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**OVERTIME FOLLOW-UP
PERFORMANCE AUDIT**

JUNE 2014

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AUDIT SERVICES DEPARTMENT

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assurance and investigative services”*

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To: Audit Services Oversight Committee
From: Germaine Brewington, Director
Audit Services Department
Date: June 9, 2014
Re: Overtime Follow-Up Performance Audit
(June 2014)

The Department of Audit Services completed the report on Overtime Follow-Up Performance Audit dated June 9, 2014. The purpose of the audit was to verify whether the recommendations proposed in the Overtime Performance Audit dated March 2013 were implemented by the responsible departments.

This report presents the observations, results, and recommendations of the Overtime Follow-Up Performance Audit. City management concur with the recommendations made. Management's response to the recommendations is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from employees of the Departments of Water Management and Human Resources as well as the City Manager's Office in the completion of this audit.

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BACKGROUND INFORMATION

The Department of Audit Services performed the Overtime Performance Audit in March 2013. The purpose of the audit was to review the City of Durham's overtime payments and to determine whether management controls over overtime payments were effective to ensure that overtime was reasonable and approved. The results of the audit were as follows:

- Overall across the City, overtime payments to employees and overtime hours worked by employees did not appear excessive. Adequate management oversight was present in most of the departments. Lack of management oversight was noted over the Utility System Supervisor (USS) position in the Department of Water Management. A lack of adequate documentation for specific work tasks precluded an assessment of the legitimate business need for overtime claimed as well as precluded the appropriate management oversight for overtime paid. While this practice was not systemic to the City, the lack of oversight for the assignments of the persons in the USS position could potentially create an environment for potential fraud, waste or abuse to occur. However, at the time of the fieldwork, audit staff did not find evidence of fraud or abuse by the employees earning the overtime.
- Overtime Payment Forms submitted to the Payroll Division of the Finance Department were not signed in accordance with Policy HRM 403 Overtime Pay and Compensatory Time.
- The calculations performed at the Department of Water Management were in accordance with their internal departmental policy "Stand-by/On-Call/Recall Duty". However, audit staff noted that the internal policy was less restrictive than Citywide Policy HRM 403 – Overtime and Compensatory Time and Policy HRM 410 – Standby/Recall.

The audit proposed seven recommendations to address the areas of concern.

EXECUTIVE SUMMARY

Purpose

The purpose of the audit was to verify if the recommendations proposed in the Overtime Performance Audit dated March 2013 were implemented by the responsible departments.

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 and 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.

Results in Brief

The Overtime Performance Audit dated March 2013 proposed seven recommendations to management. The status of the recommendations is:

- Five recommendations were fully implemented; and
- Two recommendations were partially implemented.



OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objective of the audit was to verify if:

- Proposed recommendations were implemented by the responsible departments.

Scope

The scope of the audit included examining the current controls as they relate to the proposed recommendations of the Overtime Performance Audit dated March 2013.

Methodology

To accomplish the objective of the audit, staff performed the following:

- Interviewed various City personnel responsible for implementing the proposed recommendations; and
- Obtained and reviewed policies, procedures, and documentation to support the implementation of the proposed recommendations.

During the audit, staff also maintained awareness to the potential existence of fraud.

AUDIT RESULTS

The recommendations in the Overtime Performance Audit dated March 2013 and the accompanying status of each recommendation follow.

Recommendation 1 (March 2013 Audit)

Department directors/designees of all City departments should perform an aggregate review of the total overtime paid to all employees. This review will improve the effectiveness of monitoring overtime earned by all employees at all levels and positions. The report should include the following information: employee name, employee position, total overtime paid, total base salary, total hours of overtime worked and total leave time taken during a given period. The review should be performed on some regular schedule.

Status: Fully Implemented

Audit staff conducted a survey of department directors with high overtime expenditures. A report summarizing the total overtime paid to departmental employees in the aggregate has been implemented. These reports are reviewed signed and discussed in regular management meetings for each department surveyed. In addition, the Finance Department has established a Standard Operating Procedure to review overtime submissions by departments and notify them of excessive or significant overtime. This process was implemented in March of 2013.

Recommendation 2 (March 2013 Audit)

The City Manager's Office should review Water Management Department's internal policy Stand-by/On-Call/Recall Duty and determine if the policy is appropriate and if the exceptions noted in this policy should apply to other City department employees that earn overtime for similar activities. If the policy is determined to be appropriate, the exceptions should be reflected in the respective City-wide policies.

Status: Partially Implemented

AUDIT RESULTS

The Department of Water Management has revised its departmental Stand-By/On-Call/Recall Duty Policy. The revised Policy is still not consistent with Citywide Policy HRM 403 – Overtime and Compensatory Time and Policy HRM 410 – Standby/Recall. The City Manager’s Office has delegated the responsibility of reviewing the policies to the Human Resources Director. The Human Resources Director is in the process of reviewing the revised Policy in order to determine the appropriateness of the exceptions and whether the exceptions should be reflected in the respective City-wide policies.

Recommendation 3 (March 2013 Audit)

The Department of Water Management should strengthen management oversight for overtime payments by performing the following:

- Requiring the documentation of tasks, which supports overtime, and compensatory time to be completed immediately following the completed work assignment; and reviewed within a reasonable period. These records should be specific to the task, and maintained in accordance with the City’s Records Retention policy.
- Authorizing overtime in writing (whenever possible) based on a specific business need, before it is worked.

Status: Fully Implemented

The Water Management Department is in full compliance with the stated recommendation and is regenerating a monthly and quarterly report to conduct analysis of its overtime hours and work assignments. In addition, the Department recently began using the following process to comply with the audit recommendations:

AUDIT RESULTS

UNPLANNED OVERTIME (extended day and emergencies)

1. Crew Chiefs complete work order in the City Works system. The work order reflects whether time worked is overtime or regular time for each employee;
2. The Utility Services Supervisor closes the work orders by verifying the accuracy of the materials, equipment and labor reported;
3. At the beginning of each week each Utility Services Supervisor receives an overtime report generated from City Works for overtime worked the previous week. This report lists the employee, the number of hours worked by the employee and the associated work order number;
4. Each Utility Services Supervisor verifies the overtime hours worked by each employee against the work orders;
5. Each report is turned in to the Assistant Superintendent, who ensures all signatures are in order and the reports look accurate; and
6. Reports are sent to the Administrative Coordinator who uses them to ensure correct data entry into MUNIS.

PLANNED OVERTIME

From time to time situations occur that require a job to be performed outside normal working hours. This could be due to safety concerns or customer convenience (request). When these situations arise they are handled individually as each instance is unique.

1. The Utility Services Supervisor identifies the job's unusual circumstances and develops a plan to mitigate any unusual or unnecessary safety concerns or customer impacts;
2. The Utility Services Supervisor reviews the plan with the Assistant Superintendent and/or Superintendent. Together, they assess the situation to determine if it is truly necessary to perform the work during off hours and the plan to ensure it is the most efficient way to perform the job;
3. Once it is deemed necessary to perform the job off hours, the work is scheduled and a work order is created in the City Works system;

AUDIT RESULTS

4. At this point the overtime is handled in the same manner as an unplanned assignment.

Recommendation 4 (March 2013 Audit)

The Department of Water Management should prepare a resource allocation worksheet of its departmental staff positions with high overtime earnings to determine: 1) adequate staffing levels for the workload, and 2) reasonableness of overtime hours claimed.

Status: Fully Implemented

The Department of Water Management prepared the resource allocation worksheets with appropriate supporting data to determine adequate staffing levels, and reasonableness of the overtime claimed.

Recommendation 5 (March 2013 Audit)

The Department of Public Works should retrain the timekeepers in charge of calculating overtime.

Status: Fully Implemented

The Department of Public Works has fully implemented the above recommendation. The Public Works employee was retrained on March 27, 2014.

Recommendation 6 (March 2013 Audit)

The Department of Emergency Communications should ensure that the Department Director signs the Overtime Payment Form per the current policy.

Status: Fully Implemented

AUDIT RESULTS

Audit staff verified that the Overtime Payment Form is signed by the Director of Emergency Communications every pay period. In addition, the Director also reviews the payroll time sheets, the overtime request form and the daily activity report, and initials these documents prior to placing in the overtime file.

Recommendation 7 (March 2013 Audit)

The Department of Human Resources should revise Policy HRM 403 *Overtime Pay and Compensatory Time C.5.a* to state “The **Department Director or Assistant Director** must sign the overtime payment form and the time sheet and this must be submitted to payroll as required.”

Status: Not Implemented

The Policy HRM 403 Overtime Pay and Compensatory Time has been revised to state that “The Department Director or Assistant Director must sign the Overtime Payment Form and the time sheet and this must be submitted to payroll as required.” However, it is still in the policy workflow system awaiting approval from the City Manager.

RECOMMENDATIONS

Recommendation 1

The department of Human Resources should review the Water Management Department's internal policy Stand-by/On-Call/Recall Duty and determine if the policy is appropriate and if the exceptions noted in this policy should apply to other City department employees that earn overtime for similar activities. If the policy is determined to be appropriate, the exceptions should be reflected in the respective City-wide policies.

Recommendation 2

The Department of Human Resources should ensure that the revised Policy HRM 403 Overtime Pay and Compensatory Time is approved by the City Manager.

MANAGEMENT'S RESPONSE

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Memo to: Germaine F. Brewington, Director of Audit Services
Through: Wanda Page, Deputy City Manager
From: Regina Youngblood, Human Resources Director
Date: June 3, 2014
Subject: Management's Response
Overtime Follow-Up Performance Audit (June, 2014)

The following is the management's response to the Overtime Follow-Up Performance Audit dated June, 2014.

Recommendation 1

The department of Human Resources should review the Water Management Department's internal policy Stand-by/On-Call/Recall Duty and determine if the policy is appropriate and if the exceptions noted in this policy should apply to other City department employees that earn overtime for similar activities. If the policy is determined to be appropriate, the exceptions should be reflected in the respective City-wide policies.

Management's Response:

We concur. Management is in full agreement with the recommendation. The Human Resources Director, Regina Youngblood, will review Water Management's policy and compare it to the City of Durham Stand-by and Recall policy, HRM 410, and make a recommendation to the City Manager regarding modifications to one or both of the policies.

The Human Resources Director will provide her recommendations to the City Manager in late June 2014. Approved recommendations will be submitted for final approval through the City's policy website. The Human Resources Director will also provide a written response to the Audit Director.

Implementation Date: Late June 2014



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Recommendation 2

The Department of Human Resources should ensure that the revised Policy HRM 403 Overtime Pay and Compensatory Time is approved by the City Manager.

Management's Response:

We concur. Management is in full agreement with the recommendation. The Human Resources Department Director is working closely with the Technology Solutions Department to enter the updated policy on the City's policy site for review and final approval.

Barring any technical difficulties with the policy site, the Human Resources Director will have the policy uploaded in early June 2014. The Human Resources Director will also provide a written response to the Audit Director.

Implementation Date: Early June 2014