
Performance Audit of Employee Add-on Pays

ADMINISTRATIVE PROCESSES NEED IMPROVEMENT
TO ENSURE ADD-ON PAYMENTS TO EMPLOYEES
ARE SUPPORTED BY PROOF OF ELIGIBILITY

FEBRUARY 2014

Audit Report

Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

February 27, 2014

Honorable Interim Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is the City of San Diego's Performance Audit of Employee Add-on Pays. This report was conducted in accordance with the City Auditor's Fiscal Year 2013 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 27 of this report.

We would like to thank staff from the San Diego Police Department, San Diego Fire-Rescue Department, Public Works, Personnel, Human Resources, and the Comptroller's Office for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Megan Garth, Luis Briseño, Chris Kime, and Kyle Elser.

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Results in Brief

The City of San Diego (City) provides add-on pays in addition to base salary as a way to compensate employees with special skills and education or employees who undertake special assignments. Add-on pays represent a significant cost to the City and a sizeable increase to employees' base compensation, with add-on payments to over 5,000 City employees amounting to five percent (\$34 million) of the City's total \$678 million budget for salaries and wages in fiscal year 2012 (FY2012). We found that most of the add-on pays we reviewed were received by eligible employees, as shown by supporting documentation. All departments in our scope have various policies, procedures, and/or practices in place to process the add-on pays. However, we identified some add-on pays in which inconsistent administrative processes resulted in payments to employees for which proof of eligibility could not be supported by the existing documentation.

Specifically, we found the following:

- The majority of the add-on pays in our sample were paid to eligible employees with supporting documentation for: Second Watch Shift, Third Watch Shift, Intermediate and Advanced Peace Officer Standards and Training (POST), Emergency Medical Technician (EMT), EMT Lifeguard, Paramedic, and Fire Administrative Assignment (FAA).
- The City paid approximately \$302,000 to employees who lacked proof of eligibility to receive:
 - San Diego Police Officers' Association Bilingual Pay (Bilingual Pay): \$175,830; and
 - Public Works' Engineering and Capital Projects Registration Pay (Registration Pay): \$125,988.
- Departments can strengthen their internal controls by documenting their add-on pay processing practices and using expiration dates in the City's payroll system to automatically suspend add-on pays for employees once they no longer qualify or renew their eligibility to receive the add-on pay.

We made a total of five recommendations in this report that are intended to ensure that add-on payments are supported by proof of eligibility. Management agreed with three recommendations and partially agreed with two.

Background

Add-on Pay in the City of San Diego

In Fiscal Year 2012 (FY2012), the City of San Diego (City) paid approximately \$34 million in add-on pays to 5,180 employees, which amounts to approximately five percent of the City's adopted budget of \$678 million in salaries and wages. The City provides add-on pays in addition to base salary as a way to compensate employees with special skills and education or employees who undertake special assignments. A number of citywide policies provide authority and guidance on the administration of add-on pays, including the Municipal Code, Personnel Regulations, and the annual Salary Ordinance. However, most add-on pays are negotiated between the City's Management Team and the City's six labor unions and codified in respective Memoranda of Understanding (MOUs). According to the San Diego Office of the City Comptroller (Comptroller), there are 164 add-on pays. **Exhibit 1** on the following page shows the top 20 add-on pays by dollar amount in FY2012. We reviewed the top ten add-on pays (identified in **bold**), which account for approximately 70 percent of the total paid in FY2012. See **Appendix C** for the list of add-on pays remitted in FY2012.

Exhibit 1**Top 20 Add-on Pays Received by City of San Diego Employees in FY2012**

Add-on Pays	Applicable Department	Add-on Pay Premium per City Agreements	Total Amount Paid in FY2012
1. Advanced Peace Officer Standards and Training (POST)	San Diego Police Department (SDPD)	8.5%	\$8,167,036
2. Emergency Medical Technician (EMT)	San Diego Fire-Rescue Department (SDFR)	8.5%	\$5,016,519
3. Registration (for Engineering Certificates)	Various departments	15%	\$3,121,240
4. Paramedic	SDFR	\$5.33	\$2,313,411
5. Third Watch Shift	SDPD	5.3%	\$1,222,573
6. Second Watch Shift	SDPD	3.8%	\$1,021,516
7. Bilingual Police Officers' Association (POA)	SDPD	3.5%	\$917,692
8. Intermediate POST	SDPD	6%	\$882,394
9. Fire Administrative Assignment (FAA)	SDFR	15%	\$681,168
10. EMT Lifeguard	SDFR	8.5%	\$591,829
11. Split Shift	Various departments	5%	\$558,126
12. Field Training Officer (FTO)	SDPD	5%	\$547,638
13. Paramedic Specialty	SDFR	5%	\$514,897
14. Confined Space	Various departments	\$1.25	\$513,589
15. Standby	Various departments	5%	\$493,219
16. Third Watch Conversion *	SDPD	\$1.94	\$466,161
17. Bilingual	Various departments	\$0.70	\$458,590
18. Detective	SDPD	5%	\$458,177
19. Night Shift	Various departments	5%	\$411,875
20. Other Add-on Pays	Various departments	N/A	\$5,678,066
Total Amount Paid to 5,180 Employees Receiving Add-on Pay			\$34,035,714

* Conversion pay applies to San Diego Police Department classifications below Police Officer II.

Source: Payroll data from the City's payroll system, SAP; data received from the San Diego Office of the City Comptroller; and City Memoranda of Understanding.

Add-on pays fall into two categories: 1) time-dependent, such as Temporary Hazardous Materials Squad Pay and Confined Space Pay, and 2) non-time dependent, such as pay for certifications like Emergency Medical Technician (EMT) or Advanced Peace Officer Standards and Training (POST). The number of add-on pays, particularly by department or bargaining unit, is important because it increases the number of combinations an employee can receive.

In the City, add-on pays represent either a percentage that is multiplied by, or a dollar amount that is added to, the base salary rate or overtime rate. They are calculated on all compensated hours in a pay period, including annual leave, compensatory time, and overtime hours. A majority of add-on pays (140 of 164), when added to the base salary rate, are included in the pre-tax calculations on an employee's earnings and are included in the employee's pensionable earnings.

**Add-on Pay Process in the
City of San Diego**

A number of citywide policies provide authority and guidance on the administration of add-on pays, including the Municipal Code, Personnel Regulations, and the annual Salary Ordinance. However, most add-on pays are negotiated between the City's Management Team and the City's six labor unions and codified in respective Memoranda of Understanding (MOUs). Once the MOUs are approved, the Department of Human Resources' Labor Relations Division sends a request to the Personnel Department (Personnel) to create new add-on pays and/or change the amount/percentage of existing add-on pays in the City's payroll system, SAP. Personnel staff updates SAP to enable only specific classifications to receive add-on pays. For example, only Fire Fighter classifications can receive EMT Pay.

The Comptroller oversees payroll accounting and processing for all City employees. City departments have payroll specialists that conduct internal payroll processing, such as reviewing employee time for accuracy. City departments typically have their own internal policies or practices for processing payroll, including determining eligibility for add-on pays, with the exception of Bilingual, Split Shift, and Night Shift Pays, which are overseen by Personnel. Payroll specialists are responsible for setting up most non-time dependent add-on pays in SAP for employees. Additionally, payroll specialists have the option of creating a time frame for which the non-time dependent pay is to begin and end for an employee in the employee's payroll record in SAP. Using expiration dates in SAP is a useful internal control to ensure that add-on payments for employees will cease once they are no longer eligible for the add-on pay. If an employee is using a time-dependent add-on pay and they are in an eligible classification, the payroll specialist will update the employee's eligibility in SAP. Once this occurs, the employee can self-select the add-on pay in their timesheet through a drop-down menu in SAP and then submit their timesheet to their supervisor for approval.

Employees Can Receive Multiple Add-on Pays

The number of add-on pays an employee receives, especially with a high hourly base rate, increases compensation—sometimes significantly. In FY2012, a significant portion of employees receiving add-on pays—31 percent—received three or more add-on pays. In the most extreme case, an employee received 11 add-on pays totaling \$25,960, which amounts to 35 percent of their base salary. Although approximately 69 percent of employees earned two or fewer add-on pays, employees can still earn significant compensation with one add-on pay. **Exhibit 2** summarizes the number of add-on pays the City paid to employees during FY2012 with corresponding dollar amounts.

Exhibit 2

Summary of City of San Diego Employees Receiving Multiple Add-on Pays, FY2012

Count of Add-on Pays per Employee	Count of Employees	Percentage of Employees	Amount Paid	Average Add-on Pay per Employee
1	2,192	42%	\$8,266,250	\$3,771
2	1,379	27%	\$9,370,738	\$6,795
3	958	19%	\$8,361,000	\$8,728
4	413	8%	\$4,660,943	\$11,286
5	164	3%	\$2,198,612	\$13,406
6	45	1%	\$607,527	\$13,501
7	21	0.41%	\$405,022	\$19,287
8	5	0.10%	\$91,081	\$18,217
9	2	0.04%	\$48,583	\$24,291
10	-	0.00%	-	-
11	1	0.02%	\$25,960	\$25,960
Total	5,180	100%	\$34,035,714	N/A

Source: Payroll data from the City's payroll system, SAP.

Add-on Pays Can Increase Employee Base Compensation by a Large Dollar Amount

Furthermore, add-on pay costs increase proportionately as a total dollar amount for highly paid classifications. **Exhibits 3 and 4** on the following pages show how the add-on pays we reviewed can significantly increase employee compensation.

Exhibit 3**Annualized Effect of Add-on Pays for Highly Paid Classifications, FY2012**

Add-on Pays	Classification (at E Step *)	Annual Base Salary	Add-on Pay Percent	Total Annual Add-on Pay Amount	Total Base Salary plus Add-on Pay Amount
Registration	Senior Civil Engineer	\$92,851	15%	\$13,928	\$106,779
Fire Administrative Assignment	Fire Battalion Chief	\$100,110	15%	\$15,017	\$115,127
Paramedic	Fire Captain	\$85,904	13% **	\$11,086	\$96,990
Emergency Medical Technician (EMT)	Fire Battalion Chief	\$100,110	8.5%	\$8,509	\$108,620
EMT Lifeguard	Marine Safety Lieutenant (Lt.)	\$86,403	8.5%	\$7,344	\$93,747
Advanced Peace Officer Standards and Training (POST)	Executive Police Staff †	\$148,386	8.5%	\$12,613	\$160,998
Intermediate POST	Police Detective	\$79,747	6%	\$4,785	\$84,532
Third Watch Shift	Police Lt.	\$116,813	5.3%	\$6,191	\$123,004
Second Watch Shift	Police Sergeant	\$92,206	3.8%	\$3,504	\$95,710
Bilingual Police Officers' Association (POA)	Police Lt.	\$116,813	3.5%	\$4,088	\$120,901

* Each year, the City Council adopts a Salary Ordinance, which defines the minimum hourly rates of pay for all civil service classifications and includes different levels of pay for each classification, known as steps. There are five steps in each classification, A through E.

** Paramedic Pay in FY2012 was \$5.33 per hour for all eligible classifications; this dollar amount is shown as a percentage for illustrative purposes only.

† This includes the following unclassified police classifications: Chief of Police, Executive Assistant Police Chief, and Assistant Police Chief. The corresponding base salary amount represents an average of actual salaries for employees in these classifications who received Advanced POST Pay during FY2012. Although the San Diego Police Department (SDPD) must, at minimum, provide the requirements of the Memorandum of Understanding (MOU) to San Diego POA (SDPOA) employees, the department's appointing authority has discretion to extend the MOU benefits to unclassified employees that are not in the SDPOA within the parameters of the approved Salary Ordinance.

Source: Payroll data from the City's payroll system, SAP; the City's FY2012 Salary Ordinance; and Memoranda of Understanding between the City and its recognized labor unions, effective during FY2012.

While **Exhibit 3's** classifications do not represent the majority of employees who received add-on pays in FY2012, the following exhibit shows the predominant classifications that earn a significant amount of compensation in the form of add-on pays. **Exhibit 4** below breaks down the top ten highest-paying add-on pays by the employee classifications that predominately received them.¹

Exhibit 4

Annualized Effect of Add-on Pays for Predominant Classifications, FY2012

Add-on Pays	Classification (at E Step *)	Annual Base Salary	Add-on Pay Percent	Total Annual Add-on Pay Amount	Total Base Salary plus Add-on Pay Amount
Registration	Associate Civil Engineer	\$80,454	15%	\$12,068	\$92,523
Paramedic	Fire Fighter II	\$63,378	17.5%**	\$11,086	\$74,464
Fire Administrative Assignment	Fire Captain	\$85,904	15%	\$12,886	\$98,790
Emergency Medical Technician (EMT)	Fire Fighter II	\$63,378	8.5%	\$5,387	\$68,765
EMT Lifeguard	Lifeguard I	\$40,560	8.5%	\$3,448	\$44,008
Advanced Peace Officer Standards and Training (POST)	Police Officer II	\$75,941	8.5%	\$6,455	\$82,396
Intermediate POST	Police Officer II	\$75,941	6.0%	\$4,556	\$80,497
Third Watch Shift	Police Officer II	\$75,941	5.3%	\$4,025	\$79,966
Second Watch Shift	Police Officer II	\$75,941	3.8%	\$2,886	\$78,827
Bilingual Police Officers' Association (POA)	Police Officer II	\$75,941	3.5%	\$2,658	\$78,599

* Each year, the City Council adopts a Salary Ordinance, which defines the minimum hourly rates of pay for all civil service classifications and it includes different levels of pay for each classification, known as steps. There are five steps in each classification, A through E. Most of the employees in these groups were paid at E step within the classification according to the FY2012 Salary Ordinance.

** Paramedic Pay in FY2012 was \$5.33 per hour for all eligible classifications; however this dollar amount is shown as a percentage for illustrative purposes only.

Source: Payroll data from the City's payroll system, SAP; the City's FY2012 Salary Ordinance; and Memoranda of Understanding (MOU) between the City and its recognized labor unions, effective during FY2012.

¹ These classifications represent the most frequently-occurring civil service classifications from each of the add-on pays.

Fire Administrative Assignment Represents an Unusually High Add-on Pay Premium

The Fire Administrative Assignment (FAA) Pay is a 15 percent premium paid to sworn San Diego Fire-Rescue Department (SDFR) employees who move from fire suppression duties to a designated administrative assignment. In FY2012, FAA was paid to 63 employees at a total cost of approximately \$681,000. The 15 percent premium, however, is paid on top of a 40 percent increase in hourly rate, as the employee moves from a 56-hour work week to a 40-hour work week, for an effective increase in hourly rate of 61 percent. In order to staff fire stations 24 hours per day, 365 days per year, SDFR's fire suppression staff utilizes 56-hour work weeks. However, per the City's Salary Ordinance, the employee's suppression hourly base rate is increased to compensate for the change in schedule from 56 to 40 hours per week and to ensure that the employee will make the same base salary.

In FY2012, a majority of employees receiving FAA Pay were in higher paid classifications, such as Fire Battalion Chiefs, Fire Captains, and Fire Prevention Inspectors, where FAA Pay represents a larger dollar amount due to a higher base rate. Moreover, employees on administrative assignment can work overtime at the adjusted hourly rate and can also work suppression duties at the suppression rate when not on administrative assignment, which provides an opportunity for labor costs to increase even higher. **Exhibit 5** below compares the hourly rate of a Fire Captain on an administrative assignment to the regular hourly rate when on suppression duties.

Exhibit 5

Comparison of Fire Captain's Hourly Rate: Suppression vs. Administrative Assignment

Work Schedule	Weekly Work Hours	Annual Work Hours	Hourly Rate (at E Step *)	Annual Salary	Add-on %	Add-on Amount (Hourly)	Adjusted Hourly Rate	Adjusted Annual Salary
Regular Suppression Duties	56	2,912	\$29.50	\$85,904	-	-	\$29.50	\$85,904
Administrative Assignment	40	2,080	\$41.30	\$85,904	15%	\$6.20	\$47.50	\$98,789

Note: The percentage increase in hourly base rate is calculated as follows: $(\$47.50 - \$29.50) / \$29.50 = 61\%$ increase over the original base rate.

* Each year, the City Council adopts a Salary Ordinance, which defines the minimum hourly rates of pay for all civil service classifications and it includes different levels of pay for each classification, known as steps. There are five steps in each classification, A through E.

Source: FY2012 Salary Ordinance, FY2012 San Diego City Firefighters Memorandum of Understanding (MOU), and conversations with San Diego Fire-Rescue payroll staff and management.

The increase in base pay to employees who move from suppression to an administrative assignment is approved in the annual Salary Ordinance, and the FAA Pay is approved in the MOU for the International Association of Fire Fighters Local 145 (Local 145). When these two pay increases are combined, they represent a significant pay premium for the employee and a significant cost to the City.

As we have described above, there are numerous add-on pays that, when combined, add significant cost to the City's payroll and can result in a sizeable increase to an employee's base compensation. Therefore, it is important that departments develop and maintain strong internal controls to administer add-on pay processing consistently and to ensure that employees only receive compensation for which they are eligible.

Audit Results

Finding 1: Administrative Processes Need Improvement to Ensure Add-on Payments to Employees are Supported by Proof of Eligibility

The majority of the add-on pays we reviewed were paid to eligible employees, as evidenced by supporting documentation. This included add-on pays for Second Watch Shift, Third Watch Shift, Intermediate and Advanced Peace Officer Standards and Training (POST), Emergency Medical Technician (EMT), EMT Lifeguard, Fire Administrative Assignment (FAA), and Paramedic. However, there were instances in which eligibility for an add-on pay could not be determined due to inconsistent administrative processes.

In FY2012, the City of San Diego (City) paid approximately \$302,000 to employees who lacked proof of eligibility to receive:

- San Diego Police Officers' Association Bilingual Pay (Bilingual Pay): \$175,830; and
- Public Works' Engineering and Capital Projects Registration Pay (Registration Pay): \$125,988.

In these circumstances, we were unable to verify proof of eligibility for add-on pays due to department policy that was inconsistent with Memoranda of Understanding (MOUs) or department practices that were not consistent with policy. Additionally, relying on employees and payroll specialists to ensure compliance with add-on pay eligibility criteria contributed to a weakness in the internal control structure.

San Diego Police Officers' Association Employees Receiving Bilingual Pay Have Not Been Re-tested for Eligibility

The provision in the San Diego Police Officers' Association (SDPOA) MOU requiring re-testing of employees' language skills as proof of eligibility for Bilingual Pay has not been enforced. While the employees may be bilingual, we found that 64 of 75 employees (85 percent) in our random sample of employees who received Bilingual Pay in FY2012 did not meet the bilingual re-testing provision included in the corresponding MOU. The remaining 11 employees in our sample were not subject to the re-testing requirement. While we reviewed documentation that originally established all 75 employees in our sample as eligible for Bilingual Pay, none of them have been re-tested by the Personnel Department (Personnel). As a result, we could not verify that all SDPOA employees receiving Bilingual Pay possess current bilingual skills.

The FY2012 SDPOA MOU required Personnel to re-test employees receiving Bilingual Pay by December 31, 2007. According to Article 16:

“Effective July 1, 2007, employees will be required to be periodically re-tested in order to ensure that their bilingual skills are current. In order to continue receiving bilingual pay, employees must pass a re-test on their non-English language on or before December 31, 2007. The re-test will be administered on City time by the Personnel Department. The City may re-test an employee once every three years thereafter.”

SDPOA employees are eligible to receive Bilingual Pay if they are in an eligible classification and if they have passed an examination in their non-English language, as administered by Personnel. Once an employee successfully passes their examination, Personnel certifies the employee as bilingual via a memorandum to the San Diego Police Department’s (SDPD) payroll unit, which in turn issues a Personnel Change Request Form (PCR) along with a copy of the employee’s bilingual certification memorandum, and Personnel initiates Bilingual Pay on the employee’s payroll record.

Our testing results show that 64 of 75 employees in our random sample of SDPOA employees who received Bilingual Pay in FY2012 received a total of \$175,830 in payments for which they may have been ineligible, based on the MOU’s bilingual re-testing provision. Projecting these results to the total population of 338 employees who received Bilingual Pay in FY2012, we estimate that SDPD may have made a total of approximately \$795,875 in payments (with a 10 percent margin of error) to employees who were not re-tested for eligibility. **Exhibit 6** below shows the results of our testing for Bilingual Pay.

Exhibit 6

San Diego Police Officers’ Association Employees Possibly Ineligible for Bilingual Pay, FY2012

Description of Results	Employees		Dollar Amount	
	Count	Percentage	Amount	Percentage
Employees eligible for Bilingual Pay	11	15%	\$26,912	13%
Employees possibly ineligible for Bilingual Pay	64	85%	\$175,830	87%
Total Sample	75	100%	\$202,742	100%

Source: Payroll data from the City’s payroll system, SAP; FY2012 San Diego Police Officers’ Association Memorandum of Understanding; Bilingual certifications provided by the San Diego Police Department.

According to Personnel, the re-testing deadline was added to the MOU during a difficult financial period. Personnel requested two additional staff positions to support the bilingual re-tests, but the positions were not approved by the City Council. Additionally, Personnel explored hiring a private company to conduct bilingual testing. According to Personnel, the issue of hiring a private company was never resolved due to Meet and Confer issues. As a result, Personnel was unable to implement the re-testing terms due to limited budgetary resources and limited department staffing. SDPD management indicated they wanted the re-testing to be performed.

It should be noted that the current (FY2014) MOU removes the December 31, 2007 deadline but still requires re-testing by Personnel. Article 16 of the current MOU states:

“Employees are required to be periodically re-tested in order to ensure that their bilingual skills are current. In order to continue receiving bilingual pay, employees must pass a re-test on their non-English language. The re-test will be administered on City time by the Personnel Department. City may re-test an employee once every three (3) years thereafter.”

The current MOU also states that the Labor Management Committee (LMC), comprised of individuals from SDPOA, SDPD, and the Department of Human Resources, will discuss the testing process and that a representative from Personnel will be invited to participate in those discussions. According to Article 66 of the SDPOA MOU, any agreements reached at the Committee meetings will be reduced to writing and signed off by the parties.

It should also be mentioned that a total of 47 employees in our random sample of 75 (63 percent) had certifications older than ten years. Therefore, it would be prudent to re-test bilingual employees to ensure that they are current in their language skills and to prevent the City from making payments to employees who no longer possess current language skills.

We should note that Personnel indicated that they have begun re-testing employees as of December 2013. Out of 19 officers who have been re-tested, 18 passed and one failed.

Recommendation #1 To ensure that SDPOA employees receiving Bilingual Pay remain current in their language skills, Personnel should work in conjunction with the LMC to define budget resources, establish re-testing

deadlines consistent with the current MOU provision, enter the deadline as an expiration date in SAP for SDPOA employees receiving the pay, and discontinue Bilingual Pay for employees who have not passed the re-test by the deadline. (Priority 2)

**Proof of Engineering
Certification Not Provided
for Engineering and
Capital Projects'
Registration Pay**

A lack of formal add-on pay processing policies and file retention lapses led to gaps in the supporting documentation necessary to verify eligibility for add-on pay. We found that Public Works' Engineering and Capital Projects Division (ECP) did not have documentation on file to support the Registration Pay received by 12 of 24 employees (50 percent) in our random, non-statistical sample of employees who received the pay in FY2012. Of those 12 employees, eight had certificates that were either missing or not current during FY2012 and four had certificates that were current during only a portion of FY2012. As a result, we could not verify that all ECP employees were eligible to receive Registration Pay in FY2012.

The San Diego Municipal Employees' Association (MEA) MOU states that certain classes of engineers are eligible for a 15 percent Registration Pay premium upon presenting a valid engineering certificate from the State of California. Furthermore, the City of San Diego's General Records Disposition Schedule (Schedule) requires add-on pay documentation for an employee to be retained during the term of employment plus three years after termination. The Schedule also states that copies of certifications or state registrations required in order to receive specialty pay should be kept in each department's Personnel File (also known as the Employee File). Our testing shows that ECP did not always adhere to these policies. **Exhibit 7** on the following page shows the results of our testing for Registration Pay.

Exhibit 7**Public Works' Engineering and Capital Projects' Employees Possibly Ineligible for Registration Add-on Pay, FY2012**

Description of Results	Employees		Dollar Amount	
	Count	Percentage	Amount	Percentage
Eligible employees with certificates current during FY2012	12	50%	\$144,088	49%
Eligible employees with certificates current during part of FY2012*	4	17%	\$48,503	17%
Employees possibly ineligible for Registration Add-on Pay (certificate not current in FY2012 or was not provided)	8	33%	\$98,691	34%
Total Sample	24	100%	\$291,282	100%

* Of the \$48,503 paid to employees whose certificate was current during only part of our review period, \$27,298 was paid to them while their certificate was not current. Therefore, the total dollar amount paid to employees while their certificates were not current in our review period is \$125,988, or 43 percent of the total sample amount.

Source: Payroll data from the City's payroll system, SAP; FY2012 San Diego Municipal Employees' Association (MEA) Memorandum of Understanding (MOU); Engineering certificates provided by the Public Works' Engineering and Capital Projects Division (ECP).

During the course of our testing, we noted ECP has a "Request for Engineer Registration Pay" form that serves as a formal department authorization for Registration Pay. This form requires employees to present a copy of their engineering certificate from the State in order to receive Registration Pay. The form also notes the expiration date for the employee's certificate and explains that the payroll system, SAP, will automatically stop Registration Pay for the employee on the certificate's expiration date.

However, payroll specialists did not regularly use the form, require that it be signed by a deputy director, or require a new form when an employee's Registration Pay was renewed. Moreover, ECP's practice was to verify engineering certificates in different ways, such as checking the State of California's website or accepting copies of certificates from employees.

Finally, the department also had a practice of discarding previous certificates once the engineering certificates were renewed, which may have contributed to their inability to provide documentation that was current during our period of review.

Recommendation #2 ECP should retain engineering certificates on file for employees receiving Registration Pay according to the City's General Records Disposition Schedule and the department's relevant document retention policy. ECP should develop written policies and procedures

for administering Registration Pay for employees. These policies should consistently require the completion of the "Request for Engineer Registration Pay" form for each employee, which requires a copy of an engineering certificate from the State of California and includes an expiration date for the pay. (Priority 3)

The San Diego Police Department's Educational Incentive Pay Program is Difficult to Administer

SDPD, through its Educational Incentive Pay (EIP) program, rewards sworn police officers who obtain their Intermediate or Advanced Peace Officer Standards and Training (POST) certificates from the State of California with add-on pay. Given the complex nature of the program, an automated tracking process could help ensure that the administration of the program and the subsequent pay is more efficient and minimizes the risk of employees receiving POST add-on pay inappropriately.

With over 1,500 officers collectively receiving Intermediate and Advanced POST add-on pay, a staff of three tracks POST certificates, years of service, and the completion of educational and training requirements for each officer using index cards and hardcopy files. While our testing determined that 100 percent (in a random sample of 89) and 94 percent (65 of a random sample of 69)² of officers who received Advanced POST and Intermediate POST Pay, respectively, were eligible for the pay in FY2012, we found the administrative process to be cumbersome despite a detailed EIP policy. For example, officers with an Intermediate POST certificate and less than 15 years of service as a sworn officer must re-qualify for the pay every two year period by choosing one of five options, which include obtaining training hours or college credit. Similarly, officers with Advanced POST certificates who have less than 15 years of service or less than 60 college credits must also re-qualify for the add-on pay every three year period. As a result of these diversified requirements, staff must manage constantly changing and staggered re-qualification dates and eligibility periods for every officer to ensure that officers remain eligible for the add-on pay.

While the department tracks re-qualification requirements, it is ultimately the employees' responsibility to be aware of their re-qualification dates. The manual tracking and reliance on employees to re-qualify, however, increases the risk that some employees may not re-qualify, either because they are missed in the tracking process or because they fail to notify the department if they miss their re-qualification deadline.

² Four officers in our Intermediate POST sample were missing sign-offs and/or re-qualification paperwork.

The department does not use add-on pay expiration dates in employees' payroll records to suspend the add-on pay on their re-qualification deadline, further increasing the risk that an employee will be overpaid if he or she fails to re-qualify and the department does not catch the missed re-qualification.

Recommendation #3

To ensure that SDPD's EIP program is tracking re-qualification dates accurately, the department should assess the value of using automated systems for that purpose. To ensure that employees do not continue to receive Intermediate or Advanced POST add-on pay if they do not meet the re-qualification requirements, SDPD should use add-on pay expiration dates in SAP. (Priority 3)

**San Diego Police
Department Shift Pay
Process is Not Sufficiently
Documented**

SDPD has an established practice for processing shift pays, but has not formalized that practice into policy. SDPD officers receive additional pay on a rotating basis to compensate for overnight hours worked during Second and Third Watch Shifts. While the department adequately manages the shift change process, it operates without a written policy or procedure detailing the shift change and corresponding shift pay process.

We verified that shift differential add-on pays were documented for 311 shift changes out of a total of 317 (98 percent) in our random sample of employees receiving Second and Third Watch Shift Pay in FY2012. Due to the volume of employees involved and the frequency of shift changes, it is prudent for SDPD to have written policies and procedures so that a consistent process is in place now and in the future.

SDPD undergoes three major shift changes every year when 700 to 800 sworn officers rotate shift assignments. These major shift changes occur on specified dates, which are designated in advance by the Chief of Police. During each major shift change, each of the 16 Police Commands submits rosters to SDPD's payroll unit that detail their officers' new shift assignments. Based on these documents, and per agreements made in the MOU, the payroll unit creates add-on pay records in SAP for officers assigned to either the Second or Third Watch Shifts; these add-on pays are effective until the next shift change date.

While SDPD has some good internal controls in place, such as limiting add-on pays in employees' payroll records in SAP according to the designated shift change dates, we noted that there are opportunities where SDPD can further strengthen its internal controls. For example, although the rosters submitted by each Police

Command have a space for an authorized signature, the payroll unit does not require that they be signed by commanding officers. As a result, all shift pays in our sample were processed regardless of rosters being signed.

Recommendation #4 To ensure that shift pays are processed appropriately in the future, SDPD should create a written procedure consistent with the current MOU documenting how all shift changes and corresponding shift pays are to be processed, and require rosters to be formally approved. (Priority 3)

The San Diego Fire-Rescue Department Does Not Have Documented Procedures for Add-on Pay Processing

We reviewed certifications for 153 employees who received \$694,770 in Emergency Medical Technician (EMT) Pay and licenses for 68 employees who received \$661,042 in Paramedic Pay and found that all San Diego Fire-Rescue (SDFR) personnel in our random samples were paid according to MOU requirements. We also reviewed 38 employees who received approximately \$403,964 in Fire Administrative Assignment Pay (FAA) and found them to be paid in accordance with the MOU. However, SDFR lacks documented add-on pay processing procedures to ensure that only eligible employees receive add-on payments. To assist with add-on pay processing for EMT and Paramedic Pays, SDFR uses a database to manage employee training records and a payroll authorization process to initiate add-on pays for employees. According to department management, SDFR has synchronized employees' training records to ensure that all EMT certifications expire on the same day.

Recommendation #5 In order to continue processing add-on pays appropriately in the future, SDFR should formalize their practices into policies and procedures. (Priority 3)

Conclusion

The City of San Diego offers a variety of add-on pays to compensate employees for specific skills or who undertake special assignments. Given that add-on pays represent a sizeable cost to the City and can significantly increase an employee's base compensation, this audit sought to ensure that add-on pays were paid appropriately to eligible employees. While we found that a majority of the top ten add-on pays were paid appropriately to eligible City employees, we also found that all the departments tested—San Diego Police Department, Public Works' Engineering and Capital Projects Division, and San Diego Fire-Rescue Department—can strengthen their administrative processes. Specifically, departments should create documented policies and procedures that detail the add-on pay process and require the use of expiration dates in SAP. The consistent application of documented policies and procedures along with expiration dates in SAP will help to better ensure that add-on pays are supported by appropriate documentation for eligible employees.

Recommendations

- Recommendation #1** To ensure that San Diego Police Officers' Association (SDPOA) employees receiving Bilingual Pay remain current in their language skills, the Personnel Department should work in conjunction with the Labor Management Committee to define budget resources, establish re-testing deadlines consistent with the current SDPOA Memorandum of Understanding (MOU) provision, enter the deadline as an expiration date in SAP for SDPOA employees receiving the pay, and discontinue Bilingual Pay for employees who have not passed the re-test by the deadline. (Priority 2)
- Recommendation #2** Public Works' Engineering and Capital Projects Division (ECP) should retain engineering certificates on file for employees receiving Registration Pay according to the City's General Records Disposition Schedule and the department's relevant document retention policy. ECP should develop written policies and procedures for administering Registration Pay for employees. These policies should consistently require the completion of the "Request for Engineer Registration Pay" form for each employee, which requires a copy of an engineering certificate from the State of California and includes an expiration date for the pay. (Priority 3)
- Recommendation #3** To ensure that the San Diego Police Department's (SDPD) Educational Incentive Pay (EIP) program is tracking re-qualification dates accurately, the department should assess the value of using automated systems for that purpose. To ensure that employees do not continue to receive Intermediate or Advanced Peace Officer Standards and Training (POST) add-on pay if they do not meet the re-qualification requirements, SDPD should use add-on pay expiration dates in SAP. (Priority 3)
- Recommendation #4** To ensure that shift pays are processed appropriately in the future, the San Diego Police Department should create a written procedure consistent with the current San Diego Police Officers' Association (SDPOA) Memorandum of Understanding (MOU), documenting how all shift changes and corresponding shift pays are to be processed, and require rosters to be formally approved. (Priority 3)
- Recommendation #5** In order to continue processing add-on pays appropriately in the future, the San Diego Fire-Rescue Department (SDFR) should formalize their practices into policies and procedures. (Priority 3)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class ³	Description ⁴	Implementation Action ⁵
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring.	Immediate
2	A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist.	Six months
3	Operation or administrative process will be improved.	Six months to one year

³ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

⁴ For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

⁵ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

Appendix B: Audit Objectives, Scope, and Methodology

Objectives In accordance with the City Auditor’s Fiscal Year 2013 Work Plan, we conducted an audit to review the City of San Diego’s (City) administration of add-on payments to employees. Specifically, our objectives were: 1) To determine if add-on payments are issued in accordance with applicable City Policies and Procedures, Memoranda of Understanding (MOUs), and other guiding documents; and 2) To determine if the City has mechanisms in place to ensure that add-on pay calculations paid to employees are correct.

Scope and Methodology Our audit tested payroll records corresponding to compensated hours between June 25, 2011 and June 22, 2012—a period of time most closely coinciding with the City’s Fiscal Year 2012 (July 1, 2011 through June 30, 2012).

To address our audit objectives, we reviewed documents related to the administration of City payroll and add-on pays, including the annual Salary Ordinance, the Municipal Code, Personnel Regulations, MOUs, and department-level policies. To gain further understanding of how the Office of the City Comptroller (Comptroller) and individual departments administer add-on pays to employees, we interviewed management within the Comptroller’s Office, Personnel Department (Personnel), San Diego Police Department (SDPD), Public Works’ Engineering and Capital Projects Division (ECP), and the San Diego Fire-Rescue Department (SDFR). These documents and interviews formed our basis for determining eligibility criteria for each of the add-on pays we tested. Additionally, we provided management of these departments with samples of our analyses for feedback and perspective about the add-on pays that may have been paid to ineligible employees. Our analyses entailed testing payroll data by employee classification and ensuring that employees were set up to receive the correct wage in the City’s payroll system, SAP.

We determined which add-on pays to test by selecting the ten highest-paying. We determined these by analyzing payroll data from SAP that corresponds to dates within our review period. We then identified the departments that administer these add-on pays and evaluated their administration process. We drew a random sample of employees from each of the add-on pays and tested those employees against eligibility criteria. **Exhibit 8** on the next page shows our sample sizes and the results of our testing.

Exhibit 8**Testing and Results Summary**

Add-on Pays	Population		Sample		Employees from the Sample Who Were Eligible for Add-on Pay		Employees from the Sample Possibly Ineligible for Add-on Pay	
	Number of Employees	Dollar Amount	Sample Number of Employees	Dollar Amount	Number of Employees	Dollar Amount	Number of Employees *	Dollar Amount
Advanced Peace Officer Standards and Training (POST)	1,235	\$8,167,035	89	\$597,816	89	\$597,816	-	-
Emergency Medical Technician (EMT)	832	\$5,016,519	86	\$520,272	86	\$520,272	-	-
Registration (for Engineering Certificates)**	140	\$1,537,123	24	\$291,282	12	\$165,293	12	\$125,989
Paramedic	228	\$2,313,411	68	\$661,042	68	\$661,042	-	-
Third Watch Shift†	712	\$1,222,573	85	\$153,079	84	\$152,505	1	\$574
Second Watch Shift†	776	\$1,021,516	86	\$108,078	81	\$105,722	5	\$2,356
Bilingual Police Officers' Association (POA)	338	\$917,692	75	\$202,742	11	\$26,912	64	\$175,830
Intermediate POST	268	\$882,394	69	\$211,276	65	\$199,067	4	\$12,209
Fire Administrative Assignment (FAA)	63	\$681,168	38	\$403,964	38	\$403,964	-	-
EMT Lifeguard	220	\$591,829	67	\$174,499	67	\$174,499	-	-
Total	4,812	\$22,351,261	687	\$3,324,050	601	\$3,007,092	86	\$316,958

Note: We selected a random sample of employees from each of the add-on pay populations based on a 95% confidence level and a confidence interval of 10.

* For those results where an employee was eligible for a portion of our review period but may not have been eligible for another portion, the employee was included in the count of employees who were possibly ineligible for the add-on pay.

** The Registration Pay population was tested using a random sample equivalent to a 69% confidence level and a confidence interval of 10.

† The 171 employees that made up our Second and Third Watch Shift samples had a total of 229 records, which, in turn, included a total of 317 shift changes.

Source: Analysis by the Office of the City Auditor based on payroll data from the City's payroll system, SAP.

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, 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.

Appendix C: Total Amount of Add-on Payments in FY2012

Exhibit 9 below details add-on pays remitted to City of San Diego (City) employees in fiscal year 2012 (FY2012). Add-on pays represent either a percentage of an employee's base rate or a dollar amount that is added to the base rate to compensate them for special skills, education, or for undertaking special assignments. The City has a total of 164 add-on pays; 131 add-on pays were received by employees in FY2012. The remaining 33 add-on pays did not show activity in the payroll data for FY2012 and are not displayed below.

Exhibit 9

Ranking	Add-on Pays	Add-on Pay Premium	Pensionable	Total Amount Paid
1	ADV POST	8.5%	Yes	\$8,167,036
2	EMT PAY	8.5%	Yes	\$5,016,519
3	REGISTRAT'N PAY	15.0%	Yes	\$3,121,240
4	PARAMEDIC PAY	\$5.33	Yes	\$2,313,411
5	3RD WATCH SHIFT	5.3%	Yes	\$1,222,573
6	2ND WATCH SHIFT	3.8%	Yes	\$1,021,516
7	BILINGUAL POA	3.5%	Yes	\$917,692
8	INTER POST	6.0%	Yes	\$882,394
9	FIRE ADMIN ASSG	15.0%	Yes	\$681,168
10	EMT LIFEGUARD	8.5%	Yes	\$591,829
11	SPLIT SHIFT	5.0%	Yes	\$558,126
12	FTO PAY	5.0%	Yes	\$547,638
13	PAR SPECLTY PAY	5.0%	Yes	\$514,897
14	CONFINED SPACE 127*	\$1.25	Yes	\$513,589
15	STANDBY PAY	5.0%	No	\$493,219
16	3RD WATCH SHIFT CONV	\$1.94	Yes	\$466,161
17	BILINGUAL PAY	\$0.70	Yes	\$458,590
18	DETECTIVE PAY	5.0%	Yes	\$458,177
19	NIGHT SHIFT	5.0%	Yes	\$411,875
20	INTER POST CERT CONV	\$2.19	Yes	\$403,685
21	DISP CERT PAY	5.0%	Yes	\$331,565
22	2nd WATCH SHIFT CONV	\$1.39	Yes	\$294,473
23	CONFINED SPACE MEA	5.0%	Yes	\$250,071
24	MLS DEGREE	5.0%	Yes	\$248,639
25	SWAT TEAM	3.5%	Yes	\$218,536
26	HMS SQUAD	10.0%	Yes	\$186,145
27	BILINGUAL FIRE	3.5%	Yes	\$160,713
28	911 DISPATCHER	5.0%	Yes	\$151,847

Performance Audit of Employee Add-on Pays

Ranking	Add-on Pays	Add-on Pay Premium	Pensionable	Total Amount Paid
29	3-WHEEL MTRCYL	\$0.90	Yes	\$106,425
30	ACCIDENT RECON	4.0%	Yes	\$101,590
31	EMD CERT PAY	5.0%	Yes	\$97,821
32	ASE MASTER AUTO	\$1.75	Yes	\$96,779
33	AIR OP PAY 145	10.0%	Yes	\$96,643
34	TECH CERT PAY 3	\$1.05	Yes	\$96,074
35	LADDER REPAIR	5.0%	Yes	\$92,622
36	2-WHEEL MTRCYL	3.5%	Yes	\$92,204
37	CLASS B-LICENSE ONGOING	\$0.50	Yes	\$92,183
38	BATT MED OFF	5.0%	Yes	\$89,541
39	EMS SPLTY PAY	5.0%	Yes	\$87,785
40	ASE MASTER TRK	\$1.75	Yes	\$87,099
41	HOSE REPAIR	5.0%	Yes	\$83,230
42	ICBO CERT PAY	5.0%	Yes	\$82,483
43	CANINE UNIT	3.5%	Yes	\$82,446
44	ANNUAL PUMP TEST	5.0%	Yes	\$81,958
45	DIVE TEAM PAY	10.0%	Yes	\$79,574
46	HEAVY RESCUE 1	2.5%	Yes	\$77,654
47	HEAVY RESCUE 2	2.5%	Yes	\$73,786
48	LANDSCAPE ARCH.	15.0%	Yes	\$72,480
49	FLIGHT PAY POA	11.5%	Yes	\$69,241
50	CLASS A/B DR LI MEA/127	\$0.50	No	\$67,732
51	AIRPORT FIRE STATION	5.0%	Yes	\$65,885
52	TECH CERT PAY 3 MEA	\$1.05	Yes	\$60,844
53	DISPATCHER TRNG	\$0.90	Yes	\$55,783
54	EMER NEGOTIATOR	\$0.04	Yes	\$55,768
55	STAR TEAM	5.0%	Yes	\$53,867
56	SEWER MAINT PAY	5.0%	No	\$51,613
57	BILINGUAL-DISPATCHER	\$0.70	Yes	\$49,467
58	RIVER RESCUE 11/15-04/15	10.0%	Yes	\$47,117
59	PARAMEDIC PREM	\$5.33	No	\$45,859
60	D DIV PAY	5.0%	Yes	\$45,450
61	EXPLOSIVE ORD SQUAD(Fire)	10.0%	Yes	\$44,977
62	SMALL EQ REP	5.0%	Yes	\$41,285
63	BREATH APP REPR	5.0%	Yes	\$41,267
64	HEAVY RESCUE 3	2.5%	Yes	\$38,123
65	HEAVY RESCUE 4	2.5%	Yes	\$37,014
66	CLIFF RES INSTR	5.0%	Yes	\$35,297
67	SWAT TRAINER	3.5%	Yes	\$35,266
68	ADMIN ASSIG PAY-POA	5.0%	Yes	\$35,098

Performance Audit of Employee Add-on Pays

Ranking	Add-on Pays	Add-on Pay Premium	Pensionable	Total Amount Paid
69	SWAT SNIPER	3.5%	Yes	\$33,440
70	ENG GEOLOGIST	15.0%	Yes	\$32,371
71	GRDS/GRK EOSUPV	14.0%	Yes	\$30,702
72	HAZARDOUS MAT SQD TEMP	10.0%	No	\$26,077
73	COMM RELATIONS	3.5%	Yes	\$25,980
74	RANGE TRNG	3.5%	Yes	\$24,144
75	ASE3 AUTO/TRUCK	\$1.15	Yes	\$22,006
76	AM WELDING SOC3	\$1.75	Yes	\$21,986
77	TECH CERT PAY 1	\$0.55	Yes	\$19,588
78	MAST PAY	5.0%	Yes	\$19,115
79	IAI CERT PAY	5.0%	Yes	\$18,193
80	CORE INSTRUCTOR-AMT	\$35.00	Yes	\$17,930
81	TECH CERT PAY 2 MEA	\$0.80	Yes	\$17,494
82	DISTRIB OP CERT GRADE 3	\$0.30	Yes	\$17,361
83	GRADE 4 CERT	\$0.75	Yes	\$16,865
84	ASE2 MED/HVY TK	\$0.85	Yes	\$15,688
85	PESTICIDE LICEN	\$1.25	Yes	\$15,186
86	MULT CERT PAY 4	5.0%	Yes	\$14,878
87	ACADEMY TRNG	3.5%	Yes	\$14,848
88	GEOLOGIST REG	5.0%	Yes	\$14,005
89	PAR TRAINING OFF	\$1.34	Yes	\$13,984
90	ASE1-AUTO/TRUCK	\$0.55	Yes	\$13,555
91	CORE INSTRUCTOR	3.5%	Yes	\$13,461
92	TECH CERT PAY 2	\$0.80	Yes	\$13,282
93	DISTRIB OP CERT GRADE 4	\$0.55	Yes	\$13,148
94	K9 TRAINING PAY	3.5%	Yes	\$13,094
95	ASE MASTER CERT	5.0%	Yes	\$13,032
96	FIRE CANINE HANDLER	5.0%	Yes	\$11,804
97	EXPLOSIVE ORD FIRE TEMP	5.0%	No	\$10,845
98	TECH CERT PAY 1 MEA	\$0.55	Yes	\$10,244
99	IN-SERVICE TRNG	3.5%	Yes	\$10,135
100	AIR SUPPORT TNR	3.5%	Yes	\$9,748
101	ASE2 AUTO/TRUCK	\$0.85	Yes	\$9,339
102	HARBOR UNIT PAY	4.0%	Yes	\$9,178
103	GIS CERT PAY	5.0%	Yes	\$9,122
104	ADV POST CERT CONV	\$3.10	Yes	\$8,643
105	CROSS CONN CERT	\$0.50	Yes	\$8,533
106	MULT CERT PAY 5	5.0%	Yes	\$8,204
107	ASE1 MED/HVY TK	\$0.55	Yes	\$7,868
108	BACKFLOW CERT	\$0.50	Yes	\$7,155

Performance Audit of Employee Add-on Pays

Ranking	Add-on Pays	Add-on Pay Premium	Pensionable	Total Amount Paid
109	RIVER RESCUE 04/16-11/14	10.0%	No	\$5,558
110	STRUCT REG PAY	5.0%	Yes	\$4,710
111	AIR OP PAY- TEMP 145	10.0%	No	\$4,474
112	ASE3 MED/HVY TK	\$1.15	Yes	\$4,376
113	SR/WA CERT PAY	5.0%	Yes	\$4,035
114	BILINGUAL-TEMP MEA	\$0.70	No	\$3,756
115	COLLISON REPAIR	\$1.75	Yes	\$3,632
116	AM WELDING SOC2	\$1.10	Yes	\$2,913
117	DISPATCHER TEMP TRNG	\$0.90	No	\$2,486
118	BILINGUAL-TEMP POA	3.5%	No	\$2,486
119	GRADE 5 CERT	\$1.00	Yes	\$2,080
120	DISTRIB OP CERT GRADE 5	\$0.80	Yes	\$1,664
121	MULT CERT PAY 3 MEA	\$0.75	Yes	\$1,560
122	VECT CONT TECH	\$1.25	No	\$1,484
123	HEAVY RESCUE 5 TEMP	5.00%	No	\$1,341
124	AM WELDING SOC1	\$0.55	Yes	\$1,162
125	HEAVY RESCUE 6 TEMP	10.00%	No	\$1,066
126	MULT CERT PAY 2 MEA	\$0.50	Yes	\$990
127	DAMAGE ANALYSIS	\$0.45	Yes	\$934
128	PAR TRNING TEMP	\$1.34	No	\$705
129	MAST PAY TEMP	5.0%	No	\$672
130	ABESTOS PAY 127	\$1.25	Yes	\$500
131	SR DATA ENTRY	10.0%	No	\$247
Total				\$34,035,714

* Some add-on pays are listed twice with a description of the labor union to which it applies. There are six labor unions in the City of San Diego that negotiate salaries, wages, and benefits for their employees with the City's Management Team through the Meet and Confer process. Many labor unions have the same add-on pay, such as bilingual pay, however they have negotiated different amounts that only apply to eligible employees who are members of that labor union.



THE CITY OF SAN DIEGO
M E M O R A N D U M

DATE: February 24, 2014
TO: Eduardo Luna, City Auditor
FROM: Stacey LoMedico, Assistant Chief Operating Officer
SUBJECT: Response to the Performance Audit of Employee Add-On Pay dated February 12, 2014

This memorandum serves as the management response to the City Auditor's recommendations in the above-referenced performance audit on Employee Add-On Pay.

Recommendation #1

To ensure that San Diego Police Officers' Association (SDPOA) employees receiving Bilingual Pay remain current in their language skills, the Personnel Department should work in conjunction with the Labor Management Committee to define budget resources, establish re-testing deadlines consistent with the current SDPOA Memorandum of Understanding (MOU) provision, enter the deadline as an expiration date in SAP for SDPOA employees receiving the pay, and discontinue Bilingual Pay for employees who have not passed the re-test by the deadline. (Priority 2)

Management Response: **Partially Agree**

While management agrees to review the re-testing deadlines, this provision is contained in the adopted Memorandum of Understanding (MOU) with the City of San Diego and SDPOA which states:

Article 16 – Bilingual Pay – B. Incidental Bilingual Services

6. "Employees are required to be periodically re-tested in order to ensure that their bilingual skills are current. In order to continue receiving bilingual pay, employees must pass a re-test on their non-English language. The re-test will be administered on City time by the Personnel Department. City may re-test an employee once every three (3) years thereafter."

As such management is unable to agree to discontinue employee's Bilingual Pay which is within the adopted MOU with the SDPOA. Any changes to the MOU would be subject to meet and confer with the impacted labor organization. Given the City has entered into 5-year MOU's with each of its labor organizations the City may only implement such changes upon mutual agreement of the parties. The City will endeavor to meet and confer with the impacted labor organization over mandatory subjects of bargaining, as required by law.

Time to implement: **12 months**

Recommendation #2

Public Works' Engineering and Capital Projects Division (ECP) should retain engineering certificates on file for employees receiving Registration Pay according to the City's General Records Disposition Schedule and the department's relevant document retention policy. ECP should develop written policies and procedures for administering Registration Pay for employees. These policies should consistently require the completion of the "Request for Engineer Registration Pay" form for each employee, which requires a copy of an engineering certificate from the State of California and includes an expiration date for the pay. (Priority 3)

Management Response: Partially Agree

Management partially agrees due to the fact that any changes to the MOU would be subject to meet and confer with the impacted labor organization. Given the City has entered into 5-year MOU's with each of its labor organizations the City may only implement such changes upon mutual agreement of the parties. The City will endeavor to meet and confer with the impacted labor organization over mandatory subjects of bargaining, as required by law. Public Works Department will implement internal procedures how engineering registration pay will be validated and authorized by the department.

Time to Implement: **6 months**

Recommendation #3

To ensure that the San Diego Police Department's (SDPD) Educational Incentive Pay (EIP) program is tracking re-qualification dates accurately, the department should assess the value of using automated systems for that purpose. To ensure that employees do not continue to receive Intermediate or Advanced Peace Officer Standards and Training (POST) add-on pay if they do not meet the re-qualification requirements, SDPD should use add-on pay expiration dates in SAP. (Priority 3)

Management Response: Agree

Police Department agrees with the recommendation to automate the tracking system associated with the Educational Incentive Program (EIP). Once the automated tracking system has been implemented, a process should be developed to place expiration dates in SAP to ensure re-qualification requirements are met regarding POST Add-On pay.

Time to Implement: **12 to 18 months**

Recommendation #4

To ensure that shift pays are processed appropriately in the future, the San Diego Police Department should create a written procedure consistent with the current San Diego Police Officers' Association (SDPOA) Memorandum of Understanding (MOU), documenting how all shift changes and corresponding shift pays are to be processed, and require rosters to be formally approved. (Priority 3)

Management Response: Agree

Police Department agrees with the recommendation to create a procedure consistent with the San Diego Police Officers' Association (SDPOA) Memorandum of Understanding (MOU) that documents how all shift change and corresponding shift pays are to be processed, and to require all rosters to be formally approved.

Time to Implement: **3 to 6 months**

Page 3

Response to the Performance Audit of Employee Add-On Pay dated February 12, 2014
February 24, 2014

Recommendation #5

In order to continue processing add-on pays appropriately in the future, the San Diego Fire-Rescue Department (SDFR) should formalize their practices into policies and procedures. (Priority 3)

Management Response: **Agree**

Fire-Rescue payroll staff currently utilizes numerous documents: Memorandum of Understandings (MOU), SAP add-on pay program specifications, TeleStaff (Department's staff scheduling computer application) reports, official correspondences between various departments such as Personnel, City Comptroller and Human Resources to document exceptions and miscellaneous payroll documents. These policies and procedures while inherent in the processes do not have process narratives or formal procedures documents which will be done and maintain in the new Payroll Operations Manual to review annually for updates.

Time to Implement: **6 to 8 months**




Stacey LoMedico

Assistant Chief Operating Officer

cc: Scott Chadwick, Chief Operating Officer
Hadi Dehghani, Personnel Director
Mary Lewis, Chief Financial Officer
Tony Heinrich, Deputy Chief Operating Officer, Infrastructure/Public Works
Jeff Sturak, Deputy Chief Operating Officer, Internal Operations
Ron Villa, Deputy Chief Operating Officer, Neighborhood Services
William Lansdowne, Police Chief
Javier Mainer, Fire Chief
James Nagelvoort, Director, Public Works
Kyle Elser, Assistant City Auditor Matthew Helm, Audit Manager, Audit Department
Chris Kime, Principal Auditor, Audit Department

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: February 18, 2014
TO: Eduardo Luna, City Auditor
FROM:  Hadi Dehghani, Personnel Director
SUBJECT: Management Response to the Performance Audit of Employee Add-on Pays

The Personnel Department has reviewed the City Auditor's recommendations in their audit report of Employee Add-on Pays. Below is our response to the audit recommendation.

Recommendation #1

To ensure that San Diego Police Officer's Association (SDPOA) employees receiving Bilingual Pay remain current in their language skills, the Personnel Department should work in conjunction with the Labor Management Committee to define budget resources, establish re-testing deadlines consistent with the current SDPOA Memorandum of Understanding (MOU) provision, enter the deadline as an expiration date in SAP for SDPOA employees receiving the pay, and discontinue Bilingual Pay for employees who have not passed the re-test by the deadline.

Management Response: Agree

The bilingual retesting of Police Officers began on December 17, 2013. Police Officers who fail the retest, will no longer receive the Bilingual add-on pay.