

**Additional Pay Categories Audit
September 2017**

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City Auditor's Office

September 29, 2017

Honorable Mayor and Members of the City Council:

The City Auditor's Office has completed the Additional Pay Categories Audit. The purpose of the audit was to evaluate the use of various additional pay categories and to ensure appropriateness and proper application.

Management's responses to our audit findings and recommendations, as well as target implementation dates and responsibility, are included following the report.

We would like to thank staff from Finance and other Departments for their full cooperation and assistance during the audit.

Lori Brooks

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City Auditor

Attachment

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Executive Summary

As part of the 2017 Annual Audit Plan, the City Auditor's Office has completed an audit of Additional Pay Categories. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence 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 objectives were to evaluate the use of various additional pay categories and to ensure appropriateness and proper application.

With some exceptions, The City Auditor's Office noted the following:

- Related policies and procedures are being followed
- Additional pay is accurately calculated and reported properly
- The City of Arlington additional pay categories are generally similar to other Texas cities surveyed

Opportunities for improvement include the following:

- Performing periodic review/analysis of all additional pay categories to verify their continued appropriateness and responsiveness to the City's employment goals, objectives and needs
- Discontinuing additional pay for basic employment requirements or including the pay in the respective position base pay
- Providing education, developing specific guidelines, and strengthening the process for ensuring additional pay is initiated and canceled timely
- Reviewing current individual employee additional pay more frequently to identify inaccuracies
- Maintaining adequate documentation to justify the award of additional pay

Details of audit findings, conclusions and recommendations are included in the following report.

Audit Scope and Methodology

The audit was conducted in accordance with generally accepted government auditing standards. The following methodology was used in completing the audit.

- Interviewed personnel responsible for various additional pay activities
- Reviewed relevant written policies and procedures
- Reviewed relevant operational processes
- Reviewed pertinent information in the Lawson financial accounting system and the Kronos timekeeping system
- Reviewed relevant supporting documentation for pay
- Researched relevant city ordinances and state regulations
- Performed testing of a sample of additional pay transactions
- Surveyed other cities to benchmark the City of Arlington's additional pay categories

Background

The City of Arlington Personnel Policy and related Fire and Police Department policies provide for the use of a variety of other pay categories, in addition to base pay (amount received within the salary range for a specific job classification or for the appropriate incremental step level). Employees may receive various categories of additional pay for which they are eligible.

There are 96 different pay codes utilized in the Lawson financial system. These include regular pay, many types of overtime pay and multiple types of employee absence/leave codes. There are, however, about 32 *other* types of pay provided to employees on a regular basis. For the purpose of this audit, we chose a sample of 23 of the most commonly used and/or costly additional *other* pay types. These are shown in the chart on the following page.

The five most costly additional pay categories are Stability, Shift Differential, Education Incentive, Longevity and EMT pay. Although Out-Of-Class pay appears to be the most costly (per the chart), the amount recorded includes regular pay as well. The actual cost for Out-Of-Class is approximately \$330,000 (average of 8% increase over regular pay) annually.

Some additional pay categories are compensation for special skills required for the individual's current work assignment, such as Divers Pay or Hazardous Materials Pay. Some are provided to staff temporarily assigned duties of a higher position, such as Acting, Assignment, or Out-Of-Class pay. Other types were established to reimburse employees for work related costs of operating personal equipment, such as Cell Phone, Motorcycle Pay or Car Allowance. Some are established by contract or law, such as Longevity for public safety employees or temporary Housing Allowance. Still others, such as Education Incentive Pay for Police officers or EMT pay for Firefighters, are additional compensation for basic requirements of the position and employment with the City.

Additional Pay Categories FY2014 - FY2016			
<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
OUT-OF-CLASS PAY*	3,911,616	3,570,972	4,468,787
STABILITY	2,202,828	2,202,650	2,188,537
SHIFT DIFFERENTIAL PAY	1,606,578	1,613,737	1,621,141
EDUCATION INCENTIVE PAY	944,613	937,667	1,000,109
PETITION LONGEVITY	456,449	452,284	480,690
EMT PAY	379,297	385,367	406,023
HEALTH AND WELLNESS	471,800	468,050	344,400
CELL PHONE ALLOWANCE	232,720	235,979	241,159
PARAMEDIC INCENTIVE PAY	185,632	193,387	207,974
TRAINING OFFICER	164,694	193,393	190,816
ACTING PAY	84,256	99,881	116,924
CAR ALLOWANCE	109,100	103,085	115,181
LANGUAGE PAY	110,069	108,765	111,626
UNIFORM ALLOWANCE	43,085	40,662	70,371
MOTORCYCLE ALLOWANCE	50,698	49,320	65,632
POSITION PAY INCENTIVE	54,345	58,828	61,599
INVESTIGATIVE OFFICER PAY	68,409	67,959	61,577
ASSIGNMENT PAY	43,271	51,194	58,042
HAZARD MATERIALS PAY	46,079	44,821	56,246
LONGEVITY PAY	43,042	46,650	52,112
DIVERS PAY	11,182	11,909	13,663
COMMUNICATIONS TRAINING PAY	11,932	10,040	9,140
HOUSING ALLOWANCE	4,500	2,700	1,200
	11,236,195	10,949,301	11,942,948
	11,236,195	10,949,301	11,942,948

*These figures include regular pay as well as Out-of-Class pay.

APPENDIX A, following this report, includes a brief description of each of the additional pay categories noted in the chart above.

Survey of Other Cities/Benchmarking Survey

Internal Audit surveyed seventeen Texas cities, including ten from the DFW area, to benchmark the City of Arlington additional pay categories with those of other cities. Fourteen cities responded to the survey, including nine from the DFW area.

Each city was asked to provide a list of additional pay categories offered to their employees (Fire, Police and civilian), including the dollar amounts for each category. The charts on the following two pages demonstrate the results of the survey.

Additional Pay Categories - Comparison to other Cities

	Police - Sworn				Fire - Sworn					Fire/Police - Sworn			Civilian Employees (incl. Fire/Police)						
	Investigative Officer	Motorcycle Allowance	Training Officer	Uniform Allowance	Diver	EMT	Hazard Materials	Paramedic Incentive	Position Incentive	Out-of-Class	Education Incentive	Longevity	Acting	Assignment	Car Allowance	Cell Phone Allowance	Language	Shift Differential	Stability (Longevity)
ARLINGTON	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Austin			X	X		X	X		X		X	X	X	X	X	X	X	X	
Corpus Christi			X	X	X	X	X	X	X	X	X	X	X	X				X	
Dallas	X		X		X	X	X	X			X	X		X			X	X	
Denton			X			X	X	X			X	X		X	X	X	X		X
Fort Worth	X		X	X	X		X	X			X	X		X	X		X	X	X
Garland			X				X	X			X	X	X	X			X		X
Grand Prairie			X	X				X			X	X	X	X	X	X	X	X	X
Houston	X	X	X	X		X	X	X		X	X	X	X	X			X	X	X
Irving			X		X	X	X	X			X	X					X	X	X
Lubbock			X		X	X	X				X	X		X			X	X	X
Mesquite			X		X	X		X			X	X					X		X
Plano			X			X		X				X							X
Richardson			X	X				X			X	X	X		X		X		X
Waco					X		X			X	X	X	X	X			X	X	

Comparison of Pay Rates for Additional Pay Categories (Monthly Rates)

	Police Training Officer	Fire EMT	Fire HazMat	Fire Paramedic	Diver Pay	Language	Stability
Arlington	5% of base	\$100	\$100	\$100	\$50	\$50	\$61.95 - \$275.93 ¹
Austin	\$57 - \$161	\$69 - \$92	\$81	--	--	\$69 or \$81 ²	--
Corpus Christi	\$50	\$35	\$50	\$75	\$75	--	--
Dallas	\$100	\$200 - \$400	\$150 or \$350 ²	\$75	\$150 or \$350 ²	\$120 or \$150 ³	--
Denton	\$100	\$600	\$50	\$100	--	\$100 or \$150 ³	\$48 ¹
Fort Worth	10% of base	--	\$100	\$100	\$100	\$100 or \$125 ³	\$300, \$600 or \$900 ⁴
Garland	\$250	--	--	\$100	--	\$100 or \$150 ³	\$375 - \$1275 ⁴
Grand Prairie	\$100	--	--	\$200	--	\$100 or \$150 ³	\$36 ¹
Houston	\$138	\$200	\$138	\$250 or \$600 ²	--	\$138	\$48 ¹
Irving	3% of base	\$2.00/hour	\$75 or \$125 ²	\$175 - \$225	\$50	\$40 - \$400	\$72 ¹
Lubbock	\$75	\$150	\$100	--	\$150	\$40	\$200 - \$1200 ⁴
Mesquite	\$2.00/hour	\$30/shift	--	\$125	\$60	\$75 or \$125 ³	\$48 - \$120 ¹
Plano	\$2.375/hour	\$30/shift	--	\$45/shift	--	--	\$48 ¹
Richardson	\$42.50/shift	--	--	\$80 - \$150	--	\$100 or \$150 ³	\$48 ¹
Waco	--	--	\$75	--	\$75	\$75	--

¹Rates reflected are to be multiplied by years of service to get an annual rate.

²Rate varies based on the department/position/rank.

³Rate varies based on how proficient an individual is with the language.

⁴Rates are the max per year based on various ranges of service credit.

Audit Results and Findings

The City of Arlington provides some additional pay categories that are inconsistent with those of other Cities and some are supplementary compensation for employment prerequisites.

Although there are many similarities among the cities surveyed, there are some noteworthy differences.

Motorcycle Allowance

One notable difference is Motorcycle Allowance for Police Officers. Some Arlington Police Officers operate their personal motorcycles in conducting their duties. The City compensates them for the cost of fuel and maintenance at the rate of \$.535 per mile. The City also pays for insurance and gives the officers a monthly allowance (noted above in the chart) of approximately \$300. Total compensation for the use of personal motorcycles is about \$700 per month. Each officer signs a contract with the City documenting the details of each party's responsibilities. Houston was the only other city to include this incentive. Houston pays a rate of \$425 per month. The City of Houston supplies the fuel and oil and the Officer pays for maintenance and insurance.

The Police Department conducted an internal review in May 2015 that concluded this was still a cost effective program. It appears this is an additional pay category that should be monitored periodically for continued cost effectiveness, acceptable risk exposure, and responsiveness to the needs of the City.

Education Incentive

One of the most significant differences between the City of Arlington and other cities surveyed is Education Incentive Pay for Police officers. According to Arlington Police personnel, in 1986 new recruits without police experience were required to have a bachelor's degree. New recruits with at least two years of police experience and at least an associate's degree were also eligible for employment. The policy was updated in 1999 requiring all new hires, regardless of prior experience, to hold a four-year college degree. While the category is common in other cities, the criteria differ.

Unlike the other cities offering Education Incentive Pay to their Police Officers, the City of Arlington requires a bachelor's degree *and* offers an education incentive of between \$25.00 and \$110.00 per month. A review of the 680 Police personnel receiving Education Incentive Pay indicates that, with the exception of 10 employees, all are receiving the maximum of \$110.00 per month (i.e. they have a bachelor's degree). An additional eleven employees, hired during the early to mid-1980s, do not receive any Education Incentive Pay.

Of the cities that responded to the survey, there were two cities (Plano and Grand Prairie) that require either a Bachelor's Degree or a combination of college credits and active military/full-time sworn law enforcement experience to become a police recruit. Plano does not provide

Education Incentive Pay, while Grand Prairie does provide this incentive. The remaining responsive cities require, at a minimum, the individual have a High School diploma or pass the GED (General Educational Development) test; and have some combination of college credit hours and experience. See the table on the following pages for details related to this category.

Police Recruit Education and Experience Requirements/Additional Pay Provided to Police Officers

How to read this chart: For example - Corpus Christi requires the recruit to have either a High School Diploma or a G.E.D. In addition, the recruit must also have either 12 college credit hours or 2 years of active military duty (all military duty noted in the chart requires an honorable discharge). As illustrated, most cities have multiple combinations/options related to education and/or experience requirements.

City	H.S. Diploma or GED	Assoc. Degree	Bach. Degree	College Credits			Experience	Additional Pay
Arlington			X					30-59 hrs. college credit - \$25/month 60 – 89 hrs. college credit - \$50/month 90+ hrs. college credit - \$75/month Bachelor’s Degree - \$110/month
Austin	X							60 hrs. college credit - \$34.62/month Bachelor’s Degree - \$73.85/month Master’s Degree - \$103.85/month
Corpus Christi	X			and	12	or	2 yrs. Active Military	\$1.00/month/Credit hour completed Associate’s Degree - \$71/month (max) Bachelor’s Degree - \$120/month (max)
Dallas	X			and	45 (age 21-44)			\$4.00/3 hour course completed (45 – 90 hrs.) W/O Bachelor’s Degree - \$240 (max) With Bachelor’s Degree - \$300 (max)
	X			and	60 (age 19 -20)			
Denton	X			and	60			30 hrs. college credit - \$50/month Associate’s Degree - \$80/month Bachelor’s Degree - \$140/month Master’s Degree - \$200 month
	X					and	3 yrs. Active Military	
Fort Worth	X			and	12			TCLEOSE Advanced Certification OR Associate Degree (60 hrs.) - \$60/month TCLEOSE Master Certification OR Bachelor/Master Degree - \$120/month
Garland	X	and	X	or	60			Bachelor’s Degree - \$125/month Master’s Degree - \$150/month
	X					and	2 yrs. Active Military	
	X					and	2 yrs. Peace Officer	

City	H.S. Diploma or GED		Assoc. Degree	Bach. Degree	College Credits			Experience	Additional Pay
Grand Prairie	X	and		X					Associate's Degree - \$50/month Bachelor's Degree - \$100/month
	X				and	30	and	3 yrs. Peace Officer	
	X						and	3 yrs. Active Military	
	X				and	30	and	3 yrs. Non Civil Service	
Houston	X				and	48		College credits waived with active military or law enforcement experience	Bachelor's Degree \$140/month Master's Degree \$240/month Doctorate Degree - \$340/month
Irving	X	and	X		or	60			60 hrs. college credit - \$20/month 75 hrs. college credit - \$40/month Associate's Degree - \$50/month 90 hrs. college credit - \$60/month Bachelor's Degree - \$125/month Master's Degree - \$150/month
	X						and	3 yrs. Active Military	
	X				and	30	and	3 yrs. Active Military	
	X						and	3 yrs. Peace Officer	
Lubbock	X								Advanced Education Incentive - \$125/month Master's Education Incentive - \$175/month
Mesquite	X				and	60			Associate's Degree - \$125/month Bachelor's Degree - \$197/month Master's Degree \$221/month
	X				and	30	or	2 yrs. Active Military/Peace Officer	
	X				and	30	or	2 yrs. Mesquite Police Service (non-sworn)	
Plano	X	and		X					None
	X				and	60	and	3 yrs. Active Military	
	X				and	60	and	2 yrs. Law Enforcement	
Richardson	X				and	60	and	2 yrs. Peace Officer	Associate's Degree - \$50/month Bachelor's Degree - \$100/month Master's Degree \$125/month
Waco	X				and	15			Associate's Degree - \$100/month Bachelor's Degree - \$150/month Master's Degree \$200/month
	X						and	2 yrs. Active Military	
	X						and	2 yrs. Peace Officer	

EMT Pay

It is important to note EMT Pay for Firefighters in the City of Arlington is similar to Education Incentive Pay for Police Officers. Although being an EMT is a requirement for employment as a Firefighter, the City provides EMT incentive pay to the Firefighters. Because these “incentives” are compensation for basic requirements of the jobs and eligibility for employment, management should consider discontinuing these types of additional compensation or including them in base pay.

Other Categories

In addition to Motorcycle Pay discussed earlier, other categories, less common among the Cities surveyed, are Position Incentive, Out-of-Class, Investigative Officer and Cell Phone Allowance. These may be extra pay categories that should be reviewed for continued need, applicability, and/or appropriate exclusion/inclusion in base pay.

Recommendations:

- 1. The City Auditor’s Office recommends that the Chief Financial Officer ensures periodic review/analysis of all additional pay categories to verify their continued appropriateness and responsiveness to the City’s current employment goals, objectives and needs.*
- 2. The City Auditor’s Office recommends that the Chief Financial Officer consider discontinuing Education Incentive Pay for Police Officers and EMT pay for Firefighters (and others as deemed appropriate) or include them in the position base pay, because they are payment for a requirement of the position or eligibility for employment.*

The Additional Pay process does not always ensure actions are performed accurately and timely.

To initiate an additional pay category for an employee, an existing process includes completion of an *Additional Pay Form*, verification of the accuracy of the information, review of the related documentation, and entry of the information into the Lawson financial system. Additionally, an annual review is performed by Payroll to verify current additional pay for all employees. A detailed description of the process is included in *APPENDIX B*.

A sample of employees was selected and tests were performed to ensure the accuracy and appropriateness of the additional pay and the completeness of documentation. For the sample selected, the following was verified:

- An *Additional Pay Form* was completed accurately
- The additional pay was properly authorized/approved
- The amount was accurately calculated and properly recorded in the Lawson financial system
- The pay was started and/or stopped on the authorized date

- For specific categories, time was accurately posted in the Kronos timekeeping system
- The completed *Additional Pay Form* agreed with the Lawson and Kronos systems
- Supporting documentation was available to justify the additional pay (i.e. Education Incentive Pay – copies of college degrees or transcripts showing college hours completed; Language Pay – letter from HR stating the grade that the employee made on the proficiency test).

During our review, this process was determined to be operating effectively in most cases; however, a few exceptions were identified as noted below.

- **Lack of timely termination** (Example: Acting Pay in Library) – an employee was awarded acting pay for working in a higher level position. The employee was later promoted to that position; however, the additional pay was not terminated when the employee was promoted. The Acting Pay continued for 18 pay periods beyond the promotion date. There was lack of proper communication (i.e. no Additional Pay Form was completed to STOP the pay) between the Library, Budget Office and Payroll to end the additional pay when required.
- **Inaccurate amount of pay** (Example: Acting Pay in Library) – in the same instance noted above, the Additional Pay Form completed to initiate the pay included an inaccurate dollar amount. The error was not identified during the normal review process. Actually, there were two problems with this transaction: 1) the dollar amount was entered on the Form as a bi-weekly amount instead of the required monthly amount, which caused an initial miscalculation of the weekly pay; and 2) the total amount of pay, including Acting Pay, did not equal at least the minimum salary of the *acted-in* position, which is required by the Personnel Policy.
- **Lack of timely activation** - Various Pay Categories – four instances were noted where the employee did not start receiving additional pay in a timely manner. In most cases, the entire process is completed within the same pay period. However, in some instances, there is a timing difference between completing the Additional Pay Form and getting it approved and entered into Lawson (typically 1 pay period). However, for the four instances noted, the time difference was 3, 5, 11 and 25 pay periods. These employees did eventually receive retroactive pay in subsequent pay periods. According to Payroll staff, these instances are usually caused by human error (i.e. the director/manager approves the pay, but staff forgets to complete the Additional Pay Form or completes the form with errors and must re-submit the form).

Omissions and errors result in a waste of resources. Providing education, specific guidelines, and strengthening the process will help ensure additional pays are initiated and canceled timely.

Recommendations:

3. *The City Auditor's Office recommends that the Chief Financial Officer identify and implement procedural or system enhancements that will reasonably assure actions related to the Additional Pay process are performed accurately and timely.*
4. *The City Auditor's Office recommends that the Chief Financial Officer consider establishing additional training and written guidelines or procedures for initiating and terminating additional pay.*
5. *The City Auditor's Office recommends that the Chief Financial Officer consider performing the annual review of current employee additional pays on a more frequent basis (perhaps semi-annually or quarterly).*

Adequate documentation necessary to justify additional pay is not always retained.

In order for an employee to receive additional pay for specific duties performed, it is necessary to adequately document/justify the need for that additional pay. Some duties simply require department director approval and assignment to the specific task. Some of these categories include: 1) DIV – assignment to the swift water rescue team; 2) INV – assigned to an investigative position; 3) TRN – assigned as a field training officer; etc. However, some additional pay categories require additional documentation other than the director's approval. Some of those categories include: 1) EIP – Education Incentive Pay should include a transcript showing the number of completed college hours or a certificate showing the degree received; 2) LAN – Language Pay should include documentation that the individual is proficient in a particular language; 3) OCP – Out-of-Class Pay should include paperwork that allows the employee to work at a grade above his/her current position.

For the most part, adequate documentation was provided for employees receiving additional pay; however, there were a few exceptions noted that are described below.

- Education Incentive Pay (Fire Department) – Two instances were noted where a firefighter was being paid for a specific level of education (hours completed); however, the documentation provided did not support that level of pay. One employee was receiving \$25.39/week (for a Bachelor's Degree), but no diploma was provided. The other employee was receiving \$11.54/week (for 60 – 89 completed hours), but documentation provided only accounted for 28.5 completed hours.
- Water Utilities promotions – A Water Treatment Technician Trainee must obtain a Texas Commission on Environmental Quality (TCEQ) license and pass an internal proficiency test in order to be promoted and receive a pay increase. During the time period under review, six employees were promoted to Treatment Technician and three were selected for review. Documentation of these three employees obtaining their TCEQ license was provided; however, there was no documentation that any of the employees passed the internal test.

Without adequate documentation, there is no justification for the expenditure of limited resources. To comply with policy and ensure fair compensation to all employees, required documentation should be maintained.

Recommendation:

6. *The City Auditor's Office recommends that the Chief Financial Officer establish a requirement and process whereby random, periodical audits are performed to ensure that adequate documentation is retained to justify additional pay/promotions.*

APPENDIX A

Acting Pay	Employees who are temporarily re-assigned to perform the duties of a higher classification. For Fire/Police, the employee will receive the base pay of the higher classification or a rate specified in the department's general orders or state law. For civilians, the employee will receive a salary between the minimum and mid-point of the acted-in classification, at the discretion of the Department Director with approval of the Deputy City Manager.
Assignment Pay	Employees may receive additional pay for particular job assignments irrespective of other assigned duties. Includes pay equal to 5% of the employee's current base pay.
Car Allowance	As part of the executive benefit package, an allowance is paid to department directors in the amount of \$200 bi-weekly.
Cell Phone	Employees may be paid a cell phone allowance, in an amount determined by the City Manager, based on the need for high citizen contact and frequency of use. Cell phone allowances range from \$10 to \$50 per month.
Communications Training Pay	Incentive paid to Fire Dispatch employees responsible for training dispatch personnel. The amount is \$50 per month (paid \$11.54/week).
Diver Pay	Provides an incentive for certified divers who are assigned to the Water Rescue Team. Personnel must be certified in swift-water rescue and hold multiple open water dive certifications. The amount is \$50 per month (paid \$11.54/week).
Education Incentive Pay	Additional monthly compensation provided to Fire and Police sworn personnel for qualifying college credit. The amount of additional pay ranges from \$25 to \$110 per month depending on the number of credit hours or if a Bachelor's degree is obtained.
EMT Pay	Paid to firefighters who acquire the EMT-I certification and who maintain this advanced level by meeting Department quality assurance and continuing education requirements. The amount is \$100 per month (paid \$23.08/week).
Hazard Material Pay	Provides an incentive for personnel assigned to the Hazardous Materials Response Team, which requires additional initial and continuing education training for Haz-Mat Technician certification. Amount is \$100 per month (paid \$23.08/week).
Health & Wellness	Paid to all employees who perform specific activities in order to obtain and/or maintain a healthy lifestyle. For FY14, the payout ranged from \$200 - \$500. For FY15 and FY16, the payout was \$200. This pay-out has been eliminated for FY17.
Housing Allowance	As part of the executive benefit package, the City will pay displacement income should circumstances require the purchase or rental of a residence in Arlington before the sale of their current residence. The amount is \$150 weekly for up to 6 months.
Investigative Officer Pay	For those sworn employees that occupy a position in Criminal and Special Investigations, Covert Operations, and in each geographic investigative segment. The amount is \$50 per month (paid \$11.54/week).

Language Pay	Provides an incentive for personnel when the possession of language skills is beneficial in the performance of position duties and has a positive impact on the department's delivery of services; where public contact is frequent enough to benefit from a non-English language skill or the person is reasonably available to help others with translation from English to other languages; and when the language is used by at least 5% of the residents of the city. Full-time employees receive \$50 per month (paid \$11.54/week) and part-time employees receive \$25 per month (paid \$5.77/week).
Longevity Pay	Mandated by Section 141.032 of the Texas Local Government Code – is equal to \$4.00 per month for each year of service as a firefighter or licensed peace officer. Employees may receive longevity pay either bi-weekly or annually.
Motorcycle Allowance	Allowance paid to patrol-grade officers and sergeants assigned to the Motorcycle Unit who provide their own motorcycles pursuant to a contractual agreement with the City. The current allowance is \$298.77 per month.
Out-of-Class Pay	Sworn employees who perform the duties of a higher ranking employee for a period of time. Police – must perform those duties for at least one work day – the amount of pay is equal to the base pay of the higher rank. Fire – must perform the duties in an out-of-class capacity for at least 15 minutes – payment is equal to the lowest step of the next higher rank or 5% of the employees current pay, whichever is greater.
Paramedic Incentive Pay	Paid to firefighters who acquire the EMT-P certification and who maintain this advanced level by meeting Department quality assurance and continuing education requirements. The amount is \$100 per month (paid \$23.08/week).
Petition Longevity Pay	Same as Longevity pay, except the employee has elected to receive the payment annually instead of bi-weekly.
Position Pay Incentive	For the purpose of compensating sworn personnel who are chosen to work eight-hour day assignments. Includes pay equal to 5% of current base pay.
Shift Differential Pay	When a full-time employee is assigned to work shifts that regularly start on or after 1:00 p.m. and before 5:00 a.m. for at least 2 consecutive pay periods. The employee receives an increase of 6% of their current base pay.
Stability Pay	An annual payment as a reward for continuous active full-time service. The employee is paid \$42.00/year for the first 4 years. Thereafter, the amount is based on the number of years of full-time service multiplied by a stability index for the employee's classification.
Training Officer Pay	Paid to those who are certified by the Police Training Section as active Field Training officers. Includes pay equal to 5% of the employee's current base pay.
Uniform Allowance	Provided for items of personal protection, including clothing and footwear, which are required to be worn in the performance of work related duties. Annual uniform and safety shoe contracts or preferred vendors are used to facilitate purchases by employees.

APPENDIX B

Procedures for Administering Most Additional Pay Categories

The following paragraphs describe the process for creating and approving additional pay transactions.

For an employee to receive most types of additional pay, an *Additional Pay Form* must be completed. The *Additional Pay Form* is usually prepared by administrative staff and sent, by email, for approval by the supervisor, manager or director responsible for that employee (some categories require City Manager's Office approval). The approver then emails the *Additional Pay Form* to the Payroll Supervisor for review.

Emails are reviewed on a daily basis by the Payroll Supervisor. When *Additional Pay Forms* are received, pertinent information is entered onto an Excel spreadsheet (i.e. employee ID and name, date to begin additional pay, type of pay, etc.). Bi-weekly, the spreadsheet is sent to the Budget Office, along with copies of the *Additional Pay Forms*, to be reviewed by the Budget Analyst. At that time, the information is verified; the dollar amount for the pay category is entered onto the spreadsheet and into the Lawson financial system for that employee. The spreadsheet is then sent back to the Payroll Supervisor who verifies the Lawson entries. The purpose of this process is to ensure that additional pay for City employees is reviewed and verified prior to the employee receiving the pay.

For some of the categories (i.e. longevity/stability or shift differential pay), an *Additional Pay Form* is not completed and departmental approval is not required. These pay categories are awarded based on City or departmental policy.

**CITY OF ARLINGTON
ADDITIONAL PAY CATEGORIES
AUDIT RECOMMENDATIONS AND RESPONSE**

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE
1. <i>The City Auditor's Office recommends that the Chief Financial Officer ensures periodic review/analysis of all additional pay categories to verify their continued appropriateness and responsiveness to the City's current employment goals, objectives and needs.</i>	Concur.	Finance will incorporate a review of pay categories into the annual budget process.	Mike Finley, CFO	June 2018
2. <i>The City Auditor's Office recommends that the Chief Financial Officer consider discontinuing Education Incentive Pay for Police Officers and EMT pay for Firefighters (and others as deemed appropriate) or include them in the position base pay, because they are payment for a requirement of the position or eligibility for employment.</i>	See Management's Response.	EMT pay has been eliminated effective FY18, due to Civil Service. Chief Financial Officer will discuss the possibility of including EIP pay in base pay with Police Chief.	Mike Finley, CFO	June 2018
3. <i>The City Auditor's Office recommends that the Chief Financial Officer identify and implement procedural or system enhancements that will reasonably assure actions related to the Additional Pay process are performed accurately and timely.</i>	Concur.	Finance will identify and implement procedural enhancements to address the exceptions identified in the audit report.	Karen Irwin, Payroll Supervisor Mike Finley, CFO	Jan 2018

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE
4. <i>The City Auditor's Office recommends that the Chief Financial Officer consider establishing additional training and written guidelines or procedures for initiating and terminating additional pay.</i>	Concur.		Mike Finley, CFO	April 2018
5. <i>The City Auditor's Office recommends that the Chief Financial Officer consider performing the annual review of current employee additional pays on a more frequent basis (perhaps semi-annually or quarterly).</i>	Concur.	Finance annually sends emails to Directors requesting that they review a list of employees who are receiving additional pay for accuracy. Finance will update the email to include a request to review additional pay categories and to provide a <i>written</i> response confirming accuracy. Going forward, this will be done on a semi-annual basis.	Karen Irwin, Payroll Supervisor	June 2018
6. <i>The City Auditor's Office recommends that the Chief Financial Officer establish a requirement and process whereby random, periodical audits are performed to ensure that adequate documentation is retained to justify additional pay/promotions.</i>	Concur.	Finance will create a procedure that will establish a process to conduct random, periodical audits to ensure that adequate documentation is retained to justify additional pay.	Amy Trevino, Controller	June 2018