done for each division rather than once and pushed down to all networked systems, etc.

- g. The Property Management Division's supervisors and administrative staff are able to clock in and out through their computer rather than having to wait in line for their turn at the one Novatime hand reader. Yet, administrative staff at the 451 Dade Boulevard offices use a separately maintained time card machine thereby potentially incurring additional maintenance expenses.

Recommendation(s):

The Public Works Department should prepare a listing of their issues and concerns with the Novatime system and submit them to the vendor(s) for resolution. Meanwhile, payroll coordinators and management should continue to closely scrutinize Novatime for accuracy thereby making any deemed necessary corrections. Finally, the City should consider purchasing an enterprise Novatime system and linking all hand readers so that employees could clock in or out at other locations with supervisor approval.

Management's Response:

The various Public Works Department divisions have worked independently with the Novatime vendor to implement utilization of the system for payroll purposes. The Property Management and Sanitation Divisions are already utilizing the current Novatime 3000 version. From conversations with Timeworx, Inc., the Operations Division was the first to implement the system approximately 10 years ago; however, because, there wasn't a maintenance contract in place with the vendor, regular updates didn't occur. Consequently, the Operations Division is reviewing a recently received proposal for the upgrade, as it is more feasible to update to the current Novatime 3000 version. Management agrees that the implementation of an enterprise Novatime system would provide much needed standardization of the process, across all Public Works

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Department divisions, as well as other City departments that may be utilizing the system. As a result of subsequent discussions, the Information Technology Director and Infrastructure Director agreed in purchasing the Novatime 4000 enterprise system for Public Works-Operations. The migration is underway and the system is scheduled for installation in mid-January, 2011. The following highlights more detailed responses to specific finding 2's bullets:

- a. With shifts overlapping two consecutive days, the system in Operations treats the "punch out" on the consecutive day as a "punch in". From a conversation with the vendor, there is a configuration for the Novatime program that can address this issue that will be resolved when Operations implements the Novatime 3000 version.
 - b. From a conversation with the auditor, he found four or five similar instances. In following up with the vendor, he indicated that the upgraded Novatime 3000 version would likely address this issue.
 - c. Similar to items a. & b. above. Public Works-Operations applies the attendance charge that is used by Human Resources to calculate leave time, tardies, etc.
 - d. When miss-scans occur, it is the responsibility of the employee to notify the supervisor so that the established procedure is followed. In such cases, the supervisor will complete and sign a form that certifies the hours worked by the employee; the employee signs the form; and the form is attached to the payroll. The standard operating procedure (SOP) established by the Sanitation Division is being followed by the Operations and Property Management Divisions.
 - e. The implementation of the upgraded Novatime 3000 version will address this issue. The payroll report generated by the newer version will be able to be uploaded into the Eden accounting system via an interphase provided by the Information Technology Department.
 - f. Will be addressed following the completion of the on-going transition to the Novatime system.
 - g. For the time being, management has decided to separately the time card machine for the upstairs administrative staff. This will be re-evaluated after the implementation of the Novatime enterprise system.
3. Finding – *Documentation Needs to be Better Maintained to Support the Assignment and Payment of Overtime to Employees*
The questioned divisional payroll coordinators stated minimal policies and procedures are maintained outlining current practices which could be detrimental in the event that payroll coordinators change for whatever reason or assistance is needed. Instead, they have to rely on their own expertise and past experiences, ask other payroll coordinators or utilize Novatime's self help feature.

Additionally, the Public Works Department's divisions use various documents to support the assignment and payment of overtime to employees as there is little standardization

or automation between them. Examples of some documents used include the following:

- The Request For Overtime Approval form is to be completed each time that overtime is offered to an employee. It contains such useful information as the employee's name, the start time, end time, the work's location, the work performed and the supervisor's signature.
- The Supplemental Pay Request records whether overtime, out of class or diving/steeplejack pay is necessary, the number of hours worked, the work performed, etc.
- Overtime Tracking Sheets vary but among other information they group the employees by job classification, contain their hire date and list by month with totals all the overtime worked to date for the fiscal year.

Testing performed on these documents during the audit period found the following limitations:

- a. The AFSCME and CWA union contracts summarized state that the opportunity to work overtime shall be distributed as equally as practical among employees within the same job classification in the same work section and area starting with the most senior employee, provided the employee is qualified to perform the specific overtime work required. Furthermore, offered overtime not worked shall be considered as worked hours in maintaining these records.

Inquiries found that the Electrician Supervisor separately lists all the employee's refused overtime on the Request For Overtime Approval form but conversely the Stormwater and Streets operational supervisors do not record this information. Similarly, Sanitation operational supervisors are not documenting any employees' refusal of overtime engagements. Consequently, any overtime reports maintained by these divisions are inaccurate as they would not capture these refused hours thereby possibly resulting in future overtime engagements being offered to the incorrect individuals and increasing the likelihood that subsequently filed grievances may be successful.

- b. Water Operations, Sewer Operations, Stormwater, Streets & Streetlighting divisional staff are able on a rotational basis to receive standby pay equivalent to 2.00 hours per day at their regular hourly rate for a designated period. In return, they are expected to quickly report to work after hours if called in due to an emergency. When they report for duty, they receive either a minimum of four hours at OT 1.5 or are paid until the required work is completed instead of the day's standby pay. However, subsequent inquiries with operational supervisors found that these employees receiving standby pay occasionally refuse to report to work when contacted but are not disciplined accordingly.
- c. The Water Operations, Sewer Operations, Stormwater, Streets & Streetlighting Division payroll coordinators often have to call the applicable operations supervisors to inquire as to whether unpaid lunch/dinner breaks were taken by the employees working lengthy overtime shifts (8.00 hours or more). Their employees do not clock in and out for breaks due to the distance involved and the used Request for Overtime Approval Form is silent on this issue. The payroll

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coordinators stated that more often than not, the employees do not report any unpaid breaks when working lengthy overtime hours in contradiction to when regular hours are worked.

- d. Review of forms prepared by the Water Operations, Sewer Operations, Stormwater, Streets & Streetlighting Division payroll coordinators found that they typically have the computer print their signature instead of physically signing the documents which could lead to unauthorized transactions being processed.
- e. Either missing or changed Novatime system entries were not initialed or signed by both the employee and the supervisor to indicate their approval. For example, review of Sanitation's Novatime reports found instances whereby employees did not clock either in or out and the supervisors apparently did not attest to or indicate the missing time but still they were paid their normal shift by the payroll coordinator. Internal Audit had no means to prove or disprove these payments due to the amount of elapsed time.

Additionally, instances were noted where the signed overtime supporting manual documentation contained different hours worked than those actually paid. The differences appeared valid as they adjusted for travel time or to reconcile to Novatime but the documents were not amended accordingly and signed by all parties involved.

Recommendation(s):

Complete, detailed, standardized documentation should be maintained by the Public Works Department's divisions to confirm that overtime hours were fairly assigned and paid in accordance with union contracts, with automation of this documentation wherever possible. Departmental payroll policies and procedures should be uniformly updated and distributed to all payroll coordinators. Furthermore, the implementation of the following recommendations should help ensure that a proper audit trail is maintained:

- a. Employees' refused overtime hours should be immediately added to the applicable overtime reports and treated the same as if they were actually worked for future assignment purposes only.
- b. All employees that agree to be placed on standby and that are compensated accordingly should be required to report to work overtime when contacted. If not, they should be disciplined accordingly (receive a written warning, not be eligible to receive future standby pay, etc.) with the Human Resources Department's approval.
- c. A heading should be added to the Request for Overtime Approval form to indicate if a thirty minute unpaid break was taken by the participating employee(s). Additionally, the operational supervisors based on guidance received from the Human Resources Department Director should ensure that all federal and state regulations are complied with and that all required breaks are taken.
- d. The applicable payroll coordinators and supervisors should manually sign their

names to help prevent the possibility of unauthorized entries.

- e. Any instances where the Novatime system did not properly record the employee's clock in time, clock out time or calculated work hours should be subsequently signed by both the corresponding employee and supervisor to indicate their approval with the listed hours. Similarly, any maintained supporting documentation that differs from the paid overtime hours should be amended accordingly and signed by all involved parties.

Management's Response:

Although each division has their payroll forms and logs, management recognizes that there may be an opportunity to standardize some of the forms across the various divisions, including a field to indicate if a thirty minute unpaid break was taken by the employee. Consequently, a review of payroll related forms has been initiated to identify any such opportunities. With respect to payroll policies, all divisions follow Citywide policies established by the Human Resources Department. Any modifications to these policies by Human Resources is typically adopted by the respective divisions in their internal processes and procedures. The pending implementation of the enterprise Novatime system by the Information Technology Department will also help to address automation, standardization, and efficiency improvement issues.

With respect to overtime documentation observations, management offers the following additional comments:

Documentation of refused overtime:

- Stormwater and Streets Supervisors: Operations Supervisors inform Payroll Staff when an employee refuses overtime. A spreadsheet already exists that captures all overtime hours worked, refused overtime hours not worked and Out-of-Class hours. The spreadsheet is updated monthly and posted in the glass bulletin board as per Union contracts. For better record keeping, an overtime refusal form will be implemented for the employee to sign-off along with respective supervisor. Infrastructure Director approves emergency work and no 30 minute breaks are taken until job is completed.
- Sanitation: The Sanitation Divisions Standard Operating Procedures have been reviewed by management. Supervisors have been instructed that a log must be maintained and posted that tracks not only hours worked by the employee but in addition the hours the employee being offered the overtime chose not to work.
- Property Management: Property Management Division overtime logs maintained by supervisors track refused overtime by employees.

Employees receiving stand-by pay and refusing to report when called not being disciplined:

- Operations Division: When an employee on stand-by cannot report to work due to unforeseen circumstances, it requires the approval of Operations Management and another employee is called in to replace said employee. Employees that show a pattern of refusing overtime stand-by are disciplined. The Operations Division does not currently have this problem. Disciplinary decisions are by the

Operations Infrastructure Director.

- Property Management Division: Property Management Division adhering to Human Resources disciplinary guidelines regarding employee refusal to report for stand-by work.
- Sanitation Division: Sanitation Division adhering to Human Resources disciplinary guidelines regarding employee refusal to report for stand-by work.

Unpaid lunch dinner breaks:

- Operations Division: Operations employees working on overtime jobs are due to take individual breaks, but the job continues until completion. Infrastructure Director approves emergency work and no 30 minute breaks are taken until job is completed.
- Sanitation Division: Sanitation employees are given a scope of work prior to their overtime assignment. Times of breaks are clearly described in this document. Moving forward, a copy of this document (Scope of work) will be given to the payroll coordinator.
- Property Management Division: The Property Management Division has modified its "Supplemental Pay Request" form to document if employee has taken lunch break.

Operations – Computer printing signatures: Effective immediately, payroll coordinators will manually sign their signatures on all payroll documents.

Missing or changed Novatime entries: It is not realistic to have to secure initials or signatures by employee and supervisor for issues associated with changing Novatime entries, unless that change is associated with approved overtime. The majority of Novatime entry changes are associated with correcting fractional time differences not related to authorized overtime. For example, an employee may complete their eight-hour shift and not punch out at the precise time. This could trigger a time worked calculation of 8.02 Hrs. (vs 8.00). In such cases, the payroll coordinator would only correctly adjust the total time worked to 8.0 hours. In cases where authorized overtime was worked but there was a valid discrepancy between the hours paid and properly documented overtime hours, then the appropriate documents could be amended and signatures secured. Another approach being used by the Property Management Division when someone forgets to punch out is for the payroll coordinator to contact a supervisor via e-mail and receive an e-mail response confirming the hours for the employee.

EXIT CONFERENCE

An exit meeting was held on October 18, 2010 to discuss the audit report and to solicit the management responses recorded above. Attendees included Administrative and Business Officer Jorge Cano, Sanitation Division Director Alberto Zamora, Property Management Division Director Duane Knecht, Infrastructure Division Director Michael Alvarez, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Additionally, the audit report was sent on October 20,

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2010 to garner their management responses. All desired management responses were received on December 6, 2010 and were incorporated into this audit report. 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: Jorge Gomez, Assistant City Manager
Fred Beckmann, Public Works Department Director
Alberto Zamora, Sanitation Division Director
Duane Knecht, Property Management Division Director
Michael Alvarez, Infrastructure Division Director
Ramiro Inguanzo, Human Resource Director
Patricia Walker, Chief Financial Officer