



CITYWIDE OVERTIME

SPECIAL AUDIT

JULY 1, 2012 THROUGH JUNE 30, 2015

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

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.

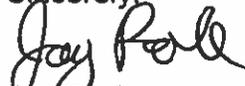
For Fiscal Year (FY) 2014-2015, the City had an overtime budget of \$4,918,714 and had incurred actual overtime expenses of \$6,201,863, thus exceeding its overtime budget by \$1,283,149.

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

Managerial Summary

A. Objectives, Scope, and Methodology

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.

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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. Table 1 below shows budgeted versus actual overtime for City departments during the FY 2015 fiscal year.

Table 1
FY15 Operating Budget vs. Actual Overtime Expense

Department	Budget	Actual
Board of Elections	\$8,582.00	\$7,554.89
Bureau of Community Programs	\$0.00	\$32.47
Central Fleet	\$25,000.00	\$54,664.10
City Clerk	\$3,000.00	\$2,708.13
City Manager	\$0.00	\$1,808.11

Department	Budget	Actual
Commissioner of Revenue	\$0.00	\$6,126.99
Conference Center	\$1,000.00	\$0.00
Customer Contact Center	\$5,000.00	\$58.72
Development & Permits	\$41,125.00	\$61,210.42
Fire	\$1,277,991.00	\$1,836,229.55
Health	\$0.00	\$13.34
Human Services	\$81,566.00	\$207,976.45
Integrated Behavioral Health CIBH	\$0.00	\$251,680.27
Parks, Recreation & Tourism	\$31,050.00	\$103,818.03
Police	\$1,628,053.00	\$1,849,010.97
Public Communications	\$8,785.00	\$5,468.54
Public Utilities	\$848,697.00	\$898,293.24
Public Works	\$600,569.00	\$649,671.57
Purchasing	\$0.00	\$21.38
Sheriff	\$358,296.00	\$265,516.10
GRAND TOTAL	\$4,918,714.00	\$6,201,863.27

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.

Major Observations and Conclusions

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.

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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.

B. Performance Information

For purposes of overtime compensation, the FLSA had two distinct classifications of employees: 1) exempt employees who were not generally eligible for overtime pay; and 2) non-exempt (or partially exempt under Section 207(k) of the FLSA, in the case of sworn public safety) employees who were eligible for overtime pay. Although employers were responsible for making the initial determination, FLSA required documentation of each employee's status and the time and form of the hours worked or not worked during their scheduled work week or work period.

Each City department decided whether general employees working in excess of 40 hours within a work week would be compensated by overtime leave or overtime pay. Payment of overtime was calculated using the employee's regular pay rate (and any additional pay and allowance which affected the compensation) for a 40 hour work week. Overtime leave hours were accrued at one and a half hours for every hour worked over 40 hours in a work week.

Significant portions of City overtime was related to events (such as snowstorms) and subsequent recovery from those events. Routine planned and scheduled maintenance was postponed due to the need to prepare and respond during weather-related events. Departments such as Public Works, Parks and Recreation, and Public Utilities would be required to divert staff for preparations work and go to on-call and/or shift work for the storm. Recovery after an event often would require additional overtime to catch up on normal maintenance that had been postponed during the storm.

C. Staffing & Service

Finding – Overtime pay was often the result of vacancies in approved budgeted positions.

Recommendation – The City should take steps to reduce the number of recurring vacancies that drive overtime costs.

The City should review classification and compensation for frequently vacated positions and make adjustments as necessary. Additionally the City should evaluate and optimize the time required for training staff hired for these positions so that they can be placed as quickly as feasible.

Response – We agree with the auditor concerning the need to reduce the number of recurring vacancies, and we continuously seek to reduce the time it takes to replace vacant positions. Vacancies occur for a variety of reasons, including retirements, relocations, other opportunities, and job dissatisfaction. It appears that employee turnover is increasing as the economy improves and more opportunities are available. The city seeks to stem job losses by improving pay and working diligently to hire candidates whose interests are closely aligned with job openings. Frankly, we will likely see an increase in turnover due to the introduction of the VRS hybrid retirement plan. The defined benefit component of the plan for new general workforce employees is much less substantial than that of existing employees in VRS Plan 1 or 2 which encourages job movement.

Generally, the Human Resources Department conducts benchmark reviews annually on key job classifications to determine the City’s competitive position in the market. Based on the evaluation of comparator data, recommendations are made for market adjustments as warranted. In FY 14, an extensive review was conducted on all public safety job classifications, and pay ranges were adjusted in FY 15 based on the results of the market review. An exhaustive review of general employee job classifications was completed in FY15. As a result, specific job classifications were recommended for market adjustments.

Specifically to address employee pay concerns, the City has implemented several initiatives within the last two fiscal years. Compression adjustments for full-time employees were implemented in FY 15 (public safety) and FY16 (general employees). A salary adjustment plan for part-time and seasonal/substitute employees will be implemented in the upcoming fiscal year. In addition, a merit pay program was introduced in FY15 to recognize and reward the contribution of high performers within the City. The City has also committed to updating and funding career path plans, which have been inactive for several years, for sworn public safety personnel in order to sustain a high level of performance in these departments. Within the last couple of years, career path plans have completely overhauled for other difficult to recruit and/or retain positions such as Forensic Technicians, Fleet Technicians and Water Treatment Plant Operators. We anticipate these initiatives will serve to improve employee morale and retention.

With regard to vacancies, we typically have many in public safety departments since new employees enter lengthy training academies that generally start once each year. The City will continue to explore strategies that will allow it to more rapidly start academies with sufficient cadets to fill all open positions. We will also review existing procedures in Public Works and Public Utilities in order to address large vacancy rates in those departments.

D. Oversight

Finding – The City did not have an automated notification mechanism when Overtime Leave (OTL) balances exceeded the FLSA maximum.

Recommendation – The City should explore methods of automating the notification when OTL balances exceeded the FLSA maximum.

Response – The City’s Kronos system, as mentioned earlier, is capable of tracking overtime leave earned, taken and balances. This capability is used to record the City’s liability at the end of the fiscal year as a result of the earned overtime leave that has not yet been taken. Regular monitoring of the earned Overtime leave is available to Managers each pay cycle as during the sign off process employee’s timecards the status of this information is reflected on screen. Additionally leave balance reports for all leave categories are available on demand for Managers to monitor collectively as well.

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A. Objectives, Scope, and Methodology

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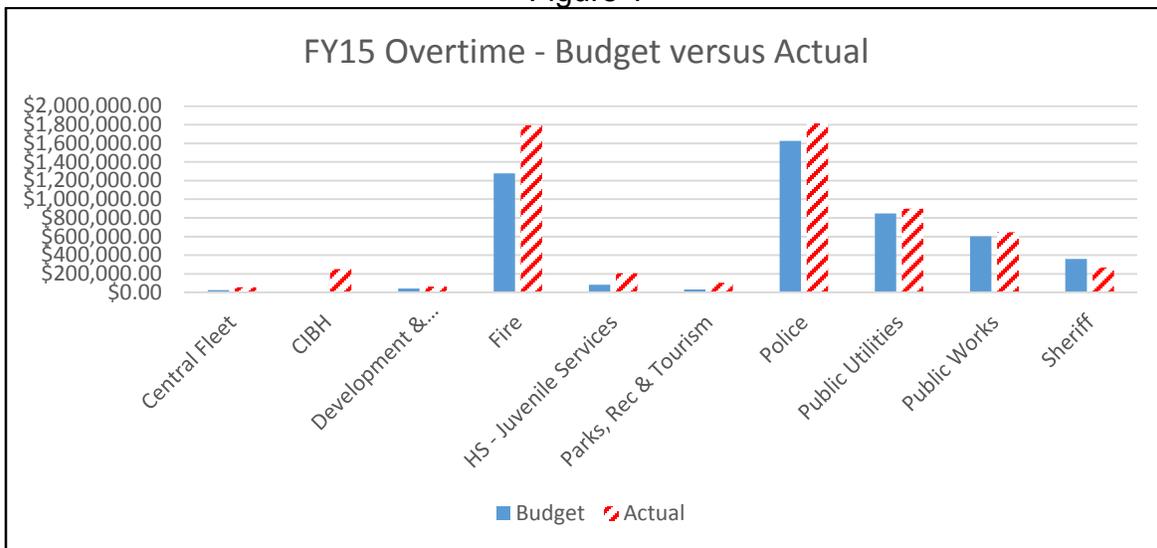
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Figure 1



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.

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Methodology

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 consultants' and internal studies of staffing levels of City departments, as well as prior performance audits which identified staffing shortages.

We collected data from City Operating Budgets for Fiscal Years FY 2013 to FY 2015. We also evaluated historical information from the MUNIS payroll and PeopleSoft financial systems and performed statistical analysis of the data. Additionally, we conducted interviews with various City department heads and their staffs relative to overtime management. We compared explanations to policies and regulations and historical data. Finally, we reviewed prior performance and special audits and compared them to existing conditions within the audit scope.

B. Performance Information

1. Fair Labor Standards Act (FLSA)

For purposes of overtime compensation, the FLSA had two distinct classifications of employees: 1) exempt employees who were not generally eligible for overtime pay; and 2) non-exempt (or partially exempt under Section 207(k) of the FLSA, in the case of sworn public safety) employees who were eligible for overtime pay. Although employers were responsible for making the initial determination, FLSA required documentation of each employee's status and the time and form of the hours worked or not worked during their scheduled work week or work period.

Contrary to common misconceptions, FLSA did not mandate work breaks, vacation or sick leave, the timing of the work week, or length of the work day. For City general (i.e. non-public safety) employees, FLSA did require the employer to compensate the employee at the rate of time and one-half for hours worked over 40 hours in a given work week. The law also required the employer to set the work week for 168 consecutive hours. Additionally, the law required the employer to allow the employee to have an uninterrupted lunch period when a lunch period was included in the work day, or compensate the employee for the time worked.

In 2014, the federal Department of Labor (DOL) announced a proposal to evaluate and increase the pay range threshold for exempt employees. In July 2015, the DOL's Wage and Hour Division opened for public comment proposed changes to the 40th percentile of weekly earnings for full-time salaried workers for a line of demarcation between exempt and nonexempt employees. This salary level was selected to minimize the risk that employees legally entitled to overtime would be subject to misclassification based solely on the salaries they received. Under the proposal, the existing salary threshold of \$455 a week (the equivalent of \$26,660 annualized) would increase to about \$913 a week (the equivalent of \$47,476 annualized) in 2016. The deadline for public comment was September 4, 2015. Over 200,000 comments supporting or opposing the rules change were received. Within the City, Human Resources proactively identified the job classifications that would be affected if passed as written and began identifying proposed changes to the City's regulations, policies, and ordinances that might require updates. Human Resources identified 56 exempt job classifications and 182 incumbents that could become non-exempt.

The DOL Final Rule was adopted May 18, 2016 with an effective date of December 1, 2016. The Final Rule automatically updated the salary threshold every three years based on wage growth over time. The final rule did not make any changes to the duties test for executive, administrative and professional employees.

2. Fire Protection and Law Enforcement distinction in State law.

State law defined "Fire protection employee" as "any person, other than an employee who is exempt from the overtime provisions of the Fair Labor Standards Act, who is employed by an employer as a paid firefighter, emergency medical services provider, or hazardous materials worker who is (i) trained in fire suppression and has the legal authority and responsibility to engage in fire suppression and is employed by a fire department of an employer and (ii) engaged in the prevention, control, and extinguishment of fires or response to emergency situations where life, property, or the environment is at risk."

Additionally, State law defined "Law-enforcement employee" as "any person who is responsible for the prevention and detection of crime and the enforcement of the penal, traffic or highway laws of the Commonwealth, other than an employee who is exempt from the overtime provisions of the Fair Labor Standards Act, and who is a full-time employee of either (i) a police department or (ii) a sheriff's office that is part of or administered by the Commonwealth or any political subdivision thereof." State law also required that, for purposes of computing fire protection or law-enforcement employees' entitlement to overtime compensation, all hours that an employee worked or was in a paid status during his regularly scheduled work hours shall be counted as hours of work.

One of the main factors creating overtime for police officers was appearances in court. To maintain viable and effective street coverage, officers had to schedule court appearances on days off. The time spent waiting to testify and testifying was compensated as overtime for police officers. Other City employees required to testify in court, such Animal Control Officers and Code Compliance Inspectors, generally did so as part of their regular workday.

3. Pay Schedule

Each City department decided whether general employees working in excess of 40 hours within a work week would be compensated by overtime leave or overtime pay. Payment of overtime was calculated using the employee's regular pay rate (and any additional pay and allowance which affected the compensation) for a 40 hour work week. Overtime leave hours were accrued at one and a half hours for every hour worked over 40 hours in a work week.

The City maintained both a semi-monthly and a weekly pay schedule. While the weekly payroll was paid after the completion of the payroll period, the semi-monthly payroll was paid currently, i.e. on the last day of the pay period or occasionally several days before the pay period ended. Normally the payroll submission deadline was approximately one week before the payroll date, thus, any overtime incurred subsequent to that date had to be paid in a later pay period.

4. Causes of Overtime.

Significant portions of City overtime was related to events (such as snowstorms) and subsequent recovery from those events. Routine planned and scheduled maintenance was postponed due to the need to prepare and respond during weather-related events. Departments such as Public Works, Parks and Recreation, and Public Utilities would be required to divert staff for preparations work and go to on-call and/or shift work for the storm. Recovery after an event often would require additional overtime to catch up on normal maintenance that had been postponed during the storm.

Due to vacancies and the 24-hour coverage, scheduled overtime occurred in several departments. Some examples include:

- Public Utilities had water treatment facility employees who worked a 36-hour schedule one week followed by a 48-hour schedule the subsequent week, thus earning eight hours of overtime.
- Chesapeake Integrated Behavioral Healthcare (CIBH) provided 24-hour coverage for their clients, which frequently required scheduling overtime.
- Emergency Communication Center employees operated on rotating 12-hour shift to minimize the effects of vacancies. Although scheduled work hours were adjusted to achieve 40 hours, training or absences often resulted in overtime leave.

Table 2
Citywide Overtime

FY 2013	FY 2014	FY 2015
\$3,343,891.99	\$4,624,159.17	\$6,201,863.07

C. Staffing & Service

Finding – Overtime pay was often the result of vacancies in approved budgeted positions.

According to City Administrative Regulation 2.08, “The authorization and control of all overtime work is the responsibility of the department head.” Most departments had staffing levels that, assuming budgeted positions were filled consistently, would allow them to adequately manage and control their overtime costs.

While much of the City’s overtime expense was event driven (i.e. for items such as snowstorm preparation and recovery), other overtime was the result of vacancies in approved budgeted positions. Table 3 below shows overtime in the 12 City departments that incurred overtime costs exceeding \$20,000/year from FY 2013 to FY 2015.

Table 3
Historical Overtime Cost by Department

Department	2013	2014	2015
Board of Elections	\$31,154.93	\$7,749.56	\$7,554.89
Integrated Behavioral Healthcare (CIBH)	\$70,003.26	\$110,869.22	\$251,680.27
Development and Permits	\$30,232.83	\$36,679.99	\$61,210.42
Fire	\$904,296.47	\$1,198,215.39	\$1,836,229.55
Garage/Fleet	\$20,529.99	\$40,044.07	\$54,664.10
Human Svcs – Ches Juv Svcs	\$91,658.73	\$78,370.37	\$204,471.12
Parks Rec and Tourism	\$31,726.80	\$78,572.07	\$103,818.03
Police	\$1,499,132.47	\$1,696,343.86	\$1,849,010.97
Public Utilities	\$833,575.17	\$952,634.29	\$898,293.24
Public Works	\$366,917.86	\$421,183.30	\$649,671.57
Sheriff	\$447,224.88	\$377,289.52	\$265,516.10

Figure 2
Overtime expense (Departments with overtime costs exceeding \$20,000)

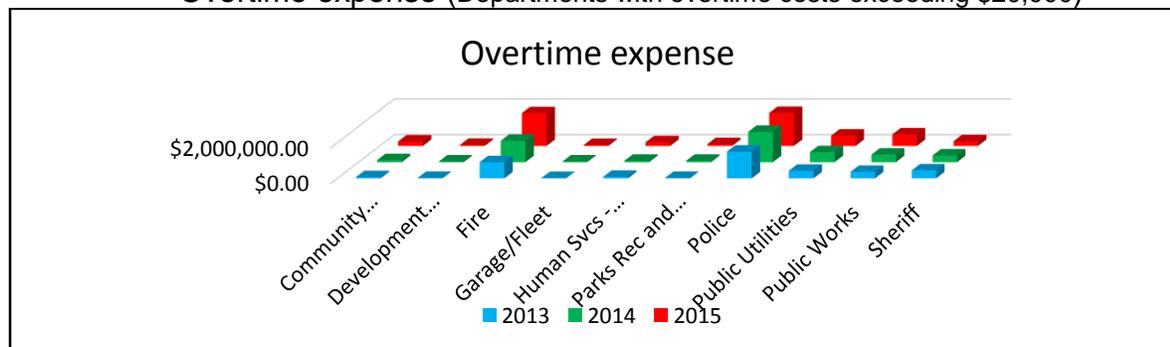


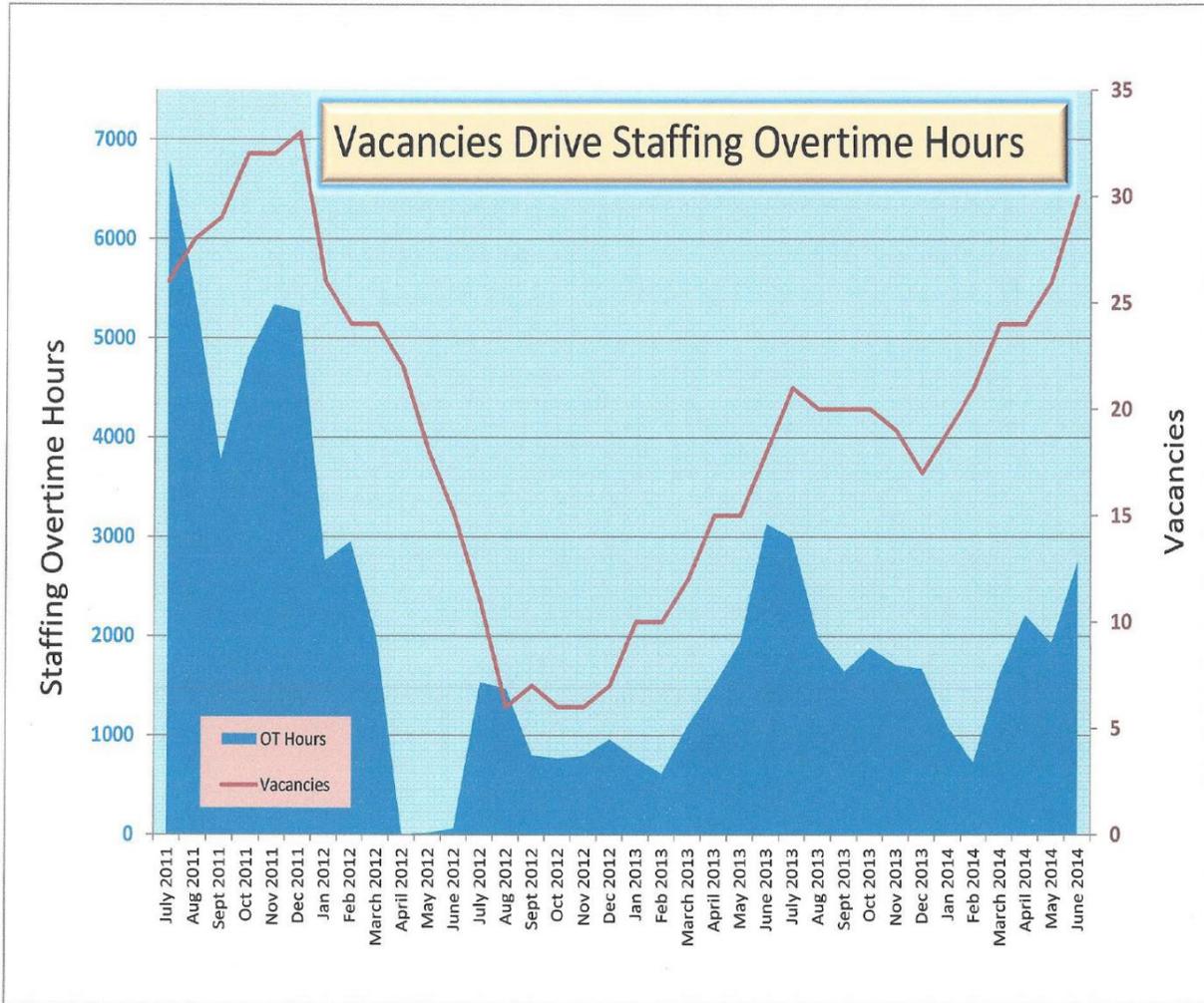
Table 4 below shows the City’s top overtime earners in FY 2015. Note that 26 of

the 35 were from the Fire Department, and 9 of the top 15 overtime earners were Fire Captains and Lieutenants (LT).

Table 4
Top 35 Overtime Earners Citywide – FY 2015

Job Title	Department Name	Total Hours	Regular Pay	Regular Hours	Overtime Paid	OT Hours
FIREFIGHTER/EMT	FIRE SUPPRESSION/ADMIN	4565.17	\$51,880.00	2911.92	\$45,365.79	1653.25
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3922.92	\$80,254.88	2911.92	\$43,878.43	1011
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	4055.67	\$58,385.64	2911.92	\$35,877.63	1143.75
FIREFIGHTER/EMT	FIRE SUPPRESSION/ADMIN	4149.17	\$52,590.66	2951.92	\$33,247.20	1197.25
FIREFIGHTER/PARAMEDIC	FIRE SUPPRESSION/ADMIN	3970.17	\$56,843.60	2911.92	\$32,483.08	1058.25
SENIOR FIREFIGHTER	FIRE SUPPRESSION/ADMIN	3726.17	\$72,235.05	2911.92	\$32,459.53	814.25
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3652.17	\$77,360.83	2911.92	\$31,443.46	740.25
GENERAL SUPERVISOR	PUB UTIL SEWER	2832.59	\$60,540.77	2136.34	\$29,503.09	696.25
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	3543.67	\$81,999.23	2911.92	\$28,933.64	631.75
GENERAL SUPERVISOR	PUB UTIL SEWER	2893.34	\$51,566.75	2105.34	\$28,891.27	788
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3729.42	\$63,595.83	2911.92	\$28,492.81	817.5
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3448.17	\$92,904.84	2911.92	\$28,091.83	536.25
FIREFIGHTER/EMT	FIRE SUPPRESSION/ADMIN	3901.67	\$52,003.06	2911.92	\$27,766.87	989.75
FIREFIGHTER/EMT	FIRE SUPPRESSION/ADMIN	4025.42	\$45,444.37	2911.92	\$27,297.72	1113.5
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3607.67	\$69,880.28	2911.92	\$26,843.40	695.75
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	3598.67	\$68,673.39	2911.92	\$26,186.73	686.75
STOREKEEPER SUPERVISOR	PUB UTIL WATER	3215.09	\$41,324.18	2263.09	\$25,934.40	952
FIREFIGHTER/PARAMEDIC	FIRE SUPPRESSION/ADMIN	3592.67	\$65,418.92	2911.92	\$24,673.66	680.75
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	3640.17	\$57,823.01	2911.92	\$23,455.43	728.25
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	2766.28	\$73,604.84	2322.53	\$23,139.10	443.75
SENIOR POLICE OFFICER	POLICE INVESTIGATIONS	2611.34	\$60,617.64	2079.84	\$23,126.20	531.5
FT CENTRAL RECORD SUPV	POLICE SUPPORT	2940.09	\$42,114.00	2160.34	\$22,756.40	779.75
FIREFIGHTER/EMT	FIRE SUPPRESSION/ADMIN	3777.17	\$47,534.95	2911.92	\$22,389.94	865.25
FIREFIGHTER/PARAMEDIC	FIRE SUPPRESSION/ADMIN	3638.67	\$54,567.84	2911.92	\$21,878.44	726.75
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	3357.42	\$84,458.83	2911.92	\$21,632.45	445.5
FIREFIGHTER SPECIALIST	FIRE SUPPRESSION/ADMIN	3493.92	\$64,913.82	2911.92	\$21,251.94	582
MASTER POLICE OFFICER	POLICE INVESTIGATIONS	2508.34	\$68,673.46	2079.84	\$21,197.43	428.5
SENIOR POLICE OFFICER	POLICE INVESTIGATIONS	2566.59	\$59,867.56	2079.84	\$20,983.28	486.75
SENIOR FIREFIGHTER	FIRE SUPPRESSION/ADMIN	3438.42	\$69,403.48	2911.92	\$20,819.52	526.5
FIRE LIEUTENANT	FIRE SUPPRESSION/ADMIN	3358.17	\$77,292.88	2911.92	\$19,850.84	446.25
SENIOR FIREFIGHTER	FIRE SUPPRESSION/ADMIN	3433.42	\$66,168.65	2911.92	\$19,575.81	521.5
CLASS 3 WTR TRMT PLT OP	PUB UTIL LGWT PLANT	2877.84	\$34,174.00	2098.34	\$18,994.47	779.5
STOREKEEPER 2/FORMERLY LT	FIRE SUPPRESSION/ADMIN	3303.67	\$82,749.19	2911.92	\$18,969.00	391.75
CREW LEADER	PUB UTIL SEWER	2790.84	\$40,761.81	2132.09	\$18,857.96	658.75
FIRE CAPTAIN	FIRE SUPPRESSION/ADMIN	3405.17	\$67,116.14	2911.92	\$18,843.06	493.25

Included below is a chart of the relationship between Fire Department vacancies and overtime, taken from our FY 2015 Fire Department Performance Audit.



Fire Department overtime issues had been identified in two previous audits and the City was taking steps to minimize overtime through additional academy classes and other methods. Police Department overtime was often necessitated by court appearances and other non-scheduled work-related activities.

Several other departments experienced frequent vacancies in key positions. Examples included 911 Emergency Communication Dispatchers, Licensed Practical Nurses, Juvenile Detention Specialists, Laborers, and Laborer-Operators. These vacancies created increased overtime for incumbents covering the vacant positions. Some departments also indicated that there was an extended time lapse between identification of a vacancy and the replacement employee's hiring. For example, hiring and training 911 Emergency Communication Dispatchers could take as long as eight months.

Figure 3
FTEs of Major Departments

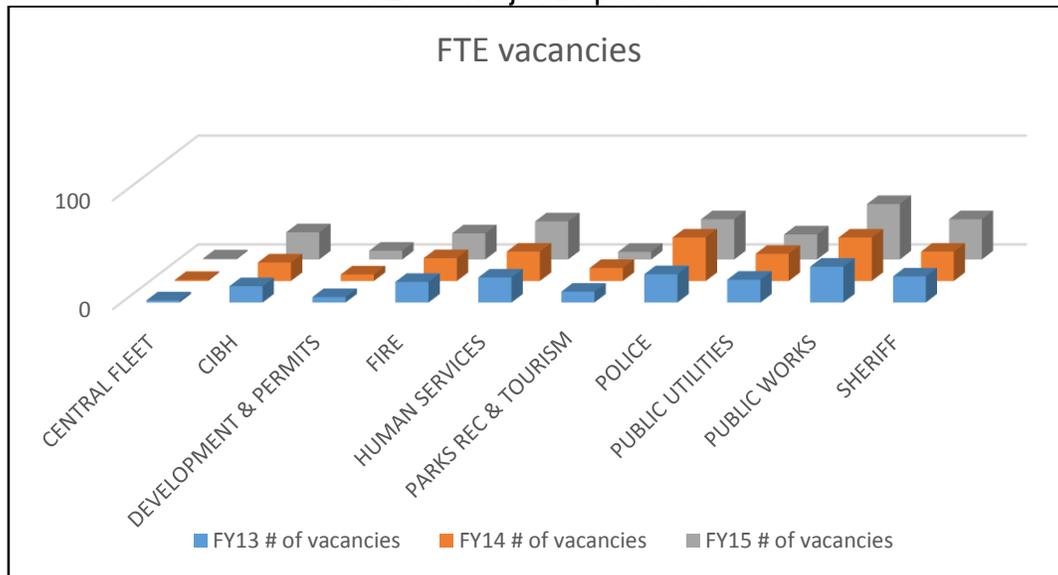


Table 5
Number of Non-Exempt vacancies and FTE Positions

Department	FY13 FTE Positions	FY13 # of Vacancies	FY14 FTE Positions	FY14 # of Vacancies	FY15 FTE Positions	FY15 # of Vacancies
DEVELOPMENT & PERMITS	74.50	5	78.00	6	80.00	8
FIRE	442.73	19	442.49	21	445.82	24
GARAGE/FLEET	35.50	2	35.50	1	36.50	1
HUMAN SERVICES - CHES JUV SVCS	83.95	23	83.95	27	87.05	35
INTEGRATED BEHAVIORAL HEALTHCARE (CIBH)	253.76	15	241.81	17	245.28	25
PARKS REC and TOURISM	192.49	10	212.96	12	222.88	7
POLICE	547.65	26	547.65	40	552.24	37
PUBLIC UTILITIES	208.26	21	209.23	25	212.26	23
PUBLIC WORKS	450.99	33	455.35	40	463.10	51
SHERIFF	397.50	24	398.87	27	399.87	37

We also observed the use of temporary contracted labor services and some temporary professional services to supplement staff, for both seasonal employees and coverage of staff vacancies. Some temporary contracted labor services were utilized for special projects or special skills, but the City's financial system did not segregate seasonal usage from usage resulting from vacancies

City departments cited several reasons for the vacancies including competition from other localities, training costs and inability to get sufficiently competent applicants in critical areas such as nursing. However, if these positions continue to experience significant vacancies, City will likely continue to experience high associated overtime costs.

Recommendation – The City should take steps to reduce the number of recurring vacancies that drive overtime costs.

The City should review classification and compensation for frequently vacated positions and make adjustments as necessary. Additionally the City should evaluate and optimize the time required for training staff hired for these positions so that they can be placed as quickly as feasible.

Response – We agree with the auditor concerning the need to reduce the number of recurring vacancies, and we continuously seek to reduce the time it takes to replace vacant positions. Vacancies occur for a variety of reasons, including retirements, relocations, other opportunities, and job dissatisfaction. It appears that employee turnover is increasing as the economy improves and more opportunities are available. The city seeks to stem job losses by improving pay and working diligently to hire candidates whose interests are closely aligned with job openings. Frankly, we will likely see an increase in turnover due to the introduction of the VRS hybrid retirement plan. The defined benefit component of the plan for new general workforce employees is much less substantial than that of existing employees in VRS Plan 1 or 2 which encourages job movement.

Generally, the Human Resources Department conducts benchmark reviews annually on key job classifications to determine the City's competitive position in the market. Based on the evaluation of comparator data, recommendations are made for market adjustments as warranted. In FY 14, an extensive review was conducted on all public safety job classifications, and pay ranges were adjusted in FY 15 based on the results of the market review. An exhaustive review of general employee job classifications was completed in FY15. As a result, specific job classifications were recommended for market adjustments.

Specifically to address employee pay concerns, the City has implemented several initiatives within the last two fiscal years. Compression adjustments for full-time employees were implemented in FY 15 (public safety) and FY16 (general

employees). A salary adjustment plan for part-time and seasonal/substitute employees will be implemented in the upcoming fiscal year. In addition, a merit pay program was introduced in FY15 to recognize and reward the contribution of high performers within the City. The City has also committed to updating and funding career path plans, which have been inactive for several years, for sworn public safety personnel in order to sustain a high level of performance in these departments. Within the last couple of years, career path plans have completely overhauled for other difficult to recruit and/or retain positions such as Forensic Technicians, Fleet Technicians and Water Treatment Plant Operators. We anticipate these initiatives will serve to improve employee morale and retention.

With regard to vacancies, we typically have many in public safety departments since new employees enter lengthy training academies that generally start once each year. The City will continue to explore strategies that will allow it to more rapidly start academies with sufficient cadets to fill all open positions. We will also review existing procedures in Public Works and Public Utilities in order to address large vacancy rates in those departments.

D. Oversight

Finding – The City did not have an automated notification mechanism when Overtime Leave (OTL) balances exceeded the FLSA maximum.

The Fair Labor Standards Act provides in 29 U.S.C. § 207(o) that “in lieu of overtime compensation, public employers may provide compensatory time off at a rate not less than one and one-half hours for each hour of work for which overtime compensation is due, as long as an agreement or understanding between the employer and employee is arrived at before the performance of the work.” The City used an Overtime Compensation form to document the management designation and employee understanding.

The FLSA required cash overtime payments to an employee when the employee’s OTL balance reached 240 hours (480 hours for sworn public safety employees). However, the City’s timekeeping system did not have an automated function to advise the department when an employee approached or exceeded that threshold. Instead, at the time of the audit, departmental payroll clerks reviewed the OTL balance by initiating a query. In addition, Human Resources conducted reviews on at least a monthly review to spot check the payroll clerks.

This situation occurred because the City had not yet developed an automated method for providing a warning when these OTL thresholds were exceeded. If this situation is not addressed, there is some limited risk that a required OTL leave payment may be missed when OTL balances exceeded the FLSA maximum.

Recommendation – The City should explore methods of automating the notification when OTL balances exceeded the FLSA maximum.

During the next system upgrade the City should explore whether or not a function that automates the notification OTL thresholds can be included. If not, the City may wish to consider a manual method that documents the review by the department and/or Human Resources.

Response – The City’s Kronos system, as mentioned earlier, is capable of tracking overtime leave earned, taken and balances. This capability is used to record the City’s liability at the end of the fiscal year as a result of the earned overtime leave that has not yet been taken. Regular monitoring of the earned Overtime leave is available to Managers each pay cycle as during the sign off process employee’s timecards the status of this information is reflected on screen. Additionally leave balance reports for all leave categories are available on demand for Managers to monitor collectively as well.

APPENDIX A

RESPONSE FROM

CITY OFFICIALS

Office of the City Manager
306 Cedar Road
Chesapeake, Virginia 23322
Office: (757) 382-6166
Fax (757) 382-6507
TDD: (757) 382-8214

July 18, 2016

Jay Poole
City Auditor
City of Chesapeake
306 Cedar Road
Chesapeake, VA 23322

RE: Citywide Overtime – Special Audit
July 1, 2012 – June 30, 2015

Dear Mr. Poole:

Thank you for the opportunity to work with you and your fine staff on the Citywide Overtime Special Audit July 1, 2012 through June 30, 2015.

We concur that a large driver of overtime costs for departments such as Fire, Police, and Public Works were emergency responses (hurricane, storm, snow). As noted in the Audit, emergency response and preparation uses man hours that create a backlog of work when the event is over. Increasingly the significant number of vacancies in the departments, particularly for 24/7 operations, seriously affects our ability to provide timely response to citizen requests, leading to overtime for the required backfills and longer wait times for services.

In response to rising vacancies, City Departments are having to budget more for temporary workers and overtime while still underspending our full-time personnel salary lines. We agree with the auditor concerning the need to reduce the number of recurring vacancies, and we continuously seek to reduce the time it takes to replace vacant positions. Vacancies occur for a variety of reasons including retirements, relocations, other opportunities, and job dissatisfaction. It appears that employee turnover is increasing as the economy improves and more opportunities are available.

The City seeks to stem job losses by improving pay and working diligently to hire candidates whose interests are closely aligned with job openings. With regard to vacancies, we typically have many in public safety departments since new employees enter lengthy training academies that generally start once each year. The City will continue to explore strategies that will allow it to more rapidly start academies with sufficient cadets to fill all

Mr. Jay Poole
July 18, 2016
Page 2

open positions. We are also exploring the concept of “over hiring” as a means of covering a base level of unavoidable vacancies and thereby reducing overtime costs. We will also review existing procedures in Public Works and Public Utilities in order to address large vacancy rates in those departments.

With regard to pay, generally, the Human Resources Department conducts benchmark reviews annually on key job classifications to determine the City’s competitive position in the market. Based on the evaluation of comparator data, recommendations are made for market adjustments as warranted. In FY14, an extensive review was conducted on all public safety job classifications, and pay ranges were adjusted in FY15 based on the results of the market review. An exhaustive review of general employee job classifications was completed in FY15. As a result, specific job classifications were recommended for market adjustments.

Specifically to address employee pay concerns, the City has implemented several initiatives within the last two fiscal years. Compression adjustments for full-time employees were implemented in FY15 (public safety) and FY16 (general employees). A pay adjustment plan for part-time and seasonal/substitute employees will be implemented in the upcoming fiscal year. In addition, a merit pay program was introduced in FY15 to recognize and reward the contribution of high performers within the City. The City has also committed to updating and funding career path plans, which have been inactive for several years, for sworn public safety personnel in order to sustain a high level of performance in these departments. Within the last couple of years, career path plans have been completely overhauled for other difficult to recruit and/or retain jobs such as Forensic Technicians, Fleet Technicians and Water Treatment Plan Operators. We anticipate these initiatives will serve to improve employee morale and retention.

With the improving economy, some increase in vacancies, consequently, overtime costs were likely inevitable. However, the steps we have already taken and close monitoring by all departments should help to reverse this trend.

Sincerely,



James E. Baker
City Manager

JEB:sc

C. Staffing & Service

Finding – Overtime pay was often the result of vacancies in approved budgeted positions.

Recommendation – The City should take steps to reduce the number of recurring vacancies that drive overtime costs.

The City should review classification and compensation for frequently vacated positions and make adjustments as necessary. Additionally the City should evaluate and optimize the time required for training staff hired for these positions so that they can be placed as quickly as feasible.

Response – We agree with the auditor concerning the need to reduce the number of recurring vacancies, and we continuously seek to reduce the time it takes to replace vacant positions. Vacancies occur for a variety of reasons, including retirements, relocations, other opportunities, and job dissatisfaction. It appears that employee turnover is increasing as the economy improves and more opportunities are available. The city seeks to stem job losses by improving pay and working diligently to hire candidates whose interests are closely aligned with job openings. Frankly, we will likely see an increase in turnover due to the introduction of the VRS hybrid retirement plan. The defined benefit component of the plan for new general workforce employees is much less substantial than that of existing employees in VRS Plan 1 or 2 which encourages job movement.

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