



CONSULTING ENGAGEMENT

Citywide Overtime Control Self-Assessment Summary

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Office of the City Manager
Internal Audit Division
Cheryl Johannes, Internal Audit Manager

BACKGROUND

The use of overtime (hours worked by full-time staff in addition to their regularly scheduled hours of work) with the various City departments is a fundamental means of managing fluctuation in workloads and staff resources to ensure seamless delivery of City services.

The challenge in managing the use of overtime can be complicated by factors such as bargaining unit agreements that may be restrictive; unpredictable events such as weather-related emergencies, fires, etc.; extended sick leave or absences; and, legislated minimum service requirements such as Fire and Emergency Services, among others.

While some departments appear to manage their overtime hours and related costs sufficiently, others may have little awareness of the factors driving overtime costs.

OVERTIME CONTROL SELF-ASSESSMENT

To ensure that City employee overtime is being managed and monitored timely, during the months of June- August 2017, each department/division reviewed their existing overtime practices/procedures.

To facilitate this review, Internal Audit created an Internal Control Self-Assessment tool (see attached) for departments to self-review. The tool focuses on 10 critical risks identified with overtime usage and management.

Upon completion of the overtime internal control self-assessments, Internal Audit staff reviewed and validated the results with each department.

On the following page are the summarized results.

OVERTIME INTERNAL CONTROL SELF- ASSESSMENT SUMMARY

Risk Description		Leading/Best Practices		Overall City Results
Policies and procedures regarding overtime are not adequate and/or current	➡	Overtime policies/procedures are in place and reflect current practices	➡	Fully Implemented
Amount of overtime is excessive	➡	Overtime estimates are planned and budgeted accordingly	➡	Largely Implemented
Abuse of overtime	➡	Overtime hours are verified against appropriate documentation	➡	Largely Implemented
Overtime is not assigned/scheduled in accordance with policies and procedures	➡	Overtime is assigned relative to existing staff levels and job responsibilities	➡	Largely Implemented
Overtime is not properly approved by management	➡	Overtime is verified and approved by authorized individuals	➡	Largely Implemented
Inadequate segregation of duties relating to overtime assignments, approvals, and payments	➡	Only authorized individuals assign and approve overtime; a second individual reviews/approves OT hours	➡	Largely Implemented
Training for overtime administration/management is not being conducted	➡	Appropriate training is provided to managers & supervisors to effectively manage overtime	➡	Not Implemented
Overtime is not being calculated correctly	➡	Overtime calculations are based on City, State, Federal, or MOU approved pay structures/rates	➡	Largely Implemented
Inadequate controls exist for grant-related overtime	➡	Appropriate protocols exist and are followed to address and record grant funded overtime	➡	Fully Implemented
Lack of management reports regarding overtime usage	➡	Overtime usage reports are generated and reviewed for tracking and trending purposes	➡	Fully Implemented

Source: Internal Audit Division. Definitions for Evaluation Tool Answer Scale below obtained from Department of Homeland Security Cybersecurity Capability Maturity Model (C2M2).

Evaluation Tool Answer Scale

- Fully Implemented** – Complete
- Largely Implemented** – Complete, but with a recognized opportunity for improvement
- Partially Implemented** – Incomplete, there are multiple opportunities for improvement
- Not implemented** – Absent, the practice is not performed

RECOMMENDATIONS

Based on the completed overtime internal control self-assessments, controls are considered adequate. However, the following recommendations when/if implemented should strengthen monitoring, oversight, minimize potential overtime abuse, and reduce overtime costs.

1. Develop inter-departmental procedures to be used in conjunction with existing City and/or applicable MOU policies, to address specific or special overtime situations or circumstances;
2. Ensure any overtime assigned to employees has been preapproved at the appropriate level;
3. Verify that overtime approvers are not authorized to approve their own time records;
4. Ensure management of the department/division is approving worktime records before submitting files to Payroll;
5. Review departmental staffing level periodically – long term vacancies increase overtime costs;
6. Ensure employees are apprised of department and City compensation policies/procedures;
7. Partner with HR and Payroll to ensure employees are adequately trained regarding overtime processes and procedures;
8. Utilize the IFAS Payroll Overtime Report created by the Finance Department to monitor and track overtime usage and trends by employee; and
9. Review department/division processes activities, services, and programs to identify causes for overtime; take corrective action to better manage/reduce overtime costs.

NEXT STEPS

We encourage all departments to engage management/staff in brainstorming ways to implement efficiencies and overtime cost saving opportunities.

Internal Audit is available to assist departments in developing action plans to address process improvements.

In twelve months we will follow-up with each department to ensure progress has been made to strengthen overtime internal controls.

Respectfully,

Vincent Price, CGAP, CICA
Senior Internal Auditor
City Manager's Office – Internal Audit Division

Attachment A Overtime Control Self-Assessment Form

Date of Assessment:

Department/Division:

Specific Risk Description	Benchmarks or Leading Practice Controls	Controls in Place? Y / N / NA	Additional Comments
1) Policies and procedures regarding overtime are not adequate and/or current	1a) Department OT policies/procedures are updated and reflect current practices in place 1b) Department OT policies/procedures are consistent with any applicable MOUs/contracts 1c) Changes and/or updates to policies/procedures or other OT regulations are disseminated or otherwise communicated appropriately		
2) Amount of overtime is excessive	2a) OT estimates are planned and budgeted accordingly 2b) OT assigned has been preapproved at the appropriate level 2c) OT usage and other management reports are reviewed periodically 2d) OT calculations are reviewed periodically for accuracy 2e) Department staffing levels are reviewed periodically		
3) Abuse of overtime	3a) OT hours are verified against appropriate documentation 3b) Overtime usage and other management reports are generated and reviewed for tracking and trending purposes 3c) OT is assigned to individuals respective to Department-prescribed limits (division or position level) 3d) Only authorized employees are assigned OT 3e) Only authorized individuals approve OT		
4) Overtime not assigned/scheduled in accordance with policies and procedures	4a) OT is assigned relative to existing staffing levels and job responsibilities 4b) OT is scheduled in accordance with departmental policies and MOUs 4c) All OT scheduled is adequately documented 4d) Only authorized employees are assigned OT 4e) Only authorized individuals approve OT		

Attachment A – continued

Specific Risk Description	Benchmarks or Leading Practice Controls	Controls in Place? Y / N / NA	Additional Comments
5) Overtime not properly approved by management	5a) OT is approved by authorized individuals 5b) OT pay is adequately verified or reviewed for reasonableness prior to approval 5c) Reconciliation of department OT record system to IFAS payroll system (if applicable) is conducted on an ongoing basis		
6) Inadequate segregation of duties relating to overtime assignments, approvals and payments	6a) Only authorized employees are assigned OT 6b) Only authorized individuals approve OT 6c) A second individual reviews/approves OT hours worked 6d) OT reviewers cannot approve their own OT		
7) Training for overtime management is not being conducted	7a) Appropriate training (including necessary tools and resources) is provided to managers/supervisors to effectively manage OT		
8) Overtime is not being calculated correctly	8a) Calculations are based on City and/or state/federal/MOU approved pay structure/rates based on the type of OT 8b) OT calculations are periodically reviewed/verified for accuracy		
9) Inadequate controls over grant related overtime (as applicable)	9a) Appropriate policies/procedures exist to address grant funded OT 9b) Proper protocols are followed for recording grant funded overtime		
10) Lack of management reports regarding overtime usage	10a) Overtime usage reports are generated and reviewed for tracking and trending purposes 10b) OT is compared to expected or predetermined amounts (division or position level) 10c) Budgeted and actual OT are reviewed for comparative purposes		

Source: Internal Audit Division.

Citywide Overtime Internal Control Self-Assessment - Action Plan

	RECOMMENDATION	DEPARTMENTS	TIMELINE
1	Develop inter-departmental procedures to be used in conjunction with existing City and/or applicable MOU policies, to address specific or special overtime situations or circumstances.	Applicable to departments/divisions that have <i>not</i> developed internal timecard procedures.	December 2017
2	Ensure any overtime assigned to employees has been preapproved at the appropriate level.	All	Ongoing
3	Verify that overtime approvers are not authorized to approve their own time records.	All	Ongoing
4	Ensure management of the department/division is approving worktime records before submitting files to Payroll.	All	Ongoing
5	Review departmental staffing level periodically – long term vacancies increase overtime costs.	All	<ul style="list-style-type: none"> - Quarterly - During Budget Development
6	Ensure employees are apprised of department and City compensation policies/procedures.	All	Ongoing
7	Partner with HR and Payroll to ensure employees are adequately trained regarding overtime processes and procedures.	<p style="text-align: center;">All</p> <p>HR – ensure training for managers/supervisors includes current overtime regulatory laws, applicable MOU policies, and internal control responsibilities (i.e., assigning and approving overtime, timecards, etc.)</p>	<p style="text-align: center;">Ongoing</p> <p>TBD with HR and Finance/Payroll</p>

Citywide Overtime Internal Control Self-Assessment - Action Plan

8	Utilize the IFAS Payroll Overtime Report created by the Finance Department to monitor and track overtime usage and trends by employee.	All	Monthly
9	Review department/division processes activities, services, and programs to identify causes for overtime; take corrective action to better manage/reduce overtime costs.	All	Ongoing