

COUNTY AUDIT DEPARTMENT

REPORT # 364

An Audit of:

USE OF OVERTIME PAY

APRIL 12, 2019



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



April 12, 2019

The Honorable Lesley “Les” Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra L. Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the Use of Overtime Pay (Audit Report #364, dated April 12, 2019). Responses to the Audit Team’s recommendations were received from the Directors of Fire Rescue and Public Works and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Directors and personnel of the Fire Rescue and Public Works Departments for this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Lucia Garsys, Chief Development & Infrastructure Services Administrator
Dennis Jones, Director of Fire Rescue
James Hudock, Director of Public Works
Kevin Brickey, Management & Budget Office
Dan Klein, Chief of Staff, Clerk of Court and Comptroller
Rick VanArsdall, Chief Deputy, Clerk to the Board

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EXECUTIVE SUMMARY

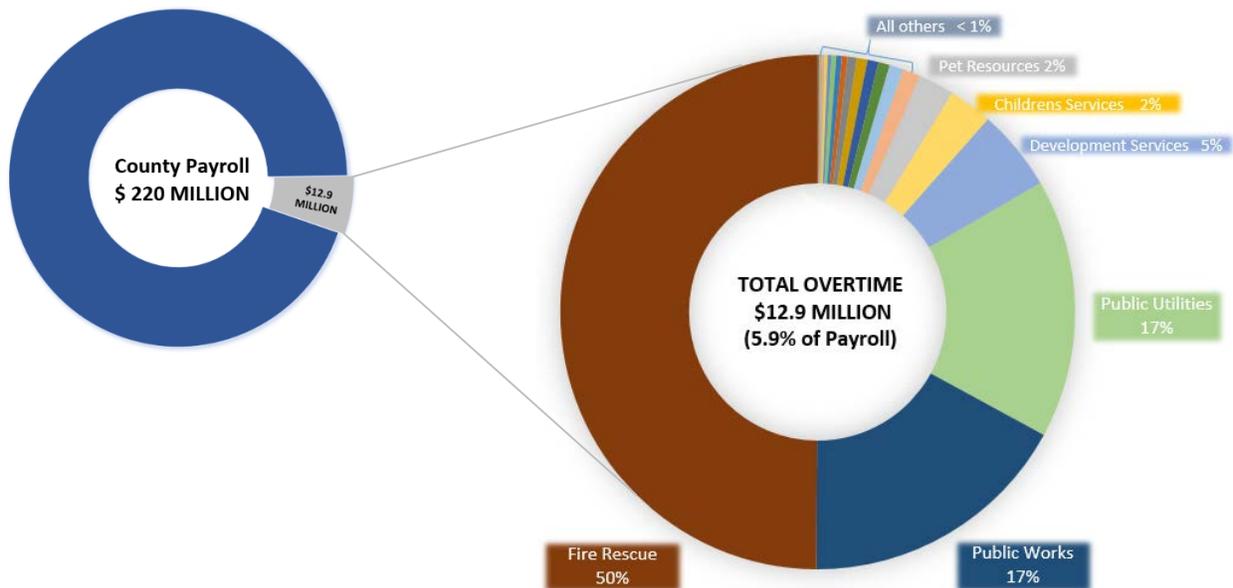
BACKGROUND INFORMATION

Hillsborough County has established policies and procedures for the approval and payment of overtime (County Administration *Overtime Pay Policy 3.1 & 3.2* and *Overtime Allocation Policy 3.3*) as well as negotiated collective bargaining agreements with key government unions such as the American Federation of State, County and Municipal Employees (AFSCME) and the International Association of Fire Fighters (IAFF) which include procedures for:

- Conditions to grant and/or approve overtime pay.
- Calculation of overtime based on position, shift, department, hours worked and circumstances.
- Tracking of overtime and salary expenses related to “state of emergency” or disaster recovery classification.

These overtime policies and procedures are in place to ensure that the County complies with the Fair Labor Standards Act (FLSA) and with collective bargaining agreements.

During fiscal year 2017, County employees earned \$12,895,055 in overtime pay. This includes all planned, unplanned and emergency overtime elements. Overall regular payroll for the same time period was \$220,072,563. The chart below offers additional detail of how the overtime was distributed across County business units.



OBJECTIVE

The objective of the audit was to determine whether or not controls are adequate to ensure overtime hours are approved and calculated accurately and whether or not existing controls would prevent or detect fraudulent use of overtime.

SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of this audit includes transaction and management approval activities associated with overtime pay for the top two business units. Overtime data for these two business units (Fire Rescue and Public Works) was obtained for fiscal year 2017. As displayed on the previous graph, both Public Works and Public Utilities had 17% overtime for this period. However, when the audit scope was defined, Public Works was trending at a higher rate of overtime and therefore was selected for testing along with Fire Rescue.

OVERALL EVALUATION

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	<p><u>Fire Rescue</u></p> <ul style="list-style-type: none"> • Overtime hours were properly approved. • Overtime hours were accurately calculated. • Controls are in place to ensure that potential fraud or abuse of overtime is reasonably mitigated. • <i>Opportunities exist to ensure that the risk of “single point of failure” for TeleStaff administration is mitigated.</i> • <i>There are opportunities to improve the controls over TeleStaff recording overtime and assignment codes.</i> 	6
2	<p><u>Public Works</u></p> <ul style="list-style-type: none"> • Overtime hours were accurately calculated. • Controls are in place to ensure that potential fraud or abuse of overtime is reasonably mitigated. • <i>There are opportunities to improve controls over the process of overtime approvals and adjustments.</i> • <i>Opportunities exist to enhance monitoring controls for overtime.</i> 	10

The Fire Rescue and the Public Works Departments were responsive to the Audit Team's inquiries and provided the information requested. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

OPINION

The control environment relative to the use of overtime for departments in scope is at a formal (defined) maturity level. Management has controls established and documented with a policy structure which reasonably ensures that the assignment and approval of overtime is carried out in an appropriate manner and that tracking and monitoring of overall overtime hours is properly performed on a periodic basis. Opportunities were identified to strengthen the controls related to the approval of overtime as well as the process to timely track and retroactively update the Kronos system's hours based on manual payroll adjustments in Oracle. Addressing these opportunities will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on January 23, 2019.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

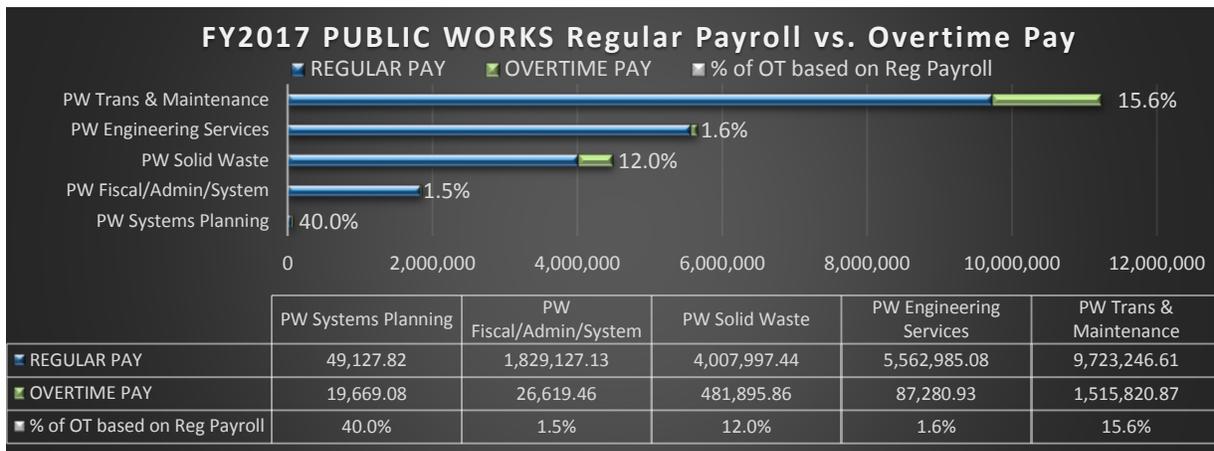
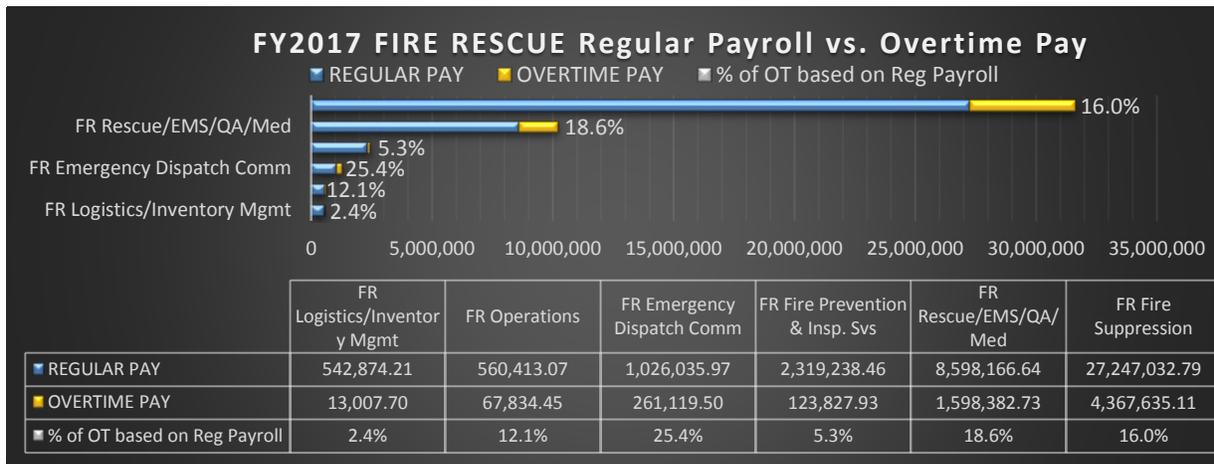
Heidi Pinner, CIA, CISA, CFE, CRMA, Director of County Audit
Margaret Brown, CIA, Audit Manager
Raul Cardona, CIA, CISA, CAMS, Senior Internal Auditor

AUDIT COMMENTS & RECOMMENDATIONS

The objective was to determine whether or not the Fire Rescue and Public Works departments have adequate controls to ensure that:

- Hours are properly approved.
- Hours are accurately calculated.
- Potential fraud/abuse of overtime is reasonably mitigated.

The Audit Team obtained all overtime pay information for Fire Rescue and Public Works between October 1, 2016 and September 30, 2017 (FY17). The Audit Team analyzed this data to determine if the overtime expenses were concentrated in any particular divisions within the two departments. The diagrams below compare the FY17 overtime data to each department’s regular pay for the same period. (Divisions with less than \$10,000 in overtime expenses were deemed immaterial and excluded.)



The Audit Team researched the Public Works Systems Planning Division shown in the previous chart with a 40% overtime pay above the regular pay. Per the analysis performed, there was only one employee assigned under this division name with an average of 10.2 hours of overtime worked on a weekly basis. Per the supervisor, this was due to the nature of the employee's work duties supervising construction work performed by contractors and having to stay onsite frequently to ensure full completion of work.

The Audit Team focused testing on all areas of Fire Rescue (emphasis on Fire Suppression and Rescue/EMS/QA/Medical), as well as the Public Works Transportation Maintenance and Solid Waste Divisions. The Audit Team:

- Performed analyses of the overtime data and trends and determined (with management) the appropriateness of:
 - The 10 employees with the highest overtime pay.
 - The 10 employees with the most instances of overtime (in hours).
 - The 10 supervisors with the highest amounts of overtime approved.
 - Employees with more than 24 hours of overtime paid in a single day.
 - Overtime expenditure by month.
 - Additional trends or anomalies in overtime data as identified.

- Selected a sample of 30 employees' instances of overtime and performed the following steps:
 - Traced the hours from the overtime data (Oracle) and compared them to the hours recorded in the department's time system (TeleStaff and Kronos) to ensure that the hours reconciled.
 - Reviewed evidence of management approvals obtained for the overtime hours worked.
 - Recalculated the overtime pay to ensure that the hours, rates, and descriptions used were in accordance with overtime policy and/or the applicable agreement.
 - Verified the non-exempt status for each employee in the sample to ensure compliance with overtime policy.

- Obtained and reviewed management's supporting documentation, reports, and analyses used to track and monitor overtime pay, to ensure that management is actively monitoring the use of overtime.

AUDIT COMMENT 1

There are opportunities for Fire Rescue to improve controls over recording/assignment overtime codes and TeleStaff system administration.

Testing Results for Fire Rescue

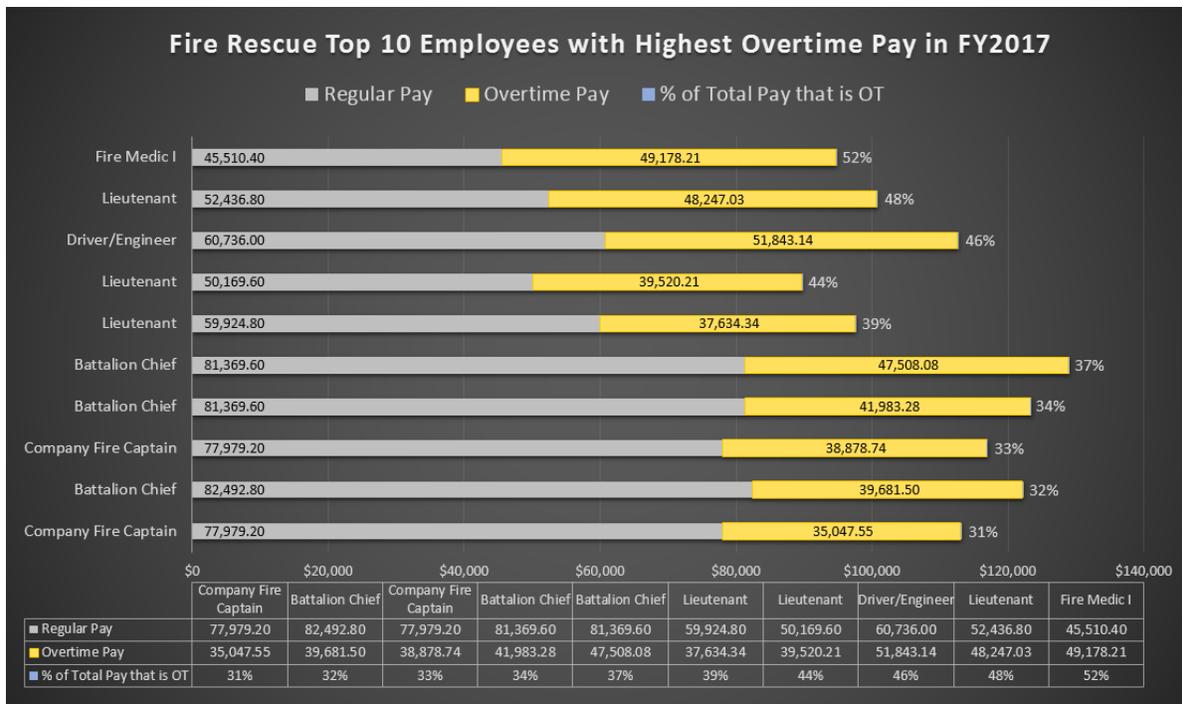
Overtime Trends

As shown in the table below, 89% of Fire Rescue employees earned overtime in FY17 and overtime accounted for 15% of the total payroll expense for the fiscal year.

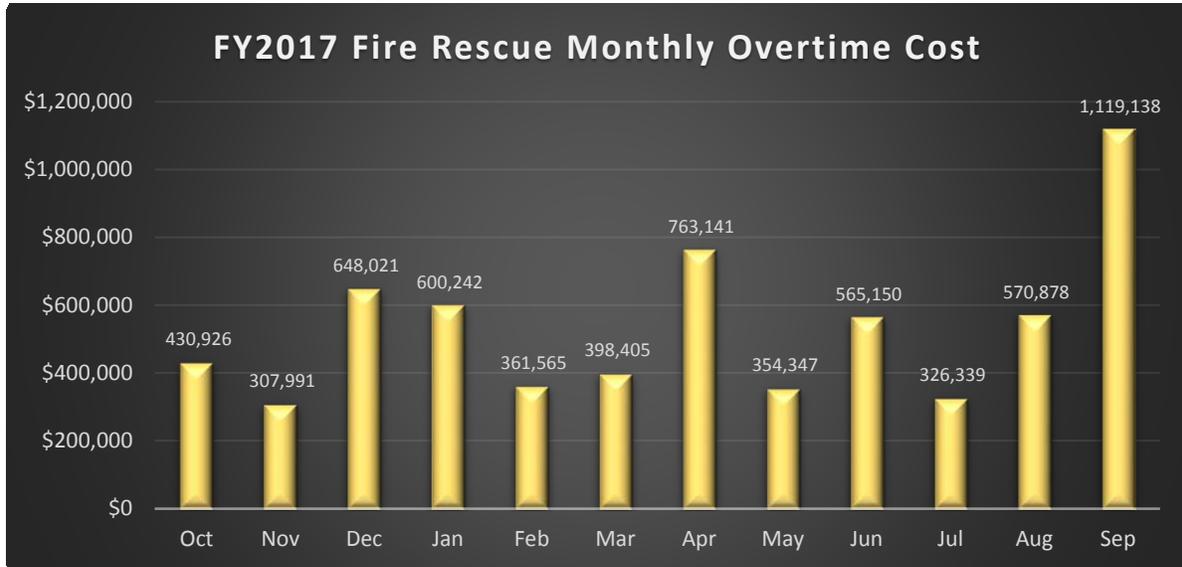
Division	Total Employees	# with Overtime Pay	% with Overtime Pay	Regular Payroll	Overtime Payroll	% of Payroll	Average Overtime Rate	Average Overtime Pay (FY17)
Fire Rescue	1,058	1,001	95%	\$42 M	\$6.4 M	15%	\$35/hour	\$6,440

Overall Fire Rescue Department information for audit scope period.

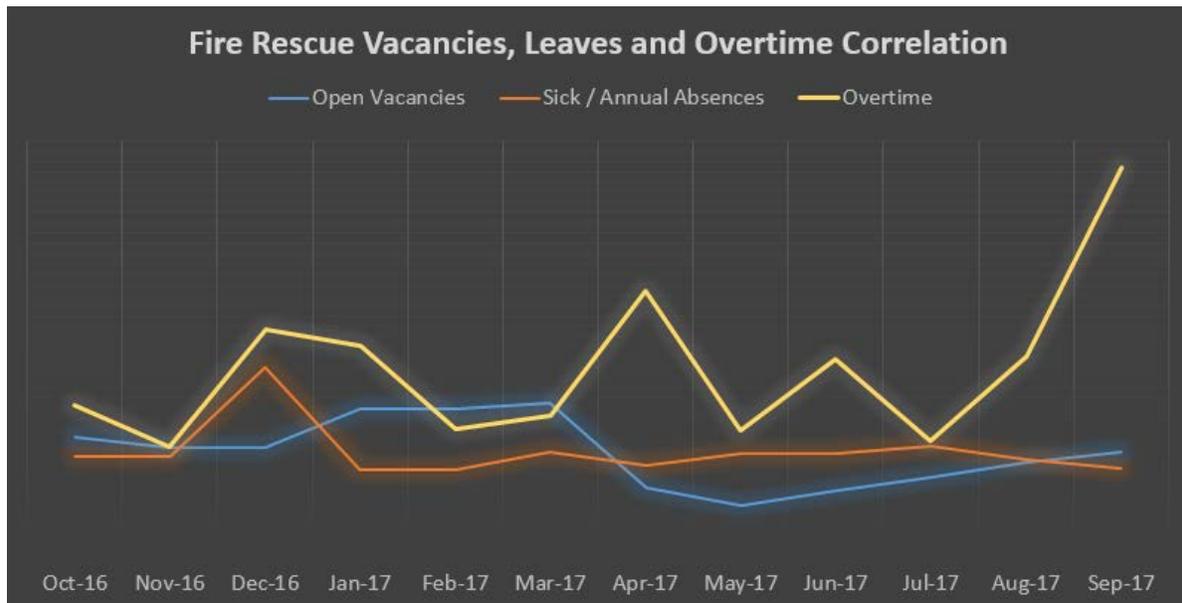
While the average overtime pay per employee remained relatively low at \$6,440 for FY17, the top 10 employees earned approximately 30-50% of their annual income from overtime. (See graph below). The employees and supervisors with the highest amounts of overtime pay, overtime hours, or overtime approvals appear to result from staffing Fire Rescue emergency operations.



The next graph shows the expenditure of overtime for Fire Rescue by month. The month of September was the highest peak in overtime hours primarily due to Hurricane Irma.



Management believes that the spikes in overtime are a result of holidays, vacation periods, sick time and major public events (when big crowds of people cause additional work load). The Audit Team performed a correlation analysis between sick days, position vacancies, and overtime hours. It appears that there is some correlation between sick time and overtime within the holiday months (November and December), however overall there is no meaningful correlation.



Overtime Data Anomalies

The Audit Team identified a total of sixteen (16) instances where an employee had more than 24 hours of overtime paid in a single day. Of the sixteen, 15 (94%) had appropriate support for the overtime adjustment or payment. The one other instance (6%) was an error. Per management, this was a result of a schedule change in TeleStaff which created a duplicate shift. The TeleStaff error was subsequently corrected but the correction did not carry forward to Kronos and resulted in a duplicate payment to the employee for the shift. Management is working with Human Resources (HR) to correct this and has since implemented a control which should detect similar occurrences.

Sample Testing

For the sample of 30 employee overtime instances, the Audit Team determined:

- All instances had the overtime rate and total amount paid properly calculated.
- All employees in the sample had a “non-exempt” status profile, in compliance with the overtime policy.
- Twenty nine out of 30 (97%) instances of overtime hours recorded in Kronos matched the hours recorded in the department time tracking system TeleStaff. One instance of overtime (3%) did not match the hours recorded in the Kronos system. This instance had 2.5 more hours paid than what was recorded in Kronos. Per management, this occurred as a result of a data entry/calculation error when compiling manual timesheets from Hurricane Irma. Management is still working on the hours from this emergency event and validating the accuracy of the manual entries and adjustments.
- All instances of overtime contained proper management approval in TeleStaff.

Overtime Monitoring

The Audit Team was also able to confirm that Fire Rescue Department management uses a series of reports to plan, track and monitor overtime hours and activities on a monthly and yearly basis. However, for FY17, actual overtime utilization exceeded budgeted overtime pay by \$1,781,826.00 or 36% (budgeted OT of \$4,900,000.00 vs. actual OT of \$6,681,826.00).

Additional Observation

While gathering fieldwork information, the Audit Team noted that there are a limited amount of personnel in Fire Rescue with the essential job knowledge regarding payroll and TeleStaff system back-end functionalities. The expertise in these two areas is limited to a single Payroll Administrative Specialist within Fire Rescue and a single individual within the Enterprise Solutions and Quality Assurance (ESQA) department for back end system functionalities.

RECOMMENDATIONS

Management should consider:

1. Establishing controls to ensure that employee schedule changes in TeleStaff are properly performed and that the correct assignment codes are used. Management should also ensure that any modifications to schedules are appropriately reflected in both TeleStaff and Kronos.
2. Monitoring the interface of all manual adjustments performed in Kronos for appropriateness.
3. Ensuring that there is redundancy and a clear definition of roles for the key area of payroll processing/management and the back-end functionality of TeleStaff. This will ensure that there is a backup person to mitigate the “single point of failure” control weakness.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*
3. *Concur*

CORRECTIVE ACTION PLAN:

1. *Issue (a) payroll processing schedule to all supervisors and train supervisory employees on the importance of compliance. This action is believed to provide backup to ensure modifications are recorded accurately in both Telestaff and Kronos. Shift Commanders will monitor Telestaff daily ensuring correct assignment codes.*
2. *Payroll adjustment forms submitted without the appropriate back up (printout of Telestaff change) will not be accepted. All backup documentation will be maintained in a file and randomly audited each pay period by a Fire Rescue internal staff member (See Item 3 below), not initially inputting the data, ensuring compliance and accuracy.*
3. *We will make every effort during FY19 to train an existing Fire Rescue member as an alternate for the Enterprise Solutions and Quality Assurance (ESQA) employee that is currently performing the back end functionality of Telestaff. The assigned individual will receive training in areas of payroll processing/management, and the back end functionality of Telestaff. Fire Rescue will request a new position during the FY20/FY21 budget process, which would allow for a permanent backup to the ESQA employee.*

TARGET COMPLETION DATE:

1. *and 2. 04/15/2019*
3. *11/01/2019*

AUDIT COMMENT 2

Opportunities exist for Public Works to improve controls over the processes for overtime approval, adjustment and monitoring.

Testing Results for Public Works

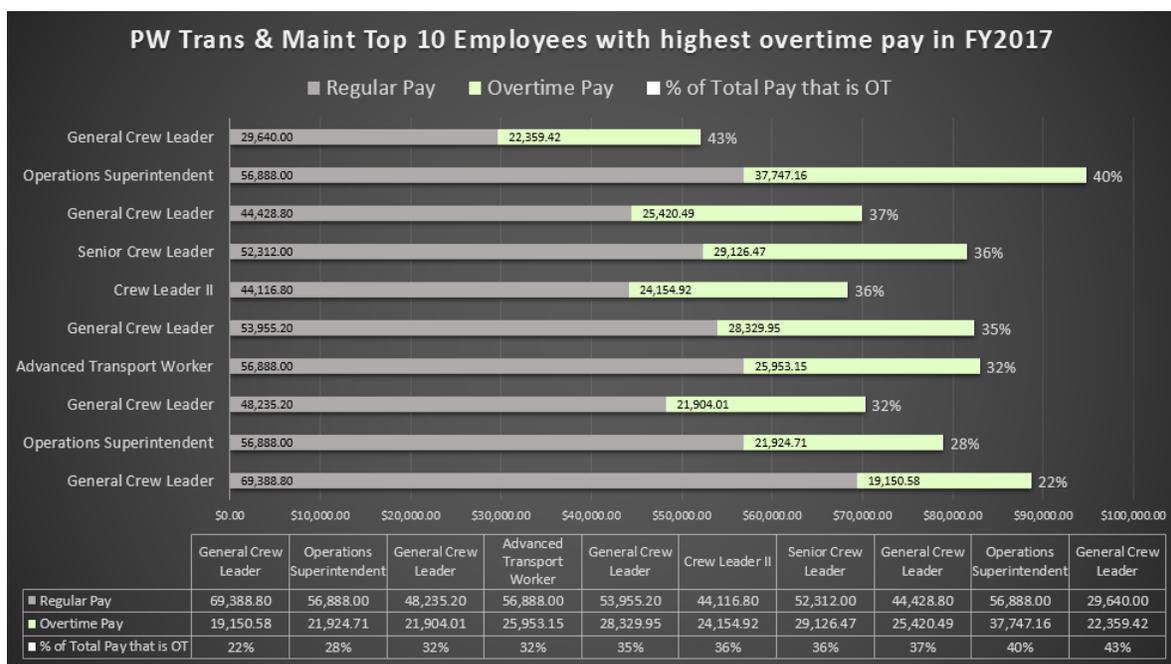
Overtime Trends

As shown in the table below, over 80% of Transportation & Maintenance (TM) and Solid Waste (SW) employees earned overtime in FY17 and overtime accounted for approximately 14.5% of the two departments’ payroll expenses for the fiscal year.

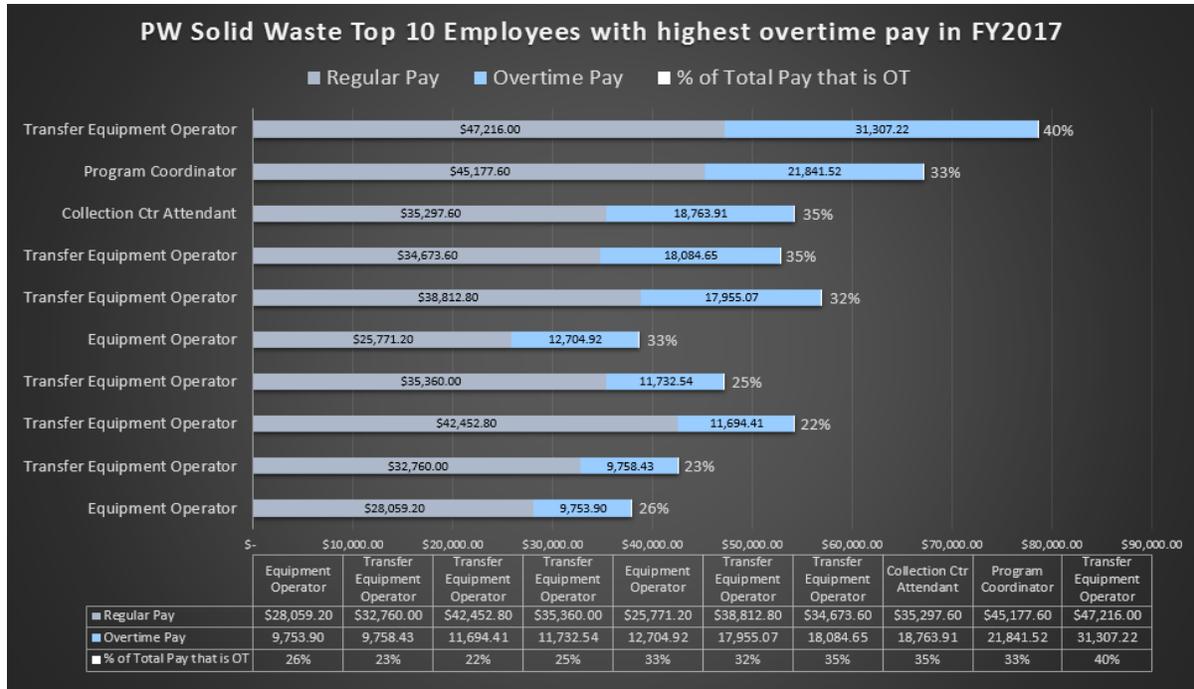
Department	Total Employees	# with Overtime Pay	% with Overtime Pay	Regular Payroll	Overtime Pay	% of Payroll	Average Overtime Rate	Average Overtime Pay (FY17)
Transportation & Maintenance	386	317	82%	\$9.7 M	\$ 1.5 M	15%	\$27/Hour	\$4,781
Solid Waste	132	111	84%	\$4.0 M	\$481,896	12%	\$26/Hour	\$4,341

Overall PW Transportation & Maintenance and Solid Waste Divisions’ information based on audit scope.

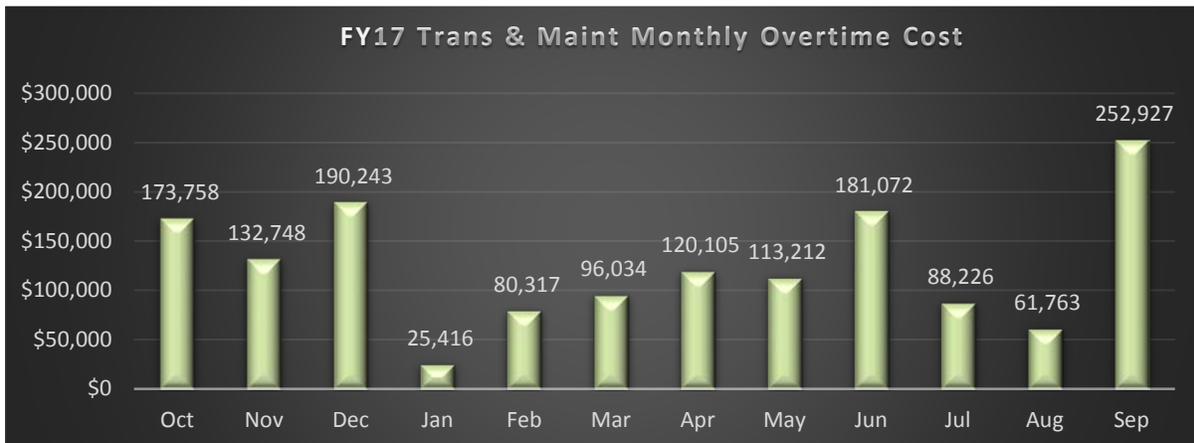
While the average overtime pay per employee remained relatively low at \$4,000 for FY17, the top 10 employees earned approximately 20-43% of their annual income from overtime (see chart below). The employees and supervisors in Transportation & Maintenance who had the highest amounts of overtime pay, overtime hours, or overtime approvals were individuals in charge of emergency work and are assigned to some of the largest maintenance areas in the County.



Per management, the 10 employees/supervisors of Solid Waste with the highest amounts of overtime pay, hours, and approvals were due to the County's hiring freeze, increased tonnage, and multiple non-scheduled outages at the Resource Recovery Facility.



The next two graphs show the expenditure of overtime by month for each department.



A main reason for overtime in Transportation and Maintenance is the rain and storm season from April to September. The storm season has a dual effect on Public Works operations by creating excess workload for management of canals, ditches and pipes while also creating a backlog for services like mowing, tree trimming, pothole patching, ditch digging, etc.



The main reason for overtime in Solid Waste was the utilization of Solid Waste employees during peak mosquito control season in June, and a traditional increase in tonnage for the holidays in December and January. Per management, overtime hours were also influenced by an unprecedented amount of vacancies in FY17 due to the hiring freeze.



The Audit Team performed a correlation analysis of overtime utilization and vacant positions and noted only a minor correlation in the month of December, but overall no meaningful correlation was perceived.

Overtime Data Anomalies

One employee in the Solid Waste Division was identified as having more than 24 hours of overtime pay (specifically 37.5 hours) recorded in one day. The Audit Team determined that this occurrence was a result of a payroll correction. The actual overtime was earned over an eight week period, (December 24, 2016 through February 18, 2017) and was initially recorded as comp time in Kronos. After the fact, the supervisor submitted a manual adjustment request to the Payroll Department to have 37.5 hours paid at the regular overtime rate and comp time reduced by the same. The Payroll Department processed the adjustment as requested. The comp time accrual balance was not reduced to reflect this adjustment in Kronos and ultimately the employee benefited twice for the hours worked (37.5 hours of overtime pay and 56.25 hours of used comp time).

The Audit Team was unable to determine whether or not these manual “comp time to overtime” adjustment errors have occurred persistently throughout the overtime population. Per the Payroll Department, 736 manual adjustments were processed in FY17. These adjustments are not currently tracked by department or by type, therefore there is no reasonable method to expand the audit testing for further exceptions. The ESQA Support Team implemented a manual adjustment procedure for Kronos as of March 2018. However, this process has not been consistently performed since August 2018 because the process owner left the position.

Sample Testing

The sample of employee overtime instances included 20 employees from Transportation & Maintenance and 10 employees from Solid Waste. The Audit Team determined that:

- All instances were properly calculated.
- All instances matched the hours recorded in Kronos.
- Twenty-seven (27) of the 30 instances of overtime (90%) contained evidence of management approval in Kronos. The other 3 instances (10%) did not contain evidence of management approval (1 TM & 2 SW).
- All instances were for “non-exempt” employees in compliance with the overtime policy.

Overtime Monitoring

The Audit Team was able to confirm through supporting documentation that the Public Works Transportation & Maintenance Division uses a series of reports generated in the MaintStar system to plan, track, and monitor project hours and total cost on a monthly and yearly basis. However, no supporting documentation was available regarding an analysis of overtime hours by the Transportation & Maintenance or the Solid Waste Divisions. Therefore, the Audit Team was unable to determine if adequate monitoring controls are in place.

RECOMMENDATIONS

Management should consider:

1. Ensuring that the existing policy for overtime approval and documentation is enforced and that the explanations of employee overtime hours are properly documented in Kronos.
2. Developing budget vs. actual overtime reports and implementing a periodic review and analysis of overtime hours to ensure that overtime is monitored, tracked and that supporting documentation is maintained.
3. Ensuring that balance is maintained in the use of overtime pay for departments, processes and individuals.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*
3. *Concur*

CORRECTIVE ACTION PLAN:

1. *In February 2019, the department implemented measures to include additional information in the comments section of Kronos for the purpose of documenting overtime work (assignment information, project identification or location of project). Management for each unit are responsible for the completeness of this information.*
2. *Each month, a report is generated to monitor actual vs. budgeted for personnel expenses. This information is tracked to ensure appropriate use of overtime.*
3. *The department will develop guidelines to balance and track assignments to the extent possible when overtime is required. In some cases where the work requires certain qualifications, i.e., (commercial driver's license, spray licenses, maintenance of traffic certification, etc.), the assignments will be balanced accordingly. Where employee job classifications are covered by the American Federation State, County, and Municipal Employees (AFSCME) contract, overtime is assigned according to the contract provisions.*

TARGET COMPLETION DATE:

- *02/01/2019*