

**CITYWIDE EMPLOYEE OVERTIME
AUDIT 06-24
AUGUST 28, 2006**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

August 28, 2006

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Citywide Employee Overtime, Audit 06-24

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Citywide Employee Overtime.

We thank the management and staff of all departments for their cooperation and assistance during this audit.

Sincerely,

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue and Finance Director
David Smith, City Attorney
Shirley Foxx-Knowles, City Clerk
Steve Hogue, Police Chief
Dennis Jones, Fire Chief
Santiago Corrada, Neighborhood Services Administrator
Mark Huey, Economic Development Administrator
Steve Daignault, Public Works and Utility Services Administration

CITYWIDE EMPLOYEE OVERTIME
AUDIT 06-24


Auditor


Audit Supervisor


Audit Director

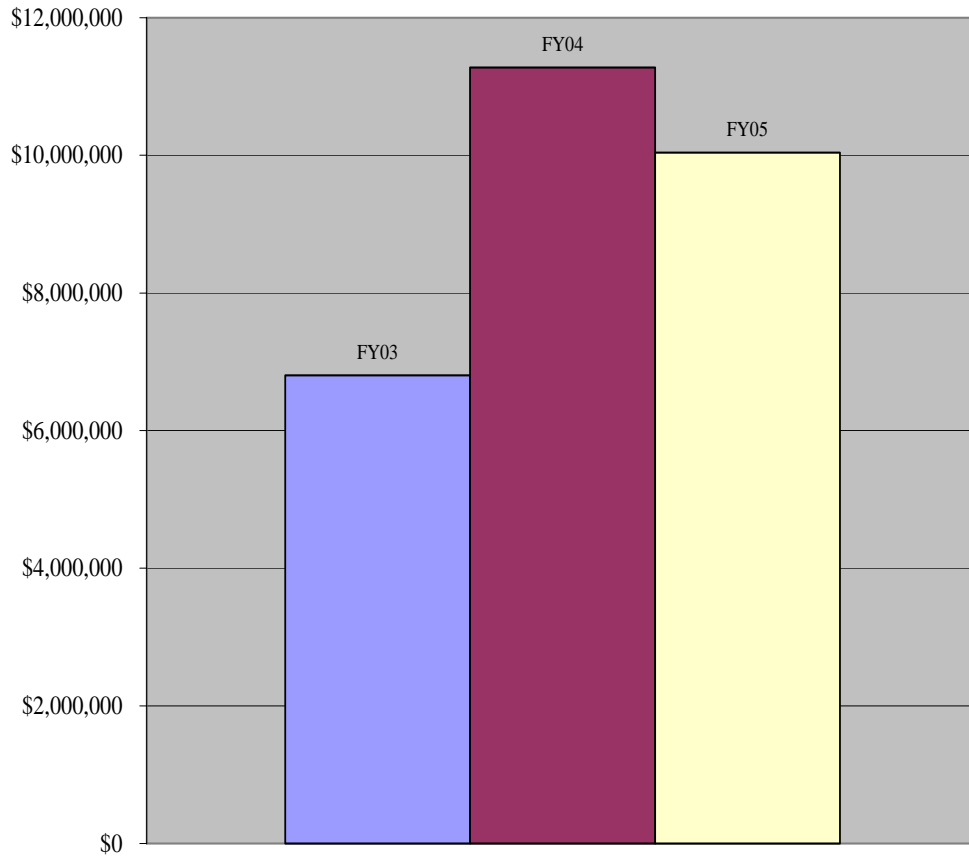
CITYWIDE EMPLOYEE OVERTIME AUDIT 06-24

INTRODUCTION

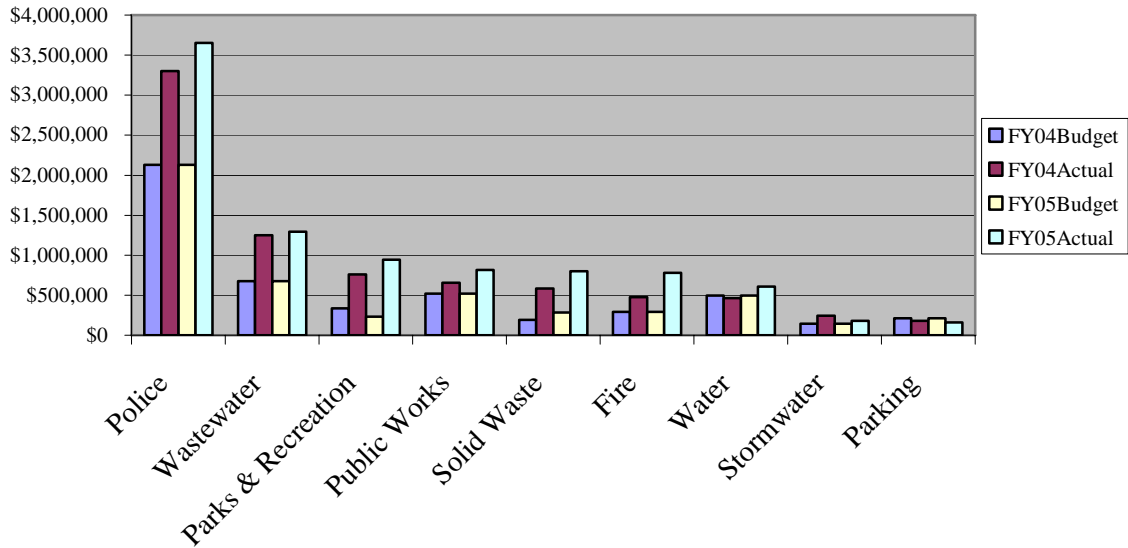
All employees of the City of Tampa receive overtime compensation in accordance with the overtime provisions of the Fair Labor Standards Act. Professional, Administrative, and Technical employees, Supervisory employees, and Police Non-Bargaining Unit employees are compensated for approved overtime in accordance with the City of Tampa Procedures and Standards – Personnel Manual. In addition, overtime for employees covered by a collective bargaining agreement (Police Benevolent Association, Police Benevolent Association for Lieutenants, Local Union No. 754, International Association of Firefighters, AFL-CIO, and the Amalgamated Transit Union (Local 1464) are handled in accordance with the overtime provision in the union contracts.

STATISTICS

FY03-FY05 CITYWIDE OVERTIME PAID



FY04-05 OVERTIME BY DEPARTMENT



The information reflected above was obtained from FAMIS (FAML6750) and the applicable budget supplement for the fiscal years shown. Overtime expenses increased more than \$4 million dollars, or 66%, from FY03 through FY04. However, expenditures only increased slightly more than \$1.3 million from FY04 through FY05. A considerable portion of overtime for FY04 was attributed to the active hurricane season experienced from June through September.

As identified in the departmental detail chart, the Police Department is typically the largest user of overtime dollars. It should also be noted that the budget dollars are often much less than the preceding year's actual dollars spent.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY06 Audit Agenda. The objectives of this audit were to ensure that:

1. Overtime was properly approved.
2. Exempt employees used the proper leave type for absences of less than one day.
3. Use of standby and recall pay was appropriate.

4. The process used for approving overtime was proper.

STATEMENT OF SCOPE

The audit period covered overtime activity that occurred from April 2004 through April 2006. Source documentation was obtained from Central Payroll and Human Resources. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit objectives, reliance was placed on computer-processed data contained in the city's PeopleSoft and Payroll time and Attendance (PTA) systems. PeopleSoft was reviewed during the most recent external audit by KPMG (draft dated January 26, 2006). There were two items addressed associated with PeopleSoft in the management letter. It was noted access for one senior security systems analyst with authorization to powerful system level IDs was not revoked when the employee terminated. The ability to make changes to the pay rate codes was not restricted properly, since one user was identified as having inappropriate access.

The information from PTA is uploaded to PeopleSoft for actual disbursement to the employees. Therefore, only the PeopleSoft system was evaluated. We assessed the reliability of the data contained in PeopleSoft by conducting sufficient tests of access and comparing the original document to the final record. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Overtime was not properly approved.
2. Exempt employees used the proper leave type for absences of less than one day.
3. Use of standby and recall pay was appropriate.
4. The process used for approving overtime did not comply with the City's policy.

While the findings discussed below may not, individually or in the aggregate, significantly impair the Citywide operations, they do present risks that can be more effectively controlled.

OVERTIME APPROVAL

The primary focus of this audit was to determine if paid overtime had been approved in advance by the Department Director in accordance with established policies and procedures. A sample of 103 transactions involving the payment of overtime, to multiple employees, was reviewed. The review disclosed only one instance that documented approval, in advance, by the applicable Director.

In an effort to determine how departments processed overtime requests, a survey was sent to either the Deputy Director or Administrative and Fiscal Manager requesting information regarding their internal procedures. The most frequent response received from departments was that someone other than the Director authorized approval for an employee to work overtime. A discussion with Human Resources Management was held to determine if it is more practical to have the written approval for overtime to be obtained at a more operational level. However, Human Resources Management indicated that approval by the Director is required by the Chief of Staff and that the policy had been revised to outline the responsibility of the Director with regard to approving overtime in advance.

We are aware that overtime cannot be totally eliminated, since in many instances it is the most cost effective means of providing required additional staffing. The challenge to management is in determining that the additional hours are necessary and that overtime is the only alternative available.

The Personnel Manual, policy B4.1—Overtime was revised, with an issue date of March 20, 2006. The revision stipulates that Directors are responsible for managing overtime within their department. However, a comparison between the revised policy and the survey responses from the departments, which were due by May 1, 2006, disclosed that some departments were delegating overtime approval to lower management levels. As a method for controlling expenditures, a top level (Director) review is essential to ensure that overtime is worked only when necessary.

RECOMMENDATION

In order to ensure overtime expenditures are controlled in an effective manner, Management should ensure that all Directors, and their staff, are aware of, understand, and are held accountable for their role in the revised overtime policy.

AUDITEE RESPONSE

We concur. The revisions to the policy, B4.1 overtime (Personnel Manual) issued on March 20, 2006 were made to effect a better understanding of the importance of department directors and management verifying the purpose of overtime assignments. That policy does permit delegation of the approval process but the overall responsibility for controlling overtime and verifying its necessity rests with the department directors. On June 19, 2006 changes to the form, Request for Advance Approval of Overtime, were issued to all departments (memo attached). (Auditor's note: memo not included in report.) The revisions

to this form accomplish a number of improvements, including clarification on the approval and justification process. We are hopeful that it will improve performance.

Additionally, the Chief of Staff has issued a quarterly report process with the administrators providing information on overtime usage in their departments. This is intended to provide an additional tool to control and verify the use of overtime expenditures.

For further emphasis, correspondence to departments will be prepared for the Chief of Staff's review and will include emphasis on the need for adherence to the policy.