



CITY OF ORLANDO

MEMORANDUM

To: Robert R. Garner, Management, Budget & Accounting Director
Michael McCoy, Chief of Police

From: Beryl H. Davis, Audit and Evaluation Director

Date: September 12, 2003

Subject: Airport Police Billing Processes (Audit Report No. 03-17)

In the course of our involvement to expedite the Greater Orlando Airport Authority's (GOAA) payment of the FY 2001-2002 annual true-up invoice for police services, we noted enhancement opportunities that might simplify the process in the future. This memorandum is to communicate recommendations to enhance the payroll and accounting procedures as well as strengthen internal controls and improve the accuracy of amounts billed to GOAA.

Budget Process

Benefit schedules and calculation rates covering pension plan contributions, workers compensation, medical insurance, etc. were among the information requested by GOAA to perform their audit of the true-up invoice. Much of this information is generated prior to/during the budget process; the rates are subsequently applied to the actual payroll data (by individual employee, by pay period) and recorded in the general ledger. At year-end, the data recorded in the general ledger is utilized to create the true-up invoice.

To expedite GOAA's review process, Police Department management should provide the schedules and calculation rates to GOAA during the budget process and encourage GOAA staff to make inquiries and/or request additional documentation at that time. The GOAA staff's understanding of and agreement with the benefit computations during the budget process should expedite its review and payment of the true-up invoice.

Overtime Tracking

Actual overtime billed to GOAA was \$1.045 million versus a budgeted \$87k, or \$958k over budget. Approximately \$388k of the overage was related to a special Transportation Security Agency (TSA) program, which was reimbursable to GOAA by TSA. A procedure was established to generate separate City invoices that GOAA could then forward to TSA for reimbursement. Neither explanations nor supporting documentation were readily available for the remaining \$570k until airport police staff researched their records.

To enhance the process, the airport police program should consider tracking the overtime, as well as any other appropriate costs, on a monthly basis. To facilitate the tracking process, a numbering system could be devised (e.g., 01-xx for GOAA, 02-xx for FAA, 03-xx for U.S. Treasury), provided to the officers when assigned and reported by the officers on their timesheets. This would provide consistency among officers in time reporting, allow for relatively easy data collection either manually or electronically and provide a reliable basis for any recoveries from federal and/or state funding.

Compensation Time

During the review of timesheets, both GOAA audit staff and our staff noted several instances where officers reported both compensation time used and compensation time earned on the same day. GOAA audit staff questioned this practice, primarily because it appears that officers are taking time off (compensation time used) and then working overtime hours to earn back the compensation time used. There currently is no specific City policy addressing this practice.

Orlando Police Department (OPD) management should review the practice of allowing compensation time to be earned and used within the same day and make a determination of its propriety. If determined acceptable, a procedure should be adopted allowing such to occur and specifying the circumstances under which it would/would not be appropriate.

Periodic Reporting

Currently, GOAA remits one-twelfth of the annual budget each month, with an annual “true-up” invoice generated shortly after fiscal year-end. No other financial data, budget or actual, is communicated to GOAA during the year.

We understand that internal monthly fiscal reporting of police program activities, including the airport division, was established within the last year for OPD management use. The Police Department should consider utilizing this information to generate a quarterly actual versus budget report for GOAA management, including explanations for actual as well as projected variances. Questions and supporting documentation requests from GOAA management should be encouraged to resolve issues as quickly as possible.

Quality Assurance

Several clerical-type errors were noted during the review requiring adjustments to the billed amount. These errors included payroll keying errors, late entry of employee transfer data and incorrect computations of final pay by the Police Department payroll function as well as the omission of certain charges by Management, Budget & Accounting (MB&A). The utilization of basic quality assurance techniques should help prevent the occurrence of many such errors. Quality assurance is particularly important to assure credibility with outside parties.

We understand that MB&A will transfer responsibility for GOAA police services billing and collection to OPD in FY 03-04. Police management should establish some basic quality assurance techniques in the processing of GOAA information and invoicing, e.g., an independent financial function/individual should compare the true-up invoice detail data to the general ledger, or other documentation, before the invoice is forwarded to GOAA. In addition, police fiscal management should establish input accuracy controls to help ensure that the data is correctly entered into the payroll system, e.g., airport staff computed control totals (hours worked by category) forwarded to fiscal management along with the timesheets for matching to payroll-entry data.

Memorandum of Understanding

Amendment Number Six (dated February 2000) to the Operation and Use Agreement between the City and GOAA included some specific language related to Pre-Retirement Personal Leave Buy Downs contained in the then existing police union agreement with the City. The following union agreement (effective October 2001) removed the pre-retirement restriction. In line with the new union agreement language, the City billed all personal leave buy downs as part of the true-up invoice, which GOAA audit staff has questioned. City legal staff believes the intent of the Amendment was to share the cost of personal leave buy downs, that it would be appropriate to share this cost and that a written communication of this arrangement should suffice rather than another amendment to the GOAA agreement.

Police management should request that Legal Affairs prepare and execute a Memorandum of Understanding regarding the treatment of personal leave buy downs for the remainder of the current union agreement. Additionally, OPD should establish a procedure to request Legal Affairs' assistance in reviewing the impact of all future union agreement or policy changes on the GOAA agreement.

Conclusion

To enhance payroll and accounting procedures, strengthen controls and improve processing accuracy, we recommend Police Department management:

1. Provide the benefit schedules and calculation rates to GOAA during the budget process and encourage GOAA to make inquiries and/or request additional documentation at that time.
2. Track overtime on a monthly basis, perhaps through the use of a numbering system (e.g., 01-xx for GOAA, 02-xx for FAA, 03-xx for U.S. Treasury) provided to the officers when assigned and reported by the officers on their timesheets.
3. Determine the propriety of compensation time earned and used within the same day and, if determined acceptable, adopt a procedure specifying the circumstances under which it is appropriate.

4. Generate an actual versus budget report for GOAA management, including explanations for actual as well as projected variances, on a quarterly basis.
5. Establish quality assurance methods and techniques to help ensure the accuracy of the true-up invoice as well as the information used to generate the invoice data.
6. Request Legal Affairs to prepare a Memorandum of Understanding regarding personal leave buy downs and provide assistance in reviewing the impacts of all future union agreement or policy changes on the GOAA agreement.

OPD concurs with the above recommendations and has already implemented some of the suggestions.

BHD/jts

c: Honorable Buddy Dyer, Mayor
David Dix, Chief of Staff
Wayne Rich, City Attorney
Jody Litchford, Chief Assistant City Attorney