



City of Lockport

Forensic Accounting & Internal Controls Consulting Report

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Certified Public Accountants

Background

The Bonadio Group was engaged to assist the City of Lockport (the City) in the performance of certain consulting procedures related to the payroll functions and financial records of the City. The City's Director of Finance has been directing/leading/orchestrating/engaged in an effort to develop and implement a new comprehensive timekeeping and payroll system customized for the unique circumstances of the City of Lockport. The targeted date for the implementation of the new payroll system is January 2019. A critical component of the system implementation is the evaluation and assessment of the policies and procedures surrounding the payroll functions within the various departments within the City. Given the extremely manual nature of the payroll processing functions as they currently exist, this has proven to be a very arduous task.

Related to the payroll system implementation, the Director of Finance embarked on the process of evaluating the City's agreements with its various labor groups, specifically as they relate to compliance with payroll related matters. For this phase of the implementation, we were engaged to assist the Director of Finance with the evaluation of compliance with the terms and conditions of each of the individual labor agreements in place. The focus of our engagement was not to recommend specific changes to the current payroll processes, as the City already plans to change many of these procedures with the implementation of the new payroll system. Rather, this phase of the engagement was to assess compliance with the individual terms and conditions of the payroll related items in each of the labor agreements. For this phase of our engagement, which will be referred to as Phase I later in this report, our procedures included, but were not limited to the following:

- Interview of select City of Lockport employees that have responsibilities related to the payroll functions of the City to gain an understanding of the policies and procedures in place surrounding the processing of payroll.
- Inspection of the labor contracts in place for each of labor groups within the City.
- Evaluation of the accuracy of wages paid to a sample of employees selected from each of the labor groups within the City, based on the terms and conditions contained in the respective labor agreements currently in place.

As mentioned previously, the City's Director of Finance has been in the process of evaluating the timekeeping and payroll procedures for several departments within the City, including the Police Department (the Department). For this phase of the engagement, we were asked to examine the Police Department's payroll procedures and payroll records, including any related supporting documentation. For this phase of our engagement, which will be referred to as Phase II later in this report, our procedures included, but were not limited to the following:

- Interview of select City of Lockport Police employees with responsibilities related to payroll within the Police Department.
- Inspection of the labor contracts in place for the Police Department.
- Evaluation of the payroll and time and attendance records related to Overtime reported and paid within the Police Department.
- Inspection of any supporting documentation on hand to substantiate the appropriateness and accuracy of overtime reported and paid to a sample of Police Department employees

Background (continued)

To test the accuracy and appropriateness of the Department's overtime, we haphazardly selected a sample of officers that earned overtime in 2017. For the selected individuals, we examined the supporting documentation for a total of 437 individual instances of overtime that occurred throughout 2017. Due to the manual nature of the Department's timekeeping and payroll processes, much of this examination focused on collecting and reviewing hard-copy documentation on file at the Department.

For the officers selected in our sample, the Department provided us the individual hard-copy overtime slips filled out by each officer for each instance of overtime. We examined each slip and documented the date, time, and reason for overtime stated on the OT slip. At times, we also made note of other relevant details, such as the individual(s) that signed the slip for approval. After documenting the dates, times, and stated reasons for the overtime occurrence, we gathered supporting documentation to verify that the officer appropriately earned the overtime. Examples of supporting documentation included platoon sign-in sheets, detective calendar schedules, call-log and assignment records, crime reports, detective case notes, and court attendance slips. We evaluated varying levels of documentation in an attempt to verify that the officer appropriately worked the overtime hours reported on each slip.

The process of collecting documentation and verifying overtime was especially time consuming, as the supporting information was spread across several different sources, including hard-copy paperwork and the Department's crime reporting and case tracking software.

Summary of Roles and Responsibilities

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the policies and procedures, internal controls and/or financial records within the City of Lockport. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This consulting engagement report is intended solely for the information and use of the City of Lockport, is not intended to be, and should not be used by anyone other than those specified parties.

We are independent within the meaning of, and comply with the applicable requirements of, Rule 101, "Independence", and related Interpretations and Rulings of the Code of Professional Conduct promulgated by the American Institute of Certified Public Accountants.

We have provided these recommendations based on our observations during the work requested by you. You are responsible for making all management decisions and for performing management functions in association with our recommendations.

Phase I- Payroll Processes & Procedures

Observations and Recommendations

1. CALCULATION OF OVERTIME RATES

Observation

We noted that when calculating overtime rates, the Payroll Department includes various compensation “extras” in addition to the employee’s base pay in the calculation. These extras are specific to each labor group, as each group’s contract stipulates different compensation structures. Examples of the additional compensation extras included bonuses for longevity, education, and briefing/debriefing time, amongst others. We noted the inclusion of these extras in the calculation of overtime rates was consistent for all employees earning overtime, regardless of their labor group.

Per our examination of collective bargaining agreement for each labor group, we noted the following contract stated terms for calculating overtime:

- CSEA- The “Overtime Compensation” section of the contract is silent to the actual rate at which overtime should be paid. The “Call Back Compensation” section states that an employee called back to work after the completion of their regularly scheduled shift shall be paid for at least four hours at “time-and-one-half.” The same is stated for employees to work on designated holidays.
- AFSCME- The agreement states that overtime should be paid at “time and one-half.” The agreement also states that overtime worked on the first and third shift shall include the appropriate shift differential, but is silent as to the treatment of additional compensation such as longevity pay in the calculation of overtime rates.
- Department Heads- The agreement states that department heads and management employees are not eligible for overtime.
- Firefighters- The agreement states overtime should be paid at “one-and-one-half the regular rate of pay.”
- Police- The agreement states overtime should be paid at “time and one half.” The agreement also states that overtime worked on the first and third shift shall include the appropriate shift differential, but is silent as to the treatment of additional compensation such as longevity pay in the calculation of overtime rates.

Recommendation

We recommend that the City evaluate the calculation of overtime rates to ensure that they are in accordance with the collectively bargained agreement for each labor group. Per our examination of the agreements, it appears that the general sentiment of the agreements is that overtime should be calculated as 1.5x the employee’s base rate of pay, plus shift differential when applicable. While including longevity pay and other extra compensation has been an accepted practice for several years, it is not in line with the terms stated in the labor agreements. If the City changes the current calculation to no longer include longevity pay and other extra compensation, we recommend that this change be thoroughly communicated to all employees, as there may be push back from employees who will now be receiving a lower overtime rate of pay.

2. OUT-OF-GRADE PAY

Observation

We noted that when an employee in any labor group (with the exception of the Department Heads) is assigned to work in a title which is in a higher grade than the grade of the employee's permanent title, the employee receives an increase in pay for working above their normal grade. The specific guidelines of calculating the increase in pay due to an employee working out-of-grade is specific to each labor group's collective bargaining agreement. However, the way out-of-grade pay is communicated to the Payroll Department is consistent across each labor group and department. When each department prepares their payroll hours summary for each pay period, the department notes when an employee was working out of grade on the timesheet data provided to the Payroll Department. In addition to the number of hours out of grade, the department also indicates the increase in pay the employee should receive for the out-of-grade hours.

A member of the Payroll Department spot checks some of the calculations by using the paper pay rate schedules included in each labor agreement and manually re-perform the calculation. This process is very time consuming, so it is not feasible for anyone in the Payroll Department to review all the out-of-grade increases for accuracy. The manual nature of this process also lends itself to potential errors.

We also noted that depending on the department providing the information, sometimes no supporting details or information is provided to the Payroll Department regarding out-of-grade pay. This makes it difficult, and at times impossible, for the Payroll Department to determine who the employee in question was working for and for what reason.

Recommendation

We recommend that the Payroll Department convert the paper pay rate schedules from each labor group into an Excel file so that the process of spot-checking the out-of-grade pay increases provided by each department is less time consuming. This will allow the Payroll Department to review more of the calculations and ensure payroll is being processed accurately. When the new payroll system is implemented in 2019, the City should explore the systems capabilities to determine if calculating out-of-grade payments is a function that can be done automatically by the new system.

We also recommend that the Payroll Department implement a standardized, consistent set of rules for what information needs to be provided by each department in regards to out-of-grade pay.

3. VACATION TIME

Observation

We noted that for members of the CSEA, AFSCME, Police, and Firefighters labor groups, the employee's entire vacation balance is awarded to employees on January 1st. Per our review of the labor group agreements, we noted that the agreements for these groups are silent as to the accrual/earning of vacation time. We noted the agreement for Department Heads includes an accrual schedule stipulating that vacation days are earned on a consistent basis throughout the year.

We also noted that the CSEA, AFSCME, Police, and Firefighters labor agreements indicate that the award of vacation time is based on the employee's anniversary date. However, when the contracts stipulate the rules for carrying-over/accumulating vacation days, the terms are outlined in regards to the calendar year. The use of both the anniversary date and calendar year in the contract language makes it difficult to determine when vacation days should actually be awarded (January 1st vs. the employee's anniversary date).

Recommendation

As the City evaluates their labor agreements going forward, we recommend the implementation of a standardized accrual schedule like the one included in the agreement for Department Heads. Such an accrual schedule protects the City from having to pay out a full year's worth of unused vacation time if an employee's employment ends in the beginning of the calendar year. When vacation is earned on a pro-rata basis throughout the year, the City would only have to pay out for unused vacation days earned to final date of employment. This type of accrual schedule also more closely matches the City's vacation accrual liability to when the days are earned by the employee.

We also recommend the City work to clarify the language in its labor agreements regarding the awarding of vacation based on the calendar year vs. the employee's anniversary date.

4. DISCREPENCIES BETWEEN PAST PRACTICE AND LABOR AGREEMENTS

Observation

Throughout our engagement we noted there were, at times, discrepancies between the exact language in the labor agreements vs. how payroll was processed in practice. We have noted some of these discrepancies in this report. In general, it appears that the current stance of the Payroll Department is to process payroll "the way it has always been done." We understand that this is the most feasible stance for the Payroll Department to take for a few reasons. First, it is unclear if the members of the Payroll Department have the authority to actually change how payroll is processed. Second, if a member of the Payroll Department took it upon themselves to change how City employees are being paid, it would likely cause conflict with the City employees affected by the change. Finally, the process of evaluating the language of each contract and making changes to the payroll process so that it is more in-line with the contract language would be a very time consuming process. Due to the current manual nature of the payroll process, the individuals processing payroll do not have time to undertake such a project.

Recommendation

We recommend the City formalize a policy to handle discrepancies between the language of the labor agreements vs. how payroll is actually processed. Such a policy should outline who has the authority to make the changes to the payroll process and how these changes should be communicated to the various labor groups.

Phase II – Police Department

Observations and Recommendations

1. TIMEKEEPING AND PAYROLL PROCESSING

Observation

We noted that the Department does not utilize any form of electronic timekeeping. Instead, officers in the Patrol Unit sign in for their shift on a “Daily Platoon Leaders Report.” This report lists each individual on the platoon and indicates whether they are working that shift or if they have the day off. This form also lists officers working from other platoons working that shift to maintain the Department’s mandatory minimum staffing level for the Patrol Unit. The Daily Platoon Sheet also includes details such as who is acting as the supervisor on the shift, who is working in the communications room, and other specific officer assignments. In the Detective Unit, each detective notes the hours they worked for the day on a monthly schedule maintained by the supervising detective.

Each pay period, the Department must supply hours, OT, vacation, and other payroll information to the City’s Payroll Department for processing. To complete this process the Department’s Captain works with the Department’s clerk to compile the information from the Daily Platoon Leaders Report, the detective’s time schedule, overtime slips, and other sources. This process is extremely manual and time consuming, as the Captain and clerk have to individually review the paper documents for each platoon’s daily shift, and transcribe the information into a format that can be used by the Payroll Department.

The manual nature of the timekeeping system lends itself to errors, either by the individual officer or by the individuals compiling the information for the Payroll Department. For example, an officer may forget to sign the daily platoon sheet or a detective could accidentally write down incorrect hours on their scheduling form. Further, the process of gathering and organization the information each pay period uses a significant amount of the Captain’s time, reducing the amount of time he can spend utilizing his skills and experience in supervising the overall operations of the Department.

Recommendation

We recommend the City consider the cost of implementing an electronic time keeping system when evaluating the Department’s next annual budget. Electronic time keeping systems can vary greatly in capability and costs. Some include features such as biometric screening for logging in/out, overtime tracking, and shift schedule integration. City and Department leadership should work together to identify potential systems that would meet the needs of the Department.

While implementing a new time keeping system will most likely require a significant upfront investment, such a system will greatly reduce the amount of time spent on payroll by the Department’s Captain, allowing him to serve the Department in ways that better leverage his experience. An electronic system will also increase the accuracy of the Department’s payroll and greatly reduce the risk of illegitimate overtime being paid.

2. OVERTIME SUBMISSION AND APPROVAL

Observation

We noted that the Department uses small paper “slips” to document instances of overtime worked by an officer. On each slip, there is a space for the officer’s supervisor to sign-off, indicating the supervisor’s approval of the overtime. In our examination, we noted several instances when the officer earning the overtime signed their own slip in the supervisor approval section. We also noted several slips for which the supervisor approval section was blank.

We noted that every overtime slip has a place for the Chief to initial, indicating his approval of the overtime. While the Chief may be involved in the major day-to-day operations of the Department, there are several instances of overtime during a time when the Chief is not working and/or is otherwise not involved. The Chief cannot be reasonably be expected to be well-versed with every situation resulting in overtime hours being worked, and therefore his approval of overtime for instances he is not familiar reduces the value of his approval in general. The inclusion of the Chief’s signature may give the impression of stronger controls over overtime, however, we do not believe the Chief’s approvals offers such value. During our fieldwork, we witnessed the Chief reviewing and signing overtime slips. We noted that the only information the Chief considered while signing the overtime slips was his own knowledge and occasional questions he asked of the Captain, who was also present.

We also noted that there is no deadline for submitting overtime slips. We noted instances when overtime slips were submitted weeks, and at times several months, after the date the overtime actually occurred. Allowing overtime to be submitted so long after it occurred further complicated the process of ensuring its accuracy.

Additionally, the use of paper overtime slips instead of an electronic system makes it much more difficult for the Department to track overtime to ensure that all time paid is legitimate and accurate.

Recommendation

The implementation of an electronic timekeeping system, as recommended above, would eliminate the need for using paper overtime slips. Until the Department has the opportunity to procure such a system, we recommend the Department update its overtime policy for overtime slips to require signature approval by a supervisor at all times. The current policy requires approval by the Chief, but the Chief should not be approving the overtime slip if the supervisor approval line on the slip is blank or is signed by the person earning the overtime.

We also recommend that the Department implement a deadline to submit overtime slips. For example, such a policy may state that all overtime slips must be submitted to the Chief’s office for approval within 30 days after the overtime was earned.

Additionally, the Department should consider implementing periodic overtime audits, where the clerk, Captain, or other personnel review the supporting documentation for a haphazard sample of overtime occurrences. Period audits can greatly improve the accuracy of the hours submitted and accountability of the officers earning overtime.

3. DETECTIVE FLEX TIME

Observation

We noted that when a member of the Detective Unit works more than eight hours in a day, the detective can earn what the Department calls “flex time.” Flex time is very similar to overtime paid as compensatory time, except that flex time is awarded at a 1:1 ratio for every hour (or partial hour) worked over 8 hours in a 24 hour period, instead of at time-and-one-half like traditional overtime. We noted that detectives generally accumulate flex time until they have at least eight hours in their bank. The detectives then use the flex time in eight hour increments by taking an additional day off of work. We noted this system operates similarly to traditional overtime, but it is done completely outside of the normal overtime process. In practice, when each detective self-reports the hours they work on the time schedule worksheet, they award themselves flex hours and track their own flex time balance.

Per our discussions with Department personnel, this legacy practice that has been in place for several years. The Department generally views the use of flex time as a benefit to the Department, because instead of paying 1.5x for overtime, they are only paying out flex time at a 1:1 ratio. However, there are very few internal controls ensuring the integrity of the hours reported by the detectives. Using a separate schedule of flex time presents the opportunity for detectives to misreport their hours or simultaneously earn flex time while submitting an overtime slip for the same hours. Additionally, the use of flex time is not approved in the Department’s current collective bargaining agreement with the City. Additionally, the use of flex time is not included in the cost of overtime reported by the Department, potentially misleading use of that information.

Recommendation

We recommend that the Department discontinue its use of flex time hours for the Detective Unit. We understand that the Department views this practice as a cost savings measure, as flex hours are paid out at a 1:1 ratio as opposed to 1:1.5 for overtime. However, this practice is in violation of the Department’s collective bargaining agreement with the City. Additionally, the flex time schedule is based on self-reporting by the detectives, with little or no formal review by the Department’s leadership. This puts the Department at an increased risk of detectives misrepresenting their hours worked or manipulating their schedule to create illegitimate overtime.

4. ROLLOVER OF VACATION

Observation

The Department’s collective bargaining agreement with the City states that vacation days cannot be accumulated and rolled-over from one calendar year to the next. However, we noted that on February 7, 2017 the Chief of Police submitted a letter to the Payroll Department stating that to scheduling restraints, some officers were not able to use all of their vacation days in 2016, and the Chief had decided to allow them to carry over their balance of vacation to the 2017 calendar year. His letter stated that, “otherwise those officers would have lost that earned vacation time due to no fault of their own.”

While we understand the Chief’s motivation to allow officers to carry-over vacation days, this is a direct violation of the Departments collective bargaining agreement with the City. The Chief alone does not have the authority to implement such a policy.

Recommendation

We recommend that any and all changes to the Department’s accounting for payroll, including vacation balances, sick days, overtime hours, etc. be jointly approved by City and Department leadership. No member of the Department, including the Chief, should unilaterally make changes to payroll policy. If a change in policy violates the rules stipulated in the Department’s collective bargaining agreement, the Department should receive formal written approval from the City before implementing such a change.

5. IT DETECTIVE HOURS

Observation

We noted that the officer earning the most overtime in 2016 and 2017 was a detective in charge of the information technology (IT) functions of the Department. In addition to his regular detective duties, this detective was tasked with the responsibility of performing different IT functions such as outfitting patrol vehicles with equipment and performing maintenance on the Department's software systems.

Per our discussions with the Chief of Police, the IT duties were supposed to be performed by the IT detective during his regular shift, and overtime should have been earned only when absolutely necessary. Due to the high level of overtime earned by the IT Detective, we examined several specific instances of overtime earned by him. We found that other members of the Department, including the Chief and Captain, were not well versed in the details of the IT work performed by the detective. In terms of earning overtime, this meant that the Department leadership had to trust the word of IT Detective that additional hours were needed to complete his work, with no way of verifying how exactly he was spending his time as it related to his IT duties. It is not unusual for the Department's leadership to be unfamiliar with the very specific and constantly changing IT needs of a law enforcement agency; however, we believe this poses a particular risk for managing the Department's overtime costs. Without anyone else in the Department able to verify and evaluate the work of the IT Detective, the Department was unable to verify that the additional overtime hours were needed to complete these tasks.

Recommendation

We noted that the IT Detective retired in 2017, and is now performing IT duties for the Department as an independent contractor. We recommend that the Department require this individual to submit detailed time logs, showing what tasks were performed for each hour submitted. We recommend the Department require the same level of detail from any full-time employee performing IT work in the future. Keeping detailed records of exactly what was accomplished and when will promote accountability and accuracy for the time spent on IT related work.

6. COURT TIME / WITNESS PAY

Observation

Per the CBA, officers receive four hours of overtime for court appearances that occur outside of their normal shift. We reviewed supporting documentation for a haphazard sample of 25 instance of court overtime. We noted that court slips on hand at the Department adequately supported the court attendance by the officer in each of the 25 overtime instances we reviewed.

Through our interviews, we learned that officers regularly receive \$15 from the court as compensation for acting as a witness, often in addition to the overtime hours they earned for the court appearance. The court pays a standard \$15 fee to witnesses, and it was common practice for officers to apply for and receive the \$15 payment.

The CBA does not explicitly state that an officer should not be receiving any compensation for attending court in addition to the overtime; however, we noted that New York Criminal Procedure Law (*CPL-829, § 610.50 Securing attendance of witness by subpoena; fees.*), states that an officer attending as a witness in their official capacity is not entitled to witness compensation.

Recommendation

We recommend the Department discontinue the practice of officers applying for and receiving witness compensation in addition to their normal wages or overtime pay.

Phase II – Police Department

Other Matter for Consideration

Throughout the course of our engagement, we observed certain practices that did not explicitly violate any laws or the terms of the terms of the Department's collective bargaining agreement with the City (the CBA); however, we believe the City and Department may benefit from evaluating these practices going forward. We have included a summary of these practices below.

A. OVERTIME PRACTICES

During our fieldwork we identified instances of overtime that fit into categories we generally consider "high risk." In a law enforcement agency like the Department, we would consider certain instances of overtime to be "high risk" if there are not sufficient internal controls and supervisory review to prevent officers from submitting fraudulent overtime. High risk overtime may also describe situations when an officer is able to take advantage of the rules in their labor agreement in a way that may not be a direct violation of the agreement, but is not consistent with the spirit of the terms of the agreement.

Overlapping Overtime

One such category were instances of overtime that appear to overlap each other. For example, we may note an instance of overtime that occurred from 11:00AM to 3:00PM and another instance for the same officer for 2:00PM to 6:00PM. When multiple instances of overtime overlap each other, there is a risk that the City is paying double for the same hours worked. We noted that the overlapping overtime occurs for the following scenario:

The Department's collective bargaining agreement states that officers should be paid for four hours of overtime anytime they are called into work outside of their normal shift hours. However, the CBA does not state that the officer needs to actually work or be on site for all for hours. For example, if an officer's normal shift begins at 3:00PM and that officer is called in at 11:00AM, they may only work from 11:00AM to 12:00PM, but they would get paid for four hours of overtime. On the overtime slip submitted to the Department for approval, the slip would read "11:00AM – 3:00PM" even though the officer was only on site for one hour. If that same officer were called in again at 2:00PM to start their shift early, the officer would be paid for an additional four-hour instance of overtime. This slip would read 2:00PM – 6:00PM, overlapping with the 11:00AM – 3:00PM slip.

Within our sample of 437 instances of overtime, we noted 31 instances that overlapped the time reported on another overtime slip for the same officer. We discussed the issue of overlapping overtime with Department leadership and reviewed supporting documentation for each of the 31 instances. We noted that none of the 31 instances of overlapping overtime we reviewed violated the CBA or Department rules; however, the practice of allowing multiple instances of overtime to overlap may not be consistent with the intension of the CBA terms.

Overtime During Scheduled Shift

Similarly, within our sample of 437 instances of overtime, we noted 82 instances of overtime that occurred during the course of the officer's normally scheduled shift. Per our review of the supporting documentation, these instances were caused by the officer being called in one to three hours before their shift start, resulting in a four-hour overtime instance that overlaps with the regular shift. Similar to the instances of overlapping overtime we identified, this type of overtime is not a violation of the CBA or Department rules. However, the City and Department should evaluate these types of overtime and consider whether they are in line with the spirit of the rules outlined in the CBA.

B. PAID HOLIDAYS

Per the CBA, officers receive 13 paid holidays each year. We noted the Department allows officers to accumulate paid holidays if the shift schedule requires that the officer work on one of the holidays stated in the contract. The officer can then use their accumulated holidays at another time or can choose to accumulate the holidays and have them paid out (similar to how 'sick time' is prescribed in the CBA). We noted that the CBA does not give specific instructions for how holidays can be accumulated and used by officers. In fact, the CBA does not specifically state anywhere that holidays can be accumulated.

During our testing, we noted instances when officers used a vacation day or compensatory time on one of the 13 paid holidays, allowing them to "bank" the holiday for future usage or year-to-year accumulation. Our understanding is that the officers use vacation days and compensatory time instead of holidays because vacation and compensatory time cannot be accumulated and rolled over from year to year, but holidays can (by way of historical practice, not per the CBA). By using a vacation day instead of a holiday, the officer is able to bank the holiday and have it paid out later, whereas vacation and compensatory time must be used/paid out each calendar year.

While not a direct violation, it appears that this practice may not be in the spirit the rules stated in the CBA. It appears that the purpose of allowing holidays to accumulate is to fairly compensate officers that are forced to work on one or more of the stated 13 holidays. If an officer is not working on the holiday, one would expect that they should be using their paid holiday, not vacation or compensatory time.

C. VACATION, SICK, HOLIDAY, AND COMPENSATORY TIME REPORTING

We noted that officer balances of vacation, sick, holiday, compensatory, and other time categories are recorded and maintained by a clerk within the Department. The clerk updates each officer's balances to reflect time used, earned, and accrued each time period. We noted a clerk in the City's payroll department also maintains these time balances for each officer through a process separate from the Department. Per our discussions with the clerk in Payroll, there are occasionally discrepancies between the two series of records, which she attempts to reconcile as needed. The discrepancies can be the result of error or activity that is not always reported to the payroll department. Considering that some of these time balances can be accumulated and eventually paid out to the officer, discrepancies in the recordkeeping can have a material financial impact on the City.

When an officer retires, their balances of vacation, sick, holiday, and compensatory time are paid out to the officer. At the request of the City's Director of Finance, the clerk in payroll recently performed a reconciliation of the time balances of three officers who retired from the Department in 2018. We examined the clerk's findings, which included:

- Inconsistencies in tracking paid holidays, vacation, and personal leave time
- Errors in annual accruals of various time categories
- Conversion of time across categories (e.g. vacation time being converted to compensatory time)

Per our examination of the Payroll Clerk's documentation, it appears it was common practice for officers to convert vacation time and personal leave time to compensatory time, and vice versa. We noted that the CBA does not permit time to be converted across categories. We recommend the Department and City discuss this practice and consider whether it is appropriate to continue going forward. Additionally, the City should take steps to regularly review the time balances maintained by the Department, and work collaboratively with the Department to resolve any inconsistencies.

D. BRIEFING/DEBRIEFING PAY

Per the CBA, patrol officers are paid for an additional 10 minutes before and after their shift (20 minutes total) for briefing and de-briefing time. The purpose of briefing/debriefing time is for the officers on the patrol shift that is ending and the patrol shift that is beginning to meet at their respective end/start of their shift. At these briefings, the officers ending their shift can inform the officers beginning their shift about relevant patrol information. Officers may also receive additional information or directives from their supervising officers. Briefing/debriefing time is paid once annually, based on 260 days worked per year.

During our fieldwork, we noted that the Department does not actually require or document attendance at daily briefings. The CBA does not state that attendance is required to receive the additional briefing compensation; however, the spirit of the agreement appears to indicate that officers should be attending briefings, and their attendance should be monitored accordingly by the Department.

E. SCHOOL RESOURCE OFFICER / SECURITY PAY

We noted that the Department employs an officer that serves as a School Resource Officer (SRO) for the City of Lockport School District (the District). The officer works on-site at the District during the school year and serves in the patrol unit when school is not in session. In return for providing the District with an officer, the City has an agreement with the District to receive reimbursement for a portion of the officer's salary. We reviewed a copy of the agreement (signed 7/10/2018) between the City and the District, noting that the agreement outlines the details of the cost sharing arrangement, as well as other matters, such as the day-to-day responsibilities of the SRO.

Per our discussions with City personnel, we learned that during the time the officer served as the SRO, he also earned additional income by serving as event security at sporting and other school events that occurred outside the SRO's normal work day. We noted that the SRO agreement between the City and the District is silent as to the SRO's additional security work for the District. Per our discussions with Department personnel, we learned that the SRO's security work for the District is considered "secondary employment" and the officer should only be paid by the secondary employer (the District in this case). As such, the SRO was not supposed to submit any overtime payment requests to the Department for these duties. Our understanding is that although the terms of the SRO's secondary employment as a security guard for the school district is not covered in the formal cost sharing agreement between the Department and the District, there was a verbal agreement and understanding by the parties involved that the SRO was only supposed to be paid by the District for his security work.

In our analysis we examined the overtime slips submitted by the SRO for January through December of 2017 and January through July 2018. Using the description of the work performed, which is written on the overtime slip by the officer submitting the slip, we noted that SRO submitted a total of 42 overtime slips for school related work in the period we reviewed. Specifically, 16 overtime slips were submitted in 2017 and 26 were submitted in 2018. Of the 42 total overtime slips related to school, we noted that 16 of the slips (12 in 2017, four in 2018) were for duties that would fall under the scope of the officer's duties as an SRO. As such, we consider the submission of overtime for these duties, and their subsequent payment to the officer by the Department is appropriate.

We noted the remaining 26 overtime slips (of the total 42 slips for school-related activities) were for security duties at school events, such as basketball games, parades, and concerts. Per our understanding of the SRO's secondary employment as a school security guard, the officer should have been paid directly by the District and should not have submitted overtime slips to the Department for this work. We noted that although submitting overtime slips for school security work was not in accordance with the arrangement between the District and the Department, it does not appear that the SRO attempted to conceal the fact that he was requesting overtime payment from the Department for school security work. Our conclusion that the overtime slips were for school security work is based solely on the descriptions written on each slip by the officer. We also noted that every overtime slip we examined was signed and approved by the Chief of Police serving at the time.

E. SCHOOL RESOURCE OFFICER / SECURITY PAY (Continued)

As part of our analysis, we also examined payroll records from the District. The payroll records we examined showed the details for each instance the SRO was paid for security work at school events. Per the payroll records, the SRO was paid \$100 by the District for instance. We cross-referenced the District payroll records with the overtime slips submitted to the Department. As a result of this examination, we identified nine instances in which it appears that the SRO received \$100 from the District while simultaneously receiving overtime pay from the Department for the same work. The details of each instance as it appears on the overtime slip are as follows:

Date	Time	OT Reason Stated by Officer on Slip	Paid by the Department
10/12/2017	4:40pm- 9:00pm	"Pep Rally Security"	6.75 hours
10/14/2017	11:00am- 2:00pm	"Homecoming Parade & Security"	4.5 hours
10/14/2017	6:30pm- 10:30pm	"Homecoming Dance Security"	6 hours
1/20/2018	10:00am- 12:00pm	"Set up Security for Bball game at LHS"	3 hours
1/20/2018	12:00pm- 4:30pm	"Basketball Game vs. Niagara Falls"	6.75 hours
3/23/2018	6:30pm- 10:30pm	"Security for School Play"	6 hours
5/31/2018	6:00pm- 8:00pm	"Underclassman Awards Security"	3 hours
6/7/2018	6:00pm- 8:00pm	"George Southard School Concert Security"	3 hours
6/8/2018	6:30pm- 8:30pm	"LKPT High Stat Concert Security"	3 hours

For each instance listed above, the SRO was paid \$100 by the District or security services on the same date that an overtime slip was submitted to, and paid by, the Department.

F. OFFICER PAY FOR SCHOOLING

Per Article 12.10 of the Department's collective bargaining agreement with the City, officers that have graduated from an accredited college, university, or institute of higher education with a degree in the Police Science field, having attended for a minimum of two years, shall receive a 4.5% increase added to their basic salary.

Per limited documentation provided to us by City personnel, it appears that some officers within the Department may be receiving the 4.5% salary increase even though they have not completed a qualified education program in the Police Science Field. We recommend the Department and City review the requirements outlined in the CBA and come to an agreement regarding which officers are eligible to receive the 4.5% salary increase. Any officers that do not meet the education requirements outlined by Article 12.10 of the CBA should not receive the salary increase.