

June 30, 2016

The Honorable Alan P. Krasnoff and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

We have completed our review of Citywide Overtime for the period July 1, 2012 to June 30, 2015. Our review was conducted for the purpose of determining whether City departments were providing overtime oversight in an economical, efficient, and effective manner, whether goals and objectives were being achieved, and whether the City was complying with applicable department, city, state, and federal requirements and procedures related to overtime.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City provided guidance on overtime to employees and supervisors through Administrative Regulations and an Employee Handbook. Additionally, several departments provided additional guidance through departmental policies and instructional emails. City departments were responsible for overtime expenses for their assigned employees. The City used MUNIS and Kronos to maintain required Fair Labor Standards Act record-keeping for pay, pay cycles, and hours worked.

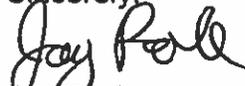
For Fiscal Year (FY) 2014-2015, the City had an overtime budget of \$4,918,714 and had incurred actual overtime expenses of \$6,201,863, thus exceeding its overtime budget by \$1,283,149.

To conduct this audit, we reviewed the federal Fair Labor Standards Act (FLSA), Virginia's law on overtime for sworn police, fire, and sheriff's department employees, and also reviewed and evaluated City and departmental policies and procedures. We also reviewed consultant and internal studies of staffing levels for certain City departments, as well as prior performance audits which identified staffing shortages. We also evaluated historical payroll information from the City's MUNIS Payroll system and PeopleSoft financial system. Finally, we held discussions with department heads and their staff in relation to overtime management and accounting.

Based on our review, we determined the City had provided adequate oversight and compliance with overtime policies, procedures and legal requirements, and City departments generally attempted to minimize overtime. However, we did identify several areas of concern that needed to be addressed. Overtime pay often resulted from vacancies in approved positions, with higher paid employees incurring overtime to cover vacant entry level positions in some instances. Also, the City lacked an automated notification mechanism when Overtime Leave (OTL) balances exceeded the FLSA maximum.

This report, in draft, was provided to City officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City management and Department management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole

City Auditor

City of Chesapeake, Virginia

C: James E. Baker, City Manager