

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

*Promoting honest, efficient, and fully accountable government*

### REVIEW OF CITY OVERTIME COSTS AND OVERSIGHT

### OPPORTUNITIES EXISTED FOR SAVINGS

September 2014



City Controller  
**ALAN BUTKOVITZ**



# CITY OF PHILADELPHIA

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Pursuant to Section 6-400(d) of the Home Rule Charter, the Office of the Controller conducted a review of the City of Philadelphia's overtime and its impact on operating costs. A synopsis of the results of our work is provided in the executive summary to the report.

Our review focused on overtime earned by specific employees in five City agencies that included the: Department of Public Health, Department of Human Services, Managing Director's Office, Records Department, and the Philadelphia Water Department. Analyses we performed suggest that having employees work overtime is not always be the most economical choice of options. The report offers recommendations to City management that we believe if implemented will lead to more economical operations. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years.

We thank agency managers and their staffs for the courtesy and cooperation displayed towards us during the conduct of our work.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alan Butkovitz".

ALAN BUTKOVITZ  
City Controller

cc: Honorable Michael A. Nutter, Mayor  
Honorable Darrell L. Clarke, President  
and Honorable Members of City Council  
Members of the Mayor's Cabinet



# CITY OVERTIME OPPORTUNITIES EXIST FOR SAVINGS

## EXECUTIVE SUMMARY

### Why The Controller's Office Conducted The Audit

The City of Philadelphia (City), with 27,000 employees, incurred overtime costs that increased 16 percent from \$168.4 million in calendar year 2011 to \$195.8 million in 2013. Media reports and concern about the increase caused the Office of the Controller (Controller's Office) to launch a review of employees earning significant overtime amounts. The purpose of the review was to (1) ascertain the reasonableness of the overtime; (2) determine whether it was appropriately monitored; and (3) establish whether the overtime was more economical than hiring additional staff.

### What The Controller's Office Found

A review of five City agencies that included a total of 26 employees from the Department of Public Health, Department of Human Services, Managing Director's Office, Records Department and the Philadelphia Water Department, who in many cases earned more than their annual base pay in overtime from 2011 through 2013, revealed the following:

- Most reasons given for needing overtime appeared reasonable. However, the Unified Dispatch Unit funded through the Managing Director's Office, which reportedly operates as a VIP 3-1-1 call-center for City officials and the politically connected was the exception. The VIP 3-1-1 call center purportedly fueled allegations of favoritism when it was first revealed back in 2008. It continues to operate 24 hours a day / 7 days a week: double the operating hours of the public 3-1-1 center used to assist ordinary citizens.
- Procedures for monitoring overtime usage varied among the five agencies. Some, such as the Department of Public Health and the Philadelphia Water Department scrutinized overtime very closely, while others did not. The lack of close scrutiny could allow for abusive practices to occur without the knowledge of management.
- Collectively, the agencies could have saved more than \$700,000 during 2013 had they hired more staff instead of paying overtime. In one instance, costs for a counselor in the Department of Human Services amounted to nearly \$220,000. Had the agency hired another counselor, it would have expended only \$58,000. Hidden costs for payroll taxes and pension drive up the overtime expenditure. When the more senior employees that are members of the City's older "J" pension plan work the extra hours, it costs a staggering additional 219 percent of their overtime.

<b>Estimated Cost Benefit of Hiring Additional Staff vs. Overtime</b>	
<u>Agency</u>	<u>Savings</u>
Department of Public Health ( <i>Appendix I</i> )	\$150,639
Department of Human Services ( <i>Appendix II</i> )	243,329
Managing Director's Office ( <i>Appendix III</i> )	57,111
Records Department ( <i>Appendix IV</i> )	106,132
Philadelphia Water Department ( <i>Appendix V</i> )	<u>158,603</u>
Totals estimated 2013 savings	<u>\$715,814</u>

Source: Controller's Office

### What The Controller's Office Recommends

The Controller's Office recommends three specific actions that include: (1) keeping a watchful eye on the drivers of overtime and where possible creating useful productivity indicators to measure employee efficiency; (2) authorizing and approving overtime in advance; and (3) evaluating the cost benefit of hiring additional staff in lieu of incurring overtime expenditures.

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### Background



of the amount.

The City of Philadelphia (City), with 27,000 employees, paid over a half-billion dollars in overtime from calendar years 2011 through 2013. Representing about 11 percent of the gross payroll each year, overtime rose from \$168.4 million in 2011 to \$195.8 million in 2013. Most of the overtime occurs in the City's Police Department, Fire Department, and Prisons' System. Of the \$195.8 million paid out in overtime during 2013, these three agencies accounted for \$136.6 million or 70 percent

The common denominator among all three agencies is of course public safety. And with public safety, comes several issues that are difficult to evaluate in terms of economies and efficiencies. For example, police investigatory work often requires that detectives spend long hours solving major crimes, such as murder, rape, armed robbery, and aggravated assault. How much to spend on apprehending and prosecuting a criminal is, in our opinion, as much a social question as it is one of economics.

The Fire Department and the Prisons also have difficult circumstances. Fire officials must ensure they have adequate coverage to handle fire and medical emergencies that can occur in a random moment. Prison authorities must make certain they have adequate guard coverage at all times to maintain prison orderliness and safety.

The remaining 30 percent of overtime paid is spread among the rest of the City agencies. For 2013, two of the top paying agencies which were reviewed included the Philadelphia Water Department (PWD) and the Department of Human Services (DHS) with \$12.6 million and \$10.8 million, respectively.

### Scope of Review

Media reports indicated that several City employees within these two agencies and others within the 30 percent category were earning a significant amount of overtime — in many instances more than their base pay. As such, the Controller's Office concluded it would conduct a review of the circumstances that required these employees to earn a significant amount of overtime during the period 2011 through 2013.

From a list compiled of all City employees who regularly earned at least 50 percent of their total earnings from overtime,<sup>1</sup> the City Controller's Office focused on employees working in five agencies where it believed the overtime usage may have been excessive. The five agencies included:

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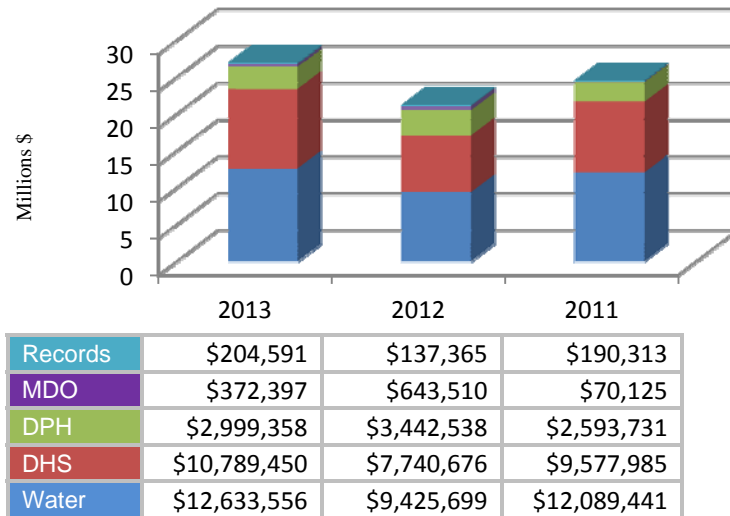
<sup>1</sup> In total, the City Controller's Office identified 144 employees.



- Department of Public Health (DPH)
- Department of Human Services (DHS)
- Managing Director’s Office (MDO)
- Records Department (Records)
- Philadelphia Water Department (PWD)

Over the three calendar years encompassed by this report — 2011, 2012, and 2013 — overtime fluctuated for these agencies as displayed in Figure 1 below.

**Figure 1: Overtime Paid for Five Selected Departments**



Source: Controller’s Office analysis of City payroll records.

Our review of employees within these five agencies that earned at least 50 percent of their total earnings from overtime during the years 2011 through 2013 initially identified 21 employees. The employees performed a variety of functions — from custodial work to counseling to dispatching to repair work. However, the number of employees reviewed increased by five because we identified the Unified Dispatch Unit funded through the MDO which operates as an exclusive VIP 3-1-1 type center for City officials and the politically connected. The number of employees analyzed within each of the five departments is presented in Table 1 below.

**Table 1: Number of Employees Reviewed by Agency**

City Agency	Employees Reviewed
DPH	6
DHS	10
MDO	6
Records	1
Water	3
Total employees reviewed	26

Source: Compiled by the Controller's Office.

**Objectives**

The Controller's Office review of overtime pertaining to the 26 employees focused on three primary questions:

1. Was there justification for the overtime?
2. Were there procedures in place to monitor abuse?
3. Would it be more economical to hire additional staff rather than having employees work long, extended hours several days a week at an overtime rate that is higher than the regular hourly rate?

To answer the first two questions, we met with agency managers and discussed the reasons for the overtime and observed procedures in place at each agency to monitor for possible abuse. Our detail findings for each agency examined are included as Appendices I to V.

**Methodology**

To ascertain whether it would be more economical to hire additional staff instead of paying overtime, we performed a cost benefit analysis comparing the 2013 total cost of the overtime (including pension and payroll tax costs) for each of the 26 employees to the cost of hiring an additional employee with the same civil service title.

In determining the total "all inclusive" cost of overtime for each employee, we obtained the amount of overtime actually paid to the individual from the City's payroll system and added the following costs:

- Non-uniformed employee **pension costs** as a percentage of overtime dollars

<u>Plan</u>	<u>Hiring Date</u>	<u>Normal Cost</u> <sup>2</sup>	<u>Unfunded Liability</u> <sup>3</sup>	<u>Total</u>
Y	Hired after 10/1/1992	4.861%	2.636%	7.497%
J	Hired before 10/2/1992	7.497%	211.502%	218.999%

<sup>2</sup> Normal pension costs represent the costs of benefits accruing in a given year.

<sup>3</sup> Unfunded liability costs represent the difference between the actuary's annual required contribution and what the City has actually contributed. Put another way, the unfunded liability costs represents the unfunded liability from prior years. With each passing year the gap grows and the actuary amortizes the amount over a specified number of years.

- **Payroll taxes** as a percentage of payroll overtime dollars

<u>Payroll Tax Type</u>	<u>Earnings Covered</u>	<u>Effective Period</u>	<u>Percent</u>
Social Security	Gross earnings not to exceed \$113,700	01/01/13-12/31/13	6.20%
Medicare	Gross earning (< \$200,000)	01/01/13-12/31/13	1.45%
	Gross earning (> \$200,000)	01/01/13-12/31/13	0.90%

To determine the cost of hiring an additional employee we:

- Obtained the job class specifications and base pay rates for each employee from the City’s Office of Human Resources web site<sup>4</sup>. In arriving at a base pay amount for newly hired employees, we used an average range of salary for the each category of employee covered by our review. We used the average range for conservatism and to allow for the possibility of employee promotions.
- Added to the average base pay amounts for each job class payroll taxes and pension costs using the rates shown on the previous page.
- Added the fringe benefit amounts presented in Table 2 below to the average base pay amounts for each job class.

**Table 2 Annual Fringe Benefit Costs Per Employee**

<b>Benefit Description</b>	
Group life insurance @ \$3.04/month	\$36.48
Health plan @ \$975.76/month	11,709.12
Unemployment compensation @ 17.41/month	208.92
Group legal Services @ \$12.00/month	144.00
Worker’s compensation @ \$112.64/month	1,351.68
Regulation 32 disability @ \$4.15/month	49.80
Total annual fringe benefit costs per employee	<u>\$13,500.00</u>

Source: Compiled by the Office of the Controller based on the Fiscal Year 2013 Fringe Benefits Memo prepared by the Office of the Director of Finance – Accounting Bureau.

<sup>4</sup> The website is located at <http://www.phila.gov/personnel/specs/index.html>.



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## **FINDINGS AND RECOMMENDATIONS**

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### **Reasoning for Most Overtime Appeared Legitimate**

Each agency we reviewed gave us reasons for the significant amounts of overtime it needed to pay its employees. The DPH, for instance, said the six custodians we selected perform a multiple number of tasks that include cleaning, special repair projects, deliveries, and pick-up services. Because its Health Centers and Sexually Transmitted Disease Center service over a thousand patients daily, these facilities require constant cleaning. To keep them clean, the agency is willing to pay high overtime amounts to custodial staff eager to work the long hours. The DPH also asserts that when needed, its custodial staff will repair HVAC problems, building leaks, as well as perform various delivery and pick-up services. Our analysis of the agency's employment numbers showed that over the last several years it had downsized the custodial staff by about five employees. This decrease may have also had impact on the need for overtime among its custodial workers.

Like the DPH, the DHS also offered several reasons for the high amounts of overtime paid to a number of its employees, which for our review included detention counselors, a social worker, security officers, and a custodian. All of the selected employees worked at the Philadelphia Juvenile Justice Service Center (PJJSC). The center is licensed by the Department of Public Welfare, and as such, is mandated to maintain certain child-care staff to youth ratios to ensure child safety standards.<sup>5</sup> For that reason, the DHS requires mandatory overtime of its counselors and social workers. And while the DHS had lost about five percent of its detention counselor staff since 2007, it saw an even steeper drop in the number of its social workers — 15 percent since 2008.

Additionally, the DHS requires mandatory overtime for security officers on staff. These positions dropped as well — by 25 percent since 2003. And for a period of time in 2012 and 2013, the officers needed to provide security simultaneously at both the PJJSC and the former Youth Study Center.

As to the DHS custodian in our review, mandatory overtime is not required, but agency custodial workers do provide a broad range of support services such as laundry and grounds keeping. Since 2003, however, the custodial staff has diminished by over 40 percent.

The DHS management certainly acknowledges that overtime among some of its employees is quite high, but insists that the mandatory obligations toward safety coupled with the decline in staff have created the need. Many employees that work the overtime do so voluntarily with the goal of maximizing their compensation.

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<sup>5</sup> The center operates 24 hours a day / 7 days a week.

Of the employees included within the scope of this review, the overtime paid to six communication dispatchers working for the Office of Innovation and Technology — but paid with appropriations of the MDO — appeared the least legitimate. The six dispatchers work secretly on the seventh floor of City Hall and serve as an exclusive VIP 3-1-1 center to handle municipal service problems of City officials and the politically connected. The phones are manned 24 hours a day / 7 days a week — a schedule not even maintained for the City’s public 3-1-1 center.

Similar to the DHS, Records alluded to cuts in staff as being the chief driver of its overtime. While there has only been one Labor Crew Chief 1 since 2003, the agency’s Semi-Skilled Laborer force has dropped by 75 percent since 2006. This drop coupled with an increase in demand for services created the need for overtime in that agency.

Finally, the PWD indicated that much of the overtime paid to a Water Distribution Repair Worker we reviewed was the result of needing workers available for major events such as the Broad Street Run and the TD Bank Philadelphia International Cycling Championship. During such events, which occur on the weekends and holidays, the PWD provides water services to various event locations. Overtime is frequently also needed to staff emergencies, after-hour street work, and to cover for employee absences. The PWD indicated that the selected Distribution Repair Worker frequently volunteered to work overtime for such events.

As to the two PWD crew chiefs we reviewed, one works in a district that includes Center City where street work often occurs after normal business hours. This same crew chief often volunteers for emergencies, fills in for other chiefs, and works extended winter hours. The other crew chief, at a Water Treatment Plant Operation, is frequently required to supervise an additional eight-hour shift, as the plant is open 24 hours / 7 days a week.

The agencies reviewed approached keeping an eye on overtime differently. Some like the DPH and the PWD, for instance, appeared to watch it closely, making sure it was authorized in advanced and approved by a supervisor. The PWD even ran a special report every bi-weekly pay period to review overtime after the fact. And while the DHS requires pre-approval of overtime, in practice, it was not regularly being done. Nor did the Records Department always formally approve the overtime up front — in most instances management told us it was granted verbally. The MDO’s exclusive 3-1-1 center schedules all overtime, and as such, considers it automatically approved in advance.

**Monitoring  
Overtime Usage  
Varied Across  
City Agencies**

**Savings Could Be Achieved by Hiring More Employees and Paying Less in Overtime**

While City agencies reviewed paid the selected employees over \$1.1 million in overtime during 2013, this practice was not always the wisest choice. Had the five agencies hired additional staff instead of paying overtime, we estimate that in total, the five agencies could have saved taxpayers and water customers over \$715,000. We present detailed computations of the savings for each agency in Appendices I through V, and summarize those savings in Table 3 below.

**Table 3: Cost Benefit of Hiring Additional Workers in Five City Agencies Reviewed**

Agency	Total Overtime Paid	Social Security/Medicare@ 7.65%	Pension Costs	All-inclusive Cost of Overtime	Cost of Additional Workers	Potential Savings
DPH	\$287,795	\$22,017	\$124,304	\$434,116	\$284,027	<b>\$150,639</b>
DHS	495,865	37,688	246,830	780,151	566,185	<b>243,329</b>
MDO	164,123	12,556	83,338	260,017	315,564	<b>57,111</b>
Records	47,875	3,662	104,847	156,384	50,252	<b>106,132</b>
PWD	<u>122,619</u>	<u>9,381</u>	<u>187,264</u>	<u>319,382</u>	<u>169,038</u>	<b><u>158,603</u></b>
Totals	<u>\$1,118,277</u>	<u>\$85,304</u>	<u>\$746,583</u>	<u>\$1,950,050</u>	<u>\$1,385,066</u>	<b><u>\$715,814</u></b>

Source: Controller’s Office summary of Appendices I through V.

Hidden costs of overtime such as payroll taxes (including Social Security and Medicare) as well as pension costs need to be considered when deciding whether it is more economical to simply pay overtime or hire additional staff. On the \$1.1 million in overtime paid, it cost the five agencies payroll taxes totaling over \$85,000. More significant, however, was the related pension costs — close to \$750,000. So for 2013, our analyses of the 26 employees over the five agencies showed that the “all-inclusive” real cost of overtime approached nearly \$2.0 million at these five agencies.

In nearly 30 percent of instances we examined, driving the related costs significantly higher were the overtime payments made to long-term employees — more specifically, those employees hired before October 2, 1992, who are part of the City’s “J” plan. Costs are much higher because the total normal and unfunded liability costs associated with these employees is nearly 220 percent (218.999%) of their overtime pay versus just 7.497 percent for employees in the “Y” plan, which became effective on October 1, 1992.

We compared the costs of each employee’s “all-inclusive” overtime cost to the cost of hiring an additional employee with the same job title. With regards to those employees in the “J” plan, in every case it would have been more economical if the agency had hired another employee incurring lower pension costs. In one instance, involving a Youth Detention Counselor 2 with the DHS, the “all-inclusive” costs of the counselor’s 2013 overtime amounted to nearly \$220,000. Had the agency hired another counselor, we

estimate it would have expended only about \$58,000 instead. In fact, with the savings generated, the DHS could have hired at least two additional counselors.

We saw similar savings in the other agencies as well. For example, a DPH custodial worker in the “J” plan cost the agency nearly \$159,000 in overtime, whereas an additional worker would have come with a price tag of only \$46,000, for savings of \$113,000. Again, the agency could have employed an additional two full-time individuals and still had savings. These and other examples are illustrated in Appendices I through V.

Although the most dramatic savings occurred with “J” plan employees, we saw a number of cases when the cost of overtime involving “Y” plan employees versus hiring additional ones also appeared uneconomical. In one instance, for example, the savings generated by hiring an additional Security Officer 1 in the DHS would have amounted to nearly \$13,000. Likewise, had the DPH hired an additional custodial worker at a cost of \$46,000 instead of incurring overtime costs of nearly \$67,500, the savings in 2013 would have been nearly \$21,500.

## **Conclusions**

Most overtime paid to the employees of the five agencies we reviewed appeared to have legitimacy. With one exception — the MDO employees in the exclusive 3-1-1 call center — all the agencies either had public health issues, mandated staffing requirements, or special circumstances and events that coupled with staff reductions required their employees to work overtime. The need to man a VIP 3-1-1 center for City officials and the politically connected 24 hours a day / 7 days a week should be reconsidered, especially when the center handling calls of regular citizens operates just 12 hours each day.

Additionally, some agencies need to do a better job monitoring their overtime. While there is no one perfect system that fits all circumstances, agency management needs to be mindful that overtime is costly. Management has a fiduciary duty to taxpayers or their customers to control such costs, and ensure services are being provided in the most economical manner.

Going forward, the City administration could improve its containment of overtime costs. Incurring overtime and all the related costs may not be the best of options. Agencies need to develop strategies that first enable them to achieve the highest of productivity from their employees. After accomplishing this, they need to cost out their options. In some instances it may be cheaper to pay overtime. In other cases, it may be more economical to hire additional staff.

**Recommendations**

We urge City agencies and the administration to take the following actions as a result of our review:

- Keep a watchful eye on the drivers of overtime within each agency. To the extent possible and where practical, create useful productivity indicators to measure the efficiency with which staff complete tasks and ensure that overtime needs are real [403513.4.01].
- Except for emergency situations, strive to have all overtime authorized and approved in advance. As always, such authorization and approval should be documented. When emergency situations occur, require supervisory personnel to record in a memo the conditions creating the need for the overtime, the personnel that worked, and the hours each individual spent on the job. The memo should be signed by the appropriate supervisor who should then be held accountable for the work performed [403513.4.02].
- When evaluating future overtime needs, consider the cost-benefit of hiring additional staff in lieu of incurring overtime expenditures. As part of its evaluation, the MDO should also reflect on the need for its VIP 31-1 call center [403513.4.03].

## APPENDIX I: DEPARTMENT OF PUBLIC HEALTH

### Background



Established to preserve and improve the health and well-being of the citizens of Philadelphia, the Department of Public Health (DPH) employs about 800 individuals that provide either direct health related services or support for those services. In total, the DPH paid its employees \$146.1 million (excluding related fringe benefit and pension costs) from 2011 through 2013, or about \$49.0 million a year. About 6 percent or \$3.0 million of the DPH annual wages represented overtime pay.

A subset of the DPH employees earning overtime from 2011 through 2013 included six custodial-type workers regularly earning, in some instances, more in overtime than their base annual salary. Table 4 lists the employees' base and overtime pay for each of the three years. Collectively, the six custodial workers earned over \$736,000 in overtime for the three-year period.

**Table 4: DPH Custodial Workers Earning High Overtime**

Payroll Number	2013			2012			2011		
	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	Total
XXXX91	\$30,299	\$48,570	\$78,869	\$30,299	\$36,766	\$67,065	\$30,299	\$33,869	\$64,168
XXXX48	30,099	41,510	71,609	30,099	19,941	50,040	30,099	16,177	46,276
XXXX94	30,099	39,507	69,606	30,099	48,771	78,870	30,099	43,920	74,019
XXXX38	33,489	50,094	83,583	33,489	41,203	74,692	33,489	35,823	69,312
XXXX29	28,566	49,536	78,102	28,566	38,430	66,996	28,566	30,136	58,702
XXXX54	27,922	58,578	86,500	27,922	50,133	78,055	27,922	53,296	81,218
Totals	\$180,474	\$287,795	\$468,269	\$180,474	\$235,244	\$415,718	\$180,474	\$213,221	\$393,695

Source: Controller's Office analysis of City payroll records.

†Base annual salary does not include longevity, shift differentials, etc.

Our analysis of the number of custodial workers employed by the DPH from 2003 through 2013 showed the following:

- At the end of 2013, the DPH employed only two Custodial Work Crew Chiefs. This number was down from a total of four filled positions back in 2009 and 2010.
- The DPH employed 19 individuals with the title of Custodial Worker 1, which was down from an year-end high of 22 for both 2011 and 2012.

The DPH Deemed Overtime for Custodial Services Essential for Health Centers and Clinic Environments

According to the DPH, custodial staffing presents a unique challenge. It asserts that while most positions can withstand a brief absence of a staff member in that position, custodial staff must have a presence in health care facilities every day and any



absences have to be actively addressed. Management reports that the eight Health Centers and a Sexually Transmitted Disease (STD) Clinic reportedly serve over a thousand patients every day. If a custodian is absent, the daily and constant task of cleaning and maintaining the exam rooms, waiting areas and common areas would be left undone. This includes ensuring trash cans are emptied and the restrooms are constantly cleaned and stocked with soap, paper towels and toilet paper and responding to incidents that occur in the health care sites, particularly related to potentially infectious waste materials (urine, blood, emesis, and the like) or spills of such things as beverages or food.

Overtime for Custodial Services Also Needed for Special Projects, Deliveries, and Pick-up Services

Additionally, the DPH indicated that it must be able to replace light bulbs, repair HVAC, and intercede should there be leaks during or after rain/snow events. In the interest of delivering quality health care services and disease control prevention, the DPH maintains that it is critical to present a clean and well-maintained environment both to staff and the general public. The uninterrupted availability of custodial services is an important component in maintaining the health centers and clinic environments.

The DPH informed us that for the three-year period, the six custodial staff about which we inquired served on a variety of assignments. According to management, while staff received much of the overtime for doing custodial services in the health facilities as described above, during 2012 and 2013 the DPH spent more on overtime for special projects. These included repair, maintenance, and renovation projects that in-house staff reportedly completed at a lower cost to the City than contracting out. Other overtime assignments included moving furniture, equipment and supplies, upon request; landscaping and snow removal activities; building-wide cleanings on weekends when staff were not present; and STD Control Laboratory Courier Service. Such courier services included delivering testing material and picking up samples for analysis at 500 S. Broad Street.

DPH Appeared to Monitor Overtime

Overtime incurred by the DPH appeared compliant with the City's policies and procedures regarding pre-approval and substantiation. We observed that for haphazardly selected overtime events, the DPH could provide documentary evidence<sup>6</sup> that the six employees examined had been pre-authorized to work overtime. Moreover, the overtime had been properly substantiated on "Daily Time and Activity Reports," which were all signed by a supervisor.

Hiring Additional Custodial Workers Could Generate Savings

The DPH management asserted that the custodial employees' overtime to perform essential custodial services for health centers, the STD Clinic, special projects, as well as deliveries and pick-up services was necessary. However, our analysis of the cost data suggests it may have been more cost efficient to hire additional

<sup>6</sup> The DPH uses City form 82-S-31 titled Authorization for Overtime or Compensatory Time.

custodians instead. Table 5 below shows that although the “overtime pay” to these six employees in calendar year totaled \$287,795, the total or “all-inclusive” cost of the overtime after considering social security taxes, Medicare taxes, and related pension costs amounted to over \$434,000. Of these added fringe benefits, the pension costs for long-term custodial workers in the “J” pension Plan are particularly high. The DPH management reported that overtime is offered first – as a priority – to workers with seniority. Custodial workers with seniority are more likely to be enrolled in the significantly higher cost “J” plan than the more economical “Y” pension plan. With the exception of one case, potential savings could have been achieved by hiring or promoting additional employees. In total, we estimate the savings to be nearly \$151,000.

**Table 5: Cost Benefit of Hiring Additional DPH Custodial Workers**

Payroll Number	Job Title	Pension Plan	Total Overtime Paid	Social Security/Medicare @ 7.65%	Pension Costs	All-inclusive Cost of Overtime	Cost of Additional Worker†	Potential Savings
XXXX91	Custodial Worker 1	J	\$48,570	\$3,716	\$106,368	\$158,654	\$46,041	\$112,613
XXXX48	Custodial Worker 1	Y	41,510	3,176	3,112	47,798	46,041	1,757
XXXX94	Custodial Worker 1	Y	39,507	3,022	2,962	45,491	46,041	0
XXXX38	Custodial Work Crew Chief	Y	50,094	3,832	3,756	57,682	53,822	3,860
XXXX29	Custodial Worker 1	Y	49,536	3,790	3,714	57,040	46,041	10,999
XXXX54	Custodial Worker 1	Y	58,578	4,481	4,392	67,451	46,041	21,410
Totals			\$287,795	\$22,017	\$124,304	\$434,116	\$284,027	\$150,639

Computation of Cost for an Additional Custodial Worker

Base pay (Pay Range 5 Average)	\$28,260
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	2,162
Pension cost (Y Plan @ 7.497%)	<u>2,119</u>
Total cost of a Custodial Worker 1	<u>\$46,041</u>

Pay Range 5 Average

Step 1	\$27,277
Step 2	27,922
Step 3	28,566
Step 4	<u>29,274</u>
Subtotal	<u>\$113,039</u>
Divided by	/4
Average pay range	<u>\$28,260</u>

Computation of Cost for an Additional Custodial Work Crew Chief

Base pay (Pay Range 11 Average)	\$35,018
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	2,679
Pension cost (Y Plan @ 7.497%)	<u>2,625</u>
Total cost of a Custodial Work Crew Chief	<u>\$53,822</u>

Pay Range 11 Average

Step 1	\$33,489
Step 2	34,509
Step 3	35,531
Step 4	<u>36,542</u>
Subtotal	<u>\$140,071</u>
Divided by	/4
Average pay range	<u>\$35,018</u>

Source: Controller's Office analysis of City payroll and Human Resource records.

As part of this review, the Controller's Office did not measure the productivity of the DPH custodial workers. Doing so might impact the decisions about the need for overtime or for hiring additional employees. Therefore, before hiring any additional employees, the DPH management should give serious consideration to doing such a productivity analysis.

Background



Charged with the responsibility for carrying out the City’s public welfare functions, the Department of Human Services (DHS) employs some 1,500 individuals that deal with child protection, foster care and adoption, delinquency, and the prevention of child abuse, neglect, and delinquency. Excluding related fringe benefit and pension costs, the DHS paid its employees \$261.8 million from 2011 through 2013. Of this amount \$28.1 million represented overtime.

From 2011 through 2013, 10 DHS employees that included: five Youth Detention Counselor 2s; three Security Officer 1s; a Social Work Services Manager 2; and a Custodial Worker 1, earned overtime pay totaling, in many instances, more than 100 percent of their regular base annual salary. Table 6 below lists the employees’ base and overtime pay for each of the three years. It shows that collectively, the ten earned overtime of more than \$1.2 million.

**Table 6: DHS Employees Earning High Overtime**

Payroll Number	2013			2012			2011		
	Base Annual Salary†	Overtime	Total	Base Annual Salary†	Overtime	Total	Base Annual Salary†	Overtime	Total
XXXX64	\$42,390	\$67,198	\$109,588	\$41,391	\$41,049	\$82,440	\$40,216	\$42,566	\$82,782
XXXX00	30,499	31,705	62,204	30,499	31,516	\$62,015	30,499	30,138	60,637
XXXX89	37,367	48,304	85,671	37,367	25,079	\$62,446	37,367	22,111	59,478
XXXX09	37,367	57,814	95,181	37,367	38,084	\$75,451	37,367	31,470	68,837
XXXX34	37,952	38,504	76,456	36,156	27,535	\$63,691	36,156	28,260	64,416
XXXX32	41,790	46,305	88,095	40,791	34,197	\$74,988	39,616	32,748	72,364
XXXX57	41,790	45,342	87,132	40,791	27,821	\$68,612	39,616	37,875	77,491
XXXX09	41,590	55,357	96,947	40,591	51,169	\$91,760	39,616	54,714	94,330
XXXX15	45,182	52,654	97,836	45,182	52,216	\$97,398	45,182	40,102	85,284
XXXX13	41,590	52,682	94,272	37,666	38,696	\$76,362	36,747	39,215	75,962
Totals	\$397,517	\$495,865	\$893,382	\$387,801	\$367,362	\$755,163	\$382,382	\$359,199	\$741,581

Source: Controller’s Office analysis of City payroll records.

†Base annual salary does not include longevity, shift differentials, etc.

Overtime Necessary to Meet Mandated Requirements of DHS and the Commonwealth

The DHS indicated that the employees encompassed in this review were all located at the Philadelphia Juvenile Justice Service Center (PJJSC) located at 91 N. 48<sup>th</sup> Street.<sup>7</sup> Management told us that the PJJSC is the City’s only secure juvenile detention facility and operates twenty-four hours a day / seven days a week, accepting youths arrested and ordered detained by Family Court pending disposition or discharge of their cases.

Management further informed us that the PJJSC is a Department

<sup>7</sup> At a former Henry Avenue location, it was known as the Youth Study Center.

of Public Welfare licensed facility under the mandates of the Commonwealth of Pennsylvania Regulation 3800. This regulation requires child care staff to youth ratios to ensure child safety standards. The PJJSC follows the required ratios of one child-care staff to six youths during waking hours and one child-care staff to twelve youths during sleeping hours. The Commonwealth regulations further require the necessary staff to provide one-on-one coverage for youth with medical or psychological needs, as well as court required safety concerns. We were told that the PJJSC is mandated to transport youths to medical and psychological appointments outside of the facility, requiring two staff for security concerns.

As to the five Youth Detention Counselor 2s, of which in total the DHS carried 108 of them during 2013, down from a high of 114 in 2007, the agency has a mandatory overtime policy. The mandatory overtime policy also applies to Social Work Services Manager 2s of which the agency employed 644 during 2013. This number had been reduced from 760 in 2008. According to management, the mandatory overtime policy ensures the required ratios and staffing necessary to provide for the health and safety of youths housed at the PJJSC. We were also advised that counselors can also volunteer for overtime to satisfy the mandated ratio and operational needs. Management indicated that the five Youth Detention Counselor 2s included in this review worked voluntary and mandated overtime to “enhance their salaries.”

During 2013, the DHS employed 12 Security Officer 1s. This number was down from a high of 16 employed during 2003. The DHS told us that it requires the Security Officer 1 position to work mandatory overtime to ensure public safety and provide security to City property and staff. It indicated that the increase in overtime from fiscal 2012 to fiscal 2013 was in direct response to providing security at two sites simultaneously — Henry Avenue, the former Youth Study Center, and 48<sup>th</sup> Street, the site of the new complex. According to management, the City had to provide security at Henry Avenue until the DHS lease with the Commonwealth ended and the building was in satisfactory condition. It provided security service at two locations for five months from April 2013 to August 2013.

Management acknowledged that the overtime was extensive, but maintained that this was due to staff shortages. Similar to the Youth Detention Counselor 2s, the three Security Officer 1s frequently volunteered for overtime to maximize their compensation.

With respect to the selected Custodial Worker 1, the DHS told us that custodial workers do not have mandatory overtime requirements like other employees within the agency. However, they do have the ability to work across the board in several support

services positions such as laundry, dietary, housekeeping and grounds keeping. Management indicated that this particular employee volunteered for all overtime, again suggesting that the time was being worked to maximize compensation.

City payroll records indicate that during 2013, the DHS employed 12 Custodial Worker 1s. This number was down from a high of 21 back in 2003.

The DHS has an Overtime Policy Requiring Advanced Approval, but It Appeared Not Done in Practice

The DHS did have an overtime policy, which it issued on January 9, 2009. The policy applies to overtime whether for pay or compensatory time off<sup>8</sup> and is summarized below:

- Administrators and managers are responsible for managing overtime in their area(s) of responsibility.
- Overtime shall be assigned and authorized only by management. It is within management's discretion to assign additional work for which employees may earn overtime. Employees may not unilaterally assign overtime to themselves.
- Overtime work, for either pay or compensatory time off, must be approved in advance except in cases of emergency or in the interests of public health and safety. The assignment of overtime shall be limited to extraordinary circumstances which cannot be anticipated, or where staffing requirements cannot be met through normal scheduling and assignment of available staff.
- Employees should not be approved to work overtime on Sunday (or 2<sup>nd</sup> day off) unless there is a legitimate reason that the work cannot be performed on weekday evenings or on Saturdays (or 1<sup>st</sup> day off).
- Supervisors/managers should review work practices to ensure that work is performed as efficiently as possible in order to avoid/limit the use of overtime. Supervisors/managers should track the overtime used by each subordinate.

For an unscientific sample of five DHS employees included in this review, we generally observed that overtime was approved by a supervisor/manager. However, in most if not all the cases we reviewed, either there was no evidence of when the supervisor/manager approved the overtime, or it was done after the fact. The DHS could not provide evidence that work practices of its employees were being performed efficiently.

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<sup>8</sup> Compensatory time represents future time off in lieu of paid overtime.



Hiring Additional Staff  
Instead of Overtime  
Could Give Rise to  
Savings

Table 7 below shows overtime paid to the 10 employees included in our review of DHS overtime totaled close to \$496,000 during 2013. Again, however, when the hidden costs of social security taxes, Medicare taxes, and related pension expenses gets factored into the computations, the “all-inclusive” and true cost of the overtime approaches \$800,000. And like the DPH, the pension costs for long-term employees in the “J” pension plan are particularly high — nearly \$150,000 and \$70,000, respectively for the two “J” plan employees in our analysis.

**Table 7: Cost Benefit of Hiring Additional DHS Employees**

Payroll Number	Job Title	Pension Plan	Total Overtime Paid	Social Security/Medicare @ 7.65%	Pension Costs	All-inclusive Cost of Overtime	Cost of Additional Worker <sup>†</sup>	Potential Savings
XXXX64	Youth Detention Counselor 2	J	\$67,198	\$5,141	\$147,162	\$219,501	\$57,548	\$161,953
XXXX00	Custodial Worker 1	J	31,705	2,425	69,433	103,562	46,041	57,521
XXXX89	Security Officer 1	Y	48,304	3,695	3,621	55,621	53,822	1,799
XXXX09	Security Officer 1	Y	57,814	4,423	4,334	66,571	53,822	12,749
XXXX34	Security Officer 1	Y	38,504	2,946	2,946	44,336	53,822	0
XXXX32	Youth Detention Counselor 2	Y	46,305	3,542	3,542	53,318	57,548	0
XXXX57	Youth Detention Counselor 2	Y	45,342	3,469	3,469	52,210	57,548	0
XXXX09	Youth Detention Counselor 2	Y	55,357	4,150	4,265	63,741	57,548	6,193
XXXX15	Social Work Services Manager 2	Y	52,654	3,947	4,028	60,629	70,938	0
XXXX13	Youth Detention Counselor 2	Y	52,682	3,950	4,030	60,662	57,548	3,114
Totals			\$495,865	\$37,688	\$246,830	\$780,151	\$566,185	\$243,329

Computation of Cost for an Additional Youth Detention Counselor 2

Base pay (Pay Range 43 Average)	\$38,254	←
Fringe Benefits	13,500	
Social Security/Medicare @ 7.65%	2,926	
Pension cost (Y Plan @ 7.497%)	<u>2,868</u>	
Total cost of a Youth Detention Counselor 2	<u>\$57,548</u>	
<u>Pay Range 43 Average</u>		
Step 1	\$34,477	
Step 2	37,444	
Step 3	38,608	
Step 4	39,775	
Step 5	<u>40,965</u>	
Subtotal	<u>\$191,269</u>	
Divided by	/5	
Average pay range	<u>\$38,254</u>	←

Computation of Cost for an Additional Custodial Worker 1

Base pay (Pay Range 5 Average)	\$28,260	←
Fringe Benefits	13,500	
Social Security/Medicare @ 7.65%	2,162	
Pension cost (Y Plan @ 7.497%)	<u>2,119</u>	
Total cost of a Custodial Worker 1	<u>\$46,041</u>	
<u>Pay Range 5 Average</u>		
Step 1	\$27,277	
Step 2	27,922	
Step 3	28,566	
Step 4	<u>29,274</u>	
Subtotal	<u>\$113,039</u>	
Divided by	/4	
Average pay range	<u>\$28,260</u>	←

**APPENDIX II: DEPARTMENT OF HUMAN SERVICES**

Computation of Cost for an Additional Security Officer 1

Base pay (Pay Range 11 Average)	\$35,018
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	2,679
Pension cost (Y Plan @ 7.497%)	<u>2,625</u>
Total cost of a Security Officer 1	<u>\$53,822</u>

Pay Range 11 Average

Step 1	\$33,489
Step 2	34,509
Step 3	35,531
Step 4	<u>36,542</u>
Subtotal	<u>\$140,071</u>
Divided by	/4
Average pay range	<u>\$35,018</u>

Computation of Cost for an Additional Social Work Services Manager 2

Base pay (Pay Range 18 Average)	\$49,882
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	3,816
Pension cost (Y Plan @ 7.497%)	<u>3,740</u>
Total cost of a Social Work Services Manager 2	<u>\$70,938</u>

Pay Range 18 Average

Step 1	\$43,646
Step 2	46,763
Step 3	49,884
Step 4	53,000
Step 5	<u>56,116</u>
Subtotal	<u>249,409</u>
Divided by	/5
Average pay range	<u>\$49,882</u>

Source: Controller's Office analysis of City payroll and Human Resource records.

For the ten employees, our analysis suggests that substantial savings could have been achieved with more employees on staff instead of incurring overtime. We estimate these savings could have risen to nearly \$245,000. But, as with the DPH employees, we did not measure the productivity of the DHS workers. Thus, before hiring any additional employees, we encourage the DHS management to conduct productivity analyses for areas of operations where overtime is not mandated.

Background



The Office of the Managing Director (MDO) oversees, supports, and assists many of the City's operating agencies such as Police, Fire, and the Streets Department to name a few. It carries approximately 200 employees directly on its payroll, but has responsibility over numerous employees paid from the appropriations of other City agencies.

From 2011 through 2013, the MDO paid direct salaries of \$37.3 million of which about \$1.1 million (3.0 percent) represented overtime paid from its own appropriations. Inquiry into overtime earners paid with MDO appropriations focused on six Communications Center Dispatchers operating in the Unified Dispatch Unit. Collectively, as displayed in Table 8, they received close to \$470,000 in overtime pay for 2011 through 2013. Unlike their counterparts assigned to the 911 and 311 centers, however, these six employees worked on the seventh floor of City Hall only servicing VIP 311-type calls for City officials and the politically connected. The unit apparently fueled allegations of favoritism when it was exposed in 2008.<sup>9</sup>

**Table 8: MDO's Six Communications Center Dispatchers Earning Overtime**

Payroll Number	2013			2012			2011		
	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	Total
XXXX00	\$36,634	\$33,585	\$70,219	\$36,634	\$32,013	\$68,647	\$36,634	\$43,373	\$80,007
XXXX06	36,034	38,111	74,145	36,034	35,731	71,765	36,034	52,696	88,730
XXXX23	36,034	36,743	72,777	36,034	34,955	70,989	36,034	10,434	46,468
XXXX25	35,063	13,095	48,158	34,114	6,536	40,650	34,114	368	34,482
XXXX29	34,438	20,086	54,524	34,438	19,621	54,059	34,438	22,390	56,828
XXXX03	34,438	22,501	56,939	34,438	23,376	57,814	34,438	24,336	58,774
Totals	\$212,641	\$164,121	\$376,762	\$211,692	\$152,232	\$363,924	\$211,692	\$153,597	\$365,289

Source: Controller's Office analysis of City payroll records.

†Base annual salary does not include longevity, shift differentials, etc.

VIP Unit that Services City Officials and Politically Connected

The Communications Operations Manager overseeing the Unified Dispatch Unit asserted that the unit services all City operating departments who are in the streets, 24 hours a day / 7 days a week. He said the unit allows the various City agencies to communicate with each other when necessary. However, the vagueness of these assertions, led us to make further inquiries of another more reliable source. This source told us that the unit operates as a private 3-1-1 center for City officials and the politically connected who have a variety of municipal service-type problems.

<sup>9</sup> The Pew Charitable Trusts, Philadelphia Research Institute, *A WORK IN PROGRESS: Philadelphia's 311 System After One Year*, March 2, 2010:

**Overtime Blamed on Staff Shortage and High Activity**

Despite the questionable function of the unit, at the time of our inquiries, it had six employees assigned to it. The Communications Operations Manager told us that he schedules two dispatchers each for three functioning shifts. However, for the 7:00 a.m. to 3:00 p.m. shift on Tuesday, Wednesday, and Thursday of each week, three dispatchers are scheduled. He claimed that activity is highest for these three days on that shift. Accordingly, this situation has generated the need for the overtime.

**Most Overtime Scheduled in Advance**

The manager in charge of the special communications unit informed us that most overtime is scheduled, and by doing so, it is automatically approved in advance. The exception is in emergency situations, such as snow storms and hurricanes. When these events occur overtime is not approved in advance.

Because of the small number of employees within the unit and the need to cover sick and vacation absences, the manager in charge told us that overtime is always available. He said too that the need to make overtime mandatory is unnecessary because employees in the unit are always willing to work the extra time.

**Table 9: Cost Benefit of Hiring Additional Communications Center Dispatcher**

Payroll Number	Job Title	Pension Plan	Total Overtime Paid	Social Security/Medicare @ 7.65%	Pension Costs	All-inclusive Cost of Overtime	Cost of Additional Worker <sup>†</sup>	Potential Savings
XXXX00	Communications Center Dispatcher	J	\$33,585	\$2,569	\$73,551	\$109,705	\$52,594	\$57,111
XXXX06	Communications Center Dispatcher	Y	38,112	2,916	2,857	43,885	52,594	0
XXXX23	Communications Center Dispatcher	Y	36,743	2,811	2,755	42,309	52,594	0
XXXX25	Communications Center Dispatcher	Y	13,095	1,002	982	15,079	52,594	0
XXXX29	Communications Center Dispatcher	Y	20,086	1,537	1,506	23,129	52,594	0
XXXX03	Communications Center Dispatcher	Y	22,502	1,721	1,687	25,910	52,594	0
<b>Totals</b>			<b>\$164,123</b>	<b>\$12,556</b>	<b>\$83,338</b>	<b>\$260,017</b>	<b>\$315,564</b>	<b>\$57,111</b>

Computation of Cost for an Communications Center Dispatcher

Pay Range 10 Average

Base pay (Pay Range 10 Average)	\$33,952	←	Step 1	\$32,492
Fringe Benefits	13,500		Step 2	33,467
Social Security/Medicare @ 7.65%	2,597		Step 3	34,438
Pension cost (Y Plan @ 7.497%)	<u>2,545</u>		Step 4	<u>35,409</u>
Total cost of a Youth Detention Counselor 2	<u>\$52,594</u>		Subtotal	<u>\$135,806</u>
			Divided by	/4
			Average pay range	<u>\$33,952</u>

Source: Controller's Office analysis of City payroll and Human Resource records.

Despite a  
Questionable  
Existence,  
Savings Were  
Possible

In our opinion, the need for a VIP 3-1-1 call center and the overtime paid to support its operations around the clock is questionable. Notwithstanding, as presented in Table 9 above, the six dispatchers received over \$164,000 in overtime during 2013. As with the other agencies, the “all-inclusive” cost of the overtime is much higher than the amount paid directly to the employees. Rather, it is over \$260,000, the result of including payroll taxes and pension costs, which also must be recognized. Our analysis showed potential savings only in one case — again for a long-term employee included in the City’s “J” plan. And while our analyses of the overtime for the other five employees yielded no potential savings, we have difficulty understanding why such a secretive and exclusive operation even exists. We believe taxpayers would better benefit if these six dispatchers were assigned to the main 3-1-1 Communications Center that serves all the citizens of Philadelphia instead of an exclusive few.

**APPENDIX IV: RECORDS DEPARTMENT**

Background



The City’s Department of Records (Records) is charged with the creation, maintenance, retention, and disposition of City records. It also manages public access to municipal records and establishes and collects fees to cover the cost of providing copies of records. As an agent for the Commonwealth and the City’s Revenue Department, Records also collects realty transfer taxes and document recording fees and, as the official City tax registry, maintains the city’s real property database and tax maps.

To carry out its functions, Records employs some 60 people. Excluding related fringe benefit and pension costs, Records paid its employees \$8.2 million from 2011 through 2013. Of this amount \$532,000 represented overtime pay.

From 2003 through 2013 Records employed only one Labor Crew Chief 1. From 2011 through 2013 that Labor Crew Chief 1 earned more each year in overtime than he earned from his base annual salary. Table 10 lists this employee’s base and overtime pay for each of the three years. Over the three years, the employee earned close to \$135,000 in overtime and approximately \$113,000 in base annual salary.

**Table 10: Department of Records Labor Crew Chief 1 Earning High Overtime**

Payroll Number	2013			2012			2011		Total Gross Pay
	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	Total	Base Annual Salary†	Total Overtime	
XXXX12	\$37,809	\$47,875	\$85,684	\$37,809	\$39,733	\$77,542	\$37,809	\$46,976	\$84,785

Source: Controller’s Office analysis of City payroll records.

†Base annual salary does not include longevity, shift differentials, etc.

Records Cites the Recession and Cuts in Staff as Reasons for Increased Overtime

According to Records, as a result of the recession and its affect on the City’s budget, Records own budget was dramatically decreased by 50 percent, and that reduction remains the status quo. This budgetary change occurred at a time when office space for City agencies decreased, which resulted in an increase in requests for services from Records. In order to support the agencies’ needs, overtime was used.

Some of the specific needs for overtime have included staffing at the Records Storage Center – there are only two employees. Increased demand for collection and housing of records from various City agencies has made it difficult to get things done during normal working hours. Additionally, the DPH switched to online records, which required the employees of Records to travel to all the DPH offices and collect the old paper records. Similarly, the Police Department requested all paper files in the various Police



Districts be removed and placed in storage.

Management asserted that other factors contributing to the need for overtime included rain and snow damage to the roof of its records storage center. The two employees there had to breakdown shelving to clean-up and then rebuild the shelving and return the records to the shelves. Additionally, the Records pick-up vehicle was out of commission for some time and this in turn diminished the amount of records the two employees could pick up.

Records Partially  
Monitored Overtime

Overtime is not always approved in writing, and in advance. Mostly, supervisors grant verbal approval of overtime. Sometimes the proper written City form 82-S-31 *Authorization for Overtime or Compensatory Time* is filled out by the employee requesting the overtime. But the forms observed by the Controller's Office did not always include the supervisor's signature, which is required.

There are no procedures in place to mitigate excessive overtime. The Records Department serves at the will and requests of other City agencies. Current procedure is to fulfill as many requests as possible during regular business hours, and to supplement the day with overtime to get the job done. Records states that it will track future overtime with respect to the budgeted overtime and its actual use.

Hiring an Additional  
Semi-Skilled  
Laborer Would  
Generate Savings

It would be more economical, in the case of the Labor Crew Chief 1, to hire a second full time employee to mitigate overtime use. Table 11 below shows that the overtime pay earned by this employee in 2013 totaled nearly \$48,000. Yet the "all-inclusive" cost of the overtime after considering social security taxes, Medicare and the "J" plan pension costs amounted to over \$156,000. Hiring one additional employee — a Semi-Skilled Laborer — would certainly be more economical.<sup>10</sup> Including social security taxes, Medicare and the cost associated with the "Y" pension plan the total would instead have been slightly over \$50,000. Therefore, the potential savings would have amounted to over \$106,000.

As stated in previous sections of this report, the Controller Office did not measure the productivity of the Labor Crew Chief 1. Doing so might impact the need for overtime or for hiring an additional employee. Therefore, before hiring an additional employee, Records management should give serious consideration to doing such an analysis.

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<sup>10</sup> According to City payroll records, active Semi-Skilled Laborers in the Records Department dropped from a total of four in 2006 to one in 2008. The agency continued to function with only one Semi-Skilled Laborer through 2013.

**Table 11: Cost Benefit of Hiring Additional Custodial Worker**

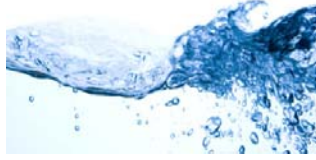
Payroll Number	Job Title	Pension Plan	Total Overtime Paid	Social Security/Medicare @ 7.65%	Pension Costs	All-inclusive Cost of Overtime	Cost of Additional Worker	Potential Savings
XXXX12	Labor Crew Chief 1	J	\$47,875	\$3,662	\$104,847	\$156,384	\$50,252	\$106,132

Computation of Cost for an Additional Semi Skilled Laborer

Base pay (Pay Range 8 Average)	\$31,917	←
Fringe Benefits	13,500	
Social Security/Medicare @ 7.65%	2,442	
Pension cost (Y Plan @ 7.497%)	<u>2,393</u>	
Total cost of a Custodial Worker 1	<u>\$50,252</u>	
<u>Pay Range 5 Average</u>		
Step 1	\$30,584	
Step 2	31,478	
Step 3	32,364	
Step 4	<u>33,242</u>	
Subtotal	<u>\$127,668</u>	
Divided by	/4	
Average pay range	<u>\$31,917</u>	

Source: Controller's Office analysis of City payroll and Human Resource records.

Background



Established to protect the region’s water resources and provide safe drinking water for residents, as well as to supply water for the region’s manufacturing industries, the Philadelphia Water Department (PWD) employs about 1,900 individuals. In total, the PWD paid its employees \$278.7 million from 2011 through 2013. Of this sum, \$34.1 million represented overtime pay.

Our review included three employees of the PWD earning overtime from 2011 to 2013 in three separate job classifications: Water Distribution Crew Chief, Water Distribution Repair Worker, and a Water Treatment Plant Operations Crew Chief. The Water Distribution Crew Chief consistently earned more in overtime than his base annual salary. The Water Distribution Repair Worker earned more in overtime in 2013 than his annual base salary, while the Water Treatment Plant Operations Crew Chief earned significant overtime in all three years. Table 12 lists the employees’ base and overtime pay for each of the three years. Collectively, these three employees earned nearly \$333,000 in overtime for the three-year period.

**Table 12: PWD Workers Earning High Overtime**

Payroll Number	2013			2012			2011		
	Base Annual Salary <sup>†</sup>	Total Overtime	Total	Base Annual Salary <sup>†</sup>	Total Overtime	Total	Base Annual Salary <sup>†</sup>	Total Overtime	Total
XXXX73	\$43,067	\$38,705	\$81,772	\$43,067	\$35,548	\$78,615	\$43,067	\$29,252	\$72,319
XXXX49	\$41,082	\$45,498	\$86,580	\$41,082	\$49,335	\$90,417	\$41,082	\$48,808	\$89,890
XXXX83	\$37,952	\$38,416	\$76,368	\$36,034	\$22,887	\$58,921	\$36,034	\$24,424	\$60,458
Totals	\$122,101	\$122,619	\$244,720	\$120,183	\$107,770	\$227,953	\$120,183	\$102,484	\$222,667

Source: Controller’s Office analysis of City payroll records.

†Base annual salary does not include longevity, shift differentials, etc.

PWD Deems Overtime Essential for Major Events, Emergencies, After Hours Street Work, and to Cover for Absent Employees

PWD asserted that all the overtime earned by the three employees under review was necessary. It indicated that the Water Distribution Repair Worker,<sup>11</sup> whose ranks decreased from 128 employees in 2003 down to 91 in 2013, is a regular volunteer for overtime. This employee volunteers for many of the City’s major events (Broad Street Run, Philadelphia International Cycling Championship, etc.) providing water to the setup tents and other areas. All of these events are on weekends and holidays. Additionally, this worker responds to major water breaks, provides support to the Fire Department in containing fires, and conducts hydrant repairs, high lining,<sup>12</sup> and other emergency responses.

<sup>11</sup> This employee was promoted to a Water Distribution Chief after the scope of this investigation began.

<sup>12</sup> High lining is the process of connecting water lines to fire hydrants.

In 2013, the number of Water Distribution Crew Chiefs employed by the PWD stood at 30, about the highest it has been since 2003. The chief chosen for review has a district that includes Center City where street work is often required and planned for after normal business hours. The PWD said that some of these overtime costs are recovered through private developer permits. In addition, this employee volunteers for supervisory overtime work required in other City districts when the regular supervisor is not available. He also works overtime in response to emergencies. Another contributing factor to his overtime is the winter schedule. This schedule consists of 12 hour shifts, 8 hours regular time, and 4 hours overtime a day.

As to the Water Treatment Plant Operations Crew Chief, the PWD indicated that he is assigned to supervise the coverage of three eight-hour shifts per day, seven days a week. This assignment has occurred at a time when the numbers of crew chiefs are down by five from where they were at 33 back in 2003. Additionally, during the scope of this review, a retirement, a promotion, extended sick leave and an employee with intermittent Family Medical Leave Act (FMLA) leave caused a need for this employee to work significant overtime.

PWD Appeared to Monitor Overtime

PWD asserts that all overtime performed at its plants is pre-approved and reviewed by the plant manager. We observed a sample memorandum that showed pre-approval of one day's overtime for the Water Treatment Plant Operations Crew Chief. This memorandum, along with an "Operations Daily OT Report," showed that the shift was covered due to a sickness absence by another employee.

We also observed sample Daily Attendance Reports for the other two employees under review, showing that their overtime was reviewed and pre-approved by their supervisor. Moreover, the PWD supplied a copy of its "Duffy Report." The agency generates this report every bi-weekly pay period to monitor all overtime earnings.

Finally, the PWD provided us with a copy of its Human Resources Policy and Procedure – Overtime; along with the District Council 33 union agreement (all three employees under review were District Council 33 union members). Both the Human Resources Policy and the union agreement direct that overtime compensation shall be offered from established lists based on job classification and City longevity (seniority). The PWD assigns mandatory overtime to the least senior person in the job classification needed to work the overtime; whereas it offers voluntary overtime to the most senior person in the job classification needed for the overtime.

Hiring Additional Crew Chiefs Could Generate Savings

As noted on the preceding page, the PWD asserts numerous reasons why employee overtime is essential to its operational goals. However, our analysis of the cost data indicate that these same worthy goals might be achieved more economically by hiring at least two employees at the Crew Chief level. Table 13 below shows the two reviewed employees holding these positions earned a total of over \$84,000 in overtime pay during 2013. Yet the all-inclusive overtime cost after considering social security taxes, Medicare and the costly “J” pension plan amounted to over \$275,000. For both these Crew Chief positions, significant savings totaling nearly \$159,000 could have been achieved by hiring an additional employee in each position under the more economical “Y” pension plan.

On the other hand, the PWD would have reaped no cost benefit had it hired another Water Distribution Repair Worker. Table 13 shows that at the current level of needed overtime for the Repair Worker reviewed, it was more economical to permit this lower salaried and “Y” pension plan employee to work the overtime as it arose then to have hired a new employee in this class.

**Table 13: Cost Benefit of Hiring Additional Crew Chiefs**

Payroll Number	Job Title	Pension Plan	Total Overtime Paid	Social Security/Medicare @ 7.65%	Pension Costs	Total Cost of Overtime	Cost of Additional Worker	Potential Savings
XXXX73	Water Treatment Plant Crew Chief	J	\$38,705	\$2,961	\$84,764	\$126,529	\$59,291	\$67,138
XXXX49	Water Distribution Crew Chief	J	\$45,498	\$3,481	\$99,620	\$148,618	\$57,153	\$91,465
XXXX83	Water Distribution Repair Worker	Y	\$38,416	\$2,939	\$2,880	\$44,235	\$52,594	0
Totals			\$122,619	\$9,381	\$187,264	\$319,382	\$169,038	\$158,603

Cost of an Additional Water Treatment Plant Crew Chief

Base pay (Pay Range 16 Average)	\$39,768
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	3,042
Pension cost (Y Plan @ 7.497%)	<u>2,981</u>
Total cost of a Water Treatment Plant Crew Chief	<u>\$59,291</u>

Pay Range 16 Average

Step 1	\$37,897
Step 2	39,137
Step 3	40,395
Step 4	<u>41,642</u>
Subtotal	<u>\$159,071</u>
Divided by	/4
Average pay range	<u>\$39,768</u>

Cost of an Additional Water Distribution Crew Chief

Base pay (Pay Range 14 Average)	\$37,911
Fringe Benefits	13,500
Social Security/Medicare @ 7.65%	2,900
Pension cost (Y Plan @ 7.497%)	<u>2,842</u>
Total cost of a Water Distribution Crew Chief	<u>\$57,153</u>

Pay Range 14 Average

Step 1	\$36,186
Step 2	37,327
Step 3	38,472
Step 4	<u>39,657</u>
Subtotal	<u>\$151,642</u>
Divided by	/4
Average pay range	<u>\$37,911</u>

Cost of an additional Water Distribution Repair Worker

Base pay (Pay Range 10 Average)	\$33,952	←
Fringe Benefits	13,500	
Social Security/Medicare @ 7.65%	2,597	
Pension cost (Y Plan @ 7.497%)	<u>2,545</u>	
Total Cost of a Water Distribution Repair Worker	<u>\$52,594</u>	
 <u>Pay Range 10 Average</u>		
Step 1	\$32,492	
Step 2	33,467	
Step 3	34,438	
Step 4	<u>35,409</u>	
Subtotal	<u>\$135,806</u>	
Divided by	/4	
Average	<u>\$33,952</u>	

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Source: Controller's Office analysis of City payroll and Human Resource records.

And again, as with the other agencies, the Controller's Office did not measure the productivity of the PWD employees reviewed as part of this review. Doing so might impact the need for overtime or for hiring an additional employee. Therefore, before hiring an additional employee, the PWD management should give serious consideration to doing productivity analyses of the positions.

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## **CONTROLLER'S OFFICE CONTACT AND STAFF ACKNOWLEDGEMENTS**

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