



Hillsborough
County Florida

Board of County Commissioners
County Internal Auditor's Office

FIRE RESCUE UNION LEAVE

Audit Report # IA-19-01
March 6, 2019



TO: Board of County Commissioners

FROM: Peggy Caskey, County Internal Auditor

DATE: March 6, 2019

SUBJECT: Fire Rescue Union Leave, Audit Report # IA-19-01

The Audit Team performed a financial audit of the Fire Rescue union leave activity.

The purpose of this Report is to provide management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. As such, this Report is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate the cooperation and professional courtesies extended to the Audit Team. The County Administrator gave the Audit Team full, free, and unrestricted access to all applicable activities, records, property, and personnel necessary to accomplish the stated objective of this audit engagement. Personnel also provided necessary assistance for the Audit Team to effectively perform the audit in an efficient manner.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
County Internal Auditor

CC: Christine Beck, County Attorney
Greg Horwedel, Deputy County Administrator
Dennis Jones, Fire Chief
Mike Merrill, County Administrator

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EXECUTIVE SUMMARY

As per the 2018 Annual Audit Plan, the County Internal Auditor's Office conducted a financial audit of the Hillsborough County Fire Rescue (Fire Rescue) union leave activity.

The audit was performed to determine whether the recordkeeping and usage of Fire Rescue union leave are adequately accounted for and the union leave process' controls are designed to minimize the likelihood of errors or abuse.

The Audit Team reviewed the Fire Rescue Department's and the Clerk of Circuit Court's Payroll Department's (Clerk's Payroll Department) union leave financial and non-financial transactions for adequacy.

- The Audit Team's analysis identified a few payroll omissions that had occurred. Management remediated these control gaps in August and December 2018.
- Fire Rescue union leave and union leave backfill were accounted for and adequately designed controls reduce the potential for errors and abuse.

Other minor concerns, that may have been identified and not included in this Report, were communicated to management and/or corrected during fieldwork.

The exit conference was held on February 4, 2019.

OVERALL OPINION

It is the County Internal Auditor's overall opinion that the Fire Rescue union leave activity is at the repeatable control maturity level (level 3 out of a possible 5). Controls are established with some policy structure; there is clarity on roles, responsibilities, authorities and accountability. Performance monitoring is informal, placing greater reliance on the diligence of people and independent audits.

The recommendation in this Report is designed to further strengthen and mature the control structure already in place.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, County Internal Auditor

Michelle Ferreiro, CPA, Senior Internal Auditor

Melinda Jenzarli, CIA, CISA, CFE, CPA, MBA, Lead Internal Auditor

BACKGROUND INFORMATION

At the time of testing, there were two collective bargaining agreements in effect from October 1, 2014, through September 20, 2017, between the Hillsborough County Board of County Commissioners and the International Association of Firefighters (IAFF) Local 2294 Suppression Unit and Supervisory Unit (the Bargaining Agreements). The Bargaining Agreements were extended through October 1, 2018, Article 2.2.

The Bargaining Agreements, Article 6 states that the employer recognizes the Union as the exclusive collective bargaining representative for all matters affecting wages, hours and terms and conditions of employment as provided in Chapter 447, Florida Statutes, for those employees in the bargaining unit in the classifications of firefighter, driver/engineer, company fire captain, fire inspector, fire rescue training officer, all classifications of fire medics, battalion chief (or its equivalent) and lead fire investigator. As shown in Figure 1 below, Articles 12.2, 43.1 and 43.2, provide guiding principles for union leave activities.

Figure 1: Articles 12.2, 43.1, and 43.2 directly relate to union leave activities

Article	Guiding Principle
12.2	Requires 24 hour written notice for a union leave request.
43.1	The employer must maintain a union leave account for the purpose of enabling union members to participate in union activities without loss of pay or benefits. It also denotes what union leave activities are acceptable union business. Requires written notice for a union leave request to be submitted no later than 48 hours after the use of union leave.
43.2	Requires the employer to maintain a union leave account balance, outlines the purpose, collection, accrual, and usage for union leave.
<i>See Appendix A for additional information.</i>	

In general, the union leave activity workflow is as follows:

- At the beginning of the fiscal year, union members are identified. The identified data is batched and validated by the Clerk's Payroll Department and the Fire Rescue Department. In conformance with the Bargaining Agreements, Article 43.2, the batch is used by the Clerk's Payroll Department to reduce six hours from each union members' compensated hours balance in the human resources system (a non-financial Oracle transaction). Reducing the hours has no financial effect.
- In alignment with Bargaining Agreements, Articles 12.2, and 43.1, leave usage is expended throughout the year. The union participant's schedule and time tracking are coded as union leave (UL) in the TeleStaff and Kronos systems, respectively, and as a payroll expense in the Oracle payroll system. Similarly, the schedule and time keeping for the employee who covers the shift is coded union leave backfill (ULB).
- When the County's total compensated absences liability is calculated at fiscal year-end, the liability does not include the union member's six hour involuntary donation. The union leave liability is comingled with all other compensated absence liabilities and it is conveyed in the County's comprehensive annual financial report (CAFR) as compensated absences payable.

AUDIT OBJECTIVE

The objectives of this audit were to determine whether the recordkeeping and usage of Fire Rescue union leave are adequately accounted for and the union leave process' controls are designed to minimize the likelihood of errors or abuse.

APPROACH

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that the County Internal Auditor's Office plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. The County Internal Auditor's Office believes that the evidence obtained provides this reasonable basis.

SCOPE

The scope of work included the following:

1. The Audit Team performed interviews with key personnel.
2. Recalculated and compared FY 2017, FY 2018 and FY 2019 expected union leave beginning account balances to actual union leave amounts deducted.
3. The Audit Team traced a sample of union leave requests to the corresponding payroll transaction.
4. The Audit Team reviewed a sample of the Fire Rescue Department monthly reporting of the union leave backfill dollar value.
5. Unanticipated resources were necessary to negotiate the new Bargaining Agreements causing a deficit in the FY 2018 involuntary donation account balance that required an adjustment to the following fiscal year. The Audit Team validated that the FY 2018 involuntary donation account balance deficit of \$17,323 was accurately reduced from FY 2019.

POSITIVE ATTRIBUTES

Annually, hundreds of chief officers throughout the nation apply to attend the distinguished Fire Service Executive Development Institute, which is supported by the International Association of Fire Chiefs. The Hillsborough County Deputy Chief of Operations for Fire Rescue, was one of only 20 professionals throughout the nation selected to attend the Institute beginning January 2019. The yearlong leadership development program teaches new and aspiring chiefs successful ways to lead a modern fire-rescue department while enhancing public safety in their community.

The Fire Recue Fiscal Services Manager became a Florida Certified Public Accountant in December 2018.

AUDIT COMMENTS & RECOMMENDATION

1 – UNION LEAVE BEGINNING BALANCE VALIDATION

AUDIT COMMENT

The Audit Team reviewed the Fire Rescue Department's and the Clerk's Payroll Department's union leave financial and non-financial transactions for adequacy. The Audit Team's analysis identified a few payroll omissions that had occurred. Management remediated these control gaps in December 2018.

DISCUSSION

At the beginning of the fiscal year, union members' data is validated and approved by the Fire Rescue Department. On the first full pay period in October of each fiscal year (per Article 43.2 in the Bargaining Agreements), the batch is uploaded, validated, and processed in Oracle by the Clerk's Payroll Department. This transaction deducts six hours from each union member's accumulated compensated balance (available annual leave). This deduction establishes the primary union leave account balance for the fiscal year. This involuntary donation (a non-financial Oracle transaction) is recorded in the human resources process.

AUDIT PROCEDURES

The Audit Team performed interviews with key Fire Rescue Department and Clerk's Payroll Department personnel.

Utilizing financial records from the Oracle system, the Audit Team recalculated FY 2017, FY 2018 and FY 2019 expected union leave beginning account balances and compared the calculations to actual union leave amounts deducted from the full population of union members.

RESULTS

The Audit Team's analysis identified no material concerns with FY 2018 and FY 2019 beginning balances.

During FY 2017, there was an involuntary donation batch processing control gap that, had it been repeated year after year, could have resulted in a material weakness. However, the control gap was not repeated in FY 2018 or FY 2019, so it appears it was an isolated incident. The Clerk's Payroll Department inadvertently did not release the FY 2017 involuntary donation batch into the Oracle system. Performance monitoring was informal, which placed greater reliance on the diligence of people and independent audits. The compensated absences liability account was overstated by approximately \$139,000 in the FY 2017 CAFR and it also affected the FY 2018 CAFR. These overstatements were immaterial to both the FY 2017 and FY 2018 CAFR. Fire Rescue employees who left employment prior to the correction were overpaid by six hours which resulted in an immaterial actual loss.

Upon discovery, the Audit Team communicated the detected control gap to management. The Clerk's Payroll Department took the following immediate corrective actions in December 2018 to alleviate the concern:

- implemented an Oracle Payroll Process of IAFF Union Leave Reduction Process Checklist; and
- recalculated the FY 2017 annual involuntary donation amount, uploaded, validated and processed the batch in the Oracle system.

RECOMMENDATION

To further strengthen the control structure, consideration should be given to assigning someone independent of the person who processes the annual involuntary donation batch to sample test a few accumulated compensated balances to confirm the adjustment was completed with the correct number of hours.

MANAGEMENT RESPONSE

While Fire Rescue Management has no control over how the Clerk's Payroll Department performs its functions since it is a separate constitutional office not under the authority of the County Administrator, Fire Rescue Management will institute a process whereby Fire Rescue staff will request written verification from the Clerk's Payroll Department that union leave has been successfully deducted from union member's vacation allocations. Fire Rescue Management agrees to request the written verification no later than 30 days after submitting the roster of eligible union members to the Clerk's Payroll Department for processing. Fire Rescue staff will keep a record of the verification on file with the Fire Rescue Department's union roster information.

TARGET COMPLETION DATE

October 2019

2 – UNION LEAVE REQUEST VALIDATION

AUDIT COMMENT

Fire Rescue union leave and union leave backfill were accounted for and adequately designed controls reduce the potential for errors and abuse.

DISCUSSION

Leave usage is requested and expended throughout the year. In alignment with the Bargaining Agreements, Articles 12.2, and 43.1, union leave requests must be made by a Union executive officer to the Fire Chief or his designee for union members to perform union business. The request must be reduced to writing either no less than 24 hours before or within 48 hours after the use of the union leave. Salary and overtime pay, if any, incurred in replacing the union member with authorized union leave is deducted from the union leave account balance unless otherwise specified. Authorization for union leave is limited by the amount available in the union leave account balance, unless otherwise specified. The schedule and time tracking for the union member who participates in union business, is coded as union leave (UL) in the TeleStaff and Kronos systems, respectively, and as a payroll expense in the Oracle payroll system. Similarly, the schedule and time keeping for the employee who covers the shift is coded union leave backfill (ULB).

In August 2018, Fire Rescue, with assistance from the Enterprise Solutions & Quality Assurance Department, implemented an automated revised TeleStaff Exceptions Report (a daily monitoring exception report) to ensure time coded to union leave has a corresponding union leave backfill record in TeleStaff.

On a monthly basis, Fire Rescue runs an Oracle business intelligence (BI) report to monitor the leave account balance.

AUDIT PROCEDURES

During FY 2018, 179 shifts were coded to union leave in Kronos. The Audit Team selected a random sample of 30 shifts from this population based on a 95% confidence level and 10% precision. For each of the sample items, the Audit Team validated that union leave and union leave backfill activities were accounted for and adequately controlled to minimize errors and abuse (test procedures 1-8 below).

The test procedure included the following.

1. Verified the written union leave request from a union executive officer was received and approved by the Fire Chief or his designee.
2. Validated the union leave request was received at least 24 hours before or within 48 hours after the union leave was taken.
3. Verified the union leave was approved by the Fire Chief or his designee.
4. Validated the union leave was correctly coded and recorded in TeleStaff.
5. Identified the union member who backfilled the union leave vacancy.
6. Verified the union leave backfill was correctly coded and recorded in TeleStaff.
7. Validated that the union leave shift vacancy (12 or 24 hours) taken equated to the backfill shift scheduled.

8. Validated the union leave, union leave backfill, and overtime hours recorded in TeleStaff equaled the amounts recorded in Kronos.
9. Tested the revised TeleStaff Exceptions Report to ensure this control is working as designed.
10. Tested the FY 2018 monthly remaining balance monitoring activities performed by Fire Rescue.

RESULTS

Fire Rescue's union leave and union leave backfill were accounted for and adequately controlled to minimize errors and abuse. The Audit Team's analysis identified only minor discrepancies between shifts coded to union leave (UL) and shifts coded to union leave backfill (ULB). It is anticipated that the revised TeleStaff Exceptions Report (a monitoring control) will further mitigate the risk. Based upon testing, it appears this control is working as designed. The Audit Team's analysis did not identify any material concerns with the FY 2018 monthly remaining balance monitoring activities performed by Fire Rescue.

RECOMMENDATION

None

Appendix A

Bargaining Agreement Excerpts

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There are two collective bargaining agreements between the Hillsborough County Board of County Commissioners and the International Association of Firefighters (IAFF) Local 2294 Suppression Unit and Supervisory Unit in effect from October 1, 2014, through September 20, 2017 (Bargaining Agreements). Articles 12.2, 43.1 and 43.2 were referenced during fieldwork. Below are abbreviated extracts of these Articles. See the Bargaining Agreements for language in its entirety.

Article 12.2

Upon twenty-four (24) hours written notice, shift exchange shall be granted for like qualified employees on an intra-county basis. Qualifications are determined by Civil Service job classification or the ability to act in such classification and are subject to the approval of the Fire Chief or designee.

Article 43.1

The employer will maintain a Union leave account(s) for the purpose of enabling members of the Union Executive Board, or designee(s), to perform executive and administrative duties, to attend Union and professional development conferences, seminars, meetings, and other related Union activities (Union business) without loss of pay or benefits provided there is an adequate balance in the Union leave account(s). Union leave requests must be made by an executive officer (President, Vice President, Secretary, or Treasurer) to the Fire Chief or his designee. The request must be reduced to writing (i.e. e-mails preferred) either before or within forty-eight (48) hours after the use of the Union leave. Requests shall be made for periods of not less than twelve (12) hours, or greater than twenty-four (24) hours per Employee per shift (except for Union President as identified in 43.6). Requests shall not be unreasonably denied. Salary and overtime pay, if any, incurred in replacing the Union representative(s) position(s) with authorized Union leave shall be deducted from the Union leave account balance unless otherwise specified. Authorization for Union leave shall be limited by the amount available in the Union Leave Account(s).

Article 43.2

On the first full pay period in October for each fiscal year, the employer shall deduct six (6) hours accumulated annual leave from each Union member, and this deduction shall establish the Primary Union Leave Account balance for the fiscal year. The Union Primary Leave Account balance in one fiscal year, remaining unused at the end of the fiscal year, shall not carry forward to any subsequent fiscal year. Any remaining balance (Snapshot) existing on September 29, 2007, shall carry forward, and shall be utilized only when the Primary Account balance reaches zero prior to September 30th in any fiscal year. The Union will have continued access to the remaining Snapshot balance until this account is exhausted.