

**Date:** November 1, 2019

**To:** Patrick A. Duhaney, City Manager

**From:** Lauren Sundararajan, CFE, Internal Audit Manager *LS*

**Copies to:** Internal Audit Committee  
Christopher A. Bigham, Assistant City Manager  
Roy E. Winston, Fire Chief

**Subject:** **Cincinnati Fire Department Overtime Audit**

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Attached is the Cincinnati Fire Department (CFD) Overtime audit report. The primary objective of this performance audit was to assess the internal controls governing CFD's administration and use of overtime (including compliance with CFD collective bargaining agreement requirements related to overtime). This audit was conducted as part of the current audit agenda.

We would like to thank the management and staff of the Cincinnati Fire Department for their assistance and cooperation during this audit.

If you need any further information, please contact me.

Attachment

# Cincinnati Fire Department Overtime Audit

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November 2019



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## Executive Summary

Internal Audit (IA) conducted a performance audit of the Cincinnati Fire Department's (CFD) overtime process. The primary audit objective was to assess the internal controls governing CFD's administration and use of overtime (including compliance with CFD collective bargaining agreement requirements related to overtime).

According to CFD's *2016-2019 Labor-Management Agreement*, "All members of CFD shall receive monetary overtime or compensatory time<sup>1</sup> for official duties performed on their scheduled off-time."<sup>2</sup> This may be due to special events, court appearances, hearings, meetings, trainings, investigations, or staffing for fire suppression. The primary driver for CFD's overtime expenses is staffing for fire suppression which accounted for approximately 92% of the department's overtime expenditures during fiscal years (FY) 2017 through 2019.

The audit revealed several opportunities for strengthening the internal controls governing CFD's administration and use of overtime. Oversight of the overtime budget is decentralized as many of the monitoring processes are being performed by multiple individuals across multiple City of Cincinnati (City) departments. Having these processes decentralized creates duplicate work being performed which does not provide assurance that all components of the overtime budget are being adequately monitored. Additionally, this creates a lack of ownership of information that would hinder a third party from reviewing the integrity of the fiscal oversight.

In addition, IA discovered that timekeeping software is limited in its effectiveness and accessibility. For example, scheduling, assigning, and approving overtime is heavily burdened with multiple points of approval and much of it is restricted to hard copy formats. Additionally, the software does not sync with the City's payroll processing software and cannot be accessed remotely. Further, the timekeeping software allows room for errors and overtime submissions that do not align with department policies.

In an effort to strengthen internal controls governing CFD's administration and use of overtime, IA recommends centralizing oversight of the overtime budget. This would establish ownership of fiscal oversight information and data, and ensure processes are adequately monitored. Additionally, IA recommends that timekeeping software be configured to streamline the overtime assignment processes, ensure limitations posed by timekeeping software are addressed, and implement software parameters that would restrict overtime hour submissions that did not align with department policies.

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<sup>1</sup> Note: IA did not review compensatory time for this audit since it is tracked separately and is not included in the overtime budget.

<sup>2</sup> "Fire Contract (2016 – 2019)." City of Cincinnati. <https://www.cincinnati-oh.gov/hr/labor-relations/fire-contract-2016-2019/> (accessed October 4, 2019).

## I. Introduction

### Background

CFD was established in 1853 and is the nation's oldest paid professional fire department. CFD provides a full range of fire and emergency medical services, serving a resident population of approximately 302,605.<sup>3</sup> These fire and emergency medical services include fire suppression, first responder emergency medical services, Advanced Life Support (ALS) transport, arson investigations, fire prevention, hazardous devices, and hazardous material incident responses.

As of December of 2018, CFD employed approximately 865 full time employees. Of the 865 total employees, there were 824 sworn officers and 41 civilians. Within CFD, employees are classified as either 40-hour or 48-hour employees. Forty-hour employees include all civilian employees and sworn officers who may serve as trainers, arson investigators, district chiefs, assistant fire chiefs, and fire chief. All 48-hour employees are sworn officers who work in fire suppression.

Sworn officers who are 40-hour employees generally work four ten-hour days per week. Sworn officers on the 48-hour schedule are organized into three units that rotate daily among the department's 26 fire stations. The unit on duty is required by contractual obligation to maintain a minimum suppression strength of 193 sworn officers. These sworn officers work one 24-hour shift followed by two 24-hour shifts off when the other units are on duty.

According to CFD's *2016-2019 Labor-Management Agreement*, "All members of CFD shall receive monetary overtime or compensatory time for official duties performed on their scheduled off-time."<sup>4</sup> This may be due to special events, court appearances, hearings, meetings, trainings, investigations, or staffing for fire suppression. The primary driver for CFD's overtime expenses is staffing for fire suppression, which occurs when any rotational shift does not meet the 193 sworn officer threshold. For FY 2017 through FY 2019, fire suppression accounted for approximately 92% of the department's overtime expenditures.

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<sup>3</sup> "U.S. Census Bureau Quickfacts: Cincinnati City, Ohio." <https://www.census.gov/quickfacts/cincinnati-city-ohio> (accessed September 27, 2019).

<sup>4</sup> "Fire Contract (2016 – 2019)." City of Cincinnati. <https://www.cincinnati-oh.gov/hr/labor-relations/fire-contract-2016-2019/> (accessed October 4, 2019).

### **Audit Selection**

IA conducted this audit in accordance with the Audit Work Plan.

### **Audit Objective**

Assess the internal controls governing CFD's administration and use of overtime (including compliance with CFD collective bargaining agreement requirements related to overtime).

### **Audit Scope and Methodology**

In order to achieve the prior objective, IA analyzed overtime data, reviewed payroll records and database systems, examined authorization forms, reviewed documented policies and procedures, sought verification of actions through documented reports, and interviewed appropriate staff. Records reviewed included overtime data incurred during the period of FY 2017 through FY 2019. IA also reviewed applicable federal, local and state requirements, the Cincinnati Municipal Code, labor-management agreements, and other applicable guidelines.

### **Statement of Auditing Standards**

As required by the Cincinnati Administrative Code Article II §15, this audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), except for standard 3.96 pertaining to external peer review requirements. This exception did not have a material effect on the audit.

IA continues to conduct internal quality reviews to assure the conformance with applicable GAGAS. IA performed the fieldwork between June and September of 2019.

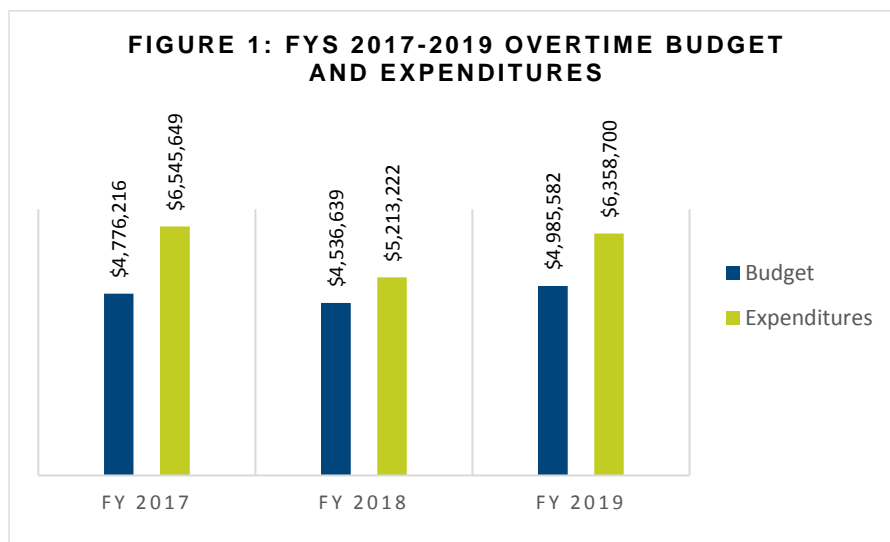
### **Commendations**

IA commends the staff of the Cincinnati Fire Department for their cooperation throughout the audit.

## II. Audit Findings and Recommendations

*Internal controls of overtime expenditures need strengthening.*

Monitoring and tracking CFD's overtime expenditures is a key internal control that ensures resources are properly managed and used appropriately. These processes are essential since CFD's overtime expenditures can be unpredictable and difficult to forecast due to the complexity of maintaining a minimum fire suppression threshold in conjunction with leaves of absence. For example, for FY 2017 through FY 2019, CFD overtime expenditures went over their budget an average of \$1,273,045 (27%). Figure 1 below depicts FY 2017 through FY 2019 overtime budget and expenditures:



*Source: data provided by the City's Budget Office*

Although CFD does have a Finance Division that oversees the department budget, IA found they only oversee a small component of the overtime budget. This oversight is limited to overtime expenditure tracking and lacks the proper controls needed to sufficiently monitor overtime spending.

For example, IA determined that reconciliations and budget analyses of overtime summary data reports are not being performed. IA reviewed these reports from FY 2017 through FY 2019, which consist of numeric data pulled from three separate IT systems. Collectively, these systems produce data that allows the Finance Division to track the overtime expenditures after each pay period. However, IA found that none of the data provided after each pay period was properly reconciled or analyzed. Since reconciliations are a key internal control of accounting that ensure balances in the accounting systems match up with balances held by other entities, the absence of this internal control can allow errors or discrepancies to occur without being corrected.

Additionally, while the Finance Division does perform some overtime expenditure tracking, oversight of the overtime budget is decentralized as many of the monitoring processes are being performed by multiple individuals across multiple City departments. For example, analysts working in the Budget Office and the Office of Performance Data and Analytics (OPDA) also monitor overtime expenditures, overtime usages, and leave types based upon the data pulled from CFD's timekeeping software. These tasks are coordinated in conjunction with the Assistant

Fire Chief of the Operations Division who monitors fire suppression overtime hours and expenditures and compares them to historical data and trends. Having these processes decentralized creates duplicate work being performed. Also, it does not provide assurance that all components of the overtime budget are being adequately monitored.

Because the processes involved with overseeing the overtime budget are decentralized, IA experienced difficulties in gathering information and data that would assist a third party in understanding the budget oversight process. This often led to IA being unable to determine which individuals would be best to obtain data from for testing purposes. These issues highlight that there is no ownership of information as it relates to fiscal oversight of the overtime budget.

Finally, CFD does not have a strong policy in place to actively reduce or curb overtime usage. IA was informed that the only active policy CFD currently uses to curb overtime usage is to offer counseling sessions to any employee who uses more than 120 hours of sick leave—since this is an unscheduled leave of absence that results in another sworn officer earning overtime in order to cover the shift. Overall, IA recognizes that it is very difficult to reduce overtime due to maintaining a minimum fire suppression threshold. However, a lack of internal controls leads to inadequate financial planning for the department.

**Recommendation 1:** Perform reconciliations after each pay period to eliminate errors and discrepancies in the overtime process. Additionally, perform budget analyses of the overtime summary reports to assist with budgetary forecasting.

**Department Response:** Agree. As a result of Fire Finance's latest senior accountant hire, we have re-instituted reconciliation of the overtime data, to further investigate unusual transactions and discrepancies.

We will continue to analyze the overtime summary reports to forecast overtime for the remaining periods of the fiscal year.

**Recommendation 2:** Centralize oversight of the overtime budget.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. Since a variety of systems are used the data at times can become inconsistent. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. The Finance Office will be used to serve as the lead area for this project. I will work with Finance to have reporting structure in place by January 2020.

**Recommendation 3:** Establish a policy with CFD administrators to proactively reduce the cost of overtime spent each fiscal year.

**Department Response:** Disagree. The department feels that the Procedures Manual and the Union Contract establish policy that the department is guided by. Overtime is generated by vacancies that occur primarily among the suppression ranks which must maintain 193 uniform members per day. The administration and its members strive to follow and adhere to the guidelines contained in each. SWP conferences are held annually with members who are viewed as high users and SWP note is followed under the contract.

*The process of scheduling, assigning, and approving overtime is inefficient.*

Fire suppression overtime is voluntary for sworn personnel and requires they commit to a full 24-hour or partial 12-hour shift. This type of overtime is specific to fire suppression and is allocated to sworn personnel with the least amount of overtime (cumulative of the past three years), provided a specific certification or officer rank is not needed to fill the shift vacancy. This ensures that overtime is equitably distributed to all sworn personnel.

The District Four district fire chiefs are tasked with the process of assigning overtime for each shift for all the districts within CFD. This process involves cross referencing vacancy needs across all of the districts with eligible sworn personnel who volunteered for overtime for that particular shift. Once a tentative overtime schedule has been made for the upcoming shift, it is sent to district chiefs of the other three districts for any needed adjustments. From there, it may go back and forth between district chiefs before it is finalized the day of the planned shift. IA reviewed this process and found it to be time consuming, tedious, and involving multiple hard copy forms that create an inefficient process.

Approval of overtime after it has been completed is also heavily burdened with multiple points of approval needed in order to complete the process. For example, a sworn officer submitting hours for overtime worked, must receive approval from their superior officer, their district chief, the Operations Division's District Chief, and finally, administrative staff before the overtime can be processed for payroll. Although this process ensures that there are strong internal controls in place and that any misuse of overtime is prevented, it can also delay approval of overtime and impact timely payroll processing for administrative staff.

**Recommendation 4:** Management should streamline the overtime process. This could be accomplished by configuring timekeeping software to limit the amount of time and volume of paperwork processed by staff performing administrative functions.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. Since a variety of systems are used the data at times can become inconsistent. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. Kronos should bring efficiencies in terms of personnel needed for payroll process, reduce human error, and work to streamline the overall overtime and payroll process. I will work with all divisions of the department to have reporting structure in place when Kronos is connected to CHRIS system and implemented.

*Timekeeping software poses limitations for efficient payroll processing.*

CFD utilizes an internal software system called Personnel Management System (PMS) to track overtime, types of leave, employee shift trades, firehouse assignments, personnel information and case history. PMS was developed internally by CFD's IT personnel and is accessed by CFD employees through the department's intranet. PMS also serves as CFD's primary source for extracting payroll data, which is exported to a payroll report at the close of each biweekly pay period. This payroll report is then used for reference to manually enter payroll data into the Cincinnati Human Resource Information System (CHRIS)—which functions as the City's primary payroll processing system. Since CHRIS is a Citywide database that is designed to align with a 40-hour work week, it is not customized to accommodate the nuances of CFD's 48-

hour shifts and overtime. As a result, overtime is initially entered into PMS as it serves as the primary tracking mechanism.

Manual entry of payroll data into CHRIS must be performed since PMS cannot be synced with CHRIS. Although this process ensures that payroll processing is completed on a biweekly basis, it is cumbersome, inefficient, and creates unnecessary and duplicate work. For example, IA was informed through employee interviews that manually entering all data into CHRIS can be tedious since the department has over 800 employees who each require a separate entry. This results in a significant amount of time being devoted to this task.

Additionally, since PMS is designed specifically for CFD, different overtime coding is used which does not align with CHRIS overtime coding. The payroll report that is generated from PMS is programmed to automatically convert PMS overtime codes to CHRIS overtime codes, so that this step is eliminated for the employees who perform the manual entry of payroll processing. However, IA was informed by these employees that PMS regularly generates incorrect overtime codes. This creates additional work for these employees to obtain the proper pay code that is needed.

Further, PMS is unable to track overtime of all of CFD's employees. Currently, arson investigators' time is not tracked by PMS because of the system's current configuration. Instead, the supervisor overseeing the arson investigators is responsible for manually tracking the overtime hours in a spreadsheet and then submitting the spreadsheet for payroll processing. This must be referenced along with the PMS-generated payroll report, which creates additional steps for processing payroll and further room for errors. Also, separate methods used to track overtime hours made it difficult and time-consuming for IA to accurately review, amounting to several weeks being devoted to testing the amount of overtime worked by the department.

**Recommendation 5:** Management should address limitations posed by PMS and determine if timekeeping software has the capabilities to sync with the CHRIS system and track arson investigators' overtime.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. Since a variety of systems are used the data at times can become inconsistent. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. Kronos is capable to handle the unique nature of arson investigators' overtime. I will work with all divisions of the department to have reporting structure in place when Kronos is connected to CHRIS system and implemented.

*Timekeeping software is not configured to control for scheduling restrictions and allows room for hourly errors.*

IA sought to review employee overtime data within PMS to determine the degree of adherence to departmental policies and identify any other extraneous errors or overtime abuse. IA specifically focused on the departmental policy that restricts sworn officers from working more than 48 hours straight. This same policy also states that at least 12 hours must be taken off after a sworn officer has worked these 48 hours.

Testing focused on FY 2017 through FY 2019. Out of a total of 919 employees who accumulated overtime during the three-year testing period, IA tested the ten employees who

accumulated the most overtime hours. IA found that there was a total of seven instances recorded in PMS of employees working more than 48 hours straight. In addition, IA also noted that there were 19 instances recorded in PMS of employees working 25 hours or more within a 24-hour day.

Although these instances could be attributed to errors or limitations within the configuration of the software, IA could not confirm why they existed. Regardless, the occurrence of recorded hours of overtime that does not align with departmental policy and the occurrence of errors signifies there is room for improvement in the configuration of the software. Further, without these proper controls in place that would restrict timekeeping entry errors, there exists the potential for abuse of overtime that is entered into the system.

**Recommendation 6:** Management should ensure that timekeeping software be programmed with parameters that would restrict overtime hour submissions that did not align with department policies. For example, the program should be set up to deny an employee overtime if it includes more than 24 hours in one day or more than 48 hours consecutively worked.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. While we believe that this is a rare occurrence Kronos will provide additional measures to ensure that this situation does not occur. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. I will work with all divisions of the department to have reporting structure in place when Kronos is connected to CHRIS system and implemented.

*There is room for improvement in the timely submission of form 212.*

In order to receive compensation for overtime worked, CFD employees are required to submit a form 212. CFD has a verbal policy in place that a form 212 for overtime that has been worked must be submitted within two weeks of when the overtime was worked. IA reviewed payroll reports for pay periods 1-13 of calendar year 2019 and found there were 1,756 late submissions of form 212, in total. Of these late submissions, a total of 1,609 (92%) were submitted one pay period late, which is not considered significant. However, there were a total of 147 (8%) late submissions that were two or more pay periods late. Further, IA found a total of six that were more than six pay periods late, of which four of these submissions were for overtime worked during a previous fiscal year. Figure 2 below depicts the total number of late submissions that were submitted either two pay periods or later:

<b>Pay Period (PP)</b>	<b>Two PPs late</b>	<b>Three PPs late</b>	<b>Four PPs late</b>	<b>Five PPs late</b>	<b>Six PPs Late</b>	<b>Other</b>	<b>Total</b>
PP1	4	0	0	0	0	0	4
PP2	6	0	0	1	22	4	33
PP3	4	0	1	0	0	0	5
PP4	7	0	0	0	0	0	7
PP5	3	1	0	0	0	0	4
PP6	8	2	4	0	0	0	14
PP7	2	1	0	1	0	0	4
PP8	3	0	0	0	0	0	3
PP9	7	5	2	1	0	0	15
PP10	2	2	2	0	0	0	6
PP11	6	1	0	0	0	0	7
PP12	6	10	5	5	3	1	30
PP13	8	0	3	2	1	1	15
<b>Total</b>	<b>66</b>	<b>22</b>	<b>17</b>	<b>10</b>	<b>26</b>	<b>6</b>	<b>147</b>

Figure 2: Late submissions of form 212s.

Late submission of these forms can create extra work for administrative staff who are tasked with entering payroll data who must ensure that hours are entered in retroactively. Additionally, a significant delay in the submission of overtime worked can adversely impact the current fiscal year's budget when the overtime occurred in a previous fiscal year. This ultimately can create disruptive processes for payroll and may impact the overtime budget if not submitted in a timely manner.

**Recommendation 7:** Timely submission policies of form 212 should be documented and management should work to ensure that all forms are submitted in compliance with this policy.

**Department Response:** Disagree. The department feels that a policy exists within the Procedures Manual and overtime system to establish a policy that the department is guided by. In addition, since overtime is pensionable overtime compensation has limits when it has to be submitted. We will examine approval system which is where we believe delays occur since we have 3 to 4 sign offs for the approval of overtime. The administration and its members strive to follow and adhere to the guidelines contained in each.

### III. Conclusion

The Cincinnati Fire Department provides a full range of fire and emergency medical services, which include fire suppression, first responder emergency medical services, Advanced Life Support (ALS) transport, arson investigations, fire prevention, hazardous devices, and hazardous material incident responses. According to CFD's *2016-2019 Labor-Management Agreement*, "All members of CFD shall receive monetary overtime or compensatory time for official duties performed on their scheduled off-time."<sup>5</sup>

The audit revealed several opportunities for strengthening the internal controls governing CFD's administration and use of overtime. Oversight of the overtime budget is decentralized as many of the monitoring processes are being performed by multiple individuals across multiple City departments. In addition, IA discovered that timekeeping software is limited in its effectiveness and accessibility and allows room for errors and overtime submissions that do not align with department policies.

In an effort to strengthen internal controls governing CFD's administration and use of overtime, IA recommends centralizing oversight of the overtime budget. This would establish ownership of fiscal oversight information and data, and ensure processes are adequately monitored. Additionally, IA recommends that timekeeping software be configured to streamline the overtime assignment processes, ensure limitations posed by timekeeping software are addressed, and implement software parameters that would restrict overtime hour submissions that did not align with department policies.

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<sup>5</sup> Ibid.

#### **IV. Cincinnati Fire Department Response**

**Recommendation 1:** Conduct monthly or annual reconciliation of revenue received from tenants.

**Department Response:** Agree. As a result of Fire Finance's latest senior accountant hire, we have re-instituted reconciliation of the overtime data, to further investigate unusual transactions and discrepancies.

We will continue to analyze the overtime summary reports to forecast overtime for the remaining periods of the fiscal year.

**Recommendation 2:** Centralize oversight of the overtime budget.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. Since a variety of systems are used the data at times can become inconsistent. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. The Finance Office will be used to serve as the lead area for this project. I will work with Finance to have reporting structure in place by January 2020.

**Recommendation 3:** Establish a policy with CFD administrators to proactively reduce the cost of overtime spent each fiscal year.

**Department Response:** Disagree. The department feels that the Procedures Manual and the Union Contract establish policy that the department is guided by. Overtime is generated by vacancies that occur primarily among the suppression ranks which must maintain 193 uniform members per day. The administration and its members strive to follow and adhere to the guidelines contained in each. SWP conferences are held annually with members who are viewed as high users and SWP note is followed under the contract.

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**Recommendation 5:** Management should address limitations posed by PMS and determine if timekeeping software has the capabilities to sync with the CHRIS system and track arson investigators' overtime.

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**Recommendation 6:** Management should ensure that timekeeping software be programmed with parameters that would restrict overtime hour submissions that did not align with department policies. For example, the program should be set up to deny employee overtime if it includes more than 24 hours in one day or more than 48 hours consecutively worked.

**Department Response:** Agree. The department currently utilizes a variety of systems and personnel to manage and process overtime within the department. While we believe that this is a rare occurrence Kronos will provide additional measures to ensure that this situation does not occur. We are waiting for the Kronos system to become integrated into the department which will allow us to use one system for this purpose. I will work with all divisions of the department to have reporting structure in place when Kronos is connected to CHRIS system and implemented.

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