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BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: October 26, 2010
AUDIT: Parks & Recreation Department Overtime Audit
PERIOD: December 21, 2009 through August 1, 2010

This report is the result of a regularly scheduled audit of the processes covering the assignment, documentation, authorization and reporting of the overtime paid to seventy-five tested Miami Beach Parks & Recreation Department employees between December 21, 2009 and August 1, 2010 coinciding with current year completed payroll periods. When applicable, historical information is presented from prior years for comparison purposes.

INTRODUCTION

The Miami Beach Parks & Recreation Department is budgeted to employ 181.5 full time employees and 129 part time workers for the 2009/10 fiscal year according to the City's adopted budget book. These full-time employees operate in one of the four divisions listed below, which is followed by a short summary of the division's responsibilities:

- The Administrative Division acts as a parent division that oversees and manages the remaining three divisions and develops, implements and evaluates the long and short term work plans for the Department ensuring that they support and align the City's mission and strategic planning process; interfaces with the Administration, City Commission and public; etc.
- The Golf Division handles all aspects of operations at the Miami Beach Golf Club, Normandy Shores Golf Club and the maintenance of the Par 3 golf course.
- The Greenspace Management Division duties include the grounds maintenance and appearance of the gateways to the City, all municipal parks, all municipal buildings' grounds and City controlled medians, swales landscape areas including the management of the landscape maintenance contract for all Parking facilities.
- The Recreation Division is tasked with providing a myriad of recreational and leisure programs and services for children of all ages, adults, seniors and special populations.

The part time workers are primarily employed in the Recreation Division where they assist in the operation of after school programs and summer camps at various parks, pools and youth centers located throughout the City. These aforementioned four divisions are responsible for approving the overtime hours and pay within budgetary constraints; assigning staff to work the shifts in accordance with policies and procedures plus union contracts; and documenting all overtime worked to support any payments made.

Overtime can be summarized as all hours worked in excess of forty hours during an employee's work week. Annual leave, holiday leave, and other paid leave shall be considered as time worked for the purpose of computing overtime, but sick leave shall not. Similar wording is found in the City's three union contracts applicable to this audit, which are the Communications Workers of America, Local 3178 (CWA); American Federation of State, County and Municipal Employees, Local 1554 (AFSCME); and to a much lesser extent those in the Governmental

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Supervisors Association of Florida International Union, Local 100 (GSA).

Most overtime hours and dollars is worked earning compensation at a rate of one and one half times the employee's current hourly rate (OT 1.5). However, the overtime pay rate can increase to double the employee's current hourly rate for any overtime hours worked on a holiday or for all hours worked on an employee's seventh consecutive day within the work week (OT 2.0). There are other overtime pay rates but they occur infrequently and were not encountered during testing of full time union employees.

Part time employees are treated differently as they receive their regular pay for the first twenty hours worked during the Monday through Sunday work week. Afterwards, they receive OT 1.0, which is equivalent to their regular hourly rate, for any hours worked in excess of twenty but not exceeding forty. For all additional hours beyond 40 hours worked in the week, the part time employee is entitled to receive the same OT 1.5 rate as full time employees.

Parks & Recreation Department overtime can be incurred for different reasons. Examples include facility rentals in which employees may be required to work in excess of 40 hours to staff the facility, manpower shortages due to unanticipated employees' leave time; the need to staff special events like the Back to School Carnival, Family Night Dinners and athletic tournaments; etc.

All hours worked by departmental employees is recorded in the City's enterprise financial and administrative system, Eden Systems, Inc. (Eden). The time entry function is performed by the designated Parks & Recreation Department payroll coordinators or their back-ups at the following seven facilities due to the diversity and decentralization of their operations:

- Flamingo Park Youth Center and Pool
- Scott Rakow Youth Center and Muss Park
- Greenspace Management
- 21st Street Teen Center
- 21st Street Administrative Offices
- North Shore Park Youth Center
- Normandy Isle Park and Pool

The Department began implementing Novatime (the hand reading time clock system) in November 2009 with the Greenspace Management Division. The remaining facilities installed Novatime in May 2010 except for the Scott Rakow Youth Center which has been delayed until ongoing renovations are completed in October 2010 (estimated). Smaller unstaffed community parks like Tatum Park and Stillwater Park are also excluded, as well as Muss Park and North Shore Open Space Park due to their small staff size, lack of a secure location to safeguard the system or that the neighborhood park may not be normally staffed.

Additionally, the following payroll documentation is prepared at the seven listed facilities where it is ultimately submitted to the Department's 21st Street Administrative Offices as support for the listed entries:

- Absentee reports and leave requests detailing the reasons for the employee's absence.
- Acceptance/Refusal of Overtime forms used to indicate which employees were offered

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and/or accepted the engagement.

- Time sheets which indicate the hours worked by the listed employees during the day.
- Weekly Time and Attendance Forms which classifies all hours worked by employees during the pay period as either sick, vacation, overtime, etc.

Once this documentation is reviewed and approved by the Assistant Director, the Facility Manager or the Park Superintendent; then the payroll data is forwarded through either entry into the Eden QuickEntry screen (used by those facilities that have not yet implemented Novatime) or by uploading directly into Eden from Novatime for all other departmental facilities to the Finance Department's Payroll Section by 10:00am Monday every other week for processing.

The table below lists the total amount of overtime dollars paid to Parks & Recreation Department employees during the stated fiscal year periods according to the City's Financial System and Internal Audit's review in an attempt to provide a historical perspective and to show current trends:

	FY 2007/08	FY 2008/09	10/01/09 – 08/01/10
Parks Administration *	\$410	\$573	\$0
Greenspace Management	\$123,215	\$138,773	\$98,331
Recreation	\$69,283	\$135,098	\$128,220
21 st Street Teen Center **	\$0	\$47,681	\$14,389
Total	\$192,908	\$322,125	\$240,940

* Any overtime earned by Golf Division employees is included therein as it is minimal and is not separated out in the City's Financial System.

** The 21st Street Teen Center's 2009/10 fiscal year figures have not yet been adjusted for any overtime expenditures incurred since March 31, 2010. Overtime expenditures for the quarter ending June 30, 2010 were submitted prior to the July 31, 2010 due date to the grantor where they are pending approval. Consequently, these overtime expenditures are included in the Recreation Division until approved and they can be reclassified via journal entry by the City's Finance Department to the appropriate general ledger accounts.

OVERALL OPINION

The Miami Beach Parks & Recreation Department, in trying to estimate and prevent overtime, needs to take into account a number of factors that have the potential to impact overtime usage (the number of part time workers, the number and size of staged special events, etc.). Yet, they also need to ensure that there is sufficient coverage to adequately serve Miami Beach's residents; as well as complying with union contracts, standard operating guidelines, etc. that govern the assignment and payment of overtime during their operations.

The overtime earned by the randomly tested seventy-five employees was found to have been primarily paid correctly and was needed based on the reviewed documentation. However, the following overtime shortcomings were noted during the audit period and are in need of improvement:

- Two errors were found in the 427 overtime transactions tested (.47%) resulting in a \$55.55 total underpayment to employee identification number 17364.
- A review of the Eden System's tested general ledger overtime accounts for the divisions

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sampled, show the trend of overtime exceeding budgeted amounts improving over the previous fiscal years presented for comparison purposes. Amount for fiscal year 2009/10 needed to be adjusted for the journal entries not yet made to reclassify five months overtime 1.0 earned by part time workers to the salaries and wages account.

- Several Novatime shortcomings are noted which are in need of improvement so that the payroll process can be expedited and the initial automated data more accurate.
- Sufficient overtime documentation was not maintained to verify that all tested transactions were assigned in accordance with union contracts.

As the result of our verification of departmental measures, Internal Audit noted inaccuracies in the figures reported in the City's performance management software. These measures should be changed to reflect the data supported by the department's records.

PURPOSE

The purpose of this audit was to determine whether maintained accounting records and supporting documentation is organized, complete and sufficient; whether internal controls are soundly developed and functioning and a proper segregation of duties exists; whether overtime was assigned and paid to tested employees in adherence to ordinances, resolutions and personnel policies; and whether overtime is correctly recorded in the City's Financial System and is within City Commission approved budgeted amounts.

SCOPE

1. Confirm that comprehensive policies and procedures exist, are known and are followed by staff.
2. Confirm that overtime is earned, calculated and paid in accordance with implementing ordinances, resolutions and personnel policies.
3. Confirm that maintained accounting records and supporting documentation is organized, complete and sufficient.
4. Confirm that the internal control process is adequate and that a proper segregation of duties exists.
5. Confirm that overtime is assigned to personnel in accordance with stated policies and procedures and signed union contracts.
6. Confirm that the criteria creating the need for overtime is documented and is consistently followed.
7. Confirm that overtime dollars are within budgeted goals approved by the City Commission.
8. Confirm that the amounts reported in the Eden System's Payroll Module correctly reconcile with those in the City's Performance Management System's departmental scorecards.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – *Two Instances Noted Whereby An Employee was Underpaid Overtime*
Three pay periods with ending dates February 14, 2010; March 28, 2010 and August 1,

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2010 were randomly selected out of the sixteen completed periods to date during the current payroll year. From these three pay periods, a total of 75 full and part time employees who earned overtime were randomly sampled. The following bullets list the make-up of these tested employees by departmental facility, as well as the pertinent number of overtime transactions reviewed:

- Twenty Flamingo Park employees in 115 overtime transactions
- Thirteen Scott Rakow Youth Center/Muss Park employees in 113 overtime transactions
- Ten Greenspace Management employees in 18 overtime transactions
- Six 21st Street Teen Center employees in 40 overtime transactions
- Eighteen North Shore Park and Youth Center employees in 97 overtime transactions
- Eight Normandy Isle Park and Pool employees in 44 overtime transactions

All tested transactions were found to have been correctly paid except for two similar instances concerning City employee identification number 17364. It was found that this Recreation Leader I, an AFSCME union position, had worked seven consecutive days from 02/01/10 through 02/07/10 and 03/22/10 through 03/28/10. He worked 3.0 hours on 02/07/10 and 4.0 hours on 03/28/10 thereby entitling him to receive OT 2.0 (double his regular hourly rate) for these 7.0 hours worked in accordance with section 7.9 of the AFSCME union contract. However, he incorrectly was paid OT 1.5 or time and one half for these hours resulting in a \$55.55 underpayment to the City employee based on current salary levels.

Recommendation(s):

Parks & Recreation Department payroll coordinators and management should closely scrutinize employees' hours worked and pay for compliance to the terms listed in the applicable union contracts. Also, a payroll adjustment should be promptly prepared so that the Recreation Leader I is properly compensated.

Management's Response (Parks & Recreation Department):

Prior to the completion of this audit, the Department submitted a Payroll Adjustment for the employee named above. The employee's pay was adjusted on pay period August 30, 2010 – September 12, 2010. The Payroll Entry Designees were instructed to double check that employees are paid at their correct rate. Facility Managers and/or designated Supervisors were instructed to not schedule employees seven days per week; schedules will be changed in advance when possible.

2. Finding – *Actual Overtime vs. Budgeted as Recorded in the Eden System and the Corresponding Lack of Timely Journal Entries*

The Parks & Recreation Department's adopted annual budget contains departmental goals for such payroll expenditures as salary, overtime, etc. Although there may be extenuating circumstances outside of their control causing deviations from these figures, a review of the Eden System's Parks & Recreation Department's tested general ledger overtime accounts for the divisions sampled, show the following trend of overtime exceeding budgeted amounts improving over the previous fiscal years presented for comparison purposes:

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	FY 2007/08	FY 2008/09	10/01/09 – 8/01/10*
Departmental Total:			
Actual Overtime	\$192,908	\$322,125	\$240,940
Budgeted Overtime	\$120,758	\$283,458	\$285,965
Difference	\$72,150	\$38,667	(\$45,025)
Parks Administration (City Funded): **			
Actual Overtime	\$410	\$573	\$0
Budgeted Overtime	\$200	\$200	\$200
Difference	\$210	\$373	(\$200)
Greenspace Management (City Funded):			
Actual Overtime	\$123,215	\$138,773	\$98,331
Budgeted Overtime	\$51,275	\$68,275	\$68,275
Difference	\$71,940	\$70,498	\$30,056
Recreation (City Funded):			
Overtime Before Adjustments	\$69,283	\$135,098	\$435,952
Pending Adjustments	\$0	\$0	(\$307,732)
Actual Overtime	\$69,283	\$135,098	\$128,220
Budgeted Overtime	\$69,283	\$136,000	\$175,000
Difference	\$0	(\$902)	(\$46,780)
21 st Street Teen Center (Grant Funded):			
Overtime Before Adjustments	\$0	\$47,680	\$33,875
Pending Adjustments	\$0	\$0	(\$19,486)
Actual Overtime	\$0	\$47,680	\$14,389
Budgeted Overtime	\$0	\$78,983	\$42,490
Difference	\$0	(\$31,303)	\$28,101

* The budgeted overtime figures listed represent those amounts budgeted for the entire fiscal year, while the actual overtime amounts depict those amounts paid to employees for the listed ten month period.

** Any overtime earned by the Golf Division is included in these figures as it was immaterial and was not separated in the City's Financial System.

Although the first two columns cover periods that were not included in the stated audit period, they were presented to provide a historical perspective and to show trends.

The Recreation Division employs a number of part time employees who typically work twenty hours per week for which they receive their regular hourly pay rate. Yet, their work week increases to forty hours when the children are out of school during Spring Break and summer. They are paid at OT 1.0, which is equivalent to their regular hourly rate, for these additional twenty hours worked. Finally, any hours worked in excess of forty during the week are to be paid at OT 1.5 or time and a half.

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The City's Eden System is pre-programmed so that any hours worked by Recreation Division employees designated as OT 1.0, 1.5, etc. are automatically debited to the general ledger overtime account of 011-0950-000135. Yet, the part time workers' OT 1.0 hours are not actually overtime and as a result journal entries are prepared to reduce the overtime account balance and to increase the salaries and wages account balance (011-0950-000111) accordingly.

Testing found that these journal entries are not done timely as only five of the ten months' adjustments for the current fiscal year were entered as of August 5, 2010. Additionally, the October, November and December 2009 adjustments were posted to the City's Financial System on March 17, 2010 through journal entry 05-026, while the January and March 2010 adjustments were posted on July 14, 2010 by journal entry 09-061. Subsequent inquiries found that these journal entries also lagged behind in the prior fiscal year before being made current in September (the last month of the City's fiscal year) so that the end of year balance is correct.

Parks & Recreation Department management stated that the remaining five months whose correcting journal entries have not been made yet equal \$308,161. Consequently, these numbers were included in the table in the Recreation Division's Pending Adjustments row and comprise most of its total.

The Parks & Recreation Department provided emails indicating the dates that the current year's OT 1.0 figures were sent to OBPI's Management and Budget Division (excluding October 2009) for reclassification through journal entry. It was calculated that Parks & Recreation Department personnel took an average of 62 days following the last day of the corresponding pay period in which to send this data. Furthermore, it was calculated that the months of November 2009, December 2009, January 2010 and March 2010 were posted an average of 77 days afterwards by the Finance Department. Internal Audit was unable to determine the dates that OBPI's Management and Budget Division forwarded this information to the Finance Department for processing.

Finally, it was found during testing that one of the main overtime drivers is the rental of pools, pavilions, ice rinks, etc. by customers who in advance pay the associated number of employees' overtime at a rate of \$25 per hour (doubled on holidays) with a four hour minimum based on City Resolution No. 2003-25306. Afterwards, the City pays the corresponding employees who actually work the rental at a rate equal to OT 1.5 or time and a half which may or may not exceed the amounts previously collected from the customer.

Recommendation(s):

Parks & Recreation Department management should continue to closely scrutinize the root causes for the amount of overtime to determine if alternate solutions can be implemented to help lower actual expenditures.

In addition, Internal Audit recommends that the Human Resources and Finance Departments create a new "ben/ded" code to capture all OT 1.0 hours worked by part time Recreation Division employees. The Eden System should be pre-programmed to have all corresponding entries automatically debited to the Recreation Division's salaries

and wages account. The implementation of this recommendation should help make these time consuming overtime calculations and journal entries obsolete and the City's monthly general ledger and performance measurement system entries more accurate.

Finally, the Department should analyze whether this \$25 per hour overtime rate per employee is sufficient or should it be adjusted pending the City Commission's approval.

Management's Response (Parks & Recreation Department):

As a result of this audit, the City's Human Resource Department created a new code to mark all part-timers and/or TEMPS that work more than 20 hours and less than 40 to be marked as REG2 instead of OT1. This new code will now be deducted from Salaries and Wages 011.XXXX.000111 instead of Overtime 011.XXXX.000135 (XXXX = Department Code). This was implemented on pay period 9/27/10 – 10/10/10 and has greatly alleviated the number of hours dedicated to creating tedious journal entries for the Department. Journal Entries will now be completed within a two-week period and sent to Budget for processing.

The Department has recently discussed the possibility of adjusting the staffing rate of \$25 per hour to cover staff costs when working a rental/party in our revenue enhancements in next year's budget. This upcoming fiscal year, we will analyze the average cost for staffing and make a recommendation based on the analysis.

3. Finding – Identified Novatime Shortcomings are Addressed

Internal Audit met with Parks & Recreation Department representatives at seven different facilities during testing. One of the topics discussed and reviewed involved the current usage of the Novatime or the hand reading time clock system at most staffed facilities. In doing so, the following shortcomings were noted which could affect the accuracy of the reported payroll data if not corrected by subsequent internal reviews:

- Novatime requires the input of employees' weekly schedules before time entries are accepted. Any hours worked outside of these scheduled hours are paid at the applicable overtime rate. For most this scenario works well but Parks & Recreation Department schedules tend to change frequently based on staffing needs, worker availability, etc. Consequently, payroll coordinators or their designees have to change the corresponding employees' schedules in Novatime accordingly or the employees will be paid incorrectly.
- Parks & Recreation Department employees are required to clock in and out four separate times in Novatime during their daily shift: once to start working, again to start their lunch break, then upon their return from break and finally to end their work day. Inquiries and review of Novatime's Timesheet Input Screens found numerous calculation errors in computing the daily number of hours worked. In fact, the North Shore Park and Youth Center's payroll coordinator estimates that she has to make physically correct 60 of the 66 employees or 90.91% whose hours that she is responsible for during a given pay period.

Fortunately, Internal Audit's testing discovered few uncorrected errors (2/427 or .47% as shown in finding #2) but these listed shortcomings do slow down the payroll process and place more importance on internal reviews. The Department continues to also require

employees to manually sign in and out on time sheets due to their concerns about Novatime and its accuracy which is a duplication of work.

Recommendation(s):

The Parks & Recreation Department should prepare a listing of their issues and concerns with the Novatime system and submit them to the vendor for resolution. Meanwhile, payroll coordinators and management should continue to closely scrutinize Novatime for accuracy thereby making any deemed necessary corrections.

Management's Response (Parks & Recreation Department):

As a result of these findings, the Department has been in constant contact with Novatime regarding minor glitches in the system. We are now tailoring the system to meet the Department needs. Payroll Entry Designees are encouraged to contact the Department Payroll Coordinators with any issues/concerns regarding payroll entry.

4. Finding – *Overtime Assignment Documentation Needs to be Better Maintained*
The Parks & Recreation Department primarily uses the following documents to support the assignment of overtime:
- The Acceptance/Refusal of Overtime form is to be completed each time that overtime is offered to an employee. It contains such useful information as the employee's name, the start time, end time, employee's signature and supervisor's signature.
 - Overtime Wheel reports vary by facility but among other information they group the employees by job classification, contain their hire date and the date of the last overtime engagement worked.

Testing performed on these documents during the audit period found the following limitations:

- a. Overtime assignments are typically based on the nature of the work and the applicable employees' seniority or hire date. For example, only those involved as a cheerleading coach would be able to earn overtime for a cheerleading event but many may be able to work at a party rental. If more than one employee was able to perform the desired task but not all were needed, then the deciding factor would be their hire date.

Once offered the engagement (regardless of whether accepted or not) on the Overtime Acceptance/Refusal form, the corresponding individual is to be moved to the bottom of the Overtime Wheel report. Consequently, these rankings change as engagements arise and unless the Overtime Wheel report is accurately maintained for that period, it becomes time consuming to re-create in the event of an audit, filed grievance, etc.

Additionally, these Overtime Wheel reports need to be accurately maintained by their preparers. Testing found that employee identification numbers 13650 and 15199 worked overtime in February 2010 but the hours were not captured in any of the subsequently provided Overtime Wheel reports through August 2010.

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- b. The Acceptance/Refusal of Overtime forms were not always present to support the assignment of overtime. For example, North Shore Park and Youth Center personnel stated that these forms are not prepared when an employee is retained past their shift's end due to others not reporting timely for work.
- c. The Acceptance/Refusal of Overtime forms does not indicate the reason(s) that created the need for the overtime engagement.

Recommendation(s):

Complete, detailed documentation should be maintained to confirm that overtime hours were fairly assigned in accordance with union contracts, departmental policies and procedures, etc. The implementation of the following recommendations should help ensure that a proper audit trail is maintained:

- a,b. The Acceptance/Refusal of Overtime forms should always be maintained with an accurately prepared Overtime Wheel report for all engagements showing why the hours were offered to the corresponding employees.
- c. A line should be added to the Acceptance/Refusal of Overtime form to indicate the purpose of the overtime hours worked.

Management's Response (Parks & Recreation Department):

The Department is proceeding with all the recommendations provided in this finding. A copy of all the recommended forms will now be maintained in the Administration Offices beginning this fiscal year (2010/11).

5. Finding – Review of Departmental Performance Measures

The City's performance measurement software is used to report monthly Parks & Recreation Department overtime in comparison with targeted values. The departmental performance measure is entitled "Parks and Recreation Department Overtime Expenditures" and is comprised of the two separately reported overtime child measures that roll up into this measure labeled "Recreation Overtime Expenditures" and "Greenspace Overtime Expenditures".

Review of these three performance measures found that definitions were not present and the description field merely referenced the associated general ledger accounts and did not provide any additional detail. In fact, subsequent inquiries with departmental personnel could not determine whether the Parks & Recreation Department Overtime Expenditure's objective was to measure all overtime expenditures incurred by the Department or only those amounts actually not reimbursed to the City from other sources as described below. The overtime figures included in this finding and throughout the report represent those incurred by the Department.

Testing found that the City's performance measurement software system currently captures the applicable Eden System general ledger overtime balance for Greenspace Management (account number 011-0940-000135) and Recreation (account number 011-0950-000135) as of a prescribed date determined by the Office of Budget and Performance Improvement's (OBPI) Management & Budget Analyst. However, small amounts of overtime were earned by Parks Administration, which is recorded separately

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in general ledger account 011-0920-000135, were not included.

Conversely, the 21st Street Teen Center is grant funded so any overtime earned at this facility is reimbursed to the City. Therefore, the overtime earned is removed (credited) from the Recreation Division's overtime account and added (debited) to the grant's overtime general ledger account of 196-6021-000135. As a result, these 21st Street Teen Center overtime payments are also not being recorded in the City's performance measurement software.

Furthermore, Internal Audit noted that the City's performance measurement software system recorded the Eden general ledger figures before journal entry number 05-026 was entered so it was not captured in February 2010's upload or any subsequent months. The journal entry's purpose was to reclassify OT 1.0 expenses incurred by Recreation Division part time workers between September 2009 and December 2009 from the overtime account of 011-0950-000135 to the salaries and wages account of 011-0950-000111 as previously discussed in finding #2.

Additional journal entries were prepared that affected prior months' reported overtime balances (examples include journal entry numbers 04-029 and 09-029). However, their impact on each month was not calculated so that the performance measurement software entry could be adjusted accordingly.

Internal Audit recalculated the Parks & Recreation Department's total monthly overtime and compared the results to the amounts reported in the City's performance measurement software. Our results are summarized in the following table:

Month	Parks & Recreation Overtime		
	Reported	Audited	Difference
October 2009	\$25,566	\$17,232	\$8,334
November 2009	\$26,988	\$29,515	(\$2,527)
December 2009	\$38,171	\$36,639	\$1,532
January 2010	\$26,613	\$20,830	\$5,783
February 2010	\$27,515	\$22,198	\$5,317
March 2010	\$42,987	\$35,309	\$7,678
April 2010	\$51,069	\$11,821	\$39,248
May 2010	\$45,244	\$23,433	\$21,812
June 2010	\$103,741	\$21,287	\$82,454
July 2010	\$171,897	\$22,677	\$149,220
Total	\$559,791	\$240,940	\$318,851

Based on the above analysis, Internal Audit concludes that the figures reported for the departmental performance indicator entitled "Parks & Recreation Department Overtime Expenditures" and the aforementioned two sub measures are inaccurate based on the criteria defined in Exhibit 1.

Recommendation(s):

The performance management software definition and description fields should be revised by the Parks & Recreation Department to include a definition of the measure, as

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well as the methodology for deriving the measure, the data source, references and/or sources of comparable benchmarks. This additional information will help avoid the confusion that currently exists over the true objective of the performance measure so that departmental personnel can ensure that all relevant data is being captured.

The computer script should be run on the last day of the subsequent month so that the monthly upload into the City's performance measurement software will be more likely to contain all relevant entries. Periodic reconciliations should be performed by the Parks & Recreation Department to help ensure that any journal entries done after the prescribed run date are captured in the City's performance measurement system. If the journal entry impacts more than one month, then each month's figures should be calculated and given to the Management & Budget Analyst so that the necessary corrections can be made in the City's performance measurement system.

Management's Response (Office of Budget Performance Improvement):

The intent of this measure is to provide a comparison to budgeted overtime which is net of reimbursements. OBPI will work with the Parks & Recreation Department to create the appropriate measure description and to ensure the appropriate scheduling of the monthly upload. However the Parks & Recreation Department needs to perform monthly reconciliations, update measures with no overtime and advise OBPI of any necessary corrections.

EXIT CONFERENCE

An exit meeting with Parks & Recreation Department employees was held on October 15, 2010 to discuss the audit report and to solicit the management responses recorded above. Attendees included Assistant Parks & Recreation Directors John Oldenburg and Julio Magrisso, Parks and Recreation Analyst Teresa Buigas, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Additionally, the last finding was sent via email to the OBPI Director. Their management responses were received shortly thereafter and were incorporated into the above audit report. All were in agreement with the contents of this report.

JJS:MC:mc

Audit performed by Senior Auditor Mark Coolidge

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cc: Hilda Fernandez, Assistant City Manager
Kevin Smith, Parks & Recreation Director
Ramiro Inguanzo, Human Resources Director
Patricia Walker, Chief Financial Officer

EXHIBIT: 1 - Assessment Categories for Performance Measures Verification

Assessment Category	Criteria
Certified	If reported performance is 100% accurate and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data. Measurement data is supported by source documents.
Certified with Qualifications	This category is assigned under either one of two conditions: 1. <i>Reported performance is within +/- 3%, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</i> 2. <i>The department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.</i>
Factors Prevented Certification	Documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. This category is also assigned when there is a deviation from the measure definition and the reviewer cannot determine the correct measure result.
Inaccurate	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.

EXHIBIT: 2 - Additional References for Performance Management Software's Description of Measure

- 1) **Measure Name:** Should list the name of the measure for which data is being collected and reported.
- 2) **Measure Type:** Should recognize whether the measure is an "Input", "Output", or "Outcome" measure. One must consider whether results are measured through input (Ex: Customer surveys), output (Ex: Number of contracts completed without change orders), or outcome (Ex: % of projects substantially completed or in beneficial use within 120 days).
- 3) **Measure Description:** Should describe the measure. Some measures are self explanatory and some may not; however, a description should always be included (Ex: The measure considers the % of change in the value of the change orders for a specific category divided by the original project cost).
- 4) **Measure Frequency:** Describes how often performance data is reported (Ex: Quarterly).
- 5) **Data Sources:** Should list sources used to collect performance data (Ex: System Software Names, Report Names, Schedules, etc.)
- 6) **Calculation Methodology:** Should explain how data reported was calculated (Ex: change orders for that quarter divided by the original total projects costs, projects substantially completed or in beneficial use within 120 days of the contract milestone date divided by the total number of projects completed during the same quarter).