

**Review of Special Pay Codes  
Audit Report  
City Wide**



This Audit Report has been approved for release and has been transmitted to the individuals listed below for resolution to the recommendations contained in the body of the report. The report is considered privileged and confidential.

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# EXECUTIVE SUMMARY

## What We Reviewed

Special City pay codes have been developed to pay City employees for performing duties outside their normal duties; expanding their job skills; for working special duty assignments; or to pay special stipends guaranteed as part of their job. We reviewed the City's special pay codes Stand-by Pay (STP), Call Back Pay (CBP) and Pay as Listed (PAL). The review included all payments made during fiscal year 2014. STP is paid to employees who are required to return to the work site should an emergency arise and is paid to the employee even if the employee is not required to return to work. CBP is paid to employees who returned to work. Employees who return to work are paid a minimum of four (4) hours or the actual hours they are required to be at the work site if the time exceeds the minimum (4) hours. PAL is a payroll mechanism used to pay employees special pay allowances or unusual pay circumstance (State employees salary supplement; City Council Aide pay, etc.) associated with their job.

## What We Found

During FY 2014, the City paid \$474,855 in STP and \$260,480 in CBP to City employees. We compared the amount of STP paid to employees to the amount of CBP paid to employees who actually returned to the work site in response to work site emergency and found an over-all return rate of 55%. We compared the return rate of Exempt employees to the return rate of Non-exempt employees and found that Exempt employees had a return rate of 32%, while Non-exempt employee had a return rate of 86%. We believe that the City has several options to reduce costs for STP: exclude Exempt employees from earning STP; allow employees to Flex or earn compensatory time for hours spent in a standby status; pay STP as a percentage of the employees hourly rate; and, finally, use a third party notification system. We also noted the following issues: employees are paid STP while on official leave; stand-by assignments are not always rotated among qualified staff to achieve savings by averaging higher paid employees with lower paid employees; the disciplinary process appears to be limited to not paying employees who fail to show up when called to come back to the work site. Final, we believe that the future update of all City Administration Regulations should include an update to the Administrative Regulation governing STP to comply with City pay rules and provide additional requirements for paying STP.

During FY 2014, the City paid \$1,973,172.38 in PAL. PAL is used to pay City employees special pay allowance, usually for public safety (motorcycle pay, clothing allowances, etc.); City Council Aides fixed salaries (\$319,077); state pay differential (\$907,372); public safety assignment pay; training officers pay; DCHS Workshop participants (\$100,823); acting pay; and implementation of special project pay. As part of the Fire Department's new career ladder program which is in the process of being implemented, most, if not all Fire Department PAL pay

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categories and dollar amounts paid are planned to be eliminated. Fire Department PAL pay totaled \$390,454 and Police Department PAL pay totaled \$205,497 in FY 2014. Our primary concern with PAL is the difficulty of tracing the various types of PAL payment. Most of the PAL payments are budgeted under the Munis Part-time account while the actual charges are posted to the Full Time account. We believe that the creation of descriptive object codes in Munis to which the PAL payments would both be budgeted and charged would provide a clear accounting for all such payments. In addition, we noted that the Police, Fire and Sheriff have Standard Operating Procedures or General Orders describing the eligibility of PAL. The City's Administrative Regulations are silent with regard to paying General Salary employees PAL. Authorization for PAL payments has primarily been handled via a Human Resources Department memorandum. General Salary employees are more likely to be awarded PAL as the result of being assigned to a special project. We believe guidelines describing eligibility for the PAL payments should be developed and incorporated into the planned future update of the City's Administrative Regulations. Finally, we noted that one (1) City employee was assigned the project of implementing a computer software system (\$2,702 a year) and began receiving PAL payments in 2008. The employee continues to receive the PAL payments even though the project implementation was completed in 2013. The employee's department has indicated it intends to seek a reclassification upward of this employee's position to reflect current duties and to eliminate the PAL pay.

## **What We Recommended**

We believe that the City can achieve significant savings by changing the way the City pays STP to City employees and have provided several alternatives, including: (1) changing City pay rules to exclude payment of STP to Exempt employees; (2) the City's Administrative Regulations needs to be updated with regard to the payment of STP and PAL payment, including defining PAL and providing eligibility criteria with regard to STP and PAL payments. Finally, (3) the Kronos timekeeping systems provides the paycodes for STP, CBP and PAL, but the paycodes lose their identity because they are posted in Munis to different accounts. We recommended that accounts be created in Munis which describe the reason for the payment.

(4) In addition, during our review, we noted that the top 25 employees paid STP for fiscal year 2014, received annual payments that ranged from \$5,592 to \$18,284 (top 25 employees STP fiscal year 2015, \$4,482 - \$17,669). Since the payments are currently posted to department's full-time salary account, the amount spent is co-mingled with employee salaries, which make it difficult for departmental fiscal staff to monitor the payments. Accordingly, we believe that the Finance Department should periodically issue STP, CBP and PAL pay reports to departments so that departments can periodically review the employees who are receiving STP, CBP and PAL.

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(5) During the City's upcoming FY 2017 budget preparation process, the departments and the Office of Management and Budget should review STP, CBP and PAL pay policies and usages and determine where cost savings could occur.