



Port of Seattle

Internal Audit Report

Aviation Division Overtime Performance Audit

Current Practices in 2010

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Internal Auditor's Report

We have completed a performance audit of Overtime in the Aviation Division. A total of 27 separate work units in the Aviation Division reported Overtime in 2008 and 2009. The audit focused on the departments with over 8,000 hours of reported Overtime annually. These departments were within Facilities and Maintenance, Operations and Customer Service, and Security & Emergency Preparedness.

The purpose of the audit was to determine whether Port management has effectively managed Overtime usage in the Aviation Division.

Specifically, whether management:

- Provides adequate oversight to ensure discretionary Overtime is driven by operational necessity, as opposed to non-value-added or low risk tasks.
- Manages Overtime results with transparency based on achievable and/or realistic assumptions within established budgetary goals/targets.
- Manages Overtime hours with an emphasis on cost/benefits and an awareness of risk-based alternatives.

Management has the primary responsibility to establish and implement effective controls over the use and reporting of Overtime. Our audit objective was to assess, and test those controls in order to establish whether the controls were adequate and operating effectively.

We conducted the audit using due professional care. We planned and performed the audit to obtain reasonable assurance that the risks impacting Overtime were sufficiently mitigated.

The Aviation Division has established adequate and effective controls related to Overtime. There were no significant issues noted during the audit. We however, noted an opportunities to strengthen the visibility and accountability of Overtime reporting.

We extend our appreciation to management and staff for their assistance and cooperation during the audit.



Joyce Kirangi, CPA
Director, Internal Audit

Executive Summary

Audit Scope and Objective The purpose of the audit was to determine whether Aviation Division management has effectively managed Overtime.

Specifically, whether management:

- Provides adequate oversight to ensure discretionary overtime is driven by operational necessity, as opposed to non-value added/low risk tasks.
- Manages overtime results based on achievable, realistic estimates and/or assumptions within established budgetary goals/targets.
- Manages overtime hours with an emphasis on costs/benefits with an awareness of risk-based alternatives.

The scope of the audit included the current Aviation Division overtime practices.

Background A total of 27 separate work units in the Aviation Division reported Overtime in 2008 and 2009. To ensure smooth 24/7 operation at the Sea-Tac International Airport, approximately 112,000 in Overtime hours were incurred during the two-year period. These hours totaled to approximately \$2.8 million annually on average in Overtime expense.

The audit included:

- Determining who had responsibility for overtime, and assess whether the arrangement was working effectively;
- Identifying the key risks involved with Overtime, and the mitigation strategies and controls currently in place to manage those risks;
- Identifying the extent of Overtime worked and test whether the key controls were working effectively to manage the identified risks;
- Ascertain whether Overtime requirements were being effectively communicated to managers and staff;
- Reviewed whether management regularly received Overtime reports, acted prudently on the need for Overtime, and periodically examined cost-effective alternatives.

Audit Result Summary The Aviation Division has established adequate and effective controls related to Overtime. There were no significant issues noted during the audit. We however, noted an opportunities to strengthen the visibility and accountability of Overtime reporting. This information was communicated to management in a separate letter.

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Background

Financial Information

The following table represents the Port-wide total hours and dollar amounts for regular wages and Overtime amounts for 2008, 2009 and 2010 (partial). The Aviation Division accounted for an average of 43% of the Port wide regular wages and Overtime totals. The Corporate totals include the Police Department which incurs significant Overtime.

(in 000's)		2008			2009			2010		
Type	Division	Hr	\$	% of \$	Hr	\$	% of \$	Hr	\$	% of \$
Reg	Aviation	1,636	52,150	42%	1,568	52,925	41%	1,417	50,317	40%
	CDD	408	15,102	12%	413	16,146	13%	395	16,016	13%
	Corp	857	34,550	28%	884	39,254	31%	857	39,927	31%
	Real E.	295	9,561	8%	280	9,671	8%	301	10,610	8%
	Seaport	111	5,092	4%	110	5,331	4%	107	5,410	4%
Reg Sum		3,307	116,453	94%	3,255	123,327	96%	3,077	122,280	96%
OT	Aviation	70	3,421	3%	42	2,208	2%	40	2,279	2%
	CDD	10	498	0%	13	632	0%	5	287	0%
	Corp	65	3,384	3%	38	2,087	2%	33	2,016	2%
	Real E.	10	483	0%	8	412	0%	6	336	0%
	Seaport	0	6	0%	0	7	0%	0	6	0%
OT Sum		156	7,791	6%	101	5,347	4%	85	4,924	4%
Grand Total		3,463	124,245	100%	3,356	128,675	100%	3,161	127,204	100%

Source: PeopleSoft (HCM), and does not include benefits

The table below represents total Overtime usage in hours for the top 12 Aviation Division work units reviewed for the audit in 2008 and 2009, as well as the Furlough initiative hours in 2009:

Work unit	2008	2009	2009 Furlough Hours
AV Electrical & Electronic Sys	9,656	6,495	8,935
Fire Department	12,191	9,039	503
AV Mechanical Systems	6,644	5,496	300
Facility, Fleet, Sys & Grounds	12,796	4,127	6,108
Airfield Security	7,647	4,262	5,191
Operations Planning	1,747	3,211	507
Airport Communication Center	1,462	1,876	1,587
Customer Services	3,567	2,112	1,035
Ground Transportation	2,404	1,503	0
Employee Parking	4,876	1,525	0
Airfield Operations	973	795	1,709
Public Parking	3,931	1,138	576
Total	67,895	41,579	26,450

Source: PeopleSoft

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Overall, there was a significant declining trend of Overtime usage in 2009. This was expected as Port leadership has been proactive in reducing costs throughout the Port. In 2008 and 2009, total Aviation Overtime costs were \$3,420,941 and \$2,208,465, respectively, which is within the industry standard. This represents 2.75% and 1.72% of total Aviation Division salaries and wages. Best industry Overtime practices as reported by the U.S. Bureau of Labor Statistics (which included all compensation including bonuses) were obtained and based on our review, averaged to 2.8% of total gross earnings after removing the Financial Services industry which skewed the overall results.

In 2009, most Aviation work units participated in the Port's Furlough Initiative. The expectation of Aviation Executive Management was for these work units to not utilize Overtime as a result of the required Furlough hours. The work units tested met the Division requirement not to supplement Furlough hours with an increase in Overtime.

The higher Overtime percentage in 2008 can be attributed, in part, to a significant winter storm that required an increase in approved Overtime to keep the airport operational.

Drivers of Overtime

Based on our audit, the key Overtime drivers in the Aviation work units are:

1. External and Internal Compliance
 - a. FAA requirements for Fire Department, Communication Center, etc.
 - b. To provide staffing resources for emergencies, required training, or as stipulated in the represented labor group agreements.
 - c. Approximately accounts for 35% of the total Overtime incurred.
2. Staffing level
 - a. To provide backfill staffing coverage during holidays, illness, vacations, and other approved leaves.
 - b. Approximately accounts for 55% of the total Overtime incurred.
3. Discretionary
 - a. All others, including deadlines and high work load during certain peak times of the year.
 - b. To provide staffing resources for lower risk tasks due more to scheduling considerations rather than due to significant deadlines or operational requirements.
 - c. Approximately accounts for less than 10% of the total Overtime incurred.

Aviation management believes that a significant part of Overtime is contributed to Holiday-related Overtime. Internal Audit confirmed over 30,000 hours of holiday Overtime for 2008, 2009 and 2010 (partial year). Overtime incurred during scheduled holidays artificially increases the total number of non-discretionary Overtime hours.

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Reporting and Managing Overtime

Each department in the Aviation Division is responsible for establishing its Overtime needs, policies, and reporting requirements. Additionally, labor agreement consideration of Overtime is also managed at the department level.

There are Overtime data and reports compiled at the Departmental Level which is shared during regularly scheduled meetings with the AV Senior Managers by their direct reports. The information filters at the Director levels on an exception basis, and reliance is placed on the Senior Managers to elevate any significant Overtime issues.

There have also been on-going activities undertaken by managers to assess various approaches utilized to manage overtime hours with an emphasis on costs/benefits along with an awareness of risk-based alternatives.

Scope of the Audit

The scope of the audit included current practices in 2010.

Audit Approach

To achieve the audit objectives, we performed the following procedures:

- We submitted a SharePoint questionnaire to individual managers of the 12 work units that we audited. Each of these orgs had more than 1,000 hours of Overtime. The questionnaire covered the extent of department Overtime policies, determination of the main triggers of Overtime, process for scheduling/approving Overtime, concerns regarding Overtime, and the reporting of Overtime.
- We conducted follow-up interviews and discussions with department managers and senior divisional leadership. We specifically inquired about the impact of the 2009 furlough initiative and alternatives that were taken to minimize the use of Overtime.
- We obtained and reviewed department Overtime reports, division variance reports, and quarterly reports used to brief the Commission. We analyzed and evaluated the extent and appropriateness of the elevation of Overtime issues.
- We tested discretionary Overtime, using the lowest source document such as work orders.

Conclusion

The Aviation Division has established adequate and effective controls for Overtime. There were no significant issues noted during the audit. We however, noted an opportunities to strengthen the visibility and accountability of Overtime reporting at the Division level. This information was communicated to management in a separate letter.