LOS ANGELES COUNTY
AUDITOR-CONTROLLER

Arlene Barrera
ACTING AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Mike Pirolo
ACTING DIVISION CHIEF

AUDIT DIVISION

April 9, 2019

Fire Department
OVERTIME REVIEW PHASE I - MONITORING AND CONTROLS

NUMBER OF RECOMMENDATIONS

PRIORITY 1
5
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS

PRIORITY 2
5
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS

PRIORITY 3
0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

BOARD OF SUPERVISORS

Hilda L. Solis
FIRST DISTRICT

Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

REPORT #K19BL

Mission of Internal Audit

*The mission of internal audit is to enhance and protect organizational value
by providing risk-based and objective assurance, advice, and insight.*

Audit Team

Young Kwon, CIA
Chief Accountant-Auditor

Catherine Collie, CIA
Principal Accountant-Auditor

Ashley Kim
Accountant-Auditor

LOS ANGELES COUNTY
AUDITOR-CONTROLLER

| **Arlene Barrera** | **Peter Hughes** | **Mike Pirolo** |
| ACTING AUDITOR-CONTROLLER | ASSISTANT AUDITOR-CONTROLLER | ACTING DIVISION CHIEF |

AUDIT DIVISION   **April 9, 2019**

FACT SHEET

Fire Department
OVERTIME REVIEW PHASE I - MONITORING AND CONTROLS

With the support and active participation of the Fire Department (Fire or Department), we have completed a review of the Department's overtime monitoring and controls. Our review focused on evaluating Fire's internal controls over firefighter overtime and included interviewing management and staff, examining policies and procedures, conducting detailed walkthroughs of scheduling and overtime practices, and evaluating the Department's internal timecard and scheduling systems.

Key Outcomes

We noted various opportunities to improve and strengthen the Department's firefighter (i.e., firefighter, firefighter specialist, firefighter captain) overtime processes and controls, which management has agreed to strengthen. We will assess and report on management's corrective actions in our planned future follow-up review. Examples of corrective actions include:

- Fire management will implement monitoring tools and establish processes to ensure staff comply with the Department's annual overtime limits and mandatory rest periods.

- Fire management will implement processes and enhance existing policies to ensure that staff review and confirm timecard accuracy within the established deadline and that supervisors approve daily timecards at the end of each shift.

- Fire management will evaluate the risks/benefits of the Department's shift trade policy to determine feasibility. If Fire management determines to maintain a shift trade policy, the Department will develop a more comprehensive policy that addresses potential risks and will periodically review shift trades to ensure compliance.

Impact

These enhancements will provide greater assurance that overtime costs are reasonable, employees are paid appropriately, timekeeping is accurate, and will reduce the likelihood of overtime abuse. In addition, these enhancements will help reduce firefighters' risk of injuries/accidents due to fatigue.

FAST FACTS

In Calendar Year 2018 Fire responded to 390,000 calls for assistance (fire incidents, emergency medical services, mutual aid assistance, etc.)

In Fiscal Year 2017-18, Fire's employee salaries, excluding certain benefits, totaled approximately $608 million and overtime related salaries accounted for $213 million (35%).

NUMBER OF RECOMMENDATIONS

PRIORITY 1
5
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS

PRIORITY 2
5
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS

PRIORITY 3
0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

ACIS | Audit Contract Monitoring Investigation Services

This report is also available online at **auditor.lacounty.gov**
Report Waste, Fraud, and Abuse: **fraud.lacounty.gov**

For questions regarding the contents of this report, please contact Mike Pirolo, Audit Acting Division Chief, at **mpirolo@auditor.lacounty.gov** or (213) 253-0100.

REPORT #K19BL

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301   FAX: (213) 626-5427

ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

April 9, 2019

TO: Supervisor Janice Hahn, Chair
           Supervisor Hilda L. Solis
           Supervisor Mark Ridley-Thomas
           Supervisor Sheila Kuehl
           Supervisor Kathryn Barger

FROM: Arlene Barrera
           Acting Auditor-Controller

SUBJECT: **FIRE DEPARTMENT – OVERTIME REVIEW PHASE I - MONITORING
           AND CONTROLS**

The Auditor-Controller's Audit Division has completed a review of the Fire Department's
(Fire or Department) overtime monitoring and controls (Phase I). Our Phase I review
focused on evaluating the design of Fire's overtime processes and related controls. The
complete audit report is attached.

In Phase II, our review will focus on evaluating various factors (e.g., vacancies, mutual
aid, Workers Comp., etc.) that drive the Department's overtime. We will also review a
sample of ten of the highest overtime earners to verify compliance with Departmental
procedures, evaluate the Department's overtime usage practices, and identify
opportunities for reducing overtime.

If you have any questions please call me, or your staff may contact Mike Pirolo at
(213) 253-0100.

AB:PH:MP

Attachment (Report #K19BL)

c: Sachi A. Hamai, Chief Executive Officer
    Daryl L. Osby, Fire Chief
    Audit Committee
    Countywide Communications

Help Conserve Paper – Print Double-Sided
"To Enrich Lives Through Effective and Caring Service"

April 4, 2019

TO: Daryl L. Osby, Fire Chief
    Fire Department

FROM: Dr. Peter Hughes
    Assistant Auditor-Controller

    Mike Pirolo, Acting Chief
    Audit Division

SUBJECT: **FIRE DEPARTMENT – OVERTIME REVIEW PHASE I - MONITORING AND CONTROLS**

We have completed a review of the Fire Department's (Fire or Department) overtime monitoring and controls (Phase I). Our Phase I review focused on evaluating the design of Fire's overtime processes and related controls. For details of our review, please see Attachment I, Table of Findings and Recommendations for Corrective Action, and Attachment II, Background and Audit Scope.

In Phase II, our review will focus on evaluating various factors (e.g., vacancies, mutual aid, Workers Comp., etc.) that drive the Department's overtime. We will also review a sample of ten of the highest overtime earners to verify compliance with Departmental procedures, evaluate the Department's overtime usage practices, and identify opportunities for reducing overtime.

Review of Report

We discussed our report with Fire management. The Department's response (Attachment III) indicates **general agreement** with our findings and recommendations.

We thank Fire management and staff for their cooperation and assistance during our review. If you have any questions, please call Mike Pirolo at 213-253-0100.

PH:MP:YK:cc

Attachments

c: Arlene Barrera, Acting Auditor-Controller

FIRE DEPARTMENT – OVERTIME MONITORING AND CONTROLS

	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	ISSUE[1]	**RISK**	**RECOMMENDATION**	**P**[2]	**SUMMARY OF RESPONSE**
1	**Overtime Limits** – Fire management cannot ensure sworn staff comply with the Department's annual overtime limits (1,632 hours/year for 56-hour staff, 1,166 hours/year for 40-hour staff). Management indicated that Fire supervisors (i.e., captains, battalion chiefs) should monitor for compliance. However, we noted that: • Fire does not have formal procedures for supervisors to monitor staffs' overtime hours and ensure compliance with Departmental limits. During our review, supervisors indicated that either they did not monitor overtime limits, or they did monitor overtime but did not document the review. • Fire does not require supervisors to document overtime reviews, and to maintain the documentation. In addition, Fire's internal timecard system cannot detect when employees exceed their annual overtime limit.	• Increased risk of impaired firefighter performance, injuries, or accidents due to mental/physical fatigue. • Increased risk that the County may be held liable for injuries/accidents resulting from firefighter fatigue. • Increased risk of negative public perception when firefighters earn a disproportionate/excessive amount of overtime.	**Fire management:** a) **Implement tools and/or system controls for monitoring overtime to ensure staff comply with annual overtime limits.** b) **Establish written desk procedures for supervisors to monitor overtime, document the review, and, maintain the documentation for at least five years.**	1	**Agree** Target Implementation Date: July 1, 2019 Fire's response (Attachment III) indicates that management will implement monitoring tools to ensure staff do not exceed overtime limits and will establish written desk procedures for supervisors to monitor overtime and maintain review documentation for at least five years.
2	**Mandatory Rest Periods** – Fire management cannot ensure sworn staff comply with the Department's mandatory rest periods (24-hour break after five consecutive full/partial shifts). Management indicated that supervisors	• Increased risk of impaired firefighter performance, injuries, or accidents due to mental/physical fatigue.	**Fire management:** a) **Implement tools and/or system controls for monitoring**	1	**Agree** Target Implementation Date: July 1, 2019 Fire's attached response indicates that management

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	(i.e., captains, battalion chiefs) should monitor for compliance. However, we noted: • Fire does not have formal procedures for supervisors to monitor scheduled and completed shifts to ensure compliance with the mandatory rest period. • Fire does not require supervisors to document their review of mandatory rest periods and to maintain the monitoring documents. In addition, Fire's internal timecard system cannot detect when employees work more than five full/partial shifts.	• Increased risk that the County may be held liable for injuries/accidents resulting from firefighter fatigue. • Increased risk of firefighters working excessive overtime and negative public perception of firefighters that earn disproportionate/excessive amount of overtime.	scheduled/completed shifts to ensure compliance with mandatory rest periods. b) **Establish written desk procedures for supervisors to monitor rest periods, document the review, and, maintain the documentation for at least five years.**		will incorporate procedures and processes into existing Departmental policy that requires supervisors and management to validate compliance with mandatory rest periods.
3	**Timecard Review/Confirmation** – Fire does not have a sufficient process to ensure staff confirm the accuracy of their hours worked and time off before their timecard is submitted as required by County Fiscal Manual (CFM) Section 3.1.7. Fire's timekeeping policies indicate that supervisors must submit and approve employee timecards in the Department's internal system, and that staff subsequently review and confirm their accuracy. Having supervisors prepare and submit timecards on behalf of their staff appears to be reasonable based on the Department's business	• Increased risk of incorrect timecard entries which may result in over/under payments. • Inefficient use of County resources because Payroll staff must perform excessive work to ensure timecard accuracy.	**Fire management enhance procedures to ensure Fire staff review and confirm the accuracy of their timecards timely.**	1	**Agree** Target Implementation Date: July 1, 2019 Fire's attached response indicates that management will develop processes and procedures to ensure Fire staff review and confirm the accuracy of their timecards within established timelines.

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	needs, and subsequent review/confirmation of the timecards by staff can be an appropriate control to ensure timecard integrity. However, staff frequently do not review and confirm timecards by the Department's deadline. For example, during a single pay period Payroll staff had to follow up with over 1,900 Fire staff that did not confirm their hours timely.				
4	**Supervisor Approval** – Fire does not have a sufficient process to ensure supervisors review/approve timecards, and certify the timecards' accuracy, as required by CFM Section 3.1.7. Fire's timekeeping policies indicate that supervisors should approve employee timecards at the end of each shift to ensure unanticipated changes are reported accurately. However, we noted that during one pay period Payroll staff had to follow up with 30 supervisors to obtain and document daily timecard approvals for 58 shifts. In addition, some supervisors indicated that they approve employee timecards at the beginning of their work shifts instead of waiting until the end of each shift. The procedure of approving timecards at the beginning of work shifts cannot ensure timecard accuracy.	• Increased risk of incorrect timecard entries which may result in over/under payments. • Increased risk that supervisors may not record and report unanticipated staffing adjustments. • Inefficient use of County resources because Payroll staff must perform excessive work to ensure timecard accuracy.	**Fire management enhance procedures to ensure supervisors review and approve timecards at the end of each shift.**	1	**Agree** Target Implementation Date: July 1, 2019 Fire's attached response indicates that management will enhance existing policy, processes and procedures to ensure supervisors approve timecards at the end of each shift.

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	ISSUE[1]	**RISK**	**RECOMMENDATION**	**P**[2]	**SUMMARY OF RESPONSE**
5	**Shift Trades** – Fire does not have sufficient procedures for monitoring shift trades (also known as time trading or time exchanges). Shift trades are informal agreements between Fire staff/supervisors of equivalent rank and qualifications to trade scheduled workdays. When employees trade their shifts, they work each other's scheduled time, but their timecards are coded as though they worked their originally scheduled time. For example, when Employee A is scheduled to work on Monday, but trades his/her shift, Employee A still codes the timecard as though he/she worked on Monday and is officially paid for that shift, even though another employee actually worked the shift. The intent of shift trading is that at some point in the future, the trade would be reciprocated by Employee A who had his/her shift covered. When shift trading occurs, there should be no immediate additional cost to the County. This is because employees who cover the shifts are not compensated, and the employees who trade shifts are paid as though they worked.	• Increased risk of misreported time in the County's official timekeeping record. • Increased risk of circumventing the Department's shift trading policy. • Increased risk of insufficient rest periods resulting in impaired firefighter performance, injuries, or accidents due to mental/physical fatigue. • Increased risk that County may incur additional/unnecessary overtime costs. • Increased risk of negative public perception when firefighters earn a disproportionate/excessive amount of overtime. • Increased risk that on-duty firefighters will not be compensated for their work if time exchange agreements are not honored. • Increased risk that the County may be held liable for injuries/accidents resulting from firefighter fatigue, or uncompensated Fire staff.	**Fire management:** a) **Evaluate the risks and benefits of the Department's current time exchange policy to determine its feasibility.** b) **If Fire determines to maintain a time exchange/shift trade policy, Fire management should:** 1. **Develop a comprehensive policy that addresses the potential risks including the following:** • **Insufficient rest periods and fatigue.** • **Excessive overtime.** • **Unreciprocated or excessive trades.** • **County liability for injuries.** • **Excessive benefit accrual.** • **Obtaining and maintaining**	1	**Agree** Target Implementation Date: July 1, 2019 Fire's attached response indicates that management will evaluate the risks and benefits of the Department's current time exchange practice to determine its continued feasibility. If management determines to maintain the shift trade policy, then Fire will develop a comprehensive policy that addresses potential risks, provides time limits for repaying trades, and requires periodic documented reviews by management.

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	Shift trading is prevalent among fire departments throughout the country and appears to be legally allowed (i.e., under an exception in federal labor laws). However, unless sufficiently monitored, shift trading can result in misuse, increased overtime depending on the timing of the swap, and increased risks for the County. The Department policy requires supervisors to approve all shift trades to ensure that replacement staff meet the Department's requirements (e.g., rank, certifications, etc.), and for battalion chiefs to approve trades of more than two a month. To properly carry out this policy, shift trades need to be pre-approved. However, we noted that Fire could not provide documentation to ensure: • Supervisors pre-approve shift trades. Fire indicated that supervisors approve shift trades when supervisors prepare/approve employee timecards. However, not approving shift trades in advance defeats the purpose of supervisor approval. • Battalion chiefs approve shift trades that exceed two a month. • Shift trades do not contribute to additional/unnecessary overtime.	• Increased risk to station unity/cohesiveness due to rotating staff. • Increased risk that firefighters will continue to receive pay and benefits without working for an extended period, and/or accumulate excessive sick/vacation days. This can result in large benefit payments later in firefighters' career when salaries are higher, and increased pension costs which are based on their single highest year of compensation.	**approval documentation. In addition, the policy should provide time limits for repaying trades, and clearly indicate how benefits should be applied in the event of an injury during a shift trade.** 2. **Implement monitoring processes and periodic reviews to ensure shift trades comply with Department policy and document the reviews.**		

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	• Shift trades do not result in staff working more than five consecutive full/partial shifts. In addition, Departmental policy does not require management to ensure firefighters reciprocate/repay for shifts others worked. The Department also indicates that the shift trading practice is an informal agreement between employees, and therefore, the Department is not responsible for monitoring. However, any undetected misuse or abuse of the shift trades can result in additional cost to the taxpayers and/or other unnecessary risks to the County. There have been a number of reported abuse of shift trades in other municipalities. For example, in the City of Cleveland, a number of firefighters were indicted for shift trading more than 2,000 hours, which represents approximately a year away from their jobs, by paying other employees to work their shifts while they received pay and benefits as if they had been working. Further, shift trading can result in pension spikes if employees use the trading to preserve sick pay or other benefits that are pensionable. Firefighters may accumulate up to 456 hours of pensionable benefit time.				

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

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	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	ISSUE[1]	**RISK**	**RECOMMENDATION**	**P**[2]	**SUMMARY OF RESPONSE**
	Lastly, the Department's policy indicates that when an employee is injured while shift covering for another employee, the employee may be able to use the other employee's benefits to cover the remaining shift (depending on what the employee who was originally scheduled to work decides to do). However, the policy is silent on what happens if the employee is injured for a long term resulting from shift covering for another employee. A scenario such as this could potentially result in legal complications for the County as the County's official time records would indicate that the injured employee did not work the shift that he/she covered.				
6	**Overtime Distribution** – Fire does not appear to distribute overtime equally. For example, in Fiscal Year 2017-18, overtime worked by Fire Captains ranged from approximately 20 hours to nearly 3,800 hours. Fire tracks and assigns voluntary and mandatory (recall) overtime separately. If there are not enough overtime volunteers, the department assigns mandatory overtime to firefighters who have worked the fewest mandatory overtime hours, without regard to the amount of voluntary overtime they may have worked. Therefore, firefighters that frequently volunteer for overtime	• Increased risk of impaired firefighter performance, injuries, or accidents due to mental/physical fatigue. • Increased risk that the County may be held liable for injuries/accidents resulting from firefighter fatigue. • Increased risk of poor employee morale due to higher overtime earners being required to work mandatory overtime. • Increased risk of negative public perception when firefighters appear to earn a	**Fire management re-examine Departmental policies for assigning voluntary/mandatory overtime, and revise to help achieve a more equitable overtime distribution if feasible.**	2	**Agree** Target Implementation Date: September 1, 2019 Fire's attached response indicates that management will re-examine Departmental policies related to voluntary and mandatory overtime. If feasible, the Department may revise overtime policies to achieve a more equitable overtime distribution.

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

[2] **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	ISSUE[1]	**RISK**	**RECOMMENDATION**	**P[2]**	**SUMMARY OF RESPONSE**
	may be assigned to work additional mandatory overtime, even if they have worked significant amounts of voluntary overtime already. Conversely, firefighters with minimal voluntary overtime hours may not be assigned to work mandatory overtime, if their mandatory overtime hours are more than others.	disproportionate/excessive amount of overtime.			
7	**Overtime Scheduling System** – Fire's electronic scheduling system, which supervisors rely on to schedule overtime, does not maintain an audit trail. As a result, the Department cannot ensure that overtime is assigned and scheduled in compliance with Departmental policy. Departmental policy requires supervisors to schedule voluntary overtime for qualified firefighters in a pre-determined order (e.g., station volunteer, battalion volunteer, departmentwide volunteer, station recall, etc.) as needed for station staffing. However, the Department's electronic scheduling system, used by supervisors to schedule overtime, allows firefighters to update their overtime availability and other firefighters' overtime availability at any time, without leaving an audit trail of who made changes or when the changes were made. As a result, the	• Increased risk of inequity of overtime assignments, perception of favoritism/nepotism in overtime assignments, and poor employee morale if there is a perceived inequality.	**Fire management implement tools and/or system controls to ensure supervisors assign overtime as required by Department policy, and that an audit trail of schedule updates is maintained.**	2	**Agree** Target Implementation Date: September 1, 2019 Fire's attached response indicates that management will implement tools and/or system controls to ensure supervisors who assign overtime will have a reviewable audit trail. This will include the ability to track when employees make changes to their overtime availability.

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	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
	Department cannot provide documentation of firefighters' overtime availability at the time overtime is assigned. In addition, since the availability can be changed at any time without records, the Department cannot ensure that the pre-determined order used by supervisors to assign overtime is accurate. The system needs enhancements to ensure that all schedule updates are properly documented.				
8	**Overtime Pre-approval** – Fire cannot ensure overtime incurred to fill vacant positions is pre-approved as required by CFM Section 3.1.9. Filling vacant positions accounted for 78% of the Department's overtime usage for a recent five-month period we reviewed (January 1, 2018 to December 15, 2018). Management indicated that supervisors provide verbal pre-approval, but the approval is not documented.	• Increased risk of circumventing Departmental overtime policies and controls which may result in excessive overtime costs and insufficient rehabilitation periods. • Increased risk of overtime abuse.	**Fire management implement tools and/or system controls to ensure overtime is pre-approved, approval is documented, and that the documentation is maintained for at least five years.**	2	**Agree** Target Implementation Date: September 1, 2019 Fire's attached response indicates that management will work to improve documentation of pre-approvals for non-emergency overtime and maintain the documentation for at least five years.
9	**Management Monitoring of Internal Controls** – Fire could not demonstrate that they have effective self-monitoring processes in place to ensure controls function as intended in the following areas (non-compliance with CFM Section 1.0.2):	• Prevents management from having reasonable assurance that their objectives are being achieved. • Insufficient self-monitoring of internal controls increases the risk of:	**Fire management implement additional self-monitoring processes over timekeeping and overtime that include:** **a) Examination of processes, such as**	2	**Agree** Target Implementation Date: September 1, 2019 Fire's attached response indicates that management will implement additional self-monitoring processes

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	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	• Ensuring that overtime limits and mandatory rehabilitation limits are monitored. • Ensuring overtime is reported correctly in the County's timekeeping system. • Ensuring time exchanges are approved and comply with Departmental policy. • Ensuring overtime is offered/mandated in compliance with Departmental policy. • Ensuring overtime pre-approvals are documented. • Ensuring overtime reports are reviewed and approved. Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 to 10 transactions weekly, quarterly, semi-annually) to ensure adherence to County and Departmental policies and documenting and retaining evidence of this review in such a manner that a third party can subsequently validate it. The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.	o Non-compliance with County and Department rules. o Inefficient use of County resources. o Timekeeping errors and fraud. o Reduced accountability. • Ineffective supervision over employee performance.	**review of an adequate number of transactions on a regular basis to ensure processes function as intended and adhere to County rules, and maintaining documentation of the review.** **b) Elevating material exceptions to management on a timely basis to ensure awareness of relative risk and that appropriate corrective actions are taken.**		that include sampling transactions on a regular basis and ensuring processes function as intended. In addition, the review will be documented and material exceptions will be elevated to management for corrective action.

[1] For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

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	ISSUE[1]	RISK	RECOMMENDATION	P[2]	SUMMARY OF RESPONSE
	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION				
10	**Payroll Reports –** Fire does not have a process for payroll staff/supervisors to review, investigate, correct, annotate, and/or sign the following County timekeeping reports every pay period to ensure accuracy, to minimize over/underpayments, and verify the appropriateness of overtime as required by CFM Section 3.1.9: • Change in Overtime History Exception Report. • Excessive Comp Earned/Regular Hours Exception Report. • Overtime Activity Report. In addition, Fire cannot ensure overtime activities are reviewed quarterly and reported correctly in the eHR system as required by CFM Section 3.1.3. Fire management indicated that overtime activities are reconciled monthly by bureau chiefs/staff assistants, but the Department could not provide evidence of the reviews, as required by CFM Sections 3.1.3 and 3.1.9, to ensure that overtime activities are reported correctly in eHR.	• Increased risk of incorrect/misreported overtime resulting in over/under payments, and not detecting errors or fraud timely.	**Fire management implement processes to ensure:** a) **Payroll staff review the Change in Overtime History Exception Report, the Excessive Comp Earned/Regular Hours Exception Report, and the Overtime Activity Report at the end of each pay period, investigate discrepancies and adjust if needed, and document any corrective action(s).** b) **Supervisors review overtime reports to ensure exceptions are corrected promptly, and sign/date their review.** c) **Overtime usage is reviewed at least quarterly, overtime is reported correctly, and the review is documented.** d) **Maintain all supporting documents/reports for at least five years.**	2	**Agree** Target Implementation Date: September 1, 2019 Fire's attached response indicates that payroll staff now reviews, investigates, and documents corrective action on the Change in Overtime History Exception Report at the end of each pay period. The Department is also working with the Auditor-Controller to obtain access to the remaining two reports (Excessive Comp Earned/Regular Hours Exception Report, Overtime Activity Report) and will implement the recommendations when the reports are accessible.

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FIRE DEPARTMENT OVERTIME MONITORING AND CONTROLS REVIEW
BACKGROUND AND AUDIT SCOPE

WHAT PROMPTED THE REVIEW

This review was included in the audit plan for Fiscal Year 2018-19, and was selected due to the significant amount of overtime assigned to individual Fire Department (Fire or Department) staff.

SCOPE AND OBJECTIVES

Our review (Phase I) focused on evaluating the design of Fire's overtime processes and controls to determine whether they provide assurance to management that their operations are appropriate, and in accordance with County and Department requirements. Our review included interviewing Fire management and staff, examining policies and procedures, and conducting detailed walkthroughs of the Department's timekeeping systems and processes. In Phase II, our review will focus on reviewing various factors that drive Fire's overtime, reviewing the Department's overtime practices, and identifying opportunities for reducing overtime.

STANDARDS

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

PROCESS OVERVIEW

Firefighters often work unconventional schedules of either 40 hours or 56 hours a week, for a period of seven days, 24 days, or 28 days. To accommodate the variety of schedules, the Department relies on two internal systems to prioritize, request/assign, and report overtime. Fire Office maintains schedules and availability for sworn firefighting staff, Internet Protocol Field Incident Reporting System (IPFRS) records the actual time worked and interfaces with the County's timekeeping system twice a month for payroll reporting. In Fiscal Year 2017-18, overtime for sworn staff (e.g., firefighters, captains, etc.) totaled approximately $204 million (96%) of the Department's $213 million total overtime costs.

RISKS & OPPORTUNITIES

Firefighters who work significant amounts of overtime may not be physically/mentally capable of performing their jobs which may result in higher risk of death, injury, or property loss. Ensuring employees obtain adequate recovery periods and balanced workloads promotes employees' physical and mental health. In addition, insufficient overtime controls can lead to overtime abuse and overpayments, and a negative public perception.

FIRE DEPARTMENT OVERTIME MONITORING AND CONTROLS REVIEW
BACKGROUND AND AUDIT SCOPE

SCOPE
EXCLUSIONS

Our review was limited to an evaluation of the design of the processes and controls over Fire's overtime controls for firefighters. While our review included tests to confirm the existence of controls (e.g., interviews and walkthroughs), it did not include extensive tests to identify whether processes and controls were consistently operating as designed or whether Fire continually complied with County and Department requirements. In addition, our review did not include the Department's controls for lifeguards, non-sworn staff/management, special pay practices, leave accounting, or payroll and personnel functions.

FOLLOW-UP
PROCESS

The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

MANAGEMENT'S
RESPONSIBILITY
FOR INTERNAL
CONTROLS

As indicated in County Fiscal Manual Section 1.0, management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.

FIRE DEPARTMENT OVERTIME MONITORING AND CONTROLS REVIEW
BACKGROUND AND AUDIT SCOPE

LIMITATIONS OF Any system of internal controls, however well designed, has limitations.
INTERNAL As a result, internal controls provide reasonable but not absolute
CONTROLS assurance that an organization's goals and objectives will be achieved.
Some examples of limitations include errors, circumvention of controls by
collusion, management override of controls, and poor judgment. In
addition, there is a risk that internal controls may become inadequate due
to changes in the organization, such as reduction in staffing or lapses in
compliance.

COUNTY OF LOS ANGELES

FIRE DEPARTMENT

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LOS ANGELES, CALIFORNIA 90063-3294
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"Proud Protectors of Life, Property, and the Environment"

DARYL L. OSBY
FIRE CHIEF
FORESTER & FIRE WARDEN

March 28, 2019

TO: JOHN NAIMO
          AUDITOR-CONTROLLER

FROM: DARYL L. OSBY, FIRE CHIEF

RESPONSE TO AUDITOR-CONTROLLER'S FIRE OVERTIME REVIEW

Attached is the Los Angeles County Fire Department's (Department) response to recommendations made in the Auditor-Controller's report of Department Overtime Review (Phase I).

As a background, in recent years, the Department has experienced a number of significant challenges that have resulted in an increase of overtime time usage. The challenges involve primarily staffing shortages, regular employee benefit usages, and emergency response activity which have impacted overtime hours.

The staffing shortages are a result of a high number of vacancies due to employees out on injury leave and retirements. Additionally, regular benefit time usage is a contributor. The Department maintains a daily minimum staffing level for firefighter safety and to ensure a proper level of personnel are on duty for the response and mitigation of emergency responses, therefore, it fills behind the vacancies daily. Policies and procedures exist that govern overtime assignments, employee work/rest, and limitations.

Over the past few years the emergency response activity has been increasing at the local, State, national, and international levels. The Department has been called upon to respond to some of the most extreme weather events, both in and out of County, which has stretched the capacity of the Department's resources and has further demanded the use of overtime to respond effectively and appropriately. The overtime costs associated with deployments are generally reimbursable to the Department through pre-established agreements and emergency declarations.

Responses included, but were not limited to, floods in Houston, hurricanes in South Carolina, and fires in Northern California like the Mendocino Complex Fire. On a local level, the Department also responds to mutual aid requests from our local agencies like Los Angeles City Fire, as in the La Tuna Canyon fire.

Auditor-Controller
March 28, 2019
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However, our primary responsibility is to protect lives and property within our own jurisdiction as in the case of the recent Creek, Rye, and Woolsey Fires. These were examples of the increasing fire threat and we will always garner a full force response from the Department, which may require stretching the limits of our staffing resources and incurring further use of overtime.

The Department recognizes that the report presents some opportunities to improve on our existing policies and systems and we will strive to complete all corrective actions in due time. As a result, the Department has begun to initiate corrective actions to address the recommendations contained within the report.

If you have any questions, please call me at (323) 881-6180, or your staff may contact Chief Deputy Dawnna B. Lawrence, Business Operations, at (323) 881-2478.

DLO:cma

Attachment

c: Barrera (Auditor-Controller)
       Collie (Auditor-Controller)
       Lawrence
       Anderson

FIRE DEPARTMENT OVERTIME REVIEW PHASE I – MONITORING AND CONTROLS DEPARTMENT ACTION PLAN/RESPONSE	
ISSUE 1: OVERTIME LIMITS	
A/C Recommendation	**Fire management:** a) **Implement tools and/or system controls for monitoring overtime to ensure staff comply with annual overtime limits.** b) **Establish written desk procedures for supervisors to monitor overtime, document the review, and, maintain the documentation for at least five years.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Department Action Plan[1]	Fire management will implement monitoring tools to ensure that staff does not exceed overtime limits using the existing legacy scheduling and timekeeping systems. In addition, Fire Management will also establish written desk procedures for supervisors to properly monitor overtime, which will require documentation of the supervisor's review and will be maintained for at least five years.
Planned Implementation Date	July 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 2: MANDATORY REST PERIODS	
A/C Recommendation	**Fire management:** a) **Implement tools and/or system controls for monitoring scheduled/completed shifts to ensure compliance with mandatory rest periods.** b) **Establish written desk procedures for supervisors to monitor rest periods, document the review, and, maintain the documentation for at least five years.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Department Action Plan[1]	Fire Management will incorporate procedures and processes into existing policy that require both supervisors and management to validate compliance with mandatory rest periods/consecutive shifts worked.
Planned Implementation Date	July 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

[1] In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.
[2] In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 3: TIMECARD REVIEW/CONFIRMATION	
A/C Recommendation	**Fire management enhance procedures to ensure Fire staff review and confirm the accuracy of their timecards timely.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Department Action Plan[1]	Fire Management will develop processes and procedures to ensure that Fire staff review and confirm the accuracy of their timecards within established timelines.
Planned Implementation Date	July 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and interface with the Auditor-Controller's eHR Payroll System.

ISSUE 4: SUPERVISOR APPROVAL	
A/C Recommendation	**Fire management enhance procedures to ensure supervisors review and approve timecards at the end of each shift.**
Priority	**PRIORITY 1**
Agree/Disagree	**Agree**
Department Action Plan[1]	Fire management will enhance existing policy, processes and procedures to ensure timecards are approved by supervisors at the end of each shift.
Planned Implementation Date	July 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 5: SHIFT TRADES	

A/C Recommendation	**Fire management:**
	a) **Evaluate the risks and benefits of the Department's current time exchange policy to determine its feasibility.**
	b) **If Fire determines to maintain a time exchange/shift trade policy, Fire management should:**
	  1. **Develop a comprehensive policy that addresses the potential risks including the following:**
	   • **Insufficient rest periods and fatigue.**
	   • **Excessive overtime.**
	   • **Unreciprocated or excessive trades.**
	   • **County liability for injuries.**
	   • **Excessive benefit accrual.**
	   • **Obtaining and maintaining approval documentation.**

[1] In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

[2] In this section the Department can provide any background or clarifying information they believe is necessary.

	In addition, the policy should provide time limits for repaying trades, and clearly indicate how benefits should be applied in the event of an injury during a shift trade. 2. Implement monitoring processes and periodic reviews to ensure shift trades comply with Department policy and document the reviews.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan[1]	Fire management will evaluate the risks and benefits of the Departments current time exchange practice to determine its continued feasibility. In addition, if the evaluation determines that the Fire Department will maintain a time exchange/shift swap policy, then Fire will develop a comprehensive policy along with periodic documented reviews by management that addresses the potential risks including the following: • Insufficient rest period and fatigue • Excessive overtime • Unreciprocated or excessive swaps • County liability for injuries • Excessive benefit accrual • Obtaining and maintaining approval documentation This includes providing time limits for repaying swaps and benefit allowances in the event of an injury as a result of a shift swap.
Planned Implementation Date	July 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 6: OVERTIME DISTRIBUTION	
A/C Recommendation	**Fire management re-examine Departmental policies for assigning voluntary/mandatory overtime, and revise to help achieve a more equitable overtime distribution if feasible.**
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan[1]	Fire management will re-examine all Departmental policies related to voluntary and mandatory overtime. This includes possible revision to help achieve a more equitable overtime distribution if feasible.
Planned Implementation Date	September 1, 2019
Additional Information (optional)[2]	

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[2] In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 7: OVERTIME SCHEDULING SYSTEM	
A/C Recommendation	**Fire management implement tools and/or system controls to ensure supervisors assign overtime as required by Department policy, and that an audit trail of schedule updates is maintained.**
Priority	**PRIORITY 2**
Agree/Disagree	**Agree**
Department Action Plan[1]	Fire management will review and implement tools and/or system controls to ensure supervisors who assign overtime will have a reviewable audit trail. This will include the ability to track transactional changes made by employees when they go "on/off available" to work overtime.
Planned Implementation Date	September 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 8: OVERTIME PRE-APPROVAL	
A/C Recommendation	**Fire management implement tools and/or system controls to ensure overtime is pre-approved, approval is documented, and that the documentation is maintained for at least five years.**
Priority	**PRIORITY 2**
Agree/Disagree	**Agree**
Department Action Plan[1]	Non-emergency overtime is pre-approved and documented through the "Non-Emergency Overtime Request Form." However, Fire management will work to improve documentation of pre-approvals for non-emergency requests and maintained in a prescribe repository for at least five years.
Planned Implementation Date	September 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 9: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
A/C Recommendation	**Fire management implement additional self-monitoring processes over timekeeping and overtime that include:** a) **Examination of processes, such as review of an adequate number of transactions on a regular basis to ensure processes function as intended and adhere to County rules, and maintaining documentation of the review.** b) **Elevating material exceptions to management on a timely basis to ensure awareness of relative risk and that appropriate corrective actions are taken.**
Priority	**PRIORITY 2**
Agree/Disagree	**Agree**

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[1] In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

[2] In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 9: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
Department Action Plan[1]	Fire management will implement additional self-monitoring processes that will review sample transactions on a regular basis to ensure processes function as intended, along with documentation and will elevate material exceptions to management for appropriate corrective action.
Planned Implementation Date	September 1, 2019
Additional Information (optional)[2]	Fire management also commits to instituting a modern integrated scheduling and timekeeping system that will replace its legacy systems (IPFIRS and Fire Office). Fire Management will ensure to enforce all the Department's timekeeping policies and procedures and interface with the Auditor-Controller's eHR Payroll System. System implementation will begin in Fiscal Year 2019-20.

ISSUE 10: PAYROLL REPORTS	
A/C Recommendation	Fire management implement processes to ensure: a) Payroll staff review the Change in Overtime History Exception Report, the Excessive Comp Earned/Regular Hours Exception Report, and the Overtime Activity Report at the end of each pay period, investigate discrepancies and adjust if needed, and document any corrective action(s). b) Supervisors review overtime reports to ensure exceptions are corrected promptly, and sign/date their review. c) Overtime usage is reviewed at least quarterly, overtime is reported correctly, and the review is documented. d) Maintain all supporting documents/reports for at least five years.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan[1]	Fire management was made aware of this finding while administering its ICCP review in April 2018. As a result of this finding, Payroll has implemented the review of the "Change in Overtime History Exception Report" at the end of each pay period, including the investigation of discrepancies and documentation of corrective actions. However, Payroll management discovered that Fire does not have access to the "Excessive Comp Earned/Regular Hours Exception Report", nor the "Overtime Activity Report". Fire has been working with the Auditor-Controller (A-C), since the ICCP finding to restore Fire Department's access of these reports. Once the A-C can restore access, Fire will implement the A-C recommendations.
Planned Implementation Date	September 1, 2019
Additional Information (optional)[2]	

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

a) The quality of services departments provide to the community,
b) The accuracy and completeness of County books, records, or reports,
c) The safeguarding of County assets,
d) The County's compliance with pertinent rules, regulations, or laws,
e) The achievement of critical programmatic objectives or program outcomes, and/or
f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.