Written materials relating to an item on this agenda that are distributed to the legislative bodies within 72 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at the City Clerk's Office, 300 West Third Street 4th Floor during customary business hours. Agenda reports are also on the City of Oxnard web site at www.oxnard.org.

CITY OF OXNARD CALIFORNIA

This meeting is held pursuant to the State Emergency Services Act, The Governor's Emergency Declaration, and Governor's Executive Order N-29-20 issued on March 17, 2020 to allow members of the City Council or staff to participate via teleconference.

Public Participation Options: To ensure proper social distancing, the Council Chambers can accommodate seating for up to 12 members of the public. The public is encouraged to view the meeting from home on the City's website at Oxnard.org/city-meetings, Spectrum channel 10, Frontier channel 35, or YouTube at Youtube.com/oxnardnews. Video recordings are typically available online immediately following the meeting.

Members of the public can submit comments to the City Council via email to cityclerk@oxnard.org before 8:30 a.m. on the day of the meeting. Please identify the agenda item in the email Subject line.

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
March 24, 2020
Regular Meeting - 9:30 to 10:45 AM

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

At this time, the legislative body will consider public comments for a maximum of fifteen minutes. A person may address the legislative body only on matters not appearing on the agenda and within the subject matter jurisdiction of the legislative body. Speaker cards will not be accepted after the beginning of the general public comment period. Based on the number of speaker cards submitted, the presiding officer may impose time limits per speaker. Typically, speakers are limited to two minutes, but shorter time may be established as deemed necessary. A person not able to address the legislative body at this time because the fifteen minutes expires may do so just prior to adjournment of the meeting. The legislative body cannot enter into a detailed discussion or take action on any items presented during public comments at this time. Such items may only be referred to the City Manager for administrative action or scheduled on a subsequent agenda for discussion.

C. CONSENT AGENDA

1. City Clerk Department

SUBJECT: Approval of Minutes.

RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the February 11, 2020 regular meeting as presented.

Contact: Michelle Ascencion, (805) 385-7805

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact the City Clerk's Office at 385-7803. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

Agenda Item time estimates: (Staff Presentation / Committee Discussion / Public Comment)

D. REPORTS

1. City Manager Department

   SUBJECT: City of Oxnard Internal Audit Department Whistleblower Summary Update. (5/5/5)

   RECOMMENDATION: That the Finance and Governance Committee receive and file the Internal Auditor Update on Whistleblower Matters.

   Contact: Alexander Nguyen, (805) 385-7430

2. City Manager Department

   SUBJECT: City of Oxnard Overtime Usage Report. (15/10/10)

   RECOMMENDATION: That the Finance and Governance Committee recommend City Council receive and file the City of Oxnard Overtime Usage Report from the Internal Auditor.

   Contact: Alexander Nguyen, (805) 385-7430

3. City Manager Department

   SUBJECT: City of Oxnard Environmental Resources Division Cash Handling Report. (15/10/10)

   RECOMMENDATION: That the Finance and Governance Committee recommends City Council receive and file the Internal Auditor Report on the Environmental Resources Division Cash Handling.

   Contact: Alexander Nguyen, (805) 385-7430

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

M I N U T E S
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
February 11, 2020

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 9:32 a.m., Chair Flynn called to order the regular meeting of the Oxnard City Council Finance and Governance Committee in the City Hall Council Chambers at 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Gabriela Basua, Bert E. Perello, and Chair Tim Flynn were present.

Staff members present were Shiri Klima, Deputy City Manager; Stephen M. Fischer, City Attorney; Alexander Nguyen, City Manager; Kevin Riper, Chief Financial Officer; Rosemarie Gaglione, Public Works Director; Darwin Base, Fire Chief; Keith Brooks, Chief Information Officer; Donna Ventura, Assistant Chief Financial Officer; Jim Costello, Financial Analyst II; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Public comments were received from Ray Blattel (parking and bicycle helmet enforcement).

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the January 28, 2020 regular meeting as presented.

It was moved by Member Perello, seconded by Member Basua, to approve the minutes as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

D. REPORTS

Finance Department

1. SUBJECT: FY 2019-20 Budget Mid-Year Review.
RECOMMENDATION: That the Finance and Governance Committee:
1. Receive an update on the latest FY 2019-20 revenue and expenditure projections for major funds, and authorize staff to make the presentation to City Council, incorporating any updates or new information that may arise in the interim;
2. Recommend that City Council approve for the Information Technology Fund (731) a budget appropriation request in the amount of $297,828.17 for prepayment of FY 2020-21 vendor costs;
3. Recommend that City Council approve for the Golf Course Operating Fund (651) a full-year revenue estimate of $4,259,666 (“Non-departmental – American Golf

Corporation (AGC)") and a full-year budget appropriation request in the amount of $4,136,638 ("Golf Course – AGC");
4. Recommend that City Council approve for the Customer Billing Operations Fund (725) a budget appropriation request in the amount of $300,000 to reflect the current allocation of bank charges; and
5. Recommend that City Council approve a resolution amending the position control resolution for Information Technology.

The Chief Financial Officer and Chief Information Officer gave a report. Public comments were received from Ray Blattel and Jim Lavery. Discussion ensued among the Committee and staff.

It was moved by Member Perello, seconded by Member Basua, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

2. SUBJECT: Preview of City's Online Financial Transparency Portal.
RECOMMENDATION: That the Finance and Governance Committee receive a preview of, provide feedback on, and authorize staff to present to the Council regarding the City of Oxnard's Online Financial Transparency Portal.

The Assistant Chief Financial Officer and Financial Analyst II gave a report. Discussion ensued among the Committee and staff.

It was moved by Member Basua, seconded by Member Perello, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

E. ITEMS FOR FUTURE AGENDAS

The Deputy City Manager announced that a report from the internal auditor on the whistleblower program update, Environmental Resources cash handling audit, and overtime audit, will come to the Committee in March.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 10:50 a.m.

MICHELLE ASCENCION, CMC City Clerk	TIM FLYNN Chair

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.1

DATE: March 24, 2020

TO: Finance & Governance Committee

FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org

SUBJECT: City of Oxnard Internal Audit Department Whistleblower Summary Update. (5/5/5)

RECOMMENDATION

That the Finance and Governance Committee receive and file the Internal Auditor Update on Whistleblower Matters.

BACKGROUND

The Internal Audit Department of the City of Oxnard established various mechanisms for employees and residents of the City to report potential fraud, waste or abuse. Those mechanisms include a whistleblower hotline and a web page on the City's website for online submissions as well as email complaints to the Internal Audit staff. The Internal Audit staff will conduct investigations on allegations and complaints received in accordance with the program guidelines. The Internal Audit Department will report to the City Council's Finance and Governance Committee on a periodic basis depending on the volume of complaints received.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the following goals and objectives:

Objective 1a. Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015 and provide periodic reports to Council on the status of the implementation plans.

Objective 1b. Establish an Internal Audit Program to complete performance audits of identified programs to ensure compliance with state and federal law and that Council policy is adhered to.

Objective 1c. Develop written procedures to address Internal Control recommendations from Auditor.

FINANCIAL IMPACT

The whistleblower program is designed to help reduce potential fraud, waste or abuse of resources of the City which can be substantial.

Prepared by: Henry Oum, Price Paige & Co.

ATTACHMENTS

1. City of Oxnard Whistleblower Program Summary thru 2.29.2020
2. City of Oxnard Whistleblower Presentation thru 2.29.2020

PRICE PAIGE & COMPANY
Accountancy Corporation
The Place to Be

March 5, 2020

From: Internal Auditors (Price Paige & Company)
To: Finance and Governance Committee of the City of Oxnard

City of Oxnard Whistleblower Activity Report

Whistleblower Information

The City of Oxnard Whistleblower Policy authorizes the Internal Auditor (a contracted accounting firm also referred to as Price Paige & Company) to receive complaints from city employees and members of the public who wish to report an improper governmental action. An "improper governmental action" is defined as "any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct". The complaints received by the Internal Auditor shall remain confidential, and the identity of the complainant will not be revealed without the permission of the complainant, except to an appropriate law enforcement agency conducting a criminal investigation.

Upon receiving a complaint, the Internal Auditor may conduct an investigation into the facts alleged in the complaint to determine whether an improper governmental action has occurred. Before launching an investigation, the Internal Auditor's staff will conduct a careful evaluation of the complaint to determine whether it has enough potential merit to warrant the expenditure of city resources to conduct an investigation. After the Internal Auditor receives a complaint, any investigation resulting from the complaint is confidential, so the Internal Auditor's staff cannot provide any updates about what is being done to investigate the complaint or what information has been uncovered. Information about the investigation will not be released unless the Internal Auditor substantiates that an improper action has occurred and issues a report about it.

Whistleblower Priority Assessment

Due to the limited number of staff members as the Internal Auditors, conducting full investigations of all allegations and complaints received is not feasible. The Internal Auditors will first screen the allegation to determine "predication". Predication is defined by the Association of Certified Fraud Examiner's as *"the totality of circumstances that would lead a reasonable, professionally trained, and prudent individual to believe a fraud has occurred, is occurring, and/or will occur."* Predication is the basis upon which an investigation is commenced. Investigations should not be conducted without proper predication. Once predication is established, the Internal Auditors will commence an investigation into the allegation or complaint.

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611
tel 559.299.9540
fax 559.299.2344
www.ppcpas.com

Allegations and complaints received are ranked by risk and investigative efforts are focused on those that represent the greatest risk to the City. The following shows how we generally classify types of tips based on risk:

High Priority – Matters that are considered high priority could include: potential loss to the City of more than $75,000, high level management involvement, collusion of multiple wrongdoers, major department-wide issues, or the need for immediate action to stop a potential major issue. These matters could take priority over other investigations and audits subject to the Internal Auditor's professional judgment.

Medium Priority – Matters that are considered medium priority could include: potential loss to the City of more than $25,000, include abuse of authority, medium-to-low-level employee involvement, minor department-wide issues, or patterns of small issues that could be significant cumulatively. Some medium-priority items could be referred to a department for further review.

Low Priority – Matters that are considered low priority could include: potential loss to the City of up to $25,000, comprise of isolated instances of time abuse, wasteful practices that could lead to efficiencies if corrected, or allegations that lack creditability and evidence. The Internal Audit Department would aim to investigate items in this list, but may not do so due to limited resources. Some low priority allegations could be referred to a department for their review.

Whistleblower Activity Report

The following allegations and complaints were received during the period of July 1, 2018 through February 29, 2020:

Incident #	Primary Type of Allegation	Source of Submission	Priority	Current Status
2018-3-1	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-3-2	Unsolicited communication	Website	Low	Non-fiscal or City related
2018-3-3	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-4-1	Personnel complaint	Website	Low	Non-fiscal related; complaint of Department treatment
2018-4-2	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-3	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-4	Inappropriate neighborhood activity	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-4-5	Potential conflict of interest	Email	Medium	IA work plan will include investigation of matter
2019-2-1	Potential favoritism	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-2-2	Building safety concerns	Website	Low	Non-fiscal or City related
2019-2-3	Inappropriate conduct	Website	Low	Non-fiscal or City related
2019-2-4	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2019-2-5	Potential favoritism	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-2-6	Potential waste of overtime	Website	Low	IA work plan will include investigation of matter
2019-3-1	Noise complaint	Website	Low	Non-fiscal or City related
2019-3-2	Employment practices	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-3	None specific	Email	Low	Non-fiscal or City related
2019-3-4	Unsolicited City email	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-5	Compliance and regulations violation	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-4-1	Inefficient use of city resources	Email	Low	Non-fiscal related; forwarded to appropriate department
2019-4-2	Waste/abuse of resources	Website	Low	Non-fiscal or City related
2019-4-3	Inappropriate neighborhood activity	Website	Low	Noise complaint; non-fiscal or City related
2020-1-1	Procurement and budgeting controls	Website	High	IA determining if predication exists
2020-1-2	Public service complaint	Website	Low	Non-fiscal related; complaint of Department treatment
2020-1-3	Procurement and budgeting controls	Website	High	IA determining if predication exists
2020-1-4	Customer service complaint	Website	Low	Non-fiscal related; forwarded to appropriate department
2020-1-5	Abuse of authority	Website	Low	Non-fiscal related; forwarded to appropriate department
2020-1-6	Hostile work environment	Website	Low	Non-fiscal related; forwarded to appropriate department
2020-1-7	Procurement and budgeting controls	Website	High	IA determining if predication exists
2020-1-8	Utility hazard	Email	Low	Non-fiscal related; forwarded to appropriate department
2020-1-9	Sidewalk hazard	Email	Low	Non-fiscal related; forwarded to appropriate department

There were a total of 31 complaints/allegations received from July 1, 2018 through February 29, 2020.

Whistleblower Activity Summary

The Internal Auditors are currently following up on one allegation listed above to establish predication prior to commencing a formal investigation (incident #2020-1-1, #2020-1-3 and #2020-1-7 are similar complaints). The Internal Auditors are also investigating one prior allegation and will issue formal written reports once the matter has been fully investigated. Many of the allegations received thus far are unrelated to the City of Oxnard and as appropriate, have been forwarded to the appropriate department.

City of Oxnard Whistleblower Program

PRICE PAIGE & COMPANY
Accountancy Corporation

Presented by:
Internal Auditors (Price Paige & Company)

Whistleblower Program

- In 2017, the City established a Whistleblower Program, contracted through Price Paige & Company, an independent accounting firm, to receive complaints from city employees and members of the public who wish to report an improper governmental action.
- Complaints received by the Internal Auditor shall remain confidential, and the identity of the complainant will not be revealed without the permission of the complainant, except to an appropriate law enforcement agency conducting a criminal investigation.

Whistleblower Program

- The Internal Auditors will only focus on fiscal related matters. Other matters received through the program will be forwarded to the appropriate department.
- After receiving a complaint, the Internal Auditor will evaluate the complaint for merit prior to launching an investigation. The Internal Auditor will not provide updates to the complainant or other parties until the matter has been fully investigated and reported.

Whistleblower Priority Assessment

- The Internal Auditors will screen the complaint for "*predication*".
- Predication is defined by the Association of Certified Fraud Examiner's as *"the totality of circumstances that would lead a reasonable, professionally trained, and prudent individual to believe a fraud has occurred, is occurring, and/or will occur."*

Whistleblower Priority Assessment

Quantitative Assessment Categories:

High Priority:	Above $75,000
Medium Priority:	Between $25,000 to $75,000
Low Priority:	Less than $25,000

Whistleblower Priority Assessment

Qualitative Assessment Categories:

High Priority:	Involves high level management, collusion of multiple wrongdoers, etc.
Medium Priority:	Abuse of authority, medium to low employment involvement, etc.
Low Priority:	Isolated incidents of time abuse, wasteful practices, etc.

Whistleblower Activity Report

Complaints from July 1, 2018 through January 30, 2020:

Incident #	Primary Type of Allegation	Source of Submission	Priority	Current Status
2018-3-1	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-3-2	Unsolicited communication	Website	Low	Non-fiscal or City related
2018-3-3	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2018-4-1	Personnel complaint	Website	Low	Non-fiscal related; complaint of Department treatment
2018-4-2	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-3	Potential misappropriation of assets	Website	Low	IA work plan will include investigation of matter
2018-4-4	Inappropriate neighborhood activity	Website	Low	Non-fiscal related; forwarded to appropriate department
2018-4-5	Potential conflict of interest	Email	Medium	IA work plan will include investigation of matter
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2019-2-2	Building safety concerns	Website	Low	Non-fiscal or City related
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2019-2-4	Inefficient use of city resources	Website	Medium	IA commencement of other work covers this concern
2019-2-5	Potential favoritism	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-2-6	Potential waste of overtime	Website	Low	IA work plan will include investigation of matter
2019-3-1	Noise complaint	Website	Low	Non-fiscal or City related
2019-3-2	Employment practices	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-3	None specific	Email	Low	Non-fiscal or City related
2019-3-4	Unsolicited City email	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-3-5	Compliance and regulations violation	Website	Low	Non-fiscal related; forwarded to appropriate department
2019-4-1	Inefficient use of city resources	Email	Low	Non-fiscal related; forwarded to appropriate department
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2020-1-1	Procurement and budgeting controls	Website	High	IA determining if predication exists
2020-1-2	Public service complaint	Website	Low	Non-fiscal related; complaint of Department treatment
2020-1-3	Procurement and budgeting controls	Website	High	IA determining if predication exists
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2020-1-7	Procurement and budgeting controls	Website	High	IA determining if predication exists
2020-1-8	Utility hazard	Email	Low	Non-fiscal related; forwarded to appropriate department
2020-1-9	Sidewalk hazard	Email	Low	Non-fiscal related; forwarded to appropriate department

Whistleblower Activity Report

Complaints from July 1, 2018 through January 30, 2020:

Primary Type of Allegation	# of Incidents
Abuse of authority	1
Building safety concerns	1
Compliance and regulations violation	1
Customer service complaint	1
Employment practices	1
Hostile work environment	1
Inappropriate conduct	1
Inappropriate neighborhood activity	2
Inefficient use of city resources	4
Noise complaint	1
None specific	1
Personnel complaint	1
Potential conflict of interest	1
Potential favoritism	2
Potential misappropriation of assets	2
Potential waste of overtime	1
Procurement and budgeting controls	3
Public service complaint	1
Sidewalk hazard	1
Unsolicited City email	1
Unsolicited communication	1
Utility hazard	1
Waste/abuse of resources	1
	31

Whistleblower Activity Report

Summary of all whistleblower complaints:

Primary Type of Allegation	FY2018	FY2019	FY2020	Total
Abuse of position or authority	1	0	1	2
Building safety concerns	0	1	0	1
Code violation	3	0	0	3
Compliance and regulations violation	3	0	1	4
Conflict of interest	1	0	0	1
Customer service complaint	0	0	1	1
Employee relations	3	0	0	3
Employment practices	0	0	1	1
Environmental hazards	0	0	2	2
Hostile work environment	0	0	1	1
Inappropriate conduct	0	1	0	1
Inappropriate neighborhood activity	0	1	1	2
Inefficient use of city resources	0	3	1	4
Internal controls over billings	1	0	0	1
Internal controls over cash receipts	1	0	0	1
Noise complaint	2	0	1	3
None specific	0	0	1	1
Ordinance violation	2	0	0	2
Personnel complaint	1	1	0	2
Potential conflict of interest	0	1	0	1
Potential favoritism	0	2	0	2
Potential misappropriation of assets	0	2	0	2
Potential waste of overtime	0	1	0	1
Procurement and budgeting controls	0	0	3	3
Public service complaint	0	0	1	1
Unrelated to the city	7	0	0	7
Unsolicited city email	0	0	1	1
Unsolicited communication	0	1	0	1
Waste/abuse of resources	0	0	1	1
Total Complaints Received	**25**	**14**	**17**	**56**

Whistleblower Program Summary

- To date, we have substantiated and investigated a total of 3 of the 56 complaints/allegations received.
- Of the 3 complaints, 2 of them have been completed.
- One pending investigation expected to be completed in March 2020.
- One complaint is currently being reviewed to determine predication.

City of Oxnard Whistleblower Program

Questions and comments?

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.2

DATE: March 24, 2020

TO: Finance & Governance Committee

FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org

SUBJECT: City of Oxnard Overtime Usage Report. (15/10/10)

RECOMMENDATION

That the Finance and Governance Committee recommend City Council receive and file the City of Oxnard Overtime Usage Report from the Internal Auditor.

BACKGROUND

The City of Oxnard expends a significant amount of personnel costs related to overtime. Overtime usage can be an effective tool when utilized to help entities manage their staffing needs and address short-term or unforeseen labor shortages. The use of overtime in entities with significant personnel is sometimes unavoidable, but should be managed to ensure an effective balance of workload management and personnel costs. The appropriate use of overtime can be a cost-effective approach to address temporary labor needs compared to the cost of hiring additional personnel. However, overtime should be monitored and controlled to reduce unnecessary personnel and labor costs. During the fiscal years ended June 30, 2018, 2017, 2016 and 2015, the City of Oxnard (the "City") expended a total of approximately $12,681,000, $13,280,000, $11,404,000 and $10,103,000 of overtime costs, respectively.

The City Council has asked the Internal Auditors (contracted to Price Paige and Company) to review the City's overtime usage and make recommendations for improvements. The review should also provide information used for oversight, accountability, transparency, and improvements of an entity's programs and operations. The review should also provide objective analysis to assist management and those charged with governance and oversight in using the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibilities to oversee or initiate corrective action, and contribute to public accountability.

The overtime audit focuses on the following key objectives:

1. Review the City-wide policies and procedures related to internal controls regarding the monitoring and use of overtime.
2. Obtain an understanding regarding the City's usage of overtime and provide recommendations for improvement.
3. Benchmark the City's overtime usage with comparable population size cities to obtain an understanding of comparability.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the following goals and objectives:

Objective 1a. Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015 and provide periodic reports to Council on the status of the implementation plans.

Objective 1b. Establish an Internal Audit Program to complete performance audits of identified programs to ensure compliance with state and federal law and that Council policy is adhered to.

Objective 1c. Develop written procedures to address Internal Control recommendations from Auditor.

FINANCIAL IMPACT

The overtime audit has been budgeted by the City of Oxnard to be included in the annual internal audit work plan.

Prepared by: Henry Oum, Price Paige & Co

ATTACHMENTS

1. City of Oxnard Overtime Usage Report
2. City of Oxnard Overtime Usage Report Presentation for 3.24.2020

CITY OF OXNARD

OVERTIME USAGE AUDIT REPORT

March 2, 2020

Prepared by:

Price Paige and Company
Internal Auditors of the City of Oxnard

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611
www.ppcpas.com
(559) 299-9540

CITY OF OXNARD

OVERTIME USAGE AUDIT REPORT

TABLE OF CONTENTS

A. BACKGROUND AND INTRODUCTION

Overtime usage can be an effective tool when utilized to help entities manage their staffing needs and address short-term or unforeseen labor shortages. The use of overtime in entities with significant personnel is sometimes unavoidable, but should be managed to ensure an effective balance of workload management and personnel costs. The appropriate use of overtime can be a cost-effective approach to address temporary labor needs compared to the cost of hiring additional personnel. However, overtime should be monitored and controlled to reduce unnecessary personnel and labor costs. During the fiscal years ended June 30, 2018, 2017, 2016 and 2015, the City of Oxnard (the "City") expended a total of approximately $12,681,000, $13,280,000, $11,404,000 and $10,103,000 of overtime costs, respectively.

B. OBJECTIVE AND SCOPE OF OVERTIME AUDIT

Objective

The objective of a performance audit is to examine a number of factors, including the effectiveness, economy or efficiency of an entity's program or activity, with the goal of making recommendations for improvement. Audits also provide information used for oversight, accountability, transparency, and improvements of an entity's programs and operations. They provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against specific criteria. Audits also provide objective analysis to assist management and those charged with governance and oversight in using the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The audit will be conducted in accordance with the AICPA's Statement on Standards for Consulting Services.

Price Paige and Company, Internal Auditors of the City of Oxnard, were asked to conduct a comprehensive audit of the City of Oxnard's overtime usage which included the following key objectives:

1. Review the City-wide policies and procedures related to internal controls regarding the monitoring and use of overtime.
2. Obtain an understanding regarding the City's usage of overtime and provide recommendations for improvement.
3. Benchmark the City's overtime usage with comparable population size cities to obtain an understanding of comparability.

Scope

The scope of the overtime audit examines all departments within the City that utilize overtime to manage staffing and labor needs. Various aspects of our overtime audit and analysis covered the periods from July 1, 2014 through June 30, 2018, covering a total of four fiscal years.

Overtime

The Fair Labor Standards Act, commonly referred to as "FLSA", is a federal law which establishes minimum wage, overtime pay eligibility, recordkeeping, employment standards and others policies in the private sector and in federal, state and local governments. Generally, based on FLSA, employers are required to pay an overtime rate of not less than one and one-half the regular rate after 40 hours worked by an employee in a workweek. Special rules apply to federal, state and local governments in relation to public safety.

The scope of our audit focused on the City's use of overtime and understanding the nature of the overtime use. It did not focus on the specific compliance with local, state or federal laws and regulations or compliance with FLSA rules. That analysis involves a review of the City's adherence to those policies and should be conducted by a human resources professional firm who specializes in labor law.

C. OVERTIME AUDIT PROCEDURES

We performed our audit procedures in accordance with the AICPA's Statement on Standards for Consulting Services. At the commencement of the overtime audit, we conducted an entrance conference with City management to better understand the overall audit objectives. We also met with the Finance and Payroll Departments to obtain an understanding of the accounting records available and how the accounting system tracks, records and monitors payroll, and specifically, overtime usage. It came to our attention that the payroll system is decentralized, as some of the departments track and monitor their own payroll. The three departments that maintain their own payroll accounting and payroll records are the Police Department, Fire Department and Administration (or commonly referred to as Miscellaneous which includes all other City departments). Although the payroll records are maintained by each of the departments separately, the Payroll Administration Department has access to the accounting system which includes payroll for all departments.

We requested that the Payroll Administration Department provide us with overtime records for the three years ended June 30, 2017, 2016, and 2015. The overtime information was not available in a format that facilitated our review and required the Payroll Administration Department to modify the formatting of the information from the HTE accounting system to a format that could be analyzed. This type of information should be readily and conveniently available directly from an accounting system to help facilitate the administration and monitoring of all accounting information, including overtime usage. Once the format of the overtime information was modified by the Payroll Administration Department, the information could then be sorted to show total overtime pay by employee as well as by Department.

As part of the auditing procedures performed, we conducted "walkthroughs" of how payroll and overtime were being administered and tracked for each of the three major departments. A walkthroughs traces a transaction through the entire cycle of a system, from inception to inclusion in an entity's financial records. We met separately with the Police Department, Fire Department and Payroll Administration Department to perform the walkthroughs and documented the payroll transaction cycle for each.

Our audit procedures included testing the City's internal controls over the use of overtime specifically, ensuring that controls were in place to prevent material misstatements and errors. This included determining whether overtime timesheets were properly signed by an employee and approved by a supervisor, whether the computation of overtime entered into the payroll system was correct based on the timesheet, and whether the proper overtime codes were used based on the timesheet. It's important to note that the Police Department, Fire Department and Payroll Administration Department all had different methods and approaches to administering, approving, and tracking the use of overtime. As a result, this required us to obtain an understanding of three different payroll and overtime administering systems.

Our analysis considered all overtime paid to employees, which includes the use of compensatory time, commonly referred to as "comp time". Comp time is paid time off given to a non-exempt employee instead of overtime pay. Rather than paying overtime, comp time allows the employee to essentially bank or defer their hours at a rate that's generally comparable to their overtime rate for a future period. Comp time is specifically requested on each timesheet. Our consideration of comp time has been included in this analysis.

Benchmarking is a useful tool to help entities understand a particular analysis compared with a standard or another set of data. In our analysis, we included benchmarking the City's use of overtime with other cities that are comparable in population. Benchmarking allows the City to compare its current operations to those of similar cities. Public information available related to data from other cities have been incorporated in our analysis.

D. ANALYSIS, RESULTS AND RECOMMENDATIONS

Analysis 4 - Total Overtime Usage During FY2018, FY2017, FY2016 and FY2015

The chart below illustrates the City's overtime usage for the years ended June 30, 2018, 2017, 2016 and 2015:

Figure 4.1

	Rounded to Nearest Thousand		
Year	Total Salaries (Excluding Benefits)	Total Overtime	Total Payroll
FY2018	$ 95,952,000	$ 12,681,000	$ 108,633,000
FY2017	87,540,000	13,280,000	100,820,000
FY2016	82,184,000	11,404,000	93,588,000
FY2015	86,160,000	10,103,000	96,263,000

*Information obtained from the City of Oxnard's Payroll Department

The above chart shows that the City's overtime usage grew from $10,103,000 for the year ended June 30, 2015 to $12,681,000 for the year ended June 30, 2018, an increase of $2,578,000 in overtime usage or 25.52%. The City of Oxnard continues to rely on the use of overtime to manage its labor needs.

Analysis 5 - Overtime Usage Benchmark with Comparable Cities

The use of overtime as a staff management tool is expected for all entities that provide services that require labor. To understand the City of Oxnard's use of overtime, we compared the total overtime incurred by the City of Oxnard to other State of California cities with comparable population.

The closest related cities in terms of population size include:

Figure 5.1

California Cities Ranked by 1/1/2019 Total Population			
Rank	City	County	Approximate Population
18	Santa Clarita	Los Angeles	218,000
19	Modesto	Stanislaus	215,000
20	Fontana	San Bernardino	212,000
21	Oxnard	Ventura	210,000
22	Moreno Valley	Riverside	208,000
23	Glendale	Los Angeles	206,000
24	Huntington Beach	Orange	204,000

*Information obtained from the California Department of Finance,
Demographic Research Unit

We also obtained compensation information for other cities and counties utilizing the Transparent California database. Transparent California is managed by the Nevada Policy Research Institute, a non-profit organization that provides the Transparent California database as a public service dedicated to providing accurate, comprehensive and easily searchable information on the compensation of public employees in California. This includes compensation information for cities, counties, special districts, schools and universities, state of California employees and other agencies.

Our analysis utilized information from Transparent California for benchmark comparisons to cities similar to Oxnard. It should be noted that the information published by Transparent California is not considered audited and includes information that has been self-reported from entities and agencies through a public records request. As such, information contained within the database is used for illustration purposes. Below is a summary of the total compensation and related overtime costs as reported by the City of Oxnard and Transparent California.

The chart below shows compensation information, broken down by overtime and total pay, for cities comparable in population size to the City of Oxnard:

Figure 5.2

		Total Pay Per City by Year					
Population		FY2018			FY2017		
Rank	City	Total Overtime	Total Pay	Overtime %	Total Overtime	Total Pay	Overtime %
18	Santa Clarita	$ 506,000	$ 37,945,000	1.33%	$ 470,000	$ 35,762,000	1.31%
19	Modesto	11,887,000	100,159,000	11.87%	10,884,000	97,703,000	11.14%
20	Fontana	3,206,000	62,271,000	5.15%	2,601,000	59,150,000	4.40%
21	Oxnard	12,681,000	108,633,000	11.67%	13,280,000	100,820,000	13.17%
22	Moreno Valley	261,000	26,800,000	0.97%	309,000	25,673,000	1.20%
23	Glendale	20,394,000	159,562,000	12.78%	18,944,000	150,934,000	12.55%
24	Huntington Beach	14,441,000	115,231,000	12.53%	14,489,000	114,208,000	12.69%
		Total Pay Per City by Year					
Population		**FY2016**			**FY2015**		
Rank	**City**	**Total Overtime**	**Total Pay**	**Overtime %**	**Total Overtime**	**Total Pay**	**Overtime %**
18	Santa Clarita	$ 474,000	$ 35,172,000	1.35%	$ 488,000	$ 34,093,000	1.43%
19	Modesto	9,117,000	86,108,000	10.59%	8,818,000	85,062,000	10.37%
20	Fontana	2,326,000	57,227,000	4.06%	2,259,000	56,852,000	3.97%
21	Oxnard	11,404,000	93,588,000	12.19%	10,103,000	96,263,000	10.50%
22	Moreno Valley	285,000	24,713,000	1.15%	282,000	24,118,000	1.17%
23	Glendale	16,871,000	147,269,000	11.46%	15,873,000	142,488,000	11.14%
24	Huntington Beach	12,802,000	107,492,000	11.91%	12,761,000	109,693,000	11.63%

*Information obtained from the City of Oxnard's Payroll Department and Transparent California.

It was determined that both Santa Clarita and Moreno Valley outsource some aspect of their public safety departments to other Counties, and therefore would not have overtime related to public safety. For the purpose of this analysis, those two cities have been excluded as the compensation information would not be comparative. The most comparable cities in terms of population to the City of Oxnard would be Modesto, Glendale and Huntington Beach. Our analysis considered these cities for benchmarking purposes.

The chart below outlines the City of Oxnard's overtime usage by department:

Figure 5.3

	% of Overtime Usage							
	FY2018		FY2017		FY2016		FY2015	
Department	Overtime	%	Overtime	%	Overtime	%	Overtime	%
Fire Department	$ 5,191	41%	$ 5,083	38%	$ 4,531	40%	$ 3,645	36%
Police Department	4,514	36%	5,027	38%	4,328	38%	3,956	39%
Solid Waste Department	1,303	10%	1,445	11%	1,129	10%	1,036	10%
Parks and Recreations	415	3%	518	4%	202	2%	180	2%
Wastewater Department	503	4%	511	4%	357	3%	321	3%
Water Department	302	2%	217	2%	345	3%	476	5%
Others	453	4%	479	3%	512	4%	489	5%
Total	$ 12,681	100%	$ 13,280	100%	$ 11,404	100%	$ 10,103	100%

*Information obtained from the City of Oxnard's Payroll Department. Amounts are presented in thousands.

The amounts presented in Figure 5.3 showing the overtime usage percentage by Department do not consider reimbursement amounts that public safety departments earn from various contracts and charges for services. The Fire Department receives a significant amount of mutual aid reimbursement in supporting other cities and counties during a time of crisis and the Police Department may also charge or be reimbursed for time spent on special events.

During the years ended June 30, 2018 and 2017, the Fire Department was reimbursed approximately $1,571,000, and $385,000, respectively for mutual aid support related to personnel costs. The Police Department earned approximately $206,000, $390,000, $369,000 and $263,000 for the years ended June 30, 2018, 2017, 2016, and 2015, respectively, for contracting to patrol special and other events. These amounts should be considered a factor that reduces some of the overtime expended. However, we were unable to obtain reimbursement data from other cities in order to perform a more comparable analysis and therefore gross overtime amounts have been presented for the purpose of this analysis.

The chart below illustrates the overtime usage by major departments, by cities comparable to the City of Oxnard in population for the years ended June 30, 2018, 2017, 2016 and 2015.

Figure 5.4

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2018			
Fire Department	41%	32%	40%	44%
Police Department	36%	48%	30%	41%
Solid Waste Department	10%	0%	4%	0%
Parks and Recreations	3%	1%	0%	1%
Wastewater Department	4%	0%	0%	1%
Water Department	2%	0%	1%	2%
Others	4%	19%	25%	11%
Total	100%	100%	100%	100%

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2017			
Fire Department	38%	32%	44%	49%
Police Department	38%	44%	28%	38%
Solid Waste Department	11%	0%	3%	0%
Parks and Recreations	4%	2%	0%	1%
Wastewater Department	4%	0%	0%	1%
Water Department	2%	0%	1%	2%
Others	3%	22%	24%	9%
Total	100%	100%	100%	100%

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2016			
Fire Department	40%	29%	51%	44%
Police Department	38%	46%	25%	40%
Solid Waste Department	10%	0%	3%	0%
Parks and Recreations	2%	3%	0%	1%
Wastewater Department	3%	1%	0%	1%
Water Department	3%	0%	2%	2%
Others	4%	21%	19%	12%
Total	100%	100%	100%	100%

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2015			
Fire Department	36%	26%	44%	45%
Police Department	39%	48%	29%	40%
Solid Waste Department	10%	0%	3%	0%
Parks and Recreations	2%	3%	0%	1%
Wastewater Department	3%	1%	0%	1%
Water Department	5%	0%	2%	2%
Others	5%	22%	22%	11%
Total	100%	100%	100%	100%

Figure 5.4 above shows that the allocation of overtime usage amongst the department within each city is fairly comparable on a year-to-year basis. Public safety has the highest total overtime usage of each of the cities.

Figure 5.5 below shows a summary of the total amount of overtime used by public safety departments within each of the cities for the prior four years.

Figure 5.5

Fiscal Year	Oxnard	Modesto	Glendale	Huntington Beach
FY2018	77%	80%	70%	85%
FY2017	76%	76%	72%	87%
FY2016	78%	75%	76%	84%
FY2015	75%	74%	73%	85%
PRIOR 4 YEAR AVERAGE	76%	76%	73%	85%

The data above shows that the City of Oxnard's public safety departments overtime usage is within the median of the other cities, with the Cities of Modesto and Huntington Beach having higher public safety overtime usage while Glendale had lower usage.

<u>Analysis 6 - Cost of Overtime Versus Cost of Hire</u>

Generally, hiring additional employees to fulfill labor shortages reduces the need for existing employees to work overtime. In contrast, having too few employees increases the need for overtime. It's important to maintain the proper balance of overtime usage since if it goes unmonitored, overtime costs can continue to rise and puts a burden the City's resources. Hiring additional employees to fill labor shortages may not always be the ideal approach. An analysis should be conducted in order to determine when it's most cost effective to hire versus utilize overtime.

Our analysis focuses on determining the reasons for the overtime usage. For the City of Oxnard and other comparable cities, public safety utilizes the most overtime. For the years ended June 30, 2018, 2017, 2016 and 2015, the Police and Fire Departments of the City had approximately 77%, 76%, 78% and 75% of the total gross overtime usage. However, the total overtime used by the public safety departments for Oxnard was between other comparable cities in population (see Figure 5.5 above).

We analyzed the top overtime positions for the years ended June 30, 2018, 2017, 2016 and 2015 and have summarized their ranking based on total overtime in Figure 6.1 below.

Figure 6.1

Top 10 Overtime Positions for Oxnard					
		FY2018	FY2017	FY2016	FY2015
Job Position	Department	Position Rank	Position Rank	Position Rank	Position Rank
Fire Captain	Fire Department	1	2	1	2
Police Officer II	Police Department	2	1	2	1
Fire Engineer	Fire Department	3	3	3	3
Firefighter	Fire Department	4	4	5	4
Police Officer I	Police Department	5	5	4	6
Solid Waste Equip Oper II	Solid Waste Department	6	6	6	5
Police Officer III	Police Department	7	7	7	7
Police Sergeant	Police Department	8	8	8	8
Solid Waste Trans Operator	Solid Waste Department	9	9	10	9
Battalion Chief	Fire Department	10	n/a	9	10
Fire Inspector	Fire Department	n/a	10	n/a	n/a

The chart above shows that for the years ended June 30, 2018, 2017, 2016 and 2015, the positions that utilize the most overtime for the City of Oxnard are comparable on a year-to-year basis. This information was compared to other comparable cities and the results are presented in Figure 6.2 below.

Figure 6.2

Top Overtime Positions for Oxnard (FY2018)					
Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	3	2	3
Fire Engineer	Fire Department	3	2	4	4
Firefighter	Fire Department	4	7	3	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	4	5	5
Solid Waste Trans Operator	Solid Waste Department	7	n/a	n/a	n/a
Fire Inspector	Fire Department	8	n/a	n/a	n/a

Top Overtime Positions for Oxnard (FY2017)					
Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	4	4	3
Fire Engineer	Fire Department	3	2	3	4
Firefighter	Fire Department	4	6	2	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	3	5	5
Solid Waste Trans Operator	Solid Waste Department	7	n/a	n/a	n/a
Fire Inspector	Fire Department	8	n/a	n/a	n/a
Battalion Chief	Fire Department	n/a	n/a	n/a	n/a

Top Overtime Positions for Oxnard (FY2016)					
Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	4	4	3
Fire Engineer	Fire Department	3	2	3	4
Firefighter	Fire Department	4	5	2	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	3	5	5
Solid Waste Trans Operator	Solid Waste Department	8	n/a	n/a	n/a
Fire Inspector	Fire Department	n/a	n/a	n/a	n/a
Battalion Chief	Fire Department	7	n/a	n/a	n/a

Top Overtime Positions for Oxnard (FY2015)					
Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	4	3	3
Fire Engineer	Fire Department	3	3	5	4
Firefighter	Fire Department	4	5	2	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	2	4	5
Solid Waste Trans Operator	Solid Waste Department	7	n/a	n/a	n/a
Fire Inspector	Fire Department	9	n/a	n/a	n/a
Battalion Chief	Fire Department	8	10	n/a	n/a

Figure 6.2 shows that when comparing the total overtime usage by the top positions within each city, the ranking of the overtime usage is comparable with Police Officers' (Police Officer I, II and III) overtime being ranked as the top positons. Following the top position are Fire Captains and Fire Engineers ranked from positions 2-5 for the years ended June 30, 2018, 2017, 2016 and 2015.

In order to further understand the nature of the overtime usage by the public safety departments, which account for the top positions for the City of Oxnard, we requested overtime information from both the Police and Fire Departments to determine the nature of the overtime usage. Payroll is processed through the City's accounting system; however, the specific details and breakdown of the nature of the overtime usage is maintained independently by Police, Fire and Miscellaneous Departments.

The Police Department maintains their own payroll records related to the specific overtime usage. Employees are required to complete an overtime authorization form that's signed by both the employee and a supervisor or another designee. The Police Department has over 100 different overtime codes (see Appendix) that employees must use to identify the specific overtime usage.

Figure 6.3 below shows the Police Department's overtime classification based on the overtime usage of the top employee positions that used the most overtime for the years ended June 30, 2017, 2016 and 2015.

Figure 6.3

Nature of Overtime Usage				
Rank	Classification of Overtime	FY2017	FY2016	FY2015
1	Backfill	27.82%	19.60%	22.44%
2	Enforcement Details	23.81%	20.66%	19.66%
3	Court Related	9.51%	8.63%	8.78%
4	Traffic	7.92%	16.61%	16.08%
5	Miscellaneous	7.07%	3.67%	10.12%
6	Investigative Details	4.82%	2.01%	6.37%
7	Special Events	3.14%	3.68%	0.10%
8	Communications Center	2.61%	3.72%	2.42%
9	SWAT / HNT	2.49%	0.89%	0.38%
10	Range	2.15%	4.37%	5.39%
11	Patrol	1.74%	3.76%	2.60%
12	Security	1.25%	2.80%	1.38%
13	Warrants / Searches	1.18%	2.30%	0.20%
14	Training	1.16%	1.37%	2.41%
15	Surveillance	1.14%	3.32%	0.14%
16	K-9	0.93%	2.04%	0.00%
17	Meetings	0.86%	0.57%	1.47%
18	Other	0.40%	0.00%	0.06%
	Total	100.00%	100.00%	100.00%

Source: Data obtained from the Police and Payroll Departments.

The information in Figure 6.3 shows that the most significant overtime usage for the years ended June 30, 2017, 2016 and 2015 was related to Backfill. The Backfill overtime classification, as illustrated in the Appendix, can be used for POST and Non-POST training, injury on duty (IOD) leave, sick leave, vacation, vacant positions and also post release offender (PRO). The information suggests that there is a shortage of employees available within the Police Department that requires the use of overtime to fill in positions based on a number of vacancies.

The next most significant category of overtime usage for the Police Department for the years analyzed would be for Enforcement Detail. Enforcement Detail comprises of gang enforcement, bike patrol, central business district, beat problems, Seabridge – CFD, Riverpark CFD and others. In scaling back the total overtime usage in this area, the Police Department and the City would need to weigh the cost benefit of saving payroll costs at the potential sacrifice of public safety.

The Fire Department also maintains their own payroll and overtime records, and utilizes specialized software to track overtime usage. The Fire Department utilizes over 10 different overtime codes for department employees to use to report their overtime. We analyzed the top employee positions that earned the most overtime for the years June 30, 2017 and 2016 for the Fire Department and summarized the overtime usage in Figure 6.4 below.

Figure 6.4

Nature of Overtime Usage			
Rank	Classification of Overtime	FY2017	FY2016
1	Station Coverage Shift	48.64%	56.23%
2	Annual Leave Shift	17.58%	19.71%
3	Station Coverage Mutual Aid Backfill	16.02%	5.18%
4	Station Coverage Non-Shift	5.58%	5.73%
5	Injury Leave	2.92%	3.90%
6	Mandated Overtime	2.35%	0.00%
7	Training	1.86%	0.48%
8	Mandated Overtime Non-Shift	1.22%	4.56%
9	Mandated Overtime Mutual Aid Backfill	1.16%	0.25%
10	Others	2.67%	3.96%
	Total	100.00%	100.00%

Source: Data obtained from the Fire and Payroll Departments.

The information in Figure 6.4 shows that the most significant overtime usage for the years ended June 30, 2017 and 2016 was related to station coverage and annual leave. These codes are utilized when there is a vacancy or open position in the shift coverage whether due to vacancy or employee temporary leave. The information suggests that there is a shortage of employees available within the Fire Department that requires the use of overtime to fill in positions based on a number of vacancies.

The Police and Fire Department's overall overtime usage is in line with comparable cities based on population, which shows that other cities are likely in the same situation as the City of Oxnard.

Recommendations:

Hire Versus Overtime Analysis

The Police and Fire Departments utilize a significant amount of overtime to backfill positions (due to vacancy, vacation, sick, etc.). The high use of overtime indicates that there is a shortage of staff available to fill vacant or open positions. Both departments should conduct a hire versus overtime analysis to determine what is most cost effective as the cost of hire may be less costly than the high use of overtime. The Police and Fire Departments should conduct this analysis on the top positions in Figure 6.1 to determine what the ideal balance is for vacant positions. In addition, both Departments should work in conjunction with the Human Services Department of the City to fill these positions as quickly as possible to minimize the use of overtime.

Memorandum of Understandings and Productive Time

Some of the City's memorandum of understandings with different unions allow for vacation, sick and other similar time off to be counted as productive hours, in which overtime is then applicable if an employee exceeds a certain work hour threshold based on applicable laws and regulations. For certain classes of employees, if vacation is taken and the employee returns to work, overtime premiums may be required due to vacation and sick time being considered productive hours if the applicable thresholds are exceeded.

The inclusion of vacation and sick time as productive hours in the computation of overtime appears to be a standard practice and typically include in the MOUs with different unions. We recommend that the City evaluates whether continuing with such a policy is prudent.

Highest and Best Use Approach

Departments within the City manage their own overtime usage, which includes determining how staffing arrangements are handled when overtime is needed. There may be instances in which the departments employ a rank-for-rank approach, in which a position that is vacant is filled with an equally qualified candidate. It may also give more tenured or seasoned employees the first opportunity to work overtime as an incentive. This approach may inadvertently and adversely impact the City's resources.

All Departments within the City should consider implementing a highest and best use approach where appropriate. Under the highest and best use approach, a vacant position would be filled with a lower ranking position employee who is "as qualified" for the position or, at the maximum, an employee who is of equal rank. Allowing more tenure employees to fill a vacant position that's of lower rank through the use of overtime increases the total cost to fill those positions due to higher salaries and pay rates. Allowing employees of a lower rank that are qualified to fill in a higher rank vacant position would provide them with invaluable experience and professional growth. The City and individual departments should research whether such an approach is in line with applicable laws and regulations and beneficial to the City.

Analysis 7 - Cost of Compensatory Time

Compensatory time ("comp time"), which is an alternative to overtime, is paid time off earned by a non-exempt employee that's worked the hours but has elected to defer payment to an alternative period. Under the Fair Labor Standard Act ("FLSA"), employees of State or local government agencies may receive compensatory time off, at a rate that's not less than one and one-half hours for each overtime hour worked, in lieu of cash payment. The use of comp time is a helpful tool for entities and agencies to manage their cash flow resources and also balance the workload.

Public safety employees, which includes both Police and Fire, may accrue up to 480 hours while all other state and local government employees may accrue up to 240 hours under the FLSA guidelines. Entities and agencies can elect a higher maximum threshold. The City of Oxnard does not have a comprehensive policy on maximum compensatory time accrual limits and refers to the individual memorandum of understanding with various union groups. The chart below shows the total hours City employees have accrued over the FLSA limits for the years ended June 30, 2018, 2017, 2016 and 2015.

Figure 7.1

Department	Limits	Total Compensatory Hours Accrued Over FLSA Limits			
		FY2018	FY2017	FY2016	FY2015
Non-Public Safety	Over 240 Hours	-	-	-	-
Public Safety	Over 480 Hours	6,599	7,492	7,441	6,244

*Information obtained from the City of Oxnard's Payroll Department.

The information in Figure 7.1 shows that for the periods indicated above, the City had over 6,000 hours of accrued compensatory time for each of the years ended June 30, 2015 through 2018. Higher threshold for compensatory time accruals may have unintended consequences and may unintentionally increase the City's payroll costs. Compensatory time is paid out at the employee's most current pay rate. Therefore, as an employee receives pay increases, the comp time earned and accrued will increase as well (comparable to vacation balances).

Figure 7.2

Department	Limits	Number of Employees Over Limits			
		FY2018	FY2017	FY2016	FY2015
Non-Public Safety	Over 240 Hours	-	-	-	-
Public Safety	Over 480 Hours	15	14	12	5

The information in Figure 7.2 shows the number of City employees that have accrued compensatory time over the FLSA limits from June 30, 2015 through June 30, 2018.

Recommendation:

Establish Compensatory Time Carryover Limits In Accordance With FLSA Guidelines

The City should consider adopting the compensatory carryover limit policy to be more in line with FLSA guidelines. The current policy allows for employees to carry over compensatory balances above and beyond the maximum thresholds established by FLSA. Reducing the carryover limit, as well as paying those balances out on periodic basis, should reduce the potential for these employee liabilities to increase year over year.

Analysis 8 – Internal Control Testing of Overtime Administration

Overtime Testing

As part of the overtime analysis, we obtained an understanding of the internal control structure related to payroll and the use of overtime, collectively referred to as the payroll transaction class. We conducted walkthroughs in each of the key departments (Police, Fire and Miscellaneous) to obtain an understanding of how payroll and specifically, overtime, is being administered, monitored and tracked. A walkthrough of a transaction cycle follows a transaction from inception to inclusion in an entity's financial records. Since the City had three unique processes for processing payroll and overtime within each of the key departments, we tested key internal controls over the administration and approval of overtime for each department.

Our overtime internal control testing covered the years ended June 30, 2017, 2016 and 2015. The City of Oxnard had over 1,400 employees (full time and part time) for each of the years ended June 30, 2017, 2016 and 2015. Our overtime internal control testing selected approximately 40 employee timesheets each year, for each department (Police, Fire and Miscellaneous), totaling at least 360 timesheets. Additional timesheets may be selected if an original timesheet selected was not available. We judiciously selected the employee's overtime timesheet hours focusing on employees with higher overtime usage. Our audit focuses on the qualitative attributes in the overtime administration process, and not necessarily the dollar value or total hours earned by each employee. In addition, it is not intended to focus on compliance with FLSA and similar laws and regulations.

Below is a list of the procedures performed:

Audit Procedure A: The employee's overtime timesheet, retroactive adjustment form or similar is retained by the City's departments.

Audit Objective: To determine whether the City has a process in place to ensure that the employee's overtime and related records are retained in accordance with applicable City policies and procedures.

Audit Procedure B: The employee's overtime timesheet is signed and approved by the employee.

Audit Objective: To determine whether the employee acknowledges and approves the overtime hours reported on their overtime timesheet.

Audit Procedure C: The employee's supervisor or designee signs and approves the overtime timesheet signed by the employee.

Audit Objective: To determine whether the employee's supervisor or designee acknowledges and approves the overtime hours reported on the employee's overtime timesheet.

Audit Procedure D: The total hours reported on the employee's overtime timesheet agrees and reconciles to the employee's pay stub.

Audit Objective: To determine whether the employee's total reported overtime hours on the timesheet is properly reflected on the employee's pay stub.

The figure below summarizes the results of our overtime internal control testing exceptions:

Figure 8.1

Department	Fiscal Year	Total Items Tested	Overtime Testing Exceptions (Audit Procedure)			
			A	B	C	D
Fire Department	2017	70	8	0	0	10
Police Department	2017	45	2	0	0	4
Miscellaneous (All Others)	2017	67	0	0	0	1
Fire Department	2016	57	1	0	0	4
Police Department	2016	47	0	0	0	1
Miscellaneous (All Others)	2016	61	1	1	0	3
Fire Department	2015	See Note 1	n/a	n/a	n/a	n/a
Police Department	2015	47	0	0	0	2
Miscellaneous (All Others)	2015	40	0	0	0	1
Total		434	12	1	0	26

During our testing, it was determined that the Fire Department did not retain payroll and related overtime timesheets beyond a two year period. Therefore, testing for the year ended June 30, 2015 was not available. As a result, we increased the number of sample overtime timesheets tested for the years ended June 30, 2017 and 2016 to 70 and 57, respectively, for the Fire Department.

The results of our overtime internal control testing determined the following:

- There were instances (12 exceptions or 2.8% error rate) in which the employee's overtime timesheet or comparable documentation was not available for our review (excluding the fiscal year June 30, 2015 timesheets not retained by the Fire Department).
- There was only one instance in which an employee did not sign and acknowledge their overtime timesheet (1 exception or 0.002% error rate).
- There were no instances in which a supervisor or similar designee did not approve and sign the employee's overtime timesheet.
- There were instances (26 exceptions or 6.0% error rate) in which the total overtime hours reported on the employee's overtime timesheet did not agree or reconcile to the pay records. The extent of the errors was not quantified. It should be noted that if an employee's overtime timesheet was not available, this was considered an exception under this audit procedure as well.

The results of our internal control testing for overtime timesheets show that there are some exceptions in the overtime process that should be corrected. There were instances in which payroll documentation was not maintained in a centralized location that allowed for retrieve of all payroll documentation. In addition, when testing to determine whether all overtime hours have proper supporting documentation, there were instances in which documentation did not agree to hours reported or were not easily reconcilable.

Compensatory Time Testing

As a result of our overtime internal controls testing, it was determined that compensatory time was administered and tracked separately. Since compensatory time is a component of overtime, a test of controls over the compensatory time tracking and monitoring system was performed as well.

We selected a total of 20 employee timesheets which had compensatory time for each of the fiscal years ended June 30, 2017, 2016 and 2015 for the Police and Miscellaneous Departments, for a total of 60 compensatory timesheets tested. We judgmentally selected employee timesheets with higher compensatory hours in a pay period. Our audit focuses on the qualitative attributes in the compensatory administration process, and not necessarily the dollar value or total hours earned by each employee. The City provides a 1.5 hour credit for each overtime hour worked as compensatory time for payout at a later date.

Below is a list of the procedures performed related to our testing of internal controls for compensatory time:

Audit Procedure A:	The employee's overtime timesheet, retroactive adjustment form or similar is retained by the City's departments.
Audit Objective:	To determine whether the City has a process in place to ensure that the employee's overtime and related records are retained in accordance with applicable City policies and procedures.
Audit Procedure B:	The employee's overtime timesheet is signed and approved by the employee.
Audit Objective:	To determine whether the employee acknowledges and approves the overtime hours reported on their overtime timesheet.

Audit Procedure C:	The employee's supervisor or designee signs and approves the overtime timesheet signed by the employee.
Audit Objective:	To determine whether the employee's supervisor or designee acknowledges and approves the overtime hours reported on the employee's overtime timesheet.
Audit Procedure D:	The total hours reported on the employee's overtime timesheet agrees and reconciles to the employee's pay stub.
Audit Objective:	To determine whether the employee's total reported overtime hours on the timesheet is properly reflected on the employee's pay stub.
Audit Procedure E:	The employee explicitly grants the City permission to carry forward the overtime hours as compensatory time.
Audit Objective:	To determine whether the employee provides the authorization to the City to carry forward the compensatory time balance to a future period.

The figure below summarizes the results of our compensatory internal control testing exceptions:

Figure 8.2

Department	Fiscal Year	Total Items Tested	Compensatory Time Testing Exceptions (Audit Procedure)				
			A	B	C	D	E
Police Department	2017	6	0	0	0	1	0
Miscellaneous (All Others)	2017	14	0	1	1	1	0
				0			
Police Department	2016	8	0	0	0	0	0
Miscellaneous (All Others)	2016	12	0	1	0	0	0
Police Department	2015	13	0	0	0	0	0
Miscellaneous (All Others)	2015	7	0	1	1	2	0
Total		60	0	3	2	4	0

The results of our compensatory time internal control testing determined the following:

- There were no instances in which the employee's overtime timesheet or comparable documentation was not available for our review.
- There were some instances (3 exceptions or 5.00% error rate) in which an employee did not sign and acknowledge their overtime timesheet.
- There were some instances (2 exceptions or 3.33% error rate) in which a supervisor or similar designee did not approve and sign the employee's overtime timesheet.
- There were some instances (4 exceptions or 6.67% error rate) in which the total overtime hours reported on the employee's overtime timesheet did not agree or reconcile to the pay records showing the carryover hours. The extent of the errors was not quantified.
- There were no instances in which an employee did not grant approval to the City to carry forward the overtime hours worked as compensatory time.

The results of our internal control testing for compensatory time show that the compensatory time administration process is functioning at an adequate level for its size and complexity with an acceptable level of exceptions. Improvements can be made to the compensatory time administration and monitoring process to ensure all information is properly reported and in compliance with applicable laws and regulations.

E. OTHER RECOMMENDATIONS

Our overtime audit was conducted specifically to address the objectives identified above in Section B, Objective and Scope of Overtime Audit. As a result of our audit, we've presented management with recommendations for operational and efficiency improvements. The recommendations below may not be direct results of a finding or exception, but should be considered by the City for implementation to improve controls or operations. The City should also consider the costs and related benefits in implementing these recommendations. Our recommendations are as follows:

Centralized Payroll Department

The overtime audit considered all departments within the City that utilize overtime. During our interviews with City staff, it was determined that the payroll function was de-centralized, in which the Police Department, Fire Department and Miscellaneous (referred to all other departments that do not fall under the Police or Fire Department) processed and monitored their own payroll as well as maintaining their own payroll records. Having a decentralized payroll system increases the risk of errors or fraud since it generally does not have the same level of oversight as a centralized function.

We recommend that the City re-evaluate whether a de-centralized payroll system is the ideal system for the size and complexity of the City. We recommend that the Payroll Administration Department ultimately be responsible and oversee all functions of payroll, including payroll and overtime at the Police and Fire Departments. The level of oversight involvement by the Payroll Administration Department should be discussed and ultimately determined.

Development of an Overtime Monitoring System

Currently, the City does not have a formal overtime administration and monitoring policy that outlines how overtime should be administered, utilized and monitored. Individual departments are currently monitoring their own overtime usage but do not formally report the results to an oversight department. Cities the size of Oxnard benefit from having a designated person responsible for the administration, utilization, monitoring and oversight of overtime usage as well as compliance with the City's policies and procedures related to payroll.

We recommend that the City invest the resources to hire an additional personnel in the Payroll Department to specifically oversee the use of overtime. The responsibilities of this position should include pay period monitoring of the City's overtime usage by department, compliance with overtime approval polices, evaluating incurred overtime costs compared to budgeted amounts, working with individual departments to identify the source of labor shortages and proactively providing timely solutions. The overtime cost savings should more than pay for the cost of such a position.

Retention of Payroll Records

During our audit, we conducted various tests including testing of internal control procedures related to the use of overtime. As part of that process, we requested employee timesheets. It was noted that the Fire Department did not maintain payroll records prior to the most recent two years available. As a result, payroll records dating June 30, 2015 and prior were not available for our review. We expanded our testing selections to include the years in which information was available.

The Fire Department should adhere to the City's document retention policy to ensure all relevant financial information is properly retained. The development of a more centralized payroll system in which one department has access to all the information should reduce the risk of non-compliance with the City's documentation retention policies.

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We did not perform a financial audit, the objective of which would be the expression of an opinion on the City's specified records, accounts or items. Accordingly, we do not express such an opinion. The scope of our audit was limited to an analysis of the financial information reviewed, research of public information and statistics available, and information obtained from other municipalities and discussions with City management and department personnel. Had we performed additional procedures, other matters may have come to our attention which we would have reported to you.

This report was prepared specifically for use by the Finance and Governance Committee of the City, City Council and management of the City, and was not prepared in consideration of other potential users of the report.

Respectfully submitted,

Price Paige & Company

Price Paige & Company
Internal Auditors of the City of Oxnard

APPENDIX
POLICE DEPARTMENT OVERTIME CODES

Bureau Codes

FS Field Services, **ADM** Administrative Services, **INV** Investigative Services.

Detail Codes

D Day Watch, **E** Evening Watch, **M** Morning Watch, **SF** Storefront, **BC** Beat Coordinator, **T** Traffic, **CG** Crossing Guard, **AC** Animal Control, **B** Booking, **C** Communications, **R** Records, **WP** Word Processing, **P** Property / Evidence, **K9** Canine, **SEU** Special Enforcement Unit, **YS** Youth Services, **CA** Crime Analysis, **N** Narcotics, **NTF** VCAT, **DF** Fraud Detail, **G** Graffiti Detail, **DR** Robbery Detail, **BUR** Burglary, **AT** Auto Theft Detail, **DG** General Assignment Detail, **MC** Major Crimes Detail, **SA** Sexual Assault Detail, **DV** Domestic Violence Detail, **INTEL** Intel Officer Detail, **GANG** Gang Investigation Detail, **CSI** Crime Scene Inv, **TR** Training, **IA** Internal Affairs, **TS** Technology Services, **FS** Financial Services.

Activity Codes

Patrol
101 Call Volume Hold Over
102 Report Writing (Not in Field Training)
103 Investigate Case Hold Over

Backfill
110 POST Training
111 Non POST Training
112 IOD
113 Sick Leave
114 Vacation
115 Vacant Position
116 PRO (Post Release Offender)

K9
120 Training
121 Callout

SWAT / HNT
125 Training
126 Callout
127 Other

Enforcement Details
130 Gang Enforcement
132 Bike Patrol
133 Central Business District
134 Beat Problem
135 Seabridge – CFD
136 Riverpark – CFD
137 Other

Training
145 POST Training – Reimbursed
146 Non POST Training – Not Reimbursed
147 Field Training – FTO
148 Field Training – Trainee
149 Bike Team
150 Range – Attendance / Qualify
151 Pre-field Training
152 Pre-Academy
157 Other

Academy
160 Instruction
161 Attending Police Academy (Trainees)

Range
163 Patrol Ranges – Supervision/Instruction
164 SWAT/Sniper Ranges
165 Pre/POST – Academy Training
168 Weapon Maintenance
171 Bookkeeping/Inventories/Ordering
172 General Equipment Maintenance
173 Other

Security
175 City Council Meeting
179 Other Security Detail

Traffic
184 Saturation
185 Checkpoints
186 Enhanced Enforcement
187 Callouts
188 Court Sting
189 Warrant Service
190 Grant Management
191 DRE

Special Events
193 California Strawberry Festival
194 Salsa Festival
195 Santa to the Sea
196 Fiestas Patrias
197 Cinco de Mayo
198 Football Training Camp
199 Special Event – Other

Investigative Detail
201 Investigative Callout
202 Investigation After Shift

Surveillance
210 Surveillance
211 Electronic Surveillance (T3)

Warrants/Searches
220 Search Warrant Service
221 Arrest Warrant Service
222 Warrant Preparation
224 Other

Court
Testified
310 Preliminary Hearing
311 Traffic Court
312 Motions
313 Misdemeanor Trial
314 Felony Trial
315 Grand Jury
316 Parole Hearing
317 DMV Hearing
Did Not Testify
320 Preliminary Hearing
321 Traffic Court
322 Motions
323 Misdemeanor Trial
324 Felony Trial
325 Grand Jury
326 Parole Hearing
327 DMV Hearing
328 Standby
329 District Attorney Meeting

Records
350 Shift Coverage
351 Holiday
352 Callout
353 Word Processing/Data Entry
354 Purging/Destruction
355 Training
356 Other

Communications Center
401 Vacant Shift
402 Cover Time Off
404 Cover Sick Time Off
405 Cover Emergency Time Off
406 Training
409 Meeting
410 Special Event Overstaff
413 Hold Over/In Early

Miscellaneous
501 Assist Other Agency
503 Honor Guard Detail
504 Internal Investigations
505 Youth Services
506 PAL Activity
507 Recruitment
512 Other
513 Explorers
514 Holiday
515 Booking
516 Financial Services
517 Jury Duty

Meetings
520 Community
521 Sergeant
522 Beat
524 Staff
525 FTO
527 Other

Information Technology
530 Assist Fire Department
531 Emergency
532 Planned
533 Other

Animal Control
540 Shelter
541 Shift Coverage
542 On Call
543 Other

City of Oxnard
Overtime Usage Audit

Presented by:
Internal Auditors

PRICE PAIGE & COMPANY
Accountancy Corporation

Background and Introduction

- Personnel costs are a significant component of the City's annual budget, with overtime contributing to the high costs.
- Overtime can be an effective tool when properly utilized to help maintain staffing needs and address short-term or unforeseen labor shortages.
- Overtime, if unmanaged and uncontrolled, can contribute to unnecessary personnel and labor costs.

Background and Introduction

- The City Council has tasked the Internal Auditors with reviewing the City's overtime usage.

- Total overtime costs for prior fiscal years:
  - FY2018 - $12,681,000
  - FY2017 - $13,280,000
  - FY2016 - $11,404,000
  - FY2015 - $10,103,000

Objective and Scope of Overtime Audit

Objective:

The specific objectives addressed through this audit include the following:

1. Review the City-wide policies and procedures related to internal controls regarding the monitoring and use of overtime.
2. Obtain an understanding regarding the City's usage of overtime and provide recommendations for improvement.
3. Benchmark the City's overtime usage with cities of similar population size to obtain an understanding of comparability.

Objective and Scope of Overtime Audit

Scope:

- The overtime audit examines all departments within the City that utilize overtime to manage staffing and labor needs.
- The audit focuses on periods from July 1, 2014 through June 30, 2018, a total of four fiscal years.

What's not reviewed as part of this audit

- Determination of compliance with local, state or federal laws and regulations or compliance with the Fair Labor Standards Act (FLSA)
- Search for fraudulent or inappropriate overtime schemes
- Recommendations presented in the report focus on the economic and operating benefits, and do not have potential political considerations. Those considerations should be factored in by City Management or City Council as part of the cost/benefit analysis of implementing such a recommendation.

Overtime Audit Procedures

- Conduct interviews with multiple City departments and the payroll department to obtain an understanding of the payroll and overtime process.
- Review of City's policies, procedures, and memorandums of understanding with various union groups on overtime usage, monitoring, and tracking.
- Request and review payroll information, including employee check details, overtime sheets, pay adjustment forms, etc.
- Research and review overtime related information from other cities for benchmarking purposes.

City of Oxnard
Overtime Usage Audit

Total Overtime Usage

Analysis, Results and Recommendations

Analysis: Total Overtime Usage

	Rounded to Nearest Thousand		
Year	Total Salaries (Excluding Benefits)	Total Overtime	Total Payroll
FY2018	$ 95,952,000	$ 12,681,000	$ 108,633,000
FY2017	87,540,000	13,280,000	100,820,000
FY2016	82,184,000	11,404,000	93,588,000
FY2015	86,160,000	10,103,000	96,263,000

- From FY2015 to FY2018, overtime usage grew 2.578MM, an increase of 25.52%.
- Total overtime is approximately 12% (average of 4 years) of total payroll costs (excluding benefits).

City of Oxnard
Overtime Usage Audit

Overtime Usage Benchmark with Comparable Cities

Analysis, Results and Recommendations

Analysis: Overtime Usage Benchmark with Comparable Cities

California Cities Ranked by 1/1/2019 Total Population			
Rank	City	County	Approximate Population
18	Santa Clarita	Los Angeles	218,000
19	Modesto	Stanislaus	215,000
20	Fontana	San Bernardino	212,000
21	Oxnard	Ventura	210,000
22	Moreno Valley	Riverside	208,000
23	Glendale	Los Angeles	206,000
24	Huntington Beach	Orange	204,000

Analysis, Results and Recommendations

Analysis: Overtime Usage Benchmark with Comparable Cities

Total Pay Per City by Year							
		FY2018			FY2017		
Population Rank	City	Total Overtime	Total Pay	Overtime %	Total Overtime	Total Pay	Overtime %
18	Santa Clarita	$ 506,000	$ 37,945,000	1.33%	$ 470,000	$ 35,762,000	1.31%
19	Modesto	11,887,000	100,159,000	11.87%	10,884,000	97,703,000	11.14%
20	Fontana	3,206,000	62,271,000	5.15%	2,601,000	59,150,000	4.40%
21	Oxnard	12,681,000	108,633,000	11.67%	13,280,000	100,820,000	13.17%
22	Moreno Valley	261,000	26,800,000	0.97%	309,000	25,673,000	1.20%
23	Glendale	20,394,000	159,562,000	12.78%	18,944,000	150,934,000	12.55%
24	Huntington Beach	14,441,000	115,231,000	12.53%	14,489,000	114,208,000	12.69%

Total Pay Per City by Year							
		FY2016			FY2015		
Population Rank	City	Total Overtime	Total Pay	Overtime %	Total Overtime	Total Pay	Overtime %
18	Santa Clarita	$ 474,000	$ 35,172,000	1.35%	$ 488,000	$ 34,093,000	1.43%
19	Modesto	9,117,000	86,108,000	10.59%	8,818,000	85,062,000	10.37%
20	Fontana	2,326,000	57,227,000	4.06%	2,259,000	56,852,000	3.97%
21	Oxnard	11,404,000	93,588,000	12.19%	10,103,000	96,263,000	10.50%
22	Moreno Valley	285,000	24,713,000	1.15%	282,000	24,118,000	1.17%
23	Glendale	16,871,000	147,269,000	11.46%	15,873,000	142,488,000	11.14%
24	Huntington Beach	12,802,000	107,492,000	11.91%	12,761,000	109,693,000	11.63%

Analysis, Results and Recommendations

Analysis: Overtime Usage Benchmark with Comparable Cities

- Santa Clarita and Moreno Valley outsource parts of public safety, and therefore are not considered comparable.
- Most comparable in terms of population would be Modesto, Glendale and Huntington Beach.

City of Oxnard

Overtime Usage Audit

Overtime Usage by Departments

Analysis, Results and Recommendations

Analysis: Oxnard's Overtime Usage by Department

Department	% of Overtime Usage							
	FY2018		FY2017		FY2016		FY2015	
	Overtime	%	Overtime	%	Overtime	%	Overtime	%
Fire Department	$ 5,191	41%	$ 5,083	38%	$ 4,531	40%	$ 3,645	36%
Police Department	4,514	36%	5,027	38%	4,328	38%	3,956	39%
Solid Waste Department	1,303	10%	1,445	11%	1,129	10%	1,036	10%
Parks and Recreations	415	3%	518	4%	202	2%	180	2%
Wastewater Department	503	4%	511	4%	357	3%	321	3%
Water Department	302	2%	217	2%	345	3%	476	5%
Others	453	4%	479	3%	512	4%	489	5%
Total	$ 12,681	100%	$ 13,280	100%	$ 11,404	100%	$ 10,103	100%

- Figures above do not reflect reimbursements the departments receive. The Fire Department received approximately 1.5MM and 385k in FY2018 and FY2017, while the Police Department received 206k, 390k, 369k, 263k in FY2018, FY2017, FY2016 and FY2015, respectively.

Analysis, Results and Recommendations

Analysis: Oxnard's Overtime Usage by Department

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2018			
Fire Department	41%	32%	40%	44%
Police Department	36%	48%	30%	41%
Solid Waste Department	10%	0%	4%	0%
Parks and Recreations	3%	1%	0%	1%
Wastewater Department	4%	0%	0%	1%
Water Department	2%	0%	1%	2%
Others	4%	19%	25%	11%
Total	100%	100%	100%	100%

Department	Oxnard	Modesto	Glendale	Huntington Beach
	FY2017			
Fire Department	38%	32%	44%	49%
Police Department	38%	44%	28%	38%
Solid Waste Department	11%	0%	3%	0%
Parks and Recreations	4%	2%	0%	1%
Wastewater Department	4%	0%	0%	1%
Water Department	2%	0%	1%	2%
Others	3%	22%	24%	9%
Total	100%	100%	100%	100%

Analysis, Results and Recommendations

Analysis: Oxnard's Overtime Usage by Department

Fiscal Year	Oxnard	Modesto	Glendale	Huntington Beach
FY2018	77%	80%	70%	85%
FY2017	76%	76%	72%	87%
FY2016	78%	75%	76%	84%
FY2015	75%	74%	73%	85%
PRIOR 4 YEAR AVERAGE	76%	76%	73%	85%

- Total overtime usage by Oxnard's public safety departments is in the middle of other comparable cities.
- Modesto and Huntington Beach both have higher public safety overtime usage while Glendale had lower usage.
- **Oxnard's overtime usage in the public safety sector does not appear to be excessive based on the results of this benchmark.**

City of Oxnard
Overtime Usage Audit

Cost of Overtime
Versus Cost of Hire

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Top 10 Overtime Positions for Oxnard

Job Position	Department	FY2018 Position Rank	FY2017 Position Rank	FY2016 Position Rank	FY2015 Position Rank
Fire Captain	Fire Department	1	2	1	2
Police Officer II	Police Department	2	1	2	1
Fire Engineer	Fire Department	3	3	3	3
Firefighter	Fire Department	4	4	5	4
Police Officer I	Police Department	5	5	4	6
Solid Waste Equip Oper II	Solid Waste Department	6	6	6	5
Police Officer III	Police Department	7	7	7	7
Police Sergeant	Police Department	8	8	8	8
Solid Waste Trans Operator	Solid Waste Department	9	9	10	9
Battalion Chief	Fire Department	10	n/a	9	10
Fire Inspector	Fire Department	n/a	10	n/a	n/a

- The chart above analyzes the top Oxnard positions utilizing overtime.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Top Overtime Positions for Oxnard (FY2018)

Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	3	2	3
Fire Engineer	Fire Department	3	2	4	4
Firefighter	Fire Department	4	7	3	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	4	5	5
Solid Waste Trans Operator	Solid Waste Department	7	n/a	n/a	n/a
Fire Inspector	Fire Department	8	n/a	n/a	n/a

Top Overtime Positions for Oxnard (FY2017)

Job Position	Department	Oxnard	Modesto	Glendale	Huntington Beach
Police Officer (I, II and III)	Police Department	1	1	1	1
Fire Captain	Fire Department	2	4	4	3
Fire Engineer	Fire Department	3	2	3	4
Firefighter	Fire Department	4	6	2	2
Solid Waste Equip Oper II	Solid Waste Department	5	n/a	n/a	n/a
Police Sergeant	Police Department	6	3	5	5
Solid Waste Trans Operator	Solid Waste Department	7	n/a	n/a	n/a
Fire Inspector	Fire Department	8	n/a	n/a	n/a
Battalion Chief	Fire Department	n/a	n/a	n/a	n/a

- Police Officers, Fire Captains and Fire Engineers utilize the most overtime.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Nature of Overtime Usage				
Rank	Classification of Overtime	FY2017	FY2016	FY2015
1	Backfill	27.82%	19.60%	22.44%
2	Enforcement Details	23.81%	20.66%	19.66%
3	Court Related	9.51%	8.63%	8.78%
4	Traffic	7.92%	16.61%	16.08%
5	Miscellaneous	7.07%	3.67%	10.12%
6	Investigative Details	4.82%	2.01%	6.37%
7	Special Events	3.14%	3.68%	0.10%
8	Communications Center	2.61%	3.72%	2.42%
9	SWAT / HNT	2.49%	0.89%	0.38%
10	Range	2.15%	4.37%	5.39%
11	Patrol	1.74%	3.76%	2.60%
12	Security	1.25%	2.80%	1.38%
13	Warrants / Searches	1.18%	2.30%	0.20%
14	Training	1.16%	1.37%	2.41%
15	Surveillance	1.14%	3.32%	0.14%
16	K-9	0.93%	2.04%	0.00%
17	Meetings	0.86%	0.57%	1.47%
18	Other	0.40%	0.00%	0.06%
	Total	100.00%	100.00%	100.00%

- The chart above summarizes the nature of overtime being utilized by the **Police Department**.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Nature of Overtime Usage			
Rank	Classification of Overtime	FY2017	FY2016
1	Station Coverage Shift	48.64%	56.23%
2	Annual Leave Shift	17.58%	19.71%
3	Station Coverage Mutual Aid Backfill	16.02%	5.18%
4	Station Coverage Non-Shift	5.58%	5.73%
5	Injury Leave	2.92%	3.90%
6	Mandated Overtime	2.35%	0.00%
7	Training	1.86%	0.48%
8	Mandated Overtime Non-Shift	1.22%	4.56%
9	Mandated Overtime Mutual Aid Backfill	1.16%	0.25%
10	Others	2.67%	3.96%
	Total	100.00%	100.00%

- The chart above summarizes the nature of overtime being utilized by the **Fire Department**.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Recommendation: Hire Versus Overtime Analysis

- The public safety departments, which utilize the most overtime, should perform a hire versus overtime analysis to determine what is most cost effective.
- This analysis should be performed for the top positions utilizing overtime.
- The public safety departments should work with the Human Resources Department to fill these positions as quickly as possible to minimize the cost of overtime.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Recommendation: Memorandum of Understandings and Productive Time

- Some of the City's memorandums of understanding with different unions allow for vacation, sick and other similar time to be counted as productive time, in which overtime is then applicable if an employee exceeds a certain work hour threshold based on applicable laws and regulations.
- The City should consider whether continuing this practice is prudent.

Analysis, Results and Recommendations

Analysis: Cost of Overtime Versus Cost of Hire

Recommendation: Highest and Best Use

- There may be instances in which Departments within the City employ a rank-for-rank approach, in which a vacant position is filled with an equally qualified candidate.
- This gives tenured or seasoned employees first opportunity to work overtime as an incentive.
- The City should consider utilizing employees who are just as qualified to fill in those vacancies rather than rank-for-rank positions to minimize overtime.

City of Oxnard
Overtime Usage Audit

Compensatory Time

Analysis, Results and Recommendations

Analysis: Cost of Compensatory Time

- Compensatory time ("comp time"), an alternative to overtime, is paid time off earned by eligible employees who elect to defer payment to an alternative period.
- Comp time is elected when the overtime is worked, and carried at 1.5 hours for every 1 hour worked.

Analysis, Results and Recommendations

Analysis: Cost of Compensatory Time

		Total Compensatory Hours Accrued Over FLSA Limits			
Department	Limits	FY2018	FY2017	FY2016	FY2015
Non-Public Safety	Over 240 Hours	-	-	-	-
Public Safety	Over 480 Hours	6,599	7,492	7,441	6,244

		Number of Employees Over Limits			
Department	Limits	FY2018	FY2017	FY2016	FY2015
Non-Public Safety	Over 240 Hours	-	-	-	-
Public Safety	Over 480 Hours	15	14	12	5

- From the years ended June 30, 2015 through 2018, the City had over 6,000 hours of accrued compensatory time.
- Compensatory time is paid out at the employee's most current pay rate.
- Over 15 public safety employees have accrued balances over FLSA limits.

Analysis, Results and Recommendations

Analysis: Cost of Compensatory Time

Recommendation: Establish Compensatory Time Carryover Limits in Accordance with FLSA Guidelines

- Adopting the FLSA limit will reduce the amount of unintentional carryover costs related to overtime.
- Pay balances out on a periodic basis.

City of Oxnard
Overtime Usage Audit

Internal Control Testing - Overtime

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

- Internal controls test of the overtime administration process to ensure procedures are operating as designed.
- Police, Fire and Miscellaneous (All Others) all have separate overtime administering, monitoring and tracking processes.
- Controls testing focuses on approval processes and administering overtime

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of audit procedures performed:

Audit Procedure A: The employee's overtime timesheet, retroactive adjustment form or similar is retained by the City's departments.

Audit Objective: To determine whether the City has a process in place to ensure that the employee's overtime and related records are retained in accordance with applicable City policies and procedures.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of audit procedures performed:

Audit Procedure B:	The employee's overtime timesheet is signed and approved by the employee.
Audit Objective:	To determine whether the employee acknowledges and approves the overtime hours reported on their overtime timesheet.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of audit procedures performed:

Audit Procedure C:	The employee's supervisor or designee signs and approves the overtime timesheet signed by the employee.
Audit Objective:	To determine whether the employee's supervisor or designee acknowledges and approves the overtime hours reported on the employee's overtime timesheet.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of audit procedures performed:

Audit Procedure D: The total hours reported on the employee's overtime timesheet agrees and reconciles to the employee's pay stub.

Audit Objective: To determine whether the employee's total reported overtime hours on the timesheet is properly reflected on the employee's pay stub.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

Department	Fiscal Year	Total Items Tested	Overtime Testing Exceptions (Audit Procedure)			
			A	B	C	D
Fire Department	2017	70	8	0	0	10
Police Department	2017	45	2	0	0	4
Miscellaneous (All Others)	2017	67	0	0	0	1
Fire Department	2016	57	1	0	0	4
Police Department	2016	47	0	0	0	1
Miscellaneous (All Others)	2016	61	1	1	0	3
Fire Department	2015	See Note 1	n/a	n/a	n/a	n/a
Police Department	2015	47	0	0	0	2
Miscellaneous (All Others)	2015	40	0	0	0	1
Total		434	12	1	0	26

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

- Procedure A: 12 instances (2.8%) in which employee's overtime timesheet or comparable documentation was not available for our review.
- Procedure B: 1 instance in which an employee's timesheet was not signed.
- Procedure C: 0 instance in which a supervisor or similar designee did not approve the overtime.
- Procedure D: 26 exceptions in which the total overtime hours reported on the employee's overtime timesheet did not agree with the pay records.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

Procedure A: 12 instances (2.8%) in which employee's overtime timesheet or comparable documentation was not available for our review.

- In a majority of the 12 instances, the missing information was related to retroactive pay adjustments, overtime timeslip adjustments, etc.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

Procedure B: 1 instance in which an employee's timesheet was not signed.

- The timesheet, however, was signed by the supervisor.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

Procedure C: 0 instances in which a supervisor or similar designee did not approve the overtime.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration

Summary of overtime internal control testing:

Procedure D: 26 instances in which the total overtime hours reported on the employee's overtime timesheet did not agree with the pay records.

- A majority of the exceptions had minor hour adjustments which could not be reconciled.
- The total impact of the errors were not quantified as part of this analysis.

City of Oxnard
Overtime Usage Audit

Internal Control Testing – Compensatory Time

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Overtime Administration - Compensatory Time Internal Controls Testing

- Compensatory time is a component of overtime, therefore it was also tested.
- Same audit procedures as overtime, with an additional procedure testing whether the employee explicitly approved the compensation to be deferred.

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Comp Time Administration

Summary of compensatory time internal control testing:

Department	Fiscal Year	Total Items Tested	Compensatory Time Testing Exceptions (Audit Procedure)				
			A	B	C	D	E
Police Department	2017	6	0	0	0	1	0
Miscellaneous (All Others)	2017	14	0	1	1	1	0
				0			
Police Department	2016	8	0	0	0	0	0
Miscellaneous (All Others)	2016	12	0	1	0	0	0
Police Department	2015	13	0	0	0	0	0
Miscellaneous (All Others)	2015	7	0	1	1	2	0
Total		60	0	3	2	4	0

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Comp Time Administration

Summary of overtime internal control testing:

- Procedure A: 0 instances in which an employee timesheet was unavailable
- Procedure B: 3 instances in which an employee's timesheet was not signed.
- Procedure C: 2 instances in which a supervisor or similar designee did not approve the overtime.
- Procedure D: 4 instances in which the total overtime hours reported on the employee's overtime timesheet did not agree with the pay records.
- Procedure E: 0 instances in which the employee did not approve deferral of time

Analysis, Results and Recommendations

Analysis: Internal Control Testing of Comp Time Administration

CONCLUSIONS:

- The results of the internal control testing exceptions over overtime and compensatory timesheets present higher risks.
- The total amount of potential errors from overtime computation was not quantified, but does not appear to be material.

Overtime Audit Challenges

- HTE does not provide payroll information in a format that's easily retrievable.
- Payroll is de-centralized, with public safety departments administering and managing their own payroll (including overtime).
- Police, Fire and Miscellaneous (All Others) utilize different staff management software. Documentation is maintained at each site separately.
- Overtime and compensatory time tracked separately

Other Recommendations

Recommendation: **Centralized Payroll Department**

- Police, Fire and Miscellaneous (All Others) process and monitor their own payroll as well as maintaining their own payroll records.
- Decentralized payroll process presents additional risks compared to a centralized system.
- The City should re-evaluate whether a de-centralized payroll system is ideal for the size and complexity of the City.
- There should be one department that ultimately oversees all payroll and related functions, and that should be the Payroll Administration Department.

Other Recommendations

Recommendation: Development of an Overtime Monitoring System

- The City does not have a formal overtime administration and monitoring policy that outlines how overtime should be administered, utilized and monitored.
- The City would benefit from having a person be designated to oversee the administration and monitoring of overtime usage, including ensuring department overtime budgets are in line by working with the individual departments.
- Overtime should be periodically monitored (at least quarterly) and follow up with the individual departments to identify the source of overtime usage.

Other Recommendations

Recommendation: Retention of Payroll Records

- The Fire Department did not maintain payroll records beyond two years. The Fire Department should refer to the City's record retention policy to ensure compliance.
- There were instances in our internal control testing in which documentation was not available. Moving to a centralized payroll system should improve documentation retention with enhanced oversight.

City of Oxnard
Overtime Usage Audit

Questions and comments?

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.3

DATE: March 24, 2020

TO: Finance & Governance Committee

FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org

SUBJECT: City of Oxnard Environmental Resources Division Cash Handling Report. (15/10/10)

RECOMMENDATION

That the Finance and Governance Committee recommends City Council receive and file the Internal Auditor Report on the Environmental Resources Division Cash Handling.

BACKGROUND

The City of Oxnard's Internal Auditor, Price Paige & Company, helps the City accomplish its objectives and helps improve the effectiveness of risk management, control and the governance process. As a result of the City-wide risk assessment, it was identified that the Environment Resources Division of the City handles a significant amount of cash on a daily basis. Cash is a high risk area for potential misappropriations.

The objective of the cash handling audit is to determine whether the Environmental Resources Divisions have proper internal controls in place to ensure proper handling and recording of cash transactions. This includes obtaining an understanding the internal control design as well as testing the implementation of those controls. The cash handling audit was not conducted to specifically identify any instances of fraud or misappropriation of resources. As a result of the audit, recommendations to the Division and City are made for operational improvement. The Internal Auditor has completed the cash handling audit of the City of Oxnard and has issued its report.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the following goals and objectives:

Objective 1a. Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015 and provide periodic reports to Council on the status of the implementation plans.

Objective 1b. Establish an Internal Audit Program to complete performance audits of identified programs to ensure compliance with state and federal law and that Council policy is adhered to.

Objective 1c. Develop written procedures to address Internal Control recommendations from Auditor.

FINANCIAL IMPACT

The cash handling audit has been budgeted by the City of Oxnard to be included in the annual internal audit work plan.

Prepared by: Henry Oum, Price Paige & Company

ATTACHMENTS

1. City of Oxnard - ER Division Cash Handling Report (Final)
2. City of Oxnard Internal Audit Department ER Division Cash Handling

REPORT FOR

CITY OF OXNARD ENVIRONMENTAL RESOURCES DIVISION CASH HANDLING PROCEDURES AUDIT

FOR THE PERIOD JULY 1, 2016 THROUGH DECEMBER 31, 2018

September 17, 2019

Prepared by:

Price Paige and Company
Internal Auditors of the City of Oxnard

570 N. Magnolia Avenue Suite 100
Clovis, CA 93611

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CITY OF OXNARD ENVIRONMENTAL RESOURCES DIVISION
CASH HANDLING PROCEDURES AUDIT
FOR THE PERIOD JULY 1, 2016 THROUGH DECEMBER 31, 2018

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BACKGROUND AND AUDIT OBJECTIVES

The Del Norte Regional Recycling and Transfer Station ("Del Norte") is the City of Oxnard's (the "City") Material Recovery Facility ("MRF") operated by the Environmental Resources Division (the "ER Division"). Del Norte was designed in the early 1990s and opened in October of 1996. It is currently permitted to accept a total of 2,779 tons per day in the following quantities: 1,667 tons of solid waste and 1,112 tons of recyclable, organic/green-waste and other diver-table material. At current volumes, Del Norte receives, processes, and transfers approximately 1,000 tons per day of municipal solid waste, source-separated or "curbside" recyclables and organics (green waste and food waste) from the western region of Ventura County. The primary source of this material comes from the City of Oxnard; however, as a regional facility, material is also received from the City of Port Hueneme and unincorporated areas of Ventura County.

The MRF conducts business transaction at the scale house weigh station and at the recyclable buy back center. The MRF utilizes the Paradigm Software Weigh Station Program (main system) to record all transactions. The main system is backed up by the Municipal Solid Waste Disposal ticket system.

During 2018, we performed a City-wide risk assessment which considered all of the City's departments. The purpose of the risk assessment was to identify any significant risks of error or fraud. As a result of the risk assessment process, certain risks were identified within various departments and a timetable established for conducting audits to address those risks. The ER Division's audit was scheduled for the year ended June 30, 2019.

The City-wide risk assessment process included interviews with the ER Division's management personnel. Consideration was given to the size of each of the City department's operating budget, as well as staffing resources, job duties, and operational complexities within each department from a risk standpoint of potential waste, fraud or abuse. The ER Division collects approximately $2,400,000 in cash ($1.4M) and credit card receipts ($1.0M) on an annual basis. The identification of risks do not necessarily indicate issues within a department, but rather potential risks based on a department's operating environment.

The primary and key objective of the review of the ER Division's cash handling procedures is to determine the following:

1. Potential non-compliance with cash handling policies and procedures that may lead to opportunities for misappropriation or theft of cash receipts

SCOPE OF AUDIT

The scope of our audit included a review of the ER Division's policies and procedures, including testing of compliance with internal policies and procedures over cash handling, and a review of source documents including weight tickets, daily collection reports, bank deposits slips and others. This assessment reviewed the ER Division's Cash Handling Protocols developed by the ER Division since beginning the operation of the Del Norte Station prior to the establishment of formal policies and procedures effective February 1, 2019. We performed a physical tour of the ER Division and conducted various meetings and interviews with ER personnel as well as with members of the ER Division's management to obtain an understanding of their cash handling, recording and monitoring process. We also met with the City Treasurer's office to obtain an understanding of their cash receipt and collection process.

The scope of our audit was from July 1, 2016 through December 31, 2018, a total of 30 months. Through that period, the ER Division had approximately 165,000 transactions that totaled approximately $4,200,000 in net revenue for the City ($3.4M collected in cash, $2.4M collected in credit card and $1.6M dispensed in cash at the Buyback Center for the purchase of California Redemption Value CRV recycled beverage containers for a net revenue collected of approximately $4.2M). The ER Division handles a significant amount of cash on an annual basis.

AUDIT PROCEDURES

The audit procedures applied focused on a review of key components in the ER Division's cash handling process, specifically related to internal controls.

Below is a list of audit procedures performed:

Audit Procedure #1:	Review the weight tickets issued by the scale house operator for each transaction. Confirm that all weight tickets issued are supported by the appropriate documentation.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures for the issuance and recording of weight ticket information.
Audit Procedure #2:	Review and confirm that a Municipal Solid Waste ("MSW") disposal ticket is issued by the scale house operator in accordance with ER Division's policies and procedures.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the issuance of MSW disposal tickets for each transaction.
Audit Procedure #3:	Review cash reconciliation sheet submitted by scale house operators for each day selected. Confirm cash reconciliation sheet submitted by the operator was initiated by the operator and verified by an Accounting Technician or other similar designee.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the cash reconciliation review and approval process.
Audit Procedure #4:	Review and compare the cash amount listed on the deposit type by detail report generated by the Accounting Technician to the cash reconciliation submitted by each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the information entered into the WeighStation computer system as it relates to cash reconciliations.
Audit Procedure #5:	Review and compare cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the cash amounts reported on each operator's cash reconciliation report to the main cash reconciliation form entered into the system.
Audit Procedure #6:	Review and compare the amount listed on the daily deposit detail sheet generated by the Accounting Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.
Audit Objective:	To determine whether the ER Division is complying with its internal policies and procedures related to the daily deposit detail sheet matching the cash reconciliation for each operator.

Audit Procedure #7: Review and compare the cash amount listed on the consignment log to the cash amount listed on the deposit summary.

Audit Objective: To determine that the amount listed on the consignment log is the same amount that's listed on the deposit summary, showing what was ultimately deposited with the City Treasurer's office.

Audit Procedure #8: Confirm cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days.

Audit Objective: To determine whether the elapsed time of when cash was received by the ER Division to when it was ultimately deposited with the City Treasurer's office.

SUMMARY OF RESULTS AND FINDINGS

Audit Procedure #1: Review the weight tickets issued by the scale house operator for each transaction. Confirm that all weight tickets issued are supported by the appropriate documentation.

Each transaction requires a weight ticket to be issued by the scale house operator. This is an electronic ticket generated by the scale system which is called Paradigm Software WeighStation Program. This ticket contains the customer name and net weight information of the load. Customers are charged by net weight per ton. This ticket is proof that a transaction took place and will be used by the accounting team to reconcile the transaction to the supporting documentation.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. There were no instances in which weight tickets were not issued for each transaction identified.

Audit Procedure #2: Review and confirm that a Municipal Solid Waste disposal ticket is issued by the scale house operator in accordance with the ER Division's policies and procedures.

For each transaction, the scale house operator is also required to issue a MSW disposal ticket to the customer. A MSW ticket is a manual ticket issued by the scale house operator which serves as a backup mechanism in case the ER Division's electronic system breaks down or becomes unavailable. Information on the MSW needs to contain the customer name as well as the net weight of the load. In case of an electronic breakdown, this ticket is proof that a transaction took place and will be used by the accounting team to reconcile the transaction.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 49 instances in which a MSW disposal ticket was not available or retained in the ER Division's records.

Audit Procedure #3: Review cash reconciliation sheet submitted by scale house operators for each day selected. Confirm cash reconciliation sheet submitted by the operator was initiated by the operator and verified by Accounting Technician or other similar designee.

The cash reconciliation sheet provides information about the scale house operator's beginning of day cash drawer amount, amounts collected during the day, and end of the day cash drawer amount. This cash reconciliation sheet is then provided to the Accounting Technician or designee to acknowledge its receipt and to provide support that it was submitted and verified by another person.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 13 instances in which the cash reconciliation sheet was unavailable or missing. In addition; of the cash reconciliation sheets that were reviewed, we noted a total of 8 instances in which the form omitted information related to the starting cash box amount.

Audit Procedure #4: Review and compare the cash amount listed on the deposit type by detail report generated by the Accounting Technician to the cash reconciliation submitted by each scale house operator.

The scale house operator will prepare the cash reconciliation sheet at the end of the day and submit it to the Accounting Technician or other similar designee. The Accounting Technician will then pull the deposit type by detail report. This audit procedure ensures that the information received from the scale house operators were properly entered into the WeighStation computer system by the scale house operator.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 6 instances in which the deposit type by detail report was not available or missing from the ER Division's records.

Audit Procedure #5: Review and compare cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.

The scale house operator is required to submit a daily cash reconciliation report which summaries the denomination of cash and total credit card transactions for the day. This report also provides information related to reviewer approvals. The cash amounts listed on the daily cash reconciliation schedule should agree to the reconciliations submitted by each of the scale house operators and identify who prepared the reconciliation and who reviewed it.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 2 instances in which the daily cash reconciliation report was not available for review in the Department's records.

Audit Procedure #6: Review and compare the amount listed on the daily deposit detail sheet generated by the Accounting Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.

The Account Clerk III will pull the deposit type detail report. The amount of total cash and credit cards collected during the day should reconcile to the amounts reflected in the system.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted a total of 113 instances in which the daily deposit detail sheet did not match the sum of the cash and credit card totals on one or more of the cash reconciliations of the scale house operators.

Audit Procedure #7: Review and compare the cash amount listed on the consignment log to the cash amount listed on the deposit summary.

The cash amount listed on the consignment logs should agree to the amounts listed on the deposit summary. This confirms that what was collected by the ER Division was remitted to Garda.

Result: We reviewed a total of 250 transactions from July 1, 2016 through December 31, 2018. We noted two instances in which the daily deposit summary did not match the cash amount listed on the consignment log. For these two instances, the total amount listed on the daily deposit summary was $6,959 and what was listed on the consignment log was $6,938 a difference of $21.

In addition, we noted two other instances in which consignment logs were missing and not available for our review.

Audit Procedure #8: Confirm cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days.

Once cash has been received, logged in the accounting system, and stored in the safe, Garda will be called to pick up the cash to be deposited with the City Treasurer's office. While there is no written policy for the number of days from cash receipt to deposit, a reasonable time period would be a maximum of three days.

Result: We reviewed a total of 201 transactions from July 1, 2016 through December 31, 2018. We noted 3 instances in which the elapsed time from when the cash was logged in by the ER Division and picked up by Garda was beyond 3 days. Of the 3 instances, there was one instance in which the total elapsed time was 26 days, a second instance when it was 52 days, and a third instance when it was 167 days.

RECOMMENDATIONS

Our audit was conducted specifically to address the objectives identified above and our recommendations below reflect improvements in the internal controls or processes to help mitigate risks of error or fraud. In addition, during the course of our audit, we sometimes come across opportunities for improvement in internal controls or operations as a byproduct of the audit procedures applied. These recommendations may not be a direct result of a finding or exception, but should be considered by the ER Division for implementation to improve controls or operations. The ER Division and the City should also consider the costs and related benefits of implementing these recommendations.

Recommendation #1 – Issuance of MSW Disposal Tickets

The ER Division is inconsistently issuing MSW disposal tickets. According to the ER Division's policies and procedures manual, an MSW ticket is to be issued with every transaction. MSW tickets are manual tickets which serve as a backup mechanism in case the ER Division's electronic system breaks down or becomes unavailable. Issuing and keeping track of MSW tickets with every transaction will ensure the ER Division's backup system is working in case of any breakdowns in the electronic system.

Department's Response:

We concur with the recommendation. The MSW disposal ticket was originally designed for identifying the customer transaction (i.e. deposit amount, weight, personal protective equipment, special material fees) but overtime the MSW disposal ticket has also served as a backup document in the event that the computer system was down.

The ER Division has experienced back-logged orders with its supply vendor of MSW disposal tickets. ER will work closely with its supply vendor to prevent back-log orders and having adequate supply of MSW disposal tickets.

Recommendation #2 – Timely Reconciliation of Cash

Currently, there is a time lag between when the cash is counted and dropped off by the scale house operators to when cash is reconciled by the Accounting Technicians. We recommend that the ER Division have set schedules of when cash will be reviewed and reconciled in a timely manner. Implementing a mechanism that timely reconciles the cash collected by the scale house operator to the cash collected and recorded in the system by the Accounting Technicians will reduce the potential for misappropriation of cash.

Department's Response:

We concur with the recommendation based on staff resources indicated in Recommendation #4. However, the ability to comply with this recommendation is directly related to availability of "cash-trained" staff, and affected by the differences in operational schedules between ER Division and the City Treasurer's office.

Recommendation #3 – Scheduled Armored Cash Pick-Up Days

The ER Division does not have a set schedule for Garda to pick up deposits and deliver the cash to the City Treasurer's office. Pick-ups are currently scheduled on a change order need basis, and occur an average of three pickups per week. To be specific, the term "change order" is used in a financial context: it is a request to the bank for specific currency dominations and coinage to allow for uninterrupted cash customer transactions. This has resulted in the ER Division having no viable alternative except to hold on to the cash for a long period of time. Having a set pick up schedule would minimize delays in depositing the funds to the City Treasurer's office, but would still be dependent upon availability of "cash-trained" staff.

Department's Response:

We concur with the recommendation. Currently, deposits are scheduled based on the need for change orders. There is no fixed schedule for pick up days.

Recommendation #4 – Staff Resources

As a result of our audit, we noted that there appears to be a shortage of Accounting Technicians employed by the ER Division to handle the significant volume of transactions and workload necessary in order to maintain adequate controls and recordkeeping. Currently employees appear to be working at or over capacity which results in inefficiencies and contravention of internal controls. The ER Division should conduct a full-time equivalent analysis to determine whether work can be allocated appropriately among existing employees or whether additional full time equivalents are required.

Department's Response:

We concur with the recommendation. The ER Division is currently releasing a request for proposal for a consultant to review the comprehensive business plan. This specific task is included.

Recommendation #5 – Documentation Retention

During our audit, we noted a significant number of instances in which information requested was missing or unavailable (not easily obtainable) from the ER Division. Maintaining sufficient documentation is a key part of ensuring records are complete and support the underlying transactions. A lack of or missing documentation does not provide an audit trail for subsequent review or properly documents the trail of information and related cash. We highly recommend that the ER Division ensure that documents are retained in a manner that is easily retrievable, or develop an electronic system to store this information (scanning).

Department's Response:

We concur with the recommendation. The ER Division will look into designing an electronic filing system where documents can be retained and easily retrievable. It should be noted that currently, the Division relies on four separate software systems for operations. Consolidation of those systems would be beneficial. The ER Division will also look into the City's Retention Records Policy to determine retention time for documents generated by the ER Division. Currently, weigh tickets are electronically stored. The City retention policy on weigh tickets is five years plus one year before retention time is expired.

Recommendation #6 – Staff Training

Our audit identified significant instances of the cash reconciliation forms being improperly completed or reconciled by the ER Division staff. We recommend that the ER Division implement continuous training for staff to ensure that the forms are filled out completely and accurately. The Accounting Technician's review is critical to ensuring the information is complete and accurate. Training of new staff or periodic update training of existing staff should reduce the number of errors during the form completion process.

Department's Response:

We concur with the recommendation. Due to the high turnover rate of scale house operators (Customer Service Representatives) and limited staff resources as indicated in Recommendation #4, continuous training is not always feasible given operational and regulatory mandates. Currently, new scale house operators are trained at the scale house for (3) three weeks and (1) one week at the BuyBack Center. In addition, new scale house operators complete a training checklist of duties required. However, vacancies are a common problem and contribute to the problem ER Division will create a quality control matrix to track employee training.

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[redacted]

[redacted]

[redacted]

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We did not perform a financial audit, the objective of which would be the expression of an opinion on the ER Division's specific records, accounts or items. Accordingly, we do not express such an opinion. The scope of our review was limited to an analysis of internal control system and compliance with policies and procedures as it relates to the Environmental Resources Division cash handling process and procedures. Had we performed additional procedures, other matters may have come to our attention which we would have reported to you.

This report is intended solely for use by the ER Division's management, Finance and Governance Committee of the City of Oxnard, and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Price Paige & Company

Price Paige & Company
Internal Auditors of the City of Oxnard

City of Oxnard Environmental Resources (ER) Division Cash Handling Procedures Audit

PRICE PAIGE & COMPANY
Accountancy Corporation

Presented by:
Internal Audit Department of the City of Oxnard

Background

- City-wide risk assessment was conducted to determine significant risk of error or fraud.
- Identification of risks do not necessarily indicate issues, but rather potential risks based on a department's operating environment.
- Cash handling identified as high risk, as the ER Division handles approximately 2.4MM in cash annually.
- Information from City personnel elevated this audit as a higher priority.

Audit Objective

Key Audit Objective:

- Potential non-compliance with cash handling policies and procedures that may lead to opportunities for misappropriation or theft of cash receipts.
- Examination of the Department's control systems related to cash handling

Audit Objective

What the audit isn't designed for

- Audit procedures are not designed to specifically look for misappropriation of cash receipts or fraud.
- Those procedures require specific identification of system vulnerabilities and expanded audit procedures.
- However, if any instances of misappropriation or fraud came to our attention, we would share that with the City

Scope of the Audit

- Audit Period - July 1, 2016 through December 31, 2018 (30 months).
- Review Environmental Resources Division's cash handling procedures and test compliance with internal policies and procedures over cash handling and recording.
- Population included approximately 165,000 transactions that totaled approximately $4.2M in net revenue for the City ($3.4M collected in cash, $2.4M collected in credit card and $1.6M dispensed in cash at the Buyback Center).

Audit Procedures

- Conducted a physical tour of the Environmental Resources Division's plant facilities and interviewed department personnel to obtain an understanding of the cash handling, recording and monitoring procedures.
- Performed detailed walkthroughs of Environmental Resources Division's cash handling procedures to document the controls in place.
- Selected 250 transaction samples for compliance testing from the period of audit.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

1. Reviewed weight tickets issued by the scale house operator for each selected transaction. Confirmed that all weight tickets issued were supported by the appropriate documentation.
2. Reviewed and confirmed that a Municipal Solid Waste (“MSW”) disposal ticket was issued by the scale house operator in accordance with ER Division’s policies and procedures.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

3. Reviewed cash reconciliation sheets submitted by the scale house operators for each day selected. Confirmed cash reconciliation sheet submitted by the operator was verified by Administrative Technician.
4. Reviewed and compared the cash amount listed on the deposit type by detail report generated by the Administrative Technician to the cash reconciliation submitted by each scale house operator.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

5. Reviewed and compared cash amounts listed on the daily main cash reconciliation to the cash reconciliations submitted by each scale house operator.
6. Reviewed and compared the amount listed on the daily deposit detail sheet generated by the Administrative Technician to the sum of the cash and credit card totals on the cash reconciliation from each scale house operator.

Internal Control Procedures Testing

For 250 transactions, we performed the following:

7. Reviewed and compared the cash amount listed on the consignment log to the cash amount listed on the deposit summary.
8. Confirmed cash collections were picked up by the armored security transport company, Garda, within a reasonable number of days (3 days).

Key Audit Results/Observations

- Procedure 1 – No exceptions noted. All selected transactions had supporting weight tickets.
- Procedure 2 – Exceptions noted. Noted 49 instances in which a MSW disposal ticket was not available or retained in the Department's records.
- Procedure 3 – Exceptions noted. We noted a total of 13 instances in which the cash reconciliation sheet was unavailable or missing.
- Procedure 4 – Exceptions noted. We noted a total of 6 instances in which the Deposit Type by Detail Report was not available or missing from the Department's records.
- Procedure 5- We noted a total of 2 instances in which the daily cash reconciliation report was not available for review in the Department's records.

Key Audit Results/Observations (continued)

- Procedures 6 - Exceptions noted. Noted a total of 113 instances in which the daily deposit detail sheet did not match the sum of the cash and credit card totals on one or more of the cash reconciliations of the scale house operators.
- Procedure 7 - Exceptions noted. Noted noted 2 instances in which the daily deposit summary did not match the cash amount listed on the consignment log. For these two instances, the total amount listed on the daily deposit summary was $6,959 and what was listed on the consignment log was $6,938 a difference of $21.
- Procedure 8 – Exceptions noted. Noted 3 instances in which the elapsed time from when the cash was logged in by the Department and picked up by Garda was beyond 3 days.

Key Audit Results/Observations (continued)

Summary of Results:

Procedure #	Procedure Description	# of Transactions Tested	Exceptions
1	Weight ticket documentation	250	0
2	MSW ticket issued	250	49
3	Cash reconciliation sheet has proper approvals	250	13
4	Deposit amount collected ties to reconciliation	250	6
5	Cash on daily main reconciliation matches	250	2
6	Daily deposit total matches scale house operator total	250	113
7	Consignment log amount matches deposit summary	250	2
8	Cash picked up by Garda within reasonable number of days	201	3

Recommendations

- **#1 - MSW Tickets Issuance** - Currently, the ER Division is inconsistently issuing MSW disposal tickets. Issuing and keeping track of MSW tickets with every transaction will ensure the ER Division's compliance with its written policy and ensure the backup system is working in case of any breakdowns in the electronic system.

- **Department's Response:** The Department concurs with the recommendation. The MSW disposal ticket will serve as a backup document.

Recommendations

- **#2 - Timely Reconciliation of Cash** - Currently, there is a time lag between when the cash is counted and dropped off by the scale house operators to when cash is reconciled by the Administrative Technicians. We recommend that the ER Division have set schedules of when cash will be reviewed and reconciled in a timely manner.

- **Department's Response:** The Department concurs with the recommendation.

Recommendations

- **#3 - Scheduled Armored Cash Pickup Days** – Currently, the ER Division does not have a set schedule for Garda to pick up deposits and deliver the cash to the City Treasurer's office. Having a set pick up schedule would minimize delays in depositing the funds to the City Treasurer's office.

- **Department's Response:** The Department concurs with the recommendation. Currently, deposits are scheduled based on the need for change orders. There are no fixed schedule for pick-up days.

Recommendations

- **#4 - Staffing Resources:** There appears to be a shortage of Administrative Technicians employed by the ER Division to handle the significant volume of transactions. The Department should conduct a full-time equivalent analysis to determine whether work can be allocated appropriately among existing employees or whether additional full time equivalents are required.

- **Department's Response:** The Department concurs with the recommendation. The ER Division is currently releasing a request for proposal for a consultant to review the comprehensive business plan. This specific task is included.

Recommendations

- **#5 - Missing Documentation:** We noted a significant number of instances in which information requested was missing or unavailable from the Department. A lack of or missing documentation does not provide an audit trail for subsequent review or properly documents the trail of information and related cash. We highly recommend that the Department ensure that documents are retained in a manner that is easily retrievable, or develop an electronic system to store this information (scanning).

- **Department's Response:** The Department concurs with the recommendation. The ER Division will look into designing an electronic filing system where documents can be retained and easily retrievable.

Recommendations

- **#6 – Staff Training:** The audit identified instances of the cash reconciliation form being improperly completed or reconciled by the ER Division staff. We recommend that the Department implement training to ensure forms are filled out completely and accurately.

- **Department's Response:** The Department concurs with the recommendation. Due to the high turnover rate of scale house operators and limited staff resources, continuous training not always feasible.

Summary of Conclusions

- New staff and significant turnover creates challenges for the ER Division to operate effectively and efficiently when dealing with cash.
- The audit identified opportunities for the ER Division to improve cash handling operations to minimize the risk of theft or error of cash handling.
- The lack of documentation for certain audit procedures performed did not allow for us to quantify the cost of those errors.

City of Oxnard
Environmental Resources Division
Cash Handling Procedures Audit

Questions and comments?