

City of Miami

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INDEPENDENT AUDITOR GENERAL



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September 29, 2016

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of Off-Duty Police Employment Activities
Report No. 16-10

Executive Summary

We have completed an audit of off-duty police employment activities. Our audit covered the period primarily from October 1, 2013 through June 30, 2015.

The audit was performed to determine whether the City of Miami (City) is collecting accurate surcharge fees in accordance with Section 42-8 of the City Code, in exchange for providing Miami Police Department (MPD) off-duty police services. Fees collected during our scope period approximated \$2.2 million while compensation paid to officers for off-duty employment activities totaled \$24.8 million.

We also conducted an examination to determine the existence and effectiveness of internal control policies and procedures regarding the Miami Police Special Event Services Office (PSES) management of off-duty police operations, which includes recording, scheduling, planning, and processing off-duty services for special events, special taxing districts, permanent jobs, and temporary jobs; additionally, we reviewed the processing of payroll information with certain vendors and the management of off-duty service surcharge billings and collections.

Based on the results of our audit, we noted the following:

1. Maximum Allowable Off-Duty Hours were being Exceeded.
2. PSES Office Lacks Policies and Procedures that Place Limitations on the Number of Jobs Officers can Coordinate.
3. Officers Apparently Worked at Ranks above their Official Rank due to Possible Input Errors.
4. Erroneously Recorded Hours in the Off-Duty Trak System were Billed to Clients.
5. Off-Duty Surcharges and Fees Billed to Customers are Significantly Overdue.
6. Surcharge Fee Increase Effective June 2016 Was Not Approved By the City Commission.

In addition, we recommended that management: 7) Centralize Accounting for Off-Duty Hours and Compensation Payments to Officers as well as for Billings and Collections of Surcharge Fees.

These and other findings are included on pages 6 through 13 of the report.

We wish to express our appreciation for the cooperation and courtesies extended to us by all City personnel while conducting this audit.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General

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**Audit of Off-Duty Police Employment Activities
October 1, 2013 through June 30, 2015
Report No. 16-10**

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SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit included an examination of the procedures and controls over the City's extra duty (off-duty) police employment activities. The audit primarily covered the period October 1, 2013 through June 30, 2015 and focused on the following objectives:

- To determine whether policies and procedures have been established to effectively govern off-duty police services;
- To determine whether surcharge fees owed to the City were processed and collected as required by City Code;
- Other audit procedures as deemed necessary.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Interviews and inquiries of appropriate personnel.
- Reviews of written policies and procedures in order to gain an understanding of the internal controls.
- Observations of current practices and processing techniques.
- Tests of applicable transactions and records.
- Other audit procedures as deemed necessary.

BACKGROUND

The PSES administers and coordinates off-duty police services within the City. The office is responsible for analyzing, planning and implementing police protection needed to assure public safety for:

- Road construction projects within the City.
- Private and public gatherings (e.g., private parties, sporting events, public festivals) located within the City.
- Commercial businesses that generate large amounts of cash transactions (e.g., banks, large retail/wholesale stores).
- Neighborhood communities (e.g., condominiums and special taxing districts).

Accordingly, PSES is responsible for: maintaining records related to off-duty assignments; coordinating personnel assignments, traffic control, and payroll with customers/event sponsors; and, managing off-duty service surcharge billings and collections. Surcharge fees collected during fiscal years (FY) 2014 and 2015 totaled \$1.23 million and \$1.42 million respectively. As of June 2016, collected surcharge fees totaled \$1.13 million.

Off-Duty Job Types

The types of off-duty jobs worked by officers include: “Special Events”, “Temporary”, “Permanent”, and “Special Taxing Districts”. Special Events include sporting events, concerts and street festivals. Temporary jobs are short term assignments that are non-repetitive in nature and usually occur on short notice (parties, dances, etc.); however, a customer may decide to convert a Temporary job into a Permanent job if it becomes repetitive and periodic in nature (e.g., a weekly assignment to a popular restaurant; daily assignments to a regional/national chain store). Special Taxing Districts are Permanent jobs used by small residential areas within the City, wherein property owners elect to pay special assessments levied on their properties in order to receive police security (off-duty) services.

Off-Duty Job Requests

Requests for off-duty services are made when a customer applies for a job at the PSES office (located in the City’s “MRC” Building) or at one of the City’s NET (Neighborhood Enhancement Team) offices. According to Section 42-8 of the City Code, all off-duty job requests must be evaluated on the basis of the reasonableness of each job which should include an evaluation of “personnel scheduling availability, risk of harm to personnel, and police department efficiency.”

Off-Duty Surcharges and Fees

Subsequent to the evaluation and approval of off-duty services, PSES personnel enter the job into the “Off- Duty Trak” system software (Trak). Employees then utilize this information to record surcharge revenue in the City’s Oracle financial accounting software (Oracle). The information in Trak is also utilized to coordinate/plan all off-duty jobs, and monitor employee sign-up and hires (i.e., officers can electronically register for off-duty work via using Trak).

The system also maintains a count of assigned and worked job hours and compensation for each off-duty employee. Compensation rates for off-duty officers are as follows:

<u>Officer Rank</u>	<u>Rate</u>	<u>Rate Effective June 2016</u>
Public Service Aide	\$28 per hour	\$28 per hour
Police Officer	\$32 per hour	\$36 per hour
Sergeant	\$36 per hour	\$40 per hour
Lieutenant	\$40 per hour	\$44 per hour
Captain	\$44 per hour	\$48 per hour

Customers must pay an administrative surcharge fee of \$3 per hour (\$4 as of June 1, 2016, and \$3 effective September 20, 2016 – see Finding 6, page 11), per employee, per location (a three-hour, \$9 minimum per employee, per location is required) for Special Events, Permanent and Temporary jobs. For Special Taxing District jobs, a \$10 administrative fee per employee, per day is assessed.

Payment of Surcharges and Fees

Customers must initially meet with appropriate PSES personnel in order to formulate an operational plan (logistics and staffing requirements) for all off-duty jobs. Subsequently, depending on the job-type, a customer may either be required to prepay off-duty surcharges, fees and officer compensation or have these items billed. In cases where prepayment is required, PSES gives the customer a voucher in order to pay for the surcharge (total surcharges due = \$3 administrative surcharge per hour x estimated hours) and the estimated amount of employee compensation (estimated number of required employees x applicable compensation rate x estimated hours). The customer then takes the voucher to the City’s Finance Department (FD) and pays for the surcharge and estimated compensation. FD provides the customer with a payment receipt which is taken to PSES so that information pertaining to the job can be entered into Trak. Once the job is entered into Trak, interested officers may request assignment to the job on a first-come/first-served basis.

- **Special Events Jobs**—Upon completion of Special Event jobs, the City uses ADP Payroll Services (ADP) to pay officers based on actual documented hours worked. The customer is then billed for officer hours and the ADP processing fee. Surcharges (\$3 x assigned hours) and permits/fees (i.e., for street closures) can be paid in advance as described above after an operational plan is created. Alternatively, instead of being paid through ADP, officers can be paid directly by clients upon receiving a final invoice for hours worked and surcharges due.
- **Temporary Jobs**—Subsequent to completion of the assignment, officers must document assigned hours (e.g., time card); however, if the officer was used for less time than what the customer prepaid, the customer must return to the MRC for a refund and PSES then enters the actual hours into Trak. If, however, the officer works in excess of the hours that were prepaid, the customer must pay the officer for the additional hours worked including surcharges which the officer submits to FD.

- **Permanent Jobs**—Off-duty jobs are “temporary” (i.e., surcharges are paid in advance as described above) until the customer decides to make the job “permanent”. Surcharges (\$3 x assigned hours) are billed to customers by the MPD Budget Unit on a monthly basis. For periodic Permanent jobs (e.g. banks, chain stores), customers pay off-duty officers directly for documented hours worked. After certain Permanent jobs are completed (e.g., road/sewer construction), actual off-duty hours worked are reconciled to those entered into Trak and a final bill is sent to the customer for payment of surcharge fees.
- **Special Taxing Districts**—The surcharge amount for Special Taxing Districts is \$10 per day, per officer; however, the City pays officers for hours worked and then submits documented hours to Miami-Dade County (County) for reimbursement (i.e. the County collects the Special Taxing District assessments from the residents which pays for the off-duty work and the surcharge).

Off-Duty Job Coordinators

According to PSES “Standard Operating Procedures” (SOP), MPD employees may not solicit prospective customers for off-duty jobs, but they may bring jobs into PSES that are given directly to them by a private employer. In such cases, subject to the approval of the NET commander, the employee becomes the temporary “coordinator” for that specific job. Responsibilities of off-duty job coordinators include interacting with outside clients in planning the logistics for police protection, scheduling job staffing, maintaining schedules to ensure protection coverage, and submitting hours worked to the MPD’s Budget Unit (PBU) for billing. These tasks may be performed during regular duty hours. Best practices require coordinators to be selected by rank, then seniority, and that **job coordinators cannot coordinate more than two permanent off-duty details at the same time unless conditions warrant exceptions.**

Surcharge Fees Paid to City and Compensation Paid to Officers

According to data downloaded from the Trak system, there were a total of 4,145 off-duty jobs staffed by 2,854 officers (some were assigned to multiple jobs and were counted more than once) over the audit period (October 2013 through June 2015) with a total of 749,635 hours charged. Schedule 1 (page 5) provides a breakdown of job types worked, officer rank, and total hours charged to each job type during our audit period. Based on the hours worked by officers and reported in Trak, we estimate that a total of \$24.8 million of off-duty pay was earned during the period, or approximately \$2.1 million per month, and that approximately \$2.2 million of surcharge fees were collected; however, it is important to note that the City is sometimes required to utilize officers from external law enforcement agencies when internal resources are not sufficient to adequately staff large events. Therefore, a portion of the Special Event hours in Schedule 1 were charged by officers from other agencies (112 officers during our audit period). However, the surcharges generated from this work are paid to the City.

Schedule 1

Total Surcharge Fees Paid To City and Compensation Paid to Officers Per Off-Duty Trak System					
October 2013 through June 2015					
Job Type	Officer Rank	Hours	Number of Officers (note 1)	Surcharge Fees Generated for the City Based on Hours Logged in Off-Duty Trak (note 2)	Amounts Paid to Officers Based on Rank & Hours Logged in Off-Duty Trak
Special Events	Captain	9,804	72	\$ 29,412	\$ 431,376
Special Events	Lieutenant	3,616	29	\$ 10,848	\$ 144,640
Special Events	Sergeant	16,685	142	\$ 50,055	\$ 600,660
Special Events	Officer	151,674	764	\$ 455,022	\$ 4,853,568
Special Events Total		181,779	1,007	\$ 545,337	\$ 6,030,244
Special Taxing Districts	Captain	1,816	11	\$ 4,560	\$ 79,904
Special Taxing Districts	Lieutenant	3,252	3	\$ 5,420	\$ 130,080
Special Taxing Districts	Sergeant	3,692	13	\$ 5,640	\$ 132,912
Special Taxing Districts	Officer	26,631	92	\$ 41,600	\$ 852,192
Special Taxing Districts Total		35,391	119	\$ 57,220	\$ 1,195,088
Permanent Jobs	Captain	24,977	184	\$ 74,931	\$ 1,098,988
Permanent Jobs	Lieutenant	6,339	28	\$ 19,017	\$ 253,560
Permanent Jobs	Sergeant	53,573	102	\$ 160,719	\$ 1,928,628
Permanent Jobs	Officer	351,629	655	\$ 1,054,887	\$ 11,252,128
Permanent Jobs Total		436,518	969	\$ 1,309,554	\$ 14,533,304
Temporary Jobs	Captain	313	10	\$ 939	\$ 13,772
Temporary Jobs	Lieutenant	161	5	\$ 483	\$ 6,440
Temporary Jobs	Sergeant	2,410	70	\$ 7,230	\$ 86,760
Temporary Jobs	Officer	93,063	674	\$ 279,189	\$ 2,978,016
Temporary Jobs Total		95,947	759	\$ 287,841	\$ 3,084,988
Grand Total		749,635	2,854	\$ 2,199,952	\$ 24,843,624

Note 1: Some officers have been assigned to multiple jobs. Special Events utilizes officers from other jurisdictions to cover large events that require resources in excess of MPD's capacity. The total number of officers noted in the Special Events section above includes 112 officers from other jurisdictions.

Note 2: Special Taxing District surcharge based on \$10 per day; all other based on \$3 per hour worked.

AUDIT FINDINGS AND RECOMMENDATIONS

Overall Conclusion:

Based on the results of our audit, we noted the following:

1. Maximum Allowable Off-Duty Hours were being Exceeded.
2. PSES Office Lacks Policies and Procedures that Place Limitations on the Number of Jobs Officers can Coordinate.
3. Officers Apparently Worked at Ranks above their Official Rank due to Possible Input Errors.
4. Erroneously Recorded Hours in the Off-Duty Trak System were Billed to Clients.
5. Off-Duty Surcharges and Fees Billed to Customers are Significantly Overdue.
6. Surcharge Fee Increase Effective June 2016 Was Not Approved By the City Commission.

In addition, we recommended that management: 7) Centralize Accounting for Off-Duty Hours and Compensation Payments to Officers as well as for Billings and Collections of Surcharge Fees.

Details of our findings and recommendations follow:

FINDING 1: MAXIMUM ALLOWABLE OFF-DUTY HOURS WERE BEING EXCEEDED

According to PSES Order 12, Section 1.6.8, "Members are prohibited from working more than sixteen (16) hours during a (24) hour period. The (16) hour maximum will include a combined total of extra (off) duty and on duty working hours." Additionally, the policy states that total extra hours worked during a given work week (Sunday through Saturday) shall not exceed (36) hours or approximately five hours per day; and, "Any exceptions must be approved by the Special Operations Section Commander or his designee."

Observations:

During our scope period, we noted that there were 2,281 instances during which employees worked more than the policy maximum of 16 hours within a single shift. Also, we noted that 93 officers worked more than 1,000 off-duty hours during 2014 and we found instances where the extra hours worked during a work week exceeded 36 hours.

Working off-duty hours in excess of the MPD's maximum could diminish an officer's on-duty effectiveness, cause injury to the officer, and be injurious to the public he/she must serve and protect. Due to the magnitude of off-duty hours worked during our scope period, we plan to analyze off-duty hours in more depth in a separate report.

RECOMMENDATION 1: Miami Police Department (MPD)

- The PSES office should monitor hours worked to ensure that officers' extra duty hours remain within the policy limits.
- The MPD should request the City's Information Technology Department to add input controls into the Off Duty Trak system in order to ensure that input time exceeding policy limits is appropriately handled. This includes adding authorization requirements when officers will work hours that are beyond policy limits.

- **MPD Response:**

The SE Unit is working with the IT section to put in place safeguards against allowing officers to work in excess of the allowable hours.

- **Implementation Date:**

September 30, 2017

FINDING 2: PSES OFFICE LACKS POLICIES AND PROCEDURES THAT PLACE LIMITATIONS ON THE NUMBER OF JOBS OFFICERS CAN COORDINATE

Off-duty job coordinators must interact with outside clients in planning the logistics for police protection, schedule job staffing, maintain schedules to ensure protection coverage, and submit hours worked to the MPD's Budget Unit for billing. During the audit, we obtained best practices followed by other municipalities for the management of off-duty employment. Additionally, we obtained a "Police Executive Research Forum" review and assessment of a local municipality's off-duty and secondary employment function. The policy described in the review stated that "job coordinators cannot coordinate more than two permanent off-duty details at the same time..." Exceptions to the policy must be appropriately approved.

Observations:

An MPD police officer's on-duty responsibilities can include high-risk/dangerous encounters with the public, as well as court appearances and overtime under certain circumstances. Therefore, the additional demands of off-duty responsibilities can possibly increase exhaustion and stress; and, there is a risk that coordinating a high number of jobs can negatively impact an officer's on-duty job performance.

However, during our review of a list provided by PSES of 154 active permanent off-duty jobs, we noted that contrary to the best practice described above, there were nine MPD officers that coordinated more than two jobs including one officer that coordinated up to ten permanent off-duty jobs; and, the other eight officers coordinated between three to nine jobs. Additionally, the PSES did not have policies and procedures that limit the maximum number of permanent jobs that can be coordinated by a single officer. It should be noted that coordinator duties may be performed both during their regular on-duty assignments or when they are off-duty.

Furthermore, the office did not have a policy or procedure to ensure that all off-duty assignment selections are fair, equitable and are not based on favoritism. The absence of this policy raises the risk that certain permanent off-duty jobs are controlled by a few officers who can offer assignments to officers he/she chooses. This increases the risk that those desiring work are not selected for employment.

RECOMMENDATION 2: Miami Police Department (MPD)

To ensure off-duty work does not interfere with each officer's on-duty responsibilities, we recommend that the MPD expand its written policies to place limitations on the number of jobs an officer can coordinate. A policy and procedure should be developed to ensure that off-duty assignments are fair, equitable and not based on favoritism. For example, a master list of officers desiring off-duty work should be maintained and off-duty work should be assigned from this list using systematic methodology.

- **MPD Response:**

Although we strive to achieve best practices, the SE unit already has extreme difficulty in staffing Special Events. Coordinators are necessary to ensure permanent jobs and others are fully staffed. Coordinators do so voluntarily and are not compensated for their time so we should not limit the jobs they coordinate. Lastly, officers are not assigned to become Permanent and Special Event job coordinators based on favoritism but based on whether they are capable and available for the assignment.

- **Implementation Date:** Not Applicable

FINDING 3: OFFICERS APPARENTLY WORKED AT RANKS ABOVE THEIR OFFICIAL RANK DUE TO POSSIBLE INPUT ERRORS

Our review of the “officer rank” recorded in Trak during the audit period (October 2013 through June 2015) for ten judgmentally selected employees revealed that all ten employees were input in the system as working Permanent off-duty jobs at higher ranks than their official on-duty rank. Schedule 4 below shows the official rank of each employee, according to Oracle, along with the rank recorded in Trak while working Permanent off-duty jobs.

Schedule 4

<u>Officers Working Extra Duty Jobs at Ranks Above His/Her Official Rank</u>						
October 2013 through June 2015						
			<u>Higher Rank Worked on Extra Duty Jobs Per</u>			
			<u>Trak</u>			
<u>Selections</u>	<u>Official Rank as per the City's Oracle System</u>	<u>Did Trak show Officer working at Rank Higher than His/Her Official Rank (Yes/No)</u>	<u>Captain</u>	<u>Lieutenant</u>	<u>Sergeant</u>	<u>Officer</u>
Employee 1	Police Officer	Yes	✓	-	-	-
Employee 2	Police Officer	Yes	✓	-	-	-
Employee 3	Police Officer	Yes	✓	-	-	-
Employee 4	Police Officer	Yes	✓	-	-	-
Employee 5	Public Service Aide	Yes	✓	✓	-	✓
Employee 6	Police Officer	Yes	✓	-	✓	-
Employee 7	Police Officer	Yes	✓	✓	-	-
Employee 8	Police Officer	Yes	✓	-	-	-
Employee 9	Police Officer	Yes	✓	-	-	-
Employee 10	Police Officer	Yes	✓	-	✓	-

If employees are working at ranks above their official rank, they can potentially be overpaid for the work performed. Furthermore, they may not have the training and experience required to perform in a situation where a higher ranking officer is needed, which could result in exposing the

public to greater safety risks. Upon inquiry, MPD management explained that the reason for officers apparently working above their official on-duty ranks may be attributed to input errors; additionally, newly promoted officers have difficulty signing-up for off-duty jobs in Trak at their new rank due to system issues. We attempted to confirm compensation information from customers, but we received only one response that indicated the employee was paid at the official rank rather than the rank noted in Trak.

RECOMMENDATION 3: Miami Police Department (MPD)

To improve controls, the MPD should request that the City's Information Technology Department add input controls into the Off Duty Trak system in order to ensure that police personnel are not allowed to work off-duty jobs higher than their on-duty rank unless approved and documented by a NET commander. Also, MPD should request IT to program Trak so as to allow newly promoted officers to register for jobs at their new rank.

- **MPD Response:**

This is an error in the data entry at the time the information was entered or extracted from Extra Duty Trak. Additionally, new promotes have difficulty signing up at their new rank since the system does not allow them to. We will address the issues.

- **Implementation Date:**

September 30, 2017

FINDING 4: ERRONEOUSLY RECORDED HOURS IN THE OFF-DUTY TRAK SYSTEM WERE BILLED TO CLIENTS

As previously described, PSES policy prohibits employees from working more than 16 hours daily. However, during our audit period we noted 321 instances where more than 24 hours were recorded in the Trak system as being worked in a single day. A total of 18,947 hours were recorded in the Trak system for these employees during the audit period, or an average of 59 hours per day.

We judgmentally selected five of these instances of excess hours and noted the following:

- One of the selected employees had 105 hours charged within one day to a single Temporary job. The employee actually worked 68 hours over seven shifts covering seven days; however, the officer failed to end the shift after starting it, which resulted in additional erroneous hours that were not worked.
- The other four employees were on Permanent jobs with three of them charging time to multiple jobs within a single day. We noted that all four employees charged hours in excess of 24 hours ranging from 30 hours to 79 hours. Management could not explain these excess hours.

In conducting our testing, we also reviewed the Trak "Monthly Surcharge Report" for the hours logged under Permanent jobs. This report is completed by the Permanent job coordinators and is sent to clients for the purpose of billing for surcharges for off-duty hours worked by officers. Our review revealed that all hours from the Trak system, including hours that were in excess of 24 hours in a day, were included on the Surcharge Reports and forwarded to clients for payment. As a result, clients received erroneous reports that included over-charges. Also, we noted that:

- The PSES did not adequately review off-duty officer's hours to ensure that daily and weekly policy limits were not exceeded.
- The Permanent job coordinators did not review hours included on the Monthly Surcharge reports to ensure that they were accurate, prior to submitting them to customers for billing purposes.

RECOMMENDATION 4: Miami Police Department (MPD)

PSES should ensure that Permanent job coordinators thoroughly review, document and retain evidence of their review of hours recorded in the Trak System to ensure that off-duty hour's policy limits are not exceeded and that hours billed to clients are accurate. This review should be performed at least monthly.

- **MPD Response:**

There were isolated incidents where the information entered into Extra Duty Trak was erroneous. This was usually on permanent jobs where the officer's hours were entered incorrectly. Many of these, were in fact, found by the SE Unit and corrected prior to billing the client. The SE Unit is working with IT to identify shifts in excess of 16 hours so they can be corrected.

- **Implementation Date:**

September 30, 2017

FINDING 5: OFF-DUTY SURCHARGE FEES BILLED TO CUSTOMERS ARE SIGNIFICANTLY OVERDUE

During our examination of off-duty customer billings, we noted that customers owed the City \$94,475 in past due surcharge fees (See Schedule 5 below), and accounts totaling \$55,343 (or 59%) are more than 90 days past due ranging from 103 days to 13.6 years past due. As noted in the previous finding (Finding 4), these unpaid surcharge fees could be attributed to customers who have contested amounts due because surcharge fee billings included erroneous hours. It should be noted that there is no documented evidence of any collection efforts regarding past due accounts.

Schedule 5

Accounts Receivable for Surcharge Fees as of May 24, 2016		
<u>Aging Range</u>	<u>Outstanding Receivables Over 90 days</u>	<u>Total Outstanding Receivables</u>
30 - 60 Days		\$9,146
60 - 90 Days		\$29,986
103 days to 173 days	\$12,061	\$55,343
184 days to 360 days	\$16,383	
1 year to 4.8 years	\$8,486	
5 years to 7 years	\$12,885	
10 years to 13.6 years	\$5,529	
Total Outstanding Receivables	<u>\$55,343</u>	<u>\$94,475</u>

RECOMMENDATION 5: Miami Police Department (MPD)

We recommend that the MPD evaluate the collectability of the accounts that are over 90 days past due and consider writing off amounts deemed to be uncollectible. Also, we recommend that MPD work with the City's Finance Department to create and implement an effective collection policy for off-duty customer accounts.

- **MPD Response:**

The SE Unit is working to evaluate the collectability of the accounts that are severely overdue to determine if they should be written off. We are also working with finance to implement an effective collection strategy.

- **Implementation Date:**

September 30, 2017

FINDING 6: SURCHARGE FEE INCREASE EFFECTIVE JUNE 2016 WAS NOT APPROVED BY THE CITY COMMISSION

As part of our audit procedures, we reconciled FY 2014 off-duty surcharges recorded in Trak (\$1.21 million) with surcharges recorded in the City's Oracle financial accounting system (Oracle) (\$1.23 million) and noted that there was an immaterial difference. We also noted that effective June 2016, the surcharge fee was adjusted upward by 33%; from \$3 to \$4 per hour. The \$3 fee was initially established by ordinance on December 12, 1996, and was brought back to the Commission to increase the fee to \$4 on February 8, 2007, but the item was deferred. The current increase was not submitted to the City Commission for review and approval. After we informed the MDP of this issue, they stated that effective September 20, 2016, the fee was reduced to \$3

and a proposed ordinance to increase the fee will be proffered at the October 13, 2016 Commission meeting.

We also noted that the surcharge increase was not supported by an analysis indicating that it would cover the costs of the program. During FY 2016, the PSES Office was staffed by eight full-time employees including one lieutenant, two sergeants, three officers and two civilian staff at a projected annual cost of approximately \$937,000. However, these costs do not include the facility rent, maintenance and repairs, and utility costs allocable to the PSES office, as well as other costs specifically associated with off-duty jobs such as:

- ✓ Costs of other full-time employees offering part-time assistance (coordinators)
- ✓ Workers' compensation claims
- ✓ Fuel and costs associated with patrol vehicles
- ✓ Uniforms and police equipment, and
- ✓ Any other actual or potential costs to the City

RECOMMENDATION 6: Miami Police Department (MPD)

- We recommend that any surcharge fee adjustment be brought to the City Commission for approval.
- We recommend that the MPD, in coordination with the Office of Management and Budget, analyze surcharge revenues as well as the total costs to administer the off-duty program. Based on the results of the analysis, fees should be adjusted to ensure that costs are recovered via the surcharge fees paid by vendors requiring the use of off-duty officers.

- **MPD Response:**

We will bring the surcharge fee adjustment to the City Commission for approval at its October 13, 2016 meeting. In determining the cost of the Extra Duty Office, one must consider all of the responsibilities of the Unit. These include, but are not limited to, coordinating and managing Special Events, writing Street Closure Permits based on several different applications, assessing demonstrations/protests and writing appropriate permits, as well as administering the Extra Duty program.

- **Implementation Date:**

September 30, 2017

FINDING 7: CENTRALIZE ACCOUNTING FOR OFF-DUTY HOURS AND COMPENSATION PAYMENTS TO OFFICERS, AS WELL AS FOR BILLINGS AND COLLECTIONS OF SURCHARGE FEES

Total estimated off-duty compensation pay during the audit period was \$24.84 million or an average of \$14.2 million annually (See Schedule 6 below). Also, surcharge fees paid by customers averaged more than \$1 million annually. As detailed in the background section of this report, both off-duty compensation payments to officers and billings and collections of surcharge fees to customers are handled inconsistently for the different types of off-duty work (Special Events, Temporary and Permanent jobs).

Schedule 6

Police Officers' and Public Service Aides' Salaries, Overtime and Estimated Off-Duty Pay: October 2013 through June 2015			
	Salaries	Overtime	Estimated Off-Duty Pay
Police Officers	\$161,114,157	\$5,522,246	0
Public Service Aides	3,217,982	56,698	0
Officers and Aides	0	0	\$24,843,624
Totals	\$164,332,139	\$5,578,944	\$24,843,624

Note: During the audit period, Off-Duty Pay averaged \$14.2 million annually

For example, if Temporary customers who have prepaid off-duty surcharge fees require additional off-duty hours from an officer, they must pay the officer the additional hourly compensation and the officer is entrusted to collect and submit the additional surcharge from the customer. For Permanent jobs, customers pay officers directly for hours worked and they are periodically billed by the City for surcharge fees. For certain Special Events, ADP pays the officers and the City bills the customer for the compensation amounts.

These procedures are inconsistent and increase the risk that surcharges and compensation amounts will be inaccurate. Also, the City is unable to accurately reconcile compensation paid to officers with collected surcharge fees; the officer is burdened with the additional responsibility of collecting monies and remitting them to the City. Finally, the officer may receive multiple 1099 forms from vendors for year-end tax reporting purposes rather than having this information consolidated on one form. As indicated earlier in the report, these conditions may have resulted in officers working more than maximum allowable hours, and erroneous surcharge fee billings to clients.

RECOMMENDATION 7: Miami Police Department (MPD)

To improve internal controls, enable proper accounting, ensure that off-duty compensation and surcharge fees are reconcilable, accurate and transparent, we recommend that the MPD centralize the accounting for off-duty hours worked and compensation payments to officers as well as billing and collections of surcharge fees.

- **MPD Response:**

We agree and have held meetings with finance, IT and city leaders to try and identify ways to implement a procedure where all Extra Duty Jobs are billed and paid by the finance unit. This requires IT to create a way of doing this and an entire unit to manage the process.

- **Implementation Date:**

September 30, 2017