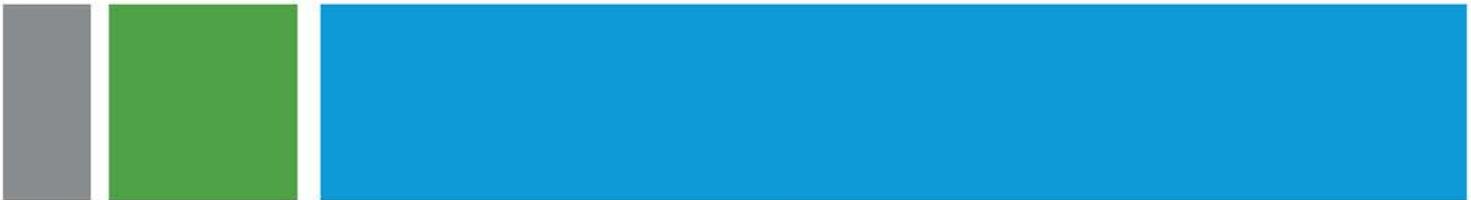




PRINCE WILLIAM COUNTY, VIRGINIA

**Prince William County, Virginia  
Overtime Analysis  
As of Fiscal Year 2014-2015**

**August 31, 2015**



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August 31, 2015

The Audit Committee of  
Prince William County, Virginia  
1 County Complex Court  
Prince William, Virginia 22192

Pursuant to the approved internal audit plan for fiscal year (“FY”) 2014-2015 for Prince William County, Virginia (the “County”), we hereby present the overtime analysis for the County. We will be presenting this report to the Audit Committee of Prince William County at the next scheduled meeting on November 17, 2015. Our report is organized in the following sections:

<b>Executive Summary</b>	This section provides an overview of County-wide overtime trends and analysis. This section also provides a summary of the observations noted during this overtime analysis.
<b>Background</b>	This section provides an overview of the overtime process and County-wide trends. This section also covers overtime trends across County departments and includes detailed analysis of overtime activity in selected departments.
<b>Objectives and Approach</b>	The objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Observations and Recommendations Matrix</b>	This section gives a description of the observations noted during our review, including recommendations for remediation.

We would like to thank the staff and all those involved in assisting the Internal Auditors in connection with this overtime analysis.

Respectfully Submitted,

*RSM US LLP*

**INTERNAL AUDITORS**

## **Executive Summary**

# Executive Summary

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## Overview

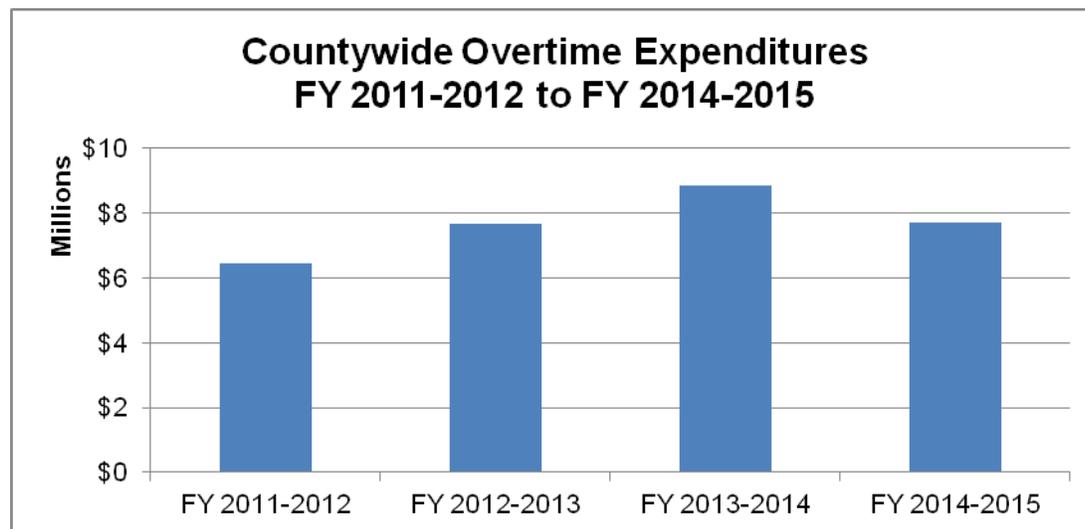
Prince William County has approximately 3,700 full-time employees in over 30 departments and agencies. In fiscal year 2014-2015, approximately 2,300 County employees received overtime pay for over 193,000 hours of overtime, at a cost of \$7.7 million. Over 80% of this amount related to public safety, including Fire & Rescue, Police, Public Safety Communications and Adult Detention Centers.

Overtime is defined in the County's Personnel Policies – Section 16: Overtime and Compensatory Time ("Overtime Policy") as any time worked beyond the total number of hours normally worked in the established work period. The County established the Overtime Policy to determine overtime compensation in accordance with the Fair Labor Standards Act ("FLSA"). Under this policy, employees who work in excess of their position's normal work hours may be eligible for overtime compensation. The Overtime Policy states that overtime shall be kept to a minimum and shall be used to relieve specific peak overloads, emergencies and to compensate employees for attendance at job related activities outside of normal working hours. We noted no instances of overtime outside this policy during our analysis.

Overtime usage is managed by each department according to their own established procedures to support department goals and objectives while minimizing unnecessary overtime. Departments with more complex staffing requirements have more formal overtime management and monitoring processes, such as the Department of Fire & Rescue ("DFR") and the Police Department.

The County has both planned and unplanned overtime. Planned overtime is scheduled in advance for known or expected events occurring in the County, such as a visit from a political candidate that requires special traffic patterns and additional staffing. Planned overtime can also be driven by position vacancies or required employee training. Unplanned overtime occurs more frequently and is triggered due to staffing shortages, employee absences, emergencies, weather conditions, and other situations that drive higher than average staff requirements.

Overtime costs are currently trending downward and decreased 13% between fiscal year 2013-2014 and 2014-2015, as shown in the graph below. Both overtime costs and hours worked have increased over the last four fiscal years. Between fiscal years 2011-2012 and 2014-2015, overtime costs increased 20%, from \$6.4 million to \$7.7 million. Over this same period, overtime hours increased by 15%.

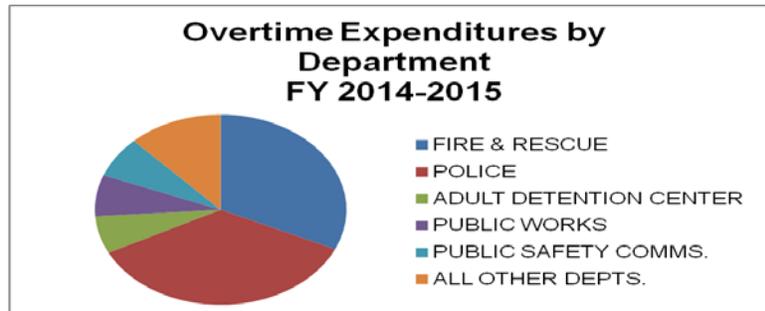


Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

# Executive Summary - continued

## Overview – continued

The departments with the highest amounts of overtime are engaged in public safety, as shown in the chart below. The adult detention center and the sheriff are included in this analysis, although they are outside the County control, their payroll is processed through the County. The Department of Fire & Rescue and the Police Department make up 68% of overtime expenditures for FY 2014-2015, and over 80% are related to functions under the public safety umbrella.

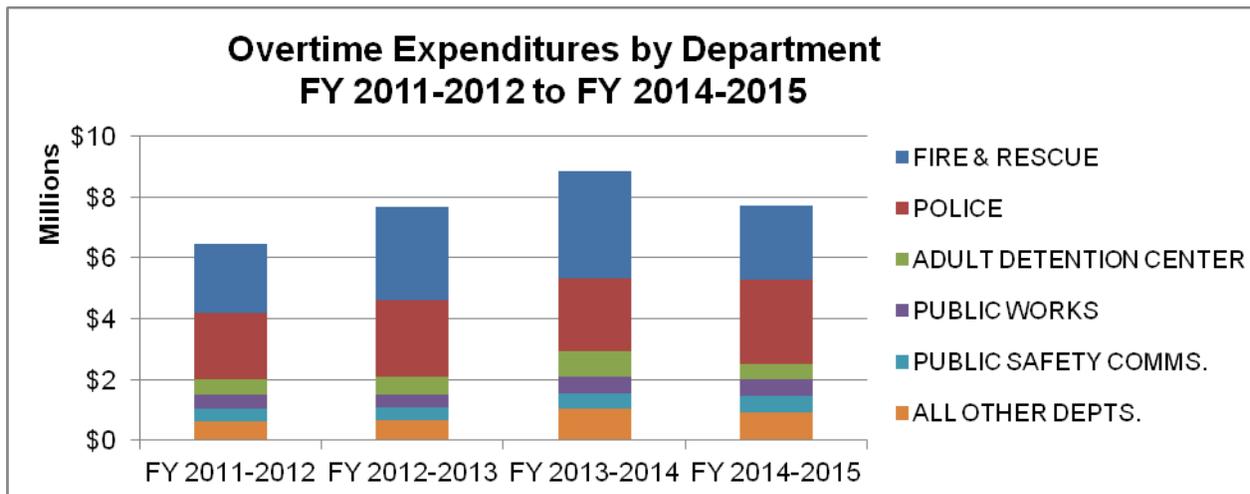


Source: FY 2014-2015 Payroll and Timekeeping reports

The breakdown above is consistent with recent fiscal years, in which the following departments have had the highest overtime expenditures:

- Fire & Rescue
- Police
- Adult Detention Center
- Public Works
- Public Safety Communications

These five departments combined make up 93% of the overtime expenditures for fiscal year 2014-2015. The graph below depicts the distribution of total overtime expenditures between departments over the most recent four fiscal years.

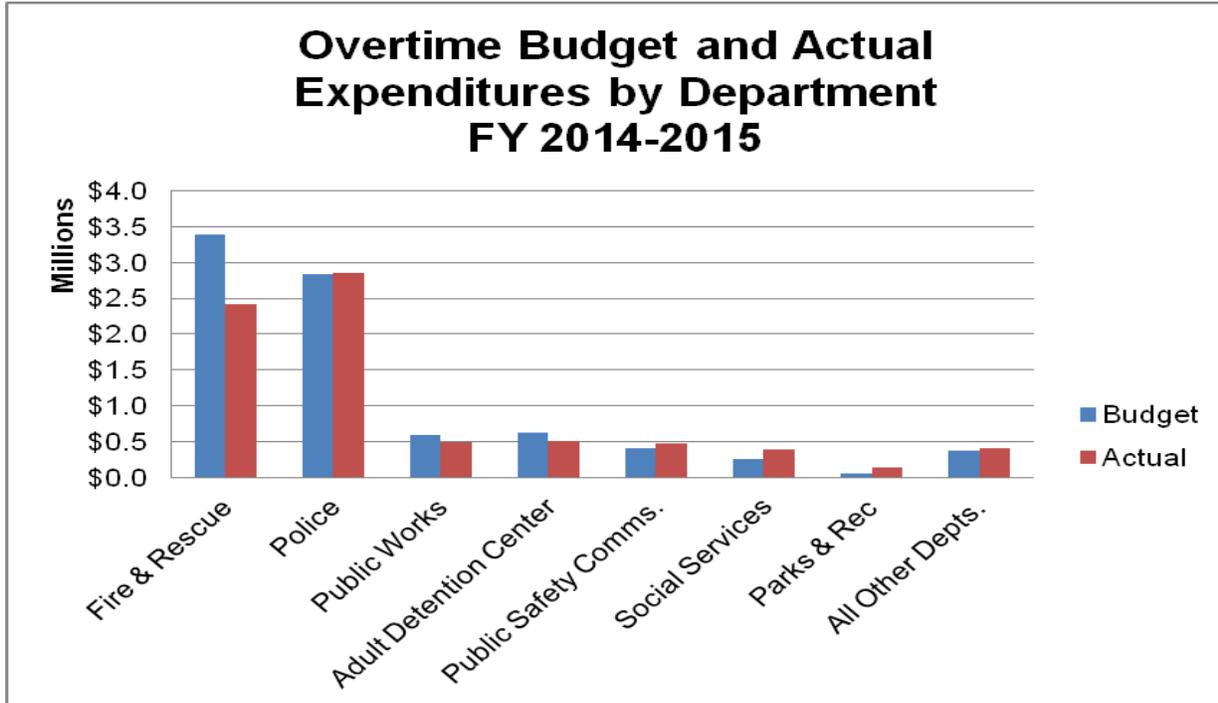


Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

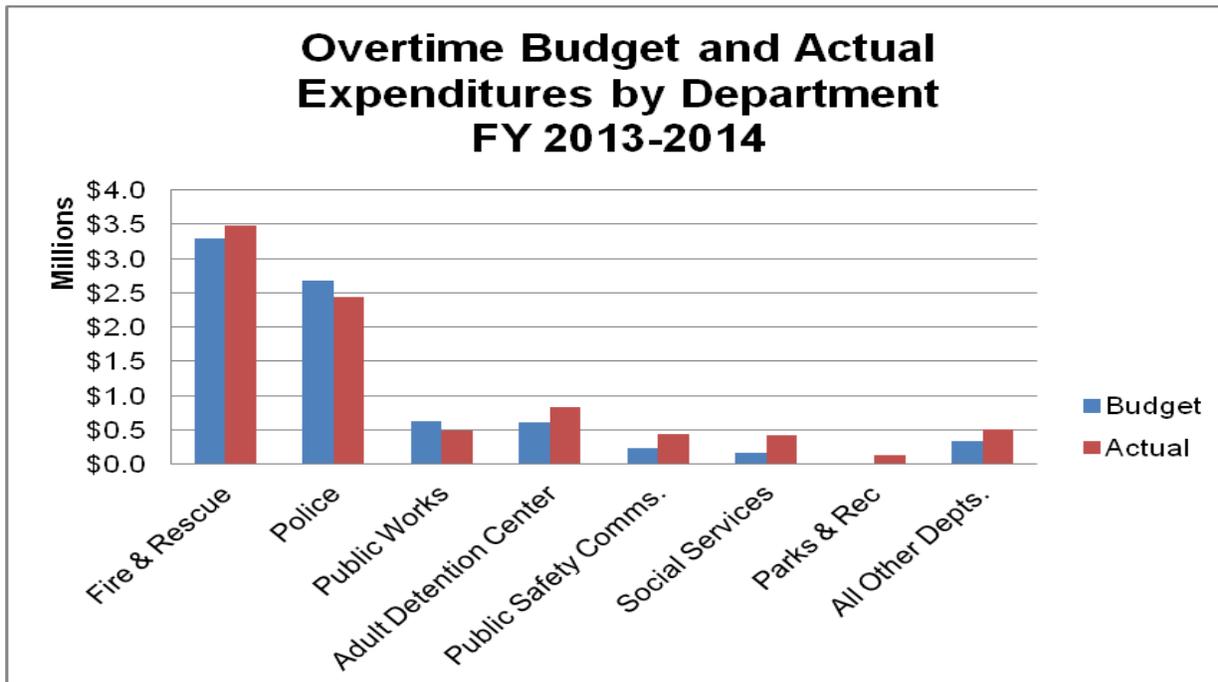
# Executive Summary - continued

## Budget-to-Actual Overtime Analysis

County departments budget for overtime expenditures and extra compensation on an annual basis. The below graphs depict the actual and revised budget figures for overtime and extra compensation by department for the most recent two fiscal years. In FY 2014-2015, actual overtime and extra compensation expenditures were 10% under budget. In FY 2013-2014, actual overtime exceeded budget by 9%. The FY 2014-2015 figures in the graphs and tables that follow are unaudited.



Source: FY 2014-2015 Budget and Financial reports



Source: FY 2013-2014 Budget and Financial reports

## Executive Summary - continued

### Budget-to-Actual Overtime Analysis - continued

The Department of Fire & Rescue's overtime expenditures as a percentage of total department salaries and wages decreased from 6% to 5% from fiscal year 2011-2012 to 2014-2015. Per review of the 2013 ICMA Survey these rates are all less than the 13% comparative average as noted in the table below.

	Comparative Average*	Prince William County Department of Fire & Rescue			
		FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Overtime expenditures	\$ 527,235	\$ 2,255,442	\$ 3,093,067	\$ 3,513,071	\$ 2,455,730
Salaries and wages**	3,917,385	39,421,585	41,197,299	44,569,473	44,773,594
OT % of salaries and wages	13%	6%	8%	8%	5%

\*Source: 2013 ICMA Survey, Police and Fire Personnel, Salaries, and Expenditures

\*\*Gross salaries and wages for all department personnel

The Police Department's overtime expenditures as a percentage of total department salaries and wages increased from 4% to 5% from fiscal year 2011-2012 to 2014-2015. Per review of the 2013 ICMA Survey these rates are all less than the 8% comparative average as noted in the table below.

	Comparative Average*	Prince William County Police Department			
		FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Overtime expenditures	\$ 517,520	\$ 2,178,114	\$ 2,489,376	\$ 2,421,830	\$ 2,757,101
Salaries and wages**	6,732,045	50,894,456	52,043,776	52,679,759	54,207,995
OT % of salaries and wages	8%	4%	5%	5%	5%

\*Source: 2013 ICMA Survey, Police and Fire Personnel, Salaries, and Expenditures

\*\*Gross salaries and wages for all department personnel

### National Comparison

As mentioned above, the Department of Fire & Rescue and Police Department have consistently seen the highest overtime expenditures and hours among County departments. Most employees in these two departments are not exempt under the FLSA and are protected by its minimum wage and overtime provisions, including police officers, detectives, fire fighters, paramedics and other first responder employees. Public safety employees incur more overtime hours due to the unpredictable nature of their work and some level of overtime is provided for in the budget of these departments. It is difficult to compare overtime expenditures for public safety departments across jurisdictions as each department or district has a unique service delivery and staffing model, and must respond to varying external circumstances and service demands. When compared to the average results from a recent national survey of public safety departments, the County's Department of Fire & Rescue and Police Department pay less in overtime compensation as measured as a percentage of overall salaries and wages, as shown above.

# Executive Summary - continued

## Observations

The following section provides a summary of the observations identified during our procedures. The details of these observations are included within the Observations and Recommendations Matrix section of this report.

Observations		
1. STANDARD WORK WEEK		
<p>Overtime is defined in the Overtime Policy as any time worked beyond the total number of hours normally worked by the employee in their established work period. The County has established a 37.5 hour work week for the majority of employees on the general pay scale. Employees in non-exempt positions are specifically covered by FLSA which mandates that all hours over 40 worked in a seven day workweek be compensated at one and one-half times the employee's regular hourly rate. The County's 37.5 work week results in certain County employees being paid 2.5 hours of additional overtime per week as applicable compared to the FLSA standards and several of its peers in Virginia.</p>		
	<b>Normal Workweek # Hours*</b>	<b>Overtime Paid after # of Hours*</b>
<b>Prince William County</b>	37.5	37.5
<b>Fairfax County</b>	40	40
<b>Arlington County</b>	40	40
<b>City of Alexandria</b>	40	40
<b>Loudoun County</b>	37.5	40
<b>Stafford County</b>	40	40
<p>*General Government (Non-Public Safety)</p>		
<p><b><i>Positions Qualifying for Overtime</i></b></p> <p>We noted positions and bands that are eligible for overtime at the County and not under FLSA. It also appears these positions do not get paid overtime in surrounding counties. Examples include bands 13, 14 and 15.</p>		
2. REPORTING OF OVERTIME DRIVERS		
<p>Although overtime is monitored on a department and County-wide level, there is no formal tracking system or reporting mechanism that captures the reasons for overtime and frequency of overtime drivers such as weather conditions, employee absences, emergencies, and staffing shortages. The County's Overtime Policy states that "overtime shall be kept to a minimum and shall be used to relieve specific peak overloads, emergencies or for attendance at job related activities scheduled outside of normal working hours." Department managers and timecard approvers are responsible for ensuring that overtime is used in accordance with this Policy. These employees require reliable data on overtime drivers to make budget, staffing and resource utilization decisions and support controlled overtime usage. Timekeeping reports should include the reason for overtime so that management can plan accordingly for budget and future events and take action to address unnecessary or excess overtime usage.</p> <p>Failure to provide effective management reporting on the reasons for overtime may result in unfavorable budget variances and cost overruns.</p>		

# Executive Summary - continued

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## Observations - continued

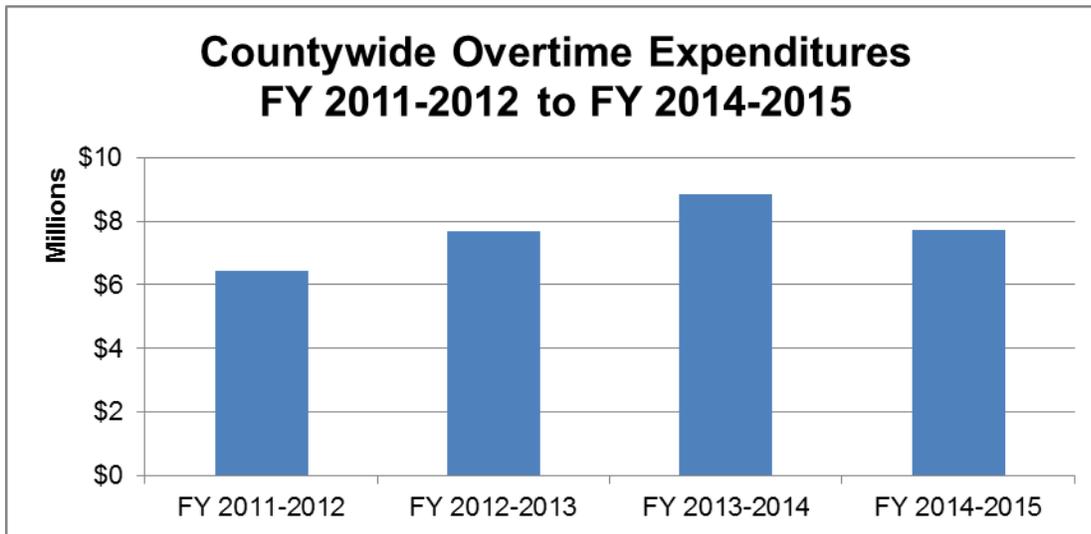
Observations
<b>3. Overtime Targets/Limits</b>
<u>County and Department Level Overtime Targets</u> There is no documented County-wide target for overtime pay as a percentage of base pay, either based on historical experience or comparable jurisdictions. While some departments have internal standards for overtime, the targets used for evaluation are not consistently documented or monitored. Comparison of overtime costs to target expectations is an important step in evaluating performance of overtime management efforts and is necessary to support continuous improvement.
<u>Overtime Hour Limit per Employee</u> There is no defined limit on the number of hours worked by an individual employee before evaluation of the reasonableness or cost-effectiveness. Excessive work hours can cause employee fatigue and other workplace concerns that may increase risk or decrease work and service quality.

## **Background**

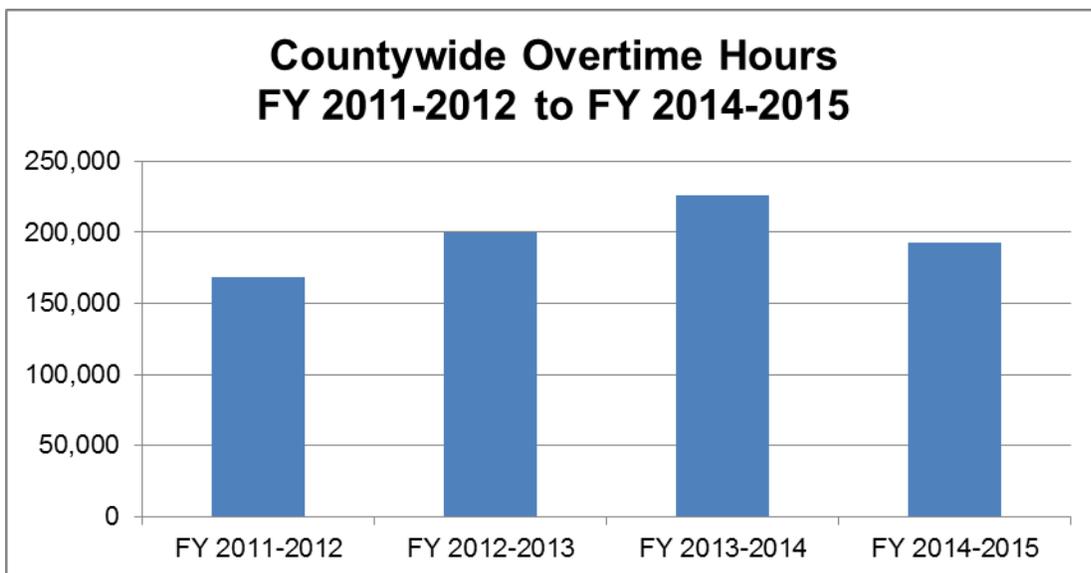
# Background

## Overview

Prince William County has approximately 3,700 full-time employees in over 30 departments and agencies. In fiscal year 2014-2015, over 2,300 County employees were paid for over 193,000 hours of overtime, at a cost of \$7.7 million. Overtime costs are currently trending downward and decreased 13% between fiscal year 2013-2014 and 2014-2015, as shown in the graph below. Both overtime costs and hours worked have increased over the last four fiscal years. Between fiscal years 2011-2012 and 2014-2015, overtime costs increased 20%, from \$6.4 million to \$7.7 million. Over this same period, overtime hours increased 15%.



Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports



Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

## Background – continued

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### **Overtime Process**

The County has both planned and unplanned overtime. Planned overtime is scheduled in advance for known or expected events occurring in the County, such as a visit from a political candidate that requires special traffic patterns and additional staffing. Planned overtime can also be driven by position vacancies or required employee training. Unplanned overtime occurs more frequently and is triggered due to staffing shortages, emergencies, weather conditions, and other situations that drive higher than average staff requirements.

Overtime is managed by each department according to their own established procedures to support their goals and objectives. Departments with more complex staffing requirements have more formal overtime management and monitoring processes. For example, the Department of Fire & Rescue staff resources and overtime assignments are centrally managed at the department's staffing office in accordance with minimum staffing levels required under regulations. The Department of Fire & Rescue has documented procedures for certain staffing situations, such as when employees can be called back or held over from a previous shift to meet minimum staffing requirements.

### **Overtime Policy Provisions**

The County established the Overtime Policy, to determine overtime compensation in accordance with the FLSA. Under this policy, employees who work in excess of the normal work hours may be eligible for overtime compensation. The Overtime Policy states that overtime shall be kept to a minimum and shall be used to relieve specific peak overloads, emergencies and to compensate employees for attendance at job related activities outside of normal working hours.

Overtime is defined in the Overtime Policy as any time worked beyond the total number of hours normally worked by the employee in their established work period. The standard work period for employees in most departments is a seven-day work week, with exceptions affecting some public safety employees in the following departments: Police, Fire & Rescue, and Juvenile Detention Home employees. For public agency employees engaged in fire protection or law enforcement activities, FLSA allows overtime to be paid on a "work period" basis, using a period longer than the standard seven-day work week, up to 28 consecutive days. The County has elected to use a 28-day work period for such employees and overtime is calculated based on the department and number of hours per 28-day pay cycle, ranging from 157 hours for Juvenile Detention employees, to 200 hours for DFR employees.

Employees in non-exempt positions are specifically covered by FLSA which mandates that all hours over 40 worked in a seven day workweek be compensated at one and one-half times the employee's regular hourly rate.

Certain employee positions are specifically identified as exempt from the provisions of the FLSA. These include: executive, administrative, professional, and computer employees. The guidelines for determining whether a position is exempt are determined by each position's job classifications and FLSA provisions. Police officers, detectives, fire fighters, paramedics, and other first responder employees are not exempt from the FLSA.

The Overtime Policy states that some classes of positions, though exempt from the provisions of the FLSA, are eligible to receive overtime compensation. Exempt employees at or below salary schedule grades established in the Overtime Policy are eligible to receive overtime compensation for all specifically required authorized overtime hours worked beyond the normal work week at a rate of one and one-half times the regular hourly rate or on an hour for hour basis, depending on their salary schedule and grade. Employees assigned to positions at the highest section of the salary schedule are not eligible to earn overtime compensation.

## Background – continued

### Overtime Policy Provisions - continued

The table below contains the Overtime Policy provisions related to exempt employee positions eligible to earn overtime pay. Employees assigned to grades above those depicted in the table are not eligible to earn overtime compensation.

		Exempt Positions Eligible to Earn Overtime				
Salary Schedule	General	Public Safety	Medical	County Policy Provisions		
Exempt Position Grade	Grade 12 and below	Grade PS15 and below	Grade M12 and below	Overtime is earned for all hours worked beyond normal work week	OT pay rate: time and a half	
	Grades 13-15	Grades PS16-PS17	Grades M13-M15		OT pay rate: hour for hour	

Under the County Policy described above, 876 County employees were eligible to receive overtime compensation as of our analysis although their positions are exempt from the provisions of the FLSA.

The Overtime Policy requires that appointing authorities or their designees approve overtime compensation in advance. Overtime compensation incurred during emergency situations does not require prior approval and in accordance with FLSA, employees who work before or after their scheduled work hours are entitled to payment even though the Overtime Policy states that overtime must be approved in advance. Appointing authorities and supervisors are responsible for ensuring that unauthorized overtime is not worked to avoid exposing the County to liability for overtime pay.

Employees may earn compensatory leave in place of overtime if approved by their appointing authority and allowed under the Overtime Policy. Compensatory leave is paid time off given in lieu of overtime pay for overtime work. Compensatory leave balances may be carried forward to the next fiscal year up to 40 hours.

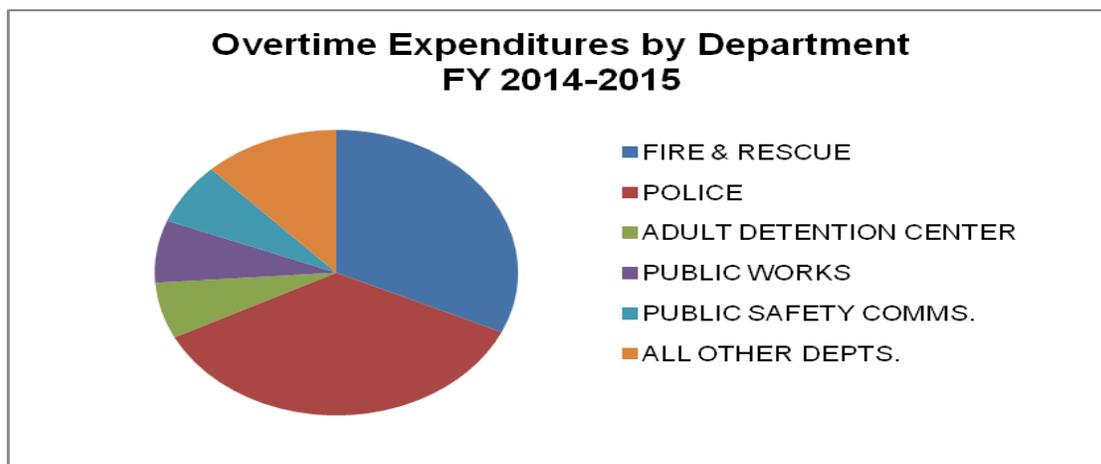
FLSA recordkeeping requirements are met through the use time cards which include the employee name, number, amount of regular time and overtime worked each day. Time cards must be signed by each employee as certification that the information is correct. Time cards are the basis for overtime compensation calculations.

## Background – continued

### Operational and Performance Analysis

#### Overtime by Department

For fiscal year 2014-2015, over 80% of overtime expenditures related to public safety functions, including Fire & Rescue, Police, Adult Detention Centers, and Public Safety Communications. Two of these departments, DFR and Police, accounted for 68% of total overtime expenditures as shown in the graph below. The departments with the next highest overtime expenditure totals for fiscal year 2014-2015 are Public Works, Social Services, Development Services, and Parks & Recreation.

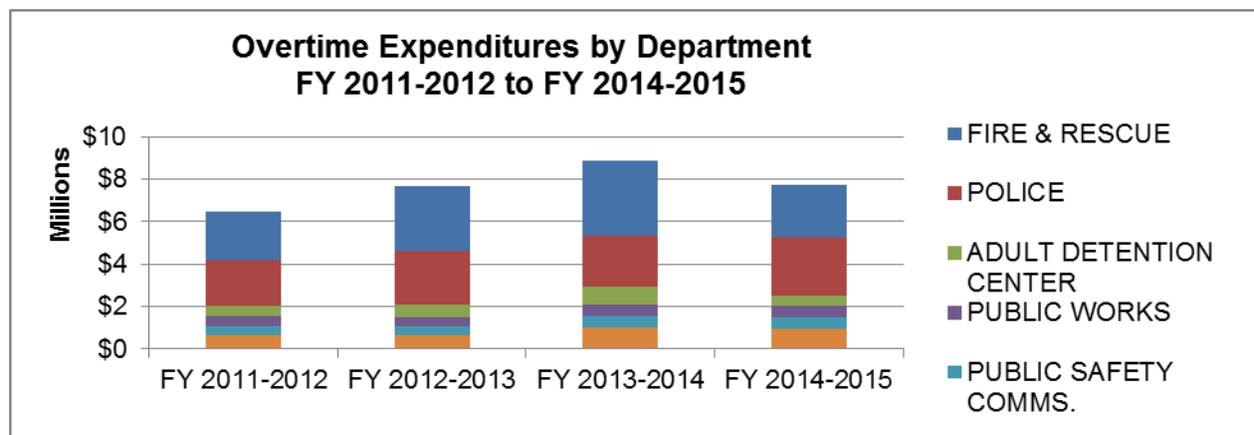


Source: FY 2014-2015 Payroll and Timekeeping reports

The breakdown above is consistent with recent fiscal years, in which the following departments have had the highest overtime expenditures:

- Fire & Rescue
- Police
- Adult Detention Center
- Public Works
- Public Safety Communications

These five departments combined make up 93% of the overtime expenditures for fiscal year 2014-2015. The graph below depicts the distribution of total overtime expenditures between departments over the most recent four fiscal years.



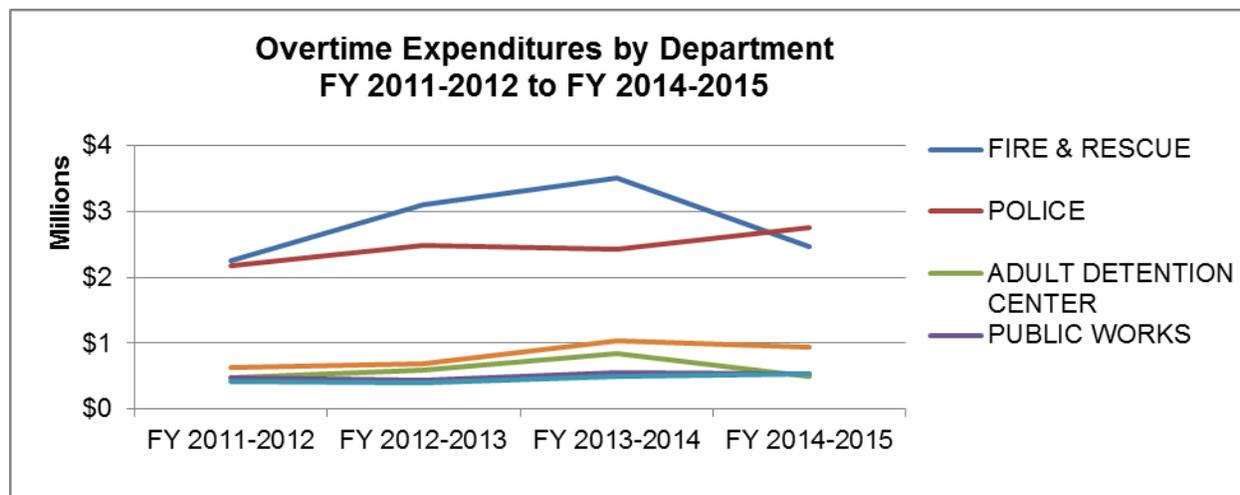
Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

## Background – continued

### Operational and Performance Analysis

#### Overtime by Department – continued

As seen in the graph and tables below, overtime expenditures have held steady or increased in all of the departments with significant overtime, except DFR and the Adult Detention Center.



Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

Overtime Expenditures by Department				
Department	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Fire & Rescue	\$ 2,255,442	\$ 3,093,067	\$ 3,513,071	\$ 2,455,730
Police	2,178,114	2,489,376	2,421,830	2,757,101
Adult Detention Center	485,396	586,495	835,809	490,320
Public Works	474,957	440,982	544,660	542,432
Public Safety Comm.	426,175	393,813	503,557	537,171
All Other Departments	624,561	680,197	1,029,392	935,879
<b>Total</b>	<b>\$ 6,444,645</b>	<b>\$ 7,683,930</b>	<b>\$ 8,848,319</b>	<b>\$ 7,718,634</b>

Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

Overtime Hours by Department				
Department	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Police	48,902	56,984	53,306	60,245
Fire & Rescue	58,276	78,461	87,295	60,079
Adult Detention Center	16,399	19,383	25,879	15,112
Public Works	14,294	13,145	15,232	14,935
Public Safety Comm.	11,046	10,759	13,289	14,319
All Other Departments	19,226	21,228	31,138	28,365
<b>Total</b>	<b>168,143</b>	<b>199,960</b>	<b>226,139</b>	<b>193,055</b>

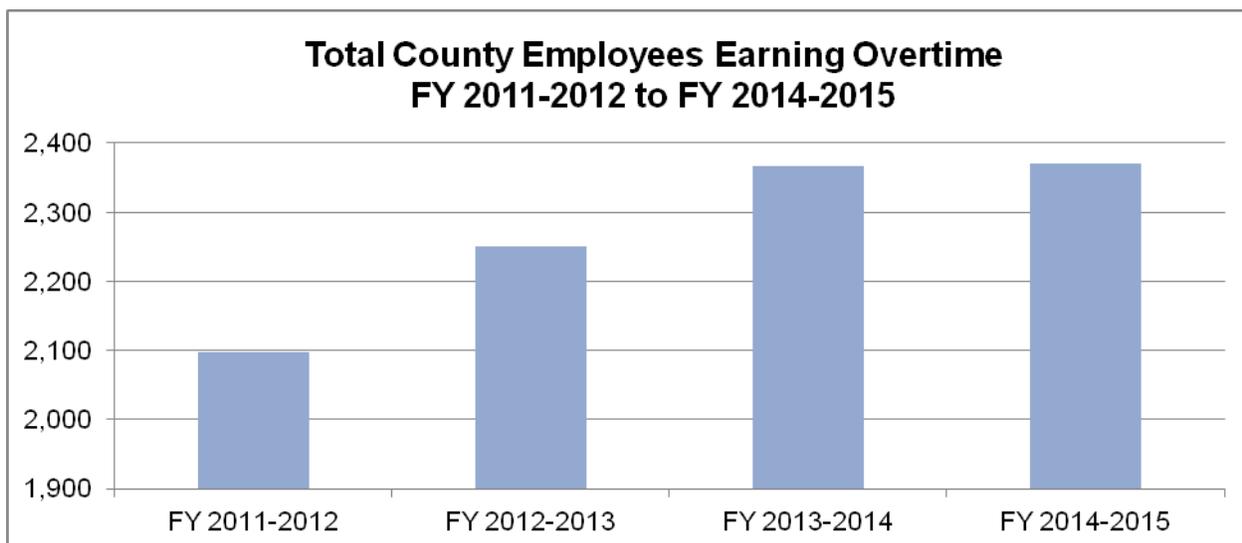
Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

## Background – continued

### Operational and Performance Analysis

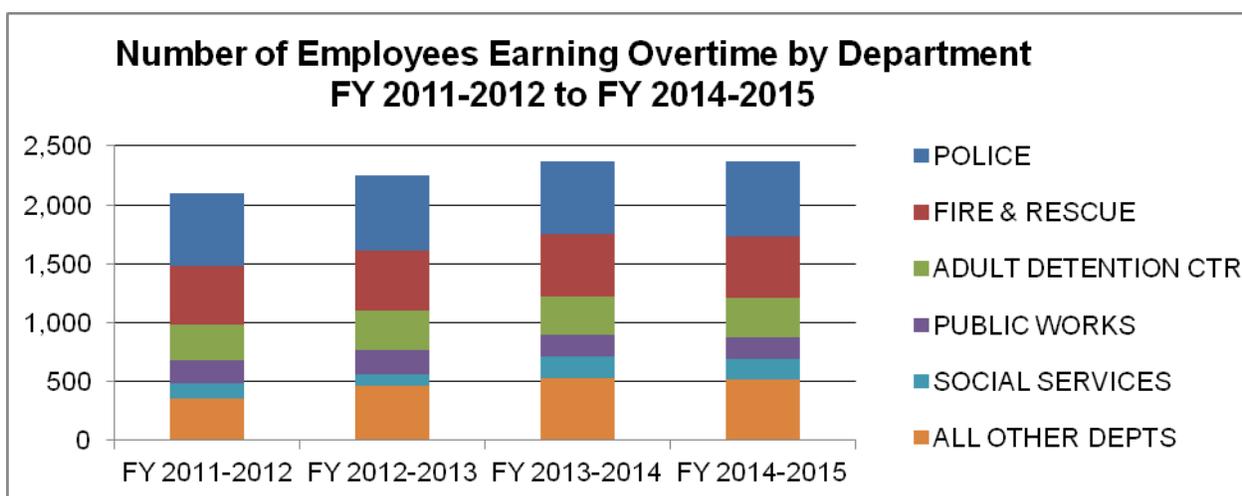
#### Total Employees Earning Overtime

The County paid 2,371 employees for overtime in FY 2014-2015, which represents an increase of 13% over FY 2011-2012. However, there was a less than 1% increase in the number of employees who received overtime between fiscal years 2013-2014 to 2014-2015. The trend in total County employees who received overtime is depicted below.



Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

The graph below depicts the trends in number of County employees who earned overtime in the prior four fiscal years by department. The distribution between departments is similar to the overtime expenditures breakdown shown above.



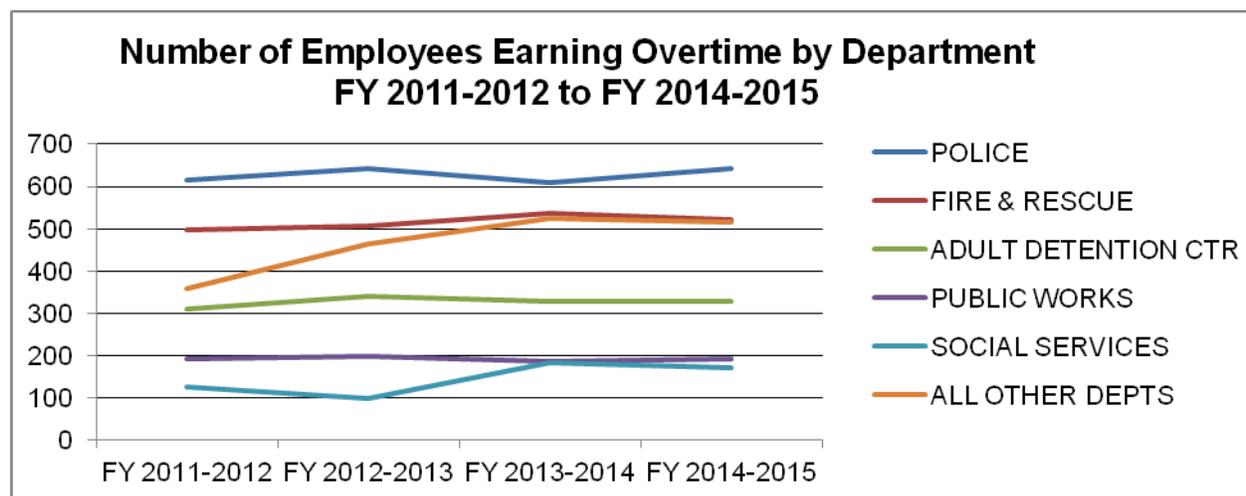
Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

## Background – continued

### Operational and Performance Analysis

#### Total Employees Earning Overtime – continued

As seen in the graph and table below, the number of employees with overtime was relatively steady over the last four fiscal years for the departments who account for the majority of such payments. This figures increased between 1% and 6% for the following departments: Police, Fire & Rescue, Adult Detention, and Public Works. Social Services saw a larger 35% increase over this period. The number of other department employees with overtime increased by 45% over this period.



Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

#### Total Number of Employees Who Earned Overtime by Department and Fiscal Year

Department	Number of Employees Earning Overtime				Total Employees
	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2014-2015
Police	616	643	610	642	782
Fire & Rescue	496	506	536	521	565
Adult Detention Center	309	339	327	328	366
Public Works	192	198	186	193	322
Social Services	127	100	184	171	287
Parks and Recreation	0	124	158	149	202
Public Safety Comm.	90	85	84	90	101
All Other Departments	267	255	282	277	964
<b>Total</b>	<b>2097</b>	<b>2250</b>	<b>2367</b>	<b>2371</b>	<b>3589</b>

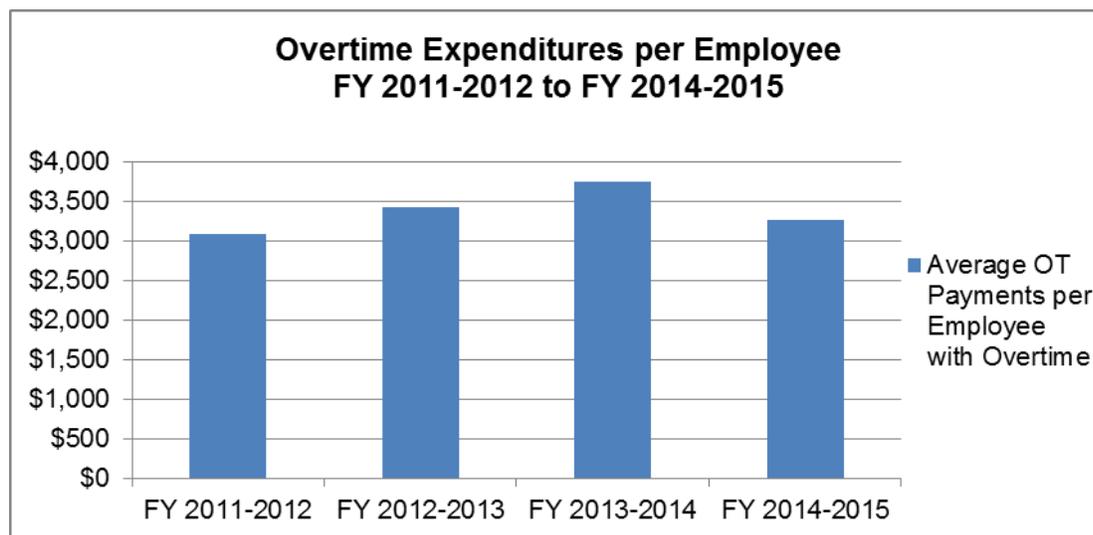
Source: FY 2011-2012 to FY 2014-2015 Payroll and Timekeeping reports

## Background – continued

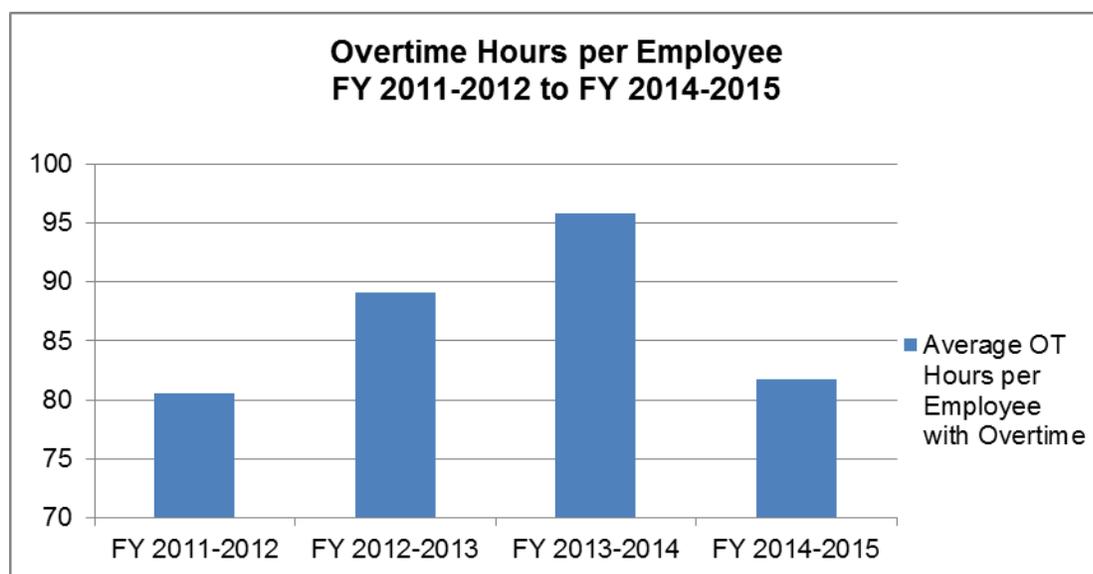
### Operational and Performance Analysis

#### Average Overtime per Employee

The average overtime hours and pay for employees earning overtime in fiscal 2014-2015 was 81.7 hours at a cost of \$3,268. The trends in these two figures mirror the trend in number of employees earning overtime and overall overtime expenditures and hours in that they increased each fiscal year between FY 2011-2012 and 2013-2014, and decreased in the most recent fiscal year, as shown below.



Source: Auditor analysis of FY 2011-2012 through FY 2014-2015 Payroll and Timekeeping reports



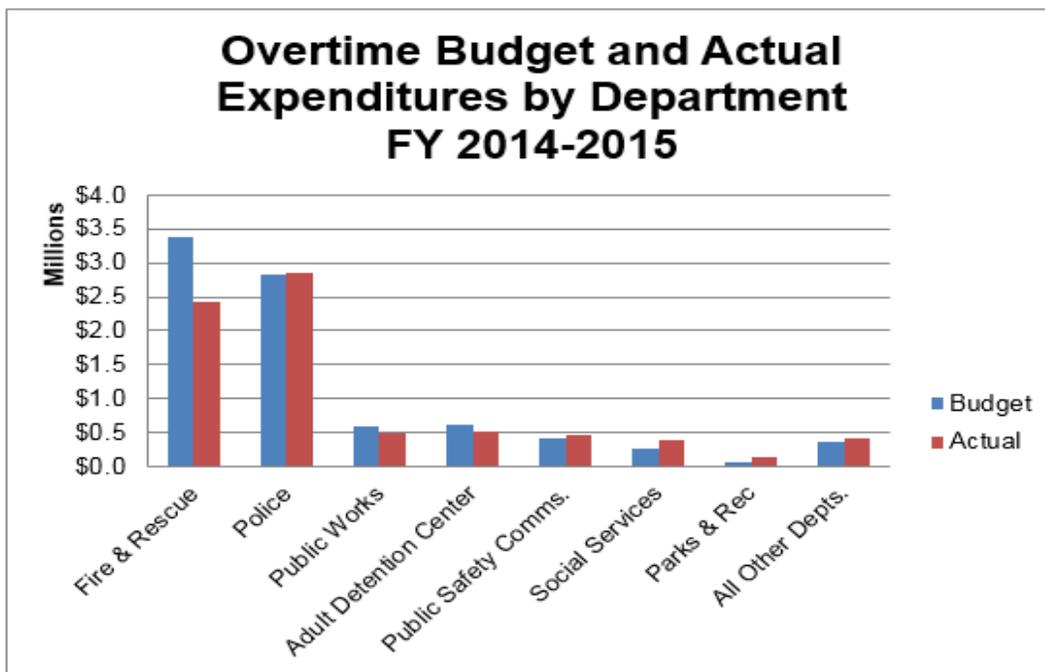
Source: Auditor analysis of FY 2011-2012 through FY 2014-2015 Payroll and Timekeeping reports

# Background – continued

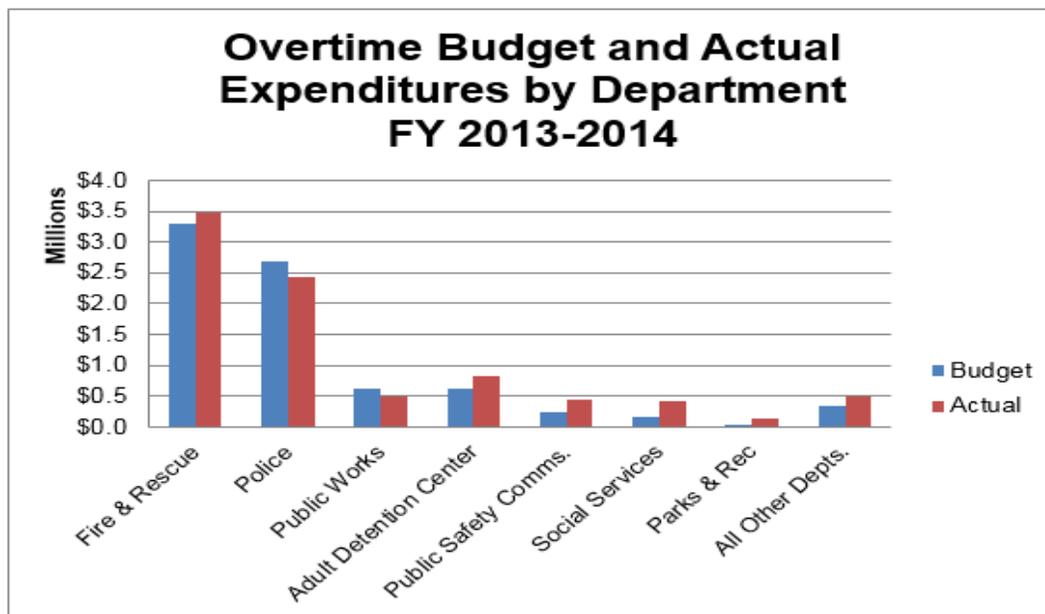
## Operational and Performance Analysis

### Budget-to-Actual Overtime Analysis

County departments budget for overtime expense and extra compensation on an annual basis. The below graphs depict the actual and revised budget figures for overtime and extra compensation by department for the most recent two fiscal years. In FY 2014-2015, actual overtime and extra compensation expenditures were 10% under budget. In FY 2013-2014, actual overtime exceeded budget by 9%. The FY 2014-2015 figures in the graphs and tables that follow are unaudited.



Source: FY 2014-2015 Budget and Financial reports



Source: FY 2013-2014 Budget and Financial reports

## Background – continued

### Operational and Performance Analysis

#### Budget-to-Actual Overtime Analysis – continued

The below table includes the final revised budget and actual expenditures for overtime and extra compensation for fiscal years 2011-2012 to 2014-2015.

Department	FY 2011-2012		FY 2012-2013		FY 2013-2014		FY 2014-2015	
	Revised Budget	Actual						
Fire & Rescue	2,542,032	2,400,980	3,249,280	3,048,833	3,299,699	3,479,749	3,384,036	2,421,348
Police	1,975,865	2,249,446	3,026,778	2,299,172	2,680,283	2,430,662	2,829,097	2,847,878
Public Works	536,809	437,148	583,055	397,985	625,174	498,638	586,988	480,846
Adult Detention Ctr	617,466	524,813	617,466	587,247	617,834	837,628	617,834	503,658
Public Safety Comm	255,784	412,296	235,322	386,004	235,322	437,727	410,322	474,543
Social Services	86,222	251,936	154,122	207,557	170,156	415,939	261,281	394,590
Parks and Rec	-	-	-	706,363	20,125	137,393	50,224	130,569
All Other Depts.	304,505	410,549	456,363	469,446	339,610	499,612	372,480	407,998
<b>TOTAL</b>	<b>6,318,683</b>	<b>6,687,168</b>	<b>8,322,386</b>	<b>8,102,607</b>	<b>7,988,203</b>	<b>8,737,348</b>	<b>8,512,262</b>	<b>7,661,430</b>

## Background – continued

### Operational and Performance Analysis

#### Analysis and Comparison to Survey Results – Fire & Rescue

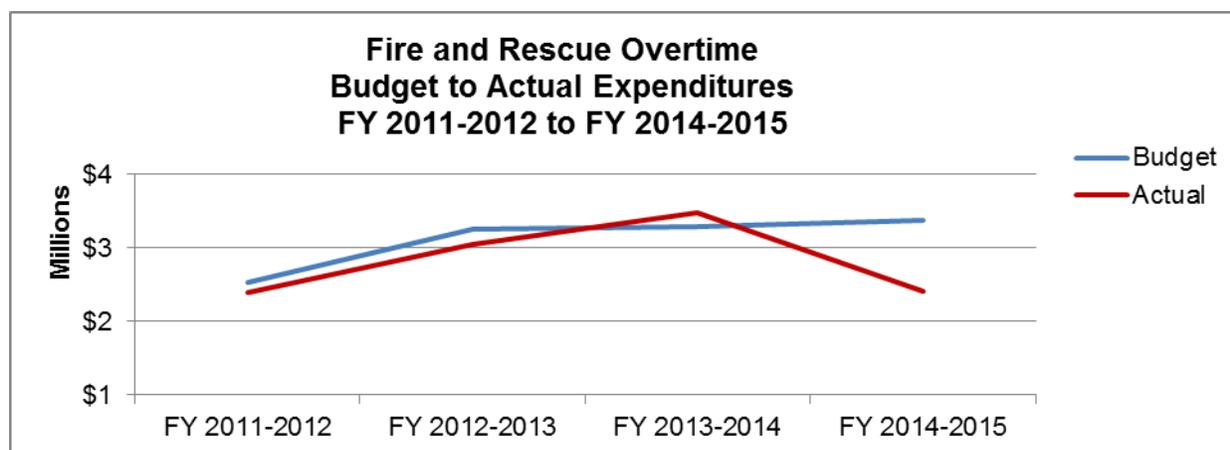
The Department of Fire & Rescue overtime expenditures as a percentage of total department salaries and wages decreased from 6% to 5% from fiscal year 2011-2012 to 2014-2015. These rates are all less than the 13% comparative average from a recent national ICMA survey of public safety departments as noted in the table below.

	Comparative Average*	Prince William County Department of Fire & Rescue			
		FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Overtime expenditures	\$ 527,235	\$ 2,255,442	\$ 3,093,067	\$ 3,513,071	\$ 2,455,730
Salaries and wages**	3,917,385	39,421,585	41,197,299	44,569,473	44,773,594
OT % of salaries and wages	13%	6%	8%	8%	5%

\*Source: 2013 ICMA Survey, Police and Fire Personnel, Salaries, and Expenditures

\*\*Gross salaries and wages for all department personnel

The budgeted and actual overtime and extra compensation figures for the Department of Fire & Rescue are depicted below.



Source: FY 2011-2012 to FY 2014-2015 Budget and Financial reports

## Background – continued

### Operational and Performance Analysis

#### Analysis and Comparison to Survey Results – Police

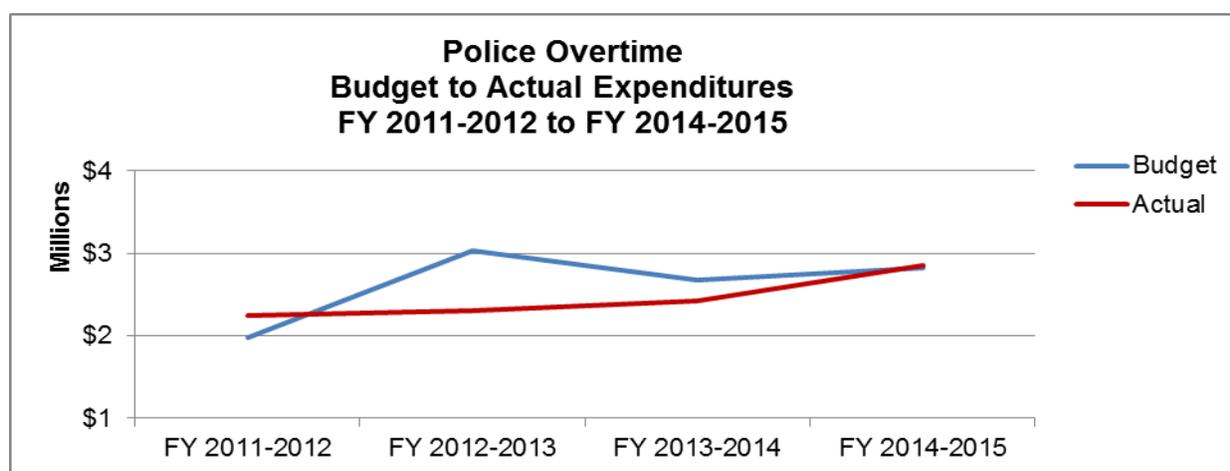
The Police Department overtime expenditures as a percentage of total department salaries and wages increased from 4% to 5% from fiscal year 2011-2012 to 2014-2015. These rates are all less than the 8% comparative average from a recent national ICMA survey of public safety departments as noted in the table below.

	Comparative Average*	Prince William County Police Department			
		FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Overtime expenditures	\$ 517,520	\$ 2,178,114	\$ 2,489,376	\$ 2,421,830	\$ 2,757,101
Salaries and wages**	6,732,045	50,894,456	52,043,776	52,679,759	54,207,995
OT % of salaries and wages	8%	4%	5%	5%	5%

\*Source: 2013 ICMA Survey, Police and Fire Personnel, Salaries, and Expenditures

\*\*Gross salaries and wages for all department personnel

The budgeted and actual overtime and extra compensation figures for the Police Department are depicted below.



Source: FY 2011-2012 to FY 2014-2015 Budget and Financial reports

## Background – continued

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### Operational and Performance Analysis

#### National Comparison

As mentioned above, the Department of Fire & Rescue and Police Departments have consistently seen the highest overtime expenditures and hours among County departments. Most employees in these two departments are not exempt under the FLSA and are protected by its minimum wage and overtime provisions, including police officers, detectives, fire fighters, paramedics and other first responder employees. Public safety employees incur more overtime hours due to the unpredictable nature of their work and some level of overtime is a given for these departments. It is difficult to compare overtime expenditures for public safety departments across jurisdictions as each department or district has a unique service delivery and staffing model, and must respond to varying external circumstances and service demands. When compared to the average results from a recent national survey of public safety departments, the County's DFR and the Police Departments pay less in overtime compensation as measured as a percentage of overall salaries and wages, as shown above.

## **Objectives and Approach**

# Objectives and Approach

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## **Objectives**

The objectives of this overtime analysis were to:

- Analyze County overtime payroll and timekeeping records, including overtime expenditures and hours by department and individual employee across the most recent four fiscal years;
- Review overtime expenditures to identify patterns and outliers in overtime worked and paid;
- Evaluate reasonableness of overtime distribution by department;
- Evaluate trends in overtime expenditures and hours worked; and
- Gain an understanding of the reasons and drivers of overtime expense and review for reasonableness.

## **Approach**

Our approach consisted of the following 3 phases:

### *Understanding and Documentation of the Process*

During this phase, we conducted interviews with the Director of Finance to discuss the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. We researched and reviewed applicable Virginia laws, County policies and procedures, and best practices related to the overtime function. We then interviewed the HRIS Manager to understand the available overtime system reports. In addition, we conducted interviews with the Police Department's Administrative Analyst and Administrative Specialist, and the Department of Fire & Rescue's Chief and Fire Administrative Services Division Chief to obtain an understanding of their respective departments' overtime management and monitoring processes, and develop our analysis approach.

Note that our scope did not include testing of payroll or timekeeping processes, as these were covered in our internal audit of payroll/timekeeping, issued in February 2014.

### *Detailed Analysis*

The purpose of this phase was to perform analysis of overtime trends and drivers of overtime. We conducted interviews with personnel at the Department of Fire & Rescue and Police Department responsible for overtime assignment, monitoring and management, and documented their respective roles in the process. Our analysis covered fiscal years 2011-2012 through 2014-2015. We analyzed timesheet reports using data analysis software to produce detailed overtime summaries and identify trends, concentrations, and distributions of overtime expenditures and hours. We reviewed County-wide data as well as overtime by department, position, and individual employee.

### *Reporting*

At the conclusion of this audit review, we summarized our observations related to the overtime process. We have reviewed the results of our review with the appropriate persons in Management.

## **Observations and Recommendations Matrix**

# Observations and Recommendations Matrix

Observation		
<b>1. Standard Work Week</b>		
<p>Overtime is defined in the Overtime Policy as any time worked beyond the total number of hours normally worked by the employee in their established work period. The County has established a 37.5 hour work week for the majority of employees on the general pay scale. Employees in non-exempt positions are specifically covered by FLSA which mandates that all hours over 40 worked in a seven day workweek be compensated at one and one-half times the employee's regular hourly rate. The County's 37.5 work week results in certain County employees being paid 2.5 hours of additional overtime per week as applicable compared to the FLSA standards and several of its peers in Virginia.</p>		
	<b>Normal Workweek # Hours*</b>	<b>Overtime Paid after # of Hours*</b>
<b>Prince William County</b>	37.5	37.5
<b>Fairfax County</b>	40	40
<b>Arlington County</b>	40	40
<b>City of Alexandria</b>	40	40
<b>Loudoun County</b>	37.5	40
<b>Stafford County</b>	40	40
*General Government (Non-Public Safety)		
<b>Positions Qualifying for Overtime</b>		
<p>We noted positions and bands that are eligible for overtime at the County and not under FLSA. It also appears these positions do not get paid overtime in surrounding counties. Examples include bands 13, 14 and 15.</p>		
Recommendation		
<p>The County should consider the cultural impact of changing the applicable positions from a 37.5 hour work week to a standard 40 hour work week as well as updating overtime eligibility to be in line with FLSA. This would result in an immediate decrease in overtime pay.</p>		

# Observations and Recommendations Matrix

Observation
<b>2. Reporting of Overtime Drivers</b>
<p>Although overtime is monitored on a department and County-wide level, there is no tracking system or reporting mechanism that captures the reasons for overtime and frequency of overtime drivers such as weather conditions, employee absences, emergencies, and staffing shortages. The County's Overtime Policy states that "overtime shall be kept to a minimum and shall be used to relieve specific peak overloads, emergencies or for attendance at job related activities scheduled outside of normal working hours." Department managers and timecard approvers are responsible for ensuring that overtime is used in accordance with this Policy. These employees require reliable data on overtime drivers to make staffing and resource utilization decisions and support controlled overtime usage.</p> <p>Timekeeping reports should include the reason for overtime so that management can take action to address unnecessary or excess overtime usage. For example, overtime usage driven by excessive employee absences can be reduced through effective attendance monitoring. If timekeeping reports do not capture the reason for overtime, the opportunity to improve performance is reduced.</p> <p>Failure to provide effective management reporting on the reasons for overtime may result in unfavorable budget variances and cost overruns.</p>
Recommendation
<p>We recommend that the County research the feasibility of capturing overtime drivers in the timekeeping system to provide more useful data to department and County management in minimizing overtime expenditures. Capturing the drivers for overtime is important to enable management to identify patterns of unnecessary, excessive, or inefficient overtime usage. The categories of overtime drivers should be aligned with the factors used by management to evaluate costs, such as: holidays, special events, weather conditions, emergencies, position vacancies, staffing shortages and employee absences/tardiness.</p>

## Observations and Recommendations Matrix - continued

Observation
<b>3. Overtime Targets/Limits</b>
<u>County and Department Level Overtime Targets</u> There is no documented County-wide target for overtime pay as a percentage of base pay, either based on historical experience or comparable jurisdictions. While some departments have internal standards for overtime, the targets used for evaluation are not consistently documented or monitored. Comparison of overtime costs to target expectations is an important step in evaluating performance of overtime management efforts and is necessary to support continuous improvement.
<u>Overtime Hour Limit per Employee</u> There is no defined limit on the number of hours worked by an individual employee before evaluation of the reasonableness or cost-effectiveness. Excessive work hours can cause employee fatigue and other workplace concerns that may increase risk or decrease work and service quality.
Recommendation
<u>County and Department Level Overtime Targets</u> We recommend that the County establish a baseline target for overtime as a percentage of total base salaries and wages. Departments should also develop and establish a baseline or maximum overtime percentage for overtime, using their own experience and knowledge of their operations and environment. Overtime expenditures should be periodically evaluated against the documented targets. Explanations for variances should be documented and considered in future staffing and resource utilization decisions.
<u>Overtime Hour Limit per Employee</u> We further recommend that the County consider establishing a predefined limit on the number of hours an employee may work per pay period, defined as a percentage of the normal scheduled work hours. This percentage may be higher for public safety employees or other positions whose job duties require routine approved overtime. When overtime limits must be exceeded, approval should be documented and include the specific reasons why a given employee was required to work overtime hours in excess of the limit.

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