



**OVERTIME MANAGEMENT:**  
Significant City expenditures lack policies  
and safeguards

A REPORT FROM THE CITY AUDITOR  
April 2009



Office of the City Auditor  
Portland, Oregon





CITY OF  
**PORTLAND, OREGON**

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April 22, 2009

TO: Sam Adams, Mayor  
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Amanda Fritz, Commissioner  
Randy Leonard, Commissioner  
Dan Saltzman, Commissioner  
Rosie Sizer, Chief, Portland Police Bureau  
David Shaff, Director, Portland Water Bureau  
Susan Keil, Director, Portland Bureau of Transportation  
Paul Scarlett, Director, Bureau of Development Services

SUBJECT: Audit – *Overtime Management: Significant City expenditures lack policies and safeguards.* (Report #369A)

Attached is Report #369A containing the results of our audit of overtime management in several City bureaus. The audit focused primarily on the Bureaus of Water, Transportation, Development Services, and the Records Division of the Police Bureau.

Mayor Adams, Commissioners Saltzman, Police Chief Rosie Sizer, Water Bureau Director David Shaff, Transportation Bureau Director Susan Keil, and Bureau of Development Services Director Paul Scarlett, have submitted written responses to the audit, and we have included their written responses at the back of this published report.

In the report we make several recommendations, and we ask Directors of the applicable bureaus, through their Commissioner in Charge, to provide us with a status report within one year – detailing actions taken to implement the recommendations.

We appreciate the cooperation and assistance we received from staff in the Bureaus of Police, Water, Transportation and Development Services, as we conducted this audit.

  
GARY BLACKMER  
City Auditor

Audit Team: Drummond Kahn  
Jennifer Scott  
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Attachment



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## OVERTIME MANAGEMENT:

### Significant City expenditures lack policies and safeguards

**Summary** Occasionally, City employees have to work outside their normal schedules to respond to an emergency, meet a deadline, or fill in for an absent co-worker. When employees covered by the federal Fair Labor Standards Act (FLSA) work more than 40 hours in a week, the extra hours are considered overtime and the City is legally required to compensate them for the extra time. Union contracts set additional overtime requirements for the City. Last year, the value of City overtime payments and earned compensatory time (comp time) exceeded \$20 million. The objective of this audit is to determine if the City and four selected City bureaus are managing overtime cost-effectively.

We found that overtime is a tool used by City bureaus to balance workload and public needs against available staffing. However, overtime can pose a risk of waste and abuse if not managed carefully. We found the City lacks an overall management approach to overtime and that overtime information tracked by bureaus is not used for effective management. In addition, we found that one bureau is more dependent on overtime for emergency repair work because it has not completed a full assessment of its most valuable assets, including portions of the water distribution system. Finally, we found that changes in bureaus' management of overtime appear positive but that top-down communication is lacking.

Overtime is a significant City expenditure and should be well managed in order to prevent potential waste and abuse and to ensure that premium rates are paid only when needed to achieve the City's objectives. We recommend improvements to the City's policies and practices for managing overtime:

1. The Mayor should direct the Bureau of Human Resources to strengthen rules and expectations for overtime

2. The Mayor and Commissioners should direct bureaus to develop clear bureau-wide policies for efficient overtime use and management; assess current levels of overtime tracking and reporting; determine and communicate level of record keeping needed to identify abuse and develop efficient overtime policies
3. The Water Bureau should continue to assess the condition of the water system

## **Background**

Like many employers, the City of Portland allows and sometimes requires employees to work extra hours in order to accomplish work objectives. The City must pay some employees a premium rate for the extra hours they work because the federal Fair Labor Standards Act (FLSA), and state law require governmental agencies, private companies<sup>1</sup>, hospitals and schools to pay eligible employees at least one and one-half times their regular rate of pay for hours worked beyond 40 in a week. Though FLSA only requires extra compensation for work beyond 40 hours in a week, many labor union contracts also require the City to compensate employees extra for work done before or after a scheduled shift.

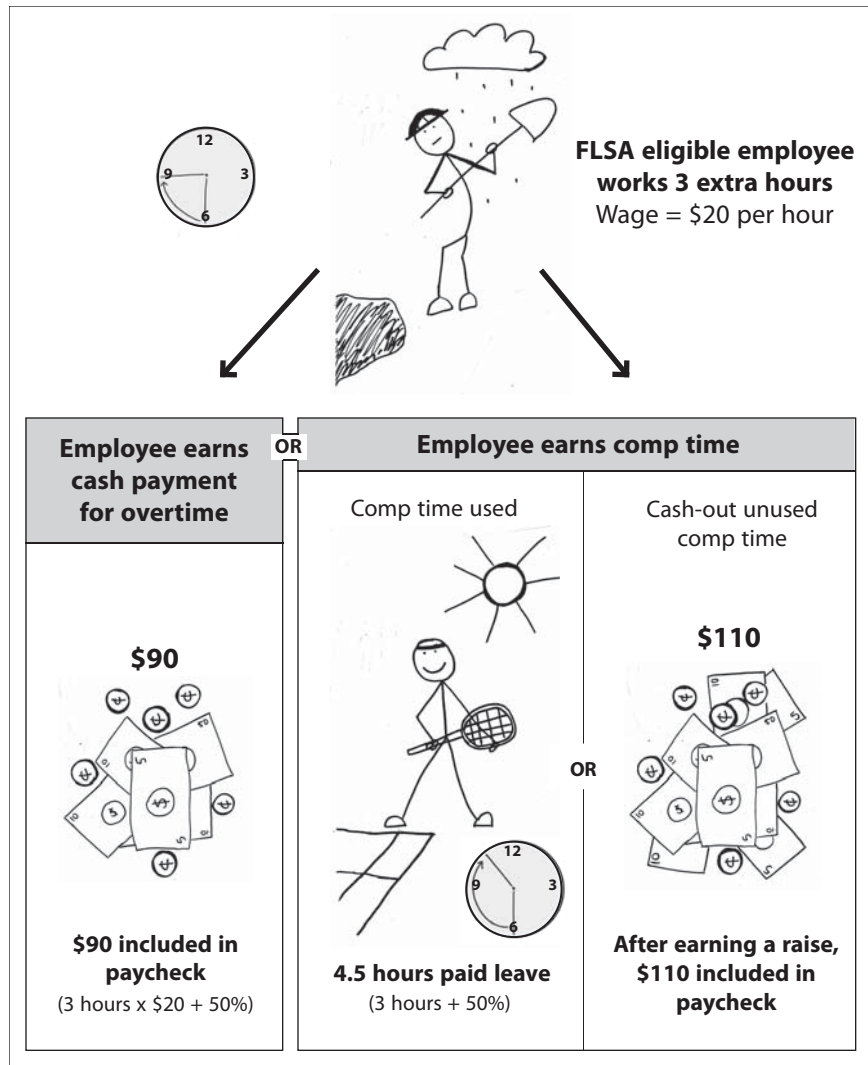
As shown in Figure 1, FLSA allows employees of state and local governments to receive compensatory (comp time) instead of cash payments at the same rate – for each extra hour worked, the employee earns 1.5 hours of paid time off. Comp time is available for employees to take as paid leave or to “cash-out” later. The value of the cash payment depends on the employee’s wage when they request payment, not the wage they were paid when they earned the time.

City Administrative Rule stipulates that represented employees cannot have more than 80 hours of comp time accrued at any point in time, and that unused time must be paid out or carried over to the next year. However, the Rule does not limit the amount of comp

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<sup>1</sup> Businesses with sales or receipts totaling more than \$500,000 a year are required to pay overtime.

**Figure 1 Example of Overtime Compensation**



Source: Audit Services Division

time that an employee can earn and use during the course of a year. Most union contracts also limit comp time accrual to 80 hours at a time, but one allows employees to accrue 160 hours. Some union contracts stipulate that accrued comp time will be paid in cash at the end of the year, while most allow employees to receive cash payment *or* to carry over unused comp time to the next year, a decision made by mutual agreement between the bureau and employee.

**Overtime is a tool used by City bureaus and offices to meet a variety of needs**

Last year, employees from 18 City bureaus and offices used overtime for a variety of reasons. Some bureaus like Water and Transportation regularly use overtime to respond to off-hours emergency incidents like water main breaks or landslides. In addition, bureaus use overtime when they schedule work during off-hours in order to minimize the public impact. For example, the Water Bureau schedules some repair work after regular business hours to lessen service interruptions to businesses that rely on water. Similarly, Transportation schedules some work during non-peak traffic hours in order to reduce traffic interruptions and safety risk. Water and Transportation also use overtime to complete contract and collaborative work with outside entities that does not fit into regular schedules.

Bureaus also use overtime to respond to short spikes in demand. For example, the Bureau of Development Services has a customer service goal to perform inspections within 24 hours of a permit application. When there is demand for permits, some inspectors work extra hours or on their day off. The bureau created a program in which inspectors are on-call 24 hours a day and they earn overtime compensation if they work outside their scheduled workday. In addition, Development Services is open to the public one night a week for residential permit applications and inquiries; the staff at the event work overtime. Since Development Services relies on permits and fees for the vast majority of their revenue, and because the construction economy is volatile, Development Services utilized high levels of overtime during the construction boom and significantly cut it when the boom ended as a way to help avoid layoffs. Transportation installed new parking meters using overtime because the short-term work did not fit into the bureau's normal work schedule and staffing level.

Bureaus with minimal staffing levels use overtime to perform everyday business operations. In the Police Records Division, where division supervisors and staff report that hiring and retaining staff has historically been a challenge, overtime is spent performing daily business operations, including entering backlogged records into the Portland Police Data System and processing towed vehicles. Similarly, managers in one division of another bureau told us that they were



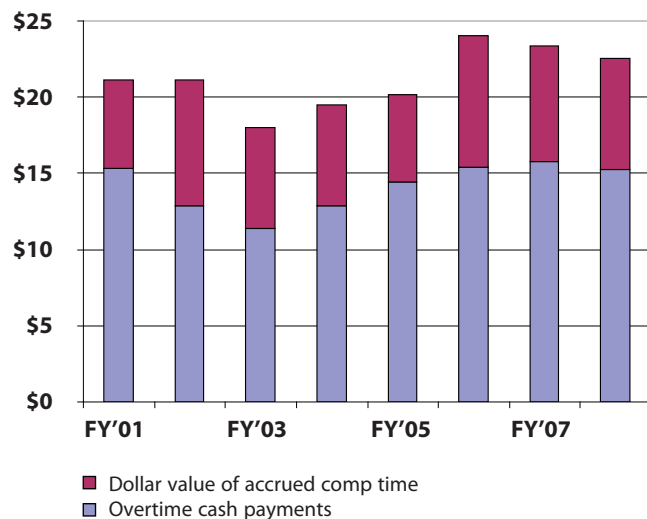
given additional mandatory 24 hour security duties without sufficient additional staffing. The division uses overtime to fill all absences beyond the first in each shift. Division managers reported that bureau management chose to use overtime as opposed to hiring additional staff.

**Overtime is a significant City expense**

Individual employees’ overtime use varies from infrequent to common. In FY 2008, the value of cash payments and comp time earned by individual employees for overtime work ranged from \$3 to \$68,012. The total value of the compensation for overtime work has represented a considerable City expenditure for years. As shown in Figure 2, for six of the past eight years, the value of cash payments and comp time earned for overtime work was more than \$20,000,000 each year.

The ratio of cash payments to earned comp time has remained relatively consistent since 2001; on average, approximately two-thirds of compensation for overtime work was paid to employees, while one-third was earned as comp time.

**Figure 2 Value of City’s overtime cash payments and comp time**  
(millions, adjusted)



Source: ASD analysis of OMF data

**Audit results**

Effective overtime management requires tracking data about the work performed on overtime so managers can control it and determine whether it is cost-effective to perform work on overtime as opposed to regular time. However, the City's timekeeping and policy framework do not support this tracking. Of the City bureaus with systems they can use to track information about overtime, not all bureaus collect details needed to evaluate whether they are managing overtime cost-effectively. The findings and recommendations in this report address other issues we found that deter the City and bureaus from managing overtime cost-effectively.

**City's management of overtime lacks policy, tools and accurate budgeting**

Clearly defined rules, policies and communication of objectives and expectations are management tools to safeguard public resources from waste, fraud and abuse; these tools are also known as "internal controls". Overtime policy should set a tone at the top by acknowledging the significance of overtime and communicating a commitment to use it efficiently. Moreover, entities that allow overtime should have clear policies and procedures for overtime use and the process employees follow for proper authorization.

Monitoring tools are also needed to gather information about overtime use to assess whether it is consistent with City and bureau objectives, to deter potential abuse, and to mitigate the impact of abuse. Gaining an understanding of the types of work performed on overtime is the first step in managing and controlling overtime. Considering the expense of overtime, the City should have clear policies that communicate a commitment to efficient and effective use. Moreover, bureaus should review their overtime use in order to determine whether it is effective.

*The City lacks policies and procedures to focus on effective overtime management - We found that the City lacks clear policy about overtime. The Bureau of Human Resources (BHR) has two policies governing overtime, one for FLSA exempt employees, which states*

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that they are not eligible for overtime<sup>2</sup>, and one for FLSA covered employees. The overtime rule for FLSA covered employees includes many topics; however, the policy does not communicate how overtime should be used or managed in the City. Moreover, of the 18 bureaus with employees who earned overtime compensation in FY 08, 10 had no written bureau-wide policies on overtime. In the six bureaus that do have written policies, only one policy states that overtime should be managed in an efficient and effective manner. Two offices with overtime earners did not respond to our request for overtime policies.

*The City's timekeeping and payroll system does not allow for effective overtime management* - The City processes payroll using multiple citywide and various bureau-specific systems and databases. Each bureau records and logs employee time differently. While some employees enter their time online, other employees' time is recorded on paper by their supervisor and the bureau timekeeper logs it into the system. Ultimately, the City's accounting division is responsible for issuing paychecks. Because the City's payroll processing is a multi-layered process, detailed time and attendance data is not centrally available, making management analysis and reporting difficult. This problem impacts not only managers' ability to perform overtime analysis, but limits their ability to analyze how time is spent during regular work hours. Some bureaus have developed their own side and "shadow" systems, some of which track details about work performed in a reportable format; according to the Office of Management and Finance, there are nearly 400 different side and shadow systems used in the City.

In addition to lacking overtime reporting functions, the current time and attendance reporting system lacks sufficient controls. The staff who administer the main time reporting system used by most City bureaus told us that the system lacks sufficient controls needed to prevent misstated overtime payments due to human error or abuse. For example, the current system allows employees to claim that they worked more than 24 hours in a day, and it allows employees to charge overtime without demonstrating that they completed their

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<sup>2</sup> FLSA exempt employees may earn overtime at straight time for additional work performed because of an emergency as declared by the Mayor. In addition, in certain circumstances, Public Works Supervisors I, II, and Electrical Supervisors are eligible for overtime at time and a half.

normal shift. Staff said that the system relies on supervisors and bureau timekeepers to act as controls. However, supervisors and timekeepers have many other responsibilities and may not have time to check each employee's time card for accuracy, which increases the chance of error. City staff also told us that some bureau timekeepers had developed "work-arounds" in order to override some existing controls.

The City's new timekeeping and payroll system improves controls but does not improve overtime reporting. The City is in the process of adopting a new system that promises to, "incorporate the City's financial and human resource functions, simplify and standardize business processes, and create a single warehouse and source for data in order to improve service, compliance and productivity". Implementation of the new system has faced setbacks; in May 2008, the new system was ten months behind schedule and \$21,600,000 over budget. However, the financial side of the system began operating in November 2008. The human resources side was to begin operating in April 2009, but as the final draft of this report was being prepared, the date was reset to late June. Though project managers for the new system report it will improve the system's controls, they were unable to demonstrate how the new system will improve detailed overtime tracking and reporting for management analysis. Project managers working to implement the new system said that bureaus should continue to use their side and shadow systems for detailed overtime tracking and reporting.

*Budgets do not reflect the value of overtime* - Bureau budgets include estimated overtime; however, bureaus regularly exceed these estimates. Over the last five years, actual overtime expenditures of the four bureaus we reviewed exceeded their budgeted overtime by an average ranging from 33 percent to 70 percent. Additionally, overtime budgets do not reflect the true value of overtime, because they exclude the total value of earned comp time. As already noted, the value of comp time has averaged approximately one-third of the City's yearly overtime costs since 2001.

Since time allocations for full-time jobs are based on the number of hours in a year, not the number of hours that an employee works, the value of comp time used is reflected in the budget. However,

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bureaus do not normally budget for the costs they will incur if an employee cashes in their comp time. Staff in the Office of Management and Finance told us that this is because bureaus are generally expected to cover these costs with savings incurred from the salaries of employees who have left the bureau during the year. It is important to note that the value of comp time will grow as an employee earns raises. An hour of comp time worth \$20 today could be worth \$25 after an employee earns a raise.

**Overtime information tracked by bureaus is not used for effective management**

We reviewed a sample of overtime claims in each of the four bureaus and found that overall, work was authorized, most payments matched reported work hours, and that three of the four bureaus track details about work performed. However, we also found that these details are not consistently distributed to managers, and that beyond equalizing overtime offerings, management oversight of overtime was insufficient.

The bureaus we reviewed closely track the amount of overtime work offered to employees because overtime equalization is required by union contract. Transportation, Water and Development Services track and report the number of hours of overtime offered to employees. In the Police Records Division, reports are not needed because all eligible staff are allowed to work a set amount of overtime hours each week. Reports distributed for overtime equalization purposes do not reflect what work was performed on overtime.

Transportation, Water and the Police Records Division track some information about work performed on overtime using bureau-specific systems. In Transportation, reports are provided to managers; however, those with details about work performed do not separate overtime from other hours and expenses. Transportation managers and supervisors have access to the system where they can find more detailed information; however, managers expressed frustration with the system. One told us that the program is not widely used because managers do not have time; one high level manager told us that the system is not user friendly and another was not able to find the application on their computer.

Similarly, a manager in the Water Bureau asked staff to enter information from overtime slips into a different database for analysis because he did not know that the information was already stored in a database. Though the Police Records Division electronically tracks information about work performed on overtime, they do not produce reports with the information. The Bureau of Development Services does not track details about most tasks performed on overtime. When we asked Development Services managers about the work that employees perform in the field on overtime, some told us that new tools like trucks equip with Global Positioning System (GPS) or a system in which inspectors could log results from the field after each inspection would help them assess how long inspections take and may increase accountability. In August 2008, Bureau management told us that they were testing a system that inspectors could use to access project information from the field and that someday, the program could be equip with GPS, which would allow inspectors to view maps from the field.

**One bureau is more dependent on overtime for emergency repairs because it has not completed a full assessment of its most valuable assets**

The Water Bureau depends on overtime to perform some repairs since emergencies may happen at any time and in any location. As we reported in the August 2004 report, *Portland's Water Distribution System: Maintenance Program Needs Improvement*, the Water Bureau's facilities, including dams, reservoirs, conduits and portions of the water distribution system are nearly 100 years old. The Director of the Maintenance and Construction group told us that the Bureau is unable to effectively forecast and prioritize work because they do not know the overall condition of the City's water infrastructure. By assessing the condition of the City's water system, the manager said that the Bureau could better utilize their regular work hours and overtime, since focusing on maintaining and/or replacing high priority areas could reduce the Bureau's reliance on overtime spent responding to unplanned repair work. The Bureau has initiated some assessments and has identified some critical parts in an effort to prioritize work; however, the group Director reports that the bureau has a lot of assessment work remaining.

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### **Changes in overtime management appear positive but top-down communication is lacking**

Managers in Transportation and Water told us about recent efforts to reduce overtime through smaller crews and requiring additional approval before work is performed. Development Services recently canceled their weekly residential permit night. Managers in Water and Development Services explained that overtime reductions were made in response to the economy, which affected their budget and reduced demand for their development related services, while managers in Transportation cited general budget restrictions and a change in Directors. Managers in the Police Records Division explain that the Police Bureau reduced the limit on weekly overtime from 20 hours to five hours in an effort to meet budgeted overtime amounts.

Employees we spoke with in all bureaus were concerned that there are fewer opportunities to work overtime now than in the past. Though some staff said that they thought that budget constraints were causing management to cut overtime, many reported little communication from management to explain why overtime opportunities changed. Some staff told us that they thought their overtime offerings were cut because supervisors' and managers' favoritism, or in another case, in reaction to a past audit recommendation. Employees in three bureaus told us that overtime opportunities have decreased since March 2008, when we initiated this audit. Some staff and managers in Transportation and Development Services told us that overtime had not been cut equally across the bureau.

### **Recommendations**

We found that overtime is used by bureaus to meet a variety of needs. We also found that overtime is a significant City expenditure and that current oversight is insufficient considering the amount of money involved. In order to improve overtime management in the City, we recommend:

- 1. The Mayor direct the Bureau of Human Resources to strengthen goals and rules for overtime.**

A strong overtime policy contains a message from management communicating the fiscal significance of overtime and an expectation that City employees will use it efficiently and bureaus will manage it effectively.

The Bureau of Human Resources should review and improve the City's approach to overtime by developing clear and specific rules and expectations needed to ensure public accountability of this significant expenditure.

- 2. Mayor and Commissioners direct bureaus to develop clear bureau-wide policies for efficient overtime use and management; assess current level of overtime tracking and reporting; determine and communicate the level of record keeping needed to identify abuse and develop efficient overtime policies.**

Bureaus should communicate to supervisors and managers the level of overtime detail they currently track and the type and location of overtime reports available to them. In addition, bureaus should assess the level of overtime detail needed to meet bureau needs, to produce reports for managers to identify abuse and to develop effective overtime policies; communicate these needs to the new timekeeping and payroll system's project team. Additionally, bureaus should communicate changes in overtime policy and management to staff.

- 3. The Water Bureau should continue to assess the condition of the water system.**

The Water Bureau has begun work on an asset management system, but the Director of the Maintenance and Construction group reported that there is significant work remaining. As we recommended in 2004, the Water Bureau needs to improve the reliability and accessibility of information about the condition of the City's water system. Reliable and complete information about the function, location, age and condition of the water system could help prioritize work and reduce dependence on overtime spent on emergency repair work.



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**Other matter**

The Police Records Division is responsible for all police and auto records and for entering data and information into local, state and federal law enforcement data systems. Police officers rely on the information in these systems when recovering stolen property and making arrests.

During our review at the Police Records Division (with its overtime results discussed earlier in this report), we learned about an additional issue that management should consider, and we make one recommendation about this issue, which appears unique to the Police Records Specialist position in the Police Records Division. The Police Records Specialist position is affected by four factors that harm recruitment and retention. In recruitment, the position is challenged by uniquely having a “trainee” rank, which pays less than comparable jobs in other Police divisions, and by a lengthy hiring process (like most Police Bureau jobs). In retention, the position is challenged because new employees are often assigned night and weekend work and because of the stress of the job. Since these pressures in recruitment and retention can limit the pool of candidates and employees, pressure on overtime may increase.

**New employee recruitment has historically been a challenge**

The Police Records Division has a difficult time recruiting employees because the hiring process is long. Division supervisors and staff told us that it may take five months to one year for the division to hire someone and that applicants sometimes accept other jobs during the time they are waiting. One reason that the application process is so long is that an employee’s background check may take up to five months to complete. It is important for employees to have extensive background checks because they process criminal records and have access to various federal and local crime data systems.

Additionally, recruiting employees is challenging for the division because the pay for the entry-level position is lower than similar entry-level positions in other divisions of the Police Bureau. The job of Police Records Specialist is the entry-level position in the division and Specialists work for nine months in a trainee classification that pays

slightly less than the non-trainee position. Some supervisors and staff told us that applicants choose to apply for similar positions in other Police Bureau divisions that do not use the trainee classification for entry-level employees because they can earn more in their first nine months on the job in those other divisions.

**New employee retention has historically been a challenge**

Retention of entry-level employees is hard for the division because the job is stressful and requires 24 hour staffing. There is intense scrutiny of Records Division employees' work because they enter information about crimes into the police data system and it is essential that their entries are accurate. Additionally, employees who work while the division is open to the public deal with many unhappy customers whose cars have been towed. Employee retention is also difficult because many people do not want to work in an office that is never closed. Supervisors told us that entry-level employees are informed that they might work nights, but once they are assigned to work the night shift, some employees quit.

Division management told us that they rely on overtime and temporary staff to fill staffing needs; however, the union contract prohibits temporary employees from working all positions in the division, and staff report that reduced overtime is causing work backlog to grow. During the end of our audit fieldwork, a division supervisor told us that their vacancy level was the lowest it had been for more than 10 years, but that authorized positions remained vacant because two Trainees chose not to be hired permanently. The new electronic field reporting system may change the work of the Records Division once it is fully implemented; but division supervisors told us that it will not decrease division workload. Additionally, they told us that when a similar electronic records system was implemented in Canada, additional staff were required.

- Recommendation**
- 4. The Police Bureau should assess its use of the Trainee classification in the Police Records Division, in the context of its recruiting and retention needs and the resulting need for overtime.**

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**Objective, scope and methodology**

The objective of this audit was to determine if the City of Portland and selected bureaus are managing overtime in a cost-effective manner. To achieve this objective, we examined overtime management at two levels: We assessed the overtime management structure established by the City, and the manner in which individual City bureaus manage overtime. Additionally, we followed-up on recommendations from a 2006 audit on Public Works Supervisor overtime, which will be addressed in a future audit report.

In order to determine the effectiveness of the basic citywide structure for overtime management, we reviewed Human Resources' policies on overtime and union contracts. We reviewed applicable federal and state laws in addition to literature from the Committee of Sponsoring Organizations of the Treadway Commission and the International Association of Chiefs of Police on overtime best practices and internal controls. We analyzed trends in compensatory time and overtime expenditures using reports from the City's Office of Management and Finance (OMF) from 2001-2006. In addition, we interviewed a manager from Human Resources, OMF payroll, OMF technological service and team leaders working on the project to replace the City's current financial system with the Enterprise Resource Planning system using SAP software.

In order to determine how overtime is managed by City bureaus, we reviewed overtime policies of 18 bureaus. Using Statistical Package for the Social Sciences, we analyzed City employees' overtime data for FY 2007, FY 2008 and the first half of FY 2009. Using our analysis of FY 07 data, we selected four bureaus based on risk to serve as case studies. In each bureau reviewed, we interviewed more than a dozen employees, including at least five managers, three to six employees who worked overtime, bureau managers involved with budget monitoring and the bureau and/or division timekeepers. Additionally, in each bureau, we drew a sample of employees who worked overtime and traced one pay period overtime claim to supporting documentation to test for authorization and accuracy, and to determine what information the bureau gathered about the tasks performed.

During our audit work, allegations of waste and abuse significant to our audit objectives were brought to our attention. We included audit steps and procedures to determine whether the waste and abuse likely occurred, and we passed information about one allegation to the City Attorney. The City Attorney's Office shared the information with the Bureau of Human Resources. Bureau of Human Resources staff shared the information with management of the bureau where the waste and abuse was alleged.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A **Selected bureau overtime  
information**

# Bureau of Transportation

**Figure 3 Overtime use, Bureau of Transportation**

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Number of authorized positions	768
Percent of bureau employees who claim overtime	81%
Value of overtime payments to top user	\$25,119

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Source: Based on FY 2007 data

- Transportation uses overtime to respond to unplanned emergency incidents; the bureau is the official first responder for six types of City emergencies including snow & ice, earthquake and flood.

**Figure 4 Severe weather**



Source: Photo from Portland Transportation Bureau website

- The bureau schedules work during low-traffic hours and on Sundays in order to reduce traffic interruptions and safety risk to employees; most employees working these crews do so on overtime.
- Transportation employees work some overtime to complete contract work with other jurisdictions, like TriMet and the City of Lake Oswego.

- Some employees in Transportation's Environmental Systems Division are responsible for inspecting and cleaning the City's sewer system, repairing damaged sewers and responding to customer problems like residential sewer backflow. The group uses overtime to respond to off-hour emergencies and to perform sewer inspections, cleaning and repair during low sewer flow hours. The Bureau of Environmental Services funds the work.

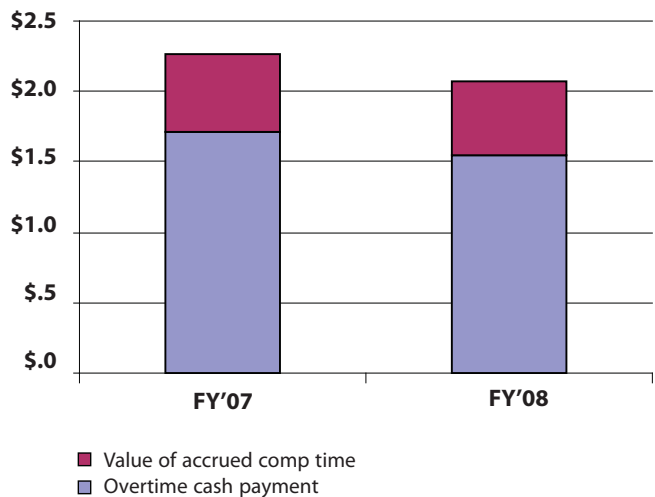
**Figure 5 Overtime management, Bureau of Transportation**

Bureau electronically tracks details about tasks performed	Overtime claims we reviewed were approved	Overtime payments appear accurate
Yes, but reports do not separate overtime from other expenses.	100% signed by supervisor. 76% contained handwritten signature of supervisor and 24% contained typed supervisor name.	100% of sampled overtime records match payments.

Source: Based on Audit Services' test of non-representative sample of overtime claims

- Maintenance managers told us that opportunities to work planned overtime in Transportation have decreased in recent years due to budget limits; some employees told us that they believe that overtime reductions are for reasons inconsistent with management's explanation.
- Managers in the Environmental Systems Division report that their overtime availability has remained constant while overtime opportunities in the rest of the bureau have decreased.

**Figure 6 Bureau of Transportation overtime expenditures**  
(millions, adjusted)



- Transportation has a system for tracking some information about work performed on overtime. Reports provided to managers cannot be used to identify waste or to analyze trends in individual's overtime use.

Source: ASD analysis of OMF data

# Bureau of Development Services

**Figure 7 Overtime use, Bureau of Development Services**

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Number of authorized positions	329
Percent of bureau employees who claim overtime	66%
Value of overtime payments to top user	\$38,832

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Source: Based on FY 2007 data

- Development Services inspectors spend overtime providing customer service to permit applicants: inspectors work late or on days off when there is demand for permits; Facilities Permit Program Inspectors are available on-call 24 hours a day; bureau employees staff a weekly evening program for residential permit applicants. A single class employee incurs overtime when they work to meet deadlines since they are the only person in the position.

**Figure 8 Development Services Inspector**



Source: Bureau of Development Services



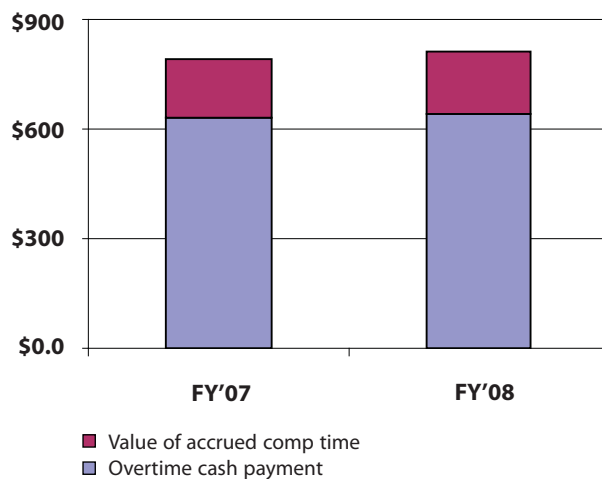
**Figure 9 Overtime management, Bureau of Development Services**

Bureau electronically tracks details about tasks performed	Overtime claims we reviewed were approved	Overtime payments appear accurate
No	100% signed by supervisor.	100% of sampled overtime records match payments.

Source: Based on Audit Services' test of non-representative sample of overtime claims

- During audit fieldwork, supervisors told us about recent efforts to reduce overtime by eliminating overtime for plan review and training staff in a position with one employee.
- In late 2008, after our audit fieldwork in Development Services was complete, the Bureau reported that building permit applications and in turn, revenue had dropped dramatically. In a presentation to City Council, management explained that in attempt to avoid laying off employees, they were significantly cutting overtime, in addition to instituting other cost saving measures. We found that the value of

**Figure 10 Bureau of Development Services overtime expenditures** (thousands, adjusted)



Source: ASD analysis of OMF data

overtime cash payments and accrued comp time in the first half of FY 09 were 45 percent less than in the first half of FY 08.

- In January 2009, Development Services announced they were suspending the weekly evening program for residential permit applicants.
- Overtime reports showing the number of overtime hours worked by employees are distributed to managers, but the bureau does not track details about most tasks performed on overtime.

# Portland Water Bureau

**Figure 11 Overtime use, Portland Water Bureau**

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Number of authorized positions	662
Percent of bureau employees who claim overtime	68%
Value of overtime payments to top user	\$44,708

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Source: Based on FY 2007 data

- The Water Bureau responds to emergencies like water main breaks that occur after normal hours on overtime.

**Figure 12 Water main break**



Source: Photo Water Bureau website

- The bureau schedules some work after business hours in order to limit service interruptions to businesses and health care providers that rely on water.
  - Some capital improvement projects are performed on overtime; these projects are often done in collaboration with outside engineers and the bureau may be fined if they do not meet project deadlines.
  - One division with minimal staffing and mandatory duties fills all absences beyond the first in each shift with overtime.
- Maintenance and construction division management told us that until they fully assess the condition of the City's water system, that overtime will continue to be used in a reactive manner. Some assessment work has been initiated.

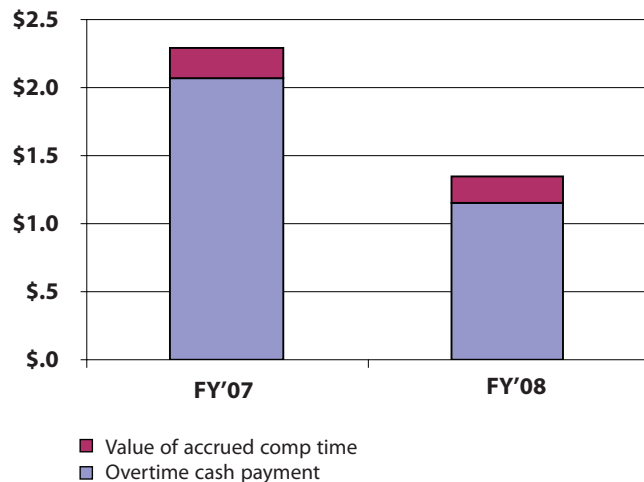
**Figure 13 Overtime management, Portland Water Bureau**

Bureau electronically tracks details about tasks performed	Overtime claims we reviewed were approved	Overtime payments appear accurate
Yes, by some divisions and by central payroll; however, some managers may not be aware.	97% were signed by supervisor. 80% were hand signed, 17% were stamped with the supervisor's name.	100% of sampled overtime records match payments.

Source: Based on Audit Services' test of non-representative sample of overtime claims

- Opportunities for planned overtime have decreased and managers are looking for ways to minimize the overtime used to respond to unplanned events. Bureau managers told us that overtime reductions are in response to budget limits and the economy's impact on development. Some employees' understanding of overtime reductions are not consistent with management's explanations.

**Figure 14 Portland Water Bureau overtime expenditures**  
(millions, adjusted)



Source: ASD analysis of OMF data

- At least one division in the bureau collects information about tasks performed on overtime; however, some managers may not be aware that the information is available.

# Police Records Division

**Figure 15 Overtime use, Portland Police Records Division**

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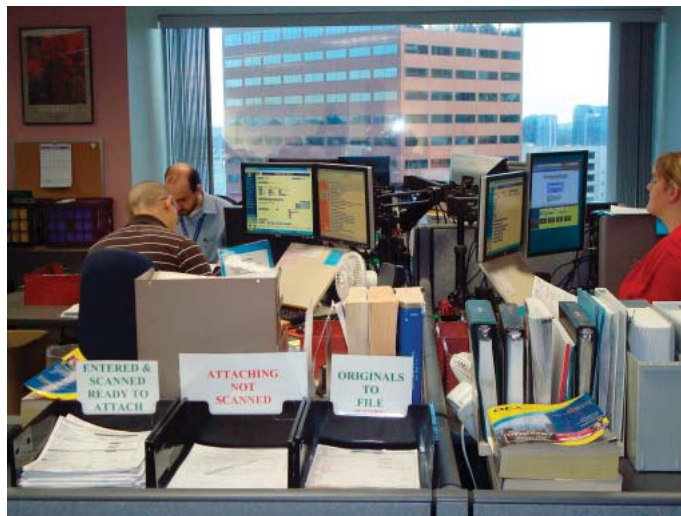
Number of authorized positions	74
Percent of bureau employees who claim overtime	78%
Value of overtime payments to top user	\$35,159

---

Source: Based on FY 2007 data

- Police Records Division employees spend overtime performing daily business operations including processing backlogged records and towed vehicles. A recent addition to daily operations is scanning all records from 2007 forward as part of the Police Bureau’s efforts to adopt the electronic field reporting system.
- Authorized staffing levels in the division have decreased 8.5 percent since 2001 without significantly less workload; also, the division has had problems recruiting and retaining employees for years.

**Figure 16 Police Records Division employees**



Source: Audit Services Division photo

- The division has historically given blanket approval to all employees to work a certain number of overtime hours a week; since 1994, the limit has ranged from five to 20 hours per week.

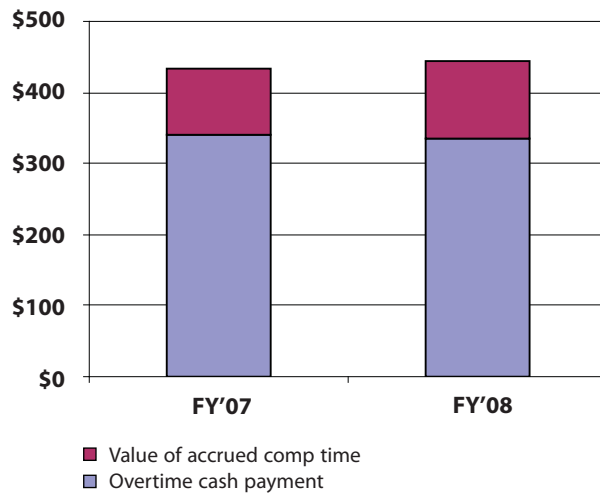
**Figure 17 Overtime management, Police Bureau Records Division**

Bureau electronically tracks details about tasks performed	Overtime claims we reviewed were approved	Overtime payments appear accurate
Yes, but not distributed.	100% signed by supervisor.	100% of sampled overtime records match payments.

Source: Based on Audit Services' test of non-representative sample of overtime claims

- In June 2008, the limit on employee overtime was reduced from 20 to five hours a week. Management told us that the reduction is an effort to meet the division's overtime budget, and they sent an email to all Police Records Division staff to explain; however, many staff told us they were unaware of this rationale.

**Figure 18 Police Bureau Records Division overtime expenditures** (thousands, adjusted)



Source: ASD analysis of OMF data

- Though they collect information about tasks performed on overtime, reports are not provided to managers.



# RESPONSES TO THE AUDIT







OFFICE OF MAYOR SAM ADAMS  
CITY OF PORTLAND

April 10, 2009

Gary Blackmer  
City Auditor  
1221 SW 4<sup>th</sup> Avenue  
Portland, OR 97204

Dear Auditor Blackmer:

Thank you for your diligence in ensuring the best possible management of public resources. I have reviewed your report on Overtime Management and I appreciate being given the opportunity to share my response. It is important to make certain that usage and cost of this fundamental tool are managed effectively and responsibly by the City of Portland.

I recognize that this is the second audit your office has performed concerning overtime usage. The first audit covered overtime usage for FLSA exempt employees. In response to that report, the Bureau of Human Resources revised HR Administrative Rule 8.03 – Hours of Work, Overtime Compensation & management Leave: FLSA Exempt Employees to clarify the language concerning eligibility and coverage.

In response to the most recent audit, I will direct the Bureau of Human Resources to refine the language in HR Administrative Rule 8.02 – Hours of Work and Overtime Compensation: FLSA Covered Employees. This action is an essential first step and I intend for it to send a strong message about our commitment to managing overtime more effectively.

Each City bureau and office is charged with managing its budget following standards of efficient, effective overtime usage established within the guidelines of the City's collective bargaining agreements and administrative rules. It is important that the City Council continues to require bureaus to responsibly manage and track overtime. It is my understanding that the implementation of the new SAP system will enable bureau directors to more carefully and thoroughly monitor overtime usage and costs.

I am pleased by the thoroughness of this audit and I welcome the recommendations you offered. Again, thank you for delving into this important topic and for allowing me to share my response.

Best,

Sam Adams  
Mayor  
City of Portland





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CITY OF  
**PORTLAND, OREGON**

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**Dan Saltzman, Commissioner**  
1221 S.W. 4th Avenue, Room 230  
Portland, Oregon 97204  
Telephone: (503) 823-4151  
Fax: (503) 823-3036  
Internet: [dsaltzman@ci.portland.or.us](mailto:dsaltzman@ci.portland.or.us)

**MEMORANDUM**

Date: April 9, 2009

To: Gary Blackmer, City Auditor

From: Dan Saltzman, Commissioner *Dan*

CC: Mayor Adams  
Commissioner Fish  
Commissioner Fritz  
Commissioner Leonard  
Chief Sizer

RE: Response to Overtime Management Auditor

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I would like to thank Auditor Blackmer and his staff for their report to assess the City's overtime management. I appreciate the report and the many suggestions contained in it to prevent potential waste of City funds.

I especially appreciate the assessment of the Police Records Division, and the suggestions regarding hiring and retention. I look forward to working with Chief Sizer to address these issues.

Thank you again for your report, and for your service to our City.





## CITY OF PORTLAND, OREGON



### Bureau of Police

Dan Saltzman, Police Commissioner  
Rosanne M. Sizer, Chief of Police

1111 S.W. 2nd Avenue • Portland, OR 97204 • Phone: 503-823-0000 • Fax: 503-823-0342

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### MEMORANDUM

April 13, 2009

TO: Mr. Gary Blackmer  
Office of the City Auditor

SUBJECT: Overtime Management Audit

I want to commend your staff for implementing and completing a very thorough overtime audit for the Records Division of the Police Bureau. Your staff members were very professional and accommodating while assessing the tracking, reporting and the appropriateness of our use of overtime.

Historically, the Records Division has been understaffed, which creates a backlog of documents needing to be processed into various data systems and distributed to multiple locations. Employees become stressed over the backlog and the added pressure of having to be at least 95% accurate with their entries into the many data systems.

The Records Division tasks are challenging and complicated, which contributes to the division's recruitment and retention issues. The division is open 24/7 and shift work does not appeal to everyone. Employees frequently encounter angry customers at the front counter while releasing towed vehicles. Trained members often look for positions elsewhere in the Police Bureau and other City Bureaus.

The audit has shed new light on issues within the division regarding overtime, but more importantly identified possible solutions. For example, the audit identifies ways of cutting overtime and other factors causing the Records Division to be short of staff. These factors include the length of time it takes for background investigations to be completed for Specialists and eliminating the "trainee" classification for new hires. The Police Bureau has worked hard to improve the timeliness of its background investigations and will continue to look for other improvements. Similarly, 2010 bargaining may be an opportunity to address the Police Records Trainee issue.

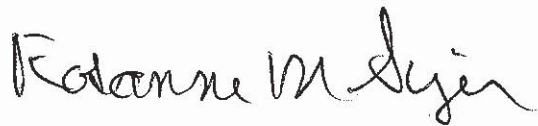
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The Police Bureau is in the process of looking at a new Records Management System (RMS) to replace the current Portland Police Data System (PPDS). This new RMS will completely change the work of the Records Division. The new technology will provide an opportunity to review our work processes and their implications for overtime use.

Again, thank you for a job well done on the audit and good luck with your future plans.

Sincerely,

A handwritten signature in black ink that reads "Rosanne M. Sizer". The signature is written in a cursive style with a large, prominent initial "R".

ROSANNE M. SIZER  
Chief of Police

RMS/JMM/lsm





**Randy Leonard, Commissioner**  
David G. Shaff, Administrator

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1120 SW 5th Avenue, Room 600  
Portland, Oregon 97204-1926  
Information: 503-823-7404  
[www.portlandonline.com/water](http://www.portlandonline.com/water)



*An Equal Opportunity Employer*

April 9, 2009

TO: Jennifer Scott, Management Auditor  
Office of City Auditor

FROM: David G. Shaff, Administrator

SUBJECT: Water Bureau Response to Overtime Management Report

Thank you for the opportunity to respond to the draft report on Overtime Management.

As you correctly report, the Water Bureau has begun work on an asset management system and has made significant progress in identifying all of its assets and in making condition assessments of those assets. Where we disagree with the report is in the conclusion that condition assessment could "...help prioritize work and reduce dependence on overtime spent on emergency repair work."

In the report you indicate that, "The Director of the Maintenance and Construction group told us that the Bureau is unable to effectively forecast and prioritize work because they do not know the overall condition of the City's water infrastructure." We believe that you misinterpreted his comment.

Knowing the condition of our assets will indeed help us to more effectively forecast and prioritize our work. However, asset management is not a tool that is effective in predicting when or where an asset failure is likely to occur. The Water Bureau is in the process of identifying more of the high risk (also known as critical) assets that would involve the more costly or time consuming emergency repairs or replacements. Condition assessment is a way to know the likelihood of failure, so that action can be taken before failure. However, failure of most assets cannot accurately be predicted for a variety of reasons, such as the cost of checking all of our buried assets, or because of the unpredictable nature of many failures. For example, while we can reasonably predict that we will have pipe failures during a period of prolonged cold weather; there is no tool which will predict where that failure will occur or when. We have 50 year old cast iron pipe that is prone to breaking alongside 150 year old cast iron pipe that shows no wear and is going strong.

Although we agree that we should continue to assess the condition of the assets under our control, it likely would have very little effect on overtime. Although we do schedule

overtime for certain circumstances as you noted, most overtime is either continuation where it makes sense to finish the job using some overtime rather than come back, or it is reactive, meaning emergency work that needs to be performed immediately to minimize or mitigate damage. While condition assessment will have little impact on our use of overtime, it should enable us to make strategic assessments of our most critical assets and allow us to be pro-active in replacing assets before they fail. However, we will still have many assets that we will “run to failure”, some of which may require overtime to repair if the needs of the moment require it. For the last several months we have been taking a much harder look at when circumstances warrant emergency overtime. We have begun to let some minor breaks and leaks go overnight when the main can be safely throttled down, there is a catch basin for the water to go to and the potential for damage and risk is minimal. This new way of assessing the need for overtime is, we believe, in line with the thrust of the Overtime Management Report.

Much of our Asset Management effort is geared towards spending less time on the less critical assets (fewer or no repairs or maintenance and letting them “run to failure”) and using our limited resources to address the critical assets by extending their useful life (i.e., through preventive maintenance) or replacing assets that could fail catastrophically.

All work orders in Maintenance and Construction are given priorities. A work order priority scheme has been developed for many of the assets that Maintenance and Construction works with. A more detailed hydrant work order priority system has been proposed and is in the process of being implemented.

#### **Examples of improvements for certain asset types:**

##### Hydrants:

We are identifying critical hydrants, with the idea that inspection, repair and replacement of critical hydrants would be assured, while work on less critical hydrants might be delayed. We reduced the workload within the hydrant area by eliminating overhauls, by reducing the priorities of some repair work orders, and by proposing to reduce the frequency of inspections.

##### Pipes:

We have identified which pipe segments are both most likely to fail and would be most consequential if they do fail. These are the pipes that should be assessed for current condition, which means more up front work, but less overall work if a big problem is then avoided.

##### Valves:

The condition of more than half of our large line valves has been checked in the last 4 years. Knowing which valves work, or preparing them to operate (e.g., by cleaning out the valve vault) so they work during emergency repairs, is important.



Status:

Large valves – 60% of way through checking valves.

Small valves – identified critical small valves; just beginning inspections focused on how critical they are. The Asset Management Group recently introduced the idea of using the DMT (Distribution Maintenance Team) to focus on small valves rather than work through the entire system over 20 years; that shift in emphasis is being implemented.

Pipes - identified critical pipes. Some condition assessments on buried pipe; and a work plan for pipes on bridges has been developed.

Hydrants – working on definition of critical hydrants.

Again, thank you for the opportunity to respond. We would be glad to answer any follow-up questions that you might have.





CITY OF  
**PORTLAND**  
BUREAU OF  
**TRANSPORTATION**



Sam  
Adams  
Mayor

Susan D.  
Keil  
Director

TO: Gary Blackmer, City Auditor

FROM: Susan D. Keil, Director  
Bureau of Transportation

RE: Draft Overtime Audit Report

DATE: April 8, 2009

Thank you for the opportunity to submit comments to the Final Draft of the audit on overtime, Report #369A. After completing our review of the Report, we concur with the findings and recommendations.

Strengthening guidance regarding the goals and rules for overtime use (Recommendation 1) will increase consistency across the City and send a clear message about managing its use.

Transportation's policy regarding the use and recording of overtime was developed in collaboration with our labor organizations. Due to the positive working relationship with our unions, Transportation's Overtime Policy has received broad acceptance and routine application. We would plan a similar process for any changes or clarifications that result from changes to the HR Administrative Rules.

In order to fulfill any new policy directions, it will be most important for the bureaus to receive HR and technical support to generate meaningful management reports (Recommendation 2) which will allow effective management to occur.

Meanwhile, Transportation is taking several steps to put improvements in place.

- The payroll manager is meeting this week with the lead auditor to identify possible gaps in recordkeeping and to plan for system improvements.
- Environmental Systems Division managers are adjusting staffing models and schedules to decrease the need to use overtime for emergency responses to sewer breaks.
- Division Managers are reviewing overtime tracking reports with supervisors to ensure consistent review, understanding and application of management data.

I look forward to further refinement of policies and reporting systems surrounding these issues.

Thank you.

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**Office of the Director**

**City of Portland, Oregon - Bureau of Development Services**

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## Memorandum

April 8, 2009

**To:** Gary Blackmer  
City Auditor

**From:** Paul L. Scarlett, Director *PLS*  
Bureau of Development Services

**Subject:** Response to Audit on Multi-bureau Overtime (Report #369A)

Thank you for the opportunity to comment on your recent audit on overtime usage in several City bureaus, including the Bureau of Development Services (BDS). We fully support the audit's purpose in determining if BDS and other bureaus are managing overtime costs effectively, and we welcome your feedback and suggestions for improvement.

The audit report recommends that the Mayor and Commissioners direct bureaus to:

- Develop clear bureau-wide policies for efficient overtime use and management;
- Assess the current level of overtime tracking and reporting; and
- Determine and communicate the level of record-keeping needed to identify abuse and develop efficient overtime policies.

The current BDS Employee Handbook explains the difference between overtime and compensatory time and outlines the process for obtaining authorization to work overtime. The handbook also expresses the bureau's commitment to avoid the "excessive use of overtime". The Employee Handbook is currently being updated and a revised version is due to be published this month. We will expand the section on overtime to include a clear statement of the bureau's guidelines and policies regarding overtime use.

We are also due to publish a Managers' Handbook this month for bureau managers and supervisors. We will provide direction in the Manager's Handbook to help managers and supervisors clearly understand and implement the bureau's policies regarding overtime use, tracking, reporting, and management.

As noted in the audit report, we distribute reports to managers and supervisors each month showing the hours of overtime worked by each employee. In addition, employees who work overtime are required to submit a Time & Attendance Record (TAR) Adjustment Form that includes the number of overtime hours that were pre-approved, the number of overtime hours actually worked, and the reason for the overtime. The TAR adjustment form is then reviewed and signed by the supervisor, providing opportunity to address inconsistencies or questions regarding the overtime. Employees provide the reason for the overtime, such as late meetings,

work on special projects, after-hours inspections, etc. In our updated procedures, we will be instructing staff to provide even more detail for their overtime requests. As noted in the report, we are looking at technology tools to assist in tracking work performed during overtime periods, particularly with field staff.

We at BDS remain committed to performing our work as efficiently and effectively as possible, including our use and management of overtime. As the audit report noted, we have significantly curtailed our overtime use in recent months due to current economic conditions. However, we will use information gleaned from the audit to enhance our communication with managers and staff and to strengthen our tracking and monitoring of overtime use.



**Audit Services Division  
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[www.portlandonline.com/auditor/auditservices](http://www.portlandonline.com/auditor/auditservices)**

*Overtime Management: Significant City expenditures lack policies and safeguards*

Report #369A, April 2009

Audit Team Members: Jennifer Scott, Beth Woodward,  
Kari Guy

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: [www.portlandonline.com/auditor/auditservices](http://www.portlandonline.com/auditor/auditservices). Printed copies can be obtained by contacting the Audit Services Division.

Gary Blackmer, City Auditor  
Drummond Kahn, Director of Audit Services

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(#372, April 2009)*

*Transition Report: Key challenges for a new City Council  
(#376, February 2009)*

*Five-Year Parks Levy: Facilities and services enhanced, but  
ballot title misleading (#371, February 2009)*

*City of Portland Service Efforts and Accomplishments:  
2007-08, Eighteenth Annual Report on City  
Government performance (#360,  
December 2008)*

