
Performance Audit of the City's Overtime Controls

THE CITY'S PERSONNEL REGULATION ON OVERTIME
COMPENSATION SHOULD BE CLARIFIED TO DEFINE WHEN
EMPLOYEES CAN USE COMPENSATORY TIME OR ANNUAL LEAVE TO
EARN OVERTIME

DECEMBER 2012

Audit Report
Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

December 31, 2012

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

Transmitted herewith is an audit report on the City's Overtime Controls. This report is in accordance with City Charter Section 39.2. The Results in Brief is presented on page 1. The Administration's response to our audit recommendations can be found on page 20 of the report.

We would like to thank the Comptroller's Office and Personnel Department, as well as representatives from other City departments 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 responsible for this audit report is Chris Kime, Amanda Lamb, Shawneé Pickney, Michael Lee, and Chris Constantin.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Jan Goldsmith, City Attorney
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
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Results in Brief

Overtime compensation is a significant expense at the City, with \$57.8 million spent on overtime in fiscal year 2011. The City pays overtime in accordance with the City's Personnel Regulation Index Code H-4 (H-4). Based on our testing, we found that overtime paid in FY 2011 was substantially in compliance with H-4. However, in a limited number of instances, some employees' overtime does not appear compliant with the regulation.

We found that contrary to stipulations in H-4, some employees use compensatory time (comp time) or compensated leave (annual leave), whichever is applicable,¹ to earn overtime at a premium rate (compensation paid at 1.5x the employee's normal rate of pay) resulting in almost \$250,000 in overtime payments for fiscal year 2011.

While the amount is less than one percent of the total overtime paid (excluding Fire-Rescue), the City should address this issue to ensure compliance with regulation H-4.

Additionally, we found that the Comptroller's Office uses the Fair Labor Standards Act (FLSA) defined workweek to determine overtime compensation, but operationally some employees use their work schedule to record overtime. Furthermore, H-4 does not clearly specify if working scheduled days off makes an employee eligible for overtime independent of comp time and/or annual leave taken.

H-4 contains elements from the FLSA, the City of San Diego City Council Policy on Employee Overtime and Memorandum of Understanding Agreements (MOU) with employee unions. Combining these elements into one regulation was intended to address multiple overtime scenarios, but has resulted in a document with provisions difficult to understand and subject to interpretation.

While the scope of our review did not include determining how to reduce the total amount of overtime used citywide, we did find areas in which the City could save money by clarifying the eligibility for overtime compensation as stated in Personnel Regulation, Index Code: H-4, and training employees on the overtime regulations.

¹ Employees in classifications Groups A through C may not count compensatory time as hours worked in the overtime calculation, but may count compensated leave as hours worked in the overtime calculation. Employees in classification Group D (Police classes) may not count compensatory time or compensated leave as hours worked in the overtime calculation.

Background

Overtime compensation is a significant expense for the City of San Diego. In order to balance workload and public need, under certain conditions the City allows employees in eligible classifications to work beyond normally scheduled hours and receive compensation for the excess time worked. In FY 2011, the City spent \$57.8 million in overtime compensation, representing approximately 2.6 percent of the City's \$2.2 billion operating budget, or 8 percent of the total salaries and wages, excluding fringe benefits. Moreover, during the same period, the Police, Fire-Rescue, and Public Utilities departments accounted for approximately 85 percent of the City's total overtime.


The City of San Diego pays overtime in accordance with various laws and union agreements. Depending on the number of hours worked, employees can either receive regular (straight) time paid at the employee's base rate of pay or premium rate overtime, paid at 1.5x that amount. An employee may also opt to receive time off instead of overtime pay, commonly known as compensatory (comp) time.

According to the Comptroller's Office, the city uses three levels of internal controls to monitor overtime:

1. **Overtime Slips** – There are several versions in use by City departments which are completed by employees and require approval from both the immediate and division-level supervisors. Responsibility for ensuring that the slips match employee timesheets rests with payroll specialists within the City Departments (See **Exhibit 1**).

Exhibit 1

Example of an Overtime Slip

NOTICE OF ABSENCE <input type="checkbox"/>				OVERTIME <input type="checkbox"/>		SHIFT CHANGE <input type="checkbox"/>		(Check one)	
EMPLOYEE NAME _____									
DATE:		TIME:				TOTAL HOURS:			
		FROM		TO		O'CLOCK		ABSENT	
		FROM		TO		O'CLOCK		WORKED	
FOR OVERTIME ONLY									
CALCULATE O.T. HRS. EARNED					COMPENSATION FOR O.T. HRS. EARNED				
ACTUAL OVERTIME WORKED _____ HRS. (HRS. OVER NORMAL WORK SCHEDULE)					PAY _____ HRS.				
O.T. HRS. EARNED NOT WORKED _____ HRS. (1/2 ACTUAL O.T. HRS. WORKED IF EMP. IS ENTITLED TO PREMIUM PAY)					COMP. TIME OFF _____ HRS.				
TOTAL O.T. HRS. EARNED _____ HRS.					TOTAL (MUST EQUAL O.T. HRS. EARNED) _____ HRS.				
REASON FOR ABSENCE/OVERTIME/SHIFT CHANGE _____									
SUPV. SIGNATURE _____					OVERTIME APPROVED - DIV. SUPV. _____				
AC-376 (REV. 7-73)  693436									

Source: City of San Diego Personnel Department

2. **Electronic Entry of Timesheet by Employees and Supervisor's Approval** – With the exception of a few employees, all City employees electronically enter their own work records. Supervisors approve all timesheets.
3. **Department Director Review of Payroll Data Each Pay Period** – Each pay period, Personnel provides reports with payroll data to each department director for review, including overtime data.

Policies Governing Overtime at the City

Various Regulations Govern Overtime

Various federal and local policies regulate employee labor standards that govern eligibility and compensation for overtime. These guidelines include the Fair Labor Standards Act (FLSA), the City of San Diego City Council policy 300-02, Memorandum of Understanding (MOU) agreements between the City and multiple employee units, and the H-4. The H-4 intends to combine these policies into one regulation addressing multiple overtime scenarios. However, the result is a document with provisions difficult to understand and subject to interpretation.

FLSA Definition of Hours Worked

In the United States, the FLSA sets overtime requirements, which mandates that employers provide overtime compensation (i.e. premium rate) for hours worked in excess of their established work week (typically 40 hours). For example, if an employee receives regular pay at \$20 per hour, they earn overtime pay at \$30 per hour.

The FLSA does not consider compensatory time, vacations or sick leave as time actually worked. According to FLSA, employers may adopt policies that exceed the minimum standards set by FLSA. Additionally, under FLSA public agencies may provide comp time pursuant to applicable provisions of a collective bargaining agreement, memorandum of understanding, or any other agreement between the public agency and representatives of employees.

City Council Policy 300-02

The City of San Diego's Council Policy 300-02, in effect since 1979, establishes employee classifications eligible for overtime, guidelines for the use of overtime, and compensation for overtime worked.

According to the Council Policy, full-time classified employees are eligible for overtime compensation for all the time worked:

1. Beyond the regularly scheduled number of hours in the employee's workday;
2. On days other than designated in the employee's scheduled workweek;
3. On a Saturday or Sunday, unless those days are part of the employee's scheduled workweek;
4. On a holiday.

Council Policy instructs the City Manager² and each independent department director to establish written regulations for each City Department governing the use of overtime. These regulations must conform to the provisions and intent of the Council Policy and the Civil Service's Commission's Personnel Manual Section on overtime (H-4).

Memorandum of Understanding Agreements

Agreements with employee unions also govern overtime policy at the City. During our review of the San Diego Police Officers Association (POA), Local 127 of the American Federation of State, County and Municipal Employees (AFSCME) and the San Diego Municipal Employees' Association (MEA) agreements, we found that the agreements either specifically outline the conditions for overtime compensation at premium pay or refer to the conditions in H-4 and

² Mayor

other sections of the City's Personnel Manual. The conditions for overtime compensation include pay for court appearances, call-backs, extended shifts, and holidays. We did not review MOU's related to the Fire Department because Fire was excluded from our scope due to their unique rules governing overtime.

H-4 Personnel Manual

The H-4 defines overtime as "authorized time worked because of emergency conditions which require an employee to work more than that employee's normally scheduled hours."

Emergency conditions exist when overtime work is required to:

1. Prevent the interruption of a necessary public service;
2. Protect property from damage;
3. Remove hazards that threaten public safety;
4. Complete an activity, project, or work assignment within an established legal time limitation;
5. Serve the convenience of the public.

According to H-4, City of San Diego employees in Groups A, B,C and D are eligible for premium rate overtime pay for all time worked:

1. Beyond the regularly scheduled number of hours in the employee's workday;
2. On days other than those designated in the employee's scheduled workweek;
3. On a Saturday or Sunday, unless those days are part of the employee's scheduled workweek;
4. On a City recognized holiday;
5. In excess of 40 hours in their workweek.

Rules for using comp time and annual leave in overtime calculations are determined by the employee classification/Group outlined in H-4, Addendum A.

Groups A through C;

1. May not count compensatory time as hours worked in the overtime calculation
2. May count compensated leave as hours worked in the

overtime calculation

Group D;

1. May not count compensatory time as hours worked in the overtime calculation
2. Compensated leave and compensatory time off taken during the workweek do not count as hours actually worked.

Essentially, no employee can include comp time as hours worked when calculating overtime. Police cannot include annual leave as hours worked in the overtime calculation for time worked in excess of 40 hours.

*Stand-Alone Provisions
Allow Overtime Payments
Without Regard to the
Number of Hours Worked*

Employees can also accumulate overtime from "stand-alone" overtime provisions such as for Holidays, Call Back Pay, and Court Pay. Stand-alone provisions require overtime pay for any hours worked during these times independent of the total number of actual hours worked during the week.

Two other provisions in H-4 have been interpreted as stand-alone clauses:

- Days other than those designated in the employee's scheduled workweek
- Saturday or Sunday unless those days are part of the employee's scheduled workweek

The H-4 does not make clear if these two conditions are stand-alone clauses or if the days in the two conditions must exceed the 40 hour workweek requirement, not to include comp time and/or annual leave as hours worked. For example, see **Exhibit 2**.

Exhibit 2

Sample Mon-Fri Schedule, Sat-Sun Off

Date	Pay Description	Hours	Example
7/11-Mon	Regular Working	8	<ul style="list-style-type: none"> One week, the employee uses comp time on Thursday and Friday, but works on Saturday H-4 would not consider hours worked on Saturday as overtime because the employee did not work in excess of 40 hours (16 of the regular hours were comp time) or Saturday is the beginning of a new workweek However, interpretations of H-4 may allow the overtime because Saturday falls outside that employee's regular schedule.
7/12-Tues	Regular Working	8	
7/13-Wed	Regular Working	8	
7/14-Thurs	Comp Time	8	
7/15-Fri	Comp Time	8	
7/16-Sat	Overtime	8	

Total hours=48 *Hours worked=32*

Source: OCA Generated From City Payroll Data

Civil Service Commission Procedures developed by and the duties of the Civil Service Commission are detailed in the City of San Diego Personnel Regulations Civil Service Rules. The Commission establishes personnel policy and conducts day-to-day personnel activities through its staff in the Personnel Department. The Personnel Regulations Book, which includes H-4, provides policy interpretations and procedural instructions necessary to implement the Civil Service Rules, and is the official publication of the City of San Diego Civil Service Commission.

Audit Results

Finding 1: Some City Employees Use Compensatory Time or Annual Leave as Hours Worked to Earn Overtime

Overtime compensation is a significant expense at the City, with \$57.8 million spent on overtime in fiscal year 2011. The City pays overtime in accordance with the City's Personnel Regulation Index Code H-4 (H-4). Based on our testing, we found that overtime paid in FY 2011 was substantially in compliance with H-4. However, in a limited number of instances, some employees' overtime does not appear compliant with the regulation.

As described in the scenarios in **Exhibit 3**, we found that some employees use comp time or annual leave to earn overtime at a premium rate³ resulting in almost \$250,000 in overtime payments for fiscal year 2011. While the amount is less than one percent of the total overtime paid (excluding Fire-Rescue)⁴, the City should address the issue to ensure compliance with the regulation.

³ Premium rate overtime is compensation at one and one-half times the employee's base rate of pay.

⁴ Total Overtime=\$57,765,101; Fire Rescue Overtime=\$15,896,790; \$250,000/41,868,311=.00597 or 0.6%.

Exhibit 3

Overtime Scenarios Resulting in Potential Noncompliance

Scenario	Explanation	Example	Number of Instances
Comp time used to record overtime in a work day	<ul style="list-style-type: none"> Employees from Groups A-D that recorded comp time as hours worked when posting overtime for working beyond the scheduled hours in the employee's work day 	<ul style="list-style-type: none"> Employee took 8 hours of comp time off, and worked 6 hours in the same day based on a calculated work day of 14 hours If the comp time does not count as time worked, the employee would be paid 14 hours regular (straight) time at the employee's base rate 	<ul style="list-style-type: none"> Over 400 work days If the City paid regular (straight) time instead of overtime for these instances, the City would have saved approximately \$14,500.
Comp time used to record overtime in a workweek	<ul style="list-style-type: none"> Employees from Groups A-D that recorded comp time as hours worked when posting overtime for working beyond 40 hours in the employee's workweek 	<ul style="list-style-type: none"> Employee took 10 hours comp time off and worked 10 hours overtime If the comp time does not count as time worked, the employee would be paid 50 hours regular (straight) time at the employee's base rate 	<ul style="list-style-type: none"> Over 800 workweeks Almost 80 percent of city employees have a Saturday-Friday workweek If the City paid regular (straight) time instead of overtime for these instances, the City would have saved approximately \$110,000
Annual leave used to record overtime in a workweek	<ul style="list-style-type: none"> Employees from Group D that recorded annual leave as hours worked when posting overtime for working beyond 40 hours in the employee's workweek 	<ul style="list-style-type: none"> Employee worked 9.5 hours overtime and took 40 hours annual leave If the annual leave does not count as time worked, the employee would be paid 49.5 hours regular (straight) time at the employee's base rate 	<ul style="list-style-type: none"> Over 650 workweeks Police cannot use annual leave as hours worked when calculating overtime for working in excess of 40 hours in their workweek If the City paid regular (straight) time instead of overtime for these instances, the City would have saved approximately \$121,000

Source: OCA Generated From City Payroll Data

Operationally, Some Employees Use the Work Schedule to Earn Overtime

After reviewing records from the perspective of the workweek, we found that some employees use their work schedule to calculate overtime. As a result, a discrepancy exists between the H-4 FLSA workweek and how City employees record overtime, which affects the basis for the consecutive seven day period the employee uses to record overtime.

Workweek vs. Work Schedule

Employees have two components for planned working time as displayed in the SAP time management system; working week and work schedule rule. H-4 defines the working week or workweek as a period of seven consecutive 24-hour periods. According to the Comptroller's Office, the "workweek", which for almost 80 percent of City employees is Saturday-Friday, determines when and if overtime has occurred. We used this condition to test whether employees used comp time or annual leave to earn overtime for working over 40 hours in the week. When combined with our estimated payment to City employees using comp time to earn overtime in a work day, we found that the City paid employees almost \$250,000 when comp time or annual leave was used by an employee to earn overtime in a workweek.

SAP also records the Work Schedule Rule (work schedule). H-4 defines the work schedule as the employees' predetermined number of hours per workday and workdays per workweek. During fieldwork, we observed that employees recorded overtime using comp time or annual leave based on working over 40 hours in their *work schedule* (See Appendix A, *Exhibits D and E* for example schedules). For City employees, 29 percent have a Monday-Friday schedule, 28 percent have "Open" schedules and 17 percent have no standard hours (mostly part-time employees).

For FY 2011, we identified over 600 work schedules in which the City paid overtime when employees included comp time as hours worked in the work schedule.

Additionally, we identified over 350 work schedules in which the City paid overtime when employees included annual leave as hours worked in the work schedule.

Based on our analysis, we conclude that H-4 uses the FLSA workweek to determine overtime compensation, but operationally some employees use their work schedule. This makes a difference in which consecutive 7 day period the employee uses to determine when and if overtime has occurred.

*Stand Alone Provision for
Scheduled Days Off*

While reviewing overtime according to the work schedule, we found that employees recorded overtime in the same week as taking comp time off because of a provision in H-4, which allows overtime "on days other than those designated in the employee's scheduled workweek."

H-4, Council Policy, and the Police MOU each mention that employees can earn overtime for working scheduled days off. However, language in the Police MOU considers working on a scheduled day off as "call-back" time. The MOU specifically states:

"When unforeseen special events or emergencies arise necessitating they be required to work their scheduled days off, they will be paid overtime, or, at their election, be assigned other days off as a substitution. As a general policy officers will not be required to work more than seven consecutive days unless it is an emergency. 'Special Events or Emergencies' will be defined as unforeseen crime problems, natural or man-made disasters, special events of which the department had little or no knowledge, e.g., presidential visits, and events requiring unusually large numbers of personnel."

We conclude that the practice of taking a day off using comp time or annual leave and then earning overtime for working an unscheduled day which is not an unforeseen special event or emergency does not seem reasonable. Additionally, we conclude that H-4 should be clarified to clearly determine whether this is a stand-alone provision independent of the total number of hours worked in the workweek.

Conclusion

While the City substantially paid FY 2011 overtime in compliance with H-4, we identified approximately \$250,000 of overtime which does not appear compliant with the regulation. Contrary to H-4 policy, some employees use comp time or annual leave to earn overtime.

In other instances, we could not determine compliant overtime payments due to the ambiguity in H-4 that leads to multiple interpretations of the provisions. Examples include determining if working a scheduled day off entitles an employee to overtime independent of paid leave previously taken, or determining if employees should calculate overtime based on the workweek or the work schedule. H-4 is not clear and has led to inconsistent interpretation and application of overtime payment.

The City could save money by clarifying the H-4 policy and training management, supervisors, and employees on the regulations governing overtime compensation.

Recommendations

- Recommendation #1** The Personnel Department should work in consultation with the City Administration, the Comptroller's Office and the City Attorney's Office to review and revise, as needed, Personnel Regulation, Index Code H-4 to ensure that the regulations are clearly communicated and are not subject to various interpretations. (Priority 2)
- Recommendation #2** The City Administration should train city employees on the provisions of H-4 and the entry of allowable overtime hours into the City's payroll system. (Priority 2)
- Recommendation #3** The City Administration should ensure City Departments revise overtime approval forms to provide guidance for employees and the supervisors approving overtime. (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 ⁵	Description ⁶	Implementation Action ⁷
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

⁵ 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.

⁶ 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.

⁷ 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

The objectives of this audit were to determine if overtime is paid in accordance with: 1) The City's definitions of overtime; and 2) The calculations used to determine overtime compensation.

To answer these objectives, we reviewed documents relating to federal and local overtime eligibility and compensation policies, including relevant sections of the Fair Labor Standards Act (FLSA), City Council policies, Memoranda of Understanding (MOU) agreements between the City and multiple employee units, and the City Personnel Manual Index Code H-4. To gain further understanding of how the City regulates overtime, we interviewed management within the Comptroller's Office, Personnel Department, Police Department, and Public Utilities. Additionally, we provided management of these departments with samples of our analyses for feedback and perspective about the overpayments in question.

In order to calculate payment of overtime, we reviewed five occurrences of overtime compensation:

1. Comp time used to record overtime in a work day
2. Comp time used to record overtime in a workweek
3. Annual Leave used to record overtime in a workweek
4. Comp time used to record overtime in a work schedule
5. Annual Leave used to record overtime in a work schedule

It is important to note that our payment in question amount is a minimum. While we included all payroll data for the FY 2011, when examining the weekly data, we analyzed the records with only eight (8) or more hours of overtime and comp time and/or annual leave. Furthermore, our base rate amounts used to calculate overtime do not include any add-on pay extras. Lastly, we excluded the Fire Department from our scope because of their unique rules governing overtime.

During our review of all payroll information for the 26 pay periods in fiscal year 2011, we compiled over 2.9 million records and identified a list of cases where employees met one of the five instances above. We then created a process to calculate overtime payments. Additionally, we manually reviewed the entries to confirm the schedules and calculations in question. Based on overtime eligibility specific to different classifications of employees, we calculated the overtime payment recorded from comp time or annual leave based on two types of schedules:

1. **The Workweek:** According to the Comptroller's Office FLSA definition, overtime is calculated based on the workweek, which generally is a Saturday-Friday schedule. The SAP time management system refers to the Workweek as Working Week. The H-4 uses the term workweek. For the purposes of our report, we use the term "Workweek" to describe our analysis of schedules consisting of a period of 7 consecutive 24-hour periods.
2. **Work Schedule:** We reviewed records according to the days an employee is scheduled to work such as a Monday-Friday, Saturday and Sunday off schedule. SAP refers to Work Schedule as

Work Schedule Rule. H-4 refers to the Work Schedule as scheduled workweek. For the purposes of our report, we use Work Schedule to describe our analysis of schedules determined typically by the four (4) or five (5) days an employee is scheduled to show up for work.

For the workweek and work schedule, as well as the workday, we determined payment by calculating the following:

Overtime Hours Recorded and Paid:

We multiplied the number of overtime hours claimed, by the employee's premium rate of pay. The premium pay rate was determined by multiplying the employee's hourly rate by 1.5 (time and one-half).

Office of City Auditor (OCA) Premium Rate Overtime Estimate:

This is our calculation of the overtime hours and pay at the premium pay rate. To determine premium overtime hours, we subtracted comp time hours taken from overtime hours claimed. For Police, we also deducted annual leave. Hours were then multiplied by the employee's premium pay rate. *We did not deduct overtime pay coded as "Court" or "Call Back" since these overtime provisions are not dependent on hours worked in the workweek. We also did not deduct overtime which was earned for working in excess of the scheduled work day.*

Overtime payment:

Overtime payment is the difference between our estimate and the overtime payment actually paid to the employees.

The exhibits below provide examples of our calculations:

Exhibit A

Comp Time Used to Earn Overtime in a Work Day

Date/Day	Pay Description	Hours
1/3-Mon	Comp Time	3.5
1/3-Mon	Regular Working	4.5
1/3-Mon	Overtime Premium	3

Hourly Rate: \$22.70

Source: OCA Generated From City Payroll Data

Exhibit A shows an employee that recorded 3 hours of premium overtime amounting in a payment of \$102.15. We estimate that the employee should have received a total amount of \$68.10 as payment at the employee's regular rate of pay for the overtime worked. Therefore, we question the additional \$34.05 (\$102.15-68.10) paid to the employee.

Exhibit B

Comp Time and Days Off Used to Earn Overtime in a Workweek

Date/Day	Pay Description	Hours
11/27-Sat	Overtime Premium	1
11/28-Sun	Overtime Premium	15
11/29-Mon	Regular Working	8
11/30-Tues	Regular Working	8
12/1-Wed	Regular Working	8
12/2-Thurs	Regular Working	8
12/3-Fri	Comp Time	8

Hourly Rate: \$27.34

Source: OCA Generated From City Payroll Data

Exhibit B shows an employee that recorded 16 hours of premium overtime amounting in a payment of \$656.16. We estimate that the employee should have received a total amount of \$328.08 for 8 hours of pay at the premium overtime rate and \$218.72 as payment at the employee's regular rate of pay for the remaining 8 hours of overtime worked. Therefore, we question the additional \$109.36 (\$656.16-\$546.80) paid to the employee. If 11/27-Sat or 11/28-Sun were designated days off, there is also a question of whether this is overtime independent of comp time taken during the workweek.

Exhibit C

Annual Leave and Days Off Used to Earn Overtime in a Workweek

Date/Day	Pay Description	Hours
8/21-Sat	Overtime Premium	10
8/22-Sun	Regular Working	10
8/23-Mon	Regular Working	10
8/24-Tues	Regular Working	10
8/25-Wed	A/L Vacation	10

Hourly Rate: \$36.51

Source: OCA Generated From City Payroll Data

Exhibit C shows an employee in Group D that recorded 10 hours of premium overtime amounting in a payment of \$547.65. We estimate that the employee should have received a total amount of \$365.10 as payment at the employee's regular rate of pay for the overtime worked. Therefore, we question the additional \$182.55 (\$547.65-\$365.10) paid to the employee. If 8/21-Sat was a designated day off, there is also a question of whether this is overtime independent of annual leave taken during the workweek.

Exhibit D

Comp Time and Days Off Used to Earn Overtime in a Work Schedule

Date/Day	Pay Description	Hours
5/09-Mon	Comp Time	8
5/10-Tues	Regular Working	8
5/11-Wed	Regular Working	8
5/12-Thurs	Regular Working	8
5/13-Fri	Regular Working	8
5/14-Sat	Overtime Premium	9.5

Source: OCA Generated from City Payroll Data

Exhibit D shows an employee that recorded 9.5 hours of premium overtime. We question the 9.5 hours of overtime paid to the employee based on their work schedule rather than a Saturday-Friday workweek. If 5/14-Sat is a designated day off, there is also a question of whether this is overtime independent of comp time taken during the work schedule or workweek.

Exhibit E

Annual Leave and Days Off Used to Earn Overtime in a Work Schedule

Date/Day	Pay Description	Hours
12/17-Fri	Regular Working	10
12/18-Sat	Regular Working	10
12/19-Sun	A/L Vacation	10
12/20-Mon	A/L Vacation	10
12/21-Tues	Overtime Premium	10

Source: OCA Generated From City Payroll Data

Exhibit E shows an employee in Group D that earned 10 hours of premium overtime. We question the 10 hours of overtime paid to the employee based on their work schedule rather than a Saturday-Friday workweek. If 12/21-Tues is a designated day off, there is also a question whether this is overtime independent of annual leave taken during the work schedule or workweek.

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 reasonable basis for our findings and conclusions based on our audit objectives.

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Appendix C: Management's Response

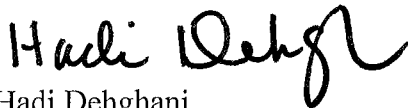
CITY OF SAN DIEGO
M E M O R A N D U M

DATE: December 20, 2012
TO: Eduardo Luna, City Auditor
FROM: Hadi Dehghani, Personnel Director
SUBJECT: Performance Audit of the City's Overtime Controls

Consistent with your audit report recommendations, the Personnel Department will work in consultation with other City departments to review and revise, as necessary, the provisions of Personnel Manual Section H-4, Overtime Compensation.

I would like to thank the City Auditor staff for conducting this audit in a professional and cooperative manner.

Thank you.



Hadi Dehghani
Personnel Director

Recommendation 1:

The Personnel Department should work in consultation with the City Administration, the Comptroller's Office and the City Attorney's Office to review and revise, as needed, Personnel Regulation, Index Code H-4 to ensure that the regulations are clearly communicated and are not subject to various interpretations.

Agree:

City Administration will work with the Personnel Department and other City departments to review and revise, as necessary, the provisions of Personnel Manual Section H-4, Overtime Compensation. Revisions to H-4, if any, may require meeting and conferring with impacted labor organizations on aspects that are mandatory subjects of bargaining.

Recommendation 2:

The City Administration should train city employees on the provisions of H-4 and the entry of allowable overtime hours into the City's payroll system.

Partially Agree:

If there are any revisions to Personnel Regulation H-4 or the interpretation and application of it, City Administration, in conjunction with City departments, will train eligible employees in the new provisions or interpretations. This will be provided within six months of the enactment of any changes to the personnel regulation or interpretation of it. Attached are departmental payroll provisions currently in use by the Police Department.

Current Police Department Payroll Provisions

Currently, the San Diego Police Department adheres to all applicable personnel, civil service, FLSA and respective MOU regulations (including H-4) pertaining to the use and approval of overtime. The Department has identified specific sections contained within Department Procedures 1.18 and 1.20 that instruct all members on the proper responsibilities regarding the use and approval of overtime. Each Department member is required to review and adhere to all official department policies and procedures. These procedures are reviewed, revised and reissued a minimum of every two years or early if necessary.

Subsequent to any official approved changes to Personnel Regulation Index Code: H-4 the San Diego Police Department will train all department members on the correct application and approval of affected overtime.

The following are excerpts from official Police Department procedures that specifically address responsibilities for the proper recording of overtime.

POLICE DEPARTMENT PROCEDURE 1.18 PAYROLL PROCEDURES

D. Overtime

1. It is the employee's responsibility to properly indicate the overtime earned and how they wish to be compensated.
2. Overtime compensation will be processed only when accompanied by the "Overtime Authorization Request" PD-621 (Rev. 2/10) that has been reviewed and signed by the appropriate supervisor.
3. The Payroll Unit shall utilize bi-weekly SAP labor cards and the "Overtime Authorization Request" PD-621 (Rev. 2/10), (a.k.a. overtime slip) as source documents for overtime reporting and payment. Overtime hours worked must exactly match the bi-weekly SAP entry and the overtime slip.
4. If an "Overtime Authorization Request" PD-621 (Rev. 2/10) is submitted in any pay period other than the pay period in which the work was performed, a memo signed by the commanding officer must be attached. The overtime payment will be paid at a later date
5. When employees work overtime, they must select on their SAP time card "Overtime premium" or "Overtime straight" in the Att/Abs type box. They then must indicate pay or compensatory time in the "OT CompType" box by using the following indicators:
 - a. Leave the box blank if the employee wants to be *paid* for the overtime.
 - b. Enter the number three (3) if the employee wants to receive *compensatory time*.

POLICE DEPARTMENT PROCEDURE 1.20 OVERTIME COMPENSATION

Supervisor/Commanding Officer Responsibilities

A. Supervisors are responsible for:

1. Reviewing all overtime claims and determining their validity.
2. Scheduling or otherwise assigning personnel so as to minimize the need for overtime.
3. Providing periodic reports on overtime hours worked by subordinates to their immediate supervisor in the form and manner determined by individual units.

B. In addition to the above, commanding officers are responsible for the following:

1. Administration of overtime in a fiscally conservative manner, in keeping with accepted management practices.
2. Periodic personal review and "spot" checking of overtime authorization requests submitted by officer/civilians at different levels within their unit.
3. Ensuring the yellow (unit) copy of the Overtime Authorization Request PD-621 (02-10) is maintained for one year.

Recommendation 3:

The City Administration should ensure City Departments revise overtime approval forms to provide guidance for employees and the supervisors approving overtime.

Partially Agree:

The City Administration partially agrees with this recommendation. The revision of overtime approval forms may not be practical for some departments. Overtime approval forms are used to not only track and approve overtime, but also for certain reimbursements from other agencies or governmental bodies. Many departments have customized the form to meet these specific requirements. City Administration will confirm that there is not contradictory, incomplete, or incorrect information on overtime approval forms. Brief guidance may be included on the overtime approval forms. However, the forms should refer employees and supervisors to the Personnel Regulations, Administrative Regulations, and Memorandums of Understanding for specific guidance. Additionally, the expense of revising overtime slips must be considered. The City will not print any revised overtime slips until the current inventory is exhausted.

It is understood that training should be conducted with all eligible city employees regarding proper overtime documentation, if any changes are made to OT provisions. This will be provided within six months of the enactment of those changes. Training and accountability are considered more feasible than relying on revised overtime slips.