ADDENDUM TO:
PAYROLL AND OVERTIME AUDIT
AUD19-04

March 29, 2022

City of West Palm Beach
Internal Auditor's Office

Beverly Mahaso Esq., CIA, CFE
Chief Internal Auditor

March 29, 2022

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: Addendum to Payroll and Overtime Audit, AUD19-04

Dear Audit Committee Members:

During the original City-wide audit of Payroll and Overtime, we identified inaccurate timecard reporting that contained overlapping hours within the City's Police Department (Finding 5 of the Payroll and Overtime Audit Report). Our testing was limited to the top 20 Earners of City-paid and vendor-paid overtime during FY2019. The process to analyze the records was time consuming and labor intensive, thus we did not have the resources to expand the review to all officers within the scope period of the audit. Subsequently, we requested resources to conduct testing on all officers during the audit period which was granted. As such, we have attached the Internal Auditor's Office Addendum Report to the Payroll and Overtime Audit which details the results of the additional testing.

We thank our contracted auditors, Monica Sanchez and Elena Gonzalez, for their work in completing this audit. Further, we thank the management and staff of the Police Department for their time, assistance, and cooperation during this audit.

Respectfully Submitted,

s/ Beverly Mahaso
Chief Internal Auditor

cc: Keith James, Mayor
        Faye Johnson, City Administrator
        Franklin Adderley, Police Chief

Contents

Opportunities for Improvement - Addendum

Inaccurate Police Officer Timecard Reporting

Condition

We conducted a review of all police officers (about 285) that had City-paid and vendor-paid work hours in FY19 to determine if there were any instances where the hours overlapped, and officers were potentially overpaid. We found that 77 (27%) officers had numerous instances where hours overlapped, meaning that they logged work hours for multiple locations at the same time, for a combined total of 462.25 overlapping hours. Using the hourly pay rate of the officers that had overlapping hours, these officers were potentially overpaid by the City and/or the vendor for a combined total of approximately $19,653[1]. Refer to Exhibit A and the summary table below.

Timecard Reconciliation Results - Fiscal Year 2019

Number of Overlapping Hours	Number of Officers	Percent	Number of Hours	Percent
30 or more	2	3%	85.25	18%
Between 20 and 29	4	5%	85.00	18%
Between 10 and 19	9	12%	123.50	27%
Less than 10	62	81%	168.50	36%
Total	**77**	-	**462.25**	-

We worked with the Police Department to validate the exceptions found to ensure that valid errors that may have occurred during the normal course of business were not included in the results. There were other overlapping hours that the Police Department identified separate from the audit. Those hours are not included in our results. Hence, the results herein represent timecard discrepancies that management was not able to reconcile after exhaustive reviews of the discrepancies.

Criteria

All City employees are expected to accurately report time worked. Further, the City has an ethics policy that all City employees are required to adhere to.

Cause

The conditions we identified occurred due to:
- Vendors are permitted to pay officers directly for hours worked and no requirement exists for vendors to track officer hours paid versus hours worked;
- Systems that do not communicate with one another, thereby making it difficult to

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[1] This amount differs slightly from the amount obtained by management due to slightly different calculation methods.

flag overlapping hours;
- Higher ranking staff that can enter their own hours and do not require approval; and
- Lack of ongoing reconciliation of total (vendor-paid and City-paid) hours worked.

Effect

Failure to properly manage and oversee the total employee hours worked, results in an organization that is highly susceptible to improper actions and is exposed to financial loss. When abuse goes unidentified or unquestioned the organization can develop a culture where abuse becomes normal, which ultimately hurts the City's reputation.

It should be noted that when conditions are such that: 1. controls are weak or virtually nonexistent it creates an **opportunity**; 2. there is a need which creates **pressure**; and 3. there is a pay discrepancy which permits **rationalization** of actions**;** the organization now has the three elements of the fraud triangle, and it becomes highly likely that fraud may occur or could be occurring undetected.

Recommendation

NOTE – The following recommendation replaces Recommendation 5 from the original Payroll and OT Audit.

The Police Department should ensure adequate monitoring and accurate reporting of hours worked by:

A. Improving technology and access to data. Dedicating resources to finding one automated solution that can support all aspects of the extra-duty and outside employment program, satisfy all data needs, and integrate with the City's timekeeping and financial systems.

Management Response

Management agrees improved technology would allow for better oversight of both regular duty and overtime.

The West Palm Beach Police Department utilizes the Extra Duty Solutions (EDS) software system for off-duty contract overtime management and KRONOS – Telestaff Work Force Central UKG for scheduling. During July of 2021, the Police Department, through the IT Department, updated and went live with the most recent updates to the Telestaff system. At the direction of the Police Department Administrative Services Division Commander, the City of West Palm Beach IT Department is currently researching a gateway or interface between the two systems. A possible solution for the gateway matter has been identified as the UKG – Telestaff Extra Duty Events module. Further extensive research including testing, evaluation and cost analysis of the product and/or other potential solutions as it applies to the needs of the Police Department will continue. It is important to note, during the middle of the time period reviewed in the audit, the Department initiated the use of EDS to address identified problems with efficient and

accurate documentation of all overtime details. As of May 2019, all detail overtimes have been captured in EDS in an organized system that allows for review of hours worked. Prior to the implementation of EDS, there was no consistent tracking mechanism that would allow for efficient verification of hours worked outside of regular duty schedules. **Target Implementation Date:** June 2023. Potential IT (software) solution pending.

B. Recovering the overpayments identified in this analysis and/or future overpayments wherever warranted, cost-effective and within the confinement of existing laws and regulations.

Management Response B1
Management does not agree it is prudent to pursue "recovery of overpayments." However, future oversight and identification of similar "overpayments" would warrant an investigation, appropriate discipline and/or restitution.

Administration Response B1
City Administration agrees with the Police Department that it is not prudent to pursue "recovery of the questionable overpayments" for the various reasons stated in the report among some others.

Auditors Comment B1
The Auditor's Office recognizes that it may not be cost effective to recover all overpayments, however, it may be helpful to conduct an analysis and determine if it would be cost effective to recover some of the overpayments.

Management Response B2
The audit team made a historical finding for FY2019 of 462.25 hours of potential overlapping hours. An average hourly salary (from an Assistant Chief to new Officer) has been determined to be $41.89. The estimated total potential monetary amount in question is approximately $19,363.65. Prior to recovering any portion of this estimated overpayment, each identified member has the right to due process; and, consideration would have to be given to the overall de minimis value of each identified pay discrepancy compared to the cost of conducting seventy seven (77) separate administrative investigations to ensure due process for each employee. Further consideration for reciprocal City adherence to the collective bargaining agreement (CBA) guidelines for overpayment (pay error) would need to be explored.

It should be noted there is no conclusive finding the City sustained a monetary loss. The overlapping hours in question involved third party vendors; portions of the identified overlapping hours may be attributed to undocumented adjustments to detail hours which may further minimize or negate some overlapping hours identified in the audit.

Auditor's Comment B2: We spent a significant amount of time with PD management to validate the exceptions found related to the 77 officers. PD management was given ample time to review the exceptions and provide any additional information that could impact the results. As such, the results provided here represent discrepancies that PD management

could not reconcile after exhaustive reviews.
Target Implementation Date: June 2023. Currently in practice when warranted through the administrative investigation process.

C. Designating staff to periodically reconcile all vendor and City-paid hours. To accomplish this task, the designated staff should have access to all systems that track employee hours worked.

Management Response
Management agrees there must be more effective review of hours worked by all employees; improved distribution of relevant information to supervisors should allow for appropriate reconciliation of work hours without designating more staff to track employee hours worked. The training and use of the new EDS reports during payroll approval can be implemented by November 30th.

A gateway or interface between the Telestaff and EDS systems would prevent overlapping hours and scheduling conflicts and make additional inspections redundant. Current department personnel have access to all relevant systems. Any identified department personnel involved in an inspection process can be granted access.

Refresher training focused on proper scheduling and use of the EDS and Telestaff systems will be conducted to reduce, and possibly eliminate, clerical time keeping incidents and/or errors. At the request of Management, EDS has developed a new bi-weekly report that will be utilized to allow timecard approvers to have relevant overtime information available when approving bi-weekly payroll.
Target Implementation Date: June 2023. Report reviews are ongoing for conflicts. Lieutenants provided guidance on 11/04/2021 for identifying scheduling conflicts.

EXHIBIT A

Officer Count	Number of overlapping hours	Number of occurrences
Officer 1	44	44
Officer 2	41.25	24
Officer 3	22.5	29
Officer 4	21.5	6
Officer 5	20.5	9
Officer 6	20.5	9
Officer 7	19	4
Officer 8	16.5	6
Officer 9	16	2
Officer 10	14.5	7
Officer 11	13	8
Officer 12	12.5	5
Officer 13	12	2
Officer 14	10	3
Officer 15	10	3
Officer 16	9	4
Officer 17	8.5	2
Officer 18	7.5	1
Officer 19	6.5	6
Officer 20	6	6
Officer 21	6	1
Officer 22	6	3
Officer 23	5.75	2
Officer 24	5.5	17
Officer 25	5	2
Officer 26	4.5	3
Officer 27	4.5	2
Officer 28	4.5	2
Officer 29	4	2
Officer 30	4	2
Officer 31	3.5	3
Officer 32	3.5	4
Officer 33	3.5	1
Officer 34	3.5	1
Officer 35	3.5	3

Officer Count	Number of overlapping hours	Number of occurrences
Officer 36	3	3
Officer 37	3	3
Officer 38	3	2
Officer 39	3	3
Officer 40	3	1
Officer 41	2.5	2
Officer 42	2	1
Officer 43	2	1
Officer 44	2	1
Officer 45	2	1
Officer 46	2	1
Officer 47	2	1
Officer 48	2	3
Officer 49	2	1
Officer 50	2	2
Officer 51	2	1
Officer 52	2	2
Officer 53	1.75	1
Officer 54	1.5	1
Officer 55	1.5	1
Officer 56	1.5	1
Officer 57	1.5	1
Officer 58	1.5	2
Officer 59	1	2
Officer 60	1	1
Officer 61	1	1
Officer 62	1	1
Officer 63	1	1
Officer 64	1	1
Officer 65	1	1
Officer 66	1	1
Officer 67	1	1
Officer 68	1	1
Officer 69	1	2
Officer 70	0.5	1
Officer 71	0.5	1
Officer 72	0.5	1
Officer 73	0.5	1

Officer Count	Number of overlapping hours	Number of occurrences
Officer 74	0.5	1
Officer 75	0.5	1
Officer 76	0.5	1
Officer 77	0.5	1