

Administrative Leave with Pay Audit April 2019

Lori Brooks Jaquess, City Auditor, CPA, CIA, CGAP, CRMA
Susan Edwards, Assistant City Auditor, CIA, CFE, CICA
Matthew Cheadle, Staff Auditor, CFE



City Auditor's Office

April 10, 2019

Honorable Mayor and Members of the City Council:

The City Auditor's Office has completed the Administrative Leave with Pay Audit. The purpose of the audit was to review and evaluate the current practices and associated policies related to the use of Administrative Leave.

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

We would like to thank the City staff members we worked with on this engagement for their cooperation and assistance during the audit.

Lori Brooks Jaquess

Lori Brooks Jaquess, CPA, CIA, CGAP, CRMA
City Auditor

Attachment

cc: Trey Yelverton, City Manager
Jim Parajon, Deputy City Manager
Gilbert Perales, Deputy City Manager
Jennifer Wichmann, Assistant City Manager
Mike Finley, Chief Financial Officer
Yoko Matsumoto, Interim Director of Human Resources

**Administrative Leave with Pay Audit
Table of Contents**

	<u>Page</u>
Executive Summary	1
Audit Scope and Methodology	2
Background	2
Audit Results.....	3
Detailed Audit Findings	7
Audit Recommendation and Response Table	10

Executive Summary

The City Auditor's Office has completed the Administrative Leave with Pay Audit. The performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit objective was to review and evaluate the current practices and associated policies related to the use of Administrative Leave with Pay.

The City Auditor's Office noted strengths related to administrative leave in the following areas:

- Although limited, policy exists related to administrative leave and compensatory time
- Some administrative leave pay codes must be entered into the Kronos timekeeping system by payroll staff, allowing for some independent review

We noted potential opportunities for improvement related to the following:

- City policy related to use of Administrative Leave with Pay is vague
- Both inconsistent application and understanding of current policies were noted
- An excessive number, and misapplication, of administrative leave payroll codes was noted

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.

- Reviewed and analyzed payroll reports generated from the Kronos timekeeping system
- Interviewed Human Resources and Payroll staff about existing policies and use of Administrative Leave with Pay
- Reviewed Administrative Leave with Pay and compensatory time policies
- Discussed use of Administrative Leave with Pay with various Department Directors
- Reviewed other cities' policies regarding compensatory and discretionary time

Background

Internal Audit learned some departments frequently award discretionary or compensatory time to exempt employees, although not allowed by policy.

According to the Personnel Policy, Administrative Leave with Pay should be used to document when an employee is:

- Out of the office for training
- Awaiting a response prior to termination
- Relieved of his/her current duties and a temporary assignment cannot be located
- Out for less than a full day but does not have sick or vacation banked leave to cover those hours

Currently, there are at least 13 different Administrative Leave with Pay categories. Some of the categories are:

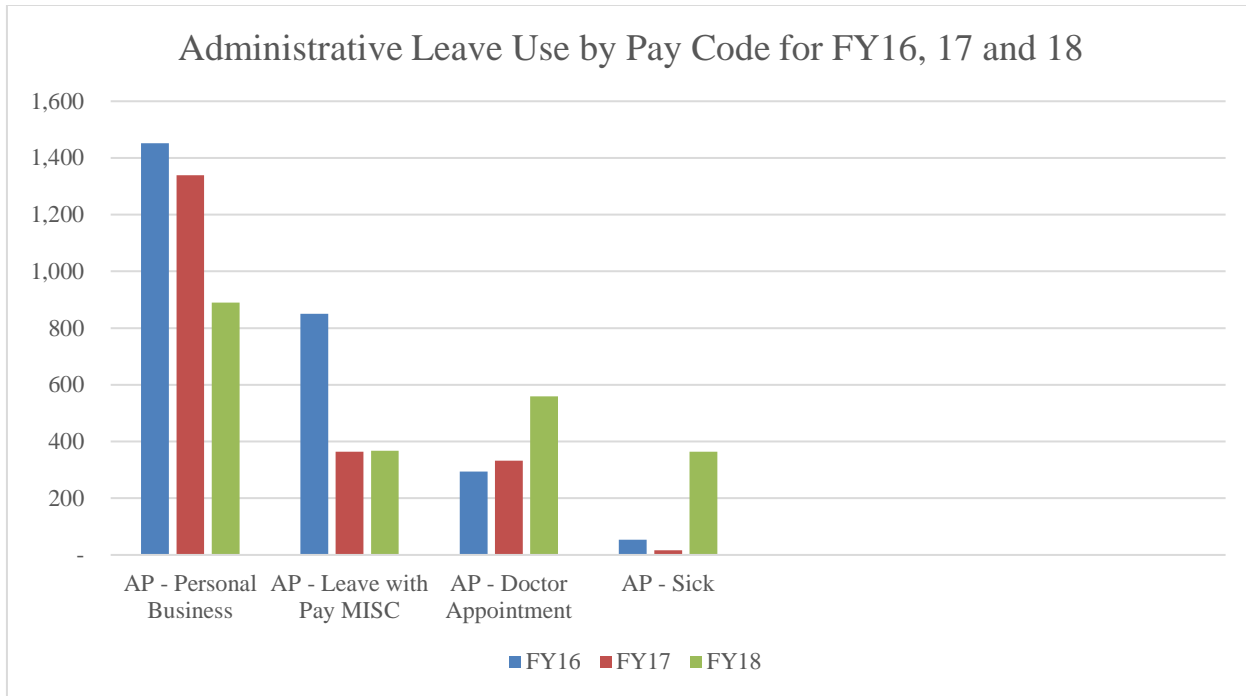
- AP-Personal Business
- AP-Sick
- AP-Doctor's Appointment
- AP-Unsub Sick
- AP-Family Illness
- AP-Meritorious Service
- AP-Disciplinary

Audit Results

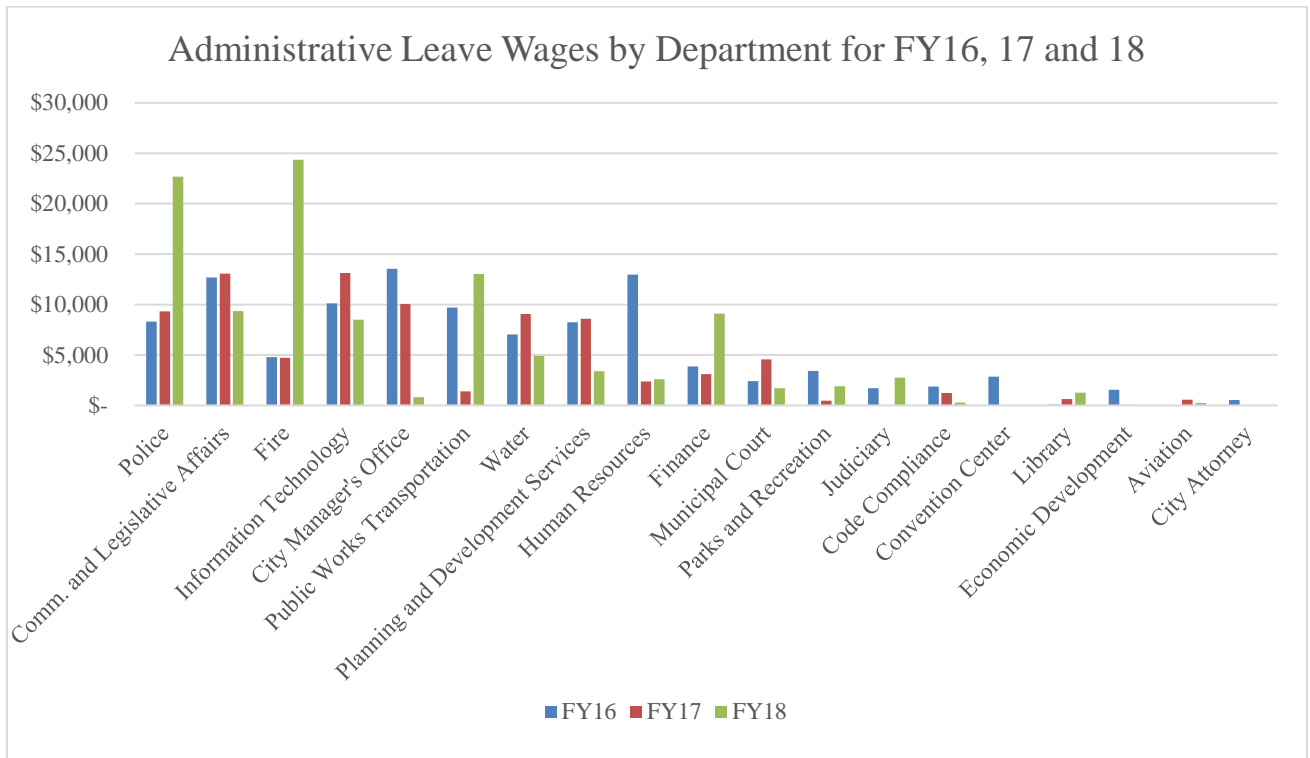
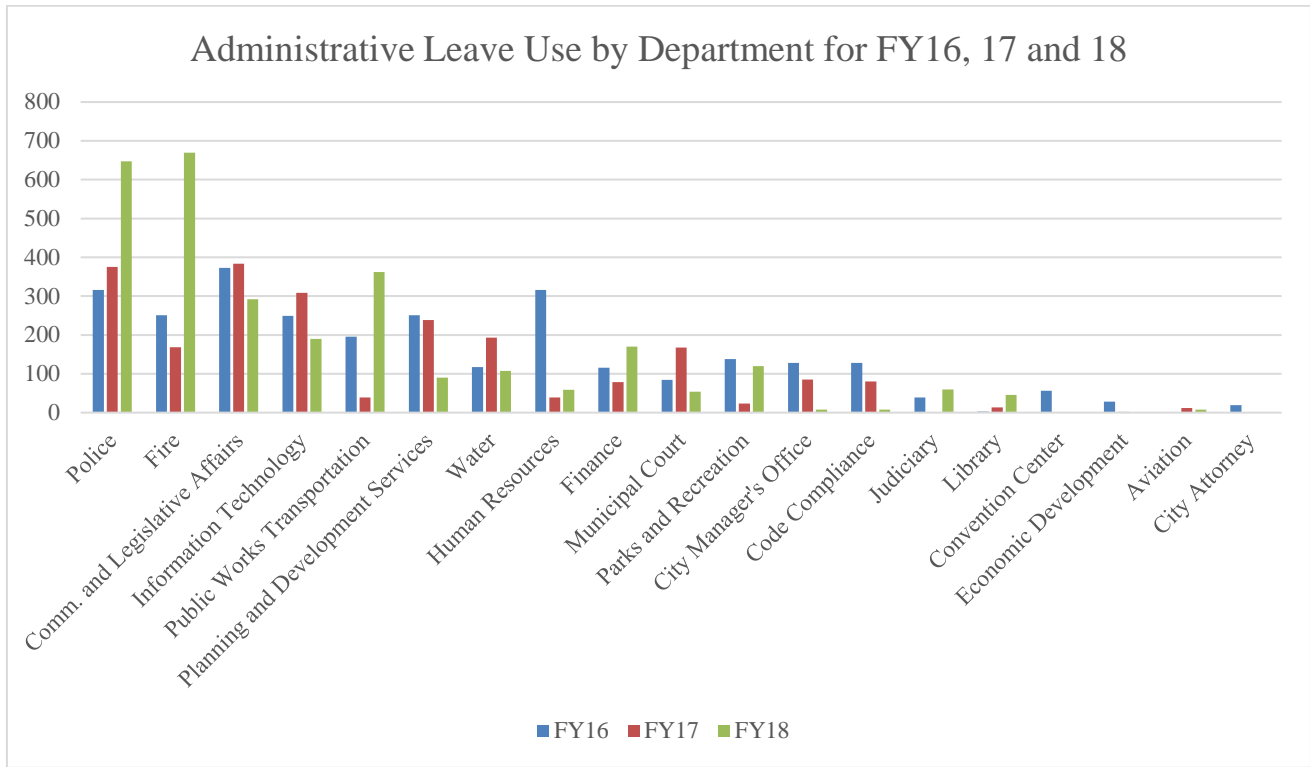
The City Auditor's Office reviewed exempt employees' use of Administrative Leave with Pay. The period under review was October 2015 through September 2018. Payroll reports for FY16, 17, and 18 were examined. Staff from Human Resources and Payroll were interviewed. The directors of departments, where use of Administrative Leave with Pay was the highest, were also consulted during the review. Additionally, we compared the City's related policies with those of other cities in the metroplex area.

Reports were generated from the Kronos timekeeping system identifying the Administrative Leave with Pay categories used in FY16, 17, and 18. These reports were then analyzed by pay category and by department. The following illustrates the total hours and dollars for each category and department by year:

	Hours			Wages		
	FY16	FY17	FY18	FY16	FY17	FY18
Personal Business	1,452	1,339	890	\$ 65,984	\$ 58,681	\$ 35,850
Leave with Pay MISC	851	364	367	22,487	5,391	8,723
Doctor Appointment	294	332	560	11,074	12,767	21,727
Sick	54	17	364	1,428	508	13,676
Meritorious Service	74	43	256	2,146	1,521	7,354
Pending Investigation	10	0	224	199	0	10,028
Training	0	0	115	0	0	4,439
Bereavement	24	24	34	775	710	1,003
Family Illness	7	46	19	52	1,602	723
Unsub Sick	28	35	4	942	969	304
Disciplinary	0	0	26	0	0	578
Meeting	0	0	24	0	0	2,232
Jury Duty	16	0	8	561	0	353
Court Pay	0	8	0	0	226	0
TOTAL	2,810	2,208	2,890	\$ 105,647	\$ 82,374	\$ 106,989



Department	Hours			Wages		
	FY16	FY17	FY18	FY16	FY17	FY18
Police	316	376	647	\$8,309	\$ 9,317	\$ 22,689
Fire	251	169	670	4,793	4,708	24,368
Comm. and Legis. Affairs	373	384	292	12,671	13,076	9,369
Info. Technology	250	309	190	10,119	13,132	8,498
Public Works	196	39	363	9,688	1,395	13,046
Planning & Development Services	251	239	90	8,241	8,594	3,404
Water	118	193	108	7,027	9,083	4,917
Human Resources	316	39	59	12,985	2,379	2,611
Finance	116	78	170	3,851	3,093	9,104
Municipal Court	85	168	54	2,398	4,566	1,705
Parks and Recreation	138	23	120	3,414	478	1,887
City Manager's Office	128	85	8	13,549	10,058	809
Code Compliance	128	80	8	1,875	1,246	285
Judiciary	39	0	59	1,711	0	2,768
Library	3	14	46	81	636	1,269
Convention Center	56	0	0	2,854	0	0
Economic Dev.	28	2	0	1,546	63	0
Aviation	0	12	8	0	550	262
City Attorney	19	0	0	536	0	0
TOTAL	2,810	2,208	2,890	\$105,647	\$82,374	\$106,989



A review of the reports indicates that some of the categories could potentially be combined or eliminated. Further review also showed that some absences were not consistent with the category used to document the absence.

Interviews were conducted with employees from Human Resources and Payroll to gain a better understanding of the policies governing use of administrative leave. Directors of departments where use of administrative leave was highest were interviewed to help gain a better understanding of how and when their departments use Administrative Leave with Pay.

The department directors noted they award administrative leave to exempt employees who have worked hours outside their normal schedule. They noted the reason for this is to help keep employees engaged and achieve a healthy work life balance. The practice is essentially creating an unofficial departmental compensatory (comp) time program. An employee may request to use the “comp time,” or he/she may present a leave form requesting vacation or sick leave, and the supervisor instructs them to use administrative leave instead. Some departments limit the usage to four hours or less, while other departments allow employees to take multiple days off using administrative leave. None of the departments had a policy defining how much time an employee could earn and/or use at one time or during a time period. Also, no records are kept documenting time earned or used in any department.

Additionally, in some departments, administrative leave is used in lieu of vacation or sick leave for absences less than a full day, although the employee has sick and vacation leave balances available. City policy does not appear to allow this when an employee has accrued leave balances.

Benchmarking

Ten cities from around the metroplex area were contacted to determine how their cities addressed comp time and partial day absences for exempt employees. Four of the ten cities have a comp time program for exempt employees. Four of the remaining cities allow exempt employees to be absent for a partial day without being required to use any banked leave, at the discretion of the supervisor. The remaining two cities do not allow either partial day absences (without use of banked leave time) or comp time for exempt employees.

Detailed Audit Findings

Use of Administrative Leave with Pay as Compensatory Time

Several departments have different interpretations of the City's policies as they relate to administrative leave with pay. Some City department managers are inappropriately using Administrative Leave as a compensatory time program for exempt employees. According to the Personnel Policy section 301.03 B2, "Compensatory time is not available to employees in exempt positions." Some department managers interviewed are implementing their self-described comp time program to help achieve a healthy work/life balance for employees who are working extra hours. Some of these employees work weekends and holidays, and/or extend their work day by several hours. Some managers who award the administrative leave with pay do not view it as "comp time," but as a reward.

The following are some effects of the inconsistent interpretation of policy:

- (1) Departments consulted during the audit do not have a departmental policy defining how, when or why the leave should be awarded; thereby, creating a situation where hours are awarded in an inequitable manner. Department heads may try to ensure all employees are treated equitably; however, without a policy or tracking system this might not be true. For example, if two employees are working many extra hours and one of them requests time off shortly after the period, he/she may be awarded administrative leave with pay instead of using vacation hours, because this is fresh on the supervisor's mind. On the other hand, if the second employee does not request sick or vacation time for several months after the period of working extra hours, he/she may not get that same benefit.
- (2) While the inequities within a department are one issue, another is the inequity across the organization, because managers from different departments may award this time differently, if they award it at all. This creates a potential benefit to some employees, based on the department in which they work.
- (3) The use of this 'off the books' comp program also creates an increased liability for the city, because exempt employees are able to retain more vacation and/or sick leave, resulting in a higher balance to be paid when the employee leaves the city via retirement or termination.

Recommendations:

- 1. The City Auditor's Office recommends that the City Manager's Office evaluate the current personnel policy to determine if the policy, regarding compensatory time for exempt employees, should be revised to reflect the current practices and help ensure equitable use within and across all departments.***
- 2. The City Auditor's Office recommends that if the City Manager's Office chooses not to revise the current policy, regarding compensatory time for exempt employees, the current policy, as written, should be enforced equitably.***
- 3. The City Auditor's Office recommends that the Human Resources Department provide guidance and/or training on the appropriate use of Administrative Leave with Pay.***

Partial Day Absence

Some departments allow exempt employees to use Administrative Leave with Pay instead of banked vacation or sick leave accounts for partial day absences. We reviewed 30 exempt employees' banked leave accounts on days in which they used an Administrative Leave with Pay code for absences. Of those 30 employees, 25 had sufficient banked leave to cover their absence. Four of the employees with insufficient banked leave were currently in their six-month probationary period. City of Arlington Personnel Policy 302.08 states that Administrative Leave with Pay is to be used in any of the following circumstances:

1. In any circumstance specifically stated in this Manual;
2. To document an employee's attendance at training or other business functions away from the employee's regular duty station;
3. During the response period when an employee has been notified of a proposed dismissal;
4. *To document the absence of an exempt employee for less than a full day when the absence is not chargeable to accrued sick or vacation leave;* and
5. When it is determined by the Department Head that the employee should be relieved from regular duties and an appropriate temporary re-assignment cannot be located.

Non-compliance with the policy exists for various reasons. For example, some department heads are simply following practices that were in place before they began their current role. Additionally, the policy does not address what is meant by "when the absence is not chargeable to vacation or sick leave." Upon inquiry, a Human Resources Manager stated this presumably meant when an employee does not have sick or vacation leave balances available to cover the hours absent. Current practice creates an inequity throughout the organization, because a manager from one department may allow their employees to use Administrative Leave with Pay for absences less than a full day, although they have banked leave available, while a manager from a second department does not. Again, this creates a potential benefit to some employees, based on the department in which they work.

Recommendation:

4. *The City Auditor's Office recommends that the City Manager's Office evaluate the current personnel policy, regarding partial day absences, to determine if the policy should be revised to provide more explicit language and guidance about the appropriate use of Administrative Leave with Pay and require equitable use across all departments.*

Number of Pay Codes

Currently there are at least 13 different payroll codes that can be used to document Administrative Leave with Pay. Some of these codes appear to be duplicative. For example, there are at least four different codes an employee may use for absences due to sickness. These include AP-Doctor's Appointment, AP-Family Illness, AP-Sick, and AP-Unsub Sick. Application of good internal controls dictates that when possible, duplicative programs should be combined. The availability of so many codes can create confusion on the part of the employee and/or timekeeper as to which code should be used and may result in unreliable statistical data.

Recommendations:

5. *The City Auditor's Office recommends that the Finance Department evaluate the Administrative Leave with Pay codes, to determine if some of the codes can be consolidated or deleted.*
6. *The City Auditor's Office recommends that the Finance Department, in collaboration with the Human Resources Department, provide guidance that defines the different Administrative Leave with Pay codes and explain the proper use of the codes.*

Maintaining Documentation

Currently, neither the payroll division nor the granting departments we spoke with maintain documentation of the number of hours earned or used or the reasons for the accumulation or use of Administrative Leave with Pay. Leading business practices dictate that proper documentation should be maintained when granting employees special leave privileges. Current policy does not address the need to maintain documentation. Without proper documentation, there is no record of who authorized the leave, the reason for its use, or how many hours the employee was authorized to use. The lack of this type of documentation provides an environment that leads to inequitable application of benefits to employees.

Recommendation:

7. *The City Auditor's Office recommends that the Human Resources Department amend the policy addressing Administrative Leave with Pay to include a requirement for either the Payroll division and/or the granting department to maintain documentation of who authorized use of Administrative Leave with Pay, the reason it was awarded, and the number of hours the employee has been authorized to use.*

**CITY OF ARLINGTON
ADMINISTRATIVE LEAVE WITH PAY AUDIT
AUDIT RECOMMENDATIONS AND RESPONSE**

RECOMMENDATION	CONCUR/ DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
1. <i>The City Auditor's Office recommends that the City Manager's Office evaluate the current personnel policy to determine if the policy, regarding compensatory time for exempt employees, should be revised to reflect the current practices and help ensure equitable use within and across all departments.</i>	Concur	Staff will review current policy, for the purpose of reflecting other approved practices for utilization of time and approval processes for differing business units.	City Manager's Office Human Resources City Attorney's Office	10-31-19
2. <i>The City Auditor's Office recommends that if the City Manager's Office chooses not to revise the current policy, regarding compensatory time for exempt employees, the current policy, as written, should be enforced equitably.</i>	Concur	Consistent with recommendation number 1, the policy will be reviewed and possibly revised.	City Manager's Office Human Resources City Attorney's Office	10-31-19
3. <i>The City Auditor's Office recommends that the Human Resources Department provide guidance and/or training on the appropriate use of Administrative Leave with Pay.</i>	Concur	After a review of policy is conducted and updated, Human Resources will provide supervisors and possible timekeepers guidance in utilizing Administrative Leave with Pay.	Human Resources	3-31-20

RECOMMENDATION	CONCUR/ DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p>4. <i>The City Auditor’s Office recommends that the City Manager’s Office evaluate the current personnel policy, regarding partial day absences, to determine if the policy should be revised to provide more explicit language and guidance about the appropriate use of Administrative Leave with Pay and require equitable use across all departments.</i></p>	<p>Concur</p>	<p>A review of the compensation policy will be conducted, with consideration of state and federal laws relative to exempt personnel. From this we can provide more explicit language and clarification to guide departments with appropriate use.</p>	<p>City Manager’s Office Finance Human Resources City Attorney’s Office</p>	<p>12-31-19</p>
<p>5. <i>The City Auditor’s Office recommends that the Finance Department evaluate the Administrative Leave with Pay codes, to determine if some of the codes can be consolidated or deleted.</i></p>	<p>Concur</p>	<p>Finance and HR will work together to 1) Reduce the number of pay codes, 2) provide definitions, 3) convey the changes to City departments.</p>	<p>Finance (Mike Finley, CFO)</p>	<p>12-31-19</p>
<p>6. <i>The City Auditor’s Office recommends that the Finance Department, in collaboration with the Human Resources Department, provide guidance that defines the different Administrative Leave with Pay codes and explain the proper use of the codes.</i></p>	<p>Concur</p>	<p>Human Resources will partner with Finance in sourcing explicit language to assist in utilizing appropriate payroll codes. This includes any need for possible training.</p>	<p>Finance Human Resources City Attorney’s Office</p>	<p>3-31-20</p>

RECOMMENDATION	CONCUR/ DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p><i>7. The City Auditor’s Office recommends that the Human Resources Department amend the policy addressing Administrative Leave with Pay to include a requirement for either the Payroll division and/or the granting department to maintain documentation of who authorized use of Administrative Leave with Pay, the reason it was awarded, and the number of hours the employee has been authorized to use.</i></p>	<p>Concur</p>	<p>1) We will review the policy and update required providing documentation on the codes. 2)The Kronos payroll system has mechanisms for management to approve timekeeping and allows for comments. We plan to fully utilize payroll records in one depository (Kronos), as it is the official record in paying employees.</p>	<p>Human Resources</p>	<p>10-31-19</p>