

CITY AUDITOR'S REPORT



AUDIT OF FIRE SUPPRESSION'S SICK LEAVE AND OVERTIME

Report No. FD1011-02

April 14, 2011

Philip Cheng, CIA, CGA, CFE

City Auditor

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
BACKGROUND	3
AUDIT OBJECTIVES	4
SCOPE AND METHODOLOGY	4
FINDINGS AND RECOMMENDATIONS	4
1. SICK LEAVE	5
2. OVERTIME	8

EXECUTIVE SUMMARY

At the request of the City Council, this audit was conducted to evaluate the internal controls for Fire Suppression's sick leave and overtime. This report includes three recommendations to improve controls surrounding suppression personnel's sick leave and overtime. The following is a summary of the audit findings.

Fire Department has established adequate controls to prevent abuse and there is no pervasive abuse of sick leave. In 2010, suppression employees took an average of 111 sick hours, which equate to 4.6 days per person. Management should further tighten its monitoring on sick leave occurrences to discourage excessive use.

Suppression staff receives 288 hours per year for sick leave accrual, which is substantially higher than the provisions for other employees. For their unused sick hours, suppression employees received \$491,000 for annual sell-back last year, and 55 employees are currently eligible to receive a total of \$3.5 million sick leave payout upon separation. Management should periodically review the costs for Suppression's sick leave.

Fire Department has also established adequate controls for callbacks, which represent 2% of all the overtime incurred. Based on the current service and tight staffing levels, Fire Suppression would require at least \$3 million per year for overtime. As a result of budget cuts, Suppression's overtime budget for FY2010-11 was reduced to \$1.363 million. However, the service and staffing levels had not been adjusted accordingly. Consequently, there will be an annual deficit of approximately \$1.7 million for Suppression's overtime.

If additional funding is not available, Fire management should submit an action plan to the City Manager's Office for addressing Suppression's budget deficits.

BACKGROUND

The City of North Las Vegas Fire Department is staffed with 176 suppression employees who are classified into five ranks, as shown below.

Fire Suppression Rank	Employees
Battalion Chief (b)	6
Captain (c)	33
Engineer (e)	33
Firefighter/Paramedic (p)	48
Firefighter (f)	56
Total	176

Suppression employees are members of the International Association of Firefighters (IAFF) Local 1607. Their salary and benefits, including sick leave and overtime, are stipulated in the Collective Bargaining Agreement (CBA) with the City. Employees are divided into three platoons and work two consecutive days (48 hrs) in a 6-day cycle. They are assigned to their posts at the City's eight fire stations, which house 20 fire apparatus/vehicles, as shown in the following table.

Station-built	Post	Apparatus / Vehicles	Rescue (R)	Engine (E)	Truck (T)	Vehicles
#50-1970	6	2	R50 (p/f)	E50 (c/e/p/f)		
#51-1973	9	4	R51 (p/f) R251 (p/f)	E51(c/e/p/f)		B5 (b)
#52-2002	9	2		E52 (c/e/p/f)	T52 (c/e/p/f/f)	
#53-2009	9	4	R53 (p/f)	E53 (c/e/p/f)		C (c) AR53 (e/f)
#54-1994	6	2	R54 (p/f)	E54 (c/e/p/f)		
#55-2003	7	3	R55 (p/f)	E55 (c/e/p/f)		B15 (b)
#56-2004	7	2	R56 (p/f)		T56 (c/e/p/f/f)	
#57-2007	4	1		E57 (c/e/p/f)		
8 stations	57 posts	20 units	7 rescues	7 engines	2 trucks	4 vehicles

To cope with the financial crisis, the City had made multiple rounds of budget cuts and the unions had offered various concessions, including giving up annual cost of living adjustments, step increments, and benefits.

During the February 2, 2011 meeting while the City Council was considering the 1/6/2011 Tentative Agreements with the IAFF to address fiscal solvency issues, a request was made to audit Fire Suppression's sick leave and overtime.

AUDIT OBJECTIVES

The main objectives of this audit were to evaluate the controls in place for Fire Suppression's sick leave and overtime, and to make recommendations for improvement.

SCOPE AND METHODOLOGY

This audit focused primarily on fire suppression personnel's sick leave and overtime incurred during 2010. The audit was performed in accordance with generally accepted governmental auditing standards. Audit procedures included:

- Interviewing management and staff;
- Analyzing annual budgets and financial reports;
- Reviewing relevant policy and procedures;
- Reviewing Fire's Collective Bargaining Agreement (CBA), Tentative Agreement (TA), and Memorandum of Understanding (MOU) with the City;
- Examining timekeeping records maintained in TeleStaff; and
- Reviewing payroll transactions and reports.

FINDINGS AND RECOMMENDATIONS

The City Auditor's Office appreciates the employees of both Fire and Finance for their cooperation during the audit. This audit identified issues management should address to improve controls surrounding suppression personnel's sick leave and overtime. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. SICK LEAVE

Criteria

- Sick leave is a potentially contentious issue because it is not always easy to prove or disprove the legitimacy of sick leave. Prudent managers establish cost effective controls, including appropriate sick allowance, monitoring, incentives for low usage, and penalties for excessive use or abuse of sick leave.

Condition

- There are three main groups of city employees whose work hours and sick leave accruals are different from each other, as shown in the following table:

Employees	Work Hours	Sick Leave Accrual	Sick/Work
appointive, clerical staff, etc.	9 hrs/d x 208.71 d/yr = 1,878 hrs/yr	108 hrs/yr	5.75%
fire prevention, police staff, etc.	10 hrs/d x 208.71 d/yr = 2,087 hrs/yr	120 hrs/yr	5.75%
fire suppression	24 hrs/d x 121.75 d/yr = 2,922 hrs/yr	288 hrs/yr	9.86%

- Suppression employees receive 9.86% of their work hours for sick leave accrual, significantly higher than the provisions for other groups. If all city employees are provided with sick leave accrual based on 5.75% their work hours, each suppression staff would receive 168 hours for sick leave, a reduction of 120 hours per year.
- Fire Suppression's sick leave policy is quite comprehensive and includes the following rules:
 - Employee who uses more than ten hours of sick leave will be removed from the Overtime Availability List.
 - Sick leave usage shall be considered "excessive" if more than eight occurrences are accumulated within the employee's 12-month evaluation period.
 - An occurrence is defined as over four hours of continuous absence.
 - Once an employee has accrued more than 8 occurrences, the department may require a physician's certification of illness/injury or fit for duty examination.
 - If an employee has followed an abusive pattern within the evaluation period, management will notify the employee for coaching or disciplinary action.
 - A pattern is defined as the use of annual or holiday leave in conjunction with the employee's sick leave.
 - Excessive abuse is defined as 3 patterns within the employee's evaluation period.

- Since most sick leave occurrences are for the entire shift of 24 hours, eight occurrences would likely amount to 192 sick hours.
- During 2010, suppression staff took an average of 111 sick hours per person, which equate to 4.6 days, or 39% of the annual accrual.

2010 Sick Leave	Average Usage/person	Percentage of Accrual
Battalion Chief	20 hours (0.8 day)	7%
Captain	79 hours (3.3 days)	27%
Engineer	108 hours (4.5 days)	38%
Firefighter/Paramedic	131 hours (5.5 days)	45%
Firefighter	125 hours (5.2 days)	43%
Fire Suppression	111 hours (4.6 days)	39%

- Among the five ranks of employees, firefighter/paramedic used 131 hours (highest) while battalion chief used 20 hours (lowest) of sick leave per person annually.
- Employees are compensated for their unused sick leave in two ways: (1) annual sell-back and (2) payout upon separation.
- Each year, they can sell back one half their sick leave accrued in that year above 720 hours. In 2010, suppression employees received a total of \$491,000 for sick leave sell-back. The remaining hours not sold back will continue to accumulate until used or final payout.
- Upon separation from the City, those who have ten years of suppression service will receive payout for unused sick hours at 75% of their pay rates.
- Currently, a total of 55 suppression employees have over ten years of service and are eligible to receive a total of \$3.5 million sick leave payout upon separation.
- If the Council approves the 1/6/2011 Tentative Agreements, the payout rate at separation will increase from 75% to 100%. As such, it will cost the City potentially another \$1.2 million for sick leave payout.

Cause

- Fire suppression employees receive substantially more sick leave accrual than they use.

Effect

- Financial burden to the City.

Recommendation 1.1

Fire management should modify Suppression's sick leave policy by enhancing the threshold definition of "excessive" level of sick leave for monitoring purposes.

Management's Plan of Action:

- *FD management has already conferred with IAFF Local 1607 to modify components of the existing Sick Leave Usage SOG. Draft language is currently under consideration by IAFF and FD Management to address definitions and thresholds related to occurrences, patterns, and excessive usage.*

Target Completion Date:

- *April 15, 2011. Implementation of changes to the SOG is subject to the provisions of the current CBA (Article 8 Section 8.01) which may impact the target completion date.*

Recommendation 1.2

Fire management should periodically review the costs for Suppression's sick leave, including accrual, sell-back, and payout.

Management's Plan of Action:

- *FD Management will continue current practice of monitoring budget line items for both current and future expenditures, liabilities, and revenues.*

Target Completion Date:

- *On-going*

2. OVERTIME

Criteria

- Prudent managers plan for and monitor the use of staff overtime to ensure cost efficiency and operational effectiveness.

Condition

- Suppression employees are scheduled to work 122 days (24-hour shift) in a year.
- Within these scheduled workdays, employees are allowed to take various leaves of absence, as provided for in the union contract.
- On average, these employees take off 21 days (24-hour shift) for leave per person, including: 11 days for annual leave, 5 days for sick leave, 3 days for holiday leave, and 2 days for other miscellaneous leaves. Subtracting the days off, they are on duty 101 days per year.
- However, they also work an average of 16 days overtime. Therefore, with overtime, suppression staff actually works an average of 117 days annually.
- As shown in the following table, there are very few, if any, roving employees available to fill in for those who are on leave, which accounts for approximately 17% of their scheduled workdays.

Rank	Minimum staffing	Current staffing	Available for Roving
Battalion Chief	6	6	0
Captain	30	33	3*
Engineer	30	33	3
Firefighter/Paramedic	48	48	0
Firefighter	57	56	-1
Total	171	176	5

* Three roving captains were originally assigned to Fire Training.

- Therefore, employees are required to work overtime to fill in the vacancies.
- According to Suppression's overtime policy, employees can either sign up on the Overtime Availability List, or be assigned to work overtime as required.
- Adequate controls are in place to minimize the use of callback overtime, which is eligible for pension.

- In 2010, a total of \$58,142 was paid for 1,308 hours of callback overtime, approximately 2% of all the overtime incurred during that year.
- Over the past several years, Fire Suppression had been operating at tight staffing levels, which resulted in substantial amounts of overtime, as shown below.

Fiscal Year	Overtime Expenditures
FY2007-2008	\$3.085 million
FY2008-2009	\$3.366 million
FY2009-2010	\$3.136 million

- As a result of the City's financial crisis, Suppression's overtime budget was reduced to \$1.363 million for FY2010-2011, a reduction of \$1.773 million from the previous year's actual expenditures.
- Nevertheless, the City did not take the necessary actions to reduce services or add staffing for Fire Suppression in order to cope with its reduced overtime budget.
- Finance projected Suppression would have an overtime budget deficit of approximately \$1.7 million by the end of this fiscal year.
- In 2010, suppression employees took a total of 88,361 leave hours, 78% of which resulted in 68,962 OT hours and \$3,010,078 OT pay. The following table shows overtime distribution to each rank of employees:

2010 Overtime (1/1-12/31)	Average OT Hours	Average OT Pay	Total OT Amount
Battalion Chief	554 hours	\$36,597	\$219,580
Captain	352 hours	\$19,299	\$636,855
Engineer	303 hours	\$14,132	\$466,360
Firefighter/Paramedic	470 hours	\$18,822	\$903,436
Firefighter	383 hours	\$13,997	\$783,848
Suppression	392 hours	\$17,103	\$3,010,078

Cause

- Fire Suppression's overtime budget was substantially cut without correspondingly reducing its service levels or increasing its staffing levels.

Effect

- Annual deficit of \$1.7 million.

Recommendation 2.1

If the available funding is insufficient for all the required staffing and overtime, Fire management should submit an action plan to the City Manager's Office for addressing Suppression's budget deficits.

Management's Plan of Action:

- *FD Management has submitted to the City Manager's Office proposed operational reductions related to control of overtime expenditures based on two levels of budget projections. Implementation of said proposal is awaiting authorization from the City Managers Office based on pending policy direction from the City Council.*
- *Additional operational reductions based on further budget reductions will be prepared on percentage factors provided to FD by the City Managers Office based on pending policy direction from the City Council.*

Target Completion Date:

- *Operational modifications based on overtime reduction proposal submission: Completed*
- *Proposal Implementation: to be determined after policy direction of the City Council*
- *Operational modifications based on overall budget reduction proposal submission: Pending policy direction of the City Council*
- *Proposal Implementation: to be determined after policy direction of the City Council*