

Audit Report

Police Department
Overtime Expenditures



Office of the County Auditor
Baltimore County, Maryland
April 2022



LAUREN M. SMELKINSON, CPA
COUNTY AUDITOR

BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

ELIZABETH J. IRWIN
DEPUTY COUNTY AUDITOR

400 WASHINGTON AVENUE
TOWSON, MARYLAND 21204
410-887-3193
410-887-4621 (FAX)

April 28, 2022

Honorable Members of the County Council
Honorable John A. Olszewski, Jr., County Executive
Baltimore County, Maryland

We have audited the procedures and controls of overtime expenditures incurred by the Police Department for the period January 1, 2019 to December 31, 2020. During the two-year audit period, Police Department overtime payments totaled approximately \$12.8 million (approximately \$6.4 million in each year).

Our audit disclosed that the Department did not document, establish, or always comply with certain overtime policies and procedures, and one procedure was not adequate. Additionally, our audit disclosed that the Department did not properly segregate civilian payroll duties.

The Department's response to this audit is included as Appendix A to this report. We wish to express our appreciation to the Department for the cooperation and assistance extended to us during our audit.

Our audit reports and responses thereto are available to the public and may be obtained online at "www.baltimorecountymd.gov/agencies/auditor" or by contacting the Office of the County Auditor, 400 Washington Avenue, Towson, Maryland 21204.

Respectfully submitted,

A handwritten signature in black ink that reads "Lauren M. Smelkinson". The signature is written in a cursive, flowing style.

Lauren M. Smelkinson, CPA
County Auditor

Table of Contents

	<u>Page</u>
Transmittal Letter	1
Background.....	3
Findings and Recommendations	4
Audit Scope, Objectives, and Methodology	7
Agency Response.....	Appendix A

Background

The Baltimore County Police Department's mission includes enforcing the laws and ordinances of the County and State, protecting life and property, and preventing and detecting crime.

The Department's personnel include sworn (e.g., Police Officer, Corporal, Sergeant) and civilian (e.g., Management Analyst, School Crossing Guard) employees. Certain employees are eligible to earn overtime and are paid (at straight time, time-and-one-half, or double time) and/or granted compensatory leave. In this regard, the County's Compensation Plan Rules and Regulations and the Fair Labor Standards Act provide the basis for the County's overtime eligibility determination for classified and non-classified employees, respectively.

During the two-year audit period, from January 1, 2019 to December 31, 2020, the Department paid approximately \$12.8 million (approximately \$6.4 million in each year) for 258,441 overtime hours to 2,288 employees, as follows:

Personnel Type	Overtime Paid (\$ million)	Overtime Hours	Employees Paid Overtime
Sworn	\$11.9	211,603	1,912
Civilian	\$0.9	46,838	376
Total	\$12.8	258,441	2,288

The Department has established policies and procedures to manage its overtime. The Department uses the County's computerized payroll system to record and maintain its payroll.

Findings and Recommendations

1. The Department did not document, establish, or always comply with certain overtime policies and procedures.

Our audit disclosed that the Department had established written overtime policies and procedures for sworn and civilian personnel (except for School Crossing Guards; see finding #3); however, the Department's policies and procedures to monitor overtime were not documented.

Our audit also disclosed that the Department did not establish a procedure to verify the accuracy of the overtime hours entered into the computerized payroll system (finding #2). Additionally, our audit disclosed that the Department did not establish a procedure to require a periodic review of employees' access levels to the computerized payroll system to evaluate whether such access remains appropriate based on each employee's job function.

Our audit further disclosed that the Department did not always comply with its policy to approve overtime. For example, our review of 20 civilian overtime records for 112 overtime hours totaling \$4,165 disclosed 15 overtime records for 86 overtime hours totaling \$3,219 that were not submitted to the supervisor upon completion of the overtime (were submitted with a 3- to 32-day delay) and which lacked the supervisor justification. Additionally, our review of 41 bi-weekly payroll reports with overtime totaling approximately \$9.8 million disclosed 3 bi-weekly payroll reports with overtime totaling \$722,483 that did not include evidence of the Department's payroll approval emails to the Office of Human Resources; the Department's policy requires payroll records to be retained for three years.

As a result, there was a lack of assurance that overtime payments were accurate and proper.

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures and comply with its established overtime policies and procedures and records retention policy. We also recommend that the Department periodically (at least annually) review granted access levels to the computerized payroll system to ensure that such access remains commensurate with employees' job functions.

2. The Department did not properly segregate civilian payroll duties.

Effective internal control requires the segregation of incompatible duties to ensure protection of assets against the risk of loss, misuse, or theft. An "incompatible" duty is one that would put a single individual in the position of being able to both commit a fraudulent act and then conceal it.

Our audit disclosed that two civilian employees, who were responsible for entering all civilian overtime hours into the computerized payroll system and were secondarily responsible (i.e., backup) for approving the bi-weekly payroll reports, were paid \$29,000 for 944 overtime hours (\$26,107 for 840 hours and \$2,893 for 104 hours, respectively). Further, as previously noted (finding #1), the Department did not establish a procedure to verify the accuracy of the overtime hours entered into the computerized payroll system.¹

These conditions preclude effective internal control because individuals could overstate overtime hours without detection.

We recommend that the Department segregate incompatible civilian payroll duties. Specifically, an employee that is eligible to work overtime should not be responsible for entering their own overtime hours into the computerized payroll system and should not be secondarily responsible for approving the bi-weekly payroll reports, unless these hours are properly verified for accuracy to the related overtime records by an employee independent of the civilian payroll process.

3. The Department did not document overtime policies and procedures for School Crossing Guards and one procedure was not adequate.

The Department's School Safety Program is responsible for managing School Crossing Guards (SCGs), who provide traffic direction for students attending Baltimore County public and parochial schools. The Department assigns a SCG to at least one permanent post, which includes a morning and an afternoon detail (30 minutes per detail), and to cover other posts and/or details as needed (e.g., SCG on leave); the hours worked in excess of the one permanent post are recorded as overtime (paid at straight time). During the audit period, the County paid 200 SCGs approximately \$464,000 for 34,364 overtime hours.

Our audit disclosed that the Department did not document its overtime policies and procedures for SCGs. As a result, there was no documented policy for paying SCGs overtime for 1 hour per detail, rather than for the actual 30-minute duration of the detail.

Our audit further disclosed that the procedure to approve overtime for SCGs was not adequate because the Department did not verify that each SCG was onsite and worked their detail. For example, the Department did not require SCGs to text a location update or to check-in/out with school personnel when they started and/or ended their details at each post.

¹ Our review of 8 overtime records for 54 overtime hours totaling \$1,679 for these two employees disclosed that the approved overtime records matched the overtime hours entered into the computerized payroll system; 7 of the 8 overtime records for 50 overtime hours were included in the approved (by the employee primarily responsible) bi-weekly payroll reports, and 1 overtime record for 4 hours was included in a bi-weekly payroll report that did not include evidence of the Department's approval (finding #1).

As a result, there was a lack of assurance that overtime payments were accurate and proper.

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures for School Crossing Guards.

Audit Scope, Objectives, and Methodology

We have audited the procedures and controls of overtime expenditures incurred by the Police Department for the period January 1, 2019 to December 31, 2020. We conducted the audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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 we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with the Baltimore County Charter, Section 311, the objectives of our audit were to evaluate the adequacy of internal control practices and procedures for overtime expenditures and to determine compliance with applicable laws, rules, regulations, policies, and procedures. In planning and conducting our audit, we focused on overtime expenditures paid to employees within the Department based on assessments of significance and risk.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and tests of transactions. Generally, we selected transactions for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, and/or the significance of the transaction to the area of operation reviewed. Unless otherwise specifically indicated, we used neither statistical nor non-statistical audit sampling to select the transactions tested. Therefore, the results disclosed from any tests we conducted are not projectable to the entire population from which we selected the test items. We performed other auditing procedures that we considered necessary to achieve our audit objectives. We did not audit the reliability of data used in this report for background or informational purposes.

The Department's management is responsible for establishing and maintaining effective internal control for its overtime expenditures and for compliance with any applicable laws, rules, regulations, policies, and procedures. Internal control is a process designed to provide reasonable assurance that objectives are achieved pertaining to the reliability of financial records, safeguarding of assets, and compliance with applicable laws, rules, regulations, policies, and procedures.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with laws, rules, regulations, policies, and procedures may deteriorate.

Our reports on fiscal compliance seek to assist the Baltimore County Council in exercising its legislative oversight function and to provide constructive recommendations for improving County

operations. As a result, our reports generally do not address activities we reviewed that may be functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control and administrative and operating practices and procedures that could adversely affect the County's ability to maintain reliable financial records, safeguard assets, and/or comply with applicable laws, rules, regulations, policies, and procedures. We communicated to the Department other less significant findings that did not warrant inclusion in this report.

APPENDIX A

Police Department

Response

MELISSA R. HYATT

Chief of Police



Integrity... Fairness... Service

BALTIMORE COUNTY POLICE

Headquarters
700 E. Joppa Road
Towson, MD 21286
410.887.2214
Fax 410.821.8887
bcopd@baltimorecountymd.gov
www.baltimorecountymd.gov/police

April 28, 2022

Ms. Lauren M. Smelkinson, CPA
Baltimore County Office of the Auditor
Historic Courthouse, Room 221
400 Washington Avenue
Towson, MD 21204

Dear Ms. Smelkinson:

We are providing this letter in connection with your audit of the procedures and controls of overtime expenditures incurred by the Police Department for the period January 1, 2019 to December 31, 2020 to evaluate the adequacy of internal control practices and procedures for overtime expenditures and to determine compliance with applicable laws, rules, regulations, policies, and procedures. Enclosed please find the Department's responses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Melissa R. Hyatt', written in a cursive style.

Melissa R. Hyatt
Chief of Police



Nationally Accredited Since 1984

Findings and Recommendations

1. Audit Finding

The Department did not document, establish, or always comply with certain overtime policies and procedures.

Audit Recommendation

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures and comply with its established overtime policies and procedures and records retention policy. We also recommend that the Department periodically (at least annually) review granted access levels to the computerized payroll system to ensure that such access remains commensurate with employees' job functions.

Response to Audit Recommendations

The Department agrees with the audit recommendation. The Department has created a draft SOP that requires an annual review of users with access to the payroll system and revised a current SOP (Police Human Resources SOP #89-9) that addresses bi-weekly payroll certifications. It states that if the Department does not receive an email from the Office of Human Resources (OHR) requesting a payroll certification, Police Human Resources will contact the OHR Records Section reminding them to send the certification email. The SOP also specifies the retention period for payroll certifications. These changes have all been implemented, but the actual SOPs are currently undergoing the Department's review and approval process.

2. Audit Finding

The Department did not properly segregate civilian payroll duties.

Audit Recommendation

We recommend that the Department segregate incompatible civilian payroll duties. Specifically, an employee that is eligible to work overtime should not be responsible for entering their own overtime hours into the computerized payroll system and should not be secondarily responsible for approving the bi-weekly payroll reports, unless these hours are properly verified for accuracy to the related overtime records by an employee independent of the civilian payroll process.

Response to Audit Recommendations

The Department agrees with the audit recommendation and has modified two current Police Human Resources SOPs (#89-9 and #99-2) to prohibit a member of the Payroll staff from entering their own overtime and to require a supervisor, independent of the payroll process, to review the portion of the bi-weekly payroll report that includes payroll staff to properly verify accuracy to the related overtime records. This change has been implemented, but the actual SOPs are currently undergoing the Department's review and approval process.

3. Audit Finding

The Department did not document overtime policies and procedures for School Crossing Guards and one procedure was not adequate.

Audit Recommendation

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures for School Crossing Guards.

Response to Audit Recommendations

The Department agrees with the audit recommendation. The Department has revised Operations Support Section SOP #12-01 to address these findings. The SOP defines the length of a “detail” and states that School Guards are ten hour per week employees. It states that each approved additional detail that exceeds 10 hours per week will be compensated at a minimum of one hour and that the School Guard Administrator will monitor and records additional details worked.

The SOP also addresses protocols for absences, planned and unplanned.

AUDIT TEAM

Scott W. Mitchell, CPA, CISA, CIA, CFE
Director of Audits

Kimberly A. Bauer-Weeks, CFE, CISA, CGAP, CRMA, CICA, CBM
Audit Manager

Lisa M. Kispert, CFE
Senior Auditor

Jodi L. Baldwin, CPA, CFE
Zachary J. Ament
Marc E. Merius
Auditors