CITY AUDITOR’S OFFICE

Overtime Controls and Practices

January 11, 2011

CITY COUNCIL
Mayor W.J. “Jim” Lane
Lisa Borowsky
Vice Mayor Suzanne Klapp
Robert Littlefield
Ron McCullagh
Linda Milhaven
Dennis Robbins
January 11, 2011

Honorable Mayor and Members of the City Council:

Enclosed is the audit report, *Overtime Controls and Practices*. We found that overtime hours and pay were generally in compliance with City policies and procedures, properly approved, and substantiated. However, certain overtime could be better managed, such as high levels of overtime incurred by the same employees in multiple years and the frequency of exceeding established overtime limits. As well, the City has paid more than $155,000 over the past two fiscal years to certain exempt employees, a cost which may be avoidable, and certain overtime-related policies and practices should be updated.

We would like to thank staff from the Police, Fire, Public Works and Water Resources divisions for their cooperation throughout the course of the audit, as well as Payroll and City Court staff who assisted in providing the necessary records and data.

If you need additional information or have any questions, please contact me at (480) 312-7867.

Sincerely,

Sharron Walker, CPA, CFE  
City Auditor

Audit Team:  
Joyce Gilbride, Assistant City Auditor  
Kyla Anderson, Senior Auditor  
Erika Keel, Auditor
# TABLE OF CONTENTS

Executive Summary ......................................................................................................................... 1
Background ................................................................................................................................. 2
Objectives, Scope, and Methodology .......................................................................................... 7
Findings and Analysis ................................................................................................................ 9
  1. Overtime incurred by some workgroups could be better managed. ................................. 9
  2. Some exempt employees are receiving overtime compensation. ............................... 11
  3. City policies should be updated to incorporate a Fire Department overtime
     limit, ensure consistent guidance, and clearly communicate FLSA
     requirements. ...................................................................................................................... 12
Action Plan .................................................................................................................................. 15
EXECUTIVE SUMMARY

This audit of Overtime Controls and Practices was included on the Council-approved FY 2010/11 Audit Plan to evaluate department controls established for managing overtime as well as review activities and trends over the past few years.

The City of Scottsdale provides overtime pay to address emergency situations, deliver essential services, provide holiday coverage, and other priority staffing needs that require employees to work beyond their normally scheduled hours. In fiscal year 2009/10, City employees recorded close to 200,000 hours of overtime, which cost more than $7.4 million and represented 4% of total personnel costs. Overtime pay has been a significant City expenditure for many years, but there has been a downward trend in these costs since fiscal year 2007/08. City management largely attributes the decrease in overtime expenditures to more efficient staffing and operations.

Police, Fire, Public Works, and Water Resources have been the four City divisions consistently using the largest amount of overtime. Some overtime hours are inherent for a 24/7 operation, such as Fire, Police, and Water Resources divisions, or time-sensitive services, such as the Public Works division. In these areas, overtime can result when employees are required to work on City holidays or cover for fellow employees who are absent or in training.

Overtime hours and pay were generally in compliance with City policies and procedures, properly approved, and substantiated. However, certain overtime could be better managed, such as high levels of overtime incurred by the same employees in multiple years and the frequency of exceeding established overtime limits. As well, the City has paid more than $155,000 over the past two fiscal years to certain exempt employees, a cost which may be avoidable, and certain overtime-related policies and practices should be updated.
BACKGROUND

The City of Scottsdale provides overtime pay to address emergency situations, deliver essential services, provide holiday coverage, and other priority staffing needs that require employees to work beyond their normally scheduled work hours. The City is legally required by the federal Fair Labor Standards Act (FLSA), state law, and Scottsdale Revised Code to compensate non-exempt employees at one and one-half (1.5) times their regular rate of pay for each hour worked in excess of 40 hours in a work week.¹

The standard work week for City of Scottsdale employees is from Sunday to Saturday. However, FLSA allows a work week to be based on any seven consecutive days. Alternative schedules, such as a 9/80 schedule (eight 9-hour days and one 8-hour day within a two week period) are based on a different work week than the City standard. FLSA also allows a longer work period to be defined for public agencies engaged in fire protection and law enforcement activities, and the City’s Fire Department has elected to use a 27-day work period. Under the 27-day work period, overtime payment is required after 204 hours. Because Fire Department employees working a 56-hour work week are scheduled for a minimum of 216 hours in every 27-day work period, their guaranteed overtime payments totaled approximately $380,000 in fiscal year 2009/10.

In fiscal year 2009/10, City employees recorded close to 200,000 hours of overtime, which cost more than $7.4 million and represented 4% of total personnel costs. Overtime pay has been a significant City expenditure for many years, but there has been a downward trend in these costs since fiscal year 2007/08, as shown in Figure 1. City management largely attributes the decrease in overtime expenditures to more efficient staffing and operations.

¹ Certain categories of employees are exempt from the FLSA requirements including overtime payments. Employees who work in executive, administrative, professional, computer, or outside sales positions are generally exempt. Although not required by federal or state law, the City calculates overtime pay on hours reported rather than hours actually worked during a pay period.
As also shown in Figure 1, Police, Fire, Public Works, and Water Resources have been the four City divisions consistently using the largest amount of overtime. Some overtime hours are inherent for a 24/7 operation, such as Fire, Police, and Water Resources divisions, or time-sensitive services, such as the Public Works division. In these areas, overtime can result when employees are required to work on City holidays or cover for fellow employees who are absent or in training.

Table 1 summarizes overtime expenses by category for the last three fiscal years and the first four months in the current fiscal year. The most significant decrease in overtime expense was within the 'other' category, which includes extended duty (working past the end of a shift to complete work), meetings and trainings, and critical service (providing coverage for employees who are absent). To achieve required budget reductions during the last couple years, divisions have made a concerted effort to control some of this overtime, such as scheduling training within regular work hours that may have previously been scheduled as overtime for some shifts.

**Figure 1. Overtime Expenditures by Division**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2005/06</th>
<th>FY 2006/07</th>
<th>FY 2007/08</th>
<th>FY 2008/09</th>
<th>FY 2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Others</td>
<td>$294,000</td>
<td>$215,000</td>
<td>$227,000</td>
<td>$232,000</td>
<td>$174,000</td>
</tr>
<tr>
<td>Water Resources</td>
<td>$595,000</td>
<td>$682,000</td>
<td>$870,000</td>
<td>$763,000</td>
<td>$654,000</td>
</tr>
<tr>
<td>Public Works</td>
<td>$653,000</td>
<td>$836,000</td>
<td>$845,000</td>
<td>$712,000</td>
<td>$569,000</td>
</tr>
<tr>
<td>Fire</td>
<td>$1,343,000</td>
<td>$2,692,000</td>
<td>$2,155,000</td>
<td>$2,021,000</td>
<td>$1,172,000</td>
</tr>
<tr>
<td>Police</td>
<td>$4,772,000</td>
<td>$5,948,000</td>
<td>$7,655,000</td>
<td>$5,610,000</td>
<td>$4,860,000</td>
</tr>
</tbody>
</table>

**SOURCE:** Auditor analysis of overtime expenditures recorded in SmartStream.
Table 1. Citywide Overtime by Category

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11 (4 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>$1,603,000</td>
<td>$1,522,000</td>
<td>$1,310,000</td>
<td>$276,000</td>
</tr>
<tr>
<td>Other</td>
<td>$8,411,000</td>
<td>$6,199,000</td>
<td>$5,357,000</td>
<td>$1,757,000</td>
</tr>
<tr>
<td>Unscheduled</td>
<td>$1,017,000</td>
<td>$904,000</td>
<td>$410,000</td>
<td>$188,000</td>
</tr>
<tr>
<td>Special Events</td>
<td>$721,000</td>
<td>$713,000</td>
<td>$352,000</td>
<td>$103,000</td>
</tr>
<tr>
<td>Total</td>
<td>$11,752,000</td>
<td>$9,338,000</td>
<td>$7,429,000</td>
<td>$2,324,000</td>
</tr>
</tbody>
</table>

SOURCE: Auditor analysis of overtime expenditures recorded in SmartStream.

The Police department has consistently generated the City’s largest overtime expenditures. As shown in Figure 2, Uniformed Services, which includes patrol, canine2, photo radar, and the jail detention units, was the largest proportion of Police overtime pay in fiscal year 2009/10. Investigative Services, which includes units that investigate crimes against people and property as well as the Special Weapons and Tactics (SWAT) unit, represented the second largest percentage.

Figure 2. Police Overtime Expense by Center — FY 2009/10

* Special Revenue, Office of the Chief, Personnel Development

SOURCE: Auditor analysis of Police overtime expenditures recorded in SmartStream.

---

2 Canine handlers receive one hour of overtime on each day off for care and maintenance of the animals. In fiscal year 2009/10, this 996 hours of overtime equaled approximately $51,000. The City currently owns 6 police service canines and 1 crisis intervention canine.
Certain current City practices exceed the FLSA overtime pay requirements:

- The City pays employees overtime based on the number of hours recorded in a pay period while FLSA overtime pay requirements are based on hours actually worked. In December 2010, staff proposed a change to only pay overtime required by FLSA, however, the City Council decided to continue the existing practice. The proposed change was estimated to save approximately $780,000 per fiscal year, primarily in Police overtime pay.

- For certain exempt employees, the City pays overtime at the regular hourly rate. FLSA overtime pay requirements do not apply to exempt employees, such as executive, administrative, or professional positions. In fiscal year 2008/09 and 2009/10, a total of 18 and 17 exempt positions respectively, received overtime compensation.

- Additionally, Police Department policy identifies certain positions considered management-level to be non-exempt and, therefore, eligible for overtime at the 1.5 pay rate. Police General Orders (Sec. 44.12 Policy #3) states, “Although most management employees are exempt from receiving overtime, police sergeants, lieutenants, and communications and records supervisors are in a special category pursuant to case law and prevailing local practice and are eligible for overtime”. The following table shows the total amount of overtime hours accrued by these positions in fiscal year 2009/10.

### Table 2. Overtime for Management-level Employees Classified as Non-exempt Fiscal Year 2009/10

<table>
<thead>
<tr>
<th></th>
<th>Communications Supervisor</th>
<th>Records Supervisor</th>
<th>Sergeant</th>
<th>Lieutenant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime Hours</td>
<td>1,111</td>
<td>0</td>
<td>13,827</td>
<td>3,186</td>
<td>18,124</td>
</tr>
<tr>
<td>Overtime Dollars</td>
<td>$54,289</td>
<td>-</td>
<td>$852,853</td>
<td>$231,498</td>
<td>$1,138,640</td>
</tr>
</tbody>
</table>

**SOURCE:** Auditor analysis of Webtime timesheets.
OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was included on the Council-approved fiscal year 2010/11 audit plan. The objectives were to evaluate division controls and practices established for managing City overtime and review overtime use and trends. The audit scope included fiscal years 2008/09 and 2009/10, with some analysis of the current period and prior fiscal years. The scope did not include analysis of workload and staffing models or use of compensatory time.

To gain an understanding of applicable laws and City regulations, we reviewed:

- Arizona Revised Statutes: §23 -391, Overtime pay and workweek, and §23-392, Overtime compensation for certain law enforcement or probation officer activities.
- Scottsdale Revised Code, Chapter 14 – Human Resources Management.
- Administrative Regulation 354, Overtime Management and Utilization.
- Scottsdale Police Department (SPD) and Scottsdale Fire Department (SFD) overtime policies as stated in SPD General Orders and SFD Administrative Guidelines, respectively.

To analyze City overtime history and trends, we:

- Reviewed overtime expenditures for fiscal years 2005/06 through the first quarter of fiscal year 2010/11 using the current division structure.
- Summarized timesheet detail by pay code and evaluated the frequency of overtime recorded by division.

To evaluate division practices and controls over overtime management, we interviewed key staff responsible for monitoring overtime from the four divisions with the highest overtime usage: Fire, Police, Public Works, and Water Resources. We reviewed related documents from these divisions, such as annual overtime plans and quarterly status reports. We selected a sample of employees Citywide to test reported overtime hours to supporting documentation to review accuracy and management approval. As well, we reviewed exempt employee overtime authorization listings for fiscal years 2008/09 and 2009/10 to verify exempt recipients of overtime pay were properly authorized.

We interviewed Payroll department staff to gain an understanding of their analysis of potential savings from paying overtime based on hours worked rather than hours recorded during a pay period. We also reviewed the Human Resources Division’s October 12, 2010, employee benefits and leave policies presentation to City Council. Additionally, we interviewed staff from other local governments to inquire about their Fire Department staffing models and methods to achieve compliance with FLSA.

Based on these audit procedures, we determined that generally there are sufficient division procedures and reviews to monitor overtime. Additionally, overtime hours were generally in compliance with City policies and procedures, properly approved, and substantiated. However, some overtime costs could be better managed, overtime compensation to exempt employees could be avoided, and City overtime policies should be updated.

We conducted this audit in accordance with generally accepted government auditing standards as required by Article III, Scottsdale Revised Code, §2-117 et seq. 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. Audit work took place from November through December 2010, with Joyce Gilbride, Kyla Anderson, and Erika Keel conducting the work.
FINDINGS AND ANALYSIS

Overtime hours and pay were generally in compliance with City policies and procedures, properly approved, and substantiated. However, certain overtime could be better managed, such as high levels of overtime incurred by the same employees in multiple years and the frequency of exceeding established overtime limits. As well, the City has paid more than $155,000 over the past two fiscal years to certain exempt employees, a cost which may be avoidable, and certain overtime-related policies and practices should be updated.

1. Overtime incurred by some workgroups could be better managed.
   A small number of Police employees have been among the City’s top 10 overtime earners year after year. Also, multiple employees are exceeding established annual overtime limits. Overtime limits have been established to help protect the City and the employee from the risks that may result from employees being overworked.

A. The same individuals have consistently been the City’s highest overtime earners for several fiscal years.

For two of the past three fiscal years, the same six employees have ranked among the top ten overtime recipients. Three of these employees were also among the ten highest overtime earners in fiscal year 2007/08. Additionally, as shown in Table 3, one of these employees has consistently been one of the top two.

| Table 3. Recurring Highest Overtime Recipients
| Fiscal Years 2007/08 – 2009/10 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Position                    | FY 2007/08 Ranking | FY 2008/09 Ranking | FY 2009/10 Ranking | Average Annual Overtime |
| Police Sergeant             | 2               | 1               | 1               | $46,000         |
| Police Officer              | 10              | 4               | 5               | $37,000         |
| Police Sergeant             | 5               | 8               | 6               | $36,000         |
| Police Officer              | 5               | 4               | 4               | $34,000         |
| Police Sergeant             | 10              | 3               | 3               | $33,000         |
| Police Sergeant             | 7               | 7               | 7               | $31,000         |
| **Total Overtime Earnings** | **$133,987**    | **$212,726**    | **$205,734**    |                  |

*SOURCE:* Auditor analysis of Timesheet Detail reports.

Four of the six employees listed in Table 3 had additional duties as part of the Special Weapons and Tactics (SWAT) team. This team can be called out at any time of day to respond to SWAT incidents and high risk events. According to the supporting overtime documentation, other than SWAT, their most common occurrence of overtime was related to extended duty. The extended duty overtime category may
include arrests, investigations, and serving warrants.

B. City management has allowed employees to exceed established overtime limits, but budget constraints are reducing these occurrences.

Of the top ten earners of overtime pay each fiscal year, 70% to 100% exceeded annual limits set for overtime hours. Over the last three fiscal years, managers and supervisors have allowed City employees to work more than 15,000 overtime hours beyond established limits at a cost of almost $721,000. As shown in Table 4, the occurrences and cost of extra overtime was significantly reduced in fiscal years 2008/09 and 2009/10 as the City dealt with unprecedented budget constraints.

Table 4. Overtime Hours Exceeding Established Limits, by Department Fiscal Years 2007/08 – 2009/10

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2007/08</th>
<th>FY 2008/09</th>
<th>FY 2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Emp.</td>
<td>Hours</td>
<td>Cost</td>
<td>No. of Emp.</td>
</tr>
<tr>
<td>Police</td>
<td>56</td>
<td>6,416</td>
<td>$316,540</td>
</tr>
<tr>
<td>Water Resources</td>
<td>16</td>
<td>4,397</td>
<td>$178,116</td>
</tr>
<tr>
<td>Fire Department</td>
<td>13</td>
<td>1,134</td>
<td>$33,501</td>
</tr>
<tr>
<td>Public Works</td>
<td>2</td>
<td>142</td>
<td>$6,421</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>87</strong></td>
<td><strong>12,089</strong></td>
<td><strong>$534,578</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** Auditor analysis of Timesheet Detail Reports.

Reasons documented by Police Department staff incurring this excess time included meetings/training, extended duty, and critical service. While excess overtime hours have decreased since fiscal year 2007/08, the Police Department continues to have employees exceeding the annual limit specified in City policy.

City policy establishes overtime limits to minimize fatigue and other workplace concerns that may be caused if employees are required to work excessive hours. Specifically, the annual overtime limit for a Police Department employee is 25% of scheduled hours (520 hours) unless the Police Chief and the City Manager approve additional hours. City policy limits all other employees’ overtime to 20% of scheduled hours annually (416 hours).³

Of 17 employees tested who exceeded annual overtime limits, all but one had proper

³ The Fire Department is not specifically addressed in the applicable City policy, but has used the 25% applicable to the Police Department. Because Fire Department employees are regularly scheduled for a 56 hour work week, this 25% results in a much higher limit of 728 hours per year.
approval documented. This one exception occurred in fiscal year 2008/09, and was approved in succeeding years.

**Recommendations:**

A. Police Department management should review individual overtime balances to determine whether particular tasks or units need additional staff assigned to avoid overworking individual employees.

B. The Human Resources Executive Director should monitor whether management is taking steps to avoid individual employees being required to work overtime hours in excess of established limits.

2. Some exempt employees are receiving overtime compensation.

During the past two fiscal years, certain exempt employees in the Fire and Solid Waste Management departments have been paid more than $155,000 in overtime compensation, as shown in Table 5. All management level overtime reviewed for this two year period was paid at the regular hourly pay rate, not the 1.5 pay rate.

<table>
<thead>
<tr>
<th>Table 5. Exempt Employees Receiving Overtime, by Department</th>
<th>Fiscal Years 2008/09 – 2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>Fiscal Year 2008/09</td>
</tr>
<tr>
<td></td>
<td>No. of Employees</td>
</tr>
<tr>
<td>Fire</td>
<td>11</td>
</tr>
<tr>
<td>Solid Waste Management</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** Auditor analysis of Timesheet Detail reports.

Generally, both FLSA and City policy consider employees in executive, administrative, or professional positions exempt from receiving overtime. However, Scottsdale Revised Code §14-24 provides that “employees in exempt positions may receive various forms of premium pay in the event of extraordinary circumstances or emergency conditions upon approval of the City Manager.” In certain cases the payments are made as overtime. A list of exempt positions authorized for overtime pay is approved at the beginning of each fiscal year.

- Because the Fire stations are required to be fully staffed, battalion chiefs assigned to Fire administration fill in for field positions when needed. Additionally, battalion chief and assistant fire marshal positions are sometimes required to attend weekly battalion chief meetings outside their normal work hours. Although they are considered to be management level, exempt positions, battalion chiefs and assistant fire marshal positions are paid overtime at their regular hourly pay rates for these duties. During these two fiscal years, three to four battalion chiefs
were paid approximately $56,000 for overtime hours, but were already receiving an additional 10% Day Assignment pay to compensate for not receiving overtime.4

- The City is required by the Arizona Department of Environmental Quality to provide one solid waste collection and one recycling collection per week. To meet this requirement, the Solid Waste department must continue its operations on City paid holidays and requires equipment operators (drivers) to work overtime hours. Based on its own policy, Solid Waste management requires a certain number of managers and support staff to be available whenever equipment operators are working. For equity reasons, the department decided to pay exempt employees for working City holidays and special weekend events (e.g., Household Hazardous Waste and Electronics Recycling). The exempt positions, which include Solid Waste systems manager and a Solid Waste office manager, are paid for the additional hours at their regular hourly pay rates.

All exempt positions receiving overtime during these two fiscal years were authorized by the City Manager or designee. However, the circumstances under which they were paid appear to be recurring staffing requirements rather than extraordinary or emergency situations as defined in City policy. Exempt positions are typically compensated at higher rates of pay and are generally expected to work additional hours as necessary to fulfill their responsibilities. An alternative would be to modify the work schedule to avoid or minimize overtime payments to exempt employees.

Recommendation:

The Human Resources Executive Director should evaluate whether these types of overtime payments to exempt employees are reasonable and, as defined in City Code, result from extraordinary or emergency situations.

3. City policies should be updated to incorporate a Fire Department overtime limit, ensure consistent guidance, and clearly communicate FLSA requirements.

City overtime policies have not been updated since 2001. As a result, they do not address a Fire Department limit for annual overtime hours. In addition, policy updates are needed to improve consistency in overtime-related guidance among various City of Scottsdale policy documents and to clearly address FLSA minimum requirements.

A. The Fire Department’s practice of using a 25% overtime limit is not documented in City policy and may be excessive.

Administrative Regulation (AR) No. 354, Overtime Management and Utilization, was last updated in June 2001, prior to inception of the City’s Fire Department. The existing policy states that Police Department employees will be limited to not more than 25% of scheduled hours annually (520 hours for full-time staff) without special approval by the Police Chief and City Manager. It further limits all other City employees to not more than 20% of scheduled hours annually without special approval of the respective Charter Officer, City Manager or designee.

---

4 The additional 10% pay adjustment is described as being in lieu of guaranteed overtime the battalion chief would receive if assigned to a 56-hour work week at a fire station.
Since at least 2006, the Fire Department has used the Police Department limit of 25%. An April 17, 2006, email documented that Human Resources staff was monitoring the Fire department at the 25% limit; however, this practice has not been formally adopted into City policy. Further, because firefighters are scheduled for 2,912 hours annually, the 25% limit results in 728 allowable overtime hours before requiring special approval. This amount is substantially higher than the 520 hour overtime limit that applies to Police Department employees. In fiscal years 2007/08 and 2008/09, a total of 16 employees exceeded the 728 hour overtime limit, including one at more than 900 hours. In fiscal year 2009/10, the highest amount of Fire Department overtime was 573 hours, which is below the 20% limit.

An appropriate overtime limit should be developed that takes into consideration the Fire Department’s unique 56-hour schedule.

B. City overtime policies should be updated to ensure consistency and compliance with the FLSA.

Scottsdale Revised Code does not address the accrual and use of compensatory (comp) time; AR 354 and Police General Orders provide that comp time may be accrued as stated in the FLSA. For state and local governments, FLSA allows comp time to be accrued at 1.5 hours for each overtime hour worked in lieu of an overtime payment. If public safety and seasonal employees exceed 480 hours of comp time, FLSA requires an overtime payment to be made. For all other employees, no more than 240 comp time hours may be accrued in lieu of overtime payments. While AR 354 is silent on the maximum balance of comp hours allowed, the Police General Orders limit comp time accrual to 80 hours.

Recommendations:

A. The Human Resources Executive Director and Fire Chief should evaluate the Fire Department’s current practice of using the 25% overtime limit based on scheduled hours annually given the department’s 56-hour work week. AR 354 should incorporate an overtime limit for Fire Department employees, either by specifying whether the Police Department or general employee limit applies or by defining a unique limit.

B. The Human Resources Executive Director should review and update Scottsdale Revised Code, AR 354, and all department overtime policies as appropriate for consistency and clear compliance with FLSA requirements.

5 For Fire Department employees with a 40-hour workweek, the 520 hour limit would apply.
ACTION PLAN

1. Overtime incurred by some workgroups could be better managed.

Recommendations:
A. Police Department management should review individual overtime balances to determine whether particular tasks or units need additional staff assigned to avoid overworking individual employees.
B. The Human Resources Executive Director should monitor whether management is taking steps to avoid individual employees being required to work overtime hours in excess of established limits.

MANAGEMENT RESPONSE:
A. The Police Department has officers and sergeants assigned additional duties as part of the Special Weapons and Tactics (SWAT) team. The officers have highly technical proficiencies requiring ongoing training to maintain their specialized skill sets. It would not be cost effective to train additional squads in order to reduce overtime usage for the existing officers.
B. Human Resources concurs that a system should be implemented to monitor overtime. This system should focus on standards of overtime eligibility and staffing expectations, overtime approval requirements, strategies to efficiently manage and utilize overtime and how to address circumstances when established overtime levels have been exceeded.

PROPOSED RESOLUTION:
A. The Police Department will continue to review individual overtime balances on a regular basis. If possible, particular tasks will be redistributed to avoid overworking individual employees.
B. Human Resources will review annual Divisional Overtime Plans from each division that specify how the divisions will manage overtime utilization consistent with citywide policies. These plans will be updated annually and submitted to Human Resources and the City Manager’s Office for review and approval at the start of each fiscal year. Additionally, Human Resources will review quarterly divisional overtime reports, including a comparison of actual overtime spent to year to date, planned expenditures as well as explanations for any variance issues. Human Resources will work with the division and appropriate liaison to resolve any variances.

RESPONSIBLE PARTY: Police Department and Human Resources

COMPLETED BY: On Going
2. **Some exempt employees are receiving overtime compensation.**

**Recommendation:**

The Human Resources Executive Director should evaluate whether these types of overtime payments to exempt employees are reasonable and, as defined in City Code, result from extraordinary or emergency situations.

**MANAGEMENT RESPONSE:**

Human Resources will continue to analyze whether the overtime payments to exempt employees are reasonable and, as defined in City Code, result from extraordinary or emergency situations, and the appropriateness of the cost.

**PROPOSED RESOLUTION:**

Human Resources will annually analyze all requests for exempt authorization, prior to the start of each fiscal year and work with the submitting division on an alternate plan if appropriate.

**RESPONSIBLE PARTY:** Human Resources

**COMPLETED BY:** On Going – Reviewed annually prior to fiscal year

3. **City policies should be updated to incorporate a Fire Department overtime limit, ensure consistent guidance, and clearly communicate FLSA requirements.**

**Recommendations:**

A. The Human Resources Executive Director and Fire Chief should evaluate the Fire Department’s current practice of using the 25% overtime limit based on scheduled hours annually given the department’s 56-hour work week. AR 354 should incorporate an overtime limit for Fire Department employees, either by specifying whether the Police Department or general employee limit applies or by defining a unique limit.

B. The Human Resources Executive Director should review and update Scottsdale Revised Code, AR 354, and all department overtime policies as appropriate for consistency and clear compliance with FLSA requirements.

**MANAGEMENT RESPONSE:**

A. Human Resources will work in conjunction with the Fire Chief to analyze the current practice of using the 25% overtime limit based on scheduled hours annually given the 56-hour work week. AR #354 – Overtime Management and Utilization, is currently under review. Part of that review includes updating the regulation and working in conjunction with the Police and Fire Departments to determine the appropriate percentages of overtime limits, ensuring compliance will all FLSA requirements, and incorporation of their overtime limits.

B. Human Resources concurs that the HR Ordinance, as it relates to overtime, and AR #354 – Overtime Management and Utilization, should be reviewed and updated. Department overtime policies should be reviewed and updated through their appropriate chain of command and will be submitted as part of the annual divisional overtime plans (see Finding #1).
PROPOSED RESOLUTION:
A. Human Resources will work in conjunction with Police and Fire to analyze and establish appropriate percentages of overtime limits and ensure compliance with all FLSA requirements.

B. Currently the HR Ordinance is undergoing some revisions and AR#354 – Overtime Management and Utilization, is under review. Human Resources will complete the AR, post the updates and communicate the changes to the organization. Divisional overtime policies will be reviewed as part of the annual divisional overtime plan prior to the start of this fiscal year.

RESPONSIBLE PARTY: Human Resources

COMPLETED BY: December 2011
The City Auditor’s Office provides independent research, analysis, consultation, and educational services to promote operational efficiency, effectiveness, accountability, and integrity in response to City needs.