

**REVIEW OF GAINESVILLE
FIRE RESCUE OVERTIME**

FEBRUARY 2007



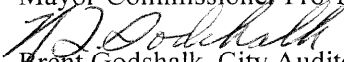
**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

February 13, 2007

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Craig Lowe, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Review of Gainesville Fire Rescue Overtime

Recommendation

The Audit and Finance Committee recommend that the City Commission:

- 1) Accept the City Auditor's report and the City Manager's response; and
- 2) Instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

Explanation

In accordance with our Annual Audit Plan, we have completed a Review of Gainesville Fire Rescue Overtime. Our report, which includes the City Manager's response, is attached for your review.

We request that the Committee recommend the City Commission accept our report and the City Manager's response. Also, in accordance with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we request that the Committee recommend the City Commission instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

City of
Gainesville

Inter-Office Communication

December 8, 2006

TO: Russ Blackburn, City Manager
FROM: Brent Godshalk, City Auditor
SUBJECT: Review of Gainesville Fire Rescue Overtime

We have completed a Review of Gainesville Fire Rescue Overtime, which was set forth in our Fiscal Year 2006 Annual Audit Plan. During our review, we conducted interviews with key staff, reviewed operating information and tested management controls. The attached report provides several recommendations we believe will assist you and your team in strengthening management controls.

We would like to thank Fire Chief Bill Northcutt and his staff for the courteous and cooperative treatment afforded us during our review. Our recommendations have been reviewed with him.

In accordance with Commission Resolution 970187, Section 9, please submit your written responses to the recommendations presented in the attached report within 30 days and indicate an actual or expected date of implementation. Our final report, which will incorporate your written response, will then be submitted to the City Commission's Audit, Finance and Legislative Committee for review and approval.

Please let me know if you would like to meet to discuss further the details of this report or if you have any comments or questions that will facilitate your response.

cc: Bill Northcutt, Fire Chief

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Fiscal Year 2006 Annual Audit Plan, the City Auditor's Office completed a Review of Gainesville Fire Rescue Overtime. The primary focus of this review was to provide the City Commission with an independent assessment of the adequacy of management controls in effect over overtime pay. Management controls include the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring program performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, methods and procedures to ensure that goals are met. Specific audit objectives included evaluating the policies, procedures and internal controls related to overtime and gaining an understanding of the causes for overtime.

Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures included interviewing staff, reviewing procedures, analyzing overtime usage and testing internal controls as needed to assess compliance with City policies and procedures. The scope of our review was generally for overtime pay experienced within GFR from Fiscal Years 2000 through 2005.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's written response, can be found in the following sections of this report.

BACKGROUND INFORMATION

Gainesville Fire Rescue assigns 42 or 43 employees to one of three 24-hour shifts. Each shift requires a minimum of 33 employees, consisting of two district chiefs, ten driver operators, nine lieutenants and 12 firefighters; this includes two personnel assigned to the Gainesville Regional Airport.

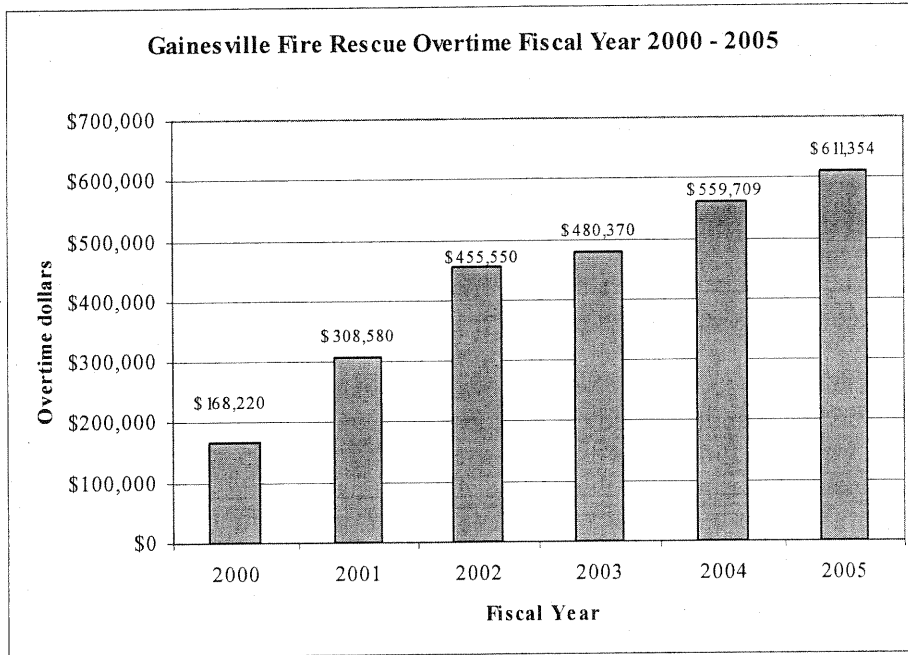
Firefighters assigned to 24-hour shifts have their wages based on an average 52-hour work week. The 52-hour work week results in part from a "Kelly Day," a regularly scheduled day off that occurs every sixth week for each firefighter. This automatically reduces, by three or four, the total number of firefighters available per shift. Previously scheduled vacations and training, as well as unscheduled sick leave, also reduces the number of firefighters available to work a specific shift.

Firefighters are allowed to change shifts with another equally trained employee. This can help to ensure, when appropriate, that coverage for that employee will be provided without requiring overtime usage. In general, employees do this often and it appears to work effectively.

Prior to a new shift, each District Chief reviews the next shift and determines if additional personnel are needed in order to ensure minimum staffing levels are maintained. In accordance with the labor agreement, the District Chief obtains a list of firefighters from the firefighters' union, IAFF, who is responsible for ensuring that each firefighter receives equal opportunity for overtime when available. An opening for a firefighter with hazmat or paramedic training must be filled with a firefighter with the same qualifications. Firefighters are called from the list and if they decline, the next firefighter is called until there is an affirmative response. Each employee from the list is offered overtime and the ability to accept or decline. Employees can work as much or as little overtime as they accept.

As shown on Chart 1 below, GFR overtime costs have increased significantly over the past six fiscal years.

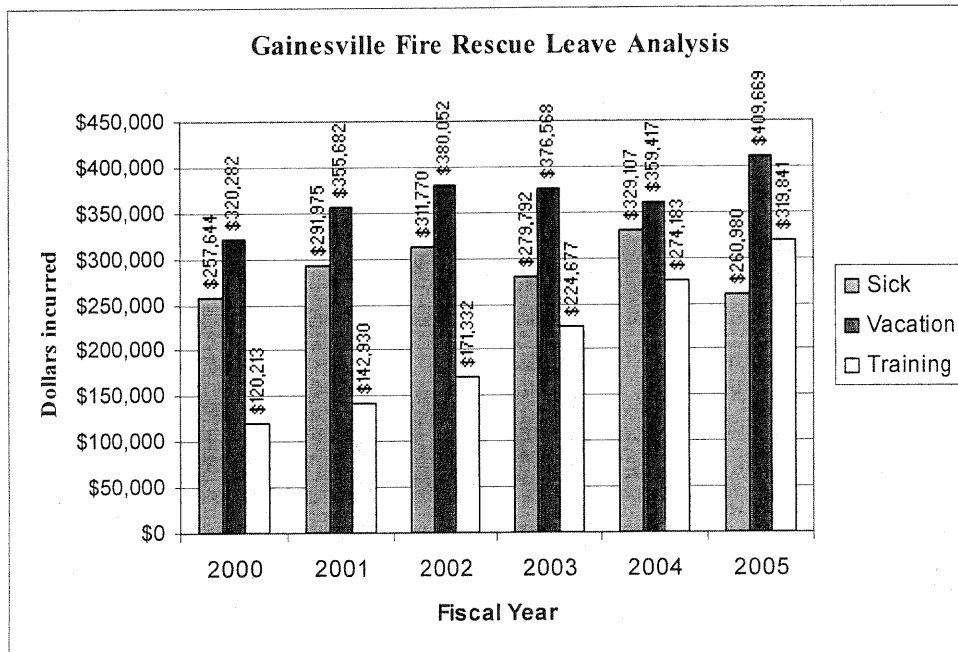
Chart 1



Overtime increased significantly from Fiscal Year 2000 to 2001, approximately 83%, due in part to the events of September 11, 2001 and their aftermath. Fiscal Year 2002 again saw a significant overtime cost increase, approximately 48%. In 2004, the City of Gainesville experienced two hurricanes; however, the overtime earned by GFR personnel for hurricane related duty was reimbursed through FEMA funds. As a result, these costs are not reflected in the overtime totals identified in Chart 1.

Chart 2 includes areas where leave was taken which may have resulted in overtime earned by employees.

Chart 2



As demonstrated in Chart 2, sick leave, vacation leave and training have all generally increased over the past four years. Training has increased significantly from \$120,213 in Fiscal Year 2000 to \$319,841 in Fiscal Year 2005 as GFR has undertaken extensive training programs for staff. Since 2001, GFR has added urban search and rescue to its trained staffing needs as well as increasing the technical ability of the hazardous materials team. Firefighting training includes:

- Annual physical fitness and combat testing required for all personnel to ensure adequate responses to a variety of incidents and situations,
- Orientation training - all new firefighters receive 16 weeks of mandatory training,
- Courses for multiple disciplines for firefighters seeking promotional opportunities,
- Ongoing emergency medical technician and paramedic training to ensure a high level of care is administered, including continuing education needed for recertification, and
- Hazardous materials training for personnel specifically trained to be hazardous materials technicians. This certification requires 160 hours to become a certified technician, with continuous education requirements of approximately 72 hours per year after certification.

Obviously, maintaining these services require additional training demands which translate into additional overtime requirements for the department.

District Chiefs, Lieutenants and Driver Operators

Although District Chiefs, as members of management, do not receive traditional time-and-a-half overtime pay like employees covered under the IAFF contract, they are compensated with additional pay for work completed outside their shift. District Chiefs, along with driver operators and lieutenants typically earn the highest off-shift wages in comparison to other employees. This is in part due to the lower number of potential employees to fill required slots.

GFR has six shift District Chiefs with two assigned to each shift. In Fiscal Year 2005, District Chiefs were compensated for off-shift hours at a rate of \$32 or \$35 per hour, depending on whether they had less than five years or more than five years in the position. The process of filling vacancies each shift is similar to ensuring there are enough personnel for each shift. However, because there are two positions to be filled and a small group to select from, their opportunity for overtime is relatively high. At a minimum the cost to replace a District Chief for training, vacation or sick leave is \$768 for a 24-hour shift.

Lieutenants and driver operators receive one-and-a-half times their hourly rate to work overtime. Since these positions pay more per hour than firefighter positions and require a comparable replacement to fill in, these positions also tend to receive greater overtime wages.

Potential additional staff

Since 1994, GFR has maintained approximately 150 positions. These budgeted positions include approximately 130 positions assigned to shift and 21 support staff positions. In 2005, GFR prepared a cost/benefit analysis indicating that the City was already paying through overtime 96% of the cost of hiring 12 additional employees. The analysis indicated that Gainesville ranked tenth out of 13 peer cities in Florida for level of fire department staffing, with 12.76 positions per 10,000 per population. The analysis indicated that additional personnel would effectively be paid for, including a 10% operating cost, and cost the City approximately \$23,000 the first year.

Although the initial funding appears small, the additional staff would also require the same leave and training as the current fire personnel which were not included. This includes Kelly Days, sick and vacation leave, as well as ongoing training required of all firefighting staff. Although GFR included benefits and holiday pay, as well as uniform purchases, there are several other factors which were not

included such as the major components for overtime including sick leave, vacation leave and training which would be incurred each year. Additionally, increased staff would not ensure that leaves would be covered by additional staff without overtime, especially during peak leave seasons such as holidays.

Hiring additional staff may be necessary not so much as a cost savings component to overtime, but for public safety. Fire Safety experts agree that a four-member crew is needed for entry into burning buildings for each engine company which would allow for teams to work in pairs. To meet those guidelines, GFR must wait for a second engine company to arrive whenever a three-member engine company is the first responder due to vacation, sick or Kelly days, which results in increased time for rescue or extinguishing the fire, as well as leaving the awaiting engine company's location vulnerable. Our audit did not focus on the need for additional staff for this purpose, but whether additional staff would have a desirable affect on significantly reducing personal services.

Other Considerations

The City Auditor's Office has previously reviewed overtime expenses incurred at the Gainesville Police Department, the Regional Transit System and in Gainesville Regional Utilities. The review of GFR includes analyzing factors that affect overtime including sick leave, staffing requirements and Kelly Days. As in previous overtime audits, we observed instances where some recent retirees have significant overtime earnings during the one or two years prior to retirement compared to previous years. The assignment of overtime is voluntary and the opportunities are based on the employee list maintained by the IAFF as well as the type of trained employee needed to fill in during the shift.

ISSUE #1

Improved Monitoring of Sick Leave Usage and Financial Impacts of the DROP Plan

Discussion

In Fiscal Year 2000, GFR sick leave costs were approximately \$257,000, increasing more than 28% to \$329,000 in Fiscal Year 2004. In Fiscal Year 2005 sick leave was \$261,000. Sick leave is monitored by GFR management administratively based on the current IAFF contract, which states:

All employees are required to notify the District Chief . . . as early as possible and no later than 60 minutes prior to the starting of his/her normal work day when he/she is unable to report for work because of illness or injury, giving the reason for absence. Employees failing to comply with this provision shall not be allowed to charge their absence to sick leave unless waived by the Fire Chief. Twenty-four hour shift employees will notify the District Chief at least 24 hours in advance of their intent to return following an illness or any injury.

From the fourth incident of sickness onward, a doctor's statement verifying the sickness may be required. In all cases where the sickness involves more than two consecutive shifts, a doctor's statement verifying the sickness may be required.

When verification of illness is required, the following shall apply: A doctor's statement, in writing, is to be turned in to the District Chief before the employee returns to work, which statement shall detail the employee's illness, the treatment made and any restrictions on the employee's ability to perform all the duties normally assigned to the employee's classification. Failure to provide such a statement or refusal by the doctor to allow the City to verify the statement if such is requested shall preclude the use of sick leave, and the employee shall be in a leave without pay status until acceptable documentation is provided. Expenses of a doctor resulting from the verification of illness shall be the responsibility of the employee except if he is required to obtain such from a doctor selected by the City.

Restrictions Related to the Health Insurance Portability and Accountability Act

In April 2003, the Health Insurance Portability and Accountability Act (HIPAA) went into effect, establishing new minimum standards for protecting the privacy of individually identifiable health information. Currently, when a firefighter is required to submit a doctor's statement, the only information provided is whether the employee has been under a physician's care. Additional information such as diagnosis, treatment and work limitations cannot be received based on the interpretation of the HIPAA rules by Risk Management and the City Attorney's Office. These restrictions have limited GFR management's ability to evaluate the length of time an employee may be off work in order to plan for staffing replacements.

Recently, Risk Management, GFR management and the IAFF agreed in principle to requiring employees to provide doctor's statements that include diagnosis, treatment and work limitation information. These statements would be given to Health Services upon the employee's return to work to assist in assessing the employee's fitness for duty. Health Services has developed a form for employees to submit to their physician. Upon returning to work, the employee would report to Health Services with the completed form and be assessed on their fitness for duty. Health Services would notify GFR management of the employee's fitness for duty and inform them of any limitations. This should help management to more effectively control leave approvals, which has been difficult since HIPAA went into effect. Currently

GFR management is in the process of reviewing and approving the form Health Services has created and finalizing a new labor agreement with IAFF.

Deferred Retirement Option Plan Impacts on Overtime

A deferred retirement option plan (DROP) is available to all City employees covered by the City's pension plans. The City's Consolidated Police Officers and Firefighters retirement plan allows an employee to participate in the DROP after reaching 25 years of service. The maximum a DROP participant can remain in the program is five years or until reaching 30 years of regular employment, whichever comes first.

When an employee enters the DROP, their credited service is calculated as if the employee is ending their service with the City. When entering the DROP, consolidated plan fire employees can cash out a portion of their remaining sick leave balance, as long as the employee has not used over 50% of their sick leave during their employment. The remaining sick leave can be applied to total credited service, increasing their pension, or retained for use during their employment while in the DROP. Any unused sick leave hours remaining at the expiration of the employee's DROP participation is forfeited.

The DROP was first instituted in 1999. As part of our review, we analyzed sick leave usage for GFR personnel who entered the consolidated plan DROP from 2002 through 2005. We noted significant increases in sick leave usage in over 50% of the GFR employees in the DROP with five of the nine employees more than doubling their sick leave usage during the year after entering the DROP.

Conclusion

Due to federally required HIPAA constraints, GFR management has experienced greater difficulty in assessing and managing leave events that affect overtime. Greater information provided by physicians will help management to better assess the appropriateness of employee usage of sick leave, determine scheduling adjustments required and ultimately provide management with improved tools to control overtime costs.

DROP participants do not have the same financial incentives for unused sick leave as they had before entering the DROP. Once sick leave is cashed out or applied to years of credited service, DROP participants continue to accrue sick time, with the only options available to use the sick leave or forfeit it at the end of the DROP. GFR employees participating in the DROP over the last few years have generally used sick hours in greater quantities than prior to entering the DROP. Sick hours are unplanned and generally lead to overtime expenses when employees are brought in to cover the employee out on leave.

Recommendations

We recommend management complete steps necessary to finalize the improved process of obtaining doctor's statements and begin to actively require the use of physician notes, when appropriate, to control scheduled leaves and ensure sick leave usage is for legitimate purposes.

We also recommend management evaluate and consider restructuring the DROP plan to either revise how sick leave hours are earned while in the DROP plan or to provide some form of incentive for DROP participants to retain their sick leave balances until the end of the DROP. Consideration could be given to allowing employees to cash out a portion of the balance at the end of the DROP or consider offering a combined leave concept. This would help management to more effectively control overtime costs.

Since the DROP generally works in the same manner for non-GFR employees in the City's pension plans, consideration should be given to amending these DROP plans as well, especially for areas where sick leave results in overtime payments due to operational requirements.

Management's Response

We agree. The department has required individuals who use more than three sick leave incidents to bring a doctor's note verifying the illness. This process is a contractual item and has had limited success. It is believed this has had some impact in reducing the amount of sick leave, however the level of impact would be purely speculative. Additionally, this requirement can have an adverse impact on the cost of health care.

During initial conversations with both Risk Management and the City Attorney's Office, it was the belief that current case law allowed the City to require specific illness information as listed in the Labor Agreement. Subsequent case law has caused the City Attorney's Office to change their original message; the department is not able to require this personal information.

Considering the increase in sick leave use by members who are enrolled in the DROP, the department has begun discussions with Labor Relations the option of allowing those members to get into the PTO leave program. This would give the employees more flexibility in the use of leave which may reduce the amount of unscheduled leave such as sick leave. Some discussion began during the recent IAFF Local 2157 negotiations, but the item was dropped from consideration late in the process. Incentives for non-use of sick leave will be readdressed in bargaining for regular members in 2009. Discussions can begin with Local 2157 immediately to address members who are part of the DROP.

In addition, the 2007 budget included three additional staffing positions in an effort to provide an appropriate level of staff. As soon as all positions are filled, Fire Rescue staff will begin evaluating the effectiveness of these additions.

By September 2007 staff will compare current overtime use to historical overtime demands. Staff will continue to work with Risk Management, the City Attorney's Office and Labor Relations staff to try to more effectively address the City Auditor's recommendations.

Airport Service Agreement Provides Inadequate Fee Reimbursement

Discussion

The Gainesville - Alachua County Regional Airport Authority (GACRAA) is required by the Federal Aviation Administration to have trained firefighters on duty during the business operations of the airport, generally from 5 am to midnight. GFR provides airport rescue and firefighting services through an agreement between GACRAA and the City executed in January 2004. The agreement requires GFR to assign two firefighters to be on duty at Station 6 during the hours commercial airlines are using the airport facilities. The agreement, which includes the cost of training, station upkeep, utilities and salaries, but not overtime costs or apparatus maintenance, requires GACRAA to pay the City \$373,702 in Fiscal Year 2004, with annual increases to this sum based on the annual general increase percentages provided to driver/operators. This is typically 3% per year. The contract acknowledges that the "sum is substantially less than the actual cost to the City for providing services". The contract also makes no provision for overtime costs, operating costs or capital expenses incurred by the City to provide these services.

When a regularly assigned firefighter at the airport uses sick or vacation leave or must report for off-site training, another firefighter must fill in, typically at an overtime rate. GFR has recently developed a system that will enable them to better track specific overtime costs incurred at the airport. However, current estimates are that the overtime costs totaling approximately \$60,000 to \$80,000 a year are not being recovered.

GACRAA also receives police services from the City through this contract. However, the agreement provides payment for actual salary expenses of GPD officers working at the airport during the year. There is also a provision for operating and maintenance costs associated with officers assigned to the airport to be offset through the City retaining revenues derived from parking tickets written at the airport.

Conclusion

The agreement between GACRAA and the City does not adequately cover GFR's base salary costs related to services provided at the airport. In addition, there is no provision in the contract for recouping overtime costs or operating costs incurred at the airport.

Recommendation

We recommend management enter into negotiations with GACRAA staff in order to more fully cover the costs of airport rescue and firefighting services. At a minimum, consideration should be given to including a true up factor for overtime, as already established in the contract for police services provided at the airport by GPD officers.

Management's Response

We agree. Negotiations with Gainesville Alachua County Regional Airport Authority (GACRAA) staff that resulted in the current agreement began in 2003. GACRAA staff felt the City should provide concessions to the contract since the City of Gainesville assigns maintenance of self-contained breathing apparatus (SCBA) to the airport fire rescue staff.

The Fire Rescue staff now has some experience with actual cost for providing services under the current agreement which include actual overtime costs associated with airport services. Fire Rescue staff will contact GACRAA staff to discuss renegotiation of this agreement and provide a status update.