

Internal Audit Report

**DEPARTMENT OF POLICE
OVERTIME
JULY 2017**

Office of the County Auditor





OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA
County Auditor

July 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 Police overtime and other non-regular payments. The body of our report presents our findings and recommendations.

Our audit disclosed that the Department did not consistently seek reimbursement for services provided for special events. In addition, the Department of Finance did not always bill or collect certain costs for Department of Police services in a timely manner. We made recommendations which we believe will help the County receive reimbursement for the cost of resources provided to private parties and improve controls over billing and collections.

Our findings have 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 Police for the cooperation and assistance extended to us during the course of this engagement.

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EXECUTIVE SUMMARY

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

1. Determine if the overtime and other non-regular payments (such as call-in duty and court time) paid to Police employees were accurate and in compliance with union agreements, County and Police policies.
2. Determine if overtime was properly approved.
3. Evaluate whether Police employees work excessive amounts of overtime.
4. Determine if Police had policies and procedures in place to control overtime and to recover costs when appropriate.

Conclusions

For the first objective, we found that the overtime and other non-regular payments were generally accurate and in compliance with union agreements and County and Police policies.

For the second objective, our testing disclosed that overtime was properly approved in accordance with Police procedures.

For the third objective, we found that Police employees generally did not work excessive amounts of overtime.

For the fourth objective, we found the following:

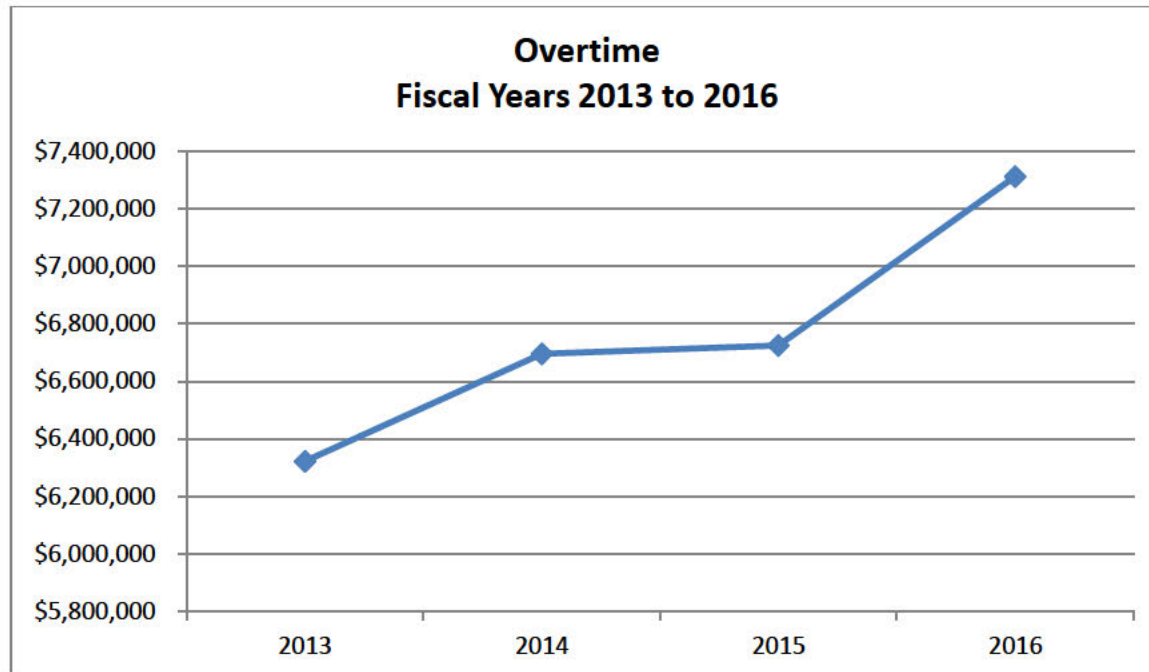
- Police did not have a policy stipulating how overtime should be allocated and the factors to consider when assigning overtime.
- Police did not have a method to track overtime worked by its employees on a cumulative basis.
- Police services provided were not always billed or collected by Finance and they did not follow their own written collection procedures.
- Police did not consistently seek reimbursement for uniform police services.

BACKGROUND

The County Code states that the Department of Police (Police) shall be responsible for operation and enforcement of the laws and rules and regulations concerning:

- The preservation of the public peace.
- The prevention of crime.
- The apprehension of criminals.
- The protection of the rights of person and property.

Overtime payments in fiscal year 2016 totaled \$7.3 million. Police's fiscal year 2016 expenditures totaled \$106 million, and overtime represented 6.9% of total costs. See the graph below for actual overtime costs for fiscal years 2013 to 2016.



Overtime and other non-regular payments are generally spelled out in the labor agreements between the County and police unions, federal law or the County's Employee Manual. Employees eligible for overtime include officers up to the rank of Sergeant and public safety dispatchers.

Hours worked, including overtime, are recorded on timesheets. Police enters this information into a spreadsheet and submits it to the Department of Finance (Finance). Finance manually uploads the payroll data 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 Finance, we obtained certain statistical data for Police employees who earned overtime as shown below. Out of 697 total Police employees, 134 employees did not earn any overtime for the period.

Employee Overtime Earnings July 10, 2015 to June 10, 2016	
Overtime Earnings	Number of Employees
Over \$50,000	1
\$40,001 to 50,000	0
\$30,001 to 40,000	1
\$20,001 to 30,000	6
\$10,001 to 20,000	54
Under \$10,000	501

Overtime Earnings as a Percentage of Regular Earnings July 10, 2015 to June 10, 2016	
Percentage	Number of Employees
40.01% to 50%	1
30.01% to 40%	4
20.01% to 30%	10
10.01% to 20%	93
10% and Below	455

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

FINDINGS AND RECOMMENDATIONS

Finding 1

Unreimbursed overtime and related costs incurred for uniform police services for special events for fiscal years 2013 to 2016 totaled \$3.8 million.

Although Police bills for services under the Uniform Police Services Detail (UPSD) program, they were inconsistent in determining when to seek reimbursement for staffing resources provided to other entities. For instance, Police did not seek reimbursement for several special events (such as concerts at Merriweather Post Pavilion and triathlons), and these events often use Police personnel for traffic control and safety purposes. Per information from the Police (which we did not audit), unreimbursed overtime and related costs incurred for uniform police services for these special events for fiscal years 2013 to 2016 totaled \$3.8 million. Note that this amount does not include the cost of vehicle use or time for captains and majors (who are not eligible for overtime payments but are compensated with compensatory leave).

We recommend that Police consider legislation and/or developing and implementing a formal written policy to recover costs associated with providing resources for 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.

Finding 2

Certain Department of Police employees were underpaid a total of \$216,200.

While testing payroll payments made to Police employees, we found documentation that disclosed that a change in a payroll component was not accurately implemented in the third-party vendor's payroll calculation. This error was subsequently detected but was not resolved in a timely manner. The change to the component, shift pay related to a specific type of overtime hours, was made in January 2012 and the error was not resolved and corrected until May 2015. The error resulted in retroactive payments to 227 Police employees totaling \$216,200 which was paid in September 2015.

We recommend that Police and Finance ensure that all changes to payroll calculations are properly implemented.

Administration's Response:

The Administration concurs with the finding. The underpayment in 2012 occurred as a result of a former finance manager's interpretation of the Fair Labor Standards Act, and therefore, at the time, testing and verification appeared accurate based on the initial interpretation. To properly remedy the error, over 30,000 transactions were reviewed, which required a great deal of time and attention.

Finance tests and verifies all new applications and changes against production payroll runs and test totals. Test plans include input from many staff members, both internal to Finance and external (other County departments).

Finding 3

The Department of Finance did not always bill or collect costs incurred for uniform police services in a timely manner and did not follow its own procedures for delinquent account collections.

Finance did not always bill or collect UPSD amounts in a timely manner. In addition, Finance did not follow its written procedures for the collection of delinquent accounts. Finance bills entities (such as the Columbia Mall and the Howard County Library) monthly based on information submitted by Police. Our test of 17 fiscal year 2016 billings totaling \$72,600 disclosed that:

- UPSD services to one entity for November 2015 (totaling \$861) had not been billed as of December 2016. Services to another entity for October 2015 (totaling \$5,167) were not billed until April 2016.
- UPSD services for two entities (totaling \$6,459) that were billed in April and May 2016 had not been paid as of December 2016, and Finance has not made collection efforts as required by its written collection procedures. Finance also did not notify the Police of the delinquencies. Finance collection procedures require delinquent notices to be sent at 30, 60 and 90 days past due prior to turning these accounts over to the Office of Law for collection.

We recommend that Finance bill all entities receiving UPSD services in a timely manner. We also recommend that Finance pursue delinquent accounts in accordance with its collection procedures. We also recommend that Finance provide Police with monthly aging schedules of UPSD accounts so that Police can take follow-up actions.

Administration's Response:

The Administration concurs with the finding. Finance has taken steps to allocate sufficient resources to the area of SAP AR billing and has made changes to improve this area. Most notably, SAP AR has been removed from under the Tax Billing area to its own division and additional staff have been added to handle the increased demands of the miscellaneous billing area. These changes will help to ensure that billing and delinquent account follow-up occurs in a timely manner.

Finance has, and will continue to provide the Police Department with monthly aging schedules of UPSD accounts so that Police can take follow-up actions as necessary.

Finding 4

The Department of Police was not reimbursed for payroll taxes associated with providing services to the Board of Education.

Under an agreement with the Howard County Board of Education, the Police provides UPSD staff for security related activities. The agreement states that the Board shall pay the County an amount equal to the overtime rate for each officer detailed. Although all other agreements we reviewed for UPSD services included a provision that reimbursed the County for wage related taxes (Social Security and Medicare), the contract with the Board did not include such a provision and thus the County paid those costs. We determined, based on Board related UPSD services billed, that the County paid \$11,100 in wage related taxes for fiscal year 2016.

We recommend that the Police amend its agreement with the Board of Education to include a requirement that the Board reimburse the County for wage related taxes.

Administration's Response:

The Administration concurs with the finding. The Department of Police will work with the Board of Education to amend the agreement to include that the Department is reimbursed for County wage related taxes, as they relate to school security overtime details.

Finding 5

The Department of Police has not developed a policy on the allocation and assignment of overtime and did not have a process to track employee overtime on a cumulative basis.

The Police has not developed policies or procedures to provide guidance over the allocation and assignment of overtime. Police overtime consists of “involuntary” overtime (such as case specific investigation and court time) and “voluntary” overtime (such as working Merriweather

concerts and filling shift vacancies). According to Police management, voluntary overtime is assigned on a first-come, first-served basis.

Police did not have a mechanism to track overtime worked by each employee on a cumulative basis. As a result, Police could not ensure that employees did not work excessive amounts of overtime. According to a payroll report prepared by Finance for us for the period from July 10, 2015 to June 10, 2016, 78 Police employees (or 11 percent of the total number of Police employees on the report) worked 200 or more overtime hours in the period. The total overtime hours worked by these employees represented 47% of all overtime hours worked for the period.

Policies for allocation and assignment of overtime could include consideration of factors such as previous overtime worked and hours already worked on the same day or in the same pay period among other factors. Such a policy may require agreement of the unions.

We recommend that Police consider developing a policy governing the assignment and allocation of overtime. We also recommend that Police consider developing a process to track cumulative overtime worked by employees.

Administration's Response:

The Administration acknowledges the finding. The County is exploring an electronic time and attendance program that may assist in tracking cumulative overtime worked by employees.

AUDIT SCOPE, OBJECTIVES AND METHODOLOGY

We conducted a performance audit of overtime and other non-regular payments made by the Department of Police (Police). 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, except for the requirement to obtain an external peer review at least once every three years. We have not contracted for a peer review due to our recent conversion to the use of government auditing standards. We believe that not complying with this requirement had no impact on the audit or the findings contained in this report.

Government auditing 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 call-in duty and court time) paid to Police employees was accurate and in compliance with union agreements, County and Police policies.
2. Determine if overtime was properly approved.
3. Evaluate whether Police employees work excessive amounts of overtime.
4. Determine if Police had policies and procedures in place to control overtime and to recover costs when appropriate.

To accomplish our objectives, we met with DOP 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. Finally, we tested billings and payments related to services provided by Police under contracts with other entities.

The County engages an independent accounting firm to perform audits of its financial statements. We have relied on work of 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 November 2016. The Police and Finance responses to our findings and recommendations are included in this report.

AUDIT TEAM

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Deputy County Auditor

James J. Meyd, CPA
Senior Auditor