



CITY OF RICHMOND
CITY AUDITOR

DATE: November 8, 2019

TO: Ms. Lenora Reid
Interim Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Citywide
Top 20 Overtime

The City Auditor's Office has completed the Citywide Top 20 Overtime audit and the final report is attached.

We would like to thank the staff of the Richmond Police Department, Public Utilities, Public Works and Emergency Communications for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Robert Steidel, DCAO of Operations
Bobby Vincent, Director of Public Works
Calvin Farr, Director of Public Utilities
William Smith, Chief of Richmond Police Department
Stephen Willoughby, Director of Emergency Communications

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City of
RICHMOND
Office of the City Auditor

Audit Report# 2020-07

Citywide Top 20 Overtime

November 8, 2019



Audit Report Staff

Louis Lassiter, City Auditor
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Highlights

Audit Report to the Audit Committee, City Council, and the Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY20 audit plan approved by the Audit Committee. This audit focused on the top 20 overtime earners in the City and the controls within their departments to monitor and approve overtime hours.

What We Recommend

The Director of Public Utilities:

- Implement and monitor an overtime policy that includes a consistent practice of recording lunch breaks and timely overtime approval.

The Police Chief:

- Implement a process to monitor compliance with the work hour restrictions outlined in General Order 4.6 to promote employee safety and productivity.

The Director of Public Works:

- Ensure all manual overtime records are accurately recorded and approved by all department supervisors.
- Develop and implement a process to ensure lunch breaks are consistently applied throughout the Department.

The Director of Emergency Communications:

- Implement a process to monitor compliance with their Overtime Policy.



Top 20 Overtime

Background

We conducted a CY17 Payroll Audit, which identified 57 employees who were paid more than 700 overtime hours totaling approximately \$1.8 million. The audit identified safety and overtime documentation concerns due to employees working a significant number of overtime hours. As a result, the Top 20 Overtime earners audit (excluding the Sheriff's Office) was conducted to determine if the same overtime pattern occurred in CY18. The CY18 Top 20 Overtime earners (*highest number of overtime hours*) worked in the departments of:

- Police
- Public Utilities
- Public Works
- Emergency Communications

During CY18, the City paid overtime of approximately \$843,861 to the Top 20 Overtime earners.

Works Well

All overtime hours paid complied with the Federal Labor Standards Act (FLSA) guidelines.

Needs Improvement

Department of Public Utilities – DPU

We analyzed the three highest overtime pay periods for 11 employees (33 total with 2,463 overtime hours). Of the 2,463 hours tested, we obtained approval documentation for 2,115 hours. Thirty-two of the 33 pay periods reviewed had variances due to the inconsistent application of lunch breaks, overtime logs with more hours approved than were paid, unsupported overtime hours and untimely overtime approvals.

Richmond Police Department – RPD

We analyzed the three highest pay periods for four employees (12 total with 928 overtime hours) and reviewed the department's overtime policy. Of the 12 pay periods reviewed, 11 instances did not comply with General Order 4.6.

Department of Public Works – DPW

We analyzed the three highest pay periods for three employees (9 total with 798 overtime hours). Of the 798 overtime hours tested, we obtained approval documentation for 741 hours. All nine of the pay periods reviewed had variances due to the inconsistent application of lunch breaks, overtime logs with more hours approved than were paid, and unsupported overtime hours.

Department of Emergency Communications – DEC

We analyzed the three highest pay periods for two employees (6 total with 477.5 overtime hours). Of the six pay periods reviewed, DEC did not comply with their overtime policy in eight instances.

Management concurred with 5 of 5 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

BACKGROUND

We conducted a CY17 Payroll Audit, which identified 57 employees who were paid more than 700 overtime hours totaling approximately \$1.8 million. The audit identified safety and overtime documentation concerns due to employees working a significant number of overtime hours. As a result, a Top 20 Overtime Earners audit was conducted to determine if the same overtime pattern occurred in CY18.

Throughout this audit we noted some departments are beginning to monitor overtime within their departments through limits and/or policies that govern mandatory rest breaks between work shifts. We also noted Central Human Resources (HR) is monitoring high overtime earners quarterly to obtain the reasons behind it. We will continue to monitor the open audit recommendation from the prior audit with Central HR as part of regular audit follow-up processes.

The CY18 Top 20 Overtime Earners (*highest number of overtime hours*) worked in the departments of:

- Police – 4 employees
- Public Utilities – 11 employees
- Public Works – 3 employees
- Emergency Communications – 2 employees

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During CY18, the City paid overtime of approximately \$843,861 to the Top 20 Overtime Earners.

The table below depicts these high overtime earners from high to low based on overtime hours:

Department	Overtime Hours	Overtime Earnings
DPW	2,084	\$40,660
DPU	1,739	\$50,561
DEC	1,439	\$35,288
DPU	1,417	\$44,413
DPU	1,370	\$33,500
DPU	1,325	\$33,119
DPU	1,284	\$53,002
RPD	1,268	\$67,042
RPD	1,258	\$55,146
DPW	1,250	\$33,586
RPD	1,242	\$54,741
DPU	1,228	\$44,641
DEC	1,191	\$35,010
DPU	1,176	\$34,198
RPD	1,170	\$61,845
DPW	1,168	\$33,385
DPU	1,161	\$28,078
DPU	1,100	\$46,827
DPU	1,069	\$22,818
DPU	1,062	\$36,002
Grand Total		\$843,861

OBJECTIVES

To identify the Top 20 Overtime Earners Citywide and to test transactions for compliance to policies and regulations.

SCOPE

The Top 20 Overtime Earners Citywide in CY18, excluding the Sheriff's Office.

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METHODOLOGY

The auditors performed the following procedures to complete this audit:

- Interviewed management and staff;
- Reviewed and evaluated relevant policies and procedures and tested for compliance;
- Reviewed hard copy files for timecards and overtime approval forms; and
- Performed other tests, as deemed necessary.

MANAGEMENT RESPONSIBILITY

City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded internal controls related to overtime approval, tracking, and monitoring need improvement, which are discussed throughout this report.

FINDINGS and RECOMMENDATIONS

What Works Well

All overtime paid complied with Federal Labor Standards Act (FLSA) guidelines for the appropriate employment classification and were supported by time cards.

What Needs Improvement

Finding #1 –Department of Public Utilities

We analyzed the three highest overtime pay periods for 11 employees (33 total with 2,463 overtime hours). Of the 2,463 hours tested, we obtained approval documentation for 2,115 hours. Upon reviewing the time cards and overtime logs, we noted the application and recordings of lunch breaks were inconsistently applied throughout the Department. Some employees were set up with a half hour deduction for lunch while others were not. We also noted the manual overtime logs inconsistently either included or excluded the lunch breaks. The analysis revealed 32 of the 33 pay periods reviewed had the following variances:

- Over supported Variances – (9 pay periods with negative 99 hours):
 - Variances ranged from 3 hours to 37.5 hours, some of which were due to inconsistent lunch application).
 - Overtime logs with more hours approved than were paid.
- Under supported Variances – (23 pay periods with 447 hours):
 - Variances ranged a quarter hour to 86 hours.
 - Two employees accounted for 309 of the 447 hours. Five of their six pay periods (202.5 hours) were approved after the audit started.

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The table below depicts the overtime paid to these employees and the corresponding quarterly vacancy rates for the positions:

Employee	Title	Vacancy Rate	Overtime Hours	Overtime Earnings
Employee 1**	Gas & Water Service Technician	5%	1,739	\$50,561
Employee 2*	Field Operations Coordinator	9%	1,417	\$44,413
Employee 3**	Water Utility Specialist	15%	1,370	\$33,500
Employee 4**	Trades Supervisor I	8%	1,325	\$33,119
Employee 5*	Utility Operations Supervisor	3%	1,284	\$53,002
Employee 6**	Commercial Meter Technician	3%	1,228	\$44,641
Employee 7**	Gas & Water Service Technician	4%	1,176	\$34,198
Employee 8	Water Utility Specialist	14%	1,161	\$28,078
Employee 9*	Gas & Water Service Technician	5%	1,100	\$46,827
Employee 10	Water Utility Specialist	14%	1,069	\$22,818
Employee 11	Construction Inspector III	11%	1,062	\$36,002
Total			13,931	\$427,159

*Employee was identified as a high overtime earner during the CY17 payroll audit.

** Employee was identified as both, a high overtime earner during the CY17 payroll audit and CY17 top 20 earner.

We noted DPU does not have an overtime policy limiting the number of overtime hours an employee may work, requiring rest breaks in between shifts, or noting how lunch breaks are to be applied and recorded. Studies have shown employees working extended overtime hours over long periods may result in reduced employee productivity and expose them to safety risks.

According to DPU Management, overtime worked by employees should be documented and approved. "Managers and supervisors must verify the approved OT, hours before approving the timecard".

Recommendation:

- 1. We recommend the Director of Public Utilities implement and monitor an overtime policy that includes a consistent practice of recording lunch breaks and timely overtime approval.*

Finding #2 –Richmond Police Department

According to RPD's General Order 4.6 Outside (Extra-Duty and Off-Duty) Employment- Work Hour Restrictions, "Employees may not engage in patrol overtime or outside employment (on-duty, extra-duty, off-duty, or any combination of these statuses) for more than 16.5 hour in any consecutive 24 hours.... Department members must have at least eight hours rest during the 16 hour period prior to reporting to their regular Department assignment..."

We analyzed the three highest pay periods for four employees (12 total with 928 overtime hours) and noted:

- Non-compliance with General Order 4.6:
 - In four of twelve pay periods, two employees worked more than 16.5 hours in a 24-hour period. We identified six instances (work shifts) within the four pay periods. The consecutive hours worked ranged from 17 to 21.5.
 - In four of twelve pay periods, two employees were off less than eight hours before returning to work after a 16-hour shift. We identified five instances (work shifts) within the four pay periods. The hours between shifts ranged from 3 to 7.5.

The following table depicts the overtime paid to these employees and the corresponding quarterly vacancy rates for the positions:

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Employee	Title	Vacancy Rate	Overtime Hours	Overtime Earnings
Employee 1*	Master Police Officer	2%	1,268	\$67,042
Employee 2**	Police Sergeant	1%	1,258	\$55,146
Employee 3	Police Officer IV	2%	1,242	\$54,741
Employee 4**	Master Police Officer	1%	1,170	\$61,845
Total			4,938	\$238,774

*Employee was identified as a high overtime earner during the CY17 payroll audit.

**Employee was identified as both, a high overtime earner during the CY17 payroll audit and CY17 top 20 earner.

We noted RPD does not have a process in place to monitor compliance with the work hour restrictions outlined in General Order 4.6 Outside (*Extra-Duty and Off-Duty*) Employment- Work Hour Restrictions. As previously stated, studies have shown that employees working extended overtime hours over long periods may result in reduced employee productivity and expose them to safety risks. Employers should monitor overtime hours to ensure high productivity and employee safety.

Recommendation:

- We recommend the Chief of Police implement a process to monitor compliance with the work hour restrictions outlined in General Order 4.6 to promote employee safety and productivity.*

Finding #3 –Department of Public Works

We analyzed the three highest pay periods for three employees (9 total with 798 overtime hours). Of the 798 hours tested, we obtained approval documentation for 741 hours. Initially, DPW staff informed the auditors that RAPIDS deducts lunch breaks based on their profiles. Upon reviewing the time cards and overtime logs, we noted the application and recordings of lunch breaks were inconsistently applied throughout the Department. We also noted the manual overtime logs

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inconsistently either included or excluded the lunch breaks. The analysis revealed all of the nine pay periods had variances:

- Over supported Variances – (4 pay periods with a total of negative 36 hours):
 - Variances ranged from 2.75 hours to 16 hours, some of which were due to inconsistent lunch application.
 - Overtime logs with more hours approved than were paid.

- Under supported Variances – (5 pay periods with 93 hours):
 - Variances ranged from a half hour to 47.5 hours.
 - Inconsistent lunch break application.
 - Missing overtime approval documentation.

The table below depicts the overtime paid to these employees and the corresponding quarterly vacancy rates for the positions:

Employee	Title	Vacancy Rate	Overtime Hours	Overtime Earnings
Employee 1**	Equipment Operator II	53%	2,084	\$40,660
Employee 2*	Gardener	50%	1,250	\$33,586
Employee 3**(a)	Equipment Operator III	55%	599	\$15,111
Employee 3**(a)	Trades Supervisor I	17%	569	\$18,274
Total			4,502	\$107,631

*Employee was identified as a high overtime earner during the CY17 payroll audit.

**Employee was identified as both, a high overtime earner during the CY17 payroll audit and CY17 top 20 earner.

(a) Employee 3 worked two different positions during CY18.

According to the DPW's Overtime/ Compensatory Time Administrative Directive, "The supervisor is responsible for accurately and honestly recording hours worked on a "Weekly Overtime Log" and in accordance with departmental policies." We noted the Administrative Directive did not limit the number of overtime hours or provide guidance on the application of lunch breaks. Subsequently, the Department revised the Administrative Directive to limit the number of

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overtime hours an employee can work. We also noted DPW did not have proper oversight of the manual recording and approval of overtime hours. Without proper documentation of overtime approval, the City could pay overtime improperly.

Recommendations:

- 3. We recommend the Director of Public Works ensure all manual overtime records are accurately recorded and approved by all department supervisors.*
- 4. We recommend the Director of Public Works develop and implement a process to ensure lunch breaks are consistently applied throughout the Department.*

Finding #4 –Department of Emergency Communications

According to DEC's Minimum Staffing, Shift Assignments, and Tour of Duty Requirements Policy, "Employees may not engage in overtime for more than 16 hours in any consecutive 24 hour period... Department members must be provided at least eight hours for rest during the 16 hour period prior to reporting to their regular Department assignment..."

We analyzed the three highest pay periods for two employees (*6 total with 477.5 overtime hours*). Of the 477.5 hours tested, we obtained approval documentation for 395.5 hours. During one pay period, approval of 82 hours for an employee was not signed by the supervisor. The analysis revealed:

- Non-compliance with the Department's Overtime Policy.
 - In four of six pay periods, both employees worked more than 16 hours in a 24-hour period. We identified six instances (work shifts) within the four pay periods. These employees worked 16.5 hours in each instance.
 - In one pay period (two instances), an employee was off only seven and a half hours before returning to work after a 16-hour shift.

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The table below depicts the overtime paid to these employees and the corresponding quarterly vacancy rates for the positions:

Employee	Title	Vacancy Rate	Overtime Hours	Overtime Earnings
Employee 1	Communications Officer	20%	1,439	35,288
Employee 2*	Communications Officer	20%	1,191	35,010
Total			2,630	70,298

* The employee was identified as both, a high overtime earner during the CY17 payroll audit.

We noted DEC does not have a formal process in place to monitor compliance with their Overtime Policy.

Recommendation:

- 5. We recommend the Director of Emergency Communications implement a process to monitor compliance with their Overtime Policy.*

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend the Director of Public Utilities implement and monitor an overtime policy that includes a consistent practice of recording lunch breaks and timely overtime approval.	Y	DPU will create a department-wide policy governing overtime. The policy will be provided to the Auditor's office.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director		12/20/2019
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend the Chief of Police implement a process to monitor compliance with the work hour restrictions outlined in General Order 4.6 to promote employee safety and productivity.	Y	All employees are expected to fully comply with General Order 4.6. -Outside(Extra-Duty and Off-Duty) Employment. The Chief of Police will send out a memo advising all supervisors to check overtime hours daily to ensure officers do not work more than 16.5 hours in any consecutive 24 hours period. The memo will be provided to the Auditor's office.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Divison Commander		Immediately
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Director of Public Works ensure all manual overtime records are accurately recorded and approved by all department supervisors.	Y	The Overtime SOP currently states the importance of making sure that supervisors are accurately recording and approving OT. The SOP will be reviewed at the next Supervisor's meeting. Minutes of this meeting will be provided to the Auditor's office.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director, Sr		12/1/2019
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend the Director of Public Works develop and implement a process to ensure lunch breaks are consistently applied throughout the Department.	Y	The current SOP will be updated to include how lunch breaks will be captured via RAPIDS rules. The Winter Maintenance Manual will also be updated to include detail on how to process lunch breaks. Copies of the revised SOP and manual will be provided to the Auditor's office.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director, Sr.		12/1/2019
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend the Director of Emergency Communications implement a process to monitor compliance with their Overtime Policy.	Y	Overtime is assigned and approved electronically through DEC's staffing/payroll system. DEC Policy 1-10 (Minimum Staffing, Shift Assignments, and Tour of Duty Requirements) is being revised to create additional process to ensure approval of ALL overtime activity by a supervisor or manager. This policy revision also includes creation of an internal audit sampling each pay period to ensure compliance with overtime policies.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director		7/12/2019
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The aforementioned overtime approval process was implemented in July 2019.