



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: APRIL 24, 2018**

**FROM: OFFICE OF ORGANIZATIONAL PERFORMANCE AND ACCOUNTABILITY      WARDS: ALL**

**SUBJECT: RIVERSIDE PUBLIC UTILITIES DEPARTMENT OVERTIME PERFORMANCE  
AUDIT REPORT BY INDEPENDENT CONSULTING FIRM MACIAS GINI &  
O'CONNELL LLP BUSINESS ADVISORY DIVISION**

## **ISSUE:**

Receive, review and approve a performance audit report from Macias Gini & O'Connell LLP Business Advisory Division on the management of overtime within the Electric Division's Energy Delivery Section.

## **RECOMMENDATIONS:**

That the City Council receive, review, and approve a performance audit report from Macias Gini & O'Connell LLP Business Advisory Division on the management of overtime within the Electric Division's Energy Delivery Section.

## **BACKGROUND:**

Transparent California is a public service organization that reports annual earnings for all public employees. In May 2017, Transparent California reported the top ten overtime earners statewide that included a Riverside Public Utilities (RPU) Electric Power System Dispatcher who received unusually high overtime pay for calendar year 2016. Following the report, RPU management immediately responded to reduce excess overtime, reviewed timecards to determine who approved overtime hours, and filled vacant Dispatcher positions.

In addition, the Office of Organizational Performance and Accountability was directed by the City Manager's Office to issue a request for proposals from consulting firms to conduct a performance audit of the Electric Power System Dispatchers section for calendar years 2012 through 2016. The objective of the audit was to determine if fraud occurred in recording and approving of overtime, determine the cause of the excessive overtime, and determine if internal controls were adequate.

In October 2017, the City entered into an agreement with Macias Gini & O'Connell LLP (MGO) Business Advisory Division to conduct a performance audit of the Electric Power System Dispatchers overtime and timecard approval practices for calendar years 2012 through 2016.

## **DISCUSSION:**

Following are the results from the MGO performance audit of the RPU Electric Power System Dispatchers Overtime. The Riverside Board of Public Utilities received this report on April 23, 2018.

1. Overall, MGO found that RPU relied on increasing levels of overtime to meet its operational needs without adjustments to existing staffing levels.
2. Audit testing found no evidence to support the conclusion that employee compensation was obtained by either creating overtime where none was needed, or submitting timekeeping records for overtime not worked; however, we found internal controls specifically surrounding overtime monitoring were not in place.
3. Since the time period covered by the audit, we noted the City and RPU have hired additional staff, and made significant improvements to strengthen internal controls, such as new policies and procedures, and implemented overtime monitoring procedures.

The full summary letter from MGO is attached.

It should also be noted that during the MGO performance audit review period of October 2017 through March 2018, RPU management, in collaboration with the City Manager's Office, Office of Organizational Performance & Accountability, and the Finance Department implemented the following:

1. The City Council approved an increase in positions, from 10 to 13 positions in Electric Operations to fully staff the Dispatch work group in a direct effort to reduce overtime hours and compensation;
2. RPU conducted an audit on approval authority levels in the payroll record keeping system (UWAM), and implemented corrections to ensure that only the appropriate level of employees have access to approve timecards;
3. In August 2017, RPU, along with all City departments, completed the Overtime Control Self-Assessment (CSA) in conjunction with the Internal Audit Division to identify benchmarks and leading best practice controls regarding overtime;
4. In October 2017, RPU completed an Operational Feedback report in conjunction with the Internal Audit Division to review all work groups/personnel with overtime percentages above 20 percent and identify ways to reduce overtime, if applicable, while maintaining appropriate staffing levels for 24/7/365 operations;
5. RPU is working closely with the Human Resources Department on recruitments as vacancies can exasperate an overtime problem within certain work groups where 24/7/365 shifts are required to be covered;

6. Other overtime reductions and staffing-level improvements were implemented in field divisions; including changing shift assignments, standby crew elimination, scheduling routine projects during the business day, etc.; and
7. As part of the Fiscal Year 2018/19 – 2019/20 budget process, overtime dollars were correctly budgeted in each division based on prior year trends to appropriately track anticipated and actual costs. Overtime is closely monitored; however, overtime is necessary due to many factors associated with management of 24/7/365 utility operations; such as stand by time, emergency services not during normal daytime hours, employee leave, etc.

With the filling of vacant positions in the Electric Power System Dispatcher section, overtime compensation decreased from 2016 to 2017 on average 35%. The top two overtime earners in the section had a decrease in overtime compensation year to year of 42%. It is expected that dispatcher's overtime will continue to decrease as recently hired dispatchers become familiar with the grid and SCADA system.

The Office of Organizational Performance & Accountability with assistance from Finance and the Innovation & Technology Department will continue to monitor overtime in RPU and all City departments monthly. An online overtime "dashboard" is planned for implementation in the coming months.

### **FISCAL IMPACT:**

There is no fiscal impact associated with this report.

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| Prepared by:                              | Cheryl Johannes, Office of Organizational Performance & Accountability |
| Approved by:                              | Marianna Marysheva, Assistant City Manager                             |
| Certified as to<br>availability of funds: | Adam Raymond, Chief Financial Officer/City Treasurer                   |
| Approved as to form:                      | Gary G. Geuss, City Attorney   |

### **Attachments:**

1. MGO Executive Summary letter dated April 5, 2018
2. Presentation