



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: April 21, 2010
AUDIT: Police Off-Duty Operation
PERIOD: October 1, 2006 through June 30, 2009

This report is the result of an operational audit performed to the Off-Duty Operation of the Police Support Services Division in accordance to our Audit Plan.

INTRODUCTION

The Off-duty Office currently under the Support Services Division of the Police Department, is composed of a Police Sergeant, two Administrative Aid II s, and a Financial Analyst II from the Finance Department. The following section "Process Description" serves in providing some details about their operations. They are responsible for the administration and management of all off-duty assignments for the Police Department, including monitoring and adherence to all policies, procedures, and related matters. They also monitor the performance of employees engaged in off-duty employment, through periodic on site inspections. Furthermore, they are responsible for creating and maintaining documentation for each authorized off-duty job, as well as information about each employee who works in an off-duty capacity. Moreover, they are responsible for the coordination and/or supervision, fee collection and payroll processing for all off-duty jobs within the limits of the City of Miami Beach.

Although part of the Off-duty team, the Financial Analyst II is supervised primarily by the City's Finance Department, in order to ensure compliance to financial procedures, standards and regulations overall. Work performed under this position supports the team by entering all financial transactions, with the exception of payroll, to the City's financial system, performing balance sheet account reconciliations, and maintaining receivables, among others.

Police officers' compensation rates for off-duty work are set by the Chief of Police, as stipulated By the Department's Standard Operating Procedure (SOP #011 section XII), and are applied accordingly to all jobs completed. In addition, the City's administration has agreed to pay, from the administrative fees collected, one (1) dollar for every hour charged from administrative fees, to the Police Athletic League in order to assist them in paying eligible operational expenses. The following table helps to illustrate the total hours worked by police officers within our audit period as reflected in the City Eden payroll system:

	FY 2007	FY 2008	FY 2009*
Police Officer Hours	103,598	101,410	75,642
Police Officer Payroll	\$3,199,316	\$3,211,781	\$2,401,035

- (*): Amounts reflected on fiscal year 2009 represent totals for nine (9) months (October 1, 2008 through June 30, 2009).

PROCESS DESCRIPTION

Off-duty jobs are mainly categorized in one of three categories: Permanent, Special Event, or Temporary.

Permanent jobs are repetitive, involving the same applicant (Individual(s) and/or entity(s) requesting police off-duty services). Requests for permanent off-duty services are made by submitting a "Permanent Off-duty Police Service Application" form to the Off-duty Office. The team should then evaluate and forward the application with relevant documentation via the chain of command to the Chief of Police or designee for authorization. Applications involving locations where alcohol is sold, served, and/or consumed on the premises are required to be forwarded to the Strategic Investigations Unit (S.I.U.) for backgrounds check prior to being forwarded, via chain of command, to the Chief of Police or designee for authorization. Upon authorization, the Off-duty team selects a job coordinator in order to develop a written plan detailing all duties and responsibilities for the off-duty job detail.

Special Event jobs are less frequent, either one time or annual events, and require a City of Miami Beach Special Event permit. Often Special Event off-duty jobs involve large numbers of people and involve the use of City property, streets, and/or parks. Once all the information and requirements for the Special Event is reviewed by the Off-duty Office, then they designate a job coordinator upon an evaluation of the number of participants, the number of off-duty employees needed and the event's potential impact on the community.

Temporary off-duty jobs are short, non-repetitive, and usually occurring on short notice. Requests for these jobs are usually made by contacting the Off-duty team either in writing, or by telephone. Sufficient information is then gathered to accurately evaluate the request. These requests should be received with a minimum of three (3) business days prior to the date of the job; however, exceptions may be granted by the Off-duty Office. If the job requested meets established standards, then a "Request for Off-duty Police Officers" form is completed, a job number is assigned, and payment in advance for the applicable fees based on information provided on the Request for Off-Duty Police Officers form is requested.

In all of the job categories, as described above, the applicant assumes sole responsibility for the payment to the City of all off-duty services rendered. Payment of deposits for requested off-duty services should be received no later than forty-eight (48) hours prior to the start of the off-duty job detail or event. Permanent jobs applicants can choose to maintain an account with the City, once a deposit, as required by administration, is paid in advance. The Off-duty Office will then determine the staffing levels, arrange work schedules, assign officers, process invoices or refunds when applicable, and will prepare and process payroll for off-duty officers and coordinators.

Off-duty jobs are assigned by the Off-duty Office. An off-duty availability list of employees interested in working is maintained for a four week period. The four week period consist of the previous week, the current week and the upcoming two weeks. Eligible employees may request their name to be placed on the off-duty availability list. The list includes the days, dates, and times of availability for each officer. Priority is given first depending on department seniority to employees that do not have a permanent off-duty detail, employees who have not worked an off-duty job in that current week, and finally, any available employee.

Per SOP #011 (Section X-C), employees, regardless of the rank, should not work more than a cumulative total of seventy-two hours during a work week, excluding overtime and/or court time,

without written authorization in advance from the Chief of Police or his designee. Total weekly work hour limits include on-duty and off-duty and are established and evaluated periodically by the Chief of Police or his designee. Although it is the employee's responsibility to keep track of his/her worked hours, the Off-Duty Office conducts random monthly audits to ensure compliance with the work limit rules.

OVERALL OPINION

Although significant improvements have been accomplished by the Off-duty team in both, the operational and financial functions of the operation, including the integration of wages paid to officers through the City's payroll system, the performance of random monthly audits of hours worked, among others, Internal Audit identified the following areas, with respect to the accountability and documentation of transactions and off-duty operations in general, needing additional improvements and/or corrections:

1. Account receivables and revenues earned are not being recorded once earned after the jobs are completed.
2. Receivable balances remain without being collected while wages have already been paid to the officers.
3. Payments/deposits are not being received in advance, as required.
4. Financial system limitations exist diminishing the efficiency of the Off-duty team in processing the application of prepayments to outstanding balances.
5. Balance sheet accounts for applicant's deposits and receivables are not reconciled monthly.
6. Insufficient supporting documentation is being maintained in the off-duty job file by the Off-duty office.
7. No reconciliation process is currently in place to ensure that amounts paid to officers and coordinators break even with amounts collected from off-duty request applicants.
8. Customer refunds are not being processed timely.
9. "Request for Off-Duty Police Officers" form is being subsequently changed to reflect actual total hours worked, which frequently differ from the initial request and the deposit calculations and as a result undermining the intent for the form.
10. The "Request for Off-Duty Police Officers" form does not allow for distinction between jobs or dates that should be charged at the holiday and/or night club rates, nor to identify whether police equipment is required.
11. The Maximus Operational Staffing Optimization study's 2006 findings regarding off-duty work and fatigue rules have not been implemented to date by the Miami Beach Police Department.
12. The "equipment used" field on the Off-duty Pay Slip form is being inconsistently used by the police officers.
13. Revenues collected for and payments made to the Police Athletic League are being posted to a single administrative fee revenue account.
14. Inactive bank balance remains in a City National Bank of Florida account without being transferred to the City's pooled cash account.

Additional details regarding the above mentioned areas in need of improvement and/or correction have been provided on the Findings, Recommendations, and Management Responses section of this report.

PURPOSE

The purpose of this audit was to determine the effectiveness of, and extent of compliance with, the Police Department's Standard Operating Procedures, particularly as it relates to off-duty fees; to verify the accuracy of invoices issued to establishments utilizing fire off-duty services; and to confirm that amounts billed were received in the correct amount and recorded to the proper accounts on the City's financial records.

SCOPE

1. Verify accuracy, appropriateness, and timing of billings.
2. Ensure that officers are paid for actual hours worked and fractions thereof.
3. Ensure that off-duty assignments do not overlap with on-duty schedules.
4. Review adequacy of internal controls.
5. Verify adequacy and sufficiency of current fees.
6. Review Balance Sheet accounts reconciliation and ensure overall sufficiency of documentation and audit trails.
7. Ensure that Standard Policies and Procedures exist and are widely known by all applicable personnel.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – *Receivables are not recorded and posted immediately after the job is complete.*
General accepted accounting principles require revenues and their corresponding receivables to be recognized when earned. With respect to the Police Off-duty operation, revenues and their corresponding receivables and /or payments should be recorded by the Finance Department immediately after a job has been completed and the corresponding services rendered.

Currently, receivables are not being recorded until payment is received from the applicants. Unpaid jobs completed are kept in small wheeled cabinet until full payment is received. The Finance Department's position is that accounting for off-duty services is not a city process and that it is better served by using the cash basis of accounting.

Continuing to operate in this manner may affect the reliability and accountability of revenue and receivable amounts. It also interferes with collection controls, since no aging for such receivables is created.

Recommendation(s)

All revenues and receivables should be recorded by Finance into the City's financial system (general ledger) immediately after the off-duty job is complete and all services have been rendered. This process would contribute to a better tracking and accountability of balances outstanding that should be collected.

Management's Response(s)

Finance:

The City's policy is to have payment before assigning police services. Off-Duty jobs are not entered into the EDEN Accounts Receivable module (A/R) until the job is fully completed and the total numbers of actual hours worked are determined. Hours worked often change and the

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A/R would have to be constantly edited. Therefore, after we have received payment and the final hours worked are submitted to payroll then an A/R is entered and payment is applied towards that invoice. The City is using the modified accrual basis of accounting in recording this revenue since the Off-Duty Fund is a governmental fund which uses this basis of accounting. This basis of accounting recognizes revenue when it becomes fully measurable and available.

2. Finding – *Account receivable balances outstanding from 30 to 120 days without collection or application of paid deposits.*

Off-duty accounts receivable balances are usually the result of payments from applicants for less than the amounts due, deposits that have not been posted or are in transit of being posted against the receivable through a journal entry, checks paid by the applicants with non-sufficient funds in the account, and/or payments (check, credit card, etc.) that are in transit of being deposited and posted against the receivable.

As part of Internal Audit's testing, balances for accounts receivable were verified as of June 30, 2009 to determine if balances were maintained as current as possible. Results from our testing are reflected on the following table:

	Current	30 - 59 days	60 - 89 days	90 - 119 days	Over 120 days	Total
Accounts Receivable	\$151,310	\$ 15,915	\$ 18,717	\$ 85,112	\$ 7,780	\$278,834

Although current receivables could be the result of payments and or journal entries in transit, a total of \$111,609 (\$15,915 + \$18,717+ \$85,112 + \$7,780), that have been outstanding for thirty (30) days or more, have not been resolved. Since no reconciliation is prepared monthly for this account, as noted in finding number five, Internal Audit was unable to determine if there were any payments or journal entry postings in transit.

Furthermore, considering that invoices are not created until payment is received, as noted in finding number one, Internal Audit can conclude that receivable balances outstanding over thirty (30) days represent moneys that have been already paid to the officers for their corresponding services rendered and are owed to the City, considering that they have already been entered into the financial system. Also, if a deposit was received for any of the outstanding balances, a journal entry should have been completed at month end to apply the deposits against the corresponding outstanding balances.

Recommendation(s)

Off-duty deposits for which an outstanding receivable balance is reflected on the receivables account should be reclassified and applied against the outstanding balance. Procedures with respect to collection of outstanding balances should be documented in order to be consistently followed. Furthermore, the off-duty team should ensure that amounts outstanding are collected in a reasonable amount of time to minimize all risks of having to write off the balances. For those jobs were it is uncertain whether amounts would be successfully collected and collection efforts have been properly documented, an allowance for uncollectible could be created and the write off of such receivables. For any defaulted account information should be kept on the applicant to prevent staffing future jobs , unless the outstanding amount is paid in full and any future job is paid in advance and confirmed (cashier checks or money orders), prior to staffing and performing the job.

Management's Response(s)

Finance:

The City is arduously collecting the A/R past 30 days. The stated balance above of \$111,609 over 30 days has dropped to \$35,590.76 as of February 10, 2010. Any outstanding A/R exists because of bounced checks, disputed credit card charge, or they have a deposit amount that covers their A/R balance. The Financial Analyst reconciles A/R account bi-weekly to track progress. In the near future excess monies paid by the customers will be applied "on account" within the A/R module under that customer's account. This will help show the customer's true outstanding balance due or refund due.

3. Finding – *Payments/deposits for requested jobs are not always received in advance, as required by current Standard Operating Procedures (S.O.P).*

Subsequent to October 2, 2006, the City's administration provided all applicants requesting police off-duty services with one of three options (pay in advance, establish an account with the City, or direct billing) to pay for the applicable charges. Each of the three options would require the applicant to submit a payment/deposit prior to receiving the services. This way the City would ensure that officers would receive their compensation for services provided in a secure and timely manner, as well as recovering the costs incurred by the City for providing the services. The same requirement for payment in advance was later incorporated to the Police Off-duty Standard Operating Procedures (S.O.P. # 011, last revised on 5/29/2009) accordingly.

Currently, payments for most jobs, particularly permanent jobs, are received once the job has already been completed, without prior deposits or established accounts. Continuing to operate in this manner represents a departure from stipulated requirements and procedures.

Recommendation(s)

Once a "Request for Off-Duty Police Officers" form is filled by the Off-duty team, a job number is assigned and a detailed deposit request is prepared and provided to the applicant for payment. The off-duty team should ensure that deposit requests are prepared timely and should follow up for payment prior to staffing the job. In addition, the applicants should be made aware of the requirements for advance payment at the time the request is formalized. Implementing these processes will ensure compliance with the S.O.P., as well as improving controls over the operation.

Management's Response(s)

Finance:

Per S.O.P. agreed by the Police Union, officers who have agreed to work jobs that have no pre-payment will not be paid until payment is received.

Police Department:

This recommendation has already been implemented. Temporary jobs will not be staffed until payment is received by the off-duty office. Permanent jobs are being reviewed and requests are being made for deposits to be made equal to approximately one month of their average off duty usage. All efforts are made to secure advanced payment on special events. However, there are events with a long history which receive approval to pay after the event is completed. (These decisions are made on a case by case basis).

4. Finding – *The City's financial system does not accommodate the application of deposits to outstanding balances from off-duty request applicants.*

Deposits received by applicants are posted to a liability balance sheet account until the job is completed and the services rendered. At that point, a journal entry must be created to apply the amounts deposited/pre-paid to the receivable balance. According to the Financial Analyst II in charge of the applicant's deposits and receivables, postings for journal entries are done once a month and it could become very time consuming and inefficient to prepare and properly document them. As a result, the team prefers not receiving pre-payments/deposits in order to save time by avoiding journal entries. However, as noted in finding three, not receiving payment in advance represents a departure from Standard Operating Procedures.

Recommendation(s)

The department should explore the capabilities of the City's financial system with respect to the application of advance payments to the corresponding outstanding receivable balance. This would contribute to improve the efficiency of their operations. If not successful, then journal entries could be prepared as needed and accounted for in the monthly reconciliation as a reconciling transaction in transit until finally posted at month end.

Management's Response(s)

Finance:

Finance will now apply all excess payments as "on account" for that customer in the A/R module. Once the invoice is received, we "net" it against any positive balance the customer may have via deposit.

5. Finding – *Balance sheet account reconciliations are not performed monthly.*
Currently there are two balance sheet accounts that should be reconciled monthly to the balances reflected on the City's financial software in order to ensure the accuracy and reliability of transactions affecting these accounts, as well as the accuracy of balances reflected on the same.

The first account is the applicant's deposit (Off-duty Deposits), a liability account. This account is used by the Financial Analyst II to record all advance payments/deposits received from off-duty applicants for jobs to be performed in a near future. The most recent reconciliation for this account was dated June 16, 2009, subsequent to a previous one dated January 20, 2009. Therefore no reconciliations were performed for four months, making it more difficult and time consuming to reconcile. Lastly, no reference to the balance reflected on the City's financial system was observed on the reconciliation.

The second account is accounts receivable, a current assets account. This account should be used to record amounts due from the applicants, either for jobs completed for which payment have not been received, or for jobs completed for which payments received do not cover the entire amount due. Currently, no reconciliation between the Police Off-duty's function balances and the balances on the City's financial system is performed.

Recommendation(s)

Monthly reconciliations should be performed timely by the Financial Department for both of the balance sheet accounts. Once completed, the reconciliations should be reviewed and acknowledged by a supervisor to ensure its accuracy and reliability. Implementing this recommendation should contribute to improve the reliability and accountability of transactions affecting these accounts. It should also be of additional assistance in documenting any variances experienced.

Management's Response(s)

Finance:

These two accounts are now reconciled every month. In addition, the deposit account is being dissolved as monies are being refunded or applied to outstanding invoices.

6. Finding – *Insufficient supporting documentation is maintained in the off-duty job file by the Off-duty Office.*

Section II, C. of the Standard Operating Procedure (S.O.P. # 011) requires for the Off-duty team to create and maintain documentation for each authorized off-duty job/detail, as well as information about each employee who works in an off-duty capacity including, but not limited to:

- *Job number issued by the off-duty team*
- *Number of officers needed*
- *Assessing the need for a job coordinator*
- *Officers name, metro ID number, City payroll ID number*
- *Dates of the off-duty detail/job*
- *Starting and ending time, to include total hours worked*
- *Time away from the off-duty detail/job (away for court, etc.)*
- *Equipment utilized (Police vehicle, Motorcycle, A.T.V., K-9, or Police Vessel)*
- *Off-duty pay rate code*
- *Job coordinator fee, if applicable*
- *Billing amount due*
- *Employer/applicant's name*
- *Other information deemed relevant.*

In addition, section V, C, 1, states "*Applications involving locations where alcohol is sold, served, and/or consumed on the premises shall be forwarded to the Strategic Investigations Unit (SIU) for backgrounds check prior to being sent, via chain of command, to the Chief of Police or designee for authorization*". This provision correlates to section 561.25 (3) of the Florida Statutes, which requires the written approval of the Chief of Police, or other appropriate department head for the place and hours of the employment or service, prior to providing such services to applicants that engage in the sale of alcoholic beverages.

In order to verify the documentation completeness, Internal Audit sampled a total of eighty-two (82) jobs (60 temporary, 10 permanent, and 12 special events), from a total estimated population of 2,230 (1,843 temporary, 40 permanent, and 347 special event) jobs performed during our audit period representing overall about 4% of the total estimated population of jobs performed during our audit period. Each job was sampled at random from the population with each job having an equal chance of being sampled.

Results from our review showed a total of forty-nine (49) job files (31 temporary, 10 permanent, and 8 special events) with incomplete required documentation. The most common information missing included: invoice, payment receipt date, applicant off-duty request date, support documentation for coordinator charges (if the actual coordinator hours method was used), applicant's information, and off-duty pay slips.

In addition, out of the forty nine incomplete files, seven (7) were identified as night clubs, which would require the authorization of the Chief of Police. Furthermore, no approvals or back ground information was found on these seven (7) files. Lastly, one job in which the

administrative fee was waved did not contain approvals from the City Manager, as required by the Standard Operating Procedures section XII, C, 3.

Recommendation(s)

The Off-duty team should maintain in a centralized location all relevant and required documentation, as described in the Standard Operation Procedures (S.O.P. # 011) by job number. The job number should be referenced in all related documentation for the job, including, but not limited to, back ground checks, Chief of Police approvals of dates and location for off-duty jobs where the applicant is involved in the sale of alcohol, require permits, approvals and waivers by the City Manager, among others described in the Standard Operating Procedures.

Management's Response(s)

Police Department:

Just prior to the audit, many of these files in question had been sent to storage. However, in order to ensure files have all of the required paperwork, the off-duty Sergeant is required to check all temporary and special event folders before filing. In addition, a new electronic version of the special events paperwork has been created and the files are being stored on the City's network drive.

7. Finding – *No reconciliation process is currently in place to ensure that amounts paid to officers and coordinators break even with amounts collected from off-duty request applicants.*

Currently, no reconciliation is completed to ensure that amounts paid to officers and coordinators concur with the amounts collected from off-duty applicants. Contributing factors for not performing such reconciliation are limitations observed on the system software used and the lack of cross reference between the finance aspect of the operation and the payroll aspect of the same.

Currently, payments received by applicants are recorded by the Financial Analyst II on a spreadsheet mainly sorted by applicant's name and by invoice number. The invoice number is provided automatically by the City's financial software once an invoice is created.

On the other hand, officer and coordinator information, date, and hours worked are entered into the Off-duty's payroll system by an Administrative Aid II. The system then automatically creates a number (Paradox number) that could be used to track information entered in the system software (Paradox). However, the name of the applicant and or invoice number is not recorded and is irrelevant on this system, since no search capabilities using the customer's name and/or invoice number exists.

As a result of this lack of cross reference, it is difficult and very time consuming to reconcile or verify that amounts paid to officers and coordinators working off-duty jobs correlate to amounts paid by the applicants.

Considering that timing could be a factor to expect differences (deposits could be in transit, journal entries could be waiting to get posted, payrolls may be in progress, among other factors) Internal Audit verified the balances reflected on the revenue and expense accounts for officer and coordinator wages and the results were as follows:

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Source	Revenue	Expenses	Variance Favorable / (Unfavorable)
Officers (FY 2008)	\$2,499,337	\$2,447,415	\$ 51,922
Officers (FY 2009)*	\$2,342,256	\$2,400,888	\$ (58,632)
Coordinators (FY 2008)	\$ 61,500	\$ 78,150	\$ (16,650)
Coordinators (FY 2009)*	\$ 60,030	\$ 82,814	\$ (22,784)
Totals	\$4,963,123	\$5,009,267	\$ (46,144)

- (*): Amounts reflected on fiscal year 2009 represent totals for nine (9) months (October 1, 2008 through June 30, 2009).
- Fiscal year 2007 was not included in the above table, because accounts for revenue (inflows) and expenses (outflows) did not exist in fiscal year 2007. All transactions (revenue and expenses) were being posted to a Balance Sheet liability account, which showed a debit (unfavorable) balance as of September 30th, 2007 of \$242,497. This amount was later reclassified to the applicable fund in 2008 leaving a balance of \$0.

Results from the data above helps to better illustrate the need for a reconciliation that would satisfactory explain any variances.

Recommendation(s)

In order to improve the cross referencing and reconciliation between the billing and payroll sections of the operation, the job number should be recorded and referenced with the corresponding payroll system number by both, the Financial Analyst II in the control log sheet and by the Administrative Aid II in the payroll system. In addition, amounts collected for officer services should be verified and reconciled before, or as part of the payroll processing audit performed prior to finalizing payroll for the job and payroll period. This process should be documented and maintained either as part of the job file or as part of the payroll records for the corresponding payroll period. This way it should be easier to detect any discrepancies and achieve correlation between the two functions of the operation. This process could be reviewed, approved, and or performed by a supervisor.

Management's Response(s)

Finance:

Financial Analyst is now reconciling bi-weekly the payment amount received via revenue accounts verses what is being expended via payroll.

8. Finding – *Customer refunds are not being processed timely.*

As of June 30th, 2009, Internal Audit was able to identify, along with the Financial Analyst II, a total amount of approximately \$7,286.97 of moneys that have been retained in the Off-duty deposits account, instead of being refunded to the corresponding applicants. These amounts could have been the result of moneys paid in excess of the amounts invoiced or duplicate payments in error by the applicant for the same invoice. Although the Off-duty team acted in good faith in retaining the amounts in order to apply them to future off-duty jobs by the corresponding applicant(s), no additional jobs have been requested by the corresponding applicants.

Recommendation(s)

As recommended in finding number five, a monthly reconciliation should be completed for the off-duty deposits account. In addition, all deposits outstanding for jobs that have already been completed should be applied to the corresponding receivables once the job has been completed and the services rendered. Once both of these steps are completed, the Off-duty team should consider contacting those applicants for whom refunds are due in order to determine whether they want to leave the amount as a deposit, or rather receive the refund. The applicant's response should be documented and a refund should be immediately process, if so desired by the applicant.

Management's Response(s)

Finance:

Refunds are now being processed when payment clears through the bank. This means customers can expect refund in approximately two weeks from processing. However, if the customer does not instruct the City to refund the balance, the amount will not be refunded, and it will be applied to the customer's next invoice.

9. Finding – *Hours requested on "Request for Off-Duty Police Officers" forms is being subsequently changed to reflect actual total hours worked, which frequently differ from the initial request.*

Initial "Request for Off-Duty Police Officers" forms are often changed once the job is completed and the services rendered. This is done to reflect the actual dates and hours worked by the police officers, as oppose to the initial requested hours. Revising the forms to reflect actual dates and hours worked undermines a chronological reference, as well as an operational control. Initial requests are initiated by the applicants. The dates and amounts are recorded in order to generate a request for advance deposit. Any deviations from the original request should be inquired and properly documented, considering that changes from the original request would result in either additional amounts to be billed or refunds to be processed.

Recommendation(s)

Request for Off-Duty form should be modified to add separate space for requested and actual hours worked. Any differences from the original request should be inquired and properly documented to either bill additional amounts or refund advanced deposits.

Management's Response(s)

Police Department:

The "Request for Off-Duty" form has been modified taking the above recommendation into account.

10. Finding – *The "Request for Off-Duty Police Officers" form does not allow for distinction between jobs or dates that should be charged at the holiday and/or night club rates, nor to identify whether police equipment is required.*

No distinction between regular jobs and jobs either on holidays and/or night clubs are currently available on the "Request for Off-Duty Police Officers". Taking in consideration that different rates from those charged on regular jobs apply for hours worked either on holidays and/or night clubs, a distinction for jobs worked on either of these scenarios should be documented on the "Initial Request for Off-Duty Police Officers".

Recommendation(s)

The Off-duty team should consider adding two check box columns in each row, next to the "Total Hours" column on the "Request for Off-Duty Police Officers, one for hours worked during holidays (Holiday hrs) and a second for hours worked at a night club (Night Club hrs). In addition, it should be clearly stated whether or not City equipment is requested and/or required as part of the off-duty job detail. Better documenting the hours worked during holidays and/or at night clubs, as well as whether or not equipment is requested and/or required should help to ensure adequate billing, proper officer compensation, as well as improved audit trails for future reference.

Management's Response(s)

Police Department:

The "Request for Off-Duty" form has been modified taking the above recommendation into account.

11. Finding – *The "equipment used" field on the Off-duty Pay Slip form is being inconsistently used by the police officers.*

The "equipment used" section of the "Off-duty Pay Slip" form, which is supposed to be checked by the officers in the event that City equipment is used while performing the off-duty assignment, is often inconsistently checked by the officers. Results from additional inquiries showed that officers with take home vehicles tend to check the field, since they are using the vehicle to commute to and from the off-duty job location. However, the equipment (police vehicles, ATVs, K-9, etc.) may not be requested or used while performing the job and as a result, no equipment charges are assessed to the applicant. Consequently of the inconsistent use of the field, additional inquiries are often require by the off-duty team since confusion regarding whether or not equipment was used during the off-duty job could arise. Lastly, improperly checking the field could lead to improper billing since equipment charges could be assessed on off-duty jobs not utilizing equipment, as well as not assessing equipment fees on those jobs that do utilize City equipment. This improper use of the "equipment used" field was mainly observed on temporary off-duty jobs. From our sample of sixty (60) temporary jobs, thirteen (13), or 21.67% showed improper use of the field on the off-duty pay slips.

Recommendation(s)

The off-duty team should consider informing and/or training police officers working off-duty details. This could be accomplished by circulating instructions regarding how to fill in off-duty job related forms, as well as incorporating them as part of the Standard Operating Procedures. Also implementing the recommendation in finding ten should help in resolving any inconsistency in the use of the field.

Management's Response(s)

Police Department:

The off-duty team Sergeant will conduct "roll call" training to address this and any other issues identified by the off-duty team.

12. Finding – *Staffing Study Recommendations*

In 2004, the City Commission's approved the issuance of RFP 40-03/04 for the purpose of hiring a consultant to conduct an analysis to determine the most effective personnel staffing levels, deployment and evaluate existing policies governing overtime, off-duty and secondary employment for the MBPD. The consultant selected through the adoption of Resolution No. 2005-25849 was an independent firm called Maximus, Inc. who worked closely with a committee of representatives from command staff, rank and file, the FOP union, the Office of Budget and Performance Improvement and Labor Relations to explore concerns, develop and test solutions.

At the end of this process, the consultant provided the City with a lengthy and detailed evaluation of current operational staffing and deployment within the MBPD. This report issued on 03/01/06 contained an Executive Summary which included their impartial recommendations as to how to correct their more critical findings. The following item was selected for testing to determine if it was implemented: *"In order to maximize high quality service to the public by providing adequate staffing, to minimize the potential impact of fatigue from substantial*

overtime and to improve targeted show up rates, we recommend that:

- a. *The total number of hours an officer works per seven day period should be restricted so that, once an officer works 64 hours in the seven day work period, the officer can work no additional off-duty hours. An officer may exceed 64 hours in order to complete the officer's on-duty schedule or to work overtime assignments. Currently, Miami Beach Police Department officers work four (4) ten (10) hours shifts. Sixty four hours would allow them to work the equivalent of their normal shift and allow for up to 8 hour per day on their three days off, assuming no overtime.*
- b. *No off-duty work can be performed in the six hours directly preceding an officer's shift starting time.*
- c. *During a seven day work week, as soon as an officer exceeds 64 hours of work – regardless of the sources (on-duty, overtime, court time, or off-duty) – the officer can work no additional off-duty jobs.*
- d. *The City should consider regulations that permit police officers from other agencies to work off-duty in Miami Beach, under the same rules as for Miami Beach officers. This would include that the officer be accounted for through the Miami Beach dispatch system and the officer supply a portable radio that can communicate directly with the dispatch center."*

Internal Audit's testing found that off-duty is maintained by different personnel in the Support Services Division than those responsible for overtime. Also, it is recorded in the Paradox System which does not interface well with TeleStaff, currently used to assign and record all on-duty and overtime staffing deployments. In addition, audits of employees' worked hours are not routinely done to ensure the accuracy of their paycheck. Instead, these audits are typically done by the Support Service Division's Administrative Aide II only for such voluminous events as Spring Break and Memorial Day weekend. Therefore, no one is apparently routinely performing testing to determine if recommendations a, b and c above are being met.

Finally, recommendation d above is being followed as State troopers, Metro Dade police and other law enforcement agencies are permitted to work Miami Beach off-duty engagements when they cannot be filled internally, which includes the City's reserve of retired certified police officers. Inquiries found that this occurs infrequently, mainly when MBPD police officers are working Alpha/ Bravo (12 hours on-duty and 12 hours off) during busy special events.

Recommendation(s)

MBPD management should follow Maximus, Inc.'s listed recommendations whenever possible. If any items in the Executive Summary either cannot be or have not been implemented, then the City Administration should be notified as to the reasons.

Management's Response(s)

Police Department:

At this time, the Maximus study recommendations outlined in a, b, and c above have not been adopted. These recommendations are deemed as terms and conditions of employment subject to bargaining negotiations between the City and the Fraternal Order of Police.

Internal Audit Observation:

Subsequent discussion with the City's Director of Human Resources indicated that these recommendations involving restriction of off-duty assignments are not being considered in the current negotiations with the Fraternal Order of Police since off-duty assignments is not considered work with the City under the union agreement.

13. Finding – *Revenues Collected for and Payments Made to the Police Athletic League are being posted to a Single Administrative Fee revenue account.*

A Memorandum Of Understanding dated November 5, 2007 between the City of Miami Beach and the Miami Beach Police Athletic League (PAL) established a fund to assist in the eligible operational expenses of PAL by adding one dollar per hour to the off-duty police rate. This additional fee collected is recorded in the Off-Duty Administrative Fee revenue account along with the other Off-Duty administrative fees. Payments made to PAL, in accordance to the Memorandum of Understanding have been posted as a reduction to the Administrative Fee revenue account on the General Ledger, instead of recording to a separate expense account. As a result, revenue figures reflected on the Administrative Fee Revenue account represent a net value between the revenues earned for administrative charges and the payments made to the PAL to assist in the eligible operational expenses.

Recommendation(s)

Revenues received as a result of administrative fees assessed for off-duty services should continue to be posted to the general fund account for Off-duty Administrative Fees. However, amounts corresponding to the one (1) dollar per hour to assist with the PAL's operational expenses should be recorded in a separate fee account. In order to accurately reflect revenues earned, posting payments to the PAL in a separate expense account is recommended. This way the amounts reported on the revenue account would reflect the gross value of revenues and the payments would reflect the contributions made to the PAL organization for eligible operational expenses.

Management's Response(s)

Finance:

We do not agree with this recommendation. The administrative fees paid to the PAL are a reduction of the total administrative fees collected by the City and as such should be recorded as a reduction in the administrative fees revenue collected by the City.

Internal Audit Observation

While we realize that it is easier to reduce the revenue accounts, we feel that PAL fees should be recorded separately as in the future they may have to submit proof of expenditure prior to receiving the funds, rather than a straight direct pass through of fees. Finance recognizes our point of view and if in the future proof of expenditures is required then Finance will consider recording it separately.

14. Finding – *Inactive bank balance remains in a City National Bank Of Florida account.*

A bank account with the City National Bank of Florida has remained inactive since late 2006. The account currently holds a balance of \$8,451.50 with no interest being accrued. This account was created to account for amounts collected for police officer wages, coordinator charges, and administrative fees, as well as the payment of the same to the corresponding parties. However, the lack of available support and reconciliations made it very difficult and time consuming to identify and reclassify the remaining balance. None the less, considering that officers have been paid for services rendered and no complaints have been filed by the officers to the contrary, Internal Audit believes with some degree of certainty that the amount still remaining in the account represents administrative fees charged that were not deposited/transferred into the City's pooled cash account.

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Recommendation(s)

We recommended transferring the balance of \$8,451.50 to the City's pooled cash account and recording it as off-duty administrative fees to the general fund.

Management's Response

Police Department:

This account was closed and the money was deposited into account # 156-8000-369999 (Miscellaneous Off-Duty).

EXIT CONFERENCE

An exit meeting was held to discuss the audit report and to solicit management responses noted above. Attendees were Major Brian Sliman, Lieutenant David DeLa Espriella, Sergeant Lorenzo Han, Georgina Echert (Assistant Finance Director), Juan Rodriguez (Finance manager), Nathan Neal (Finance Analyst II), Ana Delmonte (Administrative Aide II), James Sutter (Internal Auditor) and Fidel Miranda (Auditor). Management responses were received shortly thereafter. All were in agreement with the contents of this report.

Audit performed by Fidel Miranda, Auditor

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cc: Carlos Noriega, Chief of Police
Raymond Martinez, Assistant Police Chief
Brian Sliman, Police Division Major
Patricia Walker, Chief Financial Officer
Georgie Eckert, Assistant Finance Director