

# **Audit**

## **Follow-Up**

*As of March 31, 2017*



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City Auditor

## **Audit of Public Works Overtime**

(Report #1618, Issued August 12, 2016)

Report #1714

June 22, 2017

### **Summary**

*This is the first follow-up on the Audit of Public Works Overtime, report #1618, issued August 12, 2016. In audit report #1618, we noted that, in general, timesheets were completed in accordance with City requirements and overtime was calculated and paid in accordance with the Fair Labor Standards Act (FLSA) and City policies and procedures. Furthermore, our review showed that the City's overtime policies and procedures were generally consistent with the processes employed by other jurisdictions and with the requirements of the FLSA. However, we did identify some areas in which policy and procedure enhancements should be considered. In response, management of the Human Resources and Workforce Development department, and the three departments which now have employees who are responsible for public works functions, developed applicable action plan steps with a total of ten action plan steps established. As of the date of this follow-up audit, nine of ten action plan steps have been completed and one is in progress.*

Our follow-up audit disclosed that the Human Resources and Workforce Development department completed both of its assigned action plan steps. The actions taken included:

- Amending Administrative Policy and Procedure (APP) 704.05, Overtime, to include the requirement that each City department adopt an internal policy addressing authorization, justification, and management and control of overtime (*one step*).

- Ensuring that timesheet records are retained in accordance with federal, state, and City record retention requirements (*one step*).

In our follow-up audit, we determined that the Electric Utility and the Community Beautification and Waste Management departments each completed both of their assigned action plan steps which included:

- Implementing an internal departmental overtime policy (*two steps, one for each department*).
- Developing quarterly overtime reports that are provided to the department director or the director's designee(s) (*two steps, one for each department*).

Furthermore, our follow-up audit also disclosed that the Underground Utilities and Public Infrastructure department had completed three of four assigned action plan steps. The completed action plan steps included:

- Developing a bi-weekly overtime report that is provided to division directors (*one step*).
- Providing laptops to staff to facilitate real-time data entry into the department's automated work-order system (*one step*).
- Reducing overtime for the paint crew and taking steps to reclassify a vacant position to an inspector position to reduce the overtime incurred in resurfacing inspections (*one step*).

The one action plan step remaining in progress relates to the Underground Utilities and Public Infrastructure department's establishment of an internal overtime policy. As of the completion of

this follow-up audit, the department was in the process of developing such a policy.

We appreciate the cooperation and assistance provided by the Human Resources and Workforce Development, Underground Utilities and Public Infrastructure, Electric Utility, and Community Beautification and Waste Management departments during this follow-up audit.

### *Scope, Objectives, and Methodology*

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

#### *Original Report #1618*

The scope of report #1618 focused on overtime compensation provided during the period October 1, 2011, through September 30, 2015, to Public Works department employees.

The objective of the audit was to answer the following two questions:

- What might be done to reduce the overtime charges incurred by the City's Public Works employees?
- Are records supporting overtime accurate and complete, and was overtime calculated and paid in accordance with the FLSA and City policy and procedures?

To address the stated objectives, we performed various audit procedures, including, but not limited to:

- Analyzing overtime earnings and performing tests of weekly timesheet records; and
- Reviewing City timekeeping processes and control activities relevant to the authorization, calculation, and recording of overtime paid to Public Works employees.

The City implemented MyTime, a new timekeeping system, on October 31, 2015. As a part of our initial audit, we obtained an understanding of MyTime sufficient to determine its impact on our audit recommendations relative to the correction of any noted Public Works timesheet process issues.

#### *Report #1714*

This is our first follow-up on action plan steps identified in audit report #1618. The purpose of this audit follow-up is to report on the progress and status of the efforts to implement the action plan steps due for completion no later than March 31, 2017. To determine the status of those action plan steps, we interviewed applicable staff and obtained and reviewed relevant records and reports.

### *Background*

Until reorganization in January 2016,<sup>1</sup> the City operated a Public Works department comprised of two major divisions: Capital Programs and Operations. The Capital Programs division, consisting of five functional units, was responsible for the design and construction of many of the City's capital projects. The Operations division, consisting of seven functional units, was responsible for maintaining the City's street system and storm drainage infrastructures, right-of-way, and traffic signal system.

From October 1, 2011, through September 30, 2015, the City paid to Public Works employees approximately \$46.3 million in salaries and wages, including approximately \$3.1 million in overtime payments, making it the fourth highest overtime disbursing department in the City during this period.

<sup>1</sup> In January 2016, a reorganization of the City resulted in the reassignment of the various functional units in Public Works to the Underground

Utilities and Public Infrastructure department, Electric Utility department, and the Community Beautification and Waste Management department.

In audit report #1618, we noted that, in general, timesheets were completed in accordance with City requirements and overtime was calculated and paid in accordance with the Fair Labor Standards Act (FLSA) and City policies and procedures. Furthermore, our review showed that the City’s overtime policies and procedures were generally consistent with the processes employed by other jurisdictions and with the requirements of the FLSA. However, our review did identify some areas in which policy and procedure enhancements and other corrective actions would allow the City to better control, reduce, and document overtime and associated costs. In the audit report, we recommended:

- The City amend its overtime policy (APP 704.05) to require that: (1) Applicable City departments each adopt, subject to review and approval by the City’s Human Resources department, an internal policy describing the circumstances under which overtime authorization is appropriate and inappropriate; (2) When not otherwise apparent or otherwise documented, documentation be prepared and retained to explain and justify the necessity for overtime worked; and (3) Applicable City departments each adopt internal procedures which specifically assign the responsibility for budgetary management and control of overtime.
- The City provide department directors with a quarterly report showing the amount of overtime that has been worked during the fiscal

year to date by each department employee. We recommended that this report be used by management to better ensure that requests for approval of recurring overtime assignments are submitted (and approved) as required by City policies and procedures.

- Where possible, certain clerical tasks traditionally performed by Public Works crew members (who have often worked significant overtime) be assigned to administrative or clerical staff.
- The City provide cross-training to staff so that assistance is available when needed to supplement specialized crews, such as the painting crew (responsible for street striping and markings) and the road resurfacing crew.
- The City ensure timesheet records are retained in accordance with the federal, state, and City record retention requirements.

***Previous Conditions and Current Status***

In report #1618, nine of ten action steps were developed to enhance controls and reduce overtime charges incurred in connection with Public Works activities. The tenth action plan step addressed retention of timekeeping records as required by the FLSA and City policies. All ten action plan steps were due for completion on or before March 31, 2017. As shown in Table 1, nine of ten action plan steps have been completed.

**Table 1  
Action Plan Steps from Audit Report #1618  
Current Status of Steps Due for Completion as of March 31, 2017**

Action Plan Steps Due as of March 31, 2017	Current Status
<b>Objective A: Improve control over overtime charges.</b>	
<i>Human Resources &amp; Workforce Development</i>	
1) Amend APP 704.05 to require applicable City departments to each adopt an internal policy to: <ul style="list-style-type: none"> <li>a. Describe the circumstances under which the authorization of overtime is appropriate and the circumstances under which overtime should not be authorized;</li> </ul>	✓ <u>Completed</u> . On April 19, 2017, the Human Resources and Workforce Development department updated APP 704.05. The amended policy requires each City department to adopt an internal policy addressing authorization,

<p>b. Require overtime authorization, when not otherwise readily apparent or documented, be documented and that the documentation be retained and used to explain and justify why the overtime was necessary; and</p> <p>c. Specifically assign to the department director or the director’s designee, responsibility for the budgetary management and control of overtime.</p>	<p>justification, and management and control of overtime.</p>
<p><i>Underground Utilities &amp; Public Infrastructure</i></p>	
<p>2) Submit internal department overtime policies to Human Resources and Workforce Development for review. These internal departmental overtime policies will:</p> <p>a. Generally describe the types of operational circumstances under which the authorization of overtime is appropriate;</p> <p>b. Require overtime authorization, when not otherwise readily apparent or documented, be documented and that the documentation be retained and used to explain and justify why overtime was necessary; and</p> <p>c. Specifically assign the department director, or the director’s designee(s), responsibility for the budgetary management and control of overtime.</p> <p>In adopting these policies, consideration will be given to balancing the cost of overtime with other fiscal, operational, public safety, and customer service requirements. These departmental internal policies will be reviewed and approved by the City’s Human Resources and Workforce Development department prior to implementation.</p>	<p>◆ <u>In progress</u>. Underground Utilities and Public Infrastructure is in the process of developing an internal departmental overtime policy that will be submitted to the Human Resources and Workforce Development department for review and approval.</p>
<p>3) Obtain a quarterly report showing the amount of overtime that has been worked during the fiscal year to date by each employee. This report will be used to better ensure that requests for approval of recurring overtime assignments are submitted (and approved) as required by City policies and procedures. This report will also be used to monitor overtime and assist department management in timely identifying areas in which changes in staffing, duties, and training may be beneficial.</p>	<p>✓ <u>Completed</u>. Underground Utilities and Public Infrastructure developed an overtime report that is provided to division directors on a bi-weekly basis. Each report shows, for the bi-weekly period, operating and capitalized overtime hours worked and amounts paid for each division and departmental employee. The bi-weekly reports contain the information needed by supervisors to effectively monitor and manage overtime.</p>

<p>4) Administrative duties and data capture requirements will be reviewed and assigned to field or office staff as appropriate for accurate data capture and operational effectiveness and efficiencies.</p>	<p>✓ <u>Completed</u>. In our initial audit we noted that time spent by some work crew employees in performing clerical tasks (such as data entry into the department’s automated work order system) at the end of the work day contributed to the overtime hours worked. Our current follow-up audit found that Underground Utilities and Public Infrastructure is providing laptops to staff to facilitate real-time data entry, thereby reducing end-of-the-workday clerical tasks.</p>
<p>5) Consideration will be given to cross-training employees so that others will be available when needed to perform paint crew and resurfacing inspection duties.</p>	<p>✓ <u>Completed</u>. Management determined that the cross-training of other staff to perform paint crew duties was not necessary, as reductions in overtime could be realized through changes in scheduling. Our follow-up audit indicated that the overtime hours worked by the paint crew have been reduced. We found the overtime hours worked by the paint crew during the first eight months of fiscal year (FY) 2017 were approximately 80% less than overtime hours worked in the first eight months of FY 2015.</p> <p>Rather than cross-training others to perform resurfacing inspection duties, the department is in the process of reclassifying a vacant position to an inspector position to alleviate some of the overtime incurred in resurfacing inspections.</p>
<p><i>Electric Utility</i></p>	
<p>6) Submit internal departmental overtime policies to Human Resources and Workforce Development for review. These internal departmental overtime polices will:</p> <ul style="list-style-type: none"> <li>a. Generally describe the types of operational circumstances under which the authorization of overtime is appropriate;</li> <li>b. Require overtime authorization, when not otherwise readily apparent or documented, be documented and that the documentation be retained and used to explain and justify why the overtime was necessary; and</li> <li>c. Specifically assign to the department director or the director’s designee(s), responsibility for the budgetary management and control of overtime.</li> </ul>	<p>✓ <u>Completed</u>. Electric Utility developed an internal overtime policy addressing the circumstances under which the authorization of overtime is appropriate, the documentation required for the justification of overtime, and the specific assignment of responsibility for budgetary management and control of overtime to each division manager and the general manager. Upon approval by the Human Resources and Workforce Development department, the Electric Utility Overtime Approval policy was communicated to Electric Utility employees via email and posted on the Electric Utility policies page on the City’s intranet.</p>

<p>In developing these policies, consideration will be given to balancing the cost of overtime with other fiscal, operational, public safety, and customer service requirements. These departmental internal policies will be reviewed and approved by the City’s Human Resources and Workforce Development department prior to implementation.</p>	
<p>7) Obtain a quarterly report showing the amount of overtime that has been worked during the fiscal year to date by each department employee. This report will be used to better ensure that requests for approval of recurring overtime assignments are submitted (and approved) as required by City policies and procedures. This report will also be used to monitor overtime and assist department management in timely identifying areas in which changes in staffing, duties, and training may be beneficial.</p>	<p>✓ <u>Completed.</u> Electric Utility developed a quarterly report showing the overtime hours earned by division and by employee. The quarterly report is provided to division managers who, under Electric Utility’s internal departmental overtime policy, are responsible for the monitoring and control of overtime usage.</p>
<p><i>Community Beautification &amp; Waste Management</i></p>	
<p>8) Adopt internal departmental overtime policies to:</p> <ul style="list-style-type: none"> <li>a. Generally describe the types of operational circumstances under which the authorization of overtime is appropriate and the types of operational circumstances under which overtime should not be authorized;</li> <li>b. Require overtime authorization, when not otherwise readily apparent or documented, be documented and that the documentation be retained and used to explain and justify why the overtime was necessary; and</li> <li>c. Specifically assign to the department director or the director’s designee, responsibility for the budgetary management and control of overtime.</li> </ul> <p>In adopting these policies, consideration will be given to balancing the cost of overtime versus other fiscal impacts, public safety, customer service, and overtime for work that can be deferred without significant consequence. These departmental internal policies will be reviewed and approved by the City’s Human</p>	<p>✓ <u>Completed.</u> Effective April 7, 2017, Community Beautification and Waste Management implemented an internal departmental overtime policy addressing the circumstances under which the authorization of overtime is appropriate, the documentation required for the justification of overtime, and the specific assignment of responsibility for budgetary management and control of overtime to the operations manager.</p>

<p>Resources and Workforce Development department prior to implementation.</p>	
<p>9) Obtain a quarterly report showing the amount of overtime that has been worked during the fiscal year to date by each department employee. This report will be used to better ensure that requests for approval of recurring overtime assignments are submitted (and approved) as required by City policies and procedures. This report will also be used to monitor overtime and assist department management in timely identifying areas in which changes in staffing, duties, and training may be beneficial.</p>	<p>✓ <u>Completed</u>. Community Beautification and Waste Management developed a quarterly overtime report that is provided to the general manager for review. The quarterly reports contain the information needed to effectively monitor and manage overtime.</p>
<p><b>Objective B: Ensure records supporting overtime are accurate and complete, and retained in accordance with FLSA and City policies and procedures.</b></p>	
<p><i>Human Resources &amp; Workforce Development</i></p>	
<p>10) Timesheet records will be maintained in accordance with federal, state, and City record retention requirements.</p>	<p>✓ <u>Completed</u>. The Human Resources and Workforce Development department verified that transactional data, such as punches (clocking in and out) and time-off requests and approvals, are retained for sufficient time periods in MyTime.</p>

**Table legend**

✓ Issue addressed and resolved

◆ In Progress

**Conclusion**

As noted above in Table 1, nine of ten action plan steps established to address issues identified in audit report #1618 have been successfully completed or otherwise resolved. The implementation of the remaining action plan step was in progress as of March 31, 2017, and will be addressed in subsequent follow-up audits. We appreciate the cooperation and assistance provided by the Human Resources and Workforce Development, Underground Utilities and Public Infrastructure, Electric Utility, and Community Beautification and Waste Management departments during this follow-up audit.

**Appointed Official's Response**

I am pleased with the progress in completing the audit recommendations contained in the Audit of the Public Works Overtime (Report #1618). I believe the resulting policy and procedure enhancements implemented by the various departments, coupled with the reorganization efforts that have been undertaken, will improve the internal controls on overtime documentation and associated costs. I would like to thank the City Auditor, his staff, and all of the departments for their work and follow-up on this matter.

Copies of this Follow-Up Audit Report #1714 or the initial audit report #1618 may be obtained from the City Auditor's web site (<http://www.talgov.com/transparency/auditing-auditreports.aspx>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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