

*Internal Audit Report*

**DEPARTMENT OF FIRE & RESCUE SERVICES  
OVERTIME  
APRIL 2017**

*Office of the County Auditor*





## OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA  
County Auditor

April 2017

The Honorable Members of the County Council  
The Honorable Allan Kittleman, County Executive

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we have conducted an audit of the Department of Fire and Rescue Services overtime and other non-regular payments. The body of our report presents our findings and recommendations.

Our audit disclosed that although policies and controls exist over the program, the department did not have a policy governing the use of its resources for special events and did not recover related costs. We made one recommendation which we believe will help the County receive reimbursement for the cost of overtime provided to private parties.

Our finding has been reviewed with the Chief Administrative Officer and we have included the Administration's response. We wish to express our gratitude to the Department of Fire and Rescue Services for the cooperation and assistance extended to us during the course of this engagement.

Craig Glendenning, CPA  
County Auditor

## **EXECUTIVE SUMMARY**

We conducted a performance audit of overtime and other non-regular payments made by the Department of Fire and Rescue Services (DFRS). The objectives of our audit were to:

1. Determine if the overtime and other non-regular payments (such as premiums for certified paramedics) paid to DFRS employees was accurate and in compliance with union agreements and County and DFRS policies.
2. Determine if overtime was properly approved.
3. Determine if overtime was assigned in accordance with DFRS policy and if employees worked excessive overtime.
4. Determine if DFRS had policies and procedures in place to control overtime and to recover costs when appropriate.

### **Conclusions**

For the audit objectives, we found that:

- 1) Payments were accurate and in accordance with agreements;
- 2) Overtime was properly approved;
- 3) DFRS followed established policies when assigning overtime. In addition, although we found instances where employees worked hours in excess of those normally permitted under DFRS policy, those instances were exceptions approved in accordance with said policy; and
- 4) Although DFRS had written policies on how overtime is to be allocated, they did not have a policy governing the use of, and cost recovery for, resources for special events (such as concerts and sporting events).

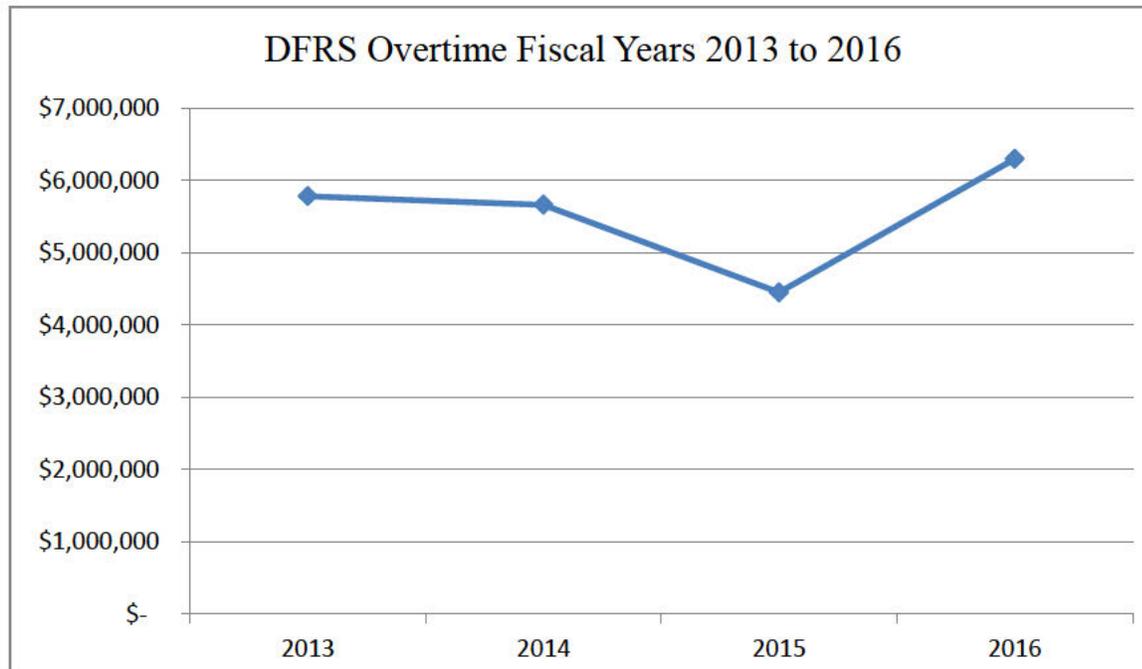
**BACKGROUND**

The Department of Fire and Rescue Services (DFRS) provides a full range of emergency response services for all hazards, including emergency medical services and community risk reduction programs. DFRS responsibilities also include planning and managing responses to natural and human caused disasters, fire investigations, and code inspections and enforcement.

Overtime payments in fiscal year 2016 totaled \$6.3 million. See the Table below for budget and actual overtime costs for fiscal years 2013 to 2016.

<b>Table</b> <b>DFRS Overtime – Budget vs. Actual</b> <b>Fiscal Years 2013 to 2016</b>			
Fiscal Year	Budget	Actual	(Under)/Over Budget
2013	\$ 5,788,500	\$ 5,782,291	\$ (6,209)
2014	4,807,600	5,664,769	857,169
2015	5,756,480	4,450,916	(1,305,564)
2016	6,027,140	6,298,690	271,550

Source: SAP



We were advised that the reasons for the large spike in overtime for fiscal year 2016 were the following:

1. There were 27 vacancies in fiscal year 2016;
2. The majority of the staffing for the downtown Columbia ambulance was at overtime rates; and
3. One volunteer station required the majority of its full-time regular staffing at overtime rates.

Overtime and other non-regular payments are generally spelled out in the labor agreements between the County and the firefighters' local or in the County's Employee Manual (for supervisory employees). In addition, DFRS has a written policy governing the managing and allocation of overtime.

Hours worked, including overtime, are recorded on timesheets which are entered by the Department of Finance into an automated payroll system. Payroll is calculated and processed by a third party vendor under contract with the County.

Based on payroll data provided by the Department of Finance, we obtained certain statistical data for DFRS employees who earned overtime as shown below (45 DFRS employees did not earn any overtime for the period).

<b>Employee Overtime Earnings July 10, 2015 to June 10, 2016</b>	
Overtime Earned	Number of Employees
Over \$50,000	3
\$40,001 to 50,000	5
\$30,001 to 40,000	17
\$20,001 to 30,000	65
\$10,001 to 20,000	140
Under \$10,000	180

<b>Overtime Earnings as Percentage of Regular Earnings July 10, 2015 to June 10, 2016</b>	
	Number of Employees
40.01% to 50%	11
30.01% to 40%	34
20.01% to 30%	90
10.01% to 20%	142
10% and Below	133

Note: Regular earnings include all earnings other than overtime payments.

## FINDINGS AND RECOMMENDATIONS

### **Finding 1**

**DFRS did not have a policy governing the use of DFRS resources for special events and did not recover related costs.**

Special events (such as concerts and triathlons) often utilize DFRS personnel for medical staff. Using a DFRS estimate of hours worked for special events in fiscal year 2016, we calculated that DFRS incurred over \$172,000 in costs that could have been recovered. This estimate does not include the use of volunteers at these events. There is no DFRS policy covering the costs incurred for special events.

*We recommend that DFRS develop and implement a policy to recover costs associated with providing resources for all special events.*

#### *Administration's Response:*

The Administration concurs with the finding and is currently reviewing the costs associated with providing resources for all special events provided by both DFRS and the Police Department. We plan to propose/implement a revised permit and fee structure for Council consideration this fall.

## OBSERVATIONS AND COMMENTS

### **Allocating Overtime**

DFRS has written policies for determining the availability, assignment and notification of overtime assignments. We reviewed the fiscal year 2016 time sheets for 5 employees who earned significant overtime for the year. Our review disclosed 18 instances where these employees worked more than 48 hours in a 72 hour time period. DFRS policy states that staff shall not be on duty for greater than 48 hours in any 72 hour continuous period unless approved by a Bureau Chief or designee. DFRS management advised us that exceptions are granted to ensure adequate staffing. Exceptions, like all overtime, are approved by appropriate supervisory personnel. As noted below, our test of overtime approvals found that all overtime tested was properly approved by supervisory personnel.

We noted that assigning overtime is based on various criteria including the requirements of the position to be filled, staffing requirements, and employee availability and employee work schedules. We judgmentally selected 3 days in fiscal year 2016 and reviewed the assignment of overtime to determine if overtime assignments complied with DFRS policy. We found that DFRS allocated overtime in accordance with the policy.

## **Accuracy and Compliance**

We tested 40 judgmentally selected payroll transactions of employees who received overtime and/or other non-regular payments (10 employees for 4 pay periods in fiscal year 2016) to verify the accuracy of the payroll calculations. In all cases, we determined that employee pay was accurately calculated. In addition, all payments were made in accordance with applicable labor agreements.

## **Proper Approval**

For each of the employees tested as noted above, we also tested records to ensure that the overtime was documented and that the overtime was approved. The 40 payroll transactions tested included 107 overtime shifts (an employee may work multiple overtime shifts in a pay period). We found that in all 107 instances, the overtime was approved by supervisory personnel.

## **AUDIT SCOPE, OBJECTIVES AND METHODOLOGY**

We conducted a performance audit of overtime and other non-regular payments at the Department of Fire and Rescue Services (DFRS). The audit included overtime earned and paid in fiscal year 2016.

We conducted our audit in accordance with generally accepted government auditing standards prescribed by the Comptroller General of the United States. Those standards require us to 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 we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to:

1. Determine if the overtime and other non-regular payments (such as premiums for certified paramedics) paid to DFRS employees was accurate and in compliance with union agreements and County and DFRS policies.
2. Determine if overtime was properly approved.
3. Determine if overtime was assigned in accordance with DFRS policy and if employees worked excessive overtime.
4. Determine if DFRS had policies and procedures in place to control overtime and to recover costs when appropriate.

To accomplish our objectives, we met with DFRS staff responsible for the payroll process to review union agreements, formal guidance, and the process for reporting overtime and other non-regular payments. We obtained documentation for all payments made for selected pay periods along with related supporting documentation. We recalculated overtime and other payments to ensure accuracy and compliance with formal guidance. We reviewed documentation supporting overtime and other non-regular payments.

The County engages an independent accounting firm to audit its financial statements. We relied on work performed by the firm to provide audit coverage pertaining to the accuracy of posting from agency timesheet records to the automated payroll system. Our audit procedures in this area were generally limited to obtaining a sufficient basis for that reliance.

Department management is responsible for establishing and maintaining effective internal control. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

We conducted our field work from June 2016 to September 2016. The DFRS response to our finding and recommendation is included in this report.

**AUDIT TEAM**

**Edward L. Shulder, CPA**  
Deputy County Auditor

**Stephen E. Peters, Jr., CPA**  
Legislative Audit Manager