



PORTLAND FIRE & RESCUE:

More active management of overtime and call shifts
needed for good stewardship of limited resources

June 2012

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City Auditor

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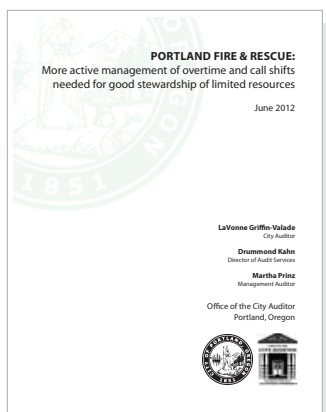
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June 28, 2012

TO: Mayor Sam Adams
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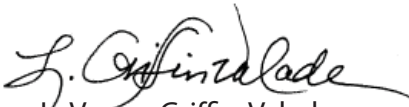
SUBJECT: Audit Report: *Portland Fire & Rescue: More active management of overtime and call shifts needed for good stewardship of limited resources* (Report #418)

The attached report contains the results of our audit of the management of overtime and call shifts at Portland Fire & Rescue (PF&R). Our audit found that the Bureau has made recent improvements in managing extra pay for extra work. However, we also found that the Bureau can further enhance its efforts to monitor and manage the \$8 million it spends for extra pay each year.

We recommend that the Commissioner-in-charge direct the Fire Chief to take a number of actions to provide better stewardship over limited resources and increase oversight of call shifts and overtime. We recommend that PF&R strengthen its "tone at the top" emphasizing the Bureau's commitment to minimizing the use of overtime and call shifts. We also recommend that the Bureau increase its analysis of the specific uses of call shifts and overtime in order to identify possible operational efficiencies, recognizing that in some cases these efficiencies will require changes to the City's contract with the Portland Fire Fighters' Association. We further recommend that analyses used by the Bureau for decision-making always include full costs to City taxpayers of both hiring new firefighters as well as having existing employees work call shifts.

We ask that Portland Fire & Rescue provide us with a status report in one year, through the Office of the Commissioner-in-charge, detailing steps taken to address the recommendations in this report.

We very much appreciate the cooperation and assistance we received from Portland Fire & Rescue as we conducted this audit.


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Attachment

PORTLAND FIRE & RESCUE:

More active management of overtime and call shifts needed for good stewardship of limited resources

Summary

Like all municipal governments, the City of Portland must provide a variety of services to its residents, while at the same time being mindful of the costs to taxpayers. With personnel costs consuming a significant portion of the City's budget, management of employee compensation is especially important. Bureaus where employees receive extra pay for working extra hours must be especially careful to manage personnel costs, because the expenses can have a significant impact on both the short- and long-term health of the bureau's finances, not to mention the City's.

Extra pay for extra work is a reality in public safety agencies, and Portland Fire & Rescue (PF&R) is no exception. As a first responder to emergency situations, PF&R must have certain staff and equipment available at all times, and this need for around-the-clock coverage is the cause of most instances of employees working hours beyond their regular schedule. These extra shifts are called "call shifts," and the Bureau has different approaches to call shifts within the bureau.

Federal labor law and the City's contract with the Portland Fire Fighters' Association (PFFA), Local 43, include provisions for additional wages that apply to PFFA-represented employees. The Bureau calls these extra wages "overtime." At times, overtime claims are even a cause of call shifts, resulting in situations in which an employee claiming overtime hours as time off leads to a second employee working a call shift, which is also paid at a higher rate than regular pay. (See Figure 1 for a discussion of terminology).

Figure 1 When does PF&R provide extra pay for extra work and what do they call it?

PF&R uses two different terms to refer to employees earning extra money for working beyond their regular hours.

By the Bureau's definition, which is based on the City's contract with the PFFA, **overtime** refers to situations in which certain employees earn extra pay for work done outside of the employees' normal schedule. This type of **overtime** is paid for attendance at committee meetings, completion of training on off-duty time, attendance at court, or for a call back, among other reasons. In some cases, the employee is compensated for a minimum amount of time even if he or she only worked for part of that time, such as for a court appearance. There are also instances in which **overtime** pay is required to comply with federal labor law when employees work hours in excess of certain thresholds, or beyond a scheduled shift.

The Bureau calls a second type of extra pay for extra work a **call shift**. A **call shift** is when one employee replaces another to cover all or part of the absent employee's shift.

Beginning June 30, 2012, both **overtime** and **call shifts** pay the employee their regular rate of salary, plus a bonus of 50 percent. Both involve costs and require management. Although we will use the Bureau's own terminology as much as possible for the sake of clarity, we note that we consider both **overtime** and **call shifts** as types of "overtime" in the larger sense of the word.

Source: Audit Services Division analysis

We conducted this audit to determine how PF&R is managing the use of overtime and call shifts, and whether processes and controls necessary for good management are in place. Situations requiring extra pay should be matched with extra oversight and management. We found that in some areas the Bureau is taking steps to manage instances of extra pay, while in other areas it has more work to do.

PF&R has made recent improvements in managing extra pay for extra work, and the Bureau's fiscal year 2012-13 budget includes ongoing and one-time reductions in overtime and call shifts totaling \$505,000.

However, our audit found that the Bureau can further enhance its efforts to monitor and manage the approximately \$8 million it spends for extra pay each year. Increased management and oversight of this significant resource will help the Bureau continue to fulfill its overall mission while maintaining closer control over the costs.

In this report, we make a number of recommendations for actions the Bureau can take to improve its management of overtime and call shifts, with the goal of ensuring that public resources are used as wisely as possible. The City's Financial Planning Division recently directed the Bureau to "consider new approaches to the way business has been done in the past and prepare for a 'new normal' of diminished funding." With that in mind, this report points out steps the Bureau can take to identify potential savings in the way it provides services and manages overtime and call shifts.

Background

The mission of PF&R is to aggressively and safely protect life, property, and the environment. The Bureau provides emergency services in fire, medical and other incidents 24-hours-a-day, and also operates fire prevention, public education, and disaster mitigation programs.

There are four divisions at the Bureau, all reporting to the City's Fire Chief:

- The **Emergency Operations Division** (EOPS), which includes most of the Bureau's employees, primarily in emergency response, overseen by the EOPS Division Chief
- The **Management Services Division** (MSD), covering business operations and logistics, overseen by the Senior Business Operations Manager
- The **Prevention Division**, overseen by the Fire Marshal, and covering code inspections, investigations and other functions
- The **Training and Safety Division**, responsible for training, recruiting and safety, and includes emergency medical services (EMS), overseen by the Training and Safety Division Chief

The Bureau has 748 budgeted positions, most of which are for fire suppression employees in the EOPS division. All sworn Bureau employees are firefighters, with some serving in such capacities as lieutenants, captains, battalion chiefs, fire inspectors, and fire investigators. Most sworn employees are represented by the PFFA. The Fire Chief, Fire Marshal, Division Chiefs, Deputy Chiefs, and Assistant Fire Marshals are the only sworn employees who are not union represented.

In FY 2011-12, the Bureau was slated to spend \$98.1 million (primarily from the City's General Fund), with \$84.1 million, or 86 percent, being personal services expenditures.

Several shifts and a pool of standby firefighters are used to staff stations

Per union contract, PF&R fire suppression employees work approximately 51.92 hours a week, rotating through cycles of 24 hours on duty followed by 48 hours off duty. Each 72-hour block of time is covered by firefighters working either an "A" shift (first 24 hours), "B" shift (second 24 hours) or "C" shift (third 24 hours). In addition, every firefighter gets his or her 13th shift off, and that shift is covered by a group of firefighters known as the "D" shift, or the Kelly Pool. As 52-hour employees, lieutenants, captains, battalion chiefs and deputy chiefs also get a Kelly shift off.

When a scheduled employee is absent, a Traveling firefighter or call shift is used

The Bureau maintains a "Traveler Pool" of on-call firefighters who fill in for absent firefighters. After completing nine months of initial training, newly hired firefighters move up the ranks, with initial placement in the Kelly Pool, followed by placement in the Traveler Pool, and finally permanent placement at a specific station, working either an A, B or C shift. Once hired, Travelers are always paid a salary. When there are more Travelers than the Bureau needs to fill vacancies, they are placed at fire stations as excess staff.

The Bureau uses its A, B, C, and D shifts and Travelers to maintain “minimum staffing” levels at stations. Many times, PF&R is able to move firefighters from one spot to another and use Travelers when a shift becomes vacant. Vacancies occur for a variety of reasons, such as vacations, sick leaves, injury leaves, military leaves, and retirements.

If no regularly scheduled staff member or Traveler can fill a vacancy, the Bureau uses a call shift to fill the spot, meaning that another firefighter works a shift or partial shift outside of his or her normal schedule. Fire suppression employees show their willingness to work a call shift by logging onto the Bureau’s personnel system and indicating which shift(s) or partial shift(s) they are willing to work. Requests for call shifts are ranked based on the number of call shifts already worked by the employee, as well as by the employee’s seniority.

The Bureau uses call shifts when it is unable to use a Traveler to fill a vacancy, making the size of the Traveler Pool an important factor in how much the Bureau spends on call shifts. A smaller Traveler Pool could mean more call shifts, while a larger Traveler Pool could lead to less need for call shifts, since more absences could be filled by Travelers. Throughout the year, Bureau management adjusts a model of the Traveler Pool to facilitate hiring decisions and management of total personal services costs.

PF&R employees earn overtime pay due to federal law and several labor contract provisions

The federal Fair Labor Standards Act (FLSA) requires the City to pay certain employees overtime (at 150 percent of pay) once a certain number of hours have been worked. FLSA standards were noted as a factor in Citywide overtime spending in our 2009 Audit Report, *Overtime Management: Significant City expenditures lack policies and safeguards* (Report #369A).

For fire suppression employees, FLSA standards dictate that overtime must be paid when an employee works more than 212 hours in a 28-day work period. As law enforcement agents, fire investigators have

a different standard under FLSA, and are paid overtime for working more than 171 hours in a 28-day work period.

FLSA also allows some employees of state and local governments to receive compensatory time (comp time) instead of cash payments at the same rate as overtime pay, meaning that 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 PFFA contract limits comp time accrual to 80 hours at one time, as do many other City union contracts. PF&R pays out any comp time owed the employee at the end of the fiscal year, or, by mutual agreement, it may be carried over to the next fiscal year. This provision is also found in other labor contracts with the City.

PF&R employees earn extra pay or comp time in several ways as dictated by the PFFA contract. For example, employees earn 150 percent of pay for work done outside of their normal shift, which might happen for such reasons as attending a committee meeting or training, being held over beyond a shift, being called back to work, or being required to testify in court. Court time is paid at a minimum of four hours, and call backs are paid at a minimum of six hours, regardless of the actual time worked.

Other contract provisions or less formal agreements with the union are also factors in the amount of overtime and call shift pay earned by employees. One example is that, with some exceptions, the number of employees that can be on vacation at any given time is dictated by contract. At peak vacation times, when all vacation slots are being used, Travelers alone might not be enough to fill the resulting vacancies, meaning that more call shifts will be needed.

In a second example, PF&R has an understanding with the PFFA that due to safety concerns, only a handful of sworn employees can “act up” (work above class) at any given time. This limits the Bureau’s ability to have lower ranking employees fill in for higher ranking employees, which can increase call shift frequency for officers (who earn higher salaries) as compared to firefighters.

As shown in Figure 2, rates of extra pay for extra work have varied, depending on whether a call shift or overtime was used. Beginning June 30, 2012, all categories of extra pay for extra work will be paid at 1.5 times the regular rate of pay.

Figure 2 Categories of overtime at Portland Fire & Rescue

PF&R name	Description	Rate of pay (prior to June 30, 2012)	Rate of pay (as of June 30, 2012)
FLSA overtime	For work in excess of a certain number of hours	1.5 times regular pay	1.5 times regular pay
1.5 overtime	To attend a meeting or training, or for a holdover, callback, court time, or other approved activity (also may be taken as comp time at rate of 1.5 hours off for each hour worked)	1.5 times regular pay	1.5 times regular pay
call shift	To fill a vacant shift or partial shift	1.25 times regular pay	1.5 times regular pay

Source: Audit Services Division summary of PF&R information

Audit Results

Management committed to good service, but should improve the culture of resource stewardship

Clearly defined rules, policies and communication of objectives and expectations are management tools needed to safeguard public resources, which is especially important when employees are being paid at rates beyond their normal salaries. When there is extra pay, there should be added scrutiny and management of public resources.

Although PF&R cannot be expected to eliminate the need to pay employees additional compensation to work outside their normal schedules, it should keep a close watch on the use of extra pay because funding is limited, and because there are competing demands

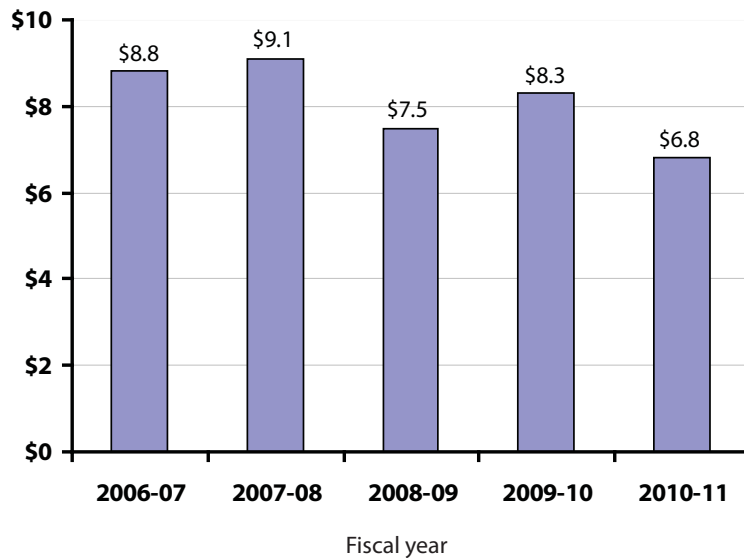
on the City's resources. Regular analysis of detailed information about how and why employees earn extra pay should be a key part of the Bureau's operational strategy to ensure that services are provided at the minimum cost necessary.

Good stewardship of public funds is more likely to occur in an environment where the "tone at the top" about the use of extra pay is strongly stated, and is effectively and regularly communicated through the ranks. This tone should reflect management's commitment to its public safety mission, but also to safeguarding public resources. In all cases, the culture of a public agency should be rooted in providing service to the community as efficiently and effectively as possible. While procedures for authorization and proper use are important, employees should have a clear understanding of management's mindset on resource management, especially in cases where extra pay is available.

While overtime and call shifts are significant categories of Bureau spending, in many cases, the culture we encountered at the Bureau and that was described to us did not reflect a consistent commitment to limiting their use. Managers talked about call shifts, in particular, as inevitable or a "necessary evil," and few managers expressed a need to limit their use as much as possible. The Bureau's view that call shifts are something other than overtime - in some cases it calls them "replacement time" - obscures the fact that call shifts are an expensive way to fill vacancies and that there are different angles from which managers can work to limit their use. Some strategies may require the Bureau to negotiate the terms of its contract with PFFA.

According to the Bureau, in FY 2010-11, PF&R employees earned a total of \$6.8 million in overtime and call shifts combined, and an additional \$30,000 in comp time payouts. Over the past five years, overtime and call shift payments (not including comp payouts) have averaged \$8.1 million per year, or 10.5 percent of the Bureau's personal services budget (inflation adjusted). Call shifts typically account for 75 to 80 percent of Bureau spending on overtime and call

Figure 3 Overtime and call shift expenditures (millions, adjusted)



Source: Audit Services Division analysis of PF&R data
Note: Data does not include comp time payouts

shifts combined. In FY 2009-10, PF&R estimated that increasing the rate of call shift pay to 150 percent of salary would add approximately \$600,000 to annual call shift spending.

There is a wide range of earnings among employees eligible for overtime and call shift pay, with some earning very little, and a few earning more than \$40,000 in extra pay per year. Some positions tend to earn more than others in overtime and call shift pay, and in some cases the extra earnings are a substantial addition to the employee's regular pay. Overall, we found that in FY 2010-11, 623 of all City employees earned \$100,000 or more per year, and 206 of these top earners (33 percent) were Fire Bureau employees. More than a quarter - 28 percent - of the Bureau's employees earned over \$100,000 in the last fiscal year.

New PF&R overtime policy tightens internal controls but lacks a strong “tone at the top” statement

Soon after our audit work began, the Bureau issued a memorandum from the Fire Chief on the overtime approval and monitoring process. In the memo, the Chief noted the need to “more effectively budget for and monitor the use of overtime within PF&R.” Prior to the release of the memo, overtime requests did not always require signoffs at the division chief level, which in a hierarchical organization meant that many levels of employees had sign-off powers for other employees. In one example of a problem associated with this, a supervisor was signing off on overtime for a lower level employee, who was also a supervisor and who was himself signing off on overtime for his subordinate for similar work. This is a problem because it may lead to an unnecessary duplication of effort.

Although the new policy contained in this memo is an improvement, it stops short of expressing a strong management statement about the need to spend as little as possible on overtime. The memo states the need to *monitor* the use of overtime, rather than the need to *minimize* overtime. As a result, the policy is more of a procedural directive than a strong statement of management’s commitment to minimizing overtime.

The memo formalizes the existing practice of designating certain uses of overtime as “preapproved,” meaning an employee only needs the approval of a supervisor, rather than a division chief. Division chiefs are required to send the Bureau’s Senior Business Operations Manager a list of preapproved overtime activities at the start of each fiscal year. During the course of our audit work, the list of preapproved uses of overtime went through two iterations, which resulted in 40 different activities being listed. According to the Bureau, most of the overtime submitted has been for preapproved items. While it might save time to have preapproved uses of overtime, it will be important for the Bureau to continually ensure that items on the list are worthy of “preapproved” status.

Detailed tracking of spending categories has been challenging due to implementation of the City’s new business system

PF&R’s efforts to track categories of expenses over the course of time, or by employee or expense type, has been challenging. During the changeover from the City’s former business system to the current SAP system, pay categories were renamed, and in some cases reconfigured, making “apples to apples” comparisons across time difficult. Bureau officials told us that in some cases they have to devise “work-

arounds” to categorize overtime and call shift data correctly. The data we received from the Office of Management and Finance’s accounting division on individual overtime and call shift pay included pay that does not meet the definition of either overtime or call shift pay.

In another example, SAP does not allow the Bureau to separate out overtime earned as a result of FLSA requirements from overtime earned as a result of the Bureau’s own rules, making it difficult for employees to know whether or not their paychecks are accurate, and for Bureau management to easily track categories of spending.

As we gathered data for this audit, the Bureau told us that they had concerns that “pre-SAP” and “post-SAP” data might not be comparable, since there have been so many challenges in categorizing data correctly in SAP. In addition, the Bureau told us that in some cases SAP locks them into reports that are not flexible.

According to the Bureau, the City’s old timekeeping system allowed payroll staff to more easily record comments about the use of overtime, and that in some cases it is either impossible or too cumbersome to use SAP for these purposes. The Bureau is working with the Office of Management and Finance to address these issues. For more on the topic of SAP, see our 2010 Audit Report: *Business System Software Implementation: Expensive, late, and incomplete* (Report #392).

The Bureau is making better efforts to track causes of overtime

Prior to our audit work at PF&R – and separate from any difficulties the Bureau is having with SAP – Bureau division chiefs were not all requesting or receiving overtime information. In a few cases, managers were aware of areas in which employees work a lot of overtime, but to some extent the Bureau did not appear to have a proactive approach to identifying or addressing areas of high overtime use.

As required by the Fall 2011 Chief’s memo, the Bureau’s Management Services Division is now providing a monthly overtime report to the Bureau’s top managers for review. MSD began distributing these reports soon after our audit work began. The earliest version of these reports showed the employee name, number of hours worked, date overtime earned, whether the overtime was taken as pay or accrued as comp time, and in some cases the spending category to which

overtime was charged. These early reports did not describe the activity, sort the data by activity, or show dollar amount by person and activity.

Bureau staff told us that at the time they were not able to track overtime spending in as much detail as they would like. Also, MSD was giving each division chief a report for his or her division only. The information that forms the basis for these reports is found in the Bureau's overtime authorization forms. Before our audit work began, employees were sometimes filling out overtime authorization forms with insufficient detail to provide an understanding of why the overtime was to be used. By the end of our audit work, the Bureau had modified its overtime authorization form to make tracking causes of overtime easier.

Figure 4 PF&R overtime reporting: contents and distribution of reports

	Fall 2011	Spring 2012
Includes employee name, date, hours earned	Yes	Yes
Indicates if overtime paid or accrued as comp time	Yes	Yes
Includes code to categorize purpose of overtime	Sometimes	Yes
Includes brief description of overtime activity	No	Yes
Sorted by activity	No	Yes
Sorted by person	Yes	Yes
Includes dollar amount by person and activity	No	Yes
All reports given to all division chiefs	No	Yes

Source: Audit Services Division analysis of information and reports obtained from PF&R

By the time we ended our audit work, the overtime reports had undergone a number of improvements: each division chief was given all reports for the Bureau, the reports had become much more detailed, and all entries included a code to categorize the purpose of the overtime. Also, the most recent version of the overtime reports were sorted not only by person, but by activity, included descriptions of each activity, and included dollar amounts by person and by activity. In other words, the Bureau has begun to improve its ability to track detailed information about spending on overtime.

The overtime reports are an important first step in Bureau management gaining a more thorough understanding of how overtime is being used, but will only be meaningful if management uses them to identify and follow through on cost reduction opportunities. These reports are produced on a monthly basis. Ideally, they would also be produced on a quarterly, semi-annual, and annual basis to show overtime in the aggregate. Bureau management has expressed a willingness to reduce overtime expenditures by reducing the use of overtime for committee work and other bureau-supported activities while off-duty, and included a reduction in its requested budget for these activities. There may be other activities performed on overtime that might be performed on straight time, and these reports are an important step in identifying those activities.

PF&R call shift policy focuses only on procedures, and does not state that management is committed to the efficient use of call shifts

Although call shifts have historically consumed between 75 and 80 percent of the Bureau's spending on extra pay for extra work, the Bureau does not have a policy that states the importance of their efficient use. Instead, the Bureau has a procedural document covering the process by which EOPS staff sign up for call shifts and how call shifts are assigned by Bureau headquarters staff. The document does a good job explaining a variety of rules related to call shifts, but does not state that management is committed to using call shifts only when necessary. Staff in the Prevention Division have recently developed their own procedural document, based on the EOPS call shift procedures.

A different set of reports are available that include call shift spending, but not all divisions request or receive these reports

In addition to the overtime reports discussed above, Bureau staff produce a report that shows, by employee, any activity paid at more than straight time, including call shift pay, overtime pay and comp time accrual. This monthly report is known as the “CATS_DA” report, and is produced because Prevention Division and EMS staff request the information. No other divisions request or receive this report. The report could be of significant value to all managers, because it gives a snapshot view of all instances in which an employee works for extra compensation. EMS staff told us that the reports are used only to track reimbursable expenses, such as for paramedic training. The Prevention Division uses them for this purpose as well, but also tracks cost recovery rates for fee-bearing services, and to do some overall analysis of the use of call shifts and overtime.

Although these reports contain valuable information, they are cumbersome, and could be retooled to convey additional information in a more user friendly way, or additional reports could be created. For example, the Bureau could provide all reports to all managers with summary information broken down in several different ways: totals and individual items by person, by activity, by job title, and by type of extra pay (call shift, overtime, comp accrual).

Further reporting on call shifts could include:

- reason for call shift use (sick leave, vacation leave, etc.)
- call shift use by day of the week
- call shift by time of the year

A variety of “slices” of data could improve understanding of how call shifts are being used, which will be essential for the Bureau to ensure that call shifts are used efficiently and ensure that there is not abuse. Without more detailed reports showing how and why call shifts are used, it would be difficult for the Bureau to know if all call shifts used were unavoidable, or to identify operational changes that could be used to reduce future call shift use.

The Bureau has taken only limited steps to analyze and control call shift use

We found that the Bureau's management of call shifts is primarily focused on a few areas:

- determining the point at which hiring Travelers becomes cost inefficient as compared to using call shifts
- estimating the number of sworn employee retirements that will occur each year
- filling some EOPS vacancies with existing employees when possible on a day-to-day basis
- monitoring year-to-date spending on call shifts as compared to the overall personal services budget, and as compared to the previous year's spending on call shifts

Traveler Pool

Determining the optimal size of the Traveler Pool, and planning hiring around that analysis, is a key component of minimizing call shift use in EOPS. Unlike employees working call shifts, Travelers are paid at straight time with no premium pay, and, on average, are paid at a lower rate than existing (and more senior) employees who sign up for call shifts.

The Bureau determines the ideal size of the Traveler Pool using a model that takes a number of factors into account, and estimates the most cost-effective number of Travelers for the Bureau to have on staff. The estimate takes such expenses as Traveler Pool salary, some benefits, and training into account, and contrasts the per-Traveler cost with the costs of having existing firefighters work a call shift. The call shift estimation part of the model includes an average of the various premiums that existing employees working call shifts receive (for paramedic and other specialty pay).

The Traveler Pool model is a useful tool, but it has some limitations. The model does not include positions other than firefighters, even though there are officers in the pool, and officers earn more than firefighters. Also, the model does not always reflect the full costs to taxpayers of either Travelers or call shifts, since it does not always include retirement and disability costs associated with hiring new

firefighters or having existing firefighters work call shifts. As noted in our 2011 audit report: *Fire and Police Disability and Retirement: Improvements resulted from 2006 Charter reforms, but significant fiscal challenges remain* (Report #408), the costs of providing pensions for both current and future retirees of PF&R and the Portland Police Bureau are rapidly increasing, and are not expected to peak for many more years.

Call shifts are becoming more expensive for taxpayers because employees working call shifts have a higher rate of pay as of June 30, and also because employees hired since January 2007 are covered by the Oregon Public Employees Retirement System (PERS). These employees' overtime and call shift pay is a factor in both the City's PERS employer contribution, and the final average salary used to calculate retirement benefits. That is not true for employees covered by the FPDR pension program, who were hired before the 2006 City Charter reforms went into effect. The number of employees covered by PERS will grow over time, and these employees will work an increasing share of the Bureau's call shifts, as well as earning overtime pay.

The Traveler Pool model we received from the Bureau indicates that the ideal size of the Traveler Pool is between 18 and 39 firefighters, with 30 Travelers offering the most savings to the Bureau, at \$384,000 per year. According to the model, Travelers become more expensive than using call shifts when there are 51 or more Travelers in the pool.

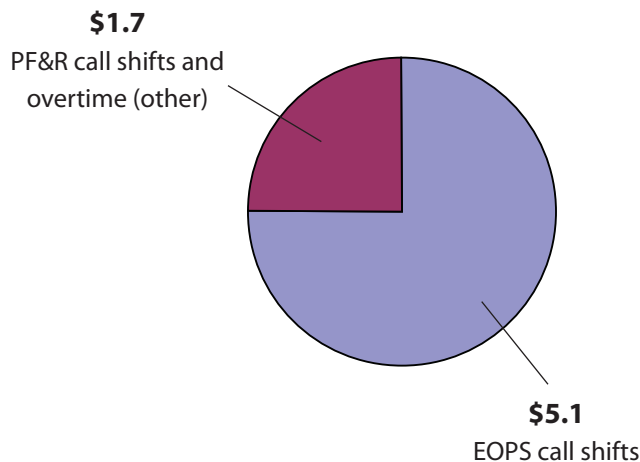
Projecting retirements

Bureau forecasts of retirement rates are another factor in deciding how many new firefighters to hire into the Traveler Pool. The workforce is aging, meaning that an increasing number of employees will be eligible for retirement. However, fewer employees than the Bureau projected retired in 2010-11, and Bureau managers told us that it can be difficult to anticipate retirements accurately. The Bureau told us that an uncertain economy may be among the reasons that employees remain in their jobs longer than the Bureau anticipated.

Emergency Operations Division staffing

As the Bureau's largest division by far, with most employees assigned to positions that the Bureau uses to achieve "minimum staffing," the Emergency Operations Division has the highest level of spending on call shifts, as shown in Figure 5.

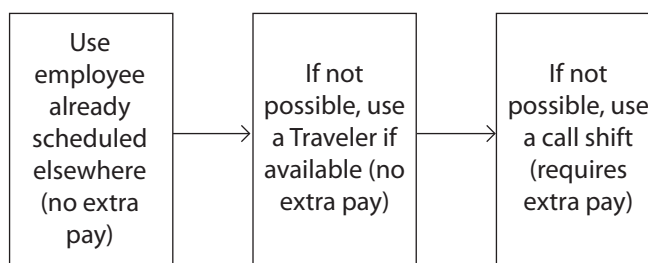
Figure 5 2010-11 EOPS call shift expenditures (millions)



Source: Audit Services Division analysis of PF&R data

EOPS has a process in place to help minimize the use of call shifts by EOPS employees on a day-to-day basis. Using this process, Bureau headquarters staff (BHQ) are notified when an EOPS employee is not able to report for duty, and have primary responsibility for filling the position. First, BHQ determines if an employee already on the schedule can be moved from one spot to another to fill the vacancy. If that is not possible, BHQ determines if a Traveler is available. If not, BHQ staff uses a call shift. To do so, they use the Bureau's call shift system to determine which employee is eligible for the next call shift, which factors in the number of call shifts already worked during the current year, as well as the seniority of the employee requesting the call shift.

Figure 6 Steps Bureau takes to fill a vacant EOPS shift



Source: Audit Services Division summary of PF&R information

EOPS employees are only rarely used to fill in for a vacant position that is of a higher rank than their own, and the Bureau told us that this practice is limited by agreement with the union out of concern that employees are not working above a level for which they are qualified.

**Increased commitment
to operational
efficiency may help
Bureau achieve savings**

During the course of our audit, managers conveyed some options for the Bureau to achieve its mission more cost-effectively. In addition to the examples we identify below, in an early discussion of this report, Bureau management noted that other specialty groups with few members – for example, harbor pilots – contain employees with high levels of extra earnings. With further analysis and effort in these and other areas, the Bureau may discover a variety of ways to provide services with less overtime and fewer call shifts.

Investigators

According to the Bureau, call shift rates for investigators are a concern. At the time of our audit work, only limited steps had been taken to address this challenge, although the Bureau has recently begun to explore a schedule change that may help reduce investigators' call shift use. The most recent budget proposal includes a reduction of \$70,000 in this area, pending successful negotiations with the union.

According to the Bureau, other causes for investigators' high rates of call shift earnings are:

-
- There are a small number of investigators,
 - The investigators have no Traveler Pool positions,
 - The Bureau investigates a high percentage of fires, and
 - There are no restrictions on when vacation is taken.

In addition, investigators are law enforcement officers, giving them a broad scope of responsibilities in fire investigations, as well as a lower threshold at which FLSA overtime pay begins. According to the Bureau, in other cities, investigators are generally not law enforcement agents.

Battalion chiefs

In general, the Bureau only occasionally has employees work out of class to fill in for absent employees. In the case of battalion chiefs, the Bureau tends to have battalion chiefs work call shifts for each other, rather than have captains work out of class to fill in, with the exception of the Bureau calling on a captain who is on the promotion list to fill in for a battalion chief on injury leave, which can be a prolonged absence. Battalion chiefs work an average of more than 12 call shifts per year, and battalion chiefs are among the City's top earners. In addition, as senior employees, battalion chiefs earn vacation time at higher rates than lower ranking employees, may have a lot of vacation saved, and have no restrictions on when they can take vacations. Some Bureau staff indicated that it might be possible to have captains "act up" as battalion chiefs more often.

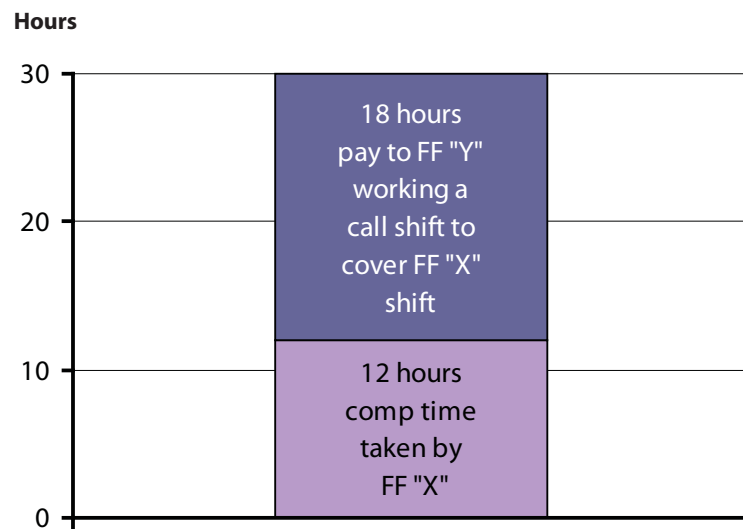
Backfilling and training done off duty

There are some situations in which the Bureau has to "backfill," or pay more than one employee simultaneously in order to have coverage of one vacant shift. In one example, if a firefighter whose job must always be covered goes to an 8-hour class during off-duty time, the firefighter can choose to be compensated by claiming 12 hours of comp time during a subsequent on-duty time. Another firefighter must then fill in for the first firefighter, and that second firefighter must be paid at one-and-one-half times the normal rate, which means that, from a cost perspective, it is as if that replacement firefighter worked 18 hours. As a result, an 8-hour training requiring 12 hours of coverage can cost the equivalent of 30 hours of pay (12 hours of pay to the first firefighter plus 18 hours of pay to the

second firefighter), or, stated differently 250 percent of what it would normally cost to cover 12 hours. According to the Bureau, PF&R is addressing this issue.

One specific example of a situation in which this happens is when a firefighter paramedic is allowed to complete required training on his or her off-duty time, which means they either earn overtime pay or accrue comp time that they can claim later. If they choose to take comp time, a call shift will need to be worked by someone else, leading to the need for “backfilling” if a Traveler cannot be used to fill the vacancy. Even if the firefighter paramedic does not choose to take comp time, the employee is earning overtime for training that is a job requirement.

Figure 7 Cost of backfilling 8 hours of training completed by firefighter “X” on off-duty time



Source: Audit Services Division analysis of PF&R information

Other operational changes

In addition to the examples described above, the Bureau may find other areas in which savings in call shifts and overtime can be achieved. In many cases, the changes will require revisions to the contract with PFFA.

**Objectives, Scope
and Methodology**

The objectives of this audit were to determine how Portland Fire & Rescue is managing the use of overtime and call shifts, and to determine if the Bureau has adequate processes in place to manage overtime and call shifts. We did not analyze overtime and call shift management from the perspective of equity among employees, but from the perspective of good resource management.

To accomplish these objectives, we reviewed applicable federal law as well as literature from the Committee of Sponsoring Organizations of the Treadway Commission on internal controls, and best practices documents and professional literature on overtime management. We reviewed our own audits, as well as those from other cities; the websites of industry-specific professional associations; PF&R's policies and procedures and other documents, reports, and models produced by PF&R; City administrative rules; the contract between the City and the Portland Fire Fighters' Association; and reports of the Fire and Police Disability and Retirement Fund. We analyzed overtime and call shift spending data provided by PF&R, as well as overtime and call shift data from the Office of Management and Finance.

We interviewed the Fire Chief and PF&R division chiefs, other PF&R management and staff members, the Commissioner-in-charge, the head of the Portland Fire Fighters' Association, and the City Attorney's office. We also spoke with the City economist, the City's Central Accounting staff, and staff members of the International Association of Fire Chiefs, the International Association of Fire Fighters, and the National Fire Protection Association.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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 a reasonable basis for our findings and conclusions based on our audit objectives.

Recommendations

To provide better stewardship over limited resources and increase oversight of call shifts and overtime, we recommend that the Commissioner-in-charge direct the Fire Chief to:

1. Strengthen the “tone at the top” to emphasize a commitment to minimizing the use of overtime and call shifts as a means to protect scarce public resources.
2. Pursue greater efficiency of operations in terms of minimizing the use of call shifts and overtime. These may involve operational, scheduling, training or work rule changes, some of which may involve changes to the City’s contract with the PFFA.
3. Substantially increase routine analysis and reporting of all types of overtime and call shift spending and distribute reports to all division chiefs. Include individual earnings, average earning by ranking and specialty, causes of overtime and call shifts, and other detailed analyses as discussed in the report, with the goal of identifying savings.
4. Ensure that Traveler Pool vs. call shift analysis used by the Bureau includes all pension and disability costs (FPDR and PERS) of both Travelers and employees working call shifts. Continue to monitor this balance in light of call shift rate increase and PERS rules on retirement calculation that benefit employees who work overtime.
5. Report annually to City Council on progress made towards reducing overtime and call shift spending.

RESPONSES TO THE AUDIT



PORTLAND FIRE & RESCUE



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Date: June 15, 2012

To: Auditor LaVonne Griffin-Valade

From: Commissioner Randy Leonard *Randy Leonard*
Chief Erin Janssens, Portland Fire & Rescue *(EJ)*

Subject: Response to Audit Report #418, More Active Management of Overtime and Call Shifts Needed for Good Stewardship of Limited Resources

Thank you for the opportunity to provide response feedback for Audit Report #418, *More active management of overtime and call shifts needed for good stewardship of limited resources*. We appreciate the Auditor's review of both overtime and call shift utilization at Portland Fire & Rescue (PF&R). As you know, PF&R has already taken proactive steps to reduce these overtime costs by over \$500,000 in FY 2012-13 as the bureau continues its commitment to maximizing its efficient use of public resources.

We need to note that PF&R must provide minimum staffing levels to adhere to unique operational scheduling requirements, National Fire Protection Association safety recommendations, strict public safety response reliability standards, and the City's contract with PFFA. Due to these parameters, reducing call shifts and related overtime is not always possible. However, PF&R has performed extensive call shift and Traveler Pool data collection and analysis for many years. Using this information, PF&R has strived to maintain the Traveler Pool staffing level within an optimal range that allows the bureau to reduce call shift expenses while meeting numerous mandates. In addition, PF&R has taken other proactive steps to minimize costs and provide the most fiscally responsible alternative to call shift overtime usage. These measures include acting up eligible firefighters to officers to reduce higher-cost officer call shifts, as well as back filling absent premium pay assigned firefighters with less expensive traveling firefighters while maintaining PF&R's advance life support and special rescue capability.

PF&R believes our model of minimizing *total* personal services expenditures is a more important goal for good stewardship of public resources than limiting only call shift-related overtime costs. For example, hiring additional firefighters for the Traveler Pool and other staff reduces call shift and overtime usage, yet also carries significant salary and benefit costs that outweigh call shift-related overtime. We attempt to utilize these costs to minimize even greater ongoing personnel and pension costs to the taxpayers.

PF&R has effectively and efficiently managed its personal services and other financial resources to maximize its service delivery, despite significant budget cuts totaling \$15.8 million ongoing and \$4.2 million one-time reductions since FY 1998-99. Nevertheless, PF&R is very open to practical suggestions that can continue to improve bureau management and efficient use of public resources.

Thank you for your work on this audit and for your assistance to Portland Fire & Rescue.

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Portland Fire & Rescue: More active management of overtime and call shifts needed for good stewardship of limited resources

Report #418, June 2012

Audit Team Member: Martha Prinz

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.portlandoregon.gov/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

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Portland Water Bureau: Further advances in asset management would benefit ratepayers (#405, June 2012)

Portland Housing Bureau: Bureau acting on risks, although more remains to be done (#421, May 2012)

