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CITY OF OAKLAND



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January 12, 2015

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
CITY ADMINISTRATOR
OFFICE OF THE POLICE CHIEF
CITIZENS OF OAKLAND
OAKLAND, CALIFORNIA

RE: POLICE OVERTIME AUDIT FOR FISCAL YEAR 2012-13

Dear Mayor Schaaf, President McElhaney, Members of the City Council, City Administrator Gardner, Chief Whent, and Oakland Citizens:

Under the leadership of former City Auditor Courtney Ruby, the attached Police Overtime Audit for Fiscal Years 2012-13 was conducted. The release of this audit was postponed to allow the Oakland Police Department (OPD) additional time to respond, given the limited resources available with the recent civil unrest in Oakland.

The audit's objectives were to determine whether OPD has effectively managed overtime, taken sufficient measures to ensure that all overtime is appropriate and properly justified, and recovered overtime costs for special events in a timely manner.

OPD lost 217 sworn officers between 2009 and 2013, primarily due to layoffs, retirement, and resignation. In response to the staffing reductions, OPD imposed mandatory overtime to ensure required minimum staffing on its patrol beats, increasing by nearly 80 percent the amount of overtime worked by OPD sworn officers. Similarly, non-sworn personnel overtime increased over this period.

In the face of its staffing challenges, OPD has taken certain steps to better manage its workload and overtime, including:

- Hiring civilian police technicians to respond to tasks previously performed by sworn officers.
- Increasing its force of sworn officers. Since Fiscal Year 2012-13, OPD has hired 191 new officers.

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- Reducing overtime related to officers off work on workers' compensation incidents by transitioning injured workers back to modified or regular duty more quickly than in past years.

And yet, overtime hours and costs continue to exceed budgeted amounts:

- Overtime costs have increased by nearly 80% over the 4-year period ending FY 2013-14, from \$14 million to \$24.7 million.
- Overtime hours have increased from approximately 188,000 to nearly 335,000 over the same time period.

In order for OPD to more effectively manage overtime, we have made the following recommendations:

- OPD and the Administration should prepare realistic budgets, so that anticipated overtime is considered in the budgeting process.
- OPD should reform its pay practices regarding compensatory time off (comp time) and the deferral of overtime payments. For example, by paying overtime when it is earned, OPD could reduce the unfunded liability that accompanies comp time.
- OPD should develop better reporting of overtime hours, to show overtime by unit and type, so that management can take immediate actions to adjust scheduling of officer and non-sworn staffing.
- OPD should develop policies and procedures to ensure proper approvals of overtime. In our sample, we found that nearly 1/3 of the authorization and approval forms for overtime were missing and could not be located.
- OPD should work towards obtaining more timely reimbursements from organizations that require OPD officers to work overtime at special events such as concerts, parades, and sporting events.
- OPD should continue its practices to return injured officers to work as soon as possible to reduce time off and the necessary back-fill from other officers.
- The City should update its outdated Fair Labor Standards Act policies and its list of exempt and non-exempt staff to avoid paying overtime to ineligible staff.

The Administration has agreed to implement 100 percent of the recommendations provided in the report. We acknowledge that some of our recommendations will need to be discussed between OPD and the Oakland Police Officers' Association in upcoming labor negotiations. A response from the Administration is included in the audit report.

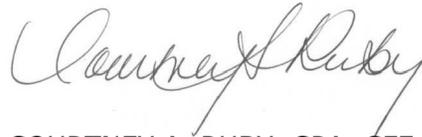
This report represents one part of the audit of OPD's management of its overtime. This audit brought to light other related issues that may warrant further audit efforts. Based on those results, our conclusions will be reported through our standard reporting process.

I would like to express my appreciation to the City Administration and the Police Department for their cooperation throughout this audit process. Lastly, I wish to thank former City Auditor Courtney Ruby for her oversight and preparation of this audit report.

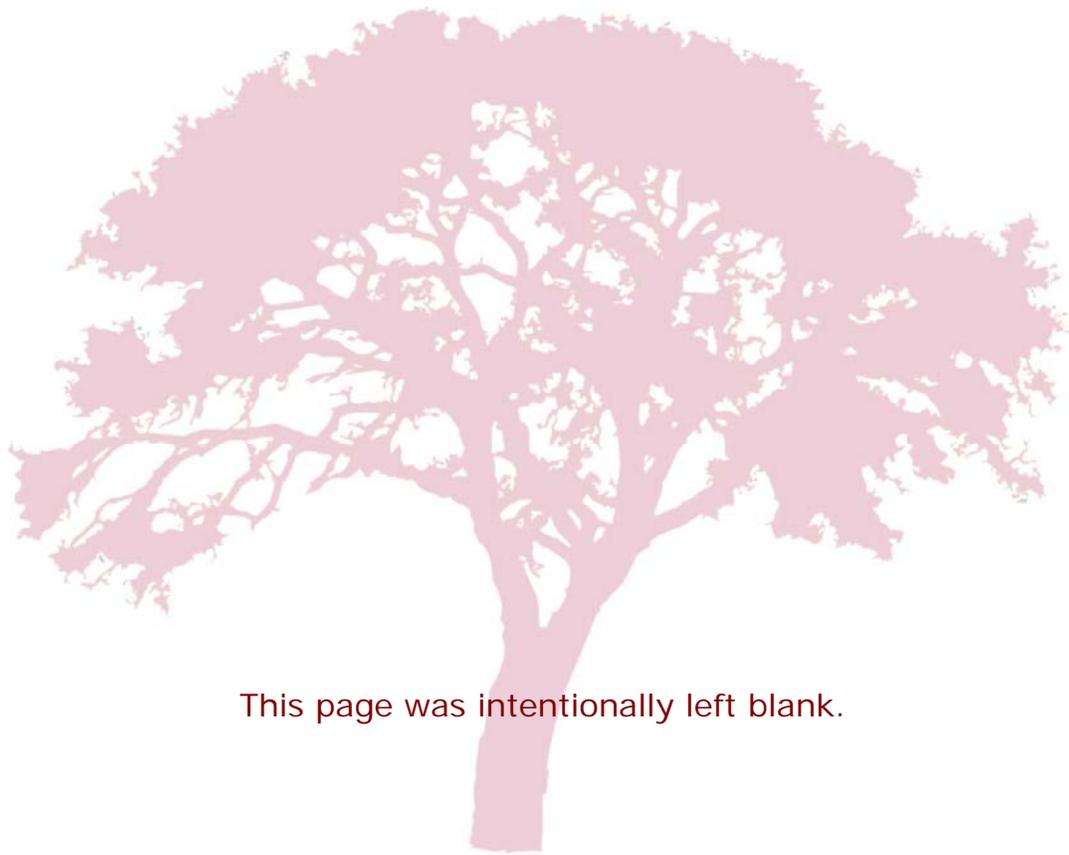
Respectfully submitted,



BRENDA D. ROBERTS, CPA, CFE, CIA
City Auditor



COURTNEY A. RUBY, CPA, CFE
Former City Auditor



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City of Oakland Office of the City Auditor

OAKLAND POLICE DEPARTMENT OVERTIME PERFORMANCE AUDIT FY 2012-13

City Auditor

Courtney A. Ruby, CPA, CFE

Assistant City Auditor

Mike Edmonds, CIA

Audit Team: Rose Sutton, MPP, CGAP and Tracy Yarlott-Davis, MPP

PRESENTATION AGENDA

- Background
 - Why we conducted this audit
 - Audit objectives
 - Scope and methodology
- Finding 1
 - OPD has taken steps to manage overtime, but more can be done.
- Finding 2
 - OPD needs to take additional measures to ensure that all overtime is properly justified and compensated
- Finding 3
 - OPD needs to recover overtime costs from special events in a more timely manner
- City Administration's Response

WHY WE CONDUCTED THIS AUDIT

- The Oakland Police Department (OPD) has regularly overspent its overtime budget, resulting in unplanned expenditures for the general fund.
- Between 2009 and 2012, OPD's sworn staff decreased by more than 200 officers.
- OPD implemented mandatory overtime for patrols.
- Previous reports on police overtime
 - Alameda County Civil Grand Jury Report in 2006.
 - Two consultant reports issued in 2005 and 2007.

BACKGROUND

- The mission of the Oakland Police Department is to provide the people of Oakland an environment where they can live, work, play, and thrive free from crime and the fear of crime.
- OPD employs:
 - 718 sworn officers (as of October 28, 2014)
 - 381 non-sworn civilian employees (as of October 1, 2014)
- Oakland currently has 5 police patrol areas that must be filled 24 hours a day, every day of the year.
 - In June 2013, OPD reorganized 3 patrol areas into 5 smaller patrol areas.
 - Typically, OPD assigns 35 patrol officers for each shift.

BACKGROUND

Overtime Compensation

- Most OPD sworn staff are eligible for overtime compensation. Sworn staff are compensated at 1.5 times for each hour worked as overtime.
- Sworn staff can elect to take overtime compensation as:
 - Pay
 - Compensatory time off (comp time)
- Non-sworn staff who are eligible for overtime also earn it in these two ways.

BACKGROUND

Major categories of overtime

Backfill

When an officer must fill a shift that is currently unfilled due to an officer on leave or due to understaffing.

Special Enforcement

When an officer is participating in actions such as surveillance, raids, and warrants.

Extension of Shift

When an officer must remain at work to complete an incident that was in progress when the officer's shift ended.

Special Event

When an officer works paid overtime at an outside event such as parades, concerts, and sporting events.

Call-Back

When an off-duty officer is called back to duty to fill an empty shift.

Training

When an officer works additional hours in a training capacity, either as a participant or instructor.

AUDIT OBJECTIVES AND SCOPE

Objective

Evaluate whether OPD has:

1. Effectively managed overtime.
2. Taken sufficient measures to ensure that all overtime is properly justified and compensated.
3. Recovered overtime costs for special events in a timely manner.

Scope

- FY 2012-13 for testing controls
- FY 2010-11 through FY 2013-14 for assessing trends
- This audit focused on the predominant earners of overtime – OPD sworn staff

METHODOLOGY

To conduct the audit, we:

- Reviewed OPD's written policies and procedures
- Interviewed OPD management and staff
- Requested information received through the Fraud, Waste + Abuse hotline
- Reviewed previous OPD reports, academic journal articles, and comparable audits

METHODOLOGY

We also:

- Reviewed relevant City/Union MOUs
- Analyzed overtime slips, payroll records, invoices, and payment records
- Reviewed Federal, State, and Local regulations
- Collected data from the City's financial database to develop trends on overtime hours and budget
- Analyzed overtime use trends

AUDIT CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit's findings and conclusions based on the audit's objectives.
- We believe that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

OVERVIEW OF AUDIT RESULTS

Finding 1

OPD has taken steps to manage overtime, but more can be done.

Finding 2

OPD needs to take additional measures to ensure that all overtime is properly justified and compensated.

Finding 3

OPD needs to recover overtime costs from special events in a more timely manner.

FINDING 1

**OPD HAS TAKEN STEPS TO MANAGE
OVERTIME, BUT MORE CAN BE DONE**

OVERTIME IS A COST OF DOING BUSINESS

- According to a study by the National Institute of Justice:
 - Overtime should be viewed, within limits, as a unavoidable cost of policing. Overtime cannot be completely eliminated regardless of the number of police officers employed because of inevitable court appearances, shift extensions, and unpredictable events.
 - Reliance on overtime may have harmful consequences including police officer exhaustion, lower morale, and an expectation of overtime pay.
 - Overtime practices represent substantial possibilities for savings, if properly controlled.
 - The key to improving overtime management is foresight on the part of senior officers, which requires attention to analysis, recordkeeping, and supervision.

ACTIONS TAKEN TO REDUCE OVERTIME

- **Implemented recommendations from the 2005 consulting report on overtime**
 - Reduced compensatory time allowance from 480 hours to 308 hours
 - Implemented an automated system to monitor possible sick leave abuse for sworn staff
 - Ended practice of allowing comp time to be earned for special events
 - Improved processes to better manage court overtime
- **Eliminated transfers out of patrol units**
 - Effective May 13, 2014
- **Took steps to reduce officer time lost to workers' compensation**
 - According to OPD, the workers' compensation coordinator has helped to transition officers back to work more quickly

ACTIONS TAKEN TO REDUCE OVERTIME

- **OPD has made efforts to increase staffing**
 - Completed five OPD sponsored academies from 2013 through 2014, adding a total of 191 new officers
 - Hired 13 officers that graduated from Alameda County Sheriff's Office Academy in September 2014
 - Hired seven additional Lateral/Post Academy Graduates
 - 171th Police Academy is expected to graduate 40 officers in April 2015
- **OPD plans on ending mandatory overtime**
 - Anticipated end date is March 2015
- **OPD hired civilian Police Service Technicians**
 - Civilian Police Service Technicians are taking on more responsibilities previously held by sworn personnel in efforts to free-up officers to handle more critical activities
- **OPD reports regularly to Department Management and Council**
 - Distributes and discusses monthly overtime reports to OPD management beginning in February 2014
 - Monthly report on recruitment, staffing, and attrition to the City Council

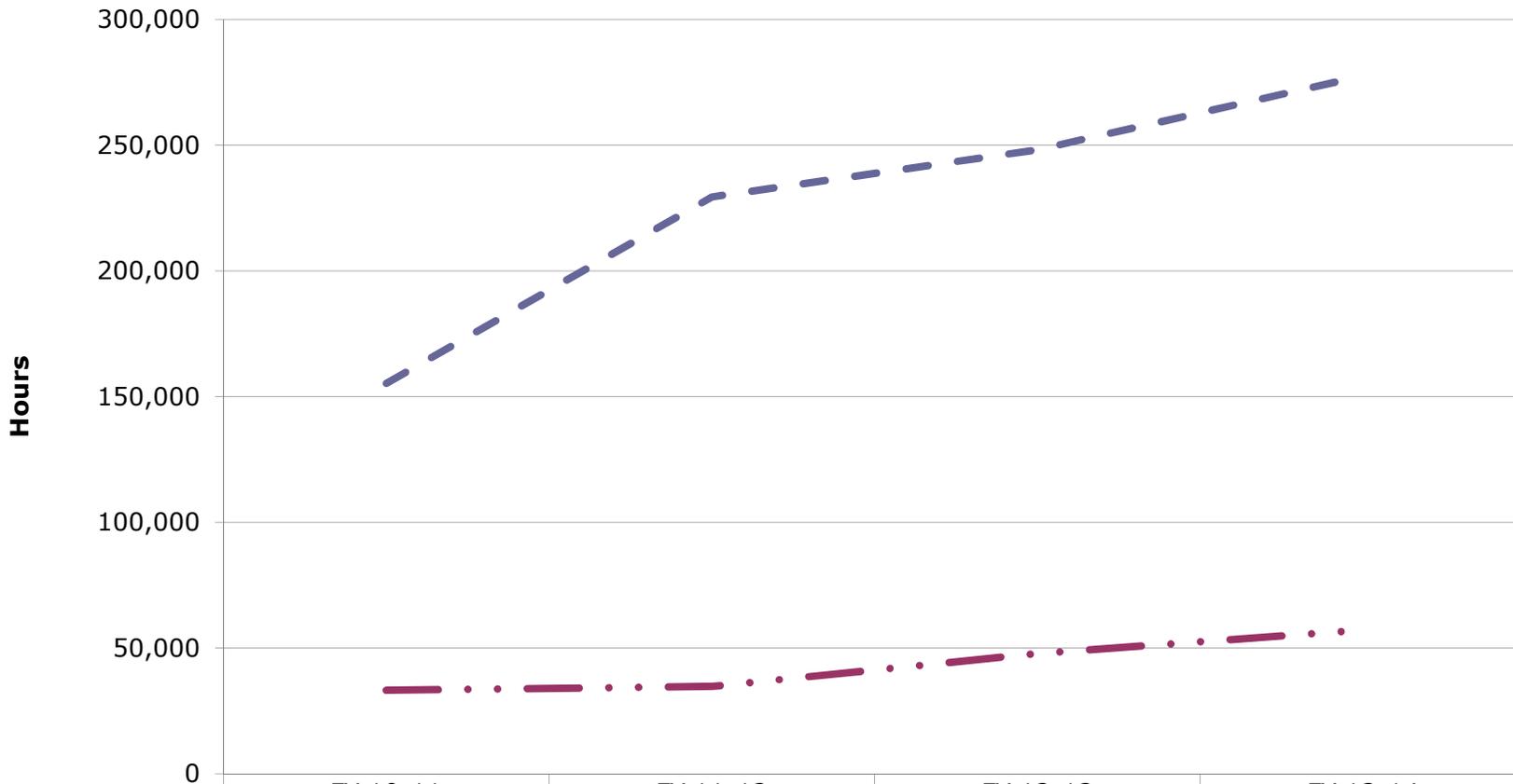
OVERTIME HOURS CONTINUE TO INCREASE

- Both sworn and non-sworn overtime hours have increased from FY 2010-11 to FY 2013-14
 - From FY 2010-11 to FY 2013-14, total overtime hours increased 78% from 188,331 to 334,721.
 - Sworn hours have increased from 155,207 to 277,580 hours, a 79% increase in four years.
 - In FY 2012-13, overtime hours worked for sworn staff were the full time equivalent (FTE) of 103 officers.

Note: 1 FTE is 2,400 hours

OVERTIME HOURS CONTINUE TO INCREASE

OPD Overtime Worked



	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Sworn	155,207	229,342	248,144	277,580
Nonsworn	33,124	34,727	47,842	57,141
Total	188,331	264,069	295,986	334,721

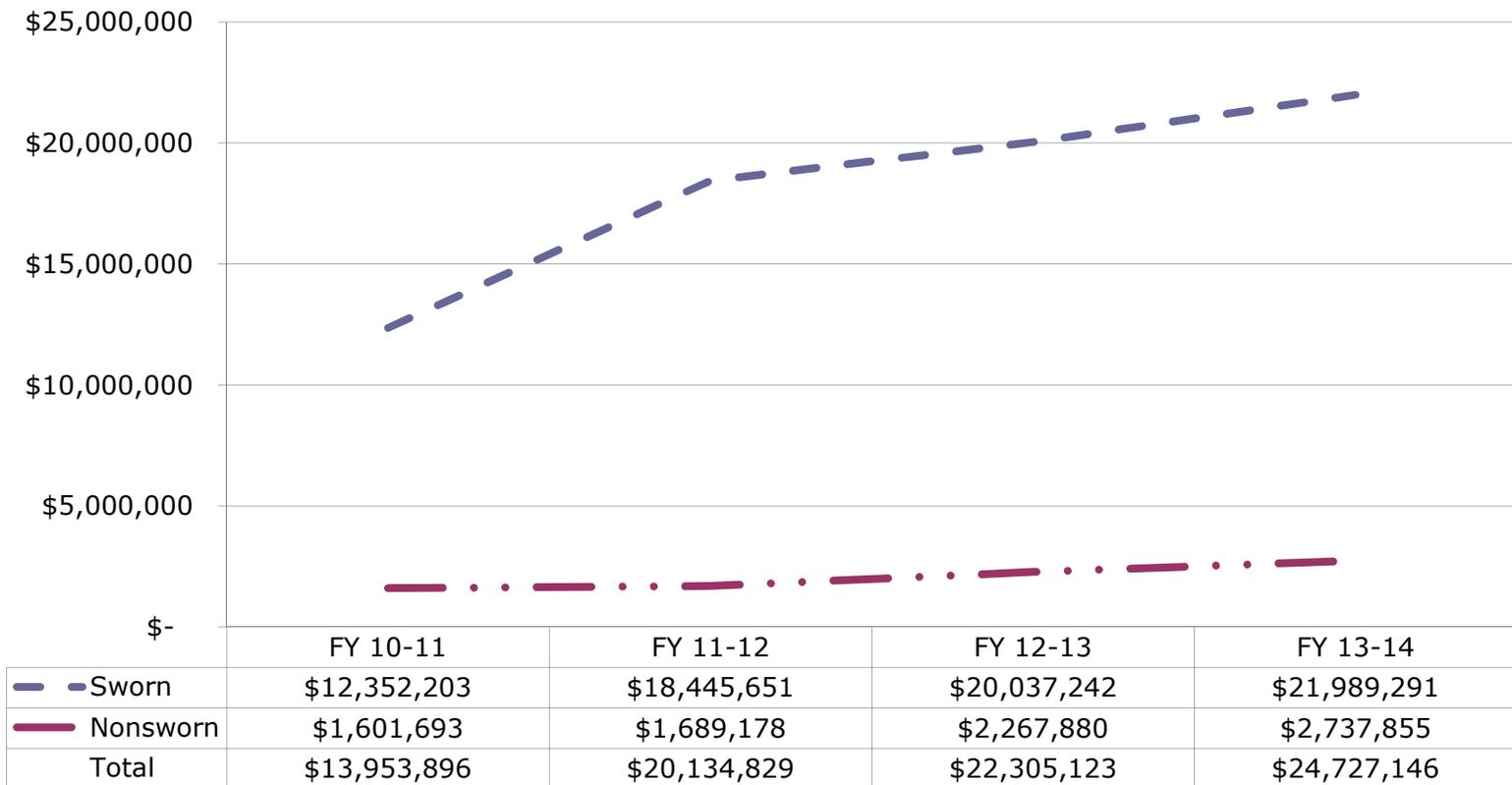
Source: City's Payroll Division

OVERTIME COSTS CONTINUE TO INCREASE

- Paid overtime costs have also increased significantly from FY 2010-11 to FY 2013-14
 - Sworn overtime costs have increased from \$12.4M to \$22M, a 78% increase in four years
 - Non-sworn overtime costs have increased from \$1.6M to \$2.7M, a 71% increase in four years
 - In total, overtime costs have increased from \$14M to \$24.7M in four years, a 77% increase

OVERTIME COSTS CONTINUE TO INCREASE

Overtime Worked - Amount



Note: Includes overtime pay, deferred overtime payouts, comp time buybacks, excess comp time payouts, and comp time cash in-lieu.

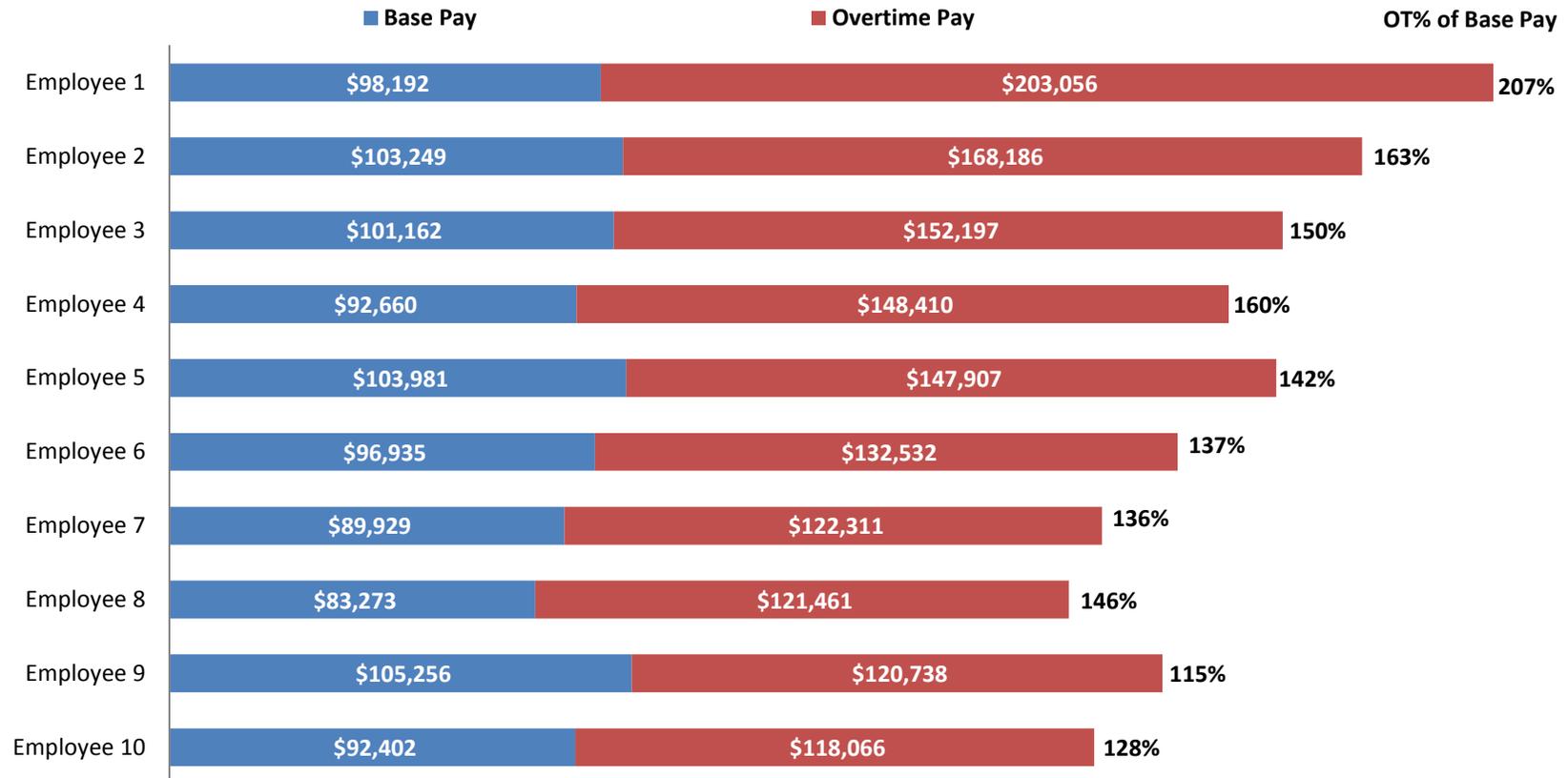
Source: City's Payroll Division

OPD SHOULD HEED WARNINGS ABOUT THE CONSEQUENCES OF TOO MUCH OVERTIME

- A National Institute of Justice study warned about the consequences of relying on overtime, including officer exhaustion, unwillingness to provide services without a tangible reward, increased antagonism between supervisors and line officers, and undermining professionalism.
- Furthermore, a report from a former OPD Chief of Police cited a previous study, “The report also concluded that running from call to call and mandatory overtime to fill beats was leading to officer burnout...”
- The current MOU required OPD to form a labor-management committee to develop plans to ensure sufficient rest between work assignments for officers.
- It appears OPD did not form the labor-management committee to address the issue of rest periods. Furthermore, OPD lacks any formal process for restricting officers from working overtime.
 - We identified an officer who worked 40 consecutive days, and 59 out of 60 days.

TOP TEN EARNERS ARE EARNING MORE IN OVERTIME PAY THAN IN BASE PAY

Top 10 Sworn Overtime Earners in FY 2012-13



Source: City's Payroll Division

HIGH OVERTIME EARNERS ARE INDICATIVE OF OPD'S RELIANCE ON OVERTIME

- Top 10 earners' overtime pay ranged from \$118,066 to \$203,056 in FY 2012-13.
- Individuals also worked significant overtime hours FY 2013-14, with one officer receiving \$248,242 in overtime pay, in addition to base salary.

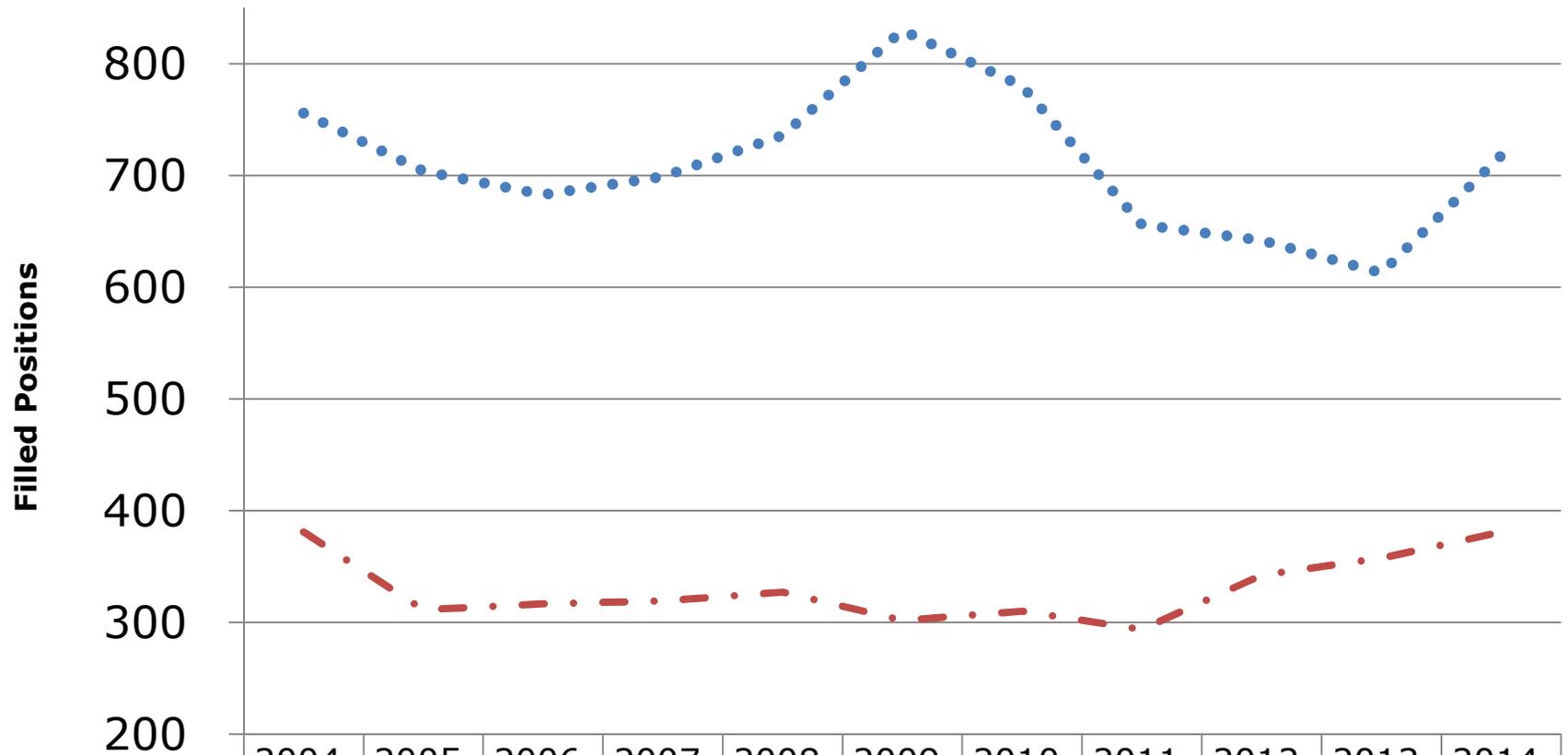
FACTORS INFLUENCING OVERTIME

- Overtime is used when staff reductions affect OPD's ability to meet minimum staffing levels.
- Overtime is also used to backfill for officers on leave (sick, vacation, comp time, and workers' compensation).
- Overtime is used in response to events such as Occupy Oakland (which accounted for approximately 5,300 hours of overtime in FY2012-13), protests at the Port of Oakland, and other special enforcement actions.

SIGNIFICANT STAFF REDUCTIONS HAVE AFFECTED OPD'S ABILITY TO MEET MINIMUM STAFFING LEVELS

- The number of sworn officers has declined from a high of 830 in 2009 to a low of 613 in 2013, a reduction of 217 officers in four years.
- Non-sworn staff reached a high of 381 in 2004 and experienced a low of 294 in 2011.
- In response to staff reductions, OPD implemented mandatory overtime in October 2012 in order to provide minimum staffing levels for all patrol beats.
- Patrol accounted for 154,591 sworn hours of overtime worked (64 FTEs), or 66% of all sworn overtime, in FY 2012-13.

OPD STAFFING LEVELS BY CALENDAR YEAR



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
•• Officers	756	704	683	699	736	830	780	656	642	613	718
-• Nonsworn	381	311	317	319	327	302	310	294	342	358	381
Total	1,137	1,015	1,000	1,018	1,063	1,132	1,090	950	984	971	1,099

Source: OPD personnel distribution report and council staffing report
Note: 2014 filled positions as reported in October, 2014

SIGNIFICANT STAFF REDUCTIONS HAVE AFFECTED OPD'S ABILITY TO MEET MINIMUM STAFFING LEVELS

OPD implemented mandatory overtime in October 2012.

In accordance with the Special Order on Mandatory Overtime:

- Each quarter, OPD projects the number of regular shifts that will be filled with mandatory overtime.
 - According to OPD, between May 3 and August 1, 2014, an average of 262 open shifts per week needed to be filled with mandatory overtime.
- Officers are assigned to mandatory overtime shifts based on seniority.
- Officers may volunteer to work the shifts of other officers.

SIGNIFICANT STAFF REDUCTIONS HAVE AFFECTED OPD'S ABILITY TO MEET MINIMUM STAFFING LEVELS

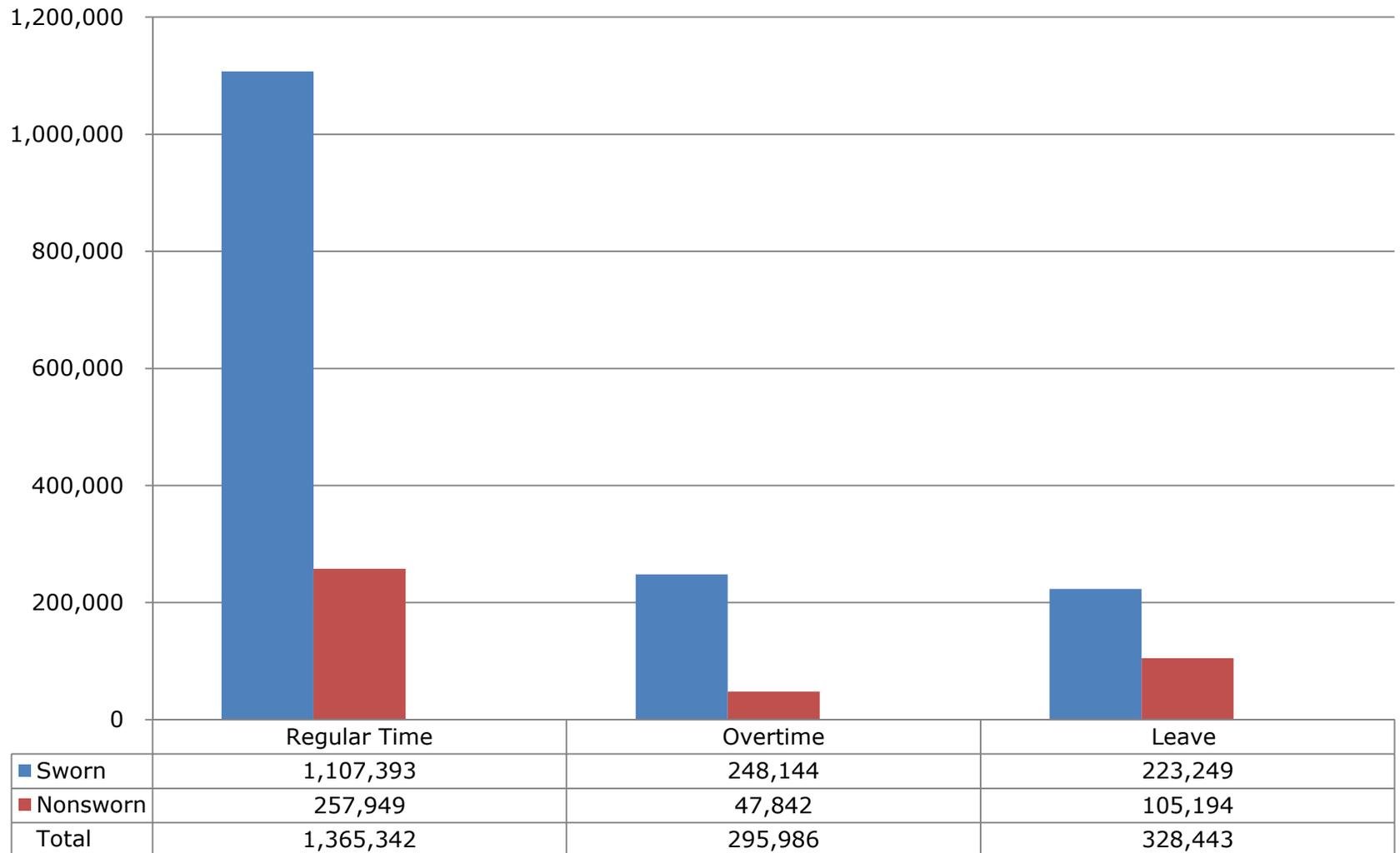
- OPD has taken action to increase staffing levels:
 - Completed five OPD sponsored academies from 2013 through 2014, adding a total of 191 new officers
 - Hired 13 officers that graduated from the Alameda County Sheriff's Office Academy in September 2014
 - Hired seven additional Lateral/Post Academy Graduates
 - 171th Police Academy is expected to graduate 40 officers in April 2015
- Staffing levels reached 718 officers in October 2014

OVERTIME IS USED TO BACKFILL FOR SWORN STAFF ON LEAVE

When officers are on leave, OPD will generally backfill with overtime to cover for absences such as sick leave, vacation, comp time, family medical leave, and workers' compensation.

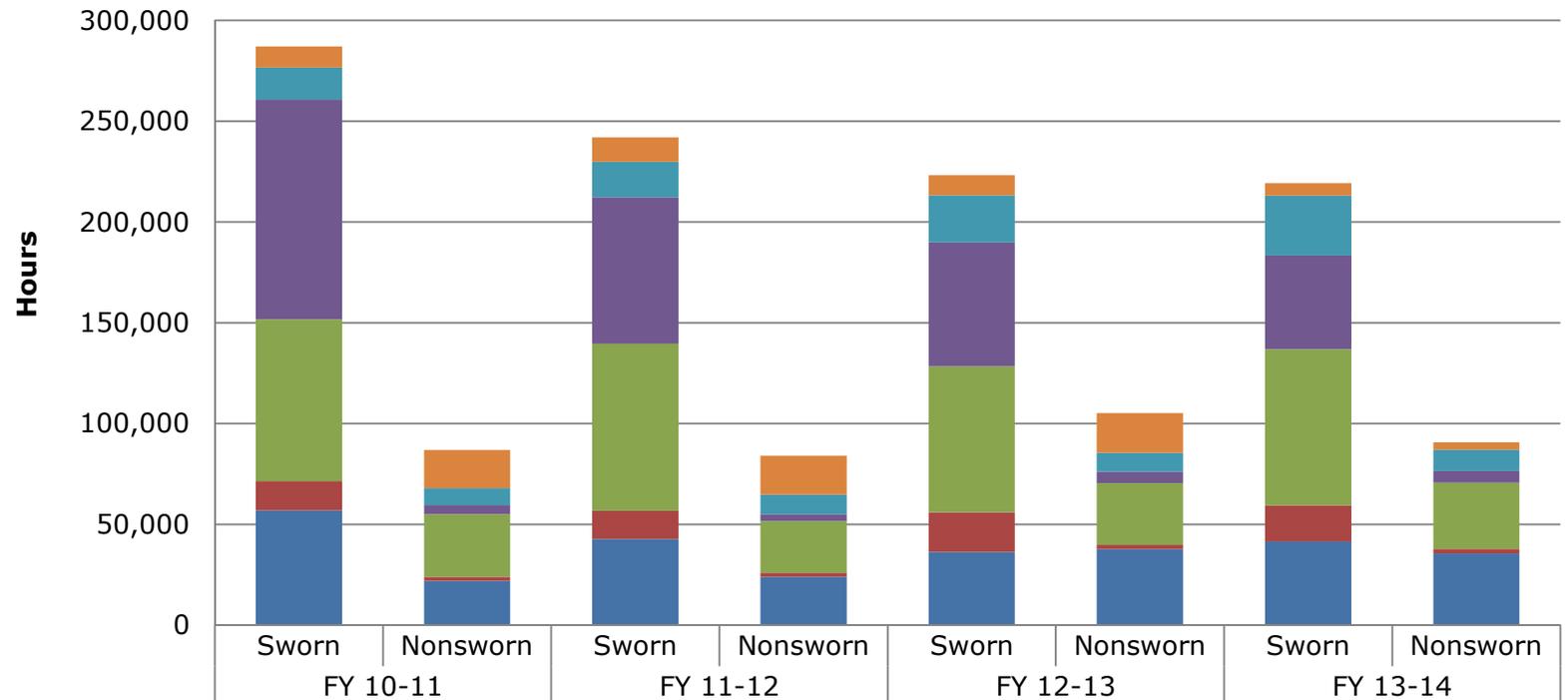
- Total leave hours for sworn staff totaled approximately 223,249 hours in FY 2012-13 — approximately 93 FTEs.

REGULAR HOURS WORKED, OVERTIME HOURS, AND LEAVE HOURS IN FY 2012-13



Source: City's Payroll Division

OPD LEAVE HOURS BY TYPE



	FY 10-11		FY 11-12		FY 12-13		FY 13-14	
	Sworn	Nonsworn	Sworn	Nonsworn	Sworn	Nonsworn	Sworn	Nonsworn
Total	287,145	86,939	242,048	84,089	223,249	105,194	219,270	90,762
Other	10,510	19,021	12,177	19,324	10,000	19,634	6,223	3,659
Comp time taken	15,831	8,289	17,607	9,788	23,375	9,401	29,553	10,587
Workers' Comp	109,096	4,637	72,597	3,413	61,437	5,567	46,498	5,781
Vacation	80,225	31,014	82,854	25,480	72,485	30,704	77,524	32,889
Holiday	14,574	1,995	14,006	2,077	19,670	2,174	17,981	2,337
Sick/bereavement leave	56,909	21,983	42,807	24,007	36,282	37,714	41,491	35,509

Source: City's Payroll Division

OVERTIME IS USED TO BACKFILL FOR SWORN STAFF ON LEAVE

The highest leave totals are for holidays, vacation, workers' compensation, sick leave, and comp time.

- Workers' compensation, sick leave, and comp time provide the greatest opportunities to reduce leave hours, thus reducing the need for overtime to backfill for leave.
- OPD has taken steps to reduce sick leave, comp time, and workers' compensation leave.
- OPD, however, can take additional steps to reduce comp time leave and workers' compensation leave.

THE CITY NEEDS TO REDUCE ITS USE OF COMP TIME

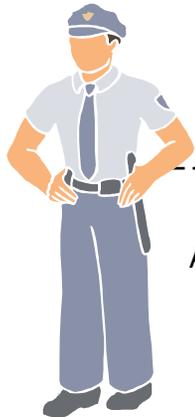
- According to a National Institute of Justice study, “Reimbursing overtime in money is preferable to reimbursing in compensatory time. Paid overtime increases policing activities, while compensatory time results in less policing because every hour worked must be repaid by the department at time and a half-time taken away from other activities.”

THE CITY NEEDS TO REDUCE ITS USE OF COMP TIME

Officers working overtime can elect to receive paid overtime or comp time. In FY 2012-13, sworn staff used nearly 24,000 hours of comp time, the equivalent of 10 FTEs.

When an officer takes comp time off, another officer has to work overtime to fill the vacancy. If the replacement officer elects to take overtime as comp time, the cost can quickly grow.

Officer A



Works 10 hours of overtime

Accrues **15 hours** of comp time off
(10 x 1.5)

Officer B



Works 15 hours of overtime to cover Officer A's absence

Accrues **22.5 hours** of comp time off
(15 x 1.5)

Officer C



Works 22.5 hours of overtime to cover Officer B's absence

Accrues **33.75 hours** of comp time off
(22.5 x 1.5)

THE CITY NEEDS TO REDUCE ITS USE OF COMP TIME

- The use of comp time also creates an unfunded liability for the City.
- In June 2014, the comp time balance for sworn staff totaled 63,552 hours and was valued at over \$3 million.
- OPD officers eligible for comp time may accrue up to 308 hours, the highest limit of any major city in California.

THE CITY NEEDS TO REDUCE ITS USE OF COMP TIME

- Oakland has the highest comp time accrual limit among major California cities.

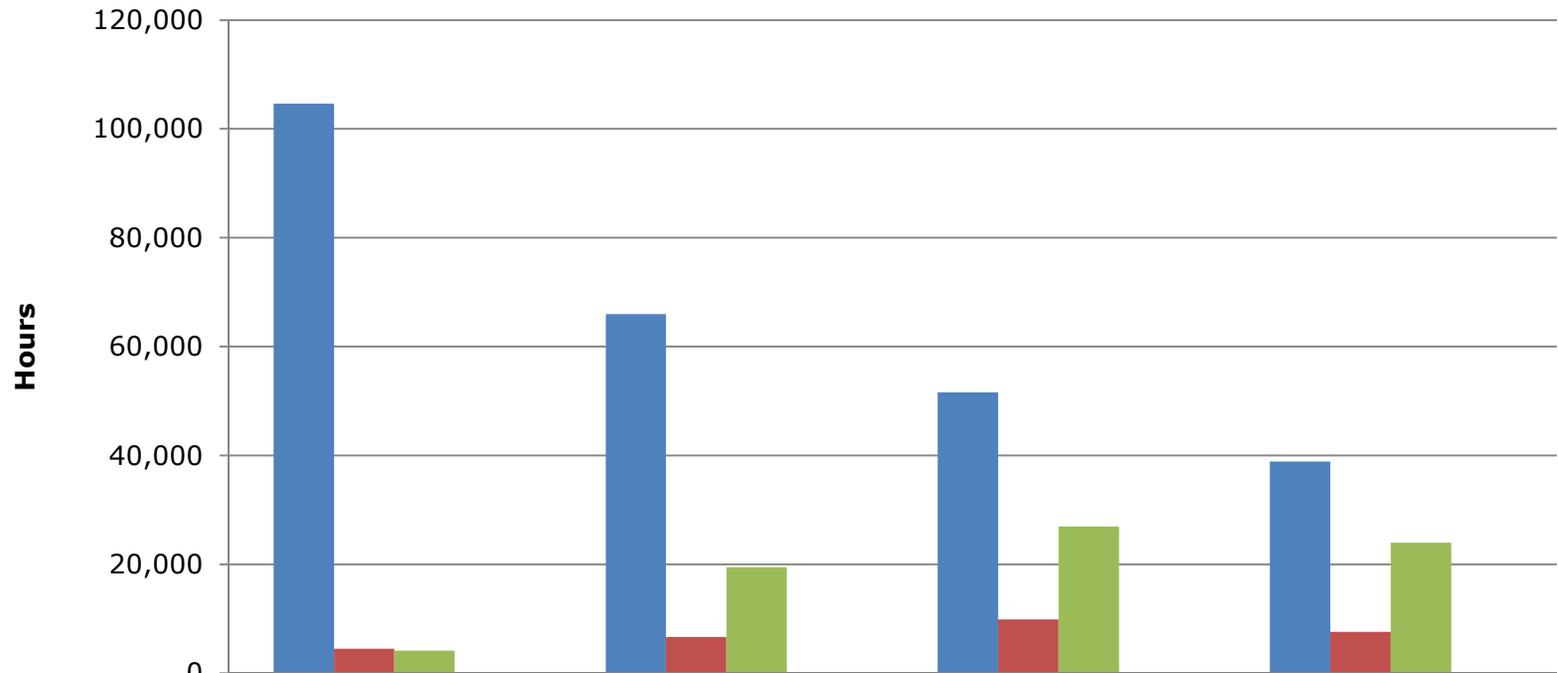
	City	Comp time accrual limit (in hours)
1	Oakland	308
2	City and County of San Francisco	300
3	San Jose	240
4	Los Angeles	150
5	Sacramento	160
6	Fresno	120
7	Bakersfield	100
8	Santa Ana	100
9	San Diego	80
10	Anaheim	80

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

- Officers injured on the job may be placed on workers' compensation for extended periods of time. According to OPD, additional officers cannot be hired to replace officers out on workers compensation. Instead, OPD uses overtime to backfill for officers out on workers' compensation.
- In FY 2010-11, OPD lost 109,095 sworn hours, or the equivalent of 46 FTEs to workers' compensation.
- To its credit, OPD has significantly reduced the number of sworn hours lost due to workers' compensation.
- Workers' compensation hours decreased from a high of 109,095 hours in FY 2010-11 to a low of 46,498 hours in FY 2013-14, a decline of 57%.
- According to OPD, the Workers Compensation Coordinator has helped to transition officers on workers' compensation to either modified or regular duty and to reduce the number of long-term recipients of workers' compensation.

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

Workers' Compensation for OPD Sworn Personnel



	FY 10-11	FY 11-12	FY 12-13	FY 13-14
■ Paid Workers' Comp	104,629	65,974	51,556	38,896
■ Unpaid Workers' Comp	4,466	6,623	9,881	7,602
■ Paid Modified Work	4,147	19,471	26,917	23,935
Total	113,243	92,068	88,354	70,433

Source: City's Payroll Division

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

- To better manage its workers' compensation costs, the Administration has developed a proposal to use a medical provider network (MPN) to provide medical treatment to injured employees.
- A MPN is an entity or group of health care providers set up by an employer and approved by the State.

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

MPN has several advantages to both the City and injured workers:

- An MPN allows for greater cost containment for the City.
- Medical fees associated with the MPN will be capped at 5% below the State's mandated fee schedule.
- Employees will have the benefit of selecting from multiple providers.

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

OPD could benefit from using the MPN:

- Reduced medical fees for employees injured in the line of duty.
- More timely treatment for injured workers, thus allowing them to return to work more quickly and possibly reduce the need for overtime.

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

- According to OPD, it currently lacks a comprehensive training program aimed at preventing officer related injuries.
- Training is a fundamental factor for officer safety. Preventing injuries, and the health and wellness of officers, should be a primary investment for an organization.
- Due to the unique physical demands of the profession, tailoring specific training programs to law enforcement personnel is essential.

OPD HAS REDUCED HOURS LOST TO WORKERS' COMPENSATION BUT MORE CAN BE DONE

- The Municipal Pooling Authority located in Walnut Creek has shown that providing training to officers in the prevention of on-the-job injuries can be a money saver.
- They found an increasing number of injuries resulting in officer downtime and increasing workers' compensation costs primarily due to sprains and strains.
- They implemented a training program to address a variety of officer injuries, which reduced costs associated with these injuries by 70 percent over two years.

ADDITIONAL MANAGEMENT TOOLS WOULD ASSIST OPD IN ITS EFFORTS TO MANAGE OVERTIME

- A key finding of a National Institute of Justice study was that overtime can be controlled through a combination of analysis, recordkeeping, and supervision.
- The study identified enormous differences among local police departments in the attention given to the issue of overtime.
- The study also profiled a police agency that had an information system for monitoring overtime use that tracked hours worked, and dollars paid by organizational unit and function, and disseminated the data to department managers every two weeks.

ADDITIONAL MANAGEMENT TOOLS WOULD ASSIST OPD IN ITS EFFORTS TO MANAGE OVERTIME

- Although OPD has taken actions to manage overtime, additional management tools would significantly aid OPD's efforts. These tools include more comprehensive management reporting and a written overtime plan with strategies for reducing overtime and written targets to measure its progress in reducing overtime.
- OPD does not currently have a written overtime plan with targets to reduce overtime and performance reports to monitor progress toward these targets.
- OPD could improve its efforts to manage overtime by developing and using the following reports.

MANAGEMENT REPORTING COULD BE MORE EFFECTIVE

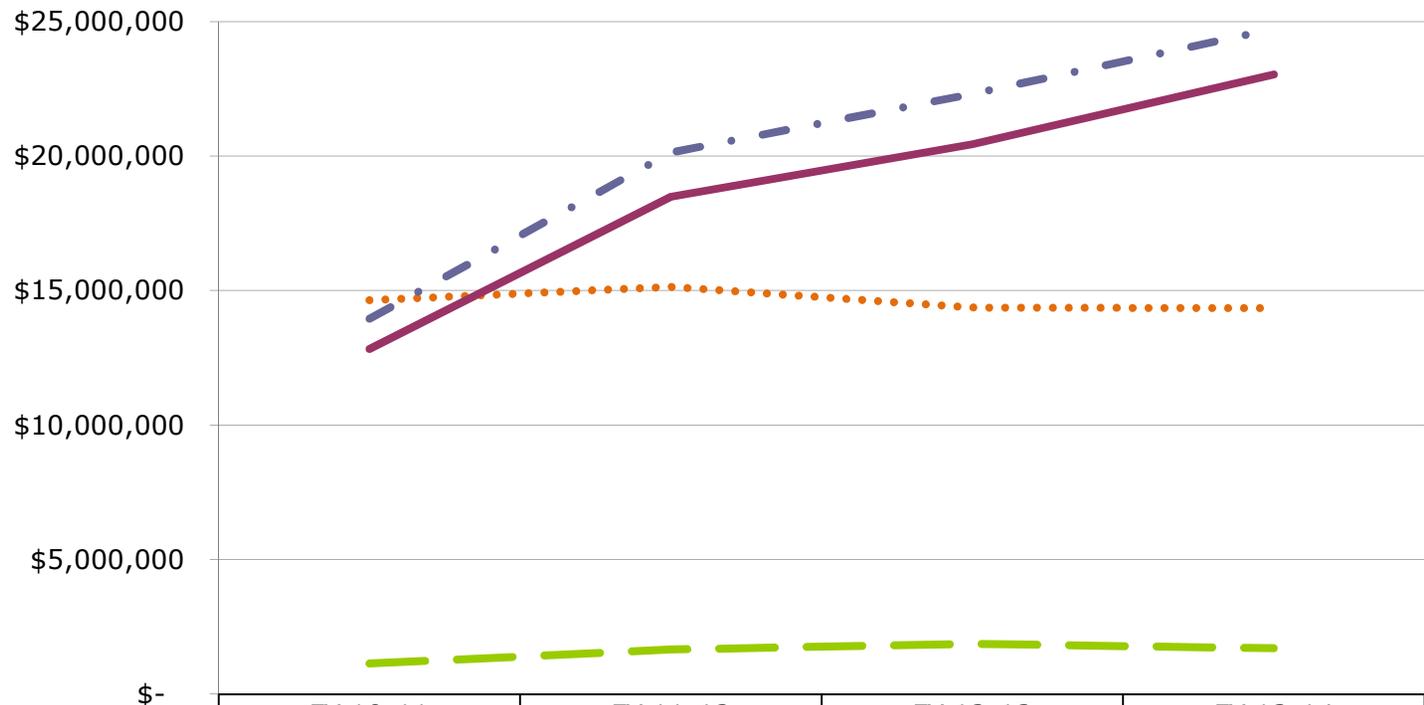
Types of Reports	Produced by OPD
Overtime By Total Expenditures to Date	
Expenditures are compared to budgeted	No
The value of compensatory time is shown/reported	No
Overtime expenditures that do not come from the general fund are reported	Yes
Reimbursable expenditures are reported	No
Patrol districts are sorted from greatest to smallest for total overtime expenditures	No
Overtime By Unit (Patrol, training, internal affairs)	
Previous fiscal year comparison, broken out by category	No
Cumulative from start of fiscal year	Yes
Mandatory overtime is reported similar to all other forms of overtime	No
Overtime By Type (Backfill, extension of shift, special events)	
Previous fiscal comparison, broken out by activity	No
Activities are sorted from greatest to smallest and are grouped by category	No
Overtime By Top Earners	
Ranked from highest earners to lowest	Yes
Ranked by patrol district, by hours and dollars compensated	No
Sorted from highest to lowest within job classification	No
Trending historical comparison of top earners from across previous years	No
Employee compensatory time off reported as hours to date	No

THE CITY HAS NOT REALISTICALLY BUDGETED FOR POLICE OVERTIME

- OPD's overtime expenditures have exceeded its overtime budget for the past three fiscal years.
- Overtime costs exceeded the budget by \$10.4M in FY 2013-14, or 72% more than was budgeted.
- OPD absorbs some of the overtime costs with vacancy savings.
- The City may need to re-appropriate additional monies from the general fund to cover overtime expenses.
- In FY 2012-13, the City re-appropriated an additional \$4.4M from the general fund because expenditures exceeded the original budgeted amount of overtime.

THE CITY HAS NOT REALISTICALLY BUDGETED FOR POLICE OVERTIME

Budgeted v. Actual OT Expenses



	FY 10-11	FY 11-12	FY 12-13	FY 13-14
●●●● Budgeted	\$14,633,037	\$15,137,155	\$14,360,889	\$14,337,189
— OT Paid	\$12,826,337	\$18,489,249	\$20,439,051	\$23,033,570
— Other OT Cash Payments	\$1,127,558	\$1,645,580	\$1,866,072	\$1,693,576
— ● Total actual OT expenses	\$13,953,895	\$20,134,829	\$22,305,123	\$24,727,146

Note: Other OT cash payments includes comp time buyback, comp time cash in lieu, excess comp time payouts, and deferred overtime payout.

Source: City's Payroll Division

Finding 1

Recommendations

1. OPD should develop, implement, and maintain a written overtime management plan that includes overtime targets by organizational unit, regular reports on progress in meeting these targets, and variance reports explaining why the targets were not met.

2. OPD should develop and implement a comprehensive system of management reporting on overtime. These reports should include but not be limited to:
 - Expenditures compared to budgeted
 - The cost of mandatory or special categories of overtime
 - Patrol districts sorted from greatest to smallest for total overtime expenditures
 - Police activities sorted from greatest to smallest and grouped by unit

Finding 1

Recommendations

3. OPD and the Administration should negotiate with the Oakland Police Officers' Association to further reduce the comp time accrual limit.
4. OPD should work with the Administration on the implementation of the Medical Provider Network to improve treatment for injured officers and for reducing the costs associated with officer injuries.
5. OPD should work with the Human Resources Department to develop a comprehensive training program aimed at reducing officer injuries.

Finding 1

Recommendations

6. OPD should work with the Administration to develop an overtime budget to submit to the City Council that reflects realistic estimates of overtime costs, without reducing service levels.
7. OPD should continue to focus on hiring new officers.
8. OPD should form a labor-management committee as required by the MOU to address the issue of rest periods.

FINDING 2

**OPD NEEDS TO TAKE ADDITIONAL
MEASURES TO ENSURE THAT ALL OVERTIME
IS PROPERLY JUSTIFIED AND
COMPENSATED**

IMPROVE CONTROLS OVER PROCESSING OVERTIME FORMS

OPD uses overtime forms to document approval of overtime worked.

Roles and Responsibilities in the Overtime Process

*Creates & submits OT form.
Records OT hours worked into payroll system.*

Police Officer

Reviews & approves OT form and hours recorded in payroll system

Regular Supervisor

Reviews & reconciles OT forms against payroll system data for accuracy

Payroll Coordinator

Processes payroll

Payroll Clerk

Interim Supervisor*

**When overtime is worked for another unit, personnel must obtain signatures from both their regular supervisor and the interim supervisor for whom the overtime was worked.*

IMPROVE CONTROLS OVER PROCESSING OVERTIME FORMS

- Even though the overtime form is a critical internal control because it provides the documentation that the overtime hours charged are appropriate and properly approved, we found that 36% of the 103 overtime forms we sampled for FY 2012-13 were missing.
- Furthermore, one Payroll Coordinator has not documented the review of overtime forms against what is entered into the payroll system for at least 6 months.
- At least two Payroll Coordinators reviewed their own pay, including overtime, clearly violating the principle that an employee's pay should be reviewed and approved by a supervisor.
- Approximately \$571,000 in personnel costs was miscoded from FY 2010-11 to FY 2013-14, including approximately \$235,000 related to overtime. For instance, sworn overtime was miscoded as non-sworn overtime.
 - According to OPD, the current timekeeping system does not allow supervisors to view all fields related to overtime prior to approving timecards.
- Mandatory overtime was implemented in 2012 and is coded as backfill. Therefore, OPD lacks adequate data to identify and track the cost incurred as a result of the decision to mandate overtime.

OPD SHOULD REASSESS SEVERAL QUESTIONABLE PRACTICES

- OPD also allows officers to sell back comp time.
 - Comp time buybacks totaled \$5M over the last four fiscal years.
 - The MOU does not specifically address selling back comp time.
 - OPD lacks written policies for this practice.
- In addition to opting for paid overtime or comp time, the current MOU allows sworn staff to defer overtime and be paid later.
- In the last four fiscal years, OPD has issued over \$3.1M in deferred overtime payments to sworn staff.
- According to OPD staff, the deferred payment process creates an administrative burden to process the deferred overtime payments.
- None of the 9 major cities in California surveyed allow officers to defer overtime payments.

OPD SHOULD REASSESS SEVERAL QUESTIONABLE PRACTICES

Fiscal Year	Comp Time Buyback	Deferred Overtime Payout
10-11	\$779,675	\$570,620
11-12	\$1,338,536	\$793,339
12-13	\$1,516,721	\$890,449
13-14	\$1,371,018	\$883,554
Total	\$5,005,950	\$3,137,962

THE CITY LACKS CLARITY REGARDING EMPLOYEES THAT ARE EXEMPT FROM OVERTIME

- The City is required to comply with the Fair Labor Standards Act (FLSA), including overtime exemption status.
 - This includes ensuring that employees are properly compensated depending on their overtime exemption status.
 - At the time of this audit, the City was unable to provide a complete and up-to-date list of OPD staff that are exempt from overtime compensation.
 - According to Human Resources, the City has not performed a comprehensive review of all job classifications to ensure work duties reflect FLSA exemption criteria requirements.
- City's FLSA policy (AI 124) is outdated.
 - AI 124 cites federal minimum wage to be \$3.35/hour and a 40-hour work week (The City currently has a 37.5-hour work week for non-sworn employees).

Finding 2

Recommendations

9. OPD should develop and implement policies and procedures to ensure that all overtime forms are accounted for and reconciled to overtime claimed, including but not limited to:
 - a. Overtime reconciliation must be consistently performed and documented by payroll coordinators.
 - b. Supervisors should reconcile payroll coordinators' overtime forms to ensure all overtime forms are accounted for.
10. OPD should negotiate with the OPOA to eliminate the provision that allows sworn staff to defer overtime payments.
11. OPD should discontinue the informal practice of buying back comp time.

Finding 2 Recommendations

12. The Administration should update Administrative Instruction 124 to reflect current FLSA regulations, including but not limited to reviewing job duties against FLSA exemption criteria requirements and clearly indicating FLSA exemption status for all City positions.

FINDING 3

**OPD NEEDS TO RECOVER OVERTIME COSTS
FROM SPECIAL EVENTS IN A MORE TIMELY
MANNER**

OPD NEEDS TO RECOVER OVERTIME COSTS FROM SPECIAL EVENTS IN A MORE TIMELY MANNER

- Officers work paid overtime to provide security at events such as Oakland Raiders and A's games, parades, and concerts. In FY 2012-13, OPD invoiced \$2.9M in overtime costs for special events.

- Municipal Code 9.52.120 requires payment prior to the event:

“Prepayment of fees. Before a special event permit may be issued the Chief of Police shall provide the applicant with a statement of the estimated cost of providing extra police officers for the event. The applicant/sponsor shall be required to pay these fees at a minimum two weeks in advance of the event.”

OPD NEEDS TO RECOVER OVERTIME COSTS FROM SPECIAL EVENTS IN A MORE TIMELY MANNER

- OPD lacks written policies and procedures for obtaining reimbursements for special events.
- OPD's fiscal practices are inconsistent and do not comply with the Municipal Code.
 - Occasionally OPD obtains a deposit.
 - Most of the time OPD invoices for the overtime worked after the event.

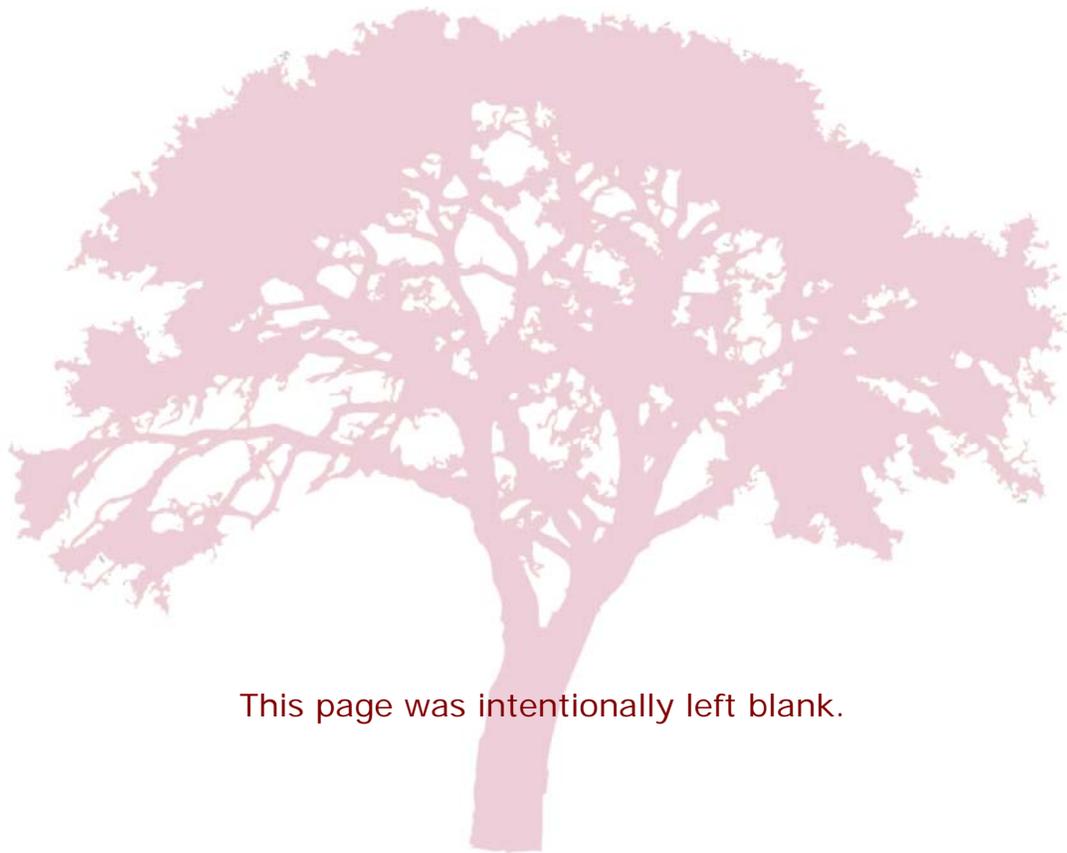
OPD NEEDS TO RECOVER OVERTIME COSTS FROM SPECIAL EVENTS IN A MORE TIMELY MANNER

- OPD does not issue invoices in a timely manner
 - Between July 1, 2013 and December 31, 2013, invoices were issued on average more than two months after the event.
 - Several invoices totaling nearly \$56,000 were issued four months after Oakland A's baseball games.
- OPD does not always receive payments in a timely manner
 - Payments were received on average 45 days after the invoice was issued, 15 days after payment was due.
 - Five payments for Oakland Raiders' games totaling over \$500,000 were received more than a year after the invoice date.

Finding 3

Recommendations

13. OPD should develop and implement written policies and procedures to ensure that invoices and payments for special events are processed in a timely manner and in accordance with the Municipal Code which requires that the costs be paid prior to the special event.



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Office of the City Administrator
January 9, 2015

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The Honorable Brenda Roberts
Oakland City Auditor
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

RE: Police Overtime Audit for Fiscal Year 2012-13

Dear City Auditor Roberts:

I am pleased to provide you with the City Administration's response to the Police Overtime Audit for Fiscal Year 2012-13. The Administration and the Oakland Police Department (OPD) welcome audits to improve efficiency, effectiveness, and the safeguarding of taxpayer dollars.

As mentioned in the audit report, OPD's overtime has been impacted by many factors including, but not limited to staff reductions (the City went from 830 sworn staff in 2009 to 613 sworn staff in 2013) and the need to respond to ongoing, significant events, such as protests. As a result, in October 2012 the City implemented mandatory overtime.

Since the period covered by the audit, July 1, 2012 through June 30, 2013, many positive changes have been made within the Oakland Police Department concerning overtime. For example, in May 2014, OPD froze transfers out of patrol units to help curb the need to backfill required patrol shifts with officers working overtime. Commanders and managers are also now regularly informed of their unit's overtime expenditures as compared to monthly budgeted amounts, and other practices and systems are being examined for opportunities to improve accountability and efficiency. Further, mandatory overtime ended October 31, 2014*.

Attached to this cover letter is the Administration's detailed response to each of the audit findings, including efforts already underway in OPD to address the recommendations. For the recommendations involving union negotiations, the City will bring these recommendations to the table in negotiations for the upcoming labor contract, however, the issues raised in the recommendations must be addressed as part of the larger context of providing competitive compensation for Oakland's sworn personnel.

Sincerely,


Henry Gardner
Interim City Administrator

CC: Sean Whent, Chief, Oakland Police Department
Osborn Solitei, Finance Director/Controller

Attachments: Attachment A – Detailed Response to the Police Overtime Audit Recommendations

*This statement seemingly contradicts page 15 of the report, which states that OPD anticipates ending mandatory overtime in March 2015. According to a department official, OPD anticipates officially ending mandatory overtime in March 2015; however, OPD has not mandated overtime since October 2014, when additional officers were hired.

Attachment A: City Administration’s Response to Police Overtime Audit Recommendations

	Audit Recommendation	Administration’s Response
1	<p>OPD should develop, implement, and maintain a written overtime management plan that includes overtime targets by organizational unit, regular reports on progress in meeting these targets, and variance reports explaining why the targets were not met.</p>	<p>The Administration agrees with the recommendation.</p> <p>Staff will develop, implement and maintain a written overtime management plan. Currently, command staff is provided with an overtime budget/target for his/her unit. If the unit exceeds its overtime budget, the commander over the unit submits a memo explaining the contributing factors that led to the overspending.</p>
2	<p>OPD should develop and implement a comprehensive system of management reporting on overtime. These reports should include but not be limited to:</p> <ul style="list-style-type: none"> • Expenditures compared to budgeted • The cost of mandatory or special categories of overtime • Patrol districts sorted from greatest to smallest for total overtime expenditures • Police activities sorted from greatest to smallest and grouped by unit 	<p>The Administration agrees with the recommendation.</p> <p>As of February 2014, the monthly overtime report was distributed to command staff and posted on the shared drive. In July 2014, the format of the report was modified to include:</p> <ul style="list-style-type: none"> • Expenditures compared to budget by unit • Projection of overtime usage for the fiscal year <ul style="list-style-type: none"> ○ Over/under projection for the fiscal year ○ Percentage of overage for units projected to overspend • Special categories of overtime (such as special events, protests, and bicycle patrol) for events costing over \$40,000. <p>The current monthly overtime report is a comprehensive report that contains seven tabs in an excel workbook, which provides command staff various ways to view and manage overtime. Also, three of the seven tabs contain pivot tables, which allow staff to select more or less fields to capture the information he/she is seeking.</p> <p>An effort to sort patrol districts and police activities from greatest to smallest amounts of overtime will be undertaken.</p> <p>There is currently no way to track mandatory overtime. Staff will seek guidance from the City of Oakland Finance Department Payroll Unit to determine if a new pay element can be created to capture hours associated with mandatory overtime. However, mandatory overtime ended October 31, 2014.</p>

Attachment A: City Administration’s Response to Police Overtime Audit Recommendations

3	OPD and the Administration should negotiate with the Oakland Police Officers’ Association to further reduce the comp time accrual limit.	<p>The Administration partially agrees with the recommendation.</p> <p>Oakland Police Department command and management staff understands the recommendation. However, reducing the limit must be addressed in the context of providing competitive compensation for Oakland’s sworn personnel. This recommendation will be discussed as part of the negotiations in the upcoming labor contract.</p>
4	OPD should work with the Administration on the implementation of the Medical Provider Network to improve treatment for injured officers and for reducing the costs associated with officer injuries.	<p>The Administration agrees with the recommendation.</p> <p>The Human Resources Management Department is implementing a Medical Provider Network (MPN) for workers’ compensation medical treatment effective January 1, 2015. The Oakland Police Department has also taken steps in addressing lost time due to on-the-job injuries. A dedicated OPD staff member was hired in November 2012 to address this issue. Since her appointment, the number of sworn personnel that are off work due to on-the-job injury has been significantly reduced. Workers Compensation hours have decreased from 109,095 hours in Fiscal Year 2010-11 to 46,498 hours in Fiscal Year 2013-14.</p>
5	OPD should work with the Human Resources Department to develop a comprehensive training program aimed at reducing officer injuries.	<p>The Administration agrees with the recommendation.</p> <p>The Oakland Police Department will engage in a process to provide sworn staff with additional training aimed at reducing injuries. The appointment of a dedicated staff member in the OPD Personnel Division in November 2012 to address staff medical concerns has greatly reduced the number of sworn personnel off work due to on-the-job injuries.</p>
6	OPD should work with the Administration to develop an overtime budget to submit to the City Council that reflects realistic estimates of overtime costs, without reducing service levels.	<p>The Administration agrees with the recommendation.</p> <p>OPD staff and the City Administration have discussed the development of overtime estimates, based on current and historical overtime usage tied to OPD’s service level. The overtime budget recommendations will be presented in conjunction with OPD staffing and levels, service levels, to the City Council as part of the FY 15-17 biannual budget development process; it will be also take into consideration in the context of available resources and other City service requirements. It should be noted that police service demand may change due to unforeseen circumstances. In both, FY 2013-14 and FY 2012-13, the overtime budget was reviewed and modified in the 2nd and 3rd</p>

Attachment A: City Administration’s Response to Police Overtime Audit Recommendations

		quarters. As a result, OPD was able to meet its overall budgetary targets following mid-year adjustments.
7	OPD should continue to focus on hiring new officers.	<p>The Administration agrees with the recommendation.</p> <p>The Oakland Police Department received direction from the City Council through the City Administrator’s Office to maintain full staffing. This direction was provided in Resolution No. 84767 C.M.S., which established a full staffing policy as of December 10, 2013. From 2013 through 2014, OPD has completed five (5) academies, adding a total of 191 new officers. In October 2014, OPD reached 718 sworn personnel. In November 2014, Oakland voters passed Measure Z, which requires the City to maintain a minimum of 678 sworn police personnel with some exceptions, effective July 1, 2016.</p> <p>OPD staff provides a monthly report on staffing to the Public Safety Committee. Included in this report are details on recruitment and hiring efforts. This report currently includes projections for 2015 and proposed strategies to meet any projected staffing shortfall.</p>
8	OPD should form a labor-management committee as required by the MOU to address the issue of rest periods.	<p>The Administration agrees with the recommendation.</p> <p>The current practice is to provide no fewer than eight hours between shifts. OPD management attempts to provide a minimum of ten hours between shifts whenever possible. Since the objective of the Labor Management Committee Regarding Rest Periods (per the MOU) is “eight (8) hour rest being guaranteed,” it appears that the purpose of the Labor Management Committee is already being met. OPD will reach out to the OPOA to reconvene and discuss this topic.</p>
9	<p>OPD should develop and implement policies and procedures to ensure that all overtime forms are accounted for and reconciled to overtime claimed, including but not limited to:</p> <ul style="list-style-type: none"> a. Overtime reconciliation must be consistently performed and documented by payroll coordinators. b. Supervisors should reconcile payroll 	<p>The Administration partially agrees with the recommendation.</p> <p>The Oakland Police Department will explore improved technologies that will allow for policies and procedures to achieve:</p> <ul style="list-style-type: none"> a. Consistent overtime reconciliation that is performed and documented by payroll coordinators. b. The ability of supervisors to reconcile payroll coordinators’ overtime forms to ensure all overtime forms (or electronic equivalent) are accounted for.

Attachment A: City Administration’s Response to Police Overtime Audit Recommendations

	<p>coordinators’ overtime forms to ensure all overtime forms are accounted for.</p>	<p>The expectation will be that overtime forms are reconciled against each coordinator’s batch and documented closure of the reconciliation is to be noted and resolved within two pay periods after each payroll close. OPD Payroll staff will further produce a monthly problem report with individuals’ names and missing documents. This report will be provided to OPD commanders and managers, allowing commanders and managers to address ongoing issues with supervisors.</p> <p>However, the additional audit and reconciliation process will have an impact on the current staffing level. An additional payroll clerk is necessary to implement the additional measures and to address the already high volume of work. OPD will request an additional payroll clerk position as part of the FY 2015-17 Biannual Budget process.</p>
10	<p>OPD should negotiate with the OPOA to eliminate the provision that allows sworn staff to defer overtime payments.</p>	<p>The Administration partially agrees with the recommendation.</p> <p>Oakland Police Department command and management staff understands the recommendation. However, this recommendation must be addressed in the context of providing competitive compensation for Oakland’s sworn personnel. This recommendation will be discussed as part of the negotiations in the upcoming labor contract.</p>
11	<p>OPD should discontinue the informal practice of buying back comp time.</p>	<p>The Administration partially agrees with the recommendation.</p> <p>Oakland Police Department command and management staff understands the recommendation. However, eliminating this past practice must be addressed in the context of providing competitive compensation. This recommendation will be discussed as part of the negotiations in the upcoming labor contract.</p>
12	<p>The Administration should update Administrative Instruction 124 to reflect current FLSA regulations, including but not limited to reviewing job duties against FLSA exemption criteria and clearly indicating FLSA exemption status for all City positions.</p>	<p>The Administration agrees with the recommendation.</p> <p>The Administration will update AI 124 to reflect current FLSA requirements and include a review of job duties against FLSA exemption criteria. It should be noted that the City does evaluate FLSA exemption criteria (standards and requirements) when classifications are initially established. Currently, the job specifications that the City has determined to be exempt from earning overtime per FLSA are management classifications. As such, the City’s management employees are ineligible for overtime but are compensated with management leave. Exemption status is coded into the City’s</p>

Attachment A: City Administration’s Response to Police Overtime Audit Recommendations

		<p>payroll system. Further, the City is working on a plan to re-examine classifications whose working duties appear to have changed over time.</p>
<p>13</p>	<p>OPD should develop and implement written policies and procedures to ensure that invoices and payments for special events are processed in a timely manner and in accordance with the Municipal Code which requires that the costs be paid prior to the special event.</p>	<p>The Administration partially agrees with the recommendation.</p> <p>The Oakland Police Department command and management staff will develop written policies and procedures for special events that ensure invoices and payments are processed in a timely manner. Once the policies and procedures are final, staff will distribute the new policy internally and externally and train all staff involved with special event permits, invoices, and payments.</p> <p>One of the difficulties to consider is that requiring prepayment of special event costs is administratively burdensome in an organization that is understaffed. Actual costs vary from initial estimates as Police personnel earn various pay rates and specialty pay. Requiring both an invoice/payment of an estimate and then reconciling such costs and invoicing the difference doubles the amount of work for OPD.</p> <p>The Administration will work with OPD to weigh the options of how to best proceed with invoicing special events, taking into consideration the language of the current Municipal Code and current staffing levels.</p>