

CITY OF HAMILTON

**CITY MANAGER'S OFFICE
Audit Services Division**

TO: Chair & Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: December 9, 2013	
SUBJECT/REPORT NO: Audit Report 2013-09 – Community & Emergency Services - Hamilton Fire Department – Overtime (AUD13038) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905 546-2424 ext. 4469
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans, as detailed in Appendix "A" of Report AUD13038, be approved; and
- (b) That the Acting General Manager of Community and Emergency Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD13038) implemented.

EXECUTIVE SUMMARY

An audit of Hamilton Fire Department (HFD) overtime was approved by Council in the 2013 Internal Audit work plan. This audit assessed the justification for the overtime incurred. The staffing model in use was evaluated as to its use in determining the need for overtime.

Internal controls for monitoring the usage and extent of the overtime incurred were reviewed for effectiveness. Overtime records were verified for accuracy and their use in payroll generation. Compliance with the Fire Protection and Prevention Act was considered. The operating budget was reviewed to ensure overtime costs were properly booked.

Twelve recommendations were made to strengthen administrative controls and management oversight with regard to overtime.

The results of the audit are presented in a formal Audit Report (2013-09) containing observations, recommendations and management responses. Audit Report 2013-09 is attached as Appendix “A” to Report AUD13038.

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Improved tracking of the overtime incurred would allow management to analyze the causes of the overtime and take actions that may reduce its cost.

Staffing: None

Legal: None

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2013 Internal Audit work plan approved by Council. The fieldwork was completed in June 2013. The results of this audit are attached as Appendix “A” of Report AUD13038.

The Audit, Finance and Administration Committee receives and approves final audit reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

Letter of Understanding between the Corporation of the City of Hamilton and the Hamilton Professional Firefighters Association I.A.F.F. Local 288 Re: 24-Hour Work Schedule Trial for the Suppression Division
Fire Protection and Prevention Act (FPPA)

RELEVANT CONSULTATION

Appendix “A” to Report AUD13038 includes action plans which reflect the responses of management responsible for the operational administration of the Hamilton Fire Department Division of Community and Emergency Services.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Overtime costs in 2012 for the Hamilton Fire Department (HFD) totalled \$1.03 million. Fire Suppression staff accounted for about 90% of these costs (\$0.93 million).

This audit found that overtime records are tracked solely by handwritten notes recorded by HFD officers (Platoon Chiefs, District Chiefs and Captains) in their logs or on the back of Personnel Cards. A lack of consistency was noted in the manner in which these manual records are maintained. It was also found that it is difficult to substantiate the hours declared by staff for overtime claimed when working beyond the end of a scheduled shift.

Recommendations were made to address existing shortcomings in order for management and Council to resolve the identified issues.

Among the recommendations are:

- Implement an automated timekeeping system for tracking and approving regular hours and overtime incurred;
- Monitor the manual logs (as long as they are in use) to ensure that all relevant information (i.e. name, rank, start and end times) for all employees that worked overtime is accurately reflected;
- Develop a procedure to ensure that the information on all overtime slips is supported by the overtime recorded consistently in the different logs;
- Assess the reasonability of the extra time claimed by firefighters who return to their station after they are relieved at the scene of an emergency;
- Substantiate the amount of overtime claimed by firefighters “waiting for relief”; and
- Provide supporting documentation when overtime is claimed for miscellaneous reasons.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES / SCHEDULES

Appendix "A" to Report AUD13038

ap:dp

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2013-09
 COMMUNITY & EMERGENCY SERVICES – HAMILTON FIRE DEPARTMENT
 OVERTIME**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Overtime Tracking – Records</u> Overtime incurred when maintaining minimum staffing levels is approved and tracked using hand written notes recorded by the Platoon Chiefs (PCs) in their supporting logs. Similar information is recorded in other manually updated logs maintained by the District Chiefs (DCs) and Captains. Overtime incurred for working beyond the end of a shift is tracked with hand written notes of the District Chiefs on the back of Personnel Cards. All of these records are manual, sometimes making the information illegible, cumbersome to review, and reported in an inconsistent manner. Records that are electronically linked and provide detailed information suitable for approval would go a long way in improving the accuracy and efficiency of the process.</p>	<p>That HFD management implement an automated timekeeping system for tracking and approving regular hours and overtime incurred.</p>	<p>Agreed. HFD will implement the necessary internal controls in the current manual process starting January 1, 2014 for the tracking and approving of regular and overtime hours.</p> <p>The Department will also begin working on the development and implementation of an automated time keeping system that will be operational by January 1, 2015.</p>
2.	<p><u>Overtime Logs and Slips</u> The supporting logs used by the PCs, DCs and Captains should identify the employee that worked the overtime, including the employee’s rank and when the overtime started and ended.</p> <p>The PCs supporting log sampled for overtime worked over a two week period did not:</p> <ul style="list-style-type: none"> • identify two of the 44 firefighters and officers that worked overtime; • identify the rank of one of the eight Captains that worked overtime; • identify the start time for 14 of the 44 firefighters and officers that worked overtime; and • identify the end time for 20 of the 44 firefighters and officers that worked overtime. 	<p>That HFD management implement a system to ensure that all relevant information, (i.e. name, rank, start and end times) for all employees that worked overtime is accurately reflected in the logs used by all officers (Captains, District Chiefs and Platoon Chiefs). The accuracy of this information should be verified by performing spot checks each month.</p>	<p>Agreed. HFD will update the current manual process starting January 1, 2014 to ensure all relevant information is recorded.</p> <p>HFD will ensure that the development of the automated time keeping system to be operational by January 1, 2015 will include the relevant information identified in this recommendation.</p> <p>Monthly spot checks will be performed by F&A staff.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Overtime Logs and Slips (continued)</u> The DCs supporting logs over the same two week period did not:</p> <ul style="list-style-type: none"> • identify the rank of one of the eight Captains that worked overtime; • identify the start time for one of the 44 firefighters and Officers that worked overtime; and • identify the end time for six of the 44 firefighters and Officers that worked overtime. <p>The PCs also prepare and approve the overtime slips to ensure that the employees that worked overtime are paid for the hours worked. The information on the overtime slips is supported by the various logs. The following inconsistencies were noted between the overtime slips and the logs:</p> <ul style="list-style-type: none"> • Hours worked reported on the PCs supporting logs differ from those reported on the overtime slips in 22 of the 44 overtime cases reviewed; • Hours worked reported on the District Chiefs' supporting logs differ from those reported on the Overtime Slip in eight of 44 overtime cases reviewed; and • Employees that worked overtime in two of the 44 cases reviewed were not identified in the Captain's log. 	<p>That HFD management develop a system to ensure that the information on all overtime slips is supported by the overtime recorded in the different logs. This information should be verified for consistency by performing spot checks each month.</p>	<p>Agreed. HFD will update the current manual process starting January 1, 2014 to ensure that the information on all the overtime slips is supported by the personnel logs.</p> <p>HFD will ensure that the development of the automated time keeping system to be operational by January 1, 2015 will include the relevant overtime information identified in this recommendation.</p> <p>Monthly spot checks will be performed by F&A staff.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
3.	<p><u>Overtime Tracking and Approval – Overtime Incurred Beyond the end of the Shift</u></p> <p>Firefighters combating a fire at the end of their shift, they are relieved at the scene. The firefighters that are relieved return to the station prior to going home. They are allowed overtime for this period. However, there is no process used to confirm the overtime hours claimed in these situations.</p> <p>Firefighters waiting for their replacements to arrive for the next shift are entitled to overtime if their scheduled end time has passed. This is identified as "Waiting for Relief". Firefighters claiming overtime for "Waiting for Relief" inform their DCs by telephone or e-mail. The DCs record the times on the backs of personnel cards which accumulate such time for payment. The DCs do not verify the accuracy of the time claimed.</p> <p>Overtime is also claimed by firefighters for miscellaneous reasons (i.e. writing reports or meeting with Crown attorneys). However, staff do not present documentation (i.e. the reference to the report being written or the reason for meeting with the Crown) to support the amount of overtime claimed in such cases.</p>	<p>That HFD management consider a means to evaluate the time claimed by firefighters who return to their station after they are relieved of their duties at the scene of an emergency.</p> <p>That HFD management verify the amount of overtime claimed by firefighters "Waiting for Relief" by comparing the overtime hours on the personnel cards to the time that their relief workers reported to work (noted in the District Chief's log).</p> <p>That, when overtime is claimed for miscellaneous reasons, supporting documentation be provided by staff and retained by management.</p>	<p>Agreed. HFD will update the current manual process starting January 1, 2014 to ensure that the overtime claimed by firefighters who return to the station after emergency scene relief has been properly recorded and validated.</p> <p>Agreed. HFD will update the current manual process starting January 1, 2014 to capture and verify documentation to support overtime for relief.</p> <p>Agreed. HFD will update the current manual process starting January 1, 2014 to record supporting rationale for all overtime.</p> <p>HFD will ensure that the development of the automated timekeeping system to be operational by January 1, 2015 will include the relevant overtime information identified in these</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
4.	<p><u>Staffing Model</u> The current staffing model of the HFD uses a minimum complement of 87 firefighters and officers per shift plus one staff per major apparatus (for example, a fire truck) and additional staffing for specialty stations (i.e. Hazmat, High Angle Rope Rescue and Enclosed Spaces). Management has indicated that these levels are based on a "rule of thumb" and has not developed a formal analysis to validate the accuracy of this staffing model. The determination of the number of man days that must be covered for staff vacations, for work on statutory holidays, for days lost due to illness/injury and for retirements is not calculated and thus, not reviewed each year to reflect changes in the HFD's work force. With a current platoon strength of 117 staff, it cannot be confirmed that this staffing level is adequate to meet its requirements.</p>	<p>That management develop and use a set model to justify staffing requirements each year based on determining factors such as the number of days that must be covered for staff vacations, for work on statutory holidays, for estimated days lost due to illness/injury and for retirements.</p>	<p>Agreed. HFD will develop a staffing model that will be used to justify the annual staffing requirements. This model will be developed and implemented by August 1, 2014.</p>
5.	<p><u>Vacation Scheduling</u> Management has developed a Holiday/Lieu Day Draw Policy to ensure that staff have an opportunity to take holidays during the prime vacation period and service delivery is maintained consistently throughout the year. This policy maximizes the number of officers and firefighters that may be on holidays for any given shift at five and 13 respectively with the combined total not exceeding 18. In the audit sample selected, the number of holidays and lieu days granted to firefighters exceeded their maximum number on eight of the 14 days reviewed and thus, overtime was required on four of the days. The number of holidays and lieu days granted to officers exceeded the maximum allowed on</p>	<p>That management ensure the Holiday/Lieu Day Draw Policy is adhered to so that no more than the maximum number of staff allowed under this policy are on holidays on any given day and this cause of overtime is minimized.</p>	<p>Agreed. HFD will provide education to all senior officers (PC's and DC's) to ensure that policy is followed. This will be completed by December 31, 2013.</p> <p>HFD will include in the development of the automated time keeping system (by January 1, 2015), a real time audit system for the logging of vacation to help ensure that policy is followed.</p>

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	three of the 14 days and overtime was required on two of those days.		
#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>Procedures</u> HFD management has not developed written procedures to guide staff in tracking and approving overtime (whether it arises from maintaining minimum staffing levels or for working beyond the end of the shift). When written procedures do not exist, the officers currently carrying out these overtime duties rely on personal understanding and experience which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p>	<p>That the HFD management develop, approve and implement comprehensive procedures for the tracking and approval of overtime.</p>	<p>Agreed. HFD will develop, approve and implement procedures for the tracking and approval of overtime by April 30, 2014.</p>

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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them appropriately.

1. Budgeting for Overtime

The Fire Suppression Unit's overtime budget (PeopleSoft Account 51006 DeptID 740010) has only been updated once in the past six years. It was increased from \$560,000 in 2010 to \$605,770 in 2011 and has remained at this level since then. Neither, management nor Finance and Administration (F&A) could provide an explanation as to how the budget amounts were calculated.

It is recommended:

That HFD management and F&A update the Fire Suppression Unit's overtime budget each year to reflect the anticipated overtime arising from maintaining minimum staffing levels and for working beyond the end of their shifts.

Management Response:

Agreed. As part of the annual budget process, management will review the anticipated overtime requirements and make the necessary changes to reflect findings.

2. 24 Hour Shift Schedule – Program Evaluation

The agreement between the City of Hamilton and the Professional Firefighters Association Local 288 states that the two parties agree that the 24-hour Shift Schedule Trial for the Suppression Division will be evaluated throughout the trial period (identified as January 3, 2011 to December 31, 2013) against the applicable performance numbers from the previous five (5) years. These performance numbers include overtime frequency and costs. Management has not completed such an evaluation to date.

It is recommended:

That HFD management prepare an evaluation of the 24 hour Shift Schedule Trial, comparing overtime frequency and costs for the period since this schedule was implemented (January 3, 2011 to present) against the previous five year period as per the agreement.

Management Response:

Agreed. Management will be presenting this report to Committee and Council prior to the end of 2013.

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3. Deviation from Existing Procedure

The procedure developed by Budgets and Finance states that the overtime slips for Platoon Chiefs (PCs) must be forwarded to the Deputy for authorization. The current actual practice has the overtime slips being authorized by the incoming shift's PC. This is not a control issue as other compensating procedures are performed with reports reviewed by the Deputy Chief that make him aware of any overtime incurred by the PCs. However, the procedure is not reflective of the current practice.

It is recommended:

That the procedure for the approval of the Platoon Chiefs' overtime slips be updated to reflect the current practice.

Management Response:

No change required. Management will review the current practice with F&A and the Platoon Chiefs/Acting Platoon Chiefs and ensure that all overtime slips for the Platoon Chiefs/Acting Platoon Chiefs are being authorized by the Deputy Chief prior to processing.