Office of the City Auditor
Kansas City, Missouri

Performance Audit

Citywide Overtime

November 2013

CITY OF FOUNTAINS
HEART OF THE NATION

KANSAS CITY
MISSOURI

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November 25, 2013

Honorable Mayor and Members of the City Council:

This performance audit of citywide overtime was initiated by the city auditor pursuant to Article II, Section 216 of the city charter. The audit focuses on the analysis of overtime trends, drivers of overtime, and the effectiveness of practices used to manage overtime.

We found that citywide overtime has increased over the last three years. Overtime is concentrated in Fire, Water Services, Aviation, and Public Works. The majority of overtime hours and expenditures are also concentrated in 10 divisions and 10 job classifications.

There are several drivers of overtime. The city code and collective bargaining agreements (CBA) with the city's unions drive overtime costs. The city overtime provisions are beyond what the federal Fair Labor Standards Act (FLSA) requires. In addition to the city code and CBA authorized overtime provisions, the Fire Department pays a few provisions that are not included in the code or CBA. Additional city overtime drivers include minimum staffing requirements and emergency situations such as snow removal and water main breaks. Increased salaries also account for some of the increase in overtime expenditures.

Some of the city's overtime rules and practices are not being applied consistently. At least one city division is not calculating overtime pay correctly. Some city supervisors are not accurately approving overtime payroll and department staff inaccurately categorized a few exempt city staff as non-exempt allowing them to be paid overtime. Training and written procedures could address these issues and prevent future errors. The city also needs to develop policies to address inconsistencies in employee time records.

While the city does follow some recommended practices, such as requiring overtime hours to be authorized, it could improve its use of recommended practices for managing overtime. Employees' individual overtime cumulative amounts and frequencies should be monitored and management should increase tracking and analyzing of overtime to find ways to reduce overtime expenses.

We make recommendations to improve the sustainability of the city's finances; implement consistent overtime practices and tools to help better manage overtime; and develop policies and procedures and provide training to ensure the accurate and consistent application of overtime rules.

We shared a draft of this report with the city manager on October 25, 2013. His response is appended. We would like to thank city departments and their staff for their assistance and cooperation during this audit. The audit team for this project was Jason Phillips and Sue Polys.

Douglas Jones
City Auditor

Citywide Overtime

Table of Contents

Citywide Overtime

List of Exhibits

Introduction

Objectives

We conducted this audit of citywide overtime under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.[1]

This report is designed to answer the following question:

- Is the city effectively managing the use of overtime?

Scope and Methodology

Our review focuses on the analysis of overtime trends, drivers of overtime, and the effectiveness of practices used to manage overtime. Our audit methods included:

- Analyzing overtime for fiscal years 2010 to 2013 citywide and by department, division, and position to identify trends and drivers of overtime.

- Reviewing professional literature to identify recommended practices for managing overtime.

- Reviewing the Fair Labor Standards Act of 1938, As Amended (FLSA), the Missouri Revised Statues, and the city's Code of

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[1] Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

Ordinances, the city's collective bargaining unit agreements (CBA), the city's Human Resources Rules and Policy Manual, and department policies and procedures to identify legal and other requirements regarding overtime.

- Comparing the FLSA requirements to city code and the CBAs to identify overtime provisions that are within the city's control.

- Comparing a sample of employee time records from departments with high levels of overtime to PeopleSoft time records to test the PeopleSoft data for accuracy and consistency.

- Interviewing Payroll, Human Resources, and Budget Office staff, and department timekeepers, supervisors, and managers to identify the city's overtime policies and practices and drivers of overtime.

The scope of the audit does not include the Police Department or a review of whether the city correctly classifies city positions as exempt or non-exempt as defined by the FLSA; whether the overtime work performed was necessary for the city to meet its objectives; or whether the city correctly assigned overtime according to CBA rules.

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.

Information regarding a legal matter has been withheld from this report. No other information was omitted from this report because it was deemed privileged or confidential.

We assessed the reliability of the overtime data we obtained from the city's PeopleSoft system by interviewing payroll and timekeeping staff about general system controls and procedures related to data entry; comparing time record source documents to time records and payroll data recorded in PeopleSoft; and evaluating the data for completeness and reasonableness. We determined that the data is sufficiently reliable for the purposes of this report.

Background

The Fair Labor Standards Act (FLSA), a federal law, requires that some city employees receive at least one and one half their regular hourly rate for hours worked over 40 in a workweek.[2] An employee's workweek is a fixed and regularly recurring seven consecutive 24-hour periods.[3] Public safety employees engaged in fire protection may be paid overtime on a "work period" basis. A "work period" may be from 7 consecutive days to 28 consecutive days in length. For work periods of 28 days, overtime pay is required when the number of hours worked exceeds 212.[4] The FLSA permits employees of state or local government agencies to receive, under certain prescribed conditions, compensatory time off at a rate not less than one and one-half hours for each hour of overtime worked.[5]

Employees covered by the FLSA's overtime provisions are referred to as non-exempt, as in, not exempt from the FLSA. City employees who belong to the American Federation of State, County, and Municipal Employees, AFL-CIO (AFSCME) Local 500, the International Association of Fire Fighters (IAFF) Local 42, some members of the IAFF Local 3808 as well as some non-union city employees are non-exempt. The city code and collective bargaining agreements for Local 500, Local 42, and Local 3808[6] authorize some additional overtime provisions beyond what is required by the FLSA.

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[2] 29 U.S.C. § 207 (a) (1).

[3] U.S. Department of Labor, *Fact Sheet #23: Overtime Pay Requirements of the FLSA* (Revised July 2008).

[4] 29 C.F.R. § 553.230.

[5] 29 U.S.C. § 207 (o) (1).

[6] Some members of Local 3808 are exempt from the requirements of the FLSA, however, the Local 3808 CBA provides overtime provisions for exempt members.

Definitions of Terms

Collective bargaining agreement (CBA) - a labor contract negotiated by a union and employer, which normally sets forth wages, hours, and other conditions for a specified period.

Compensatory time - time off at a rate of not less than one and one-half hours for each overtime hour worked, instead of cash overtime pay.

Exempt position - any position not covered by the overtime provisions of the Fair Labor Standards Act.

Fair Labor Standards Act of 1938, As Amended - federal legislation enacted by Congress, which mandates a minimum wage and a maximum workweek or work period for employees engaged in interstate commerce. It establishes the right of eligible workers to at least one and one-half the hourly wage for hours worked in excess of their workweek or work period.

Non-exempt position - any position that is covered by certain overtime provisions of the Fair Labor Standards Act.

Overtime hours - hours that non-exempt employees (and members of Local 3808, exempt and non-exempt) work in excess of their regular daily, weekly, or work period schedule that qualifies them for at least their hourly wage. Once the employees surpass their regular number of hours worked in a day or 40 hours in a week (212 hours in 28-day period for fire suppression employees), overtime is paid at least at one and one half their hourly rate.

Sources: Fair Labor Standards Act, Code of Ordinances, and Human Resources Rules and Policy Manual, Kansas City, Missouri.

Findings and Recommendations

Overtime Increasing with Resources Concentrated in a Few Departments, Divisions, and Job Classifications

The city's overtime hours and expenditures increased significantly over the last three years. Overtime is concentrated in the Fire, Water Services, Aviation, and Public Works departments. The majority of overtime hours and expenditures are also concentrated in 10 divisions and 10 job classifications.

Overtime Increased in the Last Three Years

City overtime hours and expenditures increased in the last three years. Between fiscal year 2010 to 2013, overtime hours increased 49 percent from about 385,000 hours to 574,000 hours.[7] (See Exhibit 1.) Compensatory hours account for only 4.7 percent of the overall overtime hours.

From fiscal year 2010 to 2013, the city's overtime costs increased from $11.3 million to $17.8 million. This represents a 58 percent increase over the four-year period.[7] Earned compensatory time accounts for only 4.6 percent of the overall expenditures.[8] (See Appendix A for overtime hours and expenditures for all departments.)

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[7] On April 25, 2010, ambulance services were integrated into the city's Fire Department (KCFD). Most of fiscal year 2010 does not include ambulance service overtime costs. The increase in overtime in 2011 is partly attributable to the addition of this division to the city.

[8] The dollar value of accrued compensatory time may be understated. If an employee cashes out accrued comp time, the city will pay the higher of the employee's hourly rate at the time of the payout or the average of the last two years rather than the rate when the employee earned the comp time. The hourly rate usually increases with tenure.
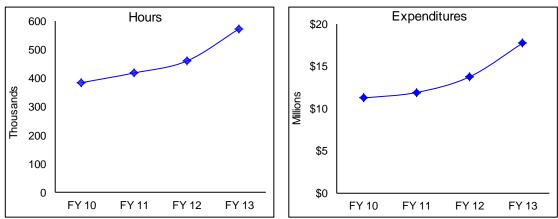
Exhibit 1. Citywide Overtime Hours and Expenditures, Fiscal Years 2010 - 2013

Source: PeopleSoft and City Auditor's Office calculations.

Overtime Is Concentrated

Most of the city's overtime hours and expenditures are concentrated in Fire, Water Services, Aviation, and Public Works. The majority of overtime hours and expenditures are also concentrated in 10 divisions and 10 job classifications.

Four departments account for most of the city's overtime hours and expenditures. The Fire, Water Services, Aviation, and Public Works departments accounted for approximately 86 percent of the total overtime hours worked from fiscal year 2010 through fiscal year 2013. (See Exhibit 2.)

Exhibit 2. Highest Overtime Hours by Department, Fiscal Years 2010 - 2013

Department	2010	2011	2012	2013	Total	Percent of Total
Fire[9]	63,084	102,827	171,326	241,470	578,707	31.5%
Water Services	124,409	129,934	143,939	162,532	560,813	30.5%
Aviation	59,495	55,846	50,165	60,153	225,659	12.3%
Public Works	61,337	65,174	39,153	55,537	221,201	12.0%
All Other Departments	76,892	65,357	56,018	54,220	252,486	13.7%
Total	385,217	419,138	460,601	573,911	1,838,866	100%

Source: PeopleSoft and City Auditor's Office calculations.

These four departments accounted for about 87 percent of the city's $54.7 million overtime expenditures from fiscal year 2010 through fiscal year 2013. (See Exhibit 3.)

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[9] The Fire Department's overtime hours and costs from fiscal year 2010 only include five days of overtime from the ambulance function. The department took over ambulance services April 25, 2010, five days before the end of fiscal year 2010.

Exhibit 3. Highest Overtime Expenditures by Department, Fiscal Years 2010 - 2013

Department	2010	2011	2012	2013	Total	Percent of Total
Fire[9]	$2,244,085	$3,225,482	$5,746,906	$7,815,633	$19,032,105	34.8%
Water Services	3,602,531	3,726,024	4,110,773	4,871,607	16,310,935	29.8%
Aviation	1,619,697	1,460,534	1,296,814	1,747,641	6,124,686	11.2%
Public Works	1,663,125	1,715,319	1,060,798	1,669,982	6,109,224	11.2%
All Other Departments	2,124,908	1,781,358	1,546,933	1,649,399	7,102,597	13.0%
Total	$11,254,346	$11,908,716	$13,762,224	$17,754,261	$54,679,547	100%

Source: PeopleSoft and City Auditor's Office calculations.

Ten divisions and job classifications account for a majority of city overtime hours and expenditures. The ten divisions with the most overtime hours account for approximately 60 percent of all city overtime hours and expenditures. The Fire Department's Fire Fighting Force Division accounted for over one-fifth of the city's overtime expenditures and hours during the four-year period. (See Exhibit 4.)

Exhibit 4. Highest Overtime Hours and Expenditures by Division, Fiscal Years 2010 - 2013

Division	Department	Hours	Expenditures	Percent of Hours	Percent of Expenditures
Fire Fighting Force[10]	Fire	389,721	$12,391,050	21.2%	22.7%
Pipeline	Water Services	142,179	4,067,406	7.7%	7.4%
Sewer Repair	Water Services	139,769	3,803,926	7.6%	7.0%
KCI - Bus Operations	Aviation	89,696	2,117,111	4.9%	3.9%
Reading & Service	Water Services	79,167	2,353,781	4.3%	4.3%
Ambulance Operations[11]	Fire	74,476	2,517,963	4.1%	4.6%
Airport Police	Aviation	58,101	1,584,581	3.2%	2.9%
Wastewater Treatment - Operations	Water Services	42,551	1,395,346	2.3%	2.6%
Wastewater Treatment - Maintenance	Water Services	37,650	1,206,850	2.0%	2.2%
KCI-Field Maintenance	Aviation	34,300	1,163,310	1.9%	2.1%
All Other Divisions		751,257	22,078,224	40.9%	40.4%
Total		1,838,866	$54,679,547	100%	100%

Source: PeopleSoft and City Auditor's Office calculations.

Ten job classifications account for almost 61 percent of all city earned overtime hours, and almost 60 percent of total overtime expenditures for fiscal years 2010 - 2013. (See Exhibit 5.)

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[10] The Fire Fighting Force hours and expenditures may be overstated and Ambulance Operations understated because overtime hours worked by fire fighters as EMT's and paramedics are attributed to the Fire Fighting Force.
[11] Almost all of the hours and expenditures for ambulance operations occurred in fiscal years 2011 to 2013. Ambulance operations were integrated into the Fire Department in the last five days of fiscal year 2010.

Exhibit 5. Overtime Hours and Expenditures by Job Classification, Fiscal Years 2010 - 2013

Job	Hours	Expenditures	Percent of Hours	Percent of Expenditures
Firefighter[12]	277,759	$8,203,353	15.1%	15.0%
Maintenance Worker	139,435	3,049,563	7.6%	5.6%
Equipment Operator	136,610	3,211,468	7.4%	5.9%
Fire Captain[12]	101,440	4,052,897	5.5%	7.4%
General Supervisor	97,156	3,602,082	5.3%	6.6%
Senior Equipment Operator	90,238	2,527,126	4.9%	4.6%
Bus Operator	83,279	1,913,559	4.5%	3.5%
Paramedic[13]	66,298	2,128,015	3.6%	3.9%
Maintenance Mechanic	62,571	1,959,257	3.4%	3.6%
Emergency Medical Technician[13]	57,875	1,653,003	3.1%	3.0%
All Other Job Classifications	726,206	22,379,225	39.5%	40.9%
Total	1,838,866	$54,679,547	100%	100%

Source: PeopleSoft and City Auditor's Office calculations.

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Multiple Factors Drive Overtime

There are several drivers of overtime. Overtime provisions in the Code of Ordinances and collective bargaining agreements with the city's unions drive overtime costs and exceed what federal law requires. In addition to overtime provisions set forth in the CBA or ordinance, the Fire Department pays overtime in other situations. Minimum staffing requirements and emergency situations like snow removal and water main breaks drive overtime hours. Increased salaries also account for some of the increase in overtime expenditures.

City Code and Collective Bargaining Agreements Drive Overtime Costs

The city's Code of Ordinances and collective bargaining agreements mandate payment of overtime in situations where payment of overtime is not required by the FLSA. For example, city code and Local 500's CBA require the city to pay employees two times their hourly rate for consecutive hours worked in excess of 16 hours and for working a prescribed number of consecutive days. The FLSA only requires the city to pay employees one and one half times their hourly rate for hours

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[12] Some fire fighters and fire captains also work on city ambulances as paramedics and emergency medical technicians (EMTs), but all of their hours and costs are attributed to the firefighter or fire captain job classes. Therefore, firefighter and fire captain overtime is overstated and paramedic and EMT overtime is understated.

[13] Because ambulance operations were not added to the Fire Department until April 25, 2010, most of the paramedic and EMT overtime hours and expenditures are in fiscal years 2011 to 2013.

worked beyond their normal workweek. (See Exhibit 6.) If the city paid those overtime hours at the lower rate mandated by the FLSA, it would have cost the city about $1.1 million less over four years.

The Local 500 CBA also requires that employees be paid at an overtime rate for working on a holiday; however, the FLSA does not. Paying the overtime rate for working a holiday cost the city an additional $600,000 from fiscal year 2010 to 2013. Another overtime provision required by city code and the city CBA's, but not the FLSA, is that non-exempt employees called in to work must be paid their appropriate overtime rate for at least four hours. Even if the work the employees were called in for lasted 30 minutes, the employees would still be paid for four hours of overtime.

The Fire Department has some additional paid overtime provisions, which are not set forth by city code or CBA's. Fire Department management reports these provisions are found in department General Administrative Guidelines or are long-standing practices. The costs associated with these additional categories of overtime amounted to about $180,000 in fiscal year 2013.

Effective management of overtime includes managing the cost to the organization. According to management, the city negotiated CBA overtime provisions with the city unions over the years. As part of top management's responsibility to ensure the organization's financial stability, management must continue to evaluate what the organization can afford balanced with what is fair to employees. To ensure the sustainability of the city's finances, the city manager should evaluate whether the overtime provisions contained in city code and collective bargaining agreements should be changed and/or renegotiated. The city manager should also determine whether the additional Fire Department overtime provisions, which are not included in the code and CBA, should be evaluated for inclusion in the next CBA negotiation.

Exhibit 6. The FLSA, City Code, and Collective Bargaining Agreements Overtime Provisions

Overtime provision	Provision description	Required by:					
		FLSA	City code	Local 500 CBA	Local 42 CBA	Local 3808 CBA	Other[14]
Hours in excess of work period	All hours in excess of work period, paid @1.5 times hourly wage or equal comp time.	●	●	●	●	●	
Call backs/Call-ins	Call backs are guaranteed four hours of overtime, paid @ 1.5 times hourly wage or equal hours of comp time.		●	●	●	●	
Daily overtime	Hours in excess of daily work hours, paid @ 1.5 times hourly wage or equal comp time.		●	●			
Consecutive days	Hours worked after prescribed consecutive days, paid @ 2 times the hourly wage or equal comp time.		●	●			
Consecutive hours	Hours in excess of 16 consecutive hours, paid @ 2 times hourly wage or equal comp time.		●	●			
Holiday overtime	Overtime hours worked on holiday, paid @ 2 times hourly wage.			●	●	●	
Regular holiday hours	Regular hours worked on holiday, paid @ 1.5 times the hourly wage.			●			
Court appearance	Court appearances for animal control officers guaranteed 2 hours, paid @1.5 times hourly wage.			●			
Meal Allowance	Meal allowance or meal provided when working four hours over regular shift or in some cases four hours before start of shift.			●			
Holdover	Guaranteed one hour @1.5 times pay if held over shift at least 30 minutes.				●		
Arrival to and departure from KCI fire station	Fire personnel who work at the airport paid 1 hour @1.5 times hourly wage for the 30 minutes at the start and end of their shift. Their station assignment on a secured airfield at KCI requires an escort across the tarmac.						●
Early Show	Fire Captains for the HazMat and ARFF divisions performing certain Battalion Chief duties prior to shift change, paid .5 hour work out of class @1.5 times hourly wage.						●
Fire Dept Assessment Off-Duty	Fire personnel perform assessments for promotional process, paid @ 1.5 times hourly wage.						●
Peer Fitness Training Overtime	Administer the annual fitness assessments that applies to all emergency response personnel, paid @1.5 times hourly wage.						●
Recruiting	Assisting at recruitment event, paid @ individual overtime rate with a minimum of four hours.						●

Source: Fair Labor Standards Act; Code of Ordinances, Kansas City, Missouri; Collective Bargaining Agreements: Local 500, Local 42, and Local 3808; and Fire Department General Administrative Guidelines.

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[14] Kansas City Fire Department, General Administrative Guideline or longtime department practice.

Overtime Used to Meet Minimum Staffing Requirements

Some divisions use overtime to meet minimum staffing requirements. The Transportation Security Administration (TSA) mandates a minimum staffing for police officers at the Airport Police Division in order to meet a required response time. If there are not enough officers to staff the schedule, the airport police chief brings in officers on overtime to cover the shifts. The Fire Department also has a minimum staffing requirement. The city pays fire fighters overtime if the department does not reach minimum requirements through regular staffing. The Fire Chief said that adding the ambulance function, the increasing number of incidents, allowing positions to remain vacant, and cross training efforts all contributed to increased demand for overtime. Additionally, he said, the early retirement of 30 firefighters in fiscal year 2013, negotiated by the city and Local 42, reduced the number of FTEs from which the department could draw minimum staffing and further increased overtime.

Emergencies Drive Some Overtime

Some divisions use overtime to address emergencies. The city uses overtime for snow removal. Public Works, Aviation, General Services, Parks and Recreation, and Water Services are the departments primarily responsible for snow removal. The cost of overtime for snow related activities is significant. In February 2013, between a seven-day period without snow and a seven-day period when there was 10.8 inches of snow, overtime in these departments increased an additional 19,000 hours and $597,000.

Water main breaks also contributed to overtime costs. Water Services Department management said that fiscal years 2012 and 2013 were record years for water main breaks. In order to keep up with the volume of breaks and their emergency nature, management paid Pipeline Division staff to work overtime and repair the breaks. Pipeline, the division with the second highest level of overtime, had over 142,000 hours of overtime and paid almost $4.1 million between fiscal years 2010 and 2013.

Increasing Salaries Have Increased Overtime Expenditures

Increased salaries have contributed to increased overtime expenditures. Because overtime rates are based on employees' regular hourly rate, an increase in the regular hourly rate increases the overtime rate. Management non-exempt employees and members of Locals 500, 42, and 3808's salaries increased on average between 8 percent and about 17 percent from fiscal years 2010 to 2013. (See Exhibit 7.) Salary

increases are a result of various personnel activities such as promotions, pay increases, pay step adjustments, and cost of living adjustments. However, the rise in overtime expenditures are not all attributable to salary increases. Overtime hours continued to rise over the four years and account for some of the expenditure increase.

Exhibit 7. Average Monthly Salary by Employee Group, Fiscal Years 2010 and 2013

Employee Group	Average Salary April 30, 2010	Average Salary April 30, 2013	Percent Increase
Local 3808	$6,150	$7,170	16.6%
Local 42	4,384	4,929	12.4%
Local 500	2,928	3,283	12.1%
Management Non-Exempt	3,607	3,895	8.0%
Average	$3,592	$4,036	12.3%

Source: PeopleSoft and City Auditor's Calculations.

Overtime Rules and Practices Not Applied Consistently

Some of the city's overtime rules and practices are not applied consistently. At least one city division is calculating overtime incorrectly. The division is counting daily overtime hours earned earlier in the week towards the 40-hour trigger for weekly overtime. Some city supervisors are not accurately approving overtime payroll for which they are responsible. Department staff inaccurately categorized a few exempt city staff as non-exempt allowing them to be paid overtime. Training and written procedures can address these issues. The city also needs to develop policies to address inconsistencies in employee time records.

Division Incorrectly Calculating Overtime

A city employee needs to work 40 hours, not including daily overtime, before being eligible for weekly overtime. At least one division is counting daily overtime towards the 40-hour weekly requirement resulting in employees being overpaid.

The city calculates weekly overtime only after an employee has worked 40 hours. In order to receive overtime at one and one half the hourly rate for working over 40 hours, the employee must have worked 40 hours.[15] Overtime hours earned earlier in the week do not count towards that 40 hours. If an employee is off for sick leave or vacation

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[15] An exception to this rule, according to the Local 500 CBA, is if an employee is called back after having left work or is called in on a day off or when on vacation, the city should pay overtime at one and one-half the hourly rate. The Local 500 CBA and/or city policy also specify that holidays, jury duty, military leave, or city business assignment count towards the 40 hours for overtime purposes.

during the week and then works overtime after the end of his/her usual workweek, the city pays those hours at the regular hourly rate until the employee reaches 40 regular hours worked. (See Exhibit 8.) To use daily overtime hours to compute overtime hours for over 40 is referred to as pyramiding and is prohibited in Local 500's collective bargaining agreement.

Exhibit 8. Illustration of How Overtime Hours Should Be Paid

	Mon	Tues	Wed	Thurs	Fri	Sat	Sun
Regular Scheduled Hours	8	8	8	8	8		
Actual Hours Worked	10	10	8	8	Sick	8[16]	0
How Hours Should Be Paid							
Regular Hours (1 times regular hourly rate)	8	8	8	8		8	
Sick Leave (1 times regular hourly rate)					8		
Overtime Hours (1.5 times regular hourly rate)	2	2					

Source: City Auditor's Office calculation.

At least one division is calculating overtime incorrectly by pyramiding. This division counts daily overtime hours earned earlier in the week toward the 40 hours of work needed to trigger weekly overtime of 1.5 times the regular hourly rate. Because the employee is being paid at the overtime rate for hours that should be paid at the regular rate, the employee is paid more with this incorrect method. We did not determine the magnitude of the error on city overtime costs, because it would require extensive work to review individual timecards, pay period by pay period. The timekeeper using this method was directed to do so by the department's central payroll function in 2007. The city's training materials for supervisors and timekeepers do not cover the scenario of daily overtime hours and how they affect the weekly total of hours worked.

Some Supervisors Payroll Approval Inaccurate

Supervisors did not always ensure overtime hours were correct in the city's payroll system (PeopleSoft). Departmental timekeepers usually enter employees' regular and overtime work hours into PeopleSoft. Supervisors are supposed to review the hours entered and indicate their approval electronically that the hours listed were in fact earned by the employee. When reviewing the accuracy of overtime entered into PeopleSoft, we saw errors in hours paid that supervisors should have caught when approving payroll. For example, timekeepers recorded more than 24 hours of overtime in PeopleSoft for one day. Supervisors also did not properly approve some pay adjustments and as a result,

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[16] This is 8 hours of scheduled overtime.

employees received overtime pay for both the incorrect hours and the correct hours. In other instances, timekeepers transcribed or coded overtime hours in PeopleSoft incorrectly.

Some supervisors said they approve payroll in PeopleSoft without the timecards or timesheets in front of them for comparison purposes. It would be difficult for a supervisor with several employees to remember the exact hours worked over a two-week period. Most supervisors reported they had never been trained on how to use the city's overtime codes. One supervisor said he relied on the departmental timekeeper to know how to code the type of overtime. Supervisors need to understand how to properly code overtime so they can check the accuracy of what the timekeeper entered.

City Mistakenly Paid a Few Exempt Employees Overtime Pay

Five city employees exempt from FLSA overtime pay provisions and prohibited by city code[17] from receiving overtime pay received overtime pay. The five employees were overpaid a total of $4,100. PeopleSoft is programmed so employees coded as exempt cannot be paid overtime. Because department staff did not correctly categorize the employees, the system did not prevent them from receiving overtime pay. The departments incorrectly coded these five employees' payroll workgroup data in PeopleSoft. The departments then incorrectly recorded some of the five employees' hours as overtime and their supervisors incorrectly approved those hours. When informed about the problem, management in the Finance Department implemented a preventive procedure for Payroll staff to run a query to identify any exempt employees that are slated to receive overtime pay.

Supervisors and Timekeepers Need Written Procedures and Training

The city relies on supervisors and timekeepers in each department to make sure payroll is correct. The Finance Department processes payroll but is not responsible for reviewing and approving an individual employee's payroll. To ensure the city correctly pays employees for overtime, the city manager should ensure that supervisors and/or timekeepers receive written procedures and periodic training that address:

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[17] Code of Ordinances, Kansas City, Missouri, Sec. 2.1088 (1).

- methods for determining the number of hours worked for the 40 hours per week overtime-trigger;
- approvals of payroll adjustments in PeopleSoft;
- the use of overtime time reporting codes in PeopleSoft; and
- the importance of the supervisor's role in approving overtime hours and methods for verifying its accuracy.

Employees Clocking in Early Create Inaccurate Record of Time Worked

When employees clocked-in early, their timecards looked like they earned overtime when they did not. Some employees in three departments punched their timecards as much as one hour ahead of their start time, resulting in the appearance that they worked more than their regular hours. Timecards were inconsistent with PeopleSoft records when department timekeepers recorded fewer hours worked into PeopleSoft than was reflected on the timecard. The city paid the employees based on the PeopleSoft record, which was the lesser time. Supervisors explained that employees come in early to work and clock-in. Practically speaking, employees cannot all clock-in exactly at their start time because there would be a traffic jam at the time clock.

An early clock-in policy would address why employees sign in early. Most supervisors we spoke to said they did not know of a city policy regarding how early employees could clock-in before their shift. One Water Services division does have a policy saying employees can only clock-in 10 minutes early, but we saw time cards reflecting an earlier clock-in. An additional benefit of limiting clock-in to closer to start time is that it helps ensure employees are at or near their workstation at the start of their work time. In order to ensure that time records are more consistent between timecards and payroll records in PeopleSoft, the city manager should require departments to have a written policy about how early an employee can clock-in.

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Recommended Practices Could Improve Overtime Management

The city is following some recommended practices for managing overtime. Management authorizes overtime hours and some divisions track and analyze overtime. The city could improve overtime management by implementing additional recommended practices. The city should monitor employees working large amounts of overtime and increase tracking and analyzing of overtime.

Departments Pushing Limits of Safe and Healthy Amounts of Overtime

The city has some employees working many hours of overtime annually. Twenty-eight employees worked over a thousand overtime hours in fiscal year 2013, including some who worked long stretches of consecutive days. Management says employees with a lot of overtime volunteer for it. Research links high overtime and long shifts with health problems, on the job injuries, fatigue, and lower performance. While there are no official guidelines on the amount of overtime an employee can work, managers need to monitor individual overtime amounts.

Some employees worked large numbers of overtime hours. During fiscal year 2013, 28 employees worked over 1,000 overtime hours, an average of 25 overtime hours per week. Seven of ten employees with the highest number of overtime hours during fiscal year 2013 are Fire Department employees. An employee with over 3,000 overtime hours in fiscal year 2013 works for the city as a firefighter, paramedic, and EMT. (See Exhibit 9.)

Exhibit 9. Employees with the Highest Overtime Hours Earned

Job Classification	Total OT Hours	OT Hours Average/Week
Firefighter (also worked as Paramedic and EMT)	3,039	58
Water Servicer Inspector	1,804	35
Paramedic	1,777	34
Paramedic	1,670	32
Fire Captain (also worked as Paramedic and EMT)	1,589	31
General Supervisor	1,551	30
Assistant Division Chief (also worked as Paramedic, EMT, and Communication Specialist)	1,382	27
Paramedic	1,328	26
Firefighter (also worked as EMT)	1,294	25
General Supervisor	1,276	25

Source: PeopleSoft.

Some employees worked a large number of consecutive days. Between their regular shifts and overtime, some employees worked long stretches of consecutive days. From April 2012 through December 2012, one airport bus driver worked 241 consecutive days. During the summer of 2012, a fire fighter who also works as a paramedic and EMT worked 25 of 28 days (a combination of regular and overtime shifts). All but one of the shifts was 22 or more hours. The Fire Department has since issued a directive to employees stating that employees choosing to accept

overtime for ambulance shifts must have a minimum of 10 hours off between consecutive ambulance shifts.

Employees work voluntary overtime. Collective bargaining rules require management to offer overtime in order of seniority. When requesting voluntary overtime, management must work through the list of employees until everyone has been offered overtime before the list starts over. Only the employees that want the overtime need accept. Management said some employees are more willing to work overtime. This has led to some employees amassing large amounts of overtime hours.

Employees working long hours or frequent overtime may compromise safety, health, and productivity. Research shows that long work hours are associated with impaired physical health.[18] High overtime is linked to increased injury rates, more illnesses, and increased mortality.[19] Studies have shown long shifts can result in fatigue and increased errors in tasks requiring alertness, vigilance, and quick decision-making.[20] Studies of employees working a combination of longer shifts and more than 40 hours a week reported deterioration in performance and a slower pace of work.

There are no official guidelines about how much overtime is too much. The Fair Labor Standards Act does not limit the number of hours an employee can work in a week. The Occupational Safety and Health Administration (OSHA) does not have recommended standards for overtime. OSHA does recognize employees working longer hours or more continuous days than usual can experience fatigue, stress, and lack of concentration, which increases risk of operator error, injuries and/or accidents. Some of OSHA's recommendations include that when there is a choice, managers should limit the use of extended shifts and increase the number of days employees work. The employer should provide additional break periods and meals when shifts are extended past normal work periods. Tasks that require heavy physical labor or intense concentration should be performed at the beginning of the shift if possible. Additionally, managers and supervisors should monitor

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[18]Monique van der Hulst, "Long Workhours and Health," *Scandinavian Journal of Work, Environment, and Health*, 2003, Vol. 29 (3), pp. 171-88.

[19]Claire C. Caruso, Edward M. Hitchcock, Robert B. Dick, John M. Russo, Jennifer M. Schmit, "Overtime and Extended Work Shifts: Recent Findings on Illnesses, Injuries, and Health Behaviors," National Institute for Occupational Safety and Health, 2004.

[20] *Use of 24-Hour Shifts for Ambulance Crews*, Office of the City Auditor, Kansas City, Missouri, February 2013.

employees being asked to work extended and unusual work shifts for signs of fatigue.[21]

In order to help ensure a healthy, safe, and productive work environment for city employees, the city manager should direct department directors to monitor individual overtime cumulative amounts and frequency.

Overtime Is Authorized

Emergency and scheduled overtime are being authorized. The Code of Ordinances requires department heads or their designee to approve all overtime in advance.[22] Prior authorization by management helps ensure that overtime is for a valid and necessary purpose and funding is available. Supervisors reported that they confer with their managers when using emergency overtime. Managers confirmed that supervisors tell them beforehand they need to use emergency overtime or they provide documentation after the fact. For example, if a trash truck has not completed its route by the end of the scheduled workday, the supervisor knows overtime will be used to complete the route. The supervisor will inform the division manager that emergency overtime was used. Managers also reported they authorize scheduled overtime in advance. Some of the authorization for emergency and scheduled overtime in the city is oral and some is written.

Tracking and Analyzing Improves Overtime Management

Some managers track and analyze overtime. Some divisions with the highest levels of overtime, however, do little tracking and limited analysis. Tracking and analyzing overtime could help management identify trends, make strategic decisions, and find ways to reduce overtime.

The extent of tracking and analyzing overtime varies in the city.
Some divisions do little tracking and analyzing of overtime. One city supervisor said his division does not conduct any overtime analysis because department management has never told him to do so or given any training about how to do it. A division head of a division with one of the highest levels of overtime said the only tracking of overtime his division does is whether it was emergency or scheduled. He does not do any analysis such as determining whether adding additional staff would be more cost effective. When the Fire Department is filling a position through overtime to meet minimum staffing requirements, the

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[21] Occupational Safety and Health Administration, Extended/Unusual Work Shifts, www.osha.gov/SLTC/emergency preparedness/guides/extended.html, downloaded 10/17/2013.
[22] Code of Ordinances, Kansas City, Missouri, Sec. 2-1088.

department does not track why there was a vacant shift (vacation, sick leave, etc.). This type of tracking would allow the department to perform more meaningful analysis of what drives their overtime.

Another manager of a division that uses a lot of overtime reported that his division performed a cost analysis and determined that adding additional work crews would be more economical than paying overtime. The division is in the process of hiring two new crews. A division manager in Public Works reported that he tracked workload (trash volume dumped and miles driven) and overtime together because the use of overtime was sometimes an indication that workload adjustments were warranted. Another division manager reported analyzing leave hours and how leave contributes to his division's overtime.

Tracking and analyzing overtime improves overtime management.
Tracking overtime by type, reason, hours, costs, and timing could help management identify trends, make strategic decisions, and find ways to reduce overtime.[23] Analysis of trends can also help identify overtime abuse. One manager reported that when he started in his position, he noted the division's high level of double time. He said he determined that supervisors were scheduling their work crews in a way that would make double time necessary, even though the work could have been performed at a less costly rate. Budgeting overtime and comparing budget to actual expenditures can act as controls on the budget. To help avoid cost overruns, managers need to know their overtime budget, how much the division spends on overtime throughout the year, and how the rate of current expenditures compares to previous years. This allows management to make adjustments to limit overtime and to prevent going over budget.

Analyzing the timing of overtime also helps management determine whether demand is seasonal. If demand is seasonal, using overtime can be more cost effective than hiring additional staff that would require training and incur employee benefit costs. Cost analysis can help determine whether other methods of covering the extra work such as adjusting shift times, cross-training employees, or hiring additional full or part-time staff would be most economical. Recommended practices for overtime analysis also include analyzing vacancy rates and unscheduled leave. This could help identify turnover or non-compliance with leave policy as a cause of increased overtime.

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[23] *Tips for Improving the Efficiency and Effectiveness of Overtime Management*, Local Government Performance Center, Washington State Auditor's Office, August 2012 and *Police Overtime: An Examination of Key Issues*, National Institute of Justice, U.S. Department of Justice, May 1998.

In order to make the most productive and economical use of overtime, the city manager should track overtime by type, reason, timing, hours, and cost and perform periodic analysis of overtime use. This analysis should include a review of staffing levels, unscheduled leave, usage trends, distribution of overtime among employees, and determinations of whether other staffing methods would be more economical than using overtime.

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Recommendations

1. The city manager should evaluate whether the overtime provisions contained in city code and collective bargaining agreements should be changed and/or renegotiated.

2. The city manager should determine whether the additional Fire Department overtime provisions, which are not included in the code and CBA, should be evaluated for inclusion in the next CBA negotiation.

3. The city manager should ensure that supervisors and/or timekeepers receive written procedures and periodic training that address:

   - methods for determining the number of hours worked for the 40 hour per week overtime-trigger;
   - approvals of payroll adjustments in PeopleSoft;
   - the use of overtime time reporting codes in PeopleSoft; and
   - the importance of the supervisor's role in approving overtime hours and methods for verifying its accuracy.

4. The city manager should require departments to have a written policy about how early an employee can clock-in.

5. The city manager should direct department directors to monitor individual overtime cumulative amounts and frequency.

6. The city manager should track overtime by type, reason, timing, hours, and cost and perform periodic analysis of overtime use.

Appendix A

Overtime by Department, Fiscal Years 2010 - 2013

Overtime Hours and Expenditures by Departments, Fiscal Years 2010 - 2013

Department/Office	FY 2010		FY 2011		FY 2012		FY 2013		FY's 2010 - 2013	
	Hours	Amount	Hours	Amount	Hours	Amount	Hours	Amount	Total Hours	Total Amount
Fire[24]	63,084	$2,244,085	102,827	$3,225,482	171,326	$5,746,906	241,470	$7,815,633	578,707	$19,032,105
Water Services	124,409	3,602,531	129,934	3,726,024	143,939	4,110,773	162,532	4,871,607	560,813	16,310,935
Aviation	59,495	1,619,697	55,846	1,460,534	50,165	1,296,814	60,153	1,747,641	225,659	6,124,686
Public Works	61,337	1,663,125	65,174	1,715,319	39,153	1,060,798	55,537	1,669,982	221,201	6,109,224
Parks & Recreation	25,154	658,965	23,481	601,755	18,820	482,693	22,771	641,044	90,225	2,384,457
General Services	18,397	584,552	11,754	355,014	8,691	271,611	10,634	385,835	49,475	1,597,011
Neighborhood and Housing Services[25]	11,563	302,366	7,651	205,178	10,928	278,254	5,906	164,858	36,047	950,655
Conventions and Entertainment Facilities	4,366	116,314	7,819	226,361	8,880	258,724	9,730	301,591	30,795	902,989
Housing	2,846	85,720	3,843	115,342	3,196	102,854	N/A	N/A	9,885	303,916
Municipal Court	5,643	133,167	3,765	87,379	1,341	30,105	1,161	33,327	11,910	283,978
Health	3,143	94,580	2,542	73,034	1,943	55,966	1,619	51,615	9,247	275,195
City Manager	3,874	92,906	1,535	39,462	1,437	39,732	674	20,065	7,520	192,164
City Planning and Development	392	11,866	1,955	49,950	311	10,026	939	28,658	3,597	100,500
Finance	384	9,487	540	13,706	44	1,344	642	17,910	1,610	42,447
CIMO/Capital Projects Department[26]	703	21,496	173	5,081	84	2,510	51	1,717	1,011	30,803
Information Technology[27]	165	6,398	145	5,098	231	10,266	N/A	N/A	541	21,762
City Clerk	123	3,023	58	1,352	69	1,735	67	1,958	317	8,068
Human Resources	126	3,476	67	1,707	32	820	8	175	233	6,178
Law	16	591	14	474	9	296	15	531	53	1,892
Human Relations[28]	N/A	N/A	16	467	-	0	5	114	21	581
Totals	385,217	$11,254,346	419,138	$11,908,716	460,601	$13,762,224	573,911	$17,754,261	1,838,866	$54,679,547

Sources: PeopleSoft and City Auditor's Office calculations.

[24] Ambulance services were integrated into the city's Fire Department on April 25, 2010. Most of fiscal year 2010 does not include ambulance service costs. The increase in overtime in 2011 is partly attributable to the addition of this division to the city.

[25]Neighborhood and Community Services combined with the Housing Department to become Neighborhoods and Housing Services in fiscal year 2013.
[26] Capital Projects Department consolidated with Public Works in fiscal year 2013.
[27] Information Technology consolidated with General Services in fiscal year 2013.
[28] Human Relations was a division of the City Manager's Office in fiscal year 2010, but became a department in fiscal year 2011.

The overtime categories represented in the data for all departments EXCEPT the Fire Department are:
Compensatory time @ 1.5 and 2.0 hourly rate (CTE & CT2);
Court Testify Overtime @1.5 (CTT)
Working on a holiday @1.5 hourly rate (HOT);
Overtime at the regular hourly rate (OTR), @ 1.5 hourly rate (OTP), and @ 2 hourly rate (OTD);
Overtime for self-service non-exempt employees @1.5 hourly rate (ESOTP);
Work out of class overtime at 1.5 and 2.0 the hourly rate (WOT & WO2);

The overtime categories represented in the data for the Fire Department are:
Arrival to and departure from KCI fire station @ 1.5 hourly rate (ARFOT);
Callback fire emergency @ 1.5 hourly rate (CBF);
Callback holiday @ 1.5 hourly rate (CBH);
Compensatory time @ 1.5 and 2 hourly rate (CTE & CT2);
Jackson County DART @ 1.5 hourly rate (DART);
Early show for Fire Captains @ 1.5 hourly rate (EAROT);
Fire Assessment off-duty overtime @ 1.5 hourly rate (FAO);
Fire Disposition Overtime @1.5 hourly rate (FDO);
Overtime hours beyond 212 (employees on a 28 day workperiod) (FFLSA);
Overtime hours over 40 (employees on a forty hour weekly schedule) @1.5 hourly rate (FLS40);
Holiday holdover @ 2.0 hourly rate (HODT);
Honor Guard @1.5 hourly rate (HGOTP);
Honor Guard @ 2.0 hourly rate (HGOTD);
Holdover Detail Time @1.5 (HOR);
Holiday overtime @ 1.5 hourly rate (HOT);
Instructor pay overtime @ 1.5 hourly rate (INO);
Overtime @ 2.0 (OTD);
Overtime @ 1.5 hourly rate (OTP);
Overtime @ hourly rate (OTR);
Peer fitness training @ hourly or 1.5 hourly rate (PFT & PFOT);
Recruitment process overtime @ 1.5 hourly rate (RCUOT);
Work out of class overtime @ 1.5 and 2.0 the hourly rate (WOT & WO2).

Appendix B

City Manager's Response

Office of the City Manager

RECEIVED

NOV **1 8** 2013

CITY AUDITOR'S OFFICE

DATE: November 18, 2013

TO: Doug Jones, City Auditor

FROM: Troy M. Schulte, City Manager

SUBJECT: City Manager's Response to Citywide Overtime

The following details the response of the City Manager's Office to your recommendations in the upcoming performance audit of the Citywide Overtime.

1. **The city manager should evaluate whether the overtime provisions contained in city code and collective bargaining agreements should be changed and/or negotiated.**

Agree. While I strongly believe in compensating our employees for their dedication and loyalty in working beyond their normal shifts, there have been ongoing internal discussions regarding the need to analyze the sustainability of continuing to offer overtime benefits in excess of what is required under the Fair Labor Standards Act. As a result, I will continue to monitor the use and cost of overtime and determine whether revisions should be presented during the next labor union contract negotiations.

2. **The city manager should determine whether the additional Fire Department overtime provisions, which are not included in the code and CBA, should be evaluated for inclusion in the next CBA negotiations.**

Agree. Within the next thirty-days, I will meet with the Fire Chief to determine whether these additional overtime provisions will continue beyond this fiscal year. However, if I make the decision to continue the current practice beyond this date, I will include potential changes with other proposals developed for the next round of labor negotiations.

3. **The city manager should ensure that supervisors and/or timekeepers receive written procedures and periodic training that address:**
   - **methods for determining the number of hours worked for the purpose of calculating the 40 hour per week overtime trigger;**
   - **approvals of payroll adjustments in PeopleSoft;**
   - **the use of overtime time reporting codes in PeopleSoft; and**
   - **the importance of the supervisor's role in approving overtime hours and methods for verifying its accuracy.**

Agree. While training has been provided, and payroll manuals are available, the audit makes clear the need to establish an enhanced training designed to educate management on the proper interpretation of pay policies and the administration of payroll requirements. I have directed the departments of finance and human resources to immediately develop such training and have it ready for launch within the next thirty days. The training will be mandatory for supervisors and

managers, as well as payroll administration personnel and any other personnel authorized to administer and/or approve payroll-related expenditures.

4. The city manager should require departments to have a written policy about how early an employee can clock in.

Agree in part. As opposed to having each department establish separate policies, I've instructed the director of human resources to develop a citywide policy to which each department will adhere. The policy will be in place within thirty days.

5. The city manager should direct department directors to monitor individual overtime cumulative amounts and frequency.

Agree. This recommendation will be captured in the training design for managers. In addition, I will require department directors to request and review overtime data reports consistent with the above each month and take whatever actions necessary to ensure that work agreements are being followed, safety factors are considered, and that the granting of overtime was necessary and approved properly.

6. The city manager should track overtime by type, timing, hours and cost and perform periodic analysis of overtime use.

Agree. I've instructed the directors of finance and human resources to develop information systems required to analyze the data on a quarterly basis to track trends, budget allocations and other compliance-related issues. These actions will be effective January 2014.