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Minneapolis Police Department Scheduling & Time Reporting Review

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To: Timothy Dolan, Chief, Minneapolis Police Department

Re: Minneapolis Police Department Scheduling and Time Reporting Review

The Internal Audit Department (IA) conducted a review of the Minneapolis Police Department (MPD) scheduling and time reporting process. For the year 2010, total MPD payroll costs, including regular pay and overtime, were approximately $78.3 million. Total overtime expense was approximately $4.3 million, or 5.5% of total payroll. This review was included in the 2011 Internal Audit Plan, and was completed in March 2011.

Scope

Our audit work was related to overtime processes and transactions for the period January 1, 2010 through December 31, 2010. Audit procedures were not performed on any payments other than MPD overtime payments. Furthermore, we didn't include in the scope of this review the testing of the actual existence of MPD employees. We utilized multiple methodologies to achieve the audit objectives:

- Reviewing MPD policies and procedures;
- Reviewing the MPD labor agreement;
- Interviewing personnel from MPD, Human Resources (HR) and Finance;
- Obtaining documentation related to scheduling, time reporting and overtime;
- Observing and reviewing scheduling, time reporting and overtime processes; and
- Analyzing and performing tests on data.

Objective

Audit objectives were to determine whether:

- Adequate internal controls exist and can be relied upon to detect and prevent material misstatements;
- Policies and procedures for scheduling and oversight of time reporting were appropriately designed and functioning properly to ensure accuracy and reasonableness of resource utilization;
- Overtime payments were made in accordance with applicable agreements, policies and regulations; and
- Systems and functions related to processing overtime were operating as intended.

Summary of Key Findings *and Management Action Plans:*

- There is no formal process in place to periodically review overtime usage. *MPD management will develop reports that track various components of overtime usage by June 2011.* (Ref # 1 below, MPD Management Monitoring)

- Supporting documentation for overtime adjustments is not consistently retained. *Central Payroll (Payroll) management will maintain the supporting documentation – completed.* (Ref # 2 below, Supporting Documentation)

- Some instances of overtime were not approved on a timely basis. *MPD management will reinforce, through policy, the importance of timely approval and will prohibit the submission and approval of overtime payments in advance of working. In addition, MPD will explore system enhancements to accomplish both objectives – June 2011 and end of August 2011.* (Ref # 3 below, Timeliness of Overtime Approval)

- On some occasions, payroll employees are approving overtime without evidence of prior approval by MPD supervisors. *Payroll and MPD management will explore developing periodic reports to monitor MPD overtime approvals made by Payroll employees – June 2011 and on-going as needed.* (Ref # 4 below, Payroll Employee Approves MPD Overtime)

- The MPD Policies and Procedures (P&P) manual relating to overtime has not been updated recently. *MPD is in the process of updating the P&P manual – by end of September 2011 and on-going as needed.* (Ref # 5 below, Policies and Procedures)

- There is no formal process in place to monitor access levels to Workforce Director (WFD), the MPD scheduling and timekeeping system.[1] *MPD will develop a process for granting and monitoring access privileges to WFD, and periodically review changes to those access privileges – December 2011.* (Ref # 6 below, WFD Access Privileges)

- The Labor Agreement between the City of Minneapolis and the Police Officers' Federation of Minneapolis should be re-written for better clarity, organization and elimination of potential conflict. *The City will make a "revised" collective bargaining agreement a priority for the next round of collective bargaining, if agreement is reached – December 31, 2012.* (Ref # 7 below, Labor Agreement)

- There is no documentation maintained as evidence of performing the reconciliation between WFD, and the City's payroll system, Human Resources Information System (HRIS). *Payroll will retain the supporting documentation related to the reconciliation of the WFD and the HRIS payroll data for the appropriate retention period – completed.* (Ref # 8 below, WFD & HRIS Reconciliation)

- There is no project plan for the Police Department's retroactive pay project. *Payroll management will develop a project plan to track and monitor the remaining progress through completion. Going forward, a process will be in place to develop project plans for future projects – May 15, 2011.* (Ref # 9 below, Project Planning)

Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. MPD, Finance, and HR management worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to the MPD, Finance and HR personnel who assisted and cooperated with us during the review.

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[1] WorkForce Director (WFD) is an electronic employee management tool, developed by the Minneapolis Police Department, which provides the ability to manage the scheduled allocation and daily assignment of human resources (Scheduling and Time Tracking). WFD tracks hours, not dollars.

Police Scheduling and Time Reporting Review

Audit Findings and Action Plans

1. **MPD Management Monitoring**
   Overtime summary reports are not generated periodically for MPD supervisory/management's review to properly oversee and monitor overtime usage. Additionally, there is no formal process in place to require generating such reports, the frequency of generating these reports, and to whom they should be distributed. Without regular monitoring reports, it is difficult to identify overtime outliers and perform trend analyses to adequately monitor overtime usage and investigate potential questionable areas.

   We also noted overtime summary reports for federally reimbursable hours, which are overtime payments reimbursed from the federal government to the City, are not generated periodically for MPD management to properly oversee and monitor the reimbursement process. By not closely monitoring overtime hours that are potentially reimbursable by the federal government, MPD may lose the opportunity to receive reimbursement and miss the opportunity to timely terminate projects that may exceed the limit of overtime hours eligible for reimbursement.

   Recommendation
   IA recommends MPD management work with MPD's Business Technology Unit to develop and utilize system generated overtime reports that can be produced periodically to capture timely overtime analyses by unit, person and type for management review.

   Additionally, IA recommends MPD management develop a formal process that describes:
   - The responsible personnel to generate overtime monitoring reports;
   - The dissemination process for the reports; and
   - The frequency and timeliness of overtime summary reports.

   We also recommend reports for overtime hours, potentially reimbursable by the federal government, should be produced periodically for supervisory and management review to ensure the reimbursable overtime hours remain within the projected budget limit.

   Management Action Plan
   MPD management will work internally to develop reports tracking various components of overtime usage, including federally reimbursable overtime, by department members. In addition, MPD management will develop procedures for the frequency and audience for disseminating this information, once developed.

   Responsible Party
   Kevin Carpenter, Director of Financial Operations

   Expected Completion Date
   June 30, 2011

2. **Supporting Documentation**
   MPD employees submit their time worked to Payroll, and there are times that Payroll employees are requested to make adjustments to MPD employees' overtime records. We found that supporting documentation for some payroll adjustments made by Payroll employees is not consistently retained. Without adequate supporting documentation for all changes made, there is no audit trail, which can result in an increased risk of error or misappropriation of City assets.

Recommendation
IA recommends Payroll management should establish procedures for the consistent retention of support documentation for time worked and time adjustments. Records should be retained for 6 years, per City policy, "FNN-80-02."
http://citytalk/wcm1/groups/public/@clerk/documents/webcontent/wcms1p-022457.pdf

> **Management Action Plan**
> Payroll will maintain the supporting documentation required for time worked and time adjustments. The supporting documentation will be included with the final (confirmed) payroll register. Payroll began retaining the supporting documentation related to time worked and time adjustments as of the 3/13/11 – 3/25/11 payroll; this will continue on a go forward basis.
>
> *Responsible Party*
> Lisa Brown, Payroll Manager
>
> *Expected Completion Date*
> Completed

3. **Timeliness of Overtime Approval**
   In 2010, MPD had a total of 22,315 overtime records that required approval for payment from an immediate supervisor. Of this total, 109 overtime records were approved for payment more than 30 days after the overtime was worked by the MPD employee; 8 of the 109 overtime records exceeded 180 days before they were approved. By not reviewing and approving overtime records timely, errors may not be detected and corrected timely.

   Conversely, of the 22,315 overtime records, 1,298 overtime records were approved for payment prior to the start of the overtime shift, 5 of these records were approved for payment more than 2 weeks prior to the start of the overtime shift. Of the 1,298 overtime records identified, auditors randomly contacted 5 supervisors that approved the overtime prior to the start of the overtime shift and found they were not aware they approved overtime prior to the start of the overtime shift. Approving overtime for payment prior to the overtime shift being worked increases the risk of error or misappropriation of City funds.

   Recommendation
   IA recommends MPD management, in conjunction with MPD Business Technology Unit, adjust the WFD system so the occurrence of overtime requests not approved within an established timeframe, such as 2 weeks, will initiate an email reminder to the supervisor and the employee who worked the overtime. When a notification has not been approved after a longer timeframe, such as 30 days, additional email notifications should be sent to supervisors higher up the chain of command.

   In addition, IA recommends providing training to supervisors on the importance of the timeliness of approving overtime.

   Finally, IA recommends MPD management enhance WFD system controls to prevent overtime from being submitted or approved for payment prior to the start of an overtime shift.

   > **Management Action Plan**
   > MPD management will explore making system enhancements to automate reminder notices and/or develop other mechanisms to ensure timely submittal and approval of overtime. System enhancements to prevent submission and approval for payment in advance of working overtime will be implemented. Procedures to address timely submission and approval will be in place by June 30, 2011. Prohibitions on submission in advance of working will be incorporated into the next version of WFD, currently anticipated to roll out within the next three months.

Responsible Party
Kevin Carpenter, Director of Financial Operations

Expected Completion Date
June 30, 2011 for procedures
August 31, 2011 for WFD functionality

4. **Payroll Employee Approves MPD Overtime**
   In 2010, MPD had a total of 22,315 overtime records. When any adjustments are made to an overtime record, the system requires the adjustor to sign-off (re-approve) the overtime. MPD management permits Payroll employees to be setup in WFD as "Administrators", enabling them to submit and approve overtime records. Although the MPD intends for overtime records to be approved by MPD management, there are no system or management controls in place to report records that are approved by Payroll employees only.

   Of 22,315 overtime records, 1,033 were adjusted by Payroll employees resulting in their names listed as final overtime approvers. We selected 20 adjusted overtime records where Payroll employees were listed as final approvers and found 2 records had no other preceding level of approval and no support documentation for the approval. Lack of management review and approval of overtime records increases the risk of error or misappropriation of City funds.

   Recommendation
   IA recommends enhancing system controls to prevent Payroll employees from approving overtime with no prior MPD management approval. If this is not practically possible, we recommend a process be in place to allow MPD management to perform a timely review of overtime records that are approved only by Payroll employees.

   > **Management Action Plan**
   > Payroll and MPD Administration will explore developing periodic reports to assess situations leading to Police payroll being listed as final approvers without prior approval from MPD supervisors. Given the complexity, while certain improvements are likely by June 30, 2011, more comprehensive solutions are likely to evolve over time as part of a continuous improvement approach.
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   > *Responsible Party*
   > Lisa Brown, Payroll Manager
   > Kevin Carpenter, Director of Financial Operations
   >
   > *Expected Completion Date*
   > June 30, 2011 and on-going as needed

5. **Policies and Procedures**
   We found the language within the MPD P&P Manual 3-701.05 http://www.ci.minneapolis.mn.us/mpdpolicy/3-700/3-700.asp "Approval of Overtime Requests (12/28/01)" is vague and enhancements for clarity and timeframes for approval will strengthen the policy and provide direction and expectations to MPD personnel. The policy was last revised in 2001, which might not reflect the most recent processes or requirements. Without a well written policy pertaining to approval of overtime requests, MPD personnel do not have clear, consistent guidance and expectations as it pertains to approving overtime requests.

   Recommendation
   IA recommends MPD management update language in the MPD P&P Manual as it pertains to the approval of overtime requests to add enhancements for clarity and timeframes for management approvals.

As some policies and procedures within the MPD P&P manual were not recently updated, we also recommend MPD management revisit their MPD P&P manual, in its entirety, to identify other areas for updating language to reflect current processes. Additionally, IA recommends MPD management periodically review the manual, preferably on an annual basis, for any updates or changes to MPD processes.

Management Action Plan
MPD management is in the process of updating the policy for off-duty employment. Following that, we intend to update other policies which relate to overtime and scheduling. Other policies are updated as necessary and as resources are available, as part of continuous review and revision approach.

Responsible Party
Kevin Carpenter, Director of Financial Operations

Expected Completion Date
September 30, 2011

6. WFD Access Privileges
A formal process does not exist for granting specific levels of access privileges to MPD personnel within WFD. By not having a formal process in place and continuously monitoring access to WFD, inappropriate access may not be detected and corrected timely, resulting in an increased risk of error or misappropriation to the City.

Recommendation
IA recommends MPD management develop a formal process to appropriately monitor and track WFD access privileges for all MPD personnel. This should include written policy or procedures, signed forms for access changes, a change log to track access changes and bi-weekly or monthly reports for MPD management to review. Additionally, we recommend MPD management perform a periodic review of personnel access privileges to ensure they match with their appropriate job requirements.

Management Action Plan
MPD will develop a process for granting, monitoring access privileges to WFD and periodically reviewing changes to those access privileges.

Responsible Party
Kevin Carpenter, Director of Financial Operations

Expected Completion Date
December 31, 2011

7. Labor Agreement
The Labor Agreement between the City of Minneapolis and the Police Officers' Federation of Minneapolis has gone through repeated amendments and alterations since its inception which rendered the content in the document disorganized and open for interpretation.

An MPD employee must submit his/her request for days off not less than 15 days before the beginning of the next scheduling period as stated in section 9.3 (a)(5). In addition, work schedules have to be posted no later than 10 calendar days prior to the beginning of the scheduling period (section 9.3(b)). *However*, section 10.2 (d) of the collective bargaining agreement states, "An employee who gives notice of the intent to use compensatory time at least 7 calendar days in advance shall be granted compensatory time off on the requested date(s) without regard to whether granting such request would cause the employee's shift, precinct, unit or division to fall below the Department's minimum staffing levels." Employees requesting to use compensatory time at least 7 calendar days in advance and having it granted frequently results

in minimum staffing shortages that result in overtime being paid to another employee to fill the shortage.

Recommendation
IA recommends MPD, in conjunction with HR and the Police Officers' Federation, consider re-creating a new agreement for better clarity, organization and elimination of potential conflict.

Additionally, we recommend consideration be given to resolving the time discrepancy of granting compensatory time off to MPD employees that causes staffing levels to fall below minimum levels needed to adequately perform their job duties and further requires the MPD to unnecessarily pay another employee overtime to fill the shortage.

> **Management Action Plan**
> Both of these items must be collectively bargained and if agreed upon, they are expected to be completed within six months of ratification by the Minneapolis City Council.
>
> In terms of a new agreement, the City will make a "revised" collective bargaining agreement a priority for the next round of collective bargaining. If agreement is reached with the Federation, the City will hire an intern to assist in cataloguing and reorganizing the items contained in the collective bargaining agreement for understandability.
>
> In terms of the use of compensatory time, the City will introduce the item during the next round of collective bargaining. This effort will be to modify the time frame such that the need for overtime is reduced. However, given that the Federal courts have ruled the "if the use of compensatory time is requested within a reasonable time, the time must be granted without regard to the requirement of overtime" the only change may be the definition of "reasonable".
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> *Responsible Party*
> Timothy Giles, Director of Employee Services
>
> *Expected Completion Date*
> December 31, 2012

8. **WFD & HRIS Reconciliation**
   During the reconciliation of the interface between the Police scheduling and timekeeping system, Workforce Director (WFD), and the City's payroll system, Human Resources Information System (HRIS), Payroll discards the original HRIS payroll register that includes all hand-written comments and discrepancies leaving no audit trail of evidence to validate the changes and/or corrections made.

   Without the retention of the marked-up HRIS payroll register there is no evidence that the reconciliation between the two systems was performed.

   Recommendation
   IA recommends Payroll retains adequate supporting documentation related to the reconciliation of WFD data and HRIS payroll data, as evidence of management review and to be retained for the appropriate retention period.

   > **Management Action Plan**
   > Payroll will retain the supporting documentation related to the reconciliation of the WFD and the HRIS payroll data for the appropriate retention period. Payroll began retaining the supporting documentation related to the reconciliation as of the 3/13/11 – 3/25/11 payroll; this process will continue on a go forward basis.
   >
   > *Responsible Party*
   > Lisa Brown, Payroll Manager

Expected Completion Date
Completed

9. **Project Planning**

   Payroll management did not have a project plan in place for the Police Department's retroactive pay project. The project status remains open and payroll staff does not have clear expectations regarding the timeframe to complete the project. Furthermore, Payroll management does not have an adequate method to track the progress and milestones of the project through completion.

   There are many benefits in having a project plan in place. A well-written plan establishes goals and responsibilities which have the effect of letting everyone know what is expected of them. It's important that everyone knows his or her role, and when they are expected to carry out their responsibility, as well as the time frame in which they must operate. A written project plan also enables the evaluation of performance for the team as a whole. Having a project plan in place reduces cost, motivates employees and provides them with a sense of achievement when they complete the plan as intended.

   Recommendation

   IA recommends Payroll management develop a project plan to track and monitor the remaining progress of the police retroactive pay project through its completion. Additionally, we recommend any future projects have a well defined project plan in place prior to its commencement.

   > **Management Action Plan**
   >
   > Payroll, under the direction of the Controller, will develop a project plan to track and monitor the remaining progress through completion of the police retroactive pay project. Also, going forward, for future projects, we will have a well defined project plan in place prior to its commencement.
   >
   > *Responsible Party*
   > Lisa Brown, Payroll Manager
   > LeaAnn Stagg, Interim Controller
   >
   > *Expected Completion Date*
   > May 15, 2011

Abbreviations Used Throughout the Report

HR   Human Resources
HRIS   Human Resources Information System
IA   Internal Audit
MPD   Minneapolis Police Department
P&P   Policies and Procedures
WFD   Workforce Director