



**Office of the City Auditor
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Overtime Pay
Cost Analysis

Mid Year Review

Introduction:

In January of 2010, The Office of the City Auditor issued a report on city wide overtime that highlighted various issues including how overtime to government employees had grown at the extremely high rate of 87% over the last nine years. The report stressed that financially difficult times require conscious decisions to more effectively manage the authorization of overtime and it concluded that there is a lack of consistently enforced policies for overtime authorization.

As a result of the previous report on overtime, the City Auditor recommended the following:

1. The Administration should pay close attention to the authorization process of overtime.
2. Non-essential overtime should be kept to a minimum.
3. Priority tracking should be given to select overtime.

In keeping with the recommendation that overtime should be consistently monitored, the City Auditor will continue to monitor and report on citywide overtime as deemed appropriate.

In June, 2010, the City Auditor opened a midyear follow-up report focusing on the previous overtime recommendations and use of overtime by City employees.

This review is authorized by Section 5-501(4) of the City of Syracuse Charter. The examination was administered in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors.

These standards necessitate that the audit is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. This review also included evaluations of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

The management of the City of Syracuse, New York, is responsible for establishing, maintaining and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor, the Common Council and the involved departments of the City of Syracuse, New York, yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the Office of the City Auditor upon request.

It must be stressed that this follow-up report serves as a midyear update to our previous overtime audit; however *the focus of this report will be on the administration's overtime authorization process and the use of non-essential employee overtime with the exception of public safety personnel.*

Scope:

This review was performance in nature and was executed to provide an independent assessment of the Administration's intentions to review, authorize, and rein in overtime going forward, as well as the current usage of non-essential overtime by administrative and clerical staff.

In researching nonessential overtime, the Office of the City Auditor focused on overtime expenses incurred by administrative and clerical staff, typically referred to as non-essential personnel.

The time frame covered by this review was January 1st through June 30, 2010, with a comparison of the overtime incurred for the same period in 2009.

Please note that Uniformed Police and Fire personnel were excluded from this report in order to focus on actual overtime incurred in more typical operating departments, verses public safety driven services.

Methodology:

To reach an assessment on overtime authorization, the Office of the City Auditor previously received and reviewed general overtime policies supplied by the administration and corresponding department heads. This information included the approval process and philosophy of each department relative to overtime. In addition, the Office of the City Auditor followed up directly with the administration, on the creation and status of a new Overtime Committee that the Mayor's staff indicated would be created.

With regard to non-essential overtime, this office obtained job titles, salaries/wages and overtime information directly from the city's accounting, payroll and personnel systems; and job duty statements were used in reviewing the justifications given by management for various overtime authorizations.

Overtime expenses incurred from January 1st through June 30, 2010, were compiled, reviewed and analyzed against to the same period in 2009. This current and prior year comparative was used to evaluate:

- a.) If there was a decreased amount of overtime expense.
- b.) If there was a decrease in overtime use by the non-essential personnel.
- c.) If there was a lower variance associated with overtime being awarded to administrative and clerical staff members; which has led to a perception that some overtime is given as a reward verses being used as a tool to complete work.

Conclusion

During the recession unemployment in Central New York rose to an almost double-digit level and has remained high, while on regional levels unemployment has gone over 10% in many areas and remains there. On September 28, 2010 economists announced that the consumer confidence has dropped to the lowest level since February of 2010.

On the state level income tax revenue dropped due in large part to the tremendous losses on Wall Street. New York State income taxes – from financial services on Wall Street – are a large portion of the state's revenue stream and as a result; the State of New York has experienced a serious budget crisis. This financial crisis has resulted in New York State depleting its cash positions and delaying payment of its financial obligations; which filters down to local municipalities in the form of lower state aid to dependent cities and schools. Most recent economic news does not foretell a robust recovery. The lack thereof will make it a challenge to restore revenue streams up to the levels demanded by government entities.

According to the Pew Center; state and local governments employ more workers than the construction and manufacturing industries combined. The Pew Center estimates that pension assets nationally are one trillion dollars shy of meeting the pension demands of government employees.

With New York State funding on the decline, consolidation of services for cities, towns, and villages with county level operations will be a key to various cost saving measures. It is imperative that municipalities analyze the cost of delivering services independently, as well as on a consolidated level. It is during difficult financial times like these that we need to be creative, open minded, and willing to consider new cost saving ideas being tossed on the table, provided that quality of service to the tax payers remain consistent.

In addition to consolidation, every government entity must seriously weigh cost cutting against demands for service and then balance the two. One area of concern is overtime.

Overtime creates two challenges for a municipality. On an immediate level, it impacts expenses and cash flow. On a long term basis, it places greater demand on pension obligations, since overtime qualifies a government employee for a larger pension upon retirement. In both cases it places a large burden on tax payers.

Therefore, non-essential overtime incurred by administrative and clerical staff should be eliminated entirely. While this move in and of itself will not balance the budget, removing the entitlement would be the morally and ethically thing to do and show that the leaders of Syracuse are in synch with the realities facing the nation and the city populace.

The fact is that the City of Syracuse continues to experience a population decline. However, the cost to deliver services to fewer citizens continues to rise. A reduction of overtime is a useful tool that when combined with consolidation of government entities and other cost saving measures, can help to reduce costs and bring expenditures back in line with revenues.

Additionally, conclusions reached as a result of performing our review of the administration's proposed "Overtime Committee"; intended to review and authorize all overtime requests, along with our analysis of non-essential overtime incurred by administrative and clerical staffs, in all city departments, with the exception of Uniformed Police and Fire personnel. These conclusions are further discussed below.

It must noted, current the administration has taken a strong first step in addressing overtime, by successfully reducing the budgeted overtime for fiscal year 2010/2011 by 1.4 million dollars. Additionally, non-essential overtime for administrative and clerical staff incurred from January 1st through June 30, 2010, was successfully reduced by 33%, compared to the same time period in 2009.

Findings:

Overtime authorization process by the administration: In following up on the administration's plan to rein in overtime, the office of the City Auditor found out about a proposal to create an Overtime Committee; as discussed in this year's budget hearings and mentioned in an article found in the April 9, 2010, edition of the Post Standard, titled "Budget Would Cut Another Twenty School Jobs".

In researching information on the proposed overtime committee, the Office of the City Auditor made direct contact with the administration and verified there is indeed a plan to create an overtime committee to review and authorize overtime. This Proposed committee would include the Director of Administration, the Director of Office Management and Budget, the Deputy Mayor along with representation from the Common Council.

Finding #1: Per communication with the Deputy Mayor, in June, 2010, the Overtime Committee was estimated to be up and running effective the July 1, 2010. However to date there has been no review sessions performed by the Overtime Committee.

Finding #2: The exact method to review and approve overtime requests has yet to be determined. However we have been informed that a comparison of the last two fiscal years overtime expense will be prepared and analyzed in order to track the administrations progress in reducing overtime.

Non-essential overtime incurred by administrative and clerical staff: Overtime expenses incurred by administrative and clerical staff from January 1st through June 30th, 2010, were compiled, reviewed and analyzed against the same period in 2009.

Our current and prior years' comparative were used to determine that city wide overtime, including uniformed police and fire, was reduced by 27%. With the exception of Aviation, total non-essential overtime incurred by administrative and clerical staff was reduced by a combined 33% over the prior year. However, the Aviation department experienced a 31% increase in non-essential overtime.

Finding #3: In the period under audit, the number of individuals receiving non-essential overtime was reduced from 61 down to 47. However, the percentage of administrative and clerical staff that exceeded the average overtime, of \$2,042 in 2009 and \$1,763 in 2010, has risen to 45%.

Finding #4: In the period under audit, the Office of the City Auditor found at least one administrative assistant who used compensation, sick and vacation time off, while earning overtime on the same days. This raised a very large red flag regarding the management of overtime and use of overtime by administrative staff. While this is only one staff member and this office never mentions any one position or person, this rose to a level that merits mention in a public document; as this could be viewed as abusive and may not be within city policy.

Recommendations:

I. The City Administration Should Maintain Close Attention To The Authorization Of Overtime

Overtime is an area that requires constant attention and management by the city administration, based on the substantial cost associated with this form of compensation funded by taxpayers.

This office has seen a continued pattern into 2010 of individuals accumulating overtime when other individuals with like titles or responsibilities receive none. This raises immediate questions as to the allocation of work to staff. It also raises questions as to the fairness of handing out overtime to specific individuals.

And lastly, it raises repeated questions as to why any administrative or clerical staff would, in any situation, receive overtime on a re-occurring basis.

During any fiscal year, regardless of the actual amount budgeted for overtime, department heads should make a concerted effort to bring overtime costs in under budget, as a normal course of doing business.

II. Non-Essential Overtime Should Be Kept To A Minimum

Innovative solutions should be explored to minimize and eliminate overtime for non essential services.

The Office of City Auditor pulled titles in its review of overtime. Administrative & Clerical titles such as “administrative assistant”, “paralegals”, “stock clerks”, “store keepers”, “information aides”, and “typists”*all incurred overtime.*

The office of the City Auditor could not come to a conclusion that would justify such titles receiving overtime or why some individuals received continuous overtime every single pay period.

The administration and the Council need to ask department heads why individuals in these titles are receiving overtime.

Finally overtime in non-essential services should be eliminated, while overtime in operational services must continue to be managed on a daily basis.

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