

INTRADEPARTMENTAL CORRESPONDENCE

November 22, 2011
14.1

TO: The Honorable Board of Police Commissioners

FROM: Chief of Police

SUBJECT: TIMEKEEPING AND FAIR LABOR STANDARDS ACT (FLSA) AUDIT
(IAID NO. 11-053)

RECOMMENDED ACTION

1. That the Board of Police Commissioners REVIEW and APPROVE the attached Timekeeping and Fair Labor Standards Act (FLSA) Audit.

DISCUSSION

Pursuant to the Department's Annual Audit and Inspection Plan for 2011/2012, Internal Audits and Inspections Division conducted the Timekeeping and FLSA Audit, and assessed timekeeping controls and compliance with key FLSA requirements.

If you have any questions, please contact Gerald L. Chaleff, Special Assistant for Constitutional Policing, at (213) 486-8730.

Respectfully,



CHARLIE BECK
Chief of Police

Attachments

LOS ANGELES POLICE DEPARTMENT

***TIMEKEEPING AND FAIR LABOR
STANDARDS ACT (FLSA) AUDIT***



Conducted by

INTERNAL AUDITS & INSPECTIONS DIVISION

CHARLIE BECK
Chief of Police

November 2011

TABLE OF CONTENTS

TIMEKEEPING AND FAIR LABOR STANDARDS ACT (FLSA) AUDIT

PAGE

EXECUTIVE SUMMARY	i
PURPOSE	1
BACKGROUND	1
AUDIT SCOPE AND METHODOLOGY	2
AUDIT OBJECTIVES AND SUMMARY OF FINDINGS	2
AUDIT FINDINGS	3
Objective No. 1 – Maintenance of Timekeeping Records	3
Objective No. 2 – Accuracy of Timekeeping and Payroll Processing	4
Objective No. 3 – Overtime Worked and Paid to Employees (excluding Code-7)	6
Objective No. 4 – Reported Overtime Properly Approved	6
Objective No. 5 – Civilian Employees Either Took a Code-7 or were Compensated with Overtime	7
ACTIONS TAKEN	8

EXECUTIVE SUMMARY
TIMEKEEPING AND FAIR LABOR STANDARDS ACT (FLSA) AUDIT
Conducted by Internal Audits and Inspections Division

PURPOSE

In accordance with the Los Angeles Police Department's (Department) Fiscal Year 2010/11 Annual Audit and Inspection Plan, Internal Audits and Inspections Division (IAID) conducted a Timekeeping and Fair Labor Standards Act (FLSA) Audit to assess timekeeping controls and compliance with key FLSA requirements.

AUDIT SCOPE AND METHODOLOGY

Internal Audits and Inspections Division randomly selected a statistically valid sample of 61 employees from the Department's Sworn/Civilian Personnel Divisional Roster as of December 30, 2010. Each of the 61 employees' timekeeping records for Deployment Period (DP) No. 1 (January 2, 2011 to January 29, 2011), was reviewed for accuracy, authorization, and compliance with key FLSA requirements.

SUMMARY OF FINDINGS

The objectives and findings for this audit are reflected in the table below.

TABLE NO. 1 – AUDIT OBJECTIVES AND SUMMARY OF FINDINGS

Audit Objectives		Findings
1	Maintenance of Timekeeping Records	98% (60/61)
2	Accuracy of Timekeeping and Payroll Processing	92% (56/61)
3	Overtime Worked and Paid to Employees (excluding Code-7)	95% (121/127)
4	Reported Overtime Properly Approved	90% (109/121)
5	Civilian Employees Either Took a Code-7 or were Compensated with Overtime	98% (227/231)

This audit found that the Department properly maintained various timekeeping records (i.e., Daily Field Activity Reports (DFARs), Sergeant's Daily Reports, Watch Commander's Daily Reports, Daily Sign-in Sheets, and Daily Worksheets) to support timekeeping processing. The Department also ensured that civilian employees took a lunch break (Code-7) or were compensated when a lunch break was not taken. That said, the audit found that five (8%) of the 61 employees in the sample had one or more variations between timekeeping records and the Payroll System Replacement (PaySR) for DP No. 1, 2011. Since payroll expenditure is a significant part of the Department's budget (97%), the timely reconciliation of daily timekeeping records to detect and prevent errors and inaccuracies should be conducted diligently each deployment period.

ACTIONS TAKEN

Internal Audits and Inspections Division provided a draft copy of this audit to the Assistant to the Director of the Office of Operations, and the Directors of the Office of Special Operations and the Office of Administrative Services. For each finding, IAID also notified the applicable commanding officers, and their actions taken were summarized in this report.

As IAID considers payroll processing a high risk area and the audit found five (8%) of the 61 employees in the small random sample of Department personnel had one or more variations between timekeeping records and PaySR for DP No. 1, 2011, IAID plans to conduct periodic inspections, by bureau, of timekeeping records, the processing of overtime, and the independent reconciliation process of timekeeping records to Deployment Planning System that should be occurring at each geographic Area/division.¹

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¹ Fiscal Operations Division management indicated that several payroll reports (e.g., the Sworn Invalid Holiday Report, the Missing Date(s) Report, the 160 Hour Report, and the Uncleared HX Report) are provided to Areas/divisions each deployment period to assist with the identification of certain types of timekeeping errors.

TIMEKEEPING AND FAIR LABOR STANDARDS ACT (FLSA) AUDIT
Conducted by Internal Audits and Inspections Division
Second Quarter, Fiscal Year 2011/12

PURPOSE

In accordance with the Los Angeles Police Department's (Department) Fiscal Year 2010/11 Annual Audit and Inspection Plan, Internal Audits and Inspections Division (IAID) conducted a Timekeeping and Fair Labor Standards Act (FLSA) Audit to assess timekeeping controls and compliance with key FLSA requirements.

BACKGROUND

A majority of the Department's budget is made up of payroll expenditure, including overtime. Specifically, for Fiscal Year 2010/11, payroll expenditure accounted for 97% of the Department's total budget.¹

	(\$ in millions)	
Salary	1,117.2	95%
Overtime	17.9	1.5%
Other ²	42.3	3.5%
Total	1,177.4	100%

Timekeeping records (i.e., Daily Field Activity Reports (DFARs), Sergeant's Daily Reports, Watch Commander's Daily Reports, Daily Sign-in Sheets, and Daily Worksheets) are the basis for payroll payments. Two systems are utilized for timekeeping and overtime processing. Specifically, the Deployment Planning System (DPS) maintains planned and actual deployment of non-overtime hours. The Department's daily timekeeping is maintained on DPS. The Online Overtime System (OLOTS) module in Payroll System Replacement (PaySR) maintains actual overtime hours. Any overtime hours worked are entered into the OLOTS module in PaySR separately from DPS. The PaySR is a City-wide system that processes regular and overtime pay, and issues payroll checks. The PaySR is maintained and managed by the City Controller's office.

The Department's timekeeping process begins with an approved deployment plan maintained on DPS. Actual work hours are captured on DFARs, Sergeant's Daily Reports, Watch Commander's Daily Reports, Daily Sign-in Sheets and Daily Worksheets. These timekeeping records are then utilized to update DPS to reflect actual hours worked or any use of sick time, vacation time, etc. Any overtime hours worked are separately entered into OLOTS. Data from DPS are uploaded to PaySR and combined with information that is entered into OLOTS to process payroll checks. A Time-sheet Correction Report, Form 2.30, is used to make corrections within DPS or OLOTS after the close of a pay period.

¹ Total expenditure figures were derived from the Department's Fiscal Year 2010/2011 annual budget.

² Other expenditures include: printing, travel, firearms, contractual services, uniforms and other miscellaneous expenditures.

AUDIT SCOPE AND METHODOLOGY

Internal Audits and Inspections Division randomly selected a statistically valid sample of 61 employees from the Department’s Sworn/Civilian Personnel Divisional Roster as of December 30, 2010.³ Each of the 61 employees’ timekeeping records for Deployment Period (DP) No. 1 (January 2, 2011 to January 29, 2011) was reviewed for accuracy, authorization, and compliance with key FLSA requirements.⁴ As part of this audit, to evaluate FLSA compliance, IAID evaluated: 1) whether overtime was paid for hours worked in excess of scheduled hours and 2) whether civilian employees took a lunch break or were compensated when a lunch break was not taken.

Data from PaySR and DPS were utilized in this audit. A system review of the controls and functional integrity of these systems were outside the scope of this audit. However, a DPS user listing as of May 31, 2011, was compared with a listing of 665 employees who separated from the Department between February 1, 2010, and May 18, 2011. Internal Audits and Inspections Division confirmed that none of the separated employees were included on the DPS user listing.

Internal Audits and Inspections Division conducted this audit under the guidance of the generally accepted government auditing standards, specifically pertaining to performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. Internal Audits and Inspections Division has determined that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

AUDIT OBJECTIVES AND SUMMARY OF FINDINGS

The objectives and findings for this audit are reflected in Table No. 1 below.

TABLE NO. 1 – AUDIT OBJECTIVES AND SUMMARY OF FINDINGS

Audit Objectives		Findings
1	Maintenance of Timekeeping Records	98% (60/61)
2	Accuracy of Timekeeping and Payroll Processing	92% (56/61)
3	Overtime Worked and Paid to Employees (excluding Code-7)	95% (121/127)
4	Reported Overtime Properly Approved	90% (109/121)
5	Civilian Employees Either Took a Code-7 or were Compensated with Overtime	98% (227/231)

This audit found that the Department properly maintained various timekeeping records to support payroll processing. Likewise, the Department ensured that civilian employees took a lunch break (Code-7) or were compensated when a lunch break was not taken. That said, the audit found that five (8%) of the 61 employees in the sample had one or more variations between timekeeping records and PaySR for DP No. 1, 2011.

³ The sample size was obtained using the one-tail test with a 95% confidence level and a 5% error rate.

⁴ The FLSA is a United States Federal law enacted in 1938 that protects workers by setting certain workplace standards.

Since payroll expenditure is a significant part of the Department budget (97%), the timely review and approval of daily timekeeping records by a supervisor to detect and prevent errors and inaccuracies should be conducted diligently each deployment period.

AUDIT FINDINGS

Objective No. 1 – Maintenance of Timekeeping Records

Audit Criteria

Department Manual Section 3/705.05 requires employees to document their Code-7 and start/end of watch times on Daily Sign-in Sheets unless the employees already document their time on DFARs, Sergeant's Daily Reports, or Watch Commander's Daily Reports. Employees who use these types of daily activities reports are not required to use the Daily Sign-in Sheets. Timekeepers must ensure these documents are maintained and filed.

Audit Procedures

Internal Audits and Inspections Division attempted to collect the timekeeping records for the 61 employees for DP No. 1, 2011 to ensure they were properly maintained.

Findings

Sixty (98%) of the 61 employee timekeeping records were properly maintained at the employees' Area/division of assignment. Internal Audits and Inspections Division was unable to locate 10 days of timekeeping records for the remaining one employee. On those days, the employee was paid for 100 working hours, in which the employee was paid \$4,762.00. Based on a follow-up by IAID, it appears that the employee was loaned to another Division and did not begin documenting his time on the Daily Sign-in Sheets until 10 days later.

Action Taken

On September 12, 2011, the Commanding Officer of South Bureau indicated that clarification was provided that when an employee is loaned to another command, the employee's DPS responsibility will be transferred to the command having direct oversight of the loaned employee and the loaned employee will complete either a DFAR or the Daily Sign-in Sheet at the command having direct oversight over the loaned employee. Additionally, a comment card was issued to the responsible officer detailing his responsibility to sign in and out at the command to which he has been loaned.

Objective No. 2 – Accuracy of Timekeeping and Payroll Processing

Audit Criteria

Department Manual Section 3/705.05 indicates that timekeepers are responsible for ensuring that information documented on timekeeping records is updated into DPS in a timely manner. This process is what ultimately uploaded in PaySR and results in payroll payments.

Audit Procedures

Internal Audits and Inspections Division compared the timekeeping records for the 61 employees to PaySR information for DP No. 1, 2011 to determine: 1) whether the number of hours each employee was paid reconciled with timekeeping records and, 2) whether the variation code of the hours paid (e.g., hours worked, sick time, vacation time, paid leave, etc.) reflected the employee's work status documented on timekeeping records.⁵

Findings

Fifty-six (92%) of 61 employee's hours and variation codes contained in timekeeping records reconciled with PaySR for DP No. 1, 2011. For the remaining five employees, there were one or more unexplained variances between information documented in timekeeping records and information contained in PaySR. Table No. 2, on the next page, provides a synopsis of the variances identified and the resulting actions taken by the applicable commanding officers after being notified of the variance by IAID.

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⁵ Instances in which a civilian employee did not document a Code-7 on timekeeping records, giving the appearance of possibly working overtime for the day, are reported in Objective No. 5, as it is unknown whether it was an administrative oversight by the employee/supervisor.

TABLE NO. 2 – VARIANCES BETWEEN TIMEKEEPING RECORDS AND PaySR

<p>Employee No. 1: For two days, timekeeping records indicated that the employee was on vacation but PaySR indicated that the days were coded as 16 hours worked. If this benefit processing error had remained undetected, the potential fiscal impact could have amounted to \$726.00 if the employee either exhausted his vacation time or left Los Angeles City service, since the 16 hours should have been deducted from the employee's accumulated vacation time.</p> <p>Action Taken: Internal Audits and Inspections Division determined that Metropolitan Division's timekeeper identified the timekeeping variation and submitted a Time-sheet Correction Report to Fiscal Operations Division in February 2011, but per Fiscal Operations Division the correction was missed and not processed until September 1, 2011.</p>
<p>Employee No. 2: For one day, timekeeping records indicated that the employee was sick but PaySR indicated that the day was coded as 12 hours worked. If this benefit processing error had remained undetected, the potential fiscal impact could have amounted to \$542.00 if the employee exhausted his 100% sick time, since the 12 hours should have been deducted from the employee's accumulated sick hours.</p> <p>Action Taken: On September 26, 2011, the commanding officer of Mission Area indicated that a Timesheet Correction Report was completed to accurately reflect the sick time that was utilized.</p>
<p>Employee No. 3: For one day, timekeeping records indicated that the employee was on a scheduled day off, but PaySR indicated that the day was coded as 10 hours worked.</p> <p>Action Taken: On August 25, 2011, the commanding officer of Olympic Area indicated that the officer actually worked 10 hours but failed to record the hours worked on the Daily Sign-in Sheet. The Area provided the officer with training on how to complete the Daily Sign-in Sheet and the officer's immediate supervisor was instructed to compare DPS to the Daily Sign-in Sheet for accuracy going forward.</p>
<p>Employee No. 4: For two days coded as hours worked, IAID was unable to locate any timekeeping records for this employee who was loaned to another division. Additionally, for one day, timekeeping records indicated that the employee worked 12 hours, but PaySR indicated that it was his day off.</p> <p>Action Taken: On September 20, 2011, the commanding officer of Jail Division indicated the new employee was not added to the Daily Sign-in Sheet in a timely manner but the employee was actually present for the two days coded as hours worked. If this occurs again, the watch commander will handwrite the new employee on the Daily Sign-in Sheet. For the second discrepancy, the employee signed in on the incorrect Daily Sign-in Sheet and PaySR correctly indicated the employee was on his day off.</p>
<p>Employee No. 5: For two days, timekeeping records indicated that the employee used 1.5 hours of unpaid (furlough) leave each day but PaySR indicated that the unpaid leave was not processed for these days. If this timekeeping processing error had remained undetected, the potential fiscal impact could have amounted to \$86.00.</p> <p>Action Taken: On September 7, 2011, the commanding officer of Scientific Investigation Division indicated that a Timesheet Correction Report was submitted to FOD, which adjusted the employee's time to reflect the use of furlough time for both days.</p>

Objective No. 3 – Overtime Worked and Paid to Employees (excluding Code-7)

Audit Criteria

Department Manual Section 3/708.02 requires that supervisors ensure that subordinates are compensated for all legitimate overtime, whether preapproved or not.

Audit Procedures

Internal Audits and Inspections Division evaluated timekeeping and payroll records for overtime, to ensure FLSA compliance. Based on a review of the timekeeping records of the 61 employees, 33 worked overtime on 127 different occurrences.⁶

Findings

One hundred twenty-one (95%) of the 127 overtime occurrences were reported on payroll and timekeeping records. The remaining six occurrences, totaling 4.5 hours combined, were documented on the timekeeping records but appeared to have been overlooked by three employees and their supervisors since no overtime reports were generated or processed for those hours and the employees did not receive compensation.

Actions Taken

On September 12, 2011, the commanding officer of South Bureau indicated that overtime reports were completed for one employee for two days and that the issue would be addressed in a comment card.

On September 26, 2011, the commanding officer of Mission Area indicated that the overtime report was completed.

On October 4, 2011, the commanding officer of Training Division indicated that the employee failed to document his Code-7 on three Daily Sign-in Sheets. Additionally, the commanding officer indicated that random audits of the Daily Sign-in Sheets will continue on a monthly basis to ensure timekeeping records coincide with DPS and the unit supervisor will ensure that daily worksheets are completed each day in DPS and reflect any deviations in the employees' work schedule.

Objective No. 4 – Reported Overtime Properly Approved

Audit Criteria

Department Manual Section 3/708.02 specifies that "No work may be done outside the employee's scheduled work hours unless approved in advance by his or her immediate supervisor." Commanding officer approval of the overtime report is required per the Office of the Chief of Police, Administrative

⁶ Instances in which a civilian employee did not document a Code-7 on timekeeping records giving the appearance of possibly working overtime for the day are reported in Objective No. 5, as it is unknown whether it was an administrative oversight by the employees/supervisors.

Order No. 20, dated September 3, 1999, as well as to ensure compliance with Los Angeles City Administrative Code Section 4.169, Certificate of Authorization.

Audit Procedures

Internal Audits and Inspections Division reviewed the 121 overtime reports for commanding officer approval.

Findings

One hundred and nine (90%) of the 121 overtime reports contained evidence of supervisory and commanding officer approval. The remaining 12 overtime reports belonging to three employees were approved by a supervisor, but contained no evidence of commanding officer review and approval.⁷

Actions Taken

On September 28, 2011, the commanding officer of Southwest Area indicated that the Area instituted an additional layer of oversight to ensure that the overtime reports are signed by a commanding officer. Specifically, supervisors in the Area office were granted proxy rights to sign the overtime reports in the commanding officer's absence.

On September 7, 2011, the commanding officer of South Traffic Division indicated that she was absent from command during this time period but the Division has instituted a procedure to ensure that the commanding officer's designee assumes the responsibility of approving the overtime reports in the absence of the commanding officer.

Objective No. 5 – Civilian Employees Either Took a Code-7 or were Compensated with Overtime

Audit Criteria

Department Manual Sections 3/705.05 and 708.02 require employees to document their Code-7 on the Daily Sign-in Sheets or any other timekeeping record used. If a Code-7 is not documented, supervisors are required to identify if the cause was due to employee oversight or if the employee worked through his or her unpaid Code-7 and should be compensated for overtime, whether or not it was pre-approved.

Audit Procedures

During this audit, IAID determined that certain sworn employees were exempt from the Code-7 requirement, due to a "No Code-7" agreement between the Los Angeles Police Protective League and the City of Los Angeles. Therefore, for the purposes of this audit, IAID only evaluated whether civilian employees took their Code-7.

Of the 61 sampled employees, 18 were civilians who were required to take a Code-7. Internal Audits and Inspections Division reviewed all 231 days worked by the 18 employees to determine if a Code-7

⁷ The 12 overtime reports that contained no evidence of commanding officer review and approval were: Southwest Area (11); and, South Traffic Division.

was documented in timekeeping records and if not, whether the employee was paid overtime. If a Code-7 was not documented, the overtime report or the detail PaySR report was reviewed to ensure the employees received overtime compensation.

Findings

Two hundred and twenty-seven (98%) of the 231 applicable entries in the daily activity reports indicated that a Code-7 was taken. For the remaining four entries, which related to one employee, a Code-7 was not documented on the timekeeping records, which resulted in the appearance that the employee worked a half hour over his/her regular work schedule, but did not receive overtime compensation.

Action Taken

On September 22, 2011, the adjutant for Gang and Narcotics Division indicated that the employee failed to document Code-7 on the four days. The employee was counseled and a comment sheet was issued.

ACTIONS TAKEN

Internal Audits and Inspections Division provided a draft copy of this audit to the Assistant to the Director of the Office of Operations, and the Directors of the Office of Special Operations and the Office of Administrative Services. As indicated above, for each finding, IAID also notified the applicable commanding officers, and their actions taken were summarized in this report.

As IAID considers payroll processing a high risk area and the audit found five (8%) of the 61 employees in the small random sample of Department personnel had one or more variations between timekeeping records and PaySR for DP No. 1, 2011, IAID plans to conduct periodic inspections, by bureau, of timekeeping records, the processing of overtime, and the independent reconciliation process of timekeeping records to DPS that should be occurring at each geographic Area/division.⁸

⁸ Fiscal Operations Division management indicated that several payroll reports (e.g., the Sworn Invalid Holiday Report, the Missing Date(s) Report, the 160 Hour Report, and the Uncleared HX Report) are provided to Areas/divisions each deployment period to assist with the identification of certain types of timekeeping errors.