

INTRADEPARTMENTAL CORRESPONDENCE

January 23, 2015
14.2

TO: The Honorable Board of Police Commissioners

FROM: Chief of Police

SUBJECT: EMPLOYEE INCENTIVE AUDIT (IAID NO. 13-080)

RECOMMENDED ACTIONS

1. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Employee Incentive Audit.
2. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Executive Summary thereto.

DISCUSSION

Internal Audits and Inspections Division conducted the Employee Incentive Audit to evaluate compliance with various Memorandums of Understanding and related incentive pay provisions.

If additional information regarding this audit is required, please contact Arif Alikhan, Special Assistant for Constitutional Policing, at (213) 486-8730.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Charlie Beck', with a stylized, looping design.

CHARLIE BECK
Chief of Police

Attachment

LOS ANGELES POLICE DEPARTMENT

EMPLOYEE INCENTIVE AUDIT

(IAID No. 13-080)



CONDUCTED BY
INTERNAL AUDITS AND INSPECTIONS DIVISION

CHARLIE BECK
Chief of Police

January 2015

TABLE OF CONTENTS

EMPLOYEE INCENTIVE AUDIT

**PAGE
NO.**

Executive Summary	i
Purpose	1
Background	1
Prior Audits/Inspections	2
Scope and Methodology	2
Summary of Findings	2
Detailed Findings	3
Objective No. 1 - Uniform Field Officer and Detective Incentives Paid in Accordance with Memorandum of Understanding Criteria	3
Objective No. 2a- Civilian Night Incentives Paid in Accordance with Memorandum of Understanding Criteria	4
Objective No. 2b- Civilian Night Incentives are Supported by Documentation	6
Recommendations	7
Actions Taken/Management's Response	7

EXECUTIVE SUMMARY
EMPLOYEE INCENTIVE AUDIT
Conducted by
Internal Audits and Inspections Division

PURPOSE

In accordance with the Los Angeles Police Department's (Department) Annual Audit and Inspection Plan fiscal year (FY) 2013/14, Internal Audits and Inspections Division (IAID) conducted the Employee Incentive Audit to determine if Department employees who receive the Uniform Field Officer Incentive, Detective Incentive, or Civilian Night Bonus were compensated in accordance with the respective Memorandums of Understanding (MOU).¹

BACKGROUND

A considerable amount (96%) of the Department's \$1.2 billion budget is allocated to payroll expenses.² The Uniform Field Officer Incentive, Detective Incentive, and Civilian Night Bonus are allotted for in the payroll budget. Timekeeping records such as Daily Sign in Sheets are maintained by the Area Timekeepers to document Department personnel's hours worked, including civilians who are assigned to night duty. Area Timekeepers must have an understanding of the MOUs that affect their area of responsibility, as well as the City of Los Angeles Administrative Code.

Civilian employees are paid an incentive when assigned to night duty. This is referred to in the respective MOU as a *Shift Differential*, and as a *Night Bonus* within the Department Manual Section 3/705.70, Night Bonus Timekeeping – Civilian Employees. The City of Los Angeles Administrative Code refers to civilian employees who work over 50 percent of their shift in the evening and/or early morning hours, as employees entitled to an additional pay step equivalent to five and a half percent. The respective MOUs also allow for the civilian employee, when working night duty, to work an abbreviated shift.³

Fiscal Operations Division distributes the Uniform Field Officer/Detective Incentive Bonus report and the Night Bonus Assignments report, on a biweekly basis, to timekeeping personnel at divisions and geographic Areas for which civilians are receiving the Night Bonus, and for sworn employees who are receiving the Uniform Field Officer (3% above regular salary) or Detective Incentive (1% above regular salary), as outlined in MOU 24. Timekeeping personnel are responsible for ensuring that the employees who are listed on the reports are still eligible to receive the incentive. Additionally, each report must be reviewed and approved by a supervisor, and the Area commanding officer is required to sign the signature page of the Uniform Field Officer/Detective Incentive Bonus (per MOU 24) report and the Night Bonus Assignments (per respective MOUs) report to confirm that sworn and civilian employees continue to be eligible for the incentive.

¹Eight MOUs applied to employees sampled in this audit: MOU 24 for sworn personnel; and, MOUs 3, 12, 14, 18, 19, 20, and 21 for civilian personnel.

²Based on the Department's FY 2012/13 budget.

³Personnel assigned to abbreviated shifts work a total of 70 hours and 75 hours per pay period respectively and are compensated for 80-hours.

PRIOR AUDITS/INSPECTIONS

This is the first Department-wide Employee Incentive Audit conducted by IAID. However, a similar inspection of payroll incentives was performed during the Operations-Valley Bureau Timekeeping Inspection, and Operations-West Bureau Timekeeping Inspection. These inspections included only a review of sworn employees who received the Uniform Field Officer Incentive and Detective Incentive; they did not include a review of Civilian Night Bonuses.

SUMMARY OF FINDINGS

Based on the sample for both sworn and civilian employees, the Department did well with each of the objectives. Notwithstanding the high compliance of these findings, Area/division commanding officers should continue to monitor the incentive processes for both sworn and civilian personnel, so as to limit the financial impact to the Department, and the retroactive obligations of employees who receive incentive pay when not entitled. When Fiscal Operations Division identifies employees who are not entitled to the pay, arrangements are made for the employee to pay the money back to the Department.

Table No. 1 – Audit Objectives and Summary of Results

Objective No.	Description	Results	
1. Uniform Field Officer and Detective Incentive Bonus			
	Uniform Field Officer and Detective Incentives Paid in Accordance with Memorandum of Understanding Criteria	117/132	89%
2. Civilian Night Bonus			
2(a)	Civilian Night Incentives Paid in Accordance with Memorandum of Understanding Criteria	98/105	93%
2(b)	Civilian Night Incentives are Supported by Documentation	102/105	97%

RECOMMENDATIONS

None.

ACTIONS TAKEN/MANAGEMENT'S RESPONSE

1. The audit findings were validated with each of the respective Area and division commanding officers, who expressed general agreement and took appropriate action pertaining to their respective findings.⁴
2. The audit report was also provided to the Director, Office of Administrative Services, Assistant to the Director, Office of Operations and the Assistant to the Director, Office of Special Operations, all of whom were in general agreement with the audit findings.

⁴In some cases, appropriate action had been taken prior to this audit by the commanding officer.

EMPLOYEE INCENTIVE AUDIT
Conducted by
Internal Audits and Inspections Division
Fourth Quarter, Fiscal Year 2013/14

PURPOSE

In accordance with the Los Angeles Police Department's (Department) Annual Audit and Inspection Plan for fiscal year (FY) 2013/14, Internal Audits and Inspections Division (IAID) conducted the Employee Incentive Audit to determine if Department employees who receive the Uniform Field Officer Incentive, Detective Incentive, or Civilian Night Bonus were compensated in accordance with the respective Memorandums of Understanding (MOU).¹

Internal Audits and Inspections Division conducted this audit under the guidance of generally accepted government auditing standards, specifically pertaining to performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the objectives. Internal Audits and Inspections Division has determined that the evidence obtained provides a reasonable basis for the findings and conclusions based on our objectives.

BACKGROUND

A considerable amount (96%) of the Department's \$1.2 billion budget is allocated to payroll expenses.² The Uniform Field Officer Incentive, Detective Incentive, and Civilian Night Bonus are allotted for in the payroll budget. Timekeeping records such as Daily Sign In Sheets are maintained by the Area Timekeepers to document Department personnel's hours worked, including civilians who are assigned to night duty. Area Timekeepers must have an understanding of the MOUs that affect their area of responsibility, as well as the City of Los Angeles Administrative Code.

Civilian employees are paid an incentive when assigned to night duty. This is referred to in the respective MOU as a *Shift Differential*, and as a *Night Bonus* within the Department Manual Section 3/705.70, Night Bonus Timekeeping - Civilian Employees. The City of Los Angeles Administrative Code refers to civilian employees who work over 50 percent of their shift in the evening and/or early morning hours, as employees entitled to an additional pay step equivalent to five and a half percent. The respective MOUs also allow for the civilian employee, when working night duty, to work an abbreviated work shift.³

Fiscal Operations Division (FOD) distributes the Uniform Field Officer/Detective Incentive Bonus report and the Night Bonus Assignments report, on a biweekly basis, to timekeeping personnel at divisions and geographic Areas for which civilians are receiving the Night Bonus, and for sworn employees who are receiving the Uniform Field Officer (3% above regular salary) or Detective Incentive (1% above regular salary), as outlined in MOU 24. Timekeeping personnel are responsible for ensuring that the employees who are listed on the reports are still

¹Eight MOUs applied to employees sampled in this audit: MOU 24 for sworn personnel; and, MOUs 3, 12, 14, 18, 19, 20, and 21 for civilian personnel.

²Based on the Department's FY 2012/13 budget.

³Personnel assigned to abbreviated shifts work a total of 70 hours and 75 hours per pay period respectively and are compensated for 80-hours.

eligible to receive the incentive. Additionally, each report must be reviewed and approved by a supervisor, and the Area commanding officer is required to sign the signature page of the Uniform Field Officer/Detective Incentive Bonus report (per MOU 24) and the Night Bonus Assignments report (per respective MOUs) to confirm that sworn and civilian employees continue to be eligible for the incentive.

Auditors interviewed FOD personnel to determine the process in which incentives are paid. Changes to compensation, is facilitated through Personnel Division which receives the signed Uniform Field Officer/Detective Incentive reports from each geographic Area. Personnel Division makes requested changes in the payroll systems and FOD processes incentives based on the information contained in the payroll system. Auditors contacted various Department personnel to inquire about current assignments and appointment dates to determine the accuracy and/or the extent of the over/under payment of incentives.

PRIOR AUDITS/INSPECTIONS

This is the first Department-wide Employee Incentive Audit conducted by IAID. However, a similar inspection of payroll incentives was performed during the Operations-Valley Bureau Timekeeping Inspection, and Operations-West Bureau Timekeeping Inspection. Those inspections included only a review of sworn employees who received the Uniform Field Officer and Detective Incentive; not the Civilian Night Bonuses.

SCOPE AND METHODOLOGY

For sworn employees, IAID selected a statistically valid sample of 132 from a population of 7,786 employees listed in the Uniform Field Officer/Detective Incentive Bonus report for Deployment Period (DP) 9, 2013 (August 11 through September 7, 2013). These 132 sworn employees were receiving either the three percent Uniform Field Officer Incentive or the one percent Detective Incentive.

For civilian employees, IAID selected a statistically valid sample of 105 from a population 827 employees listed in the Night Bonus Assignments for Biweekly Period rosters for DP No. 9 (August 11 to September 11, 2013). Timekeeping records for the 105 employees were reviewed to determine proper allocation of incentives to civilians working the night and morning shifts.

Additionally, the civilian payroll records were reviewed to determine if the employee deviated from the regular work schedule and how that deviation may have affected that civilian employee's night bonus.

SUMMARY OF FINDINGS

Based on the sample for both sworn and civilian employees, the Department did well with each of the objectives. Notwithstanding the high compliance of these findings, Area/division commanding officers should continue to monitor the incentive processes for both sworn and civilian personnel, so as to limit the financial impact to the Department, and the retroactive

obligations of employees who receive incentive pay when not entitled. When FOD identifies employees who are not entitled to the pay, arrangements are made for the employee to pay the money back to the Department. Table No. 1 delineates the audit findings for each objective.

Table No. 1 – Audit Objectives and Summary of Results

Objective No.	Description	Results	
1. Uniform Field Officer and Detective Incentive			
	Uniform Field Officer and Detective Incentives Paid in Accordance with Memorandum of Understanding Criteria	117/132	89%
2. Civilian Night Bonus			
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2(b)	Civilian Night Incentives are Supported by Documentation	102/105	97%

DETAILED FINDINGS

Objective No. 1 – Uniform Field Officer and Detective Incentives Paid in Accordance with Memorandum of Understanding Criteria

Criteria

Article 5.4, MOU No. 24, Uniform Field Officer Incentive, states, *"A Uniform Field Officer Incentive of 3% (three percent) of regular salary (not pension based) shall be paid to each eligible officer."*

Article 5.5, MOU No. 24, Detective Incentives, states, *"A Detective Incentive of 1% (one percent) of regular pay (not pension based) shall be paid to each eligible detective."*

Relevant to the above criteria is Article 5.9, MOU No. 24, Temporary Higher Level Position, states, *"To assure the continuity of police services, employees from a lower civil service rank or lower paygrade position may be temporarily deployed to a position normally assigned to employees in a higher civil service rank or paygrade for a period of time not to exceed 168 consecutive calendar days (six DPs). The six-DP limitation on assignment to a temporary higher level position may be extended on a case-by-case basis upon the express approval of the Employee Relations Administrator."*

Procedures

For the 132 sampled sworn employees, auditors confirmed assignments by contacting personnel, Area Timekeepers, reviewing TEAMS II reports, and interviewing Area management. Once assignments were confirmed, it was determined whether the employee was entitled to receive either the Uniform Field Officer or Detective Incentive.

Findings

One hundred seventeen (89%) of the 132 sworn employees met the standard for this objective.⁴ Fifteen sworn employees, who received the incentive in DP 9, 2013 were determined to have been overcompensated with either the Uniform Field Officer or Detective Incentives. Table No. 2 provides a summary of findings based on rank and incentive.

Table No. 2 – Detail of Uniform Field Officer and Detective Incentives⁵

Rank	Detective Incentive	Uniform Field Officer Incentive
Police Officer II	1	7
Police Officer III	1	3
Detective I	1	0
Sergeant I	0	1
Sergeant II	1	0
Total	4	11

OTHER RELATED MATTER

Auditors contacted FOD and Personnel Division who indicated the biweekly Uniform Field Officer/Detective Incentive Bonus reports are emailed biweekly to captains as well as Area management and supervisors. It is FOD and Personnel Division's opinion that the Uniform Field Officer/Detective Incentive Bonus reports are not being circulated by the Area Timekeepers and supervisors for proper review. Moreover, communication with various geographic Areas and divisions also pointed to a lack of circulation of this report to the proper personnel to ensure its accuracy. It is critical for the appropriate personnel to review and approve this report in a timely manner so Personnel Division can ensure proper compensation of those sworn personnel who should be receiving the incentives.

Objective No. 2a – Civilian Night Incentives Paid in Accordance with Memorandum of Understanding Criteria

Criteria

Civilian employees entitled to the Night Bonus receive a five and one half percent pay increase. In addition to this rate, employees under MOUs 3, 19, 20, and 21 are also entitled to an abbreviated schedule.

Article 25, MOU No. 3, Shift Differential, states, "*Any employee who is assigned a work schedule that ends at 9:00 p.m. or later shall receive for each such day worked salary at the second premium level rate above the appropriate step rate of his/her salary range.*"

⁴Consideration was given towards allowable variances as outlined within MOU No. 24.

⁵Each command was contacted and advised of the findings for appropriate action.

Per FOD, if an employee's work shift ends after 9:00 p.m. they require that more than half of the shift is before 8:00 a.m. to be eligible for the night bonus.

Article 5.12, MOUs 14 and 18, Shift Differential, and Article 6.3, MOUs 12, 19, 20, and 21, Shift Differential, state that employees who work eight or more hours on any one day and more than 50 percent of that shift is between the hours of 5:00 p.m. and 8:00 a.m., shall receive for each such day worked, compensation at the appropriate step of the second premium level above the salary range prescribed for his/her class.

Regarding abbreviated schedules, Article 32, MOU 3, Regular Hours of Work, states that for the night watch schedule, *"thirty-seven and one-half (37½) hours of actual attendance on duty constitutes a week's work for every such employee assigned to a night watch."* For the morning watch schedule: *"thirty-five (35) hours of actual attendance on duty constitutes a week's work for every such employee assigned to a morning watch."*

Article 5.2, MOUs 19, 20, and 21, Deployment Period (Police Department), state that a work day *"may be eight (8) hours, seven and one-half (7 ½) hours, or seven (7) hours."* Fiscal Operations Division confirmed that employees under MOUs 19, 20, 21 are entitled to the same abbreviated schedules as those employees subject to MOU 3. Additionally, FOD management stated, that every day an employee deviates from their night shift to day watch hours they must work the full shift.

Procedures

For the 105 sampled civilian employees, auditors confirmed hours worked by reviewing Daily Sign In Sheets, Daily Worksheets and any other timekeeping records that documented the employees' schedule. Upon confirming the work hours, it was determined whether the employees worked the night schedule or early morning schedule, and whether the employees were entitled to the civilian Night Bonus in accordance with their respective MOU.

Findings

Ninety-eight (93%) of the 105 civilian employees met the standard for this objective. A total of seven civilian employees were overcompensated on days they deviated from working the night schedule.

Six civilian employees whose positions fall under MOU 3, five worked abbreviated schedules on days they deviated from the night schedule requiring the employee to work a "full shift" as opposed to an "abbreviated shift." This resulted in a combined total of eight hours of overcompensation for six employees.

One civilian employee whose position falls under MOU 18, deviated from the night schedule half the DP and was overcompensated the five and one half percent night bonus for those days the employee did not work the night hours.

Table Nos. 3 and 4 provide a summary of findings for each of the employees based on MOU and number of hours overcompensated.

Table No. 3 – Detail of Overcompensated Civilians Working Abbreviated Shifts

MOU	Area/Division	Overcompensated
MOU 3	Southwest Area	1.5 Hours Worked
MOU 3	Hollenbeck Area	1.0 Family Ill
MOU 3	Hollywood Area	1.0 Hours Worked
MOU 3	West Valley Area	1.5 Hours Worked
MOU 3	Newton Area	0.5 Hours Worked
MOU 3	RACR	2.5 Hours Worked

Tale No. 4 – Detail of Overcompensated Civilian Night Bonus

MOU	Area/Division	Overcompensated
MOU 18	Training Division	5.5% Night Incentive for 9 of 19 work days

OTHER RELATED MATTER

While validating the findings at each of the respective commands, auditors discovered that several timekeepers were not aware that civilian personnel assigned to night duty were not entitled to an abbreviated schedule when they worked the day shift, attended training, were on vacation or used sick days.

Area and divisional commanding officers generally agreed with the findings, and have instructed the timekeepers to make a time sheet correction and/or have the affected employee complete an "Overtime Report" to deduct the overcompensated time.

Additionally, some Area/divisional timekeepers, supervisory staff, and commanding officers were also unaware that civilian employees are required to take a 30-minute lunch break, and document it on the Daily Sign In Sheet; however, civilian employees are allowed to work through their lunch break if they obtain/document permission from a supervisor and indicate it on the Daily Sign In Sheet: "End of Watch Code-7."

Objective No. 2b – Civilian Night Incentives are Supported by Documentation

Criteria

Department Manual section 3/705.05, Daily Sign In Sheet, states, "*Department employees (sworn and civilian) must **only** use the Daily Sign In Sheet, Form 15.19.00. The use of any improvised sign-in/sign-out sheet is not permitted.*"

"Employee's Responsibilities. Department employees who are required to complete the Daily Sign In Sheet must;

- *Complete all of the required boxes properly on the Daily Sign In Sheet for each working day;*
- *Accurately document their actual start of watch and end of watch times;*
- *Accurately document their meal break, if applicable in the "Activity" box, including the "Out" and "In" times;*
- *Indicate their destination/reason in the "Activity" box, including the "Out" and "In" times."*

Procedures

Internal Audits and Inspections Division reviewed Daily Sign In Sheets, Daily Worksheets and any other timekeeping records which documented civilian work schedules. Supporting documentation was considered complete if timekeeping records of employee incentives could be obtained and whether they were completed, indicating start and end of watch times and lunch breaks as required.

Findings

One hundred and two (97%) of the 105 civilian employees' work hours were supported by timekeeping records. Table No. 5 provides detailed findings.

Table No. 5 – Detail of Lack of Supporting Documentation

Area/Division	Lacking Supporting Documentation
Jail Division	Employee was assigned to Hollywood Jail. The supervisor stated they did not keep sign-in sheets for their employees.
Training Division	Employee did not document a lunch break the entire DP.
Motor Transport Division	Employee did not sign in/out on 8/22/13.

RECOMMENDATIONS

None.

ACTIONS TAKEN/MANAGEMENT'S RESPONSE

1. The audit findings were validated with each of the respective Area and division commanding officers, who expressed general agreement and took appropriate action pertaining to their respective findings.⁶
2. The audit report was also provided to the Director, Office of Administrative Services, Assistant to the Director, Office of Operations, and the Assistant to the Director, Office of Special Operations, all of whom were in general agreement with the audit findings.

⁶In some cases, appropriate action had been taken prior to this audit by the commanding officer.