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TO: Glenn Wong – Chair, VPB Finance Committee

FROM: Tony Hui – Manager, Internal Audit Division
            King Wan – Assistant Internal Audit Manager

CC: Drazen Manojlovic – Director – Planning, research & Audit Section
            Simon Demers – Audit Manager, Planning Research & Audit Section
            Warwick Wright – Managing Director, VPD Financial Services Section
            Nancy Eng – Controller, VPD Financial Services Section

SUBJECT: Vancouver Police Board – 2009 VPD Overtime Consulting Review

The Vancouver Police Board (VPB) Finance Committee engaged the City of Vancouver Internal Audit Division, on a consulting basis, to review the Vancouver Police Department's (VPD) overtime expenditure to provide assurance that:

- Existing policies and internal controls relating to VPD sworn members' overtime are adequate; and
- Established business processes and procedures are effective and adhered to by staff.

The scope of the engagement included:

1. Court Overtime review to examine compliance with the related processes and procedures;

2. Application of ACL to SAP database for a general review and validation of audit work completed by VPD; and

3. Consulting on development of the SAP Business Intelligence (BI) modules.

Work done

Our work consisted primarily of discussions with staff, inquiry of specific areas, and review of analytical procedures and data related to information supplied by management and stakeholders. We also worked with VPD's Internal Audit Manager with respect to the approach and methodology used in his recent VPD Overtime audit. Our consulting work included:

a) Reviewing current VPD policy and procedures controlling overtime;
b) Reviewing the working papers of the 2008 VPD Internal Audit performed on police overtime;

    c) Conducting a review of VPD Court overtime processes;
    d) Analyzing VPD overtime data in SAP for 2008 using ACL application;
    e) Collecting VPD overtime data and analyzing overtime trends from 2005 – 2008 and to September 30, 2009; and
    f) Discussing and reviewing with the VPD on-line overtime BI system development team on the process and progress of this project to date.

The results of our consulting work follow:

a) Reviewing current VPD policy and procedures controlling overtime

Overtime usage at VPD is governed by a comprehensive set of policies and procedures (Regulations, Manuals and Procedures (RMPs) 58.01 – 58.07) approved by the Vancouver Police Board in 2006. The tenet of these policies and procedures is that overtime is used only to meet operational necessities and where no other options are available.

The policies cover many overtime categories and specifically outline the various treatments for requesting and approving them. They also include special situations such as charging out and overtime while members are on travel and training status. The policies and procedures are thorough and provide for every plausible scenario.

Based on our review of the contents in these policies and procedures we believe that they would provide the necessary information to assist sworn members, support staff, supervisors and management in handling overtime usage at VPD.

b) Reviewing the 2008 VPD Internal Audit working papers on police overtime

The VPD Audit Manager performed a detailed examination of sworn members overtime incurred between October and December 2007. We reviewed his working files and validated his findings from the audit report to the source documentation in that period. He did not review court overtime, standby pay, investigative phone calls, shift penalty, statutory holiday pay as these are managed separately from operational overtime expenditures and were out of his audit scope. Our work concluded that his analyses were adequate to substantiate his findings. A follow-up audit was done by the VPD Audit Manager in 2009 and we also examined its findings. Factors that are crucial to management of overtime such as overtime approval and justification processes, adequate tracking and reporting of overtime expenditures, good supervision and management oversight, and methods for addressing staff shortage (such as borrowing from other patrol districts) before callouts were utilized in most cases. The VPD audit reports highlighted where some improvements were still required.

c) Conducting a review of VPD Court overtime processes

Officers are obligated to attend Court hearings as witnesses and respond to charges in provincial and federal laws and systems. The VPD Document Services Unit is responsible for facilitating its members' attendance in court. The NCO in charge of the Document Services Unit and his staff work closely with the Ministry of Justice and the officers required for court appearances. Our review of the current processes of using the Law Enforcement Notification (LEN) process revealed that it is working as intended. However, there is a 'disconnect' between the Ministry's booking system and the Police Union collective agreement. The Ministry of Justice court time booking

system schedules court appearances 18 months in advance of the Court date. The VPD Collective Agreement permits an officer to book his/her vacation time in two different steps (by Sept 15 of the year for the period up to the following year in April) and then in the new year by January 15 for the rest of that (current) year. It is possible that an officer may be summoned to appear in Court in the later part of the following year and then when he/she books his/her vacation in January, booking time off so that he/she can take advantage of overtime as he/she will be recalled from vacation to attend court. It is also possible that he/she would agree to the court date but his/her vacation dates are bumped by a senior members thus he/she would have no choice but to book vacation during the court dates.

The disconnect between the Court booking system controlled by the Ministry of Justice and the VPD Collective Agreement affects the Court overtime costs. The NCO in charge of the Document Services monitors this situation closely to harmonize the court bookings and sworn members' availability to appear in Court. In the long run it is recommended that VPD work with the Ministry to see if the 18 month booking time can be adjusted or to raise this issue with VPD senior officers and Human Resources staff to see if this issue can be brought up at the next Collective Agreement negotiation session. On a positive note, the relative court overtime cost to other overtime is relatively small as shown in the table below and between 2005 and 2008, court overtime costs decreased by 12.5% from $1.419 M to $1.241 M.

Sworn members (SMs)	2008	2007	2006	2005
Court OT $ ('000)	1,241	1,274	1,231	1,419
Total SMs Salaries $ ('000)	103,061	97,901	92,700	85,768
% Court O/T over Total salaries	1.20%	1.30%	1.32%	1.65%

d) Analyzing VPD overtime data in SAP for 2008 using ACL application

We used the ACL application to analyze the full 2007 and 2008 years' overtime expenditures. As SAP data only provided the financial overtime costs, we examined various sections' overtime slips for appropriate authorization and compliance to the established RMP policies and procedures. We did not find any noticeable discrepancies. Based on our ACL data extraction and analyses, we determined that the causes for overtime are similar to findings in the VPD Audit Manager's audit and relate mainly to vacancies, sick leave, loans, and annual leave. Further, from our examination of sample overtime slips we did not find any callouts that could have been prevented if borrowing patrol officers from other districts could be utilized.

Our independent application of the ACL software to analyse VPD's overtime data supports the findings from the overtime review work done by the audit manager in VPD's Planning and Research Section.

Our review of the budgeting process identified that annual overtime budgeting is done using a combination of available information. An initial allotment of dollars is given and then it is pared down to past and repeated events such as Celebration of Lights, major sporting events, community parades etc. In addition, planned events in the coming year are factored into the equation separating controllable and uncontrollable overtime. If an event is billable to other jurisdictions, then it is put into the mix to ensure that those costs are billed to the other agencies. Each Deputy Chief is responsible and accountable to his Division's overtime expenditures and the budget is further broken down to the lowest unit such as Traffic, Major Crime, and Patrol etc.

There are monthly senior management meetings held to review the various Division activities and associated costs. Overtime variances are dissected and discussed at these meetings to describe what happened, why it happened and how to learn from the events for better management in future. The Finance Committee of the Vancouver Police Board also holds quarterly meetings where operating results are reviewed and discussed.

e) Collecting VPD overtime data and analyzing overtime trends from 2005 – 2008 and 2009 year-to-date

Summary of high level VPD Overtime Statistics

We have reviewed the trends for the past 5 years in actual overtime expenditures against the department total, against the total sworn members expenses, and overtime budgeted expenses, and to average police departments in North America studies. We found the following:

Sworn members (SMs)	2009 YTD (9/30/09)	2008	2007	2006	2005
SMs OT Salaries $ ('000)	3,993	6,562	8,139	6,836	8,725
Total SMs Salaries $ ('000)	82,585	103,061	97,901	92,700	85,768
Actual SMs OT Salaries over Total SMs Salaries	4.8%	6.4%	8.3%	7.4%	10.2%

Industry average of sworn overtime cost is approximately 6 – 8%[1] of total operating expenditures. Other indicators suggest 7 – 10%[2] of all personnel cost. There has been a decline in this rate at VPD for the past few years.

Overall, we noted that key internal control procedures are in place and that financial diligence is exercised by VPD staff to ensure that proper accountability and accounting are followed. The introduction of the enhanced VPD 314 overtime slip provided further

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[1] Per discussions with Jason Rude, Manager, Financial Analysis, VPD, and Simon Demers, Audit Manager, VPD.
[2] Per Richard Brady, Matrix Consulting Group Survey of Police Departments.

details on the reasons for overtime. Since 2008, 4 monthly reports are produced for the Chief Constable, Deputy Chief Constables for Operations Support, Operations and Support Services. The reports are extensive and they are broken down from Divisions to Sections and also by Cost Centres. Any overtime hours and expenditures are scrutinized and explanations sought from the various responsible supervisors. Overtime management is now a part of the performance measurements for first line supervisors at the sergeant level.

In addition, the Vancouver Police Board Finance Committee receives quarterly reports with summarized statistics concerning all this information.

f) Discussing and reviewing with the VPD on-line BI overtime system development team on the process and progress of this project to date

We discussed the work flow with the SAP system developer and completed a walk-through of the processes under development for this VPD on-line BI overtime system. The segment dealing with SAP reporting was implemented at the end of 2008. However, it only tracked the costs for police salaries that include some overtime. It did not provide in sufficient details the underpinning reasons for the overtime occurrence. In the past, an Access database was used to capture the reasons from overtime slips submitted by the supervisors, but the Access database was discontinued in 2008. To date, the module to capture this information in the new system has not been completed.

Our examination of the system development covered the following items:

Completion of the overtime slips on line under various situations -

- Seconded members without Network Access
- Secondment with PC access to VPD)
- Invoicing for Secondment (with PC Access to VPD)
- Non-seconded members with network Access and Inclusion Advisory Committee Overtime charged to SAP internal order (e.g. various VPD projects)
- The approval step
- Processing logic with work flow only
- Batch processing
- Nightly batch process
- Payroll clerk initiated changes
- Payroll supervisor and post approval processing
- BI reporting

Our review dealt with internal controls at critical process points in the above scenarios. As this system is still under development and testing, our preliminary examination to date suggests that if the prototype controls as presented are installed, it will provide management with adequate overtime controls. However, the installation of these controls will have to be verified once the system is fully developed and implemented.

Since the Access database supplemental to the overtime expenditure tracking in SAP was discontinued and the new on-line BI overtime system has not been fully developed, there is currently no readily available summarized documentation for this activity, unless one goes to the source overtime slips which would be very time-consuming. An early completion of the on-line BI overtime system would provide

management with better data for analysis. However, we understand that due to other systems projects relating to the Olympics this development might be delayed until after March 2010.

Other Observations and Comments

Our observations and recommendations have been reviewed with VPD's Director of Planning, Research & Audit Section. Throughout this internal controls consulting work we have been ably assisted by the VPD Internal Audit Manager, Simon Demers; Jason Rude, Manager, Financial Analysis; and Payroll staff. Their help and co-operation are very much appreciated.

Conclusion

We conclude that existing VPD overtime policies and procedures are adequate to provide the oversight framework necessary to manage overtime activities effectively and efficiently.

The internal controls established in VPD's overtime reporting process provide sufficient and useful information for management to monitor, query and to follow-up on costs related to this expenditure. We found that supervisory sworn members adhere to the established overtime policies and reporting procedures in their operations.

Our independent application of the ACL software to analyse VPD's overtime data supports the findings from the overtime review work done by the audit manager in VPD's Planning and Research Section.

There is still potential for improvement in overtime management in specific areas such as harmonizing external Court booking activities with the VPD vacation scheduling process.

The VPD on-line BI overtime system should be completed as soon as possible to reap the benefits of a comprehensive overtime database for better management and analyses.