



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 28, 2010

The Hon. Jim Suttle
Mayor
City of Omaha
1819 Farnam Street, Suite 300
Omaha, Nebraska 68183

Dear Mayor Suttle:

As indicated in our February 2010 letter, the Auditor of Public Accounts (APA) performed limited inquiries and evaluations of the financial information and activity of the City of Omaha (City) Fire Department (Department). The period covered January 1, 2007, through June 30, 2010. At this time the APA is not going to conduct an attestation review or audit of the Department as the Department's records in the payroll area are not in an auditable condition. However, we believe it is essential that follow-up auditing be conducted at a later date to ensure correction of the issues addressed herein.

The APA conducted inquiries regarding three basic areas of the Department. They were the 2008 SAFER Grant, the Kloewer Fund activity, and selected payroll issues. During these inquiries, which entailed an in-depth gathering and evaluation of information, the APA noted some areas where improvements should be made. Following is a summary of the inquiries, information received, and preliminary evaluation procedures performed, as well as our recommendations.

2008 SAFER Grant

In June 2008, the Department initially applied for the 2008 SAFER Grant to assist in the hiring of 18 new employees to be stationed in the former Elkhorn SW territory. The 2008 SAFER Grant covered a five-year period of 2009-2013, for a total of \$7,787,212, which was to be \$1,950,840 Federal funds and \$5,836,372 matching funds. The SAFER Grant was approved by the U.S. Department of Homeland Security (DHS) in January 2009, as well as by both the Omaha Mayor and Omaha City Council in March 2009.

The Department was unable to maintain the required staffing levels to meet the SAFER Grant requirements. Upon reviewing the situation, the City and Department chose to cancel the SAFER Grant. On March 25, 2010, a letter was sent to DHS requesting cancellation of the 2008 SAFER Grant, forfeiting all Federal funds related to the 2008 SAFER Grant and returning \$165,753.87 for monies previously received from the Federal government for the 2008 SAFER Grant. We observed the letter from Mike McDonnell, Omaha Fire Chief, to the DHS Program Director cancelling the SAFER Grant and a copy of refund check #198862 dated March 26, 2010, in the amount of \$165,753.87.

The 2008 SAFER Grant proceeds have been repaid, and the SAFER Grant has been cancelled and closed.

Kloewer Fund

The Kloewer Fund was established on May 5, 1978, in honor of the former Paramedic Captain, Robert J. Kloewer. The Kloewer Fund is a City account where monies donated to the Department are deposited. The Kloewer Fund is a recognized charity for tax purposes and is subject to the laws controlling the use of public funds.

The City had very limited documentation available to support the intent and purpose of the Kloewer Fund. When the APA asked for such documentation, the City responded that to their knowledge, a “trust instrument” was never created. The only documents provided were a single typed page explaining how the Kloewer Fund has operated in the past and several informal opinions from the City’s legal department on how the Kloewer Fund should or could be used. Per this document, the fund is intended to be a source for purchasing needed equipment, training materials, and attendance at training conferences and seminars to enhance the professional development of paramedics and firefighters as well as various other fire safety education-related programs.

The City’s legal staff has indicated the following:

- September 23, 2008 – The Kloewer Fund probably should not be used for a firefighter graduation reception. Section 10-242 of the Omaha Municipal Code does not allow an event with a cost exceeding \$25 per person to occur; therefore, they indicated other City funds would be a more appropriate source of funding for the event.
- March 13, 2009 – The Department could, with the approval of the City Council, establish an event fee or charge a fee for service. However, the fee collected could not be deposited into the Kloewer Fund. Since the work is undertaken by City personnel, any resulting income belongs to the City and must be deposited into the Special Revenue Fund, as required by Article 5, Section 5.03, of the Omaha Municipal Code.
- March 17, 2009 – The Kloewer Fund was set up to accept donations to the Department. Once donations are received, they become public funds subject to the laws controlling the use of public funds.
- April 30, 2009 – When asked whether the Kloewer Fund could be used to donate to the Big Brother/Big Sister program, legal staff cited Advisory Opinion No. 148, issued August 19, 1994, by the Nebraska Accountability and Disclosure Commission. According to that opinion, the use of government resources for a private nonprofit association is permissible only to the extent that the use is part of the governmental agency attempting to fulfill some of its duties. Legal staff indicated the Kloewer Fund should not be used for a donation to the Big Brother/Big Sister program.
- September 23, 2009 – Kloewer Fund purchases must follow the Omaha Municipal Code.
- May 5, 2010 – The Kloewer Fund can be used to purchase flu vaccines; however, any funds collected when flu shots are given cannot be deposited into the Kloewer Fund. All such revenues should be deposited into the City’s General Fund. Also, the price of the shots should be no more than the cost of the vaccine plus the resources necessary to give the shots.

Without a formal trust instrument, the APA could not determine whether the Kloewer Fund has been used as originally intended.

Kloewer Fund Current Summary

Sub-Fund	1/1/2010 Beginning Balance	Deposits	Withdrawals	5/17/2010 Ending Balance	Special Designation	Remaining
Chief's - General	(\$1,570.18)	\$2,550.00	\$595.98	\$383.84		\$383.84
Fire Investigation Training-FIB	\$1,341.68	\$0.00	\$200.00	\$1,141.68		\$1,141.68
Emergency Medical Service (EMS)	\$64,053.88	\$1,003.00	\$45,779.25	\$19,277.63	\$13,220.75	\$6,056.88
Training	\$3,433.48	\$0.00	\$990.00	\$2,443.48		\$2,443.48
Public Education	\$165.51	\$0.00	\$0.00	\$165.51		\$165.51
Water Rescue	\$32,852.85	\$1,150.00	\$0.00	\$34,002.85	\$34,000.00	\$2.85
Sub-Total					\$47,220.75	\$10,194.24
Ending Balance	\$100,277.22	\$4,703.00	\$47,565.23	\$57,414.99	\$57,414.99	

1. Kloewer Fund Documentation

The APA reviewed the City's annual audit; the Kloewer Fund was not specifically identified separately. The Kloewer Fund financial information was included in the total of "Other Governmental Funds" column, per Pam Spaccarotella, City Finance Director. There is no separate bank account or petty cash fund for the Kloewer Fund.

The City records are the official records of the Kloewer Fund. The Department maintains an Excel spreadsheet, and the City maintains a Kloewer organization within its Miscellaneous Trust Fund. The Miscellaneous Trust Fund is maintained in Oracle, the City's integrated business software used for its financial records. There are several organizations within the Miscellaneous Trust Fund, and the City Finance Department maintains an Excel spreadsheet identifying each organization. Prior to September 2009, the Department's records were not reconciled to the City's records. In January 2010, the Department hired an accountant who has taken over maintaining the Kloewer Fund, as well as completing the process of reconciling the Department's records to City's records. The records are now reconciled on a monthly basis.

The Department's Accountant used the activity and fund balance recorded by the City for 2009 and 2010 to calculate the balances of each designated sub-fund as of January 1, 2009, with the remaining amount going to the undesignated "Chief" sub-fund.

The APA compared the Department's Kloewer Fund financial information with the City's Kloewer Fund financial information and noted the following:

- The City's Fund Operation Memo indicated donations are of two types, designated broadly for any Department use or designated for a specific purpose, such as for the purchase of defibrillators. Neither the City nor the Department maintained records or supporting documentation of each donation or donor's specific designation donations. Instead, there was a notation made on the manual receipt form at the time the money was collected that indicated how the money was to be used. See Comment Number 2 (Kloewer Fund Receipts) below for more information. Without documentation from the donors, the APA could not determine whether disbursements from the Kloewer Fund were used as intended by the donor.

- The City did not maintain accurate accounting records to document donations were disbursed as designated by the donors. The Department was maintaining manual accounting records for the Kloewer Fund that included accounts for each specifically designated donation and an account for general donations. The City maintained the official Kloewer Fund accounting records while the Department maintained a spreadsheet of fund receipts and disbursements; however, the official accounting record did not track the balances of any designated donations, and the only record of the balance in the designated donations was the Department's manual records.
- The City's Kloewer Fund financial information did not agree to the Department's financial information, and the two records have not been reconciled. Our evaluations of the City's and Department's records showed multiple transactions that were recorded in the Department's records incorrectly and transactions that were recorded in the City's records which were not in the Department's records. The APA noted numerous instances where information was entered more than once on the Department's records, information was not entered at all on the Department's records, information entered on the Department's records for Kloewer Fund expenses were actually paid from the General Fund on the City's records, and amounts on the Department's records did not agree to actual payment amounts. The APA was unable to determine why the Department's manual records were inaccurate or how the errors had occurred.
- There was no reconciliation done between the Department's records and the City's records for 2007 or 2008. For 2009, the activity and Kloewer Fund balance recorded by the City was used as a starting point for the Department's records. However, the variances between the two records were not completely identified, and the Department's records were adjusted to agree to City's records as it is the official record.

In order to correct this situation and prevent errors, the City has begun to maintain a new manual record for each designated donation, and the Department is reconciling its manual records to the City's official record.

We recommend the Department maintain documentation from each actual donor on any restrictions related to each donation. We further recommend the Department maintain adequate accounting records to support the receipt and disbursement of all designated donations. Additionally, the Department should continue to perform timely and complete reconciliations of the Kloewer Fund records to the City's records.

2. Kloewer Fund Receipts

The APA found there are two people who generally collect money (donations) for the Kloewer Fund; they are a firefighter and an assistant chief. When a collection is received, the firefighter or assistant chief gives it to the Department's Accountant, who then writes a pre-numbered receipt in a receipt book. The Accountant then gives the original receipt to the firefighter or assistant chief and has no documentation that the receipt is ever provided to the donor. The majority of receipts are by check; the only time cash is received is for flu shots. (See more information below.) Checks are endorsed by stamp "for deposit only to the Robert Kloewer Fund" at time of deposit. Every week or two, a City deposit ticket is prepared that specifies what the donation is for, if it was restricted, the amount, and lists the receipt number. Copies of the receipts are also attached to the deposit ticket.

The deposit ticket, copy of receipts, and monies are taken to the City cashier. The City cashier prepares the deposit in Oracle, deposits the money into the City's bank accounts, and compares the deposit to the cash receipts.

The City revenue department is then responsible for posting the receipts to Oracle, as well as reconciling the City's bank account to make sure all receipts recorded were deposited.

Flu shots are required for firefighters; therefore, the Department provides flu shots on-sight as a courtesy to all firefighters; however, they are charged a fee to cover the cost. Flu shots are also available to Bellevue and Papillion Fire Departments and all firefighter families. The Department collects a fee from each person receiving the shot to cover the cost of the flu vaccine. The Infectious Control Officer orders and administers the flu shots and makes sure that everyone has the required vaccinations. The Infectious Control Officer collects the money for the flu shots. The Infectious Control Officer also tracks the people who have not paid and is responsible for collecting all unpaid fees.

Receipt activity in Oracle is reconciled by the Department's Accountant to ensure that everything receipted was properly posted. If a receipt is designated for a specific purpose, this is tracked by the Department's records; the designations are also hand noted on the receipts. This tracking of designations was just started in January 2010. The Department contacted the previous donors of undisbursed funds to determine whether the City should return the unused funds or if they were for a specific purpose. While a record or supporting documentation of these contacts was not retained, the Department indicated it would maintain this documentation in the future.

The APA obtained financial information for the Kloewer Fund from the City and the Department. We selected 22 receipts from January 1, 2007, through May 17, 2010, to evaluate and determine if receipts were properly deposited to City accounts and correctly designated for future use. The following was noted:

- The Department received a donation by check for \$9,355 in January 2007, recorded the donation on the Department's manual accounting record, but never deposited the monies. The check was discovered in the Department's files at a much later date, between September 2009 and January 2010. After the check was discovered, the Department contacted the donor to determine whether the donation was still valid; however, the donor declined to replace the donation. As a result, the Department lost a significant donation because it did not properly process all receipts.
- Receipts were incorrectly deposited into the Kloewer Fund. They were not donations and should have been deposited into other City funds. The City's Operation Memo indicates monies donated to the Department are to be deposited in the Kloewer Fund. The City's legal department, in a memo dated March 13, 2009, stated, "Since the work is undertaken by City personnel, any resulting income belongs to the City of Omaha." The APA's review of the 22 receipts noted \$39,959 in receipts that were not donations but were deposited to the Kloewer Fund. These receipts included reimbursements from firefighters for the cost of flu shots, tuition fees charged for training provided by the Department, and fees charged for renting City property. If these receipts had been deposited into another City account as required, the Kloewer Fund balance would currently be much smaller.

- While the Department's Accountant is writing receipts for all donations it receives, neither the APA nor the Department could determine whether the receipts were actually returned to the donors. Receipts are not written by the person collecting the donations or at the time they are originally collected by the Department.

We recommend the Department deposit only donations into the Kloewer Fund. All other receipts for services provided by the Department should be deposited into other City funds. We also recommend the Department provide receipt documentation to all donors, either via mail or personal delivery, and all receipts should be deposited in a timely manner.

3. Kloewer Fund Disbursements

When a purchased item is received, the Department will initial or sign the receiving report or delivery receipt and then forward the document to the Department's Accountant. The original invoice and the receiving report are compared and a payment voucher is prepared, which is sent to the City's disbursement department. The payment voucher is signed by the Department's Accountant and the Chief or Assistant Chief. The City's disbursement department then reviews the payment voucher and processes it for payment. The City's disbursement department is responsible for approving and posting the transaction in Oracle. All Kloewer Fund expenditures greater than \$20,000 or that cover multiple years must be approved by the City Council, as required by Omaha's Municipal Code.

The City has a standard form for travel reimbursement. Every time someone wants to travel he or she must submit a request for pre-approval. This pre-approval includes an estimated cost for the travel. After the trip, actual expenses are submitted for reimbursement, receipts are attached to the reimbursement form, and the reimbursement is processed through the City's disbursement department just like any other payment.

The APA obtained the Kloewer Fund financial information from the City and the Department for the period of January 1, 2007, through May 17, 2010. We evaluated 61 disbursements to determine whether the disbursements were proper, reasonable, and contained adequate documentation. From the disbursements selected, the following was noted:

- One document dated November 2, 2007, for \$1,439, was not located. No supporting documentation regarding this payment could be located in the City's accounting records.
- Two documents for travel reimbursements included airfare receipts that did not include the date of the flights. One occurred in 2007, while the second one was in 2008.
- One document used a vendor statement as support and did not include a detailed vendor invoice.
- One document used an employee's credit card statement as support and did not include a detailed vendor invoice.
- One document for a travel reimbursement included a hotel confirmation of reservation instead of an invoice from the hotel. Hotel confirmations only reserve a room and do not confirm the room was used or paid.
- One document included a conference registration form, but the form did not show the amount of registration paid.
- The City made disbursements from the Kloewer Fund that may not have been reasonable and proper.
 - \$51 was disbursed for funeral flowers in May 2008. Omaha Municipal Code Section 10-243 says public funds should not be used to purchase flowers.

- \$4,548 was disbursed in December 2009 for costs of the 2008 Fireman's Ball, which occurred under the previous administration. This disbursement may not be for a public purpose and, therefore, may not be an allowable expenditure of City funds. City's legal opinions were unclear as to whether this expenditure is allowable.

We recommend the City and Department review the City's disbursement procedures to ensure all disbursements are proper, reasonable, and adequately documented.

Payroll

The Department has two separate time processes, the bureau process for eight or ten hour management positions and the suppression process for twenty-four hour shift firefighters.

The Department's suppression process is as follows:

- Firefighters are assigned to one of three shifts, the A, B, or C shift. The shifts are established at the start of each year and are set up for specific scheduled days. Firefighter twenty-four hour shifts start at 7:00 am. Firefighters can bid on the shift they want to work on, which means the shift generally goes to the firefighter with the most seniority. Bidding for different shifts happens quarterly, so if there has been someone who leaves or moves, workers can bid for their vacant shift.
- Firefighters must also bid to use annual leave, as there must be enough firefighters available to cover all shifts at all times. Annual leave is bid yearly. Each person must take at least 2 weeks of leave each year. Seniority and classification determines who wins the bidding process.
- Using the assignment of shifts and any leave requested, the firefighter's calendar is prepared. The calendar indicates who is assigned each shift on a quarterly basis. Scheduled firefighters and hours from the calendar are uploaded into the City's payroll system (TESS).
- Firefighters do not sign in and out of shifts or use time cards. A manual day book is maintained by the captain of each shift for each truck or engine. The day book is supposed to record the firefighters working each shift and any firefighter that was on leave or trade-time. The day book also records all trips, calls for the truck/engine, and other related activity of the truck/engine. The day books are maintained at each station and only sent to the Department's administrative offices when filled.
- A computer system, called RMS, tracks more detailed information of the runs that are made by each engine. Firefighter staffing information is not tracked on RMS.
- The "Daily Leave Report 0700 Hours" report, called the OFD 68 report, is prepared by the Assistant Chief. At the beginning of the day, this report lists all leave that was previously scheduled. This report is updated throughout the day from calls made by each station's battalion chief reporting who did not report to their scheduled shift and any firefighters called in to work that were not originally scheduled. Called in (callback) firefighters have the option of receiving a cash payment for additional time worked or earning compensatory time to be used at a future date.
- Leave slips are prepared for all firefighters when leave is taken that was not previously recorded on the calendar. The leave slips are prepared by the captains via Outlook and then sent to the Department's Payroll Timekeeper and copied to the shift assistant chief and the employee who took the leave. As long as there is no dispute, the slip is processed by the Department's Payroll Timekeeper.

- The OFD 68 report is then obtained by the Department's Payroll Timekeeper who reconciles the information to the leave slips. This reconciliation began at the APA's recommendation during the review. Prior to the review, the OFD 68 information was the official record and was not compared to leave slips. The OFD 68 information is manually input into the City's payroll system to reflect actual hours worked to generate the final payment for each firefighter.
- No one is reviewing or reconciling the day books to the OFD 68 report.
- Neither the shift assistant chief nor any other fire department supervisors reviews or approves the firefighter's time entered into the payroll system.
- The City Finance Department is monitoring the number of sworn personnel in the Department. All new hires require City Finance Director approval.
- Firefighters are allowed to trade days worked with other firefighters. This is per the labor union contract. A firefighter may trade his shift with another firefighter. The trade-in firefighter will not be paid for the added shift; however, the firefighter will trade for work in a future/past shift in which he or she is paid. The originally assigned firefighter will be the individual who actually received the pay, regardless of traded shifts with firefighters. The trade days are not recorded in the City's payroll system; however, the information is to be recorded in the day books.

The Department's bureau process is as follows:

- All management positions work five eight-hour shifts each week or four ten-hour shifts each week, with one regular day off. Bureau employees do not sign in and out of shifts or use time cards, and there is no other record of actual time worked. Leave slips are prepared for all time not worked. The leave slips are prepared by the bureau employees using Outlook and sent to the Department's Payroll Timekeeper for processing in the City's payroll system and copied to the bureau employee's chain of command. The Department's Payroll Timekeeper replies "to all" to indicate email was received. As long as there is no dispute, the slip is processed.
- No one in the bureau process reviews or approves the firefighter's time entered into the payroll system.

The Department maintains a Master Calendar in Outlook. The APA evaluated the calendar to determine if it would be a helpful tool in determining when and where employees worked. The Master Calendar was used to record public education, training, and other activities scheduled for each day. It does include a listing of employees who were scheduled for annual leave each day; however, it does not include any other types of leave. The Master Calendar does not document where each employee was working, and it is not used for payroll processing.

The APA obtained payroll information for calendar years 2009 and 2010 for the Department and evaluated the following:

- Firefighters Hours Worked and Leave Used - Selected 16 firefighters and determined whether hours paid and leave used was adequately documented and recorded in the City's payroll system.
- Trade Time - Selected 3 firefighters shown as using trade time in the day book and determined whether there was supporting documentation on file for this trade time used.
- Pay Testing - Selected 6 employees, for one pay period, and determined whether their pay was correct and in accordance with the labor union contract.

- Test of Day Books - Selected 10 firefighters shown as being on leave in the day book and determined whether they were included on the OFD 68 report.
- Working Out of Class - Selected 11 instances where 4 employees received working out of class pay and determined whether there was documentation to support the time and rate paid and whether the proper employee was selected to work out of class. Determined the total number of employees working out of class and the amount paid for working out of class.
- Bureau Hours Worked and Leave Used - Selected 5 bureau employees and determined whether hours paid and leave used was adequately documented and recorded in the City's payroll system.
- Union Leave Hours - Selected 6 employees and determined whether union leave used and other leave used was adequately documented and recorded in the City's payroll system.
- On August 11, 2010, the APA requested interviews with bureau staff to discuss union leave procedures: an Assistant Chief, Captain, and the Firefighter Union President. The interviews were set up for September 10, 2010. The Assistant Chief participated in the interview. The Captain and the Firefighter Union President showed up; however, at the recommendation of their legal counsel, they refused to participate or answer any questions. See more information below.

The results and recommendations are as follows:

1. Suppression Process Firefighters Hours Worked and Leave Used

The APA noted:

- Firefighters do not sign in and out of shifts or use time cards.
- Six firefighters' leave used could not be traced to a notation on the day books.
- Two firefighters' leave used could not be traced to a leave slip.
- One firefighter's leave used did not agree to the submitted leave slip. This firefighter was paid 18.5 hours of sick leave; however, he was actually sick for 19.5 hours according to the day book and the OFD 68 report.

We recommend the Department ensure day books accurately record the hours worked for each firefighter and all leave used by firefighters assigned to that truck. We also recommend the Department ensure all leave used is recorded on a leave slip, and the leave slip is maintained on file. Additionally, actual leave used should agree to the amount submitted on the leave slip and the leave paid.

2. Suppression Process Firefighters Trade Time

The APA noted the Department was unable to locate trade time agreements for two instances. Per discussion with the Department's Payroll Timekeeper, trade time agreements are only filed by the date the initial trade is made; therefore, the instances which were selected for testing must have been pay back trades because there was no agreement filed on those dates for those employees. There was no way to determine when the original instance of trade would have taken place or the agreement filed. While documentation may have been available for these trades, the Department was unable to locate it due to the lack of information documented in the day books.

We recommend the Department ensure all instances of trade time are adequately documented in each truck's day book. Additionally, we recommend trade time agreements be filed, so they can be located with either the initial or pay back trade dates. This would require the agreements to be filed by both the original trade date and the pay back trade date, and both dates should be reflected on the agreements.

3. Suppression Process Firefighters Pay Testing

The APA noted:

- One instance where the annual leave paid could not be traced to a leave slip.
- One instance where overtime paid could not be traced to an overtime slip supporting the hours worked.
- One instance where an employee was paid \$184.62 for Special Operations Technician specialty pay; however, per the contract, he should only have been paid \$45.16.
- One instance where the annual leave bonus was paid out at the incorrect rate, and the employee was underpaid a total of \$196.

We recommend the Department ensure all pay is adequately supported and in compliance with the labor union contract.

4. Bureau Employees Hours Worked and Leave Used

All management positions work five eight-hour shifts each week or four ten-hour shifts each week, with one regular day off. Bureau employees do not sign in and out of shifts or use time cards. There is no documentation or record of the actual time Bureau employees work, and there is no record of start and end times for Bureau employees.

Bureau employees are paid based on a standard forty-hour work week, unless documentation is provided to the Department's Payroll Timekeeper. Leave slips are to be turned in for all scheduled time not worked. For the five Bureau employees selected, the leave used was traced to a leave slip; however, for one employee, the leave used was not posted to the payroll records until the next pay period.

The Department had maintained a "Bureau Personnel Report" that showed the days worked by Bureau employees. The Department no longer uses this report. The Department provided copies of the 2009 Bureau Staffing Reports to the APA; however, there were three weeks which could not be located. These reports appear to have been used as a planning schedule, and they did not record the actual days worked. The reports were not updated for schedule changes such as annual or sick leave used, and they were not used as any part of the payroll payment process. Based on the information provided to the APA, the "Bureau Personnel Report" reports were not considered to be an official record of time worked.

We strongly recommend the City review the Department's procedures regarding Bureau employees to ensure the City is only paying Bureau employees for actual hours worked. We further recommend that all Bureau employee hours be adequately documented and approved by another individual at the Department. We also recommend leave slips be submitted promptly to the Payroll Timekeeper and posted in a timely manner to the payroll records.

5. Working Out of Class

Working out of class is any time a member is called upon to perform the functions of, and assumes the responsibility of, a higher classification.

The APA noted the following:

- For the period of January 2010 through June 2010, 272 Department employees were paid for working 55,864 hours out of class at a cost of \$78,012.
 - 15 of the 272 employees were paid more than 1,000 hours working out of class, which is approximately working full time out of class.
- For the pay period ending November 9, 2009, 92 Department employees were paid for working 6,184 hours out of class at a cost of \$10,670.
- Three employees received working out of class pay without documentation they were the proper employees to be working out of class. None of the three were included on the promotion list. The seniority lists and volunteer lists for previous periods were not available and could not be reproduced. The Department provided an explanation for two employees, indicating a new Bureau division was established, and these two employees were appointed to the new Bureau because of their backgrounds. The APA could not determine this met the requirements of the Union contract. For the third employee, the Department provided a list of Bureau employees and their seniority numbers. The APA could not verify the completeness and accuracy of this list.
- Two employees were noted as working out of class for extended periods of time. One was documented as working out of class for 20 months, and the other for 10 months.

We recommend the Department maintain documentation to support the proper employees were working out of class. Additionally, we recommend the City review the Department's procedures for working out of class and determine whether the number of employees working out of class, the amount paid, and the length of working out of class is necessary and proper.

6. Union Leave Hours

Per the Department's union contract, union officials, representatives, and delegates shall be entitled to leave with pay to participate in union functions. The contract limits the number of hours that are allowed.

The APA noted:

- A captain and the firefighter union president, who both used union leave, refused to be interviewed by the auditors upon the recommendation of their attorney, John Corrigan. On September 10, 2010, both showed up for a scheduled interview with the APA; however, at the start of the meeting, their legal counsel advised the APA that both the captain and firefighter union president would not answer any questions regarding the union or the Department. See Attachment 1 for listing of some of the questions the auditors had intended to ask. The meeting ended, and no further contact was made with these two individuals. Therefore, the APA could not determine whether union leave procedures were adequate or whether union leave hours were correctly recorded.
- Union leave usage was not entered into the City's payroll system each pay period during calendar year 2009. Instead, a manual record for the period January 2009 through September 2009 was maintained, and then periodic entries were made to the payroll system.

- Numerous instances of union and other leave paid could not be traced to a leave slip. For the six employees tested for the period January 1, 2008, through June 30, 2010, 51 of 78 entries in the payroll records could not be traced to leave slips.
- One instance of an employee's leave slip being on file, but the leave usage was not recorded in the City's payroll system.
- Total union leave hours recorded in calendar year 2009 and 2010 were 622 and 253 hours, respectively. Both years are easily under the union contract maximum of 1,200 hours. However, the current union president has recorded union leave for only 6 hours in 2010, which is substantially less than the previous union president. Documentation does not exist to ensure all union hours used are being adequately recorded.

Per the City Finance Director, the Department has implemented new procedures which now require all types of leave, including union leave be entered in the time records used for payment each period as the leave has occurs.

Thus, we recommend the Department continue to take the appropriate steps to ensure all leave used, including union leave, is adequately documented and recorded into the payroll system.

7. Payroll Segregation of Duties

The APA reviewed the Department's overall payroll procedures and determined that there is a lack of segregation of duties over the payroll process. The APA noted the following:

- The Department's Payroll Timekeeper inputs the majority of payroll information manually, including:
 - Leave used (input from leave slips).
 - Specialty Pay (Paramedic, Special Ops, Bureau, etc.).
 - Working out of class pay (input from working out of class slips).
 - Overtime (input from overtime slips).
- There is no independent review or approval of information entered by the Department's Payroll Timekeeper to ensure it is accurate.
- The day books are the official records of which firefighters worked, showing where and when; however, there is no comparison of day book information to the hours paid.

We recommend the Department implement procedures to review the information entered by the Department's Payroll Timekeeper. Individuals supervising and monitoring employees should review the payroll time and hours recorded to ensure accuracy. Additionally, at least on a periodic basis, the hours worked and leave paid should be compared to the day books to ensure the official record of time worked agrees to amounts paid.

Overall

Adequate documentation of the Kloewer Fund's transactions and balances was not maintained for the period of January 1, 2007, through December 31, 2009. However, procedures have since improved and reconciliation is currently being performed between the City's records and Department's records on a monthly basis. The above recommendations still need to be considered regarding receipts and expenditures of the Kloewer Fund.

While evaluating the payroll procedures and records, we noted the Department has almost no internal controls over the payroll process. In addition, supporting documentation for amounts

paid was woefully inadequate. In many instances, the Department was unable to produce documentation for leave and working out of class paid. There appears to be no useful documentation of hours worked by staff, and any documentation that is available is not consistently used in the preparation of payroll. Since July 2009, the City Finance Department has taken great strides by trying to implement better internal controls and procedures. While improvements appear to be occurring, the above recommendations still need to be addressed.

While we noted several findings and recommendations, we do not feel a full attestation review or audit would be a wise use of public resources at this time as certain key records – particularly in the payroll area – are not in an auditable condition. We believe it is essential that follow-up auditing work be conducted at a later date to ensure correction of the issues raised herein. We are aware the City is implementing new procedures regarding the Department and we plan to monitor the situation.

We regret the lack of cooperation from the two key union Department personnel which compromised our ability to determine the accuracy and validity of all payroll expenditures. However, we do appreciate the cooperation and assistance provided to us by the City Finance Department and the rest of the Department's personnel. Please feel free to contact us with any further questions or concerns.

Sincerely,

SIGNED ORIGINAL ON FILE

Mike Foley
State Auditor

cc: Omaha City Council
Ms. Pam Spaccarotella

1. What is your job code, job position, and normal working days and hours?
2. Who is your immediate supervisor?
3. Is there any record of the days and hours you actually worked? What is the official record for Bureau employees' time records noting actual time in and out? Is there any official record of the actual days or hours worked by Bureau employees?
4. How are leave requests handled and officially documented for Bureau employees? Who approves the leave and how is it reported for Payroll purposes
5. When did you become President of the union?
6. As President, are you responsible for approving or reviewing the union hours charged by other fighters? Does anyone else review or approve?
7. What union activities or duties do you perform, that are not charged as union leave hours? When are these conducted?
8. What union activities or duties do you perform, that are charged as union leave hours?
9. Did you attend any state or national union meetings or conferences in 2009 or 2010? Would you have charged union leave for any of these meetings or conferences?
10. Do you lobby the City Council or Mayor, on behalf of the union, on any issues that might affect the union? If so, do you charge union leave for these hours?
11. Do you attend any political events such as fundraisers for candidates, political conventions, press conferences, campaign meetings, or campaign events on City time? If so, do you charge union leave for these hours?
12. Do you spend time at the union headquarter while on City time? If so, do you charge union leave for these hours?
13. How many union leave hours did you charge for the period January 1, 2009 through June 30, 2010?
14. Does it make sense that you charged only 6 hours of union leave for that period when the prior union president charged 598 hours for a similar length of time?
15. Does it make sense that Darren Garrean charged only 40 hours of union leave and Loren Muschall charged only 30.5 hours for that period?
16. Do you meet quarterly with the Fire Chief to reconcile union hours used and expended? (per contract)
17. Are there any issues or instances where you feel fraud may be occurring in the Fire Department? Misuse?

Subsequent Information

After a draft of this letter was sent to the City of Omaha Finance Department, Mr. John Corrigan was informed of its contents by the City. Mr. Corrigan is a private attorney representing the captain and the firefighter union president who had declined to answer any auditor questions during interviews set up on September 10, 2010. On October 22, 2010, the APA received a letter from Mr. Corrigan which transmitted written responses from the union president. Nothing in that letter, in any way, changes our view of the serious payroll accountability issues we have raised and we continue to regret that Mr. Corrigan intervened and has refused to allow his clients to engage in a conversation with the auditors. The auditors waited for weeks to interview the personnel in question and were told that they would have the opportunity to do so only to be later inconvenienced when Mr. Corrigan blocked the interviews.