



City Auditor's Office

Citywide Overtime Hours and Authorization Audit

Report Issued: November 26, 2019

Audit Report No. 19-04

Auditors: Timothy DiSano CIA, CISA, CFE

Jessica Pautz, MBA



TO: Mayor and Council Members

FROM: Andrea R. Russell, City Auditor

A handwritten signature in blue ink, appearing to read "AR", is positioned to the right of the "FROM:" line.

DATE: November 26, 2019

SUBJECT: Citywide Overtime Hours and Authorization Audit

The City Auditor's Office has completed the audit of Citywide Overtime Hours and Authorization. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to City management and staff for the courtesy, cooperation and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Timothy DiSano at 242-3308.

C: John Szerlag, City Manager
Connie Barron, Assistant City Manager
Ryan Lamb, Fire Chief
Mike Russell, Acting Fire Chief
David Newlan, Chief of Police
Victoria Bateman, Financial Services Director
Lisa Sonogo, Human Resources Director
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Audit Committee

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EXECUTIVE SUMMARY

The City Auditor's Office (CAO) conducted an audit of Citywide Overtime Hours and Authorization. This audit was performed at the request of management.

Based on the test work performed and the audit recommendations noted below, we concluded overall that policies and procedures are in place and controls are operating effectively to meet the stated audit objectives; however, based on the test work performed we noted the following areas which present opportunity for improvements:

- Finding 2019-01 Payroll Policies and Procedures
- Finding 2019-02 TeleStaff User Roles and Utilization
- Finding 2019-03 TeleStaff Training
- Finding 2019-04 Compensatory Time
- Finding 2019-05 Monitoring Overtime and Compensatory Time
- Finding 2019-06 Overtime Benchmarks
- Finding 2019-07 Administrative Regulations Update

For further details on the findings and recommendations see the Findings and Recommendations section. No material control deficiencies were noted.

BACKGROUND

"The City of Cape Coral will provide its citizens with services in the most efficient and effective manner possible, while maintaining a positive safe and caring community with a united spirit"¹.

In order to balance workload and public need, under certain conditions the City allows employees in eligible classifications to work beyond normally scheduled hours and receive compensation for the excess time worked.

The City of Cape Coral pays overtime in accordance with various federal and state laws, the City personnel ordinance, collective bargaining agreements (contracts) and Administrative Regulations (AR's). Depending on the number of hours worked, employees can either receive regular (straight) time paid at the employee's base rate of pay or premium rate overtime, paid at 1.5 times that amount. An employee may also opt to receive time off instead of overtime pay, commonly known as compensatory (comp) time.

¹ https://www.capecoral.net/mission_statement/index.php

The City of Cape Coral consist of 11 departments:

City Clerk	Community Development
Economic Development	Financial Services
Fire	Human Resources
Information Technology Services	Parks & Recreation
Police	Public Works
Utilities	

According to City Payroll Records for FY17, 2069 employees earned approximately \$80.7 million in base wages and seven percent of base wages, totaling \$6 million in overtime. For FY18, 2092 employees with base wages of \$83.3 million and six percent of base wages totaling \$5 million in overtime.

For FY17 and FY18 a total of 184,872 and 193,498 overtime hours were worked respectively. The details Departments reviewed during the audit are shown in the table below.

Department	FY 2017 Overtime Hours	FY 2017 Comp Time Hours	FY 2018 Overtime Hours	FY 2018 Comp Time Hours
Fire	20,942.50	13.25	30,952.25	29.75
Community Development	9,301.75	2,732.55	15,202.97	3,763.48
Police	50,519.05	55,264.53	45,519.84	55,807.26
Public Works	8,864.27	505.43	7,336.78	646.92
Utilities	32,409.51	4,319.62	27,343.87	6,894.88
Grand Total	122,037.08	62,835.38	126,355.71	67,142.27

Source: Power BI

AUDIT OBJECTIVES

The audit objectives were as follows:

- To determine if departments properly authorized and documented employee overtime hours according to established policies and procedures.
- To determine if overtime is accurate and if comp time accrued does not exceed thresholds.
- To determine if City Management has established governance procedures to monitor employee overtime.

STATEMENT OF AUDITING STANDARDS

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 conclusions 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.

FINDINGS AND RECOMMENDATIONS

FINDING 2019-01: Payroll Policies and Procedures

Rank: (High)

The Finance Department, Payroll Division, does not have a comprehensive policies and procedures manual. They have several documents utilized as policies and procedures:

- Draft timekeeper and payroll procedures
- Payroll process memo
- Timekeeper reports training _ simple reports
- City payroll processing A & B

In addition, emails are used to convey information that should be included in policies and procedures such as employee utilization of comp time balances to repay FLSA previous pay adjustments.

GAO's Standards for Internal Control in Federal Government 12.02: "Management documents in policies the internal control responsibilities of the organization." Section 12.03 also states management should document "policies in the appropriate level of detail to allow management to effectively monitor the control activity."

In addition, an effective all-encompassing policy and procedures manual is an essential management tool and provides a roadmap for day to day operations. Policies and procedures manuals:

- Ensure business continuity
- Identify specific methods and standards for how work is performed, and documented
- Provide process consistency and structure
- Should be periodically reviewed and updated

Lack of an all-encompassing policy and procedures manual may lead to organizational inconsistency, inefficiency and insufficient governance.

RECOMMENDATIONS:

2019-01 a. Develop an all-encompassing policy and procedure manual for the Finance Department Payroll Division. Examples of sections to include, but are not limited to:

- Draft timekeeper and payroll procedures
- Payroll process memo
- Timekeeper reports training _ simple reports
- City payroll processing A & B
- Using Comp Time hours to cover FLSA overpayment

2019-01 b. Periodically update the revised policies and procedures to ensure they are still consistent with current policies, procedures and regulations.

Management Response and Corrective Action Plan:

2019-01 a. The policies and procedures manual for the Finance Department Payroll Division will be completed for the City payroll process by 06/30/2020. This allows for the division to complete an all-encompassing policy and procedure manual with directives for not only bi-weekly processing but also all monthly, quarterly, annual and other responsibilities. This date was chosen with the anticipated updates to Kronos in mind, which will change the processing significantly, these changes will be documented in this live procedural manual. This manual will include all city payroll processes including retiree. The charter school payroll process documentation will be completed no later than 06/30/2020.

2019-01 a. Responsible Person: Britt Martin, Financial Projects Manager

2019-01 a. Anticipated Completion Date: June 30, 2020

2019-01 b. The Payroll Division will meet annually to review and update the policies and procedure documentation.

2019-01 b. Responsible People: Britt Martin, Financial Projects Manager

2019-01 b. Anticipated Completion Date: June 30, 2021

FINDING 2019-02: TeleStaff User Roles and Utilization

Rank: (High)

The Cape Coral Police Department (Police) and Cape Coral Fire Department (Fire) currently use TeleStaff software, a Kronos module, to track, monitor, request, and approve time by individuals. Payroll data is imported into Kronos biweekly. Fire has Standing Order 2018.003 that establishes the responsibilities, permissions, and restrictions of a Scheduler and a Timekeeper. Police does not have a General Order in place to establish TeleStaff roles or expectations.

Police and Fire enter authority levels and ranks in TeleStaff. Currently, authority permissions allow individuals to approve time for the same rank or higher. Individuals are also able to approve and edit their own time. This contradicts the requirements of Administrative Regulation (AR) 15 Hours of Work/ Recording of Hours which states: "In no case shall a timekeeper enter or modify his/her own time or the time of an immediate family member in the hours worked recording system. The supervisor, back-up timekeeper or, if necessary, the Payroll unit, may enter." "Overtime for which prior approval has been secured must be approved by the supervisor in the appropriate recording system."

Overall, 24% of the sample population, (132 entries from both Police and Fire), did not have supervisor sign-off for overtime and/or comp time in TeleStaff as required by AR 15. Of the 24%, 17% related to individuals approving time for those of the same rank or higher. We also noted some individuals had modified their own time after appropriate approval in TeleStaff. There currently are no reports available in TeleStaff which list individual rank and authority level. A report would assist with monitoring individual user rights.

TeleStaff has several capabilities that would assist Police and Fire to comply with AR 15 including:

- A rule that would prevent modifying or approving one's own time or those with similar rank.
- Use of the "note feature" to document deviations or adjustments to normally scheduled work hours. It is important to mention that most staff use the note feature, but it is not required.

Normal work shifts are pre-populated in the TeleStaff calendar. Fire enters overtime in TeleStaff in advance once an individual is selected to cover the shift, which allows for approval prior to the overtime hours worked. Police; however, enter overtime after it occurs because most overtime is not planned. This does not allow for approval for previously scheduled overtime in accordance with AR 58. We noted Police entered most overtime shifts within 48 hours of working; however, once the overtime shifts are entered in TeleStaff, supervisor approval has to be obtained. Until approval is obtained all entries appear as pending. These pending entries are not imported into Kronos and result in discrepancies between the two systems.

The GAO, Standards for Internal Control in the Federal Government, 11.12 states, "Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties." In addition, GAO, Standards for Internal Control in the Federal Government, 11.14 states, "Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties."

In summary, controls are not in place in TeleStaff to ensure segregation of duties for individuals with approval and editing rights. The Fire Standing Order 2019-003 does not include TeleStaff utilization requirements and Police does not have a General Order. Also, there is no report to display or review ranks and authority in TeleStaff. With the above controls and policies not in place, it could result in an increased risk of errors in pay and inability to monitor rank and authority modifications.

RECOMMENDATIONS:

- 2019-02 a. Utilize the “Request: Approve or Deny self” functionality within TeleStaff in order to eliminate self-approval and adjustment.
- 2019-02 b. Utilize TeleStaff reports to ensure rank and authority are appropriate and reviewed, at a minimum, annually and all data matches Kronos prior to submission.
- 2019-02 c. Develop a General Order for TeleStaff requirements. The General Order should include at a minimum:
- Rank and level of authority
 - Modification of records after approval including, who can modify, and details of modifications
 - Require use of the note feature
 - Time standard for entering overtime and comp time (e.g. within 48 hours)
 - Time standard for modifications (e.g. changing overtime to comp time)
 - Require all pending entries to be reviewed by timekeeper and, if entries need to be approved, send necessary reminders on Monday preceding pay period end.
 - Define pay codes
 - Require supervisor approval on all entries resulting in overtime and/or compensatory time in accordance with AR 15.
- 2019-02 d. Revise the Standing Order 2018.003 to include at a minimum:
- Modification of records after approval including, who can modify, and details of modifications
 - Require use of the note feature
 - Time standard for entering overtime and comp time
 - Time standard for modifications (e.g. changing overtime to comp time)
 - Require all pending entries to be reviewed by timekeeper and, if entries need to be approved, send necessary reminders on Monday preceding pay period end.
 - Define pay codes

Management Response and Corrective Action Plan:

2019-02 a. The Police Department is in the process of updating TeleStaff and will be scheduling vendor lead training for our personnel to learn the new and improved functionalities. Training will include the “Request: Approve or Deny Self” function; at which time we will be able to determine how best to implement the feature, or if additional functionalities within TeleStaff can better resolve the issue presented.

2019-02 a. Responsible Person: Dina Cox, Police Lieutenant – Admin. Support

2019-02 a. Anticipated Completion Date: January 31, 2020

2019-02 a. The approve self-function is being removed to ensure no employees can approve themselves or members of their same rank for overtime.

2019-02 a. Responsible Person: Michael Russell, Fire Division Chief - Operations

2019-02 a. Anticipated Completion Date: January 31, 2020

2019-02 b. TeleStaff does not currently offer an intrinsic option for a report that would address the issue of reviewing TeleStaff permissions, authorities and rank. The Police Department will work with City ITS Business Applications Support (Troy Watson) to develop a reporting tool.

2019-02 b. Responsible People: Jason Wallace, Police Officer – Admin. Support

2019-02 b. Anticipated Completion Date: March 31, 2020

2019-02 b. The update to the policy will incorporate an annual review of the authorities to ensure all rank and authority are appropriate and being utilized properly.

2019-02 b. Responsible People: Michael Russell, Fire Division Chief - Operations

2019-02 b. Anticipated Completion Date: January 31, 2020

2019-02 c. The Police Department already provides training to personnel on the use of TeleStaff but recognizes that defining TeleStaff and related pay procedures within a policy document would provide clarification and reduce confusion. A policy will be developed, based on our existing procedures, any new information learned during scheduled vendor training, and with regard to the points addressed within this Finding Development Sheet.

2019-02 c. Responsible People: PSB Accreditation – Jennifer Silko, Police Officer – Admin. Support, and Morgan Mills, Police Officer – Admin. Support / Jason Wallace, Police Officer – Admin. Support

2019-02 c. Anticipated Completion Date: March 31, 2020

2019-02 d. The policy will be updated to reflect the recommendations.

2019-02 d. Responsible People: Michael Russell, Fire Division Chief - Operations

2019-02 d. Anticipated Completion Date: January 31, 2020

FINDING 2019-03: TeleStaff Training

Rank: (High)

TeleStaff is utilized by Fire and Police to track daily work schedules. Payroll data from TeleStaff is uploaded to Kronos at pay period end for processing. In February 2019, an update was loaded to TeleStaff in order to continue support for the software and provide new and improved capabilities for users. TeleStaff is utilized by Fire and Police to track daily work schedules. Payroll data from TeleStaff is uploaded to Kronos at pay period end for processing. In February 2019, an update was loaded to TeleStaff in order to continue support for the software and provide new and improved capabilities for users. Fire attended vendor provided training on the upgrade from TeleStaff/Kronos in order to fully utilize the system. Currently, Police staff utilizing TeleStaff have received some training, but have not participated in the formal vendor provided training to review the new capabilities included in the recent upgrade.

GAO's Standards for Internal Control in Federal Government 10.03: "Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system." A common control activity: Management of human capital – "Training is aimed at developing and retaining employee knowledge, skills, and abilities to meet changing organizational needs."

Continuous training can provide improved performance and productivity, ability to stay updated with software functions, increased capacity to adopt new technologies and methods, and enables consistencies in business processes. A lack of training leads to inconsistencies in processing, underutilization of software and inefficient processing.

RECOMMENDATIONS:

2019-03 Require all TeleStaff users to obtain vendor provided training regularly to appropriately utilize all functionalities in the software.

Management Response and Corrective Action Plan:

2019-03 Administrative Assistant, Collette Haenes maintains relationships with representatives of TeleStaff/Kronos to remain up to date with the product. Upon receiving the upgraded version of TeleStaff, Ms. Haenes communicated with the company to ensure that she was familiarized with the new look and functionality of the software.

Ms. Haenes then provided user training via instructional sheets through email to all users.

The police department utilizes TeleStaff much different than the fire department. The police department uses TeleStaff for hours worked (regular hours, leave hours,

overtime, off-duty details, etc.) and approvals. Other features such as scheduling, roster building/maintenance is completed by other means; whereas the fire department utilizes complete functionality of TeleStaff.

However, Ms. Haenes will receive training from TeleStaff/Kronos on the full capabilities of the software to ensure that she is completely familiarized with the program's recent update. Ms. Haenes will then train all supervisors/approvers in upcoming in-service training. This training will be completed by Quarter 4 of 2019.

2019-03 Responsible Person: Anthony Sizemore, Deputy Chief of Police

2019-03 Anticipated Completion Date: January 31, 2020

2019-03 The CCFD provides user training based on the authority level of the user. The CCFD intends on continuing to provide training. CCFD TeleStaff Administrators receive vendor training for upgrades as needed. Additionally, CCFD TeleStaff Administrators attend the Kronos conference annually.

2019-03 Responsible People: Michael Russell, Fire Division Chief - Operations

2019-03 Anticipated Completion Date: November 26, 2019

FINDING 2019-04: Compensatory Time

Rank: (High)

Per Administrative Regulations (AR) 15, 17, and 58 employees can convert overtime earned to compensatory (comp) time. When time is converted it is done via email request and timekeepers adjust in Kronos. An email communication from May 2017 stated comp time cannot be earned and discharged in the same pay week. Kronos and TeleStaff lack controls to prohibit comp time from being discharged the same week it is earned. In our sample we noted employees are earning and using comp time in the same pay week 11 percent of the time (95 occurrences out of 830).

AR #17 and Police union contracts set thresholds for comp time earned. Currently, the thresholds set within the AR and contracts are exceeded 32 percent of the time (126 occurrences out of 390).

AR 15, 17, and 58 state the following definition of compensatory time: "Where there is mutual agreement between an employee and the City, compensatory time may be given in lieu of overtime compensation. Compensatory time must be given at the rate of one and one-half (1 ½) times the number of hours that a non-exempt employee works in excess of forty (40) hours during the normal workweek. The normal work week is Saturday through Friday, beginning and ending at midnight on Friday, and consisting of forty (40) hours."

AR 17, Section 1B, "employees cannot accumulate more than (40) forty hours of compensatory time at any given time. If an employee has forty (40) hours of compensatory time, any overtime worked will not be eligible for converting to compensatory time and will be paid in accordance with overtime regulations." All departments follow AR 17 except Police.

Police union contracts state, “accrued compensatory time off shall not exceed sixty (60) hours during any fiscal quarter. A quarterly payment shall be made for compensatory time accumulated in excess of forty (40) hours at the end of each fiscal quarter.”

On May 19, 2017 an email provided clarification on AR 17, Section 1,C,ii: “The clarification is that if an employee is using Comp Time (time already converted to time and a half) within a 40 hour workweek, they cannot earn Comp Time on top of it, as that would be like “double paying” the original Comp Time.” You can’t earn and use comp time in the same pay week.

The testing sample indicated non-compliance with AR 17, Section 1B, and Police union contract; insufficient monitoring; and a lack of controls in Kronos and TeleStaff to prohibit comp time from being discharged the same week it is earned. Non-compliance and lack of controls leads to comp time banks being exceeded; large pay-outs; and overstatement of comp time hours when comp time is discharged and earned in the same pay week.

RECOMMENDATIONS:

- 2019-04 a. Update AR 17 to state compensatory time cannot be used and earned in the same pay week.
- 2016-04 b. Automate rules in Kronos within the Workforce Accrual Module and in TeleStaff within Workforce to enforce policy to not allow compensatory time to be earned and used within the same pay week.
- 2019-04 c. Establish automation to ensure compensatory time banks do not exceed thresholds established in AR 17 and union contracts.

Management Response and Corrective Action Plan:

2019-04 a. Human Resources will update AR # 17 – Compensatory Time and Seasonal Bank to state compensatory time cannot be used and earned in the same pay week.

2019-04 a. Responsible Person: Angela Cline, Classification & Compensation Manager

2019-04 a. Anticipated Completion Date: May 29, 2020

2019-04 b. This requires the Kronos Workforce Accrual Module to be implemented and configured. Even with this module installed Kronos has only said this “might” give us the capability to enforce a policy to not allow compensatory time to be earned and used within the same pay week and only for non-public safety employees. Currently, we do not have an automated solution available for Public Safety employees.

2019-04 b. Responsible People: Michelle Hoffmann, ITS Director

2019-04 b. Anticipated Completion Date: June 30, 2021

2019-04 c. This requires the Kronos Workforce Accrual Module to be implemented and configured.

FINDING 2019-05: Monitoring Overtime and Compensatory Time

Rank: (High)

Administrative Regulation (AR) 58 requires monitoring of overtime by City Departments. Each Department monitors overtime differently and the frequency is not consistent. For example, departments may use payroll submissions, Kronos reports or monthly expenditure reports from budget. Monitoring is also inconsistent. During our testing we noted some departments monitor bi-weekly while others monitor only twice a year. Monitoring too frequently (bi-weekly) provides too narrow of an analysis which will not allow for identification of trends. Budgeted overtime amounts do not reflect actual expenditures.

Administrative Regulation 58, Section 1 B states, "It is the responsibility of the Department Head to monitor overtime, including compensatory time each quarter, at a minimum. At a minimum, each Department Head should review their overtime and compensatory time usage as it relates to budget and scheduling and make adjustments as necessary."

GAO's Standards for Internal Control in Federal Government 16.01 states, "Management should establish operate monitoring activities to monitor the internal control system and evaluate the results." 16.05 states, "Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions."

Currently, there are no defined monitoring standards. In addition, there are ineffective monitoring processes and inaccurate budgeting for overtime. Adopted budgeted amounts are exceeded consistently. FY17 was exceeded by 51%, followed by 34% in FY18. When amounts are exceeded, excessive budget transfers occur during the reconciliation process. Lastly, there is non-compliance with AR 58 due to insufficient monitoring.

RECOMMENDATIONS:

2019-05 a. Utilize the Kronos "Employee Transactions and Totals" and JD Edwards "Monthly Budget to Actuals with Sub-Ledgers" reports to monitor overall overtime and compensatory time quarterly in accordance with AR 58. Reports must be both initialed to indicate review and maintained in accordance with record retention guidelines.

2019-05 b. Budget overtime amounts to more accurately reflect prior period actual expenditures.

Management Response and Corrective Action Plan:

2019-05 a. Department Directors will utilize Kronos and JDE tools and identify responsible staff who will properly enter and track overtime and compensatory time. Quarterly reports on overtime and compensatory time will be produced, and Department Directors will review and sign off on each report.

2019-05 a. Responsible Person: Connie Barron, Assistant City Manager

2019-05 a. Anticipated Completion Date: March 31, 2020

2019-05 b. During the budget process, Department Directors will use historical expenditures to accurately project and request funding for overtime.

2019-05 b. Responsible People: Connie Barron, Assistant City Manager

2019-05 b. Anticipated Completion Date: July 31, 2020

FINDING 2019-06: Overtime Benchmarks

Rank: (High)

Administrative Regulation (AR) 58, Overtime Management, requires departments to consider their own benchmarks to manage and control overtime. With no consistency and a lack of clarity in the AR, each Department utilizes different methodologies and information to monitor overtime, such as actual budget totals, staffing levels, or payroll reports within Kronos and TeleStaff. Currently, the Parks and Recreation department is the only department that has a defined overtime benchmark.

Fire and Police labor agreements and Water Plant operation requirements dictate minimum staffing requirements. Unscheduled leave creates excessive overtime. Currently, the Code of Ordinances, vaguely defines excessive unscheduled absences and tardiness.

Insufficient monitoring, lack of determined benchmarks and unclear definitions contribute to overtime that often exceeds budgeted amounts and excessive overtime resulting from unscheduled leave.

Administrative Regulation 58, Section 1C: "Management and control of overtime expenses are considered to be one of the primary responsibilities of supervisors and managers throughout the City. Any employee who violates the terms of this policy, including a consistent pattern of approving non-essential overtime, or working unapproved overtime, may be subject to disciplinary action. Each Department Head and their designated managers are in the best position to develop benchmarks in their department for determining the optimum level of overtime essential for accomplishing City objectives."

Code of Ordinances, Division 11 – Attendance and Leave, 2-35.1, (f)(3), “Excessive unscheduled absences or tardiness shall mean use which is in excess of the average number of hours and/or occurrences of unscheduled leave taken by other city employees in the same or similar positions and/or classifications, taking into consideration the fact that employees in fire and public safety may be scheduled to work a different number of hours.”

Due to unclear guidance in AR 58, there are various interpretations made by departments for overtime monitoring and benchmarking. In addition, excessive unscheduled absences or tardiness is vaguely defined only in the Code of Ordinances but not in AR 15, Hours of Work/ Recording of Hours.

As a direct result of various interpretations and unclear requirements, non-compliance with AR 58 leads to exceeding budgeted amounts. Furthermore, unscheduled leave in departments with minimum staffing requirements such as Police, Fire, and Utilities can lead to increased or excessive overtime.

The charts below show the percentage of the employee population that exceeds a specific percentage threshold of base pay and the potential cost savings associated with the corresponding percent. For example, in the chart below, for 2017 **57 individuals, or three percent**, of the total population, earned **30%** or more of their base pay in overtime:

2017	# of Employees	% of Population	Potential Cost Savings
Over 5%	751	36%	\$3,556,007.84
Over 10%	413	20%	\$2,077,314.95
Over 20%	133	6%	\$848,618.96
Over 30%	57	3%	\$407,925.37
Over 40%	27	1%	\$211,643.93
Over 50%	12	1%	\$122,581.58
Total Employees	2069		

2018	# of Employees	% of Population	Potential Cost Savings
Over 5%	563	27%	\$2,949,768.74
Over 10%	303	14%	\$1,896,641.45
Over 20%	133	6%	\$830,475.69
Over 30%	53	3%	\$393,264.06
Over 40%	27	1%	\$222,754.34
Over 50%	14	1%	\$136,434.63
Total Employees	2092		

Prepared by City Auditor's Office
Source: City Payroll Record provided by Finance Department

RECOMMENDATIONS:

- 2019-06 a. Update AR 58 to clearly require departments to document department overtime benchmarks.
- 2019-06 b. Update AR 15 “Hours of Work/ Recording of Hours” to include clearer more definitive information for unscheduled absences or tardiness expectations according to Code of Ordinances, Division 11 – Attendance and Leave, 2-35.1, (f)(3), to define “excessive” regarding unscheduled absences or tardiness.

2019-06 c. To more accurately manage overtime, require departments to develop and document benchmarks in accordance with AR 58. The benchmarks should, at a minimum:

- Determine a specific percentage of overtime pay compared to base pay. For instance, an employee cannot earn more than “X%” of base pay or hours.
 - The benchmark may be calculated by individual, department or division.

Management Response and Corrective Action Plan:

2019-06 a. Human Resources will review and update AR 58 to provide more clarity regarding proper management of the use of overtime within departments.

2019-06 a. Responsible Person: Lisa Sonego, Human Resources Director

2019-06 a. Anticipated Completion Date: May 29, 2020

2019-06 b. Human Resources will review and update AR 15 to provide more clarity regarding “unscheduled absences” and “tardiness.” The AR will clearly define the expectations of employees and managers/supervisors.

2019-06 b. Responsible People: Lisa Sonego, Human Resources Director

2019-06 b. Anticipated Completion Date: May 29, 2020

2019-06 c. All department directors will develop benchmarks to properly document and manage overtime the use of overtime.

2019-06 c. Responsible People: Connie Barron, Assistant City Manager

2019-06 c. Anticipated Completion Date: March 31, 2020

FINDING 2019-07: Administrative Regulations Update

Rank: (High)

Administrative Regulations (AR) 15, 17, and 58 are available to guide timekeepers, employees, and supervisory level staff to manage overtime. These ARs were scheduled to be reviewed 1/1/2019. The review hasn’t been completed to date. Previous training on these AR’s was provided in January 2017.

AR 15, Section 1 I, requires supervisor approval in the appropriate time recording system. Eight percent of the sample population did not have supervisor approval in Kronos. 24% of the sample population from TeleStaff did not have a supervisor approval.

AR 15, Section D ii, requires requests for addition or deletion of lunch deduction be submitted in writing and approved by the supervisor. We noted two departments (Community Development and Utilities) with no prior authorization and/or supporting documents for adjustments to lunch deductions. Emails were sent to the timekeeper directly from the

employee or the employee was completing an overtime log with that explanation. There was no evidence of supervisor approval of the lunch adjustment. We also noted one exception where a note for a lunch adjustment was entered in Kronos; however, pay was not adjusted.

AR 15, Hours of Work / Recording of Hours, Section 1 I, states: "Overtime for which prior approval has been secured must be approved by the supervisor in the appropriate recording system."

AR 15, Section D ii: "Addition or deletion of automatic lunch deduction: Employees may request their automatic lunch deduction be removed, or added, for a day. These requests must be made by the employee in writing and approved by the supervisor."

Supervisor approval requirement for overtime and compensatory time is not stated in AR 17, Compensatory Time and Seasonal Bank, or AR 58, Overtime Management. In addition, there are no controls in place to ensure lunch adjustments are made correctly, and there is limited supervisory review resulting in over/ underpayments. Minimal supervisory review and approval results in insufficient monitoring of hours and potential fraud and abuse with overtime and compensatory time. Lack of AR training results in discrepancies in manual adjustments and inconsistencies in approval and documentation process.

RECOMMENDATIONS:

2019-07 a. Perform a review of ARs 15, 17 and 58 in accordance with AR stated review date. ARs should include clarification regarding:

- Supervisory review and approval for overtime
- Appropriate supporting documentation and approval for adjustments (e.g. lunch adjustments)

2019-07 b. Provide training on updated ARs.

Management Response and Corrective Action Plan:

2019-07 a. Human Resources, in conjunction with Finance, will review and update ARs 15, 17 and 58. Specifically, the updates will include adding the supervisory approval requirement, currently outlined in AR 15 – Hours of Work / Recording of Hours, into AR 17 – Compensatory Time and Seasonal Bank and AR 58 – Overtime Management as specified. The supporting documentation and approval for adjustments is already required in AR 15 – Hours of Work / Recording of Hours.

2019-07 a. Responsible Person: Angela Cline, Classification & Compensation Manager

2019-07 a. Anticipated Completion Date: May 29, 2020

2019-07 b. The Payroll Supervisor will compile three trainings, one per AR, to be placed on Saba to review key points of the updated Administrative Regulations. The training will be required for all Timekeepers and Approvers. There will be a test at the

conclusion of each training. A pass rate will be set and required in order to satisfy training completion.

2019-07 b. Responsible People: Britt Martin, Financial Projects Manager

2019-07 b. Anticipated Completion Date: July 31, 2020

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, the audit covered Overtime Hours and Authorization for the City of Cape Coral covering the period of January 1, 2017 to December 31, 2018. Sample size and selection were based on the City Auditor's Office sample methodology. We used judgmental and random sampling methodologies to select samples.

To evaluate overtime hours and authorization, we reviewed policy and procedures, applicable laws, regulations and collective bargaining agreements. We interviewed staff and completed walk throughs to gain an understanding of the how departments authorize, approve, support, and monitor overtime. In addition, we reviewed benchmark performance measures per department to support overtime hours and authorization.

To achieve the audit's objectives, we relied on information from Power BI, Kronos and TeleStaff systems. We assessed the reliability of the data from the three systems. We concluded the data was sufficiently reliable for the purposes used to meet the audit's objectives.

APPENDIX A

Finding Classification

Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.