

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.

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. 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.

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.

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.