

**Performance Audit 23-05:
Fire Department
Time and Leave Reporting**

April 2024

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

April 11, 2024

To: Mayor Kelly
City Council Members

Subject: Fire Time and Leave Reporting Audit (Report #23-05)

Dear Mayor Kelly and City Council Members:

The attached report contains the results of our audit of the Fire Department's Time and Leave Reporting process. Our audit found the Finance Department has adequate written policies and procedures and the City's timekeeping process ensures employee's time and leave records are accurate. Additionally, we found the Fire Department's practices substantially comply with the federal Fair Labor Standards Act (FLSA). However, we found the timekeeping process for 24-hour sworn personnel does not meet the records retention requirements of FLSA. We also found instances of non-compliance with City timekeeping and administrative leave policies.

In order to address the noted areas for improvement, we recommended actions to implement procedures to document that sworn personnel worked their scheduled hours. We also recommended the use of Oracle's time clock for day shift sworn and civilian staff. In addition, we recommended the Finance Department develop procedures to ensure departments comply with administrative leave policies.

We thank the management and staff of the Fire and Finance Departments as well as the City's Payroll Division for their cooperation and assistance during the audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Jermaine Freeman, Chief of Staff
Javaid Majid, Chief Financial Officer
Ryan Ewalt, Chief Operating Officer
Julia Bursch, Deputy Chief Operating Officer
Phil Hyman, Fire Chief
Brian Smart, Manager Financial Operations
Jim Arnette, Tennessee Local Government

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TABLE OF CONTENTS

AUDIT PURPOSE	2
BACKGROUND	2
Time and Leave Reporting Process.....	2
Statistical Information	3
FINDINGS AND RECOMMENDATIONS.....	4
Departures from Time Clock Policies.....	4
24-hour sworn personnel.....	4
8-hour sworn and civilian personnel.....	5
Incorrect use of Administrative Leave.....	5
APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS.....	9
APPENDIX B: PRIORITY LEVEL DEFINITIONS	10

AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2023 Audit Agenda. The objectives of this audit were to determine if:

- The Fire Department has adequate written policies and procedures for employee time and leave reporting; and,
- The Fire Department's timekeeping process has internal controls that ensure employee's time and leave records are accurate and comply with the federal Fair Labor Standards Act (FLSA).

BACKGROUND

The FLSA establishes, among other things, minimum wage, overtime pay, and the recordkeeping standards for employees in the private sector and in federal, state and local governments. Nonexempt¹ employees covered by FLSA must receive overtime pay for hours worked in excess of 40 in a work week.

FLSA Section 7K allows for employees engaged in fire protection activities to be paid on a "work period" basis consisting of 7 to 28 consecutive days. Chattanooga's fire suppression division² has a 27-day work period. Based on FLSA, employees on a 27-day work period must be paid an overtime rate once they have worked more than 204 hours during the work period.

Under FLSA, every employer must keep certain records. The Act requires no particular form for the records, but does require certain identifying information about the employee and data about the hours worked and the wages earned. The records should include hours worked each day, total hours worked each workweek, total daily or weekly straight-time earnings, and overtime earnings for the workweek. The law requires this information to be accurate.

Time and Leave Reporting Process

To comply with FLSA regulations, the Finance Department developed and implemented the Timekeeping Policy and User Responsibilities and Procedures policy. The policy applies to all non-exempt

¹ Nonexempt employees primarily perform work that is subject to the overtime provisions of FLSA.

² The Fire Suppression Division includes both exempt and non-exempt 24-hour sworn personnel.

employees for the purpose of recording and reporting hours worked and paid leave taken.

Oracle Time and Labor, part of Oracle Cloud HCM, is the official timekeeping system used by the City to capture and record employee’s attendance and leave. All City non-exempt employees are required to use the Web Clock in Oracle Cloud to track their hours worked.

Due to the complexities of 24-hour shifts at the fire stations, the Fire Department implemented specialized software, called FDM³ Records Management, for scheduling personnel. Hours worked and leave taken by 24-hour sworn personnel is maintained in the FDM system. For each pay period, the payroll clerk updates Oracle to document leave as reported on FDM’s leave report. Actual hours worked by 24-hour shift employees is not maintained in the Oracle system.

Statistical Information

The Chattanooga Fire Department (CFD) currently operates 20 fire stations, and employs over 450 personnel throughout its six divisions: Operations, Tactical Services, Prevention, Logistics, Training and Administration. The largest division, Operations, manages three geographic districts using sworn personnel on three daily 24-hour shifts. The remaining divisions employ both 8-hour sworn and civilian personnel.

The salaries, wages and fringe benefits account for over 85% of the Fire Department’s annual expenditures. For fiscal year ending June 30, 2024, the Fire Department’s authorized positions included 439 sworn and 16 civilian employees.

Exhibit I: Fire Department Expenditures

	FY21	FY22	FY23
Salaries & Wages	21,452,406	26,501,899	27,315,639
Fringe Benefits	20,245,656	24,324,691	25,122,433
Professional Services	576,928	1,043,747	1,307,261
Repair Services	221,759	285,734	521,919
Utilities	545,985	496,355	600,386
Other Services	526,344	685,299	692,401
Office Supplies	28,033	48,571	50,199
Construction Supplies	20,320	8,318	15,386
Repairs & Maintenance Supplies	19,209	12,719	22,865
Other Materials & Supplies	622,727	621,254	1,087,598
Travel	4,356	41,658	77,536
Vehicle Operating Expenses	1,544,596	2,365,235	2,964,868
Insurance	45,275	46,886	50,956
Governmental Charges	350,748	333,317	146,060
Other Expenses	88	3,235	3,496
	46,204,430	56,818,918	59,979,003

Source: Oracle Financial

³ As of early 2024, the Fire Department implemented a new employee management system called First Due.

FINDINGS AND RECOMMENDATIONS

Departures from Time Clock Policies

Oracle's time clock system is not used by the majority of Fire's non-exempt employees. Attendance and leave is tracked and documented in FDM for 24-hour sworn personnel. We also found that 8-hour sworn personnel are essentially treated as exempt employees in Oracle and three of sixteen civilians are not properly clocking in and out each day in Oracle time clock.

The City's Timekeeping Policy Section 2.3 states all City non-exempt employees must use the Web Clock in Oracle Cloud to track their hours worked. In addition, Section 3.4 states "it is the responsibility of each non-exempt employee to clock in and out at the beginning and end of each workday". Fire management cited several reasons they do not use Oracle's time clock system. These include Oracle's inability to handle 24-hour shifts and historical practices of the department.

24-hour sworn personnel

The current timekeeping process for 24-hour sworn personnel does not meet the records requirements of FLSA. Firefighters working 24-hour shifts and classified as non-exempt are not using Oracle time clock to document daily hours worked. Instead, weekly work schedules and leave taken are documented using FDM's roster. Officers on duty use the daily roster to notate attendance and absences. If staff are absent, officers notify administration and update the FDM records.

FLSA Part 516, Subpart A §516.2(c) requires employers to maintain certain records when a non-exempt employee works a fixed schedule. When the employee adheres to the work schedule, they should "indicate by check mark, statement or other method that such hours were in fact actually worked". During the audit period, records were not maintained that confirmed 24-hour sworn personnel worked their fixed schedules. This departure from time clock policies increases the potential risk of wage compliance violations.

Recommendation 1:

We recommend the Finance Department update the timekeeping policies and implement written procedures to ensure compliance with FLSA Part 516, Subpart A §516.2(c), (1) and (2).

***Auditee Response (Finance):** We concur with the audit finding and recommendation.*

***Estimated Implementation Date:** June 30, 2024*

Priority Level: 1

Recommendation 2:

We recommend the Fire Department implement procedures to ensure compliance with records retention requirements of FLSA.

Auditee Response: *We concur with the audit finding and recommendation.*

Estimated Implementation Date: *June 30, 2024*

Priority Level: 1

8-hour sworn and civilian personnel

Three of sixteen civilian non-exempt employees are not using the Oracle time clock in accordance with City policies. The three individuals are not required to clock in and out each morning and evening. In addition, none of the twenty non-exempt day shift sworn personnel are required to use the time clock.

To ensure compliance with FLSA, the City has implemented Oracle Time Clock as the official record of time worked for all non-exempt employees. The Fire Department's inconsistent use of the time clock for 8-hour personnel violates City policy. In addition, the inconsistencies may give the appearance of favoritism in the workplace which erodes trust and could hinder the overall morale and performance of personnel.

Recommendation 3:

We recommend the Fire Department require all day shift, non-exempt personnel use Oracle's time clock in accordance with stated policies.

Auditee Response: *We concur with the audit finding and recommendation.*

Estimated Implementation Date: *April 26, 2024*

Priority Level: 1

Incorrect use of Administrative Leave

Our review of Oracle and FDM's leave records found administrative leave was used for purposes not allowed under the Employee Information Guide (EIG). Per Fire management, administrative leave is granted for several reasons including work-related medical

procedures (e.g. colonoscopy), shift-transfer situations, training classes, and promotional testing accommodations.

Section 12.8 of the EIG provides the situations in which administrative leave is recognized. The following situations are allowable:

- a. Employees working in fire and law enforcement may be temporarily removed for a serious, documented, work-related incident, such as an incident involving a shooting or some other post-traumatic event.
- b. Any department head may place an employee on administrative leave for up to maximum of 14 business days for the sole purpose of collection information to determine the facts to support a disciplinary action.
- c. Any department may place an employee on administrative leave after sustaining a serious, documented, work-related injury.
- d. The Mayor may close certain offices or dismiss nonessential personnel (e.g. weather related closings).

The Department of Finance and Administration is responsible for managing all fiscal affairs. To ensure compliance with applicable laws and ordinances, the department develops and implements citywide policies and procedures for time and leave reporting. Current policies have not addressed procedures to ensure administrative leave is adequately documented and approved. The lack of procedures increases risk of misuse or abuse of administrative leave.

Recommendation 4:

We recommend Finance develop written procedures that require the department to document, in Oracle, the reason and approval of administrative leave.

Auditee Response (Finance): We concur with the audit finding and recommendation.

Estimated Implementation Date: September 30, 2024

Priority Level: 2

Recommendation 5:

We recommend the Fire Department comply with City policies related to the purposes administrative leave is allowable under the current EIG.

Auditee Response: *We concur with the audit finding, but do not concur with the recommendation. Until this report, to our knowledge, no one has ever asked how or why the fire department used Administrative Leave, but we can provide definitive reasoning for every case, as it provides fair and equitable opportunity and application to our sworn members in a variety of circumstances, all of which are specific to fire department operations and the 24-hour schedule. So, we agree with the finding that we are not compliant with the current EIG rules regarding Administrative Leave, but do not concur with the recommendation to comply with the EIG, at least not until a change can be made. We will be working with the Mayor's Office, HR, and Finance to help all understand CFD's uses of Administrative Leave, and seek a change to add the CFD's specific applications to that section in the EIG or to be removed from that section altogether as has been done in several other sections.*

These uses of Administrative Leave are very specific to fire department operations and the 24-hour schedule, and include:

- *Promotional testing - to ensure equal opportunity is provided for members on a 24-hour shift prior to a third-party promotional test*
- *Shift transfers - to ensure personnel remain under 204 hours per pay period when transferred from one shift to another and to ensure members are well rested if the shift is the following day*
- *Probationary transfers - to ensure probationary firefighters have opportunity to learn from different company officers on different shifts during their probation*
- *Required training circumstances - to ensure members have an opportunity to be well rested for training after being on shift*
- *Required medical exams, screenings, and/or procedures - to ensure members have equal opportunity and access to medical screening for firefighters for presumptive laws (i.e. colonoscopies, heart monitoring, etc.)*
- *Injuries and illnesses on duty - after a firefighter was injured in a heroic act that saved an infant and mother, a former Mayor allowed this firefighter, and all firefighters thereafter, to receive Administrative Leave for any injuries or illnesses incurred as a result of actions performed in the line of duty; firefighting and rescue work is inherently dangerous, and men and women who put their lives on the line in the performance of duty should be cared for by the city*

Estimated Implementation Date: September 30, 2024

Priority Level: 2

Auditor Comment:

We understand the historical use of administrative leave and the auditee's intent to have the EIG revised to allow for such use. However, the EIG is official policy of the City as mandated by City Council resolution. Unless and until the EIG is revised, the Fire Department should comply with the EIG policies. With regard to work related injuries and traumatic events, as noted in the second paragraph of this finding, the EIG allows for the use of administrative leave.

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers the time and leave reporting process of the Fire Department from January 1, 2023 to December 31, 2023. When appropriate, the scope was expanded to meet the audit objectives. Source documentation was obtained from the Fire and Finance Departments. Original records as well as copies were used as evidence and verified through physical examination.

To accomplish our audit objectives, we interviewed staff to gain an understanding of the process, evaluated the internal controls, reviewed policies, procedures and federal regulations, analyzed FDM and Oracle data, and sampled time and leave entries for compliance with established policies. We also compared policies and procedures to operations.

The sample size and selection were statistically generated using a desired confidence level of 95 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on data maintained in FDM and Oracle. We assessed the reliability of the data and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

We conducted this performance audit from September 2023 to February 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: PRIORITY LEVEL DEFINITIONS

Priority 1: Critical control weakness exists that exposes the City to a high degree of risk. Noncompliance with federal, state or local law, regulation, statute, charter or ordinance will always be considered a priority 1.

Priority 2: Control weakness exists that exposes the City to a moderate degree of risk.

Priority 3: The opportunity for improved efficiency or reduced exposure to risk exists.

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