

February 2021



Office of Internal Audit

Why We Did This Review

This review was conducted at the request of the City's Chief Administrative and Financial Officer due to concerns over the accuracy of Springfield Police Department Educational Incentive Program expenditures.

What We Recommend

We made the following recommendations:

- The SPD request and maintain copies of degrees and transcripts for active employees that are presently not on file and utilize those documents when reconciling payment calculations.
- The City work with the Police Unions to formally amend future contracts to include the following:
 - Adopting the City's accounting policy in recognizing EIP expense.
 - Formalizing methodologies for all adjustments to EIP.
 - Defining key contractual terms.
- The SPD add improvements to the data entry and reconciliation process to better verify that entries were made correctly and reviewed.

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Springfield Police Department Educational Incentive Program Payment Review Executive Summary

Background

The Educational Incentive Program (EIP), also known as the "Quinn Bill" program, was created in recognition that the police are engaged in an occupational category that requires a high degree of informed judgment, technical proficiency in the area of criminal law enforcement, and public confidence in the integrity of the police department. EIP payments are made as a reward for furthering sworn employees' education in the field of policework. Approximately 300 police officers receive payments annually in November which are based on the police officer's degree attained as of the prior September 1. Police officers, also, receive payments throughout the year related to retirements, resignations, or terminations or disabilities. The total EIP payments made in Fiscal Year 2019 totaled approximately \$4.1 million and \$3.8 million in Fiscal Year 2020.

Objectives and Scope

The primary objectives of this review were to:

- Evaluate current established Education Incentive payment policies and procedures.
- Determine whether sampled EIP payments were properly supported and calculated.

What We Found

Our findings are as follows:

- The SPD does not maintain copies of degrees and transcripts for some employees.
- Certain EIP payments do not fully comply with the agreements.
- There were mathematical errors in the calculation of EIP adjustments related to promotions.
- Key contractual terms and methodologies are undefined.
- The accounting methodology in recording EIP expense is inconsistent with the City's accounting policy.



INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this review addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The review also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

BACKGROUND

The Springfield Police Department's (SPD) general fund operating budget for Fiscal Year 2020 was approximately \$50.5 million. The budget funded 600 positions at the SPD, including 511 sworn full time employees. Although some sworn employees are non-bargaining, in general, salaries, benefits, and various other compensation incentives for most SPD officers are governed by two collective bargaining agreements: the International Brotherhood of Police Officers and the Police Supervisors Association (collectively "Police Unions"). The current agreements expired June 30, 2016 with executed tentative agreements extending the terms which expired June 20, 2020. One of the incentives addressed per the collective bargaining agreements is referred to in Massachusetts General Laws as the Police Career Incentive Pay Program. This program is also known as "Quinn", "Quinn Bill", "Police Increment", or "Educational Incentive Program" payments as we will refer to them in the following report (EIP). EIP payments were created in recognition that the police are engaged in an occupational category that requires a high degree of informed judgment, technical proficiency in the area of criminal law enforcement, and public confidence in the integrity of the police department.¹ EIP payments are made as a reward for furthering sworn employees' education in the field of policework.²

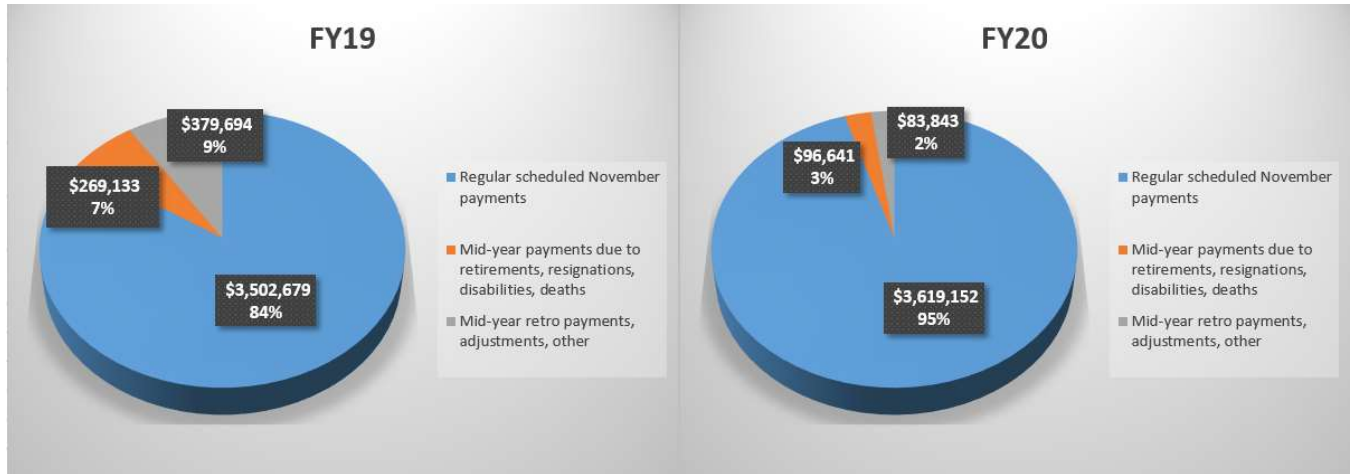
Starting January 1, 1969, EIP payments were based upon a dollar amount for completed college credit hours. The maximum annual EIP payment allowed at that time was \$800.00. Now, fifty years later, the calculations are instead based upon a percentage of annual salary and are dependent upon what type of college degree is earned. In Fiscal Year 2020, the largest EIP payment made was \$34,714.84. Approximately 300 police officers receive payments annually in November. Payments are based upon the degree attained as of the prior September 1 and are also made throughout the year due to police officers that have retired, resigned, or left employment due to death or disability.

¹ Arbitration Award Between the City of Springfield and the International Brotherhood of Police Officers – Local #364 Section 24.02

² MGL Chapter 41, Section 108L



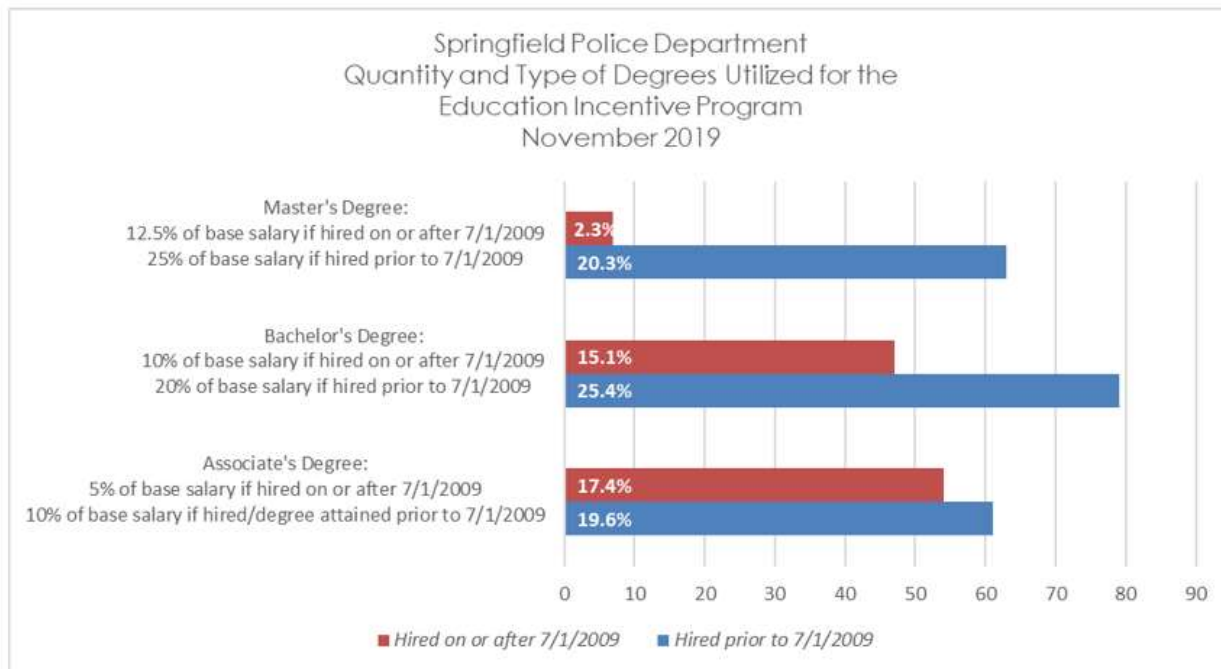
The total EIP payments made in Fiscal Year 2019 totaled approximately \$4.1 million and \$3.8 million in Fiscal Year 2020. In Fiscal Year 2019 there were some extraordinary additional EIP expenditures made due to an arbitration ruling related to required retroactive payments. The table below shows the total EIP payments made in Fiscal Years 2019 and 2020:



Historically, state and municipal governments evenly split the cost of EIP payments. But beginning in Fiscal Year 2010, the state cut and then later eliminated its portion of the funding. Further legislation stipulated that officers hired on or after July 1, 2009 were not eligible to participate in the program. Additional negotiations in Springfield yielded full payments to be made for eligible sworn employees hired prior to July 1, 2009 and 50% of the payments for those hired on or after that date. These payments were effective July 1, 2014 and is the method still in use today.



The following chart shows the quantity and types of degrees as well as the required percentages used to calculate the November 2019 EIP payments:



OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this review were to:

- Evaluate current established Education Incentive payment policies and procedures
- Determine whether sampled EIP payments were properly supported and calculated

Scope

The Office of Internal Audit conducted an analysis of the SPD’s Education Incentive records for judgmentally selected samples from the following categories for employees receiving EIP payments in November 2019 with an analysis lookback period of September 1, 2018 through August 31, 2019:

- Employees who were out due to being injured on duty during the analysis period
- Employees who received a promotion during the analysis period
- Employees with non-worked/non-paid days during the analysis period
- Supporting documentation (e.g. diploma copies, college transcript copies) for twenty-five (25) judgmentally selected employees of the SPD

This review was not a comprehensive review of all of the SPD’s EIP, payroll, or overtime records.



Methodology

To accomplish our objectives, we performed the following procedures:

- Interviewed employees to gain a general understanding of the operational processes and procedures,
- Reviewed applicable SPD policies and procedures, SPD contracts, and relevant state laws.
- Obtained and reviewed a compiled listing of Employees, payments, degrees, and various related calculations from the SPD.
- Tested a judgmental sample of Education Incentive records for twenty-five (25) police employees to confirm the payments were accurately calculated, allowable, and properly supported.
- Tested various categories of Education Incentive payments that the SPD performs adjustments to.
- Performed other tests deemed as necessary.

Our findings and related recommendations are in the following sections of the report. The Springfield Police Department was given the opportunity to respond to the findings. The departmental responses are incorporated verbatim into the report following each finding and recommendation and we appreciate the cooperation that we received from the SPD.



FINDINGS AND RECOMMENDATIONS

Finding Number	Finding	Finding Description	Recommendations	Management Response
1.	The SPD does not maintain copies of degrees and transcripts for some employees.	<p>We requested that the SPD provide a copy of degrees and transcripts to support the percentages used to calculate EIP payments for a sample of 25 employees. The SPD provided the requested documentation for 10 employees. In lieu of copies of degrees and transcripts for 15 employees, the SPD provided an FY12 PCIPP Certification Report from the Massachusetts Office of Student Financial Assistance (OSFA) containing a listing of approved names along with earned percentages. Although that equates to reliable support for all sampled employees, the actual degrees and transcripts are currently unavailable for physical review for 60% of our sample.</p> <p>Without a system in place for centrally housing all copies of degrees and transcripts, there is no possibility for the full reconciliation of EIP payment calculations to supporting documents. This creates the risk that</p>	<p>We recommend that the SPD formally request a copy of degrees and transcripts for those active employees that they presently do not have on file. We recommend that these documents be centrally housed electronically in house and/or in collaboration with HR as a MUNIS Employee Master attachment. We are currently working with the new Associate Director of the Massachusetts Office of Student Financial Assistance to assist the SPD in obtaining copies of degrees/transcripts for active SPD employees who obtained their degrees prior to 2012 and will advise as we hear more.</p> <p>Copies of degrees and transcripts should be utilized each year when reconciling payment calculations.</p>	<p><u>Springfield Police Department</u> We agree with the auditor’s recommendation, and the Department has made a public record request through the Mass Department of Higher Education to obtain all transcripts. Transcripts will be sent in 6 weeks to the Department.</p>



Finding Number	Finding	Finding Description	Recommendations	Management Response
		employees could potentially be paid based upon an incorrect percentage.		
2.	Certain EIP payments do not fully comply with the agreements.			
2a.	EIP payments related to Injured on Duty	<p>Massachusetts General Laws allow incapacitated police officers, due to an injury sustained in the performance of duties (herein referred to as “Injured on Duty” or “IOD”), to receive paid leave. Police officers are entitled to receive this pay on a tax free basis.</p> <p>Pursuant to both the Police Officer and Supervisor’s agreements the portion of EIP payments attributable to being out on IOD will be paid on a tax free basis. A formula is provided in the contracts that requires the use of two hundred and forty-three (243) work days in the calculation for IOD non-taxable payroll adjustments. The SPD is using two hundred and sixty (260) workdays in these IOD calculations instead of the 243 days required per the contracts.</p> <p>The OIA estimated the difference between using the IOD method in accordance with the contracts vs. the method currently used by the SPD.</p>	<p>Although the use of 260 workdays in the calculation has been past practice, it is in conflict with the calculation method listed in both agreements and may be resulting in small taxable amounts that should be classified as non-taxable instead. We recommend that the City work with the Police Unions to formalize the IOD calculation methodology that they want to use and the justification for its use. If it is different than what is currently in the contracts, then the new methodology should be updated and included in future contracts.</p>	<p><u>Human Resources and Labor Relations</u> HR/LR will discuss with SPD administration to determine why 260 days is being used and based on the explanation may discuss with both unions changing to the 243 day calculation method.</p>



Finding Number	Finding	Finding Description	Recommendations	Management Response
		<p>We made this calculation for a sample of employees receiving a November 2019 EIP payment that included an IOD adjustment. Our sample yielded a difference of \$2,269.11 in payments that would have been classified as non-taxable if the contractual method had been used (i.e. 243 workdays).</p>		
2b.	EIP payment based upon incorrect percentages	<p>Effective 7/1/2014, the applicable percentages are as follows for those hired prior to 7/1/2009: 10% for an Associate’s degree, 20% for a Bachelor’s degree, and 25% for a Master’s degree. For those hired on or after 7/1/2009 the percentages are as follows: 5% for an Associate’s degree, 10% for a Bachelor’s degree, and 12.5% for a Master’s degree. We found one instance in November 2019 where an employee hired in 2016 having an Associate’s degree was paid 10% of the base salary rather than 5%. This resulted in a potential overpayment of \$3,460.60.</p>	<p>We recommend that a reconciliation procedure be added to Telestaff to flag any payments made at incorrect rates based upon the employee’s date of hire.</p>	<p><u>Springfield Police Department</u> We agree with the auditor’s recommendation, and the Department has adjusted its procedure to include reconciliation of dates of hire with applicable percentages</p>
3.	Certain key contractual terms and methodologies are undefined.			



Finding Number	Finding	Finding Description	Recommendations	Management Response
3a.	Annual base rate and base salary	The agreements state that the EIP payment is calculated as a percentage of an employee’s “annual base rate” or “base salary”. We assume this means the employee’s base pay exclusively and does not include other gross earnings such as overtime, etc. This rate and the timing of the rate is not specifically defined and is relevant because employees have varying base salary amounts throughout the year due to step raises, promotions, retroactive pay amounts, etc. In general, the SPD’s practice is to use in its calculations the base rate of pay being earned at the annual date of the EIP payment, i.e. as of the second pay period in November. However, as an example of where that rate is not used, see Finding 3b where the SPD is using the rate earned at the date of a promotion for EIP adjustments.	We recommend that the City work with the Police Unions clarify the exact timing and selection of base rates of pay for the purposes of calculating EIP payments, any adjustment methodology that City Management and the Police Unions want to use, and the justification for its use. If it is different than what is currently in the contracts, then the new methodology should be updated and included in future contracts.	<p><u>Human Resources and Labor Relations</u> HR/LR has concerns about this recommendation in that it may lead to multiple grievances/arbitrations if employees disagree with a calculation of their base rate throughout the year.</p> <p>If Telestaff and the SPD administration are confident that they can accurately calculate the correct base rate throughout the year, HR/LR will propose that the parties agree to this change in negotiations.</p> <p>The City should consider the Brockton model discussed by IA below. This would require an agreement with the unions.</p>
3b.	Adjustments to EIP payments related to Promotions and Non-worked/Unpaid Days	Adjustments to EIP payments related to promotions and non-worked/unpaid days are undefined.	Without formal definitions or terms, there is a risk of non-standardized practices and potential disagreements regarding	<u>Human Resources and Labor Relations</u> HR/LR does not believe there should be changes to the current calculation method, but there should be documentation at the



Finding Number	Finding	Finding Description	Recommendations	Management Response
		<p>SPD’s practices in regards to these matters are as follows:</p> <p><u>Promotions (excluding the Police Commissioner position)</u></p> <p>The SPD makes a pro-rata adjustment in November to the EIP payments for employees receiving a mid-year promotion (excluding the Police Commissioner position) and subsequent base pay increase between 9/1 – 8/31. These pro-rata adjustments are not calculated when there is another base pay rate change (of which there can be several); only when there is a promotion. The SPD calculates a pro-rata portion of the EIP payment payable at the base rate of pay earned at the date of the promotion, while the remaining portion is calculated at the base rate of pay earned at the date of the EIP payment. Again, any other pay raises or retroactive payments received are not factored into the pro-rata adjustments.</p> <p>In general, for the payments made in November 2019 for employees receiving a promotion between</p>	<p>expectations, requirements and processes.</p> <p>We believe the most effective way to address these adjustments is to specify in the agreements that SPD will follow the City’s accounting policy under which EIP expenses and related adjustments, including promotions and non-worked/unpaid days, would be recognized when incurred, using the officers’ salaries in effect at that time, with the exception of the position of Police Commissioner. Accordingly we recommend that the City work with the Police Unions to adopt the City’s accounting policy in future contracts. If City and the Police Unions want to use different procedures for adjusting EIP than what are currently used or recommended, then the methodologies should be included in future contracts.</p> <p>In regards to the position of Police Commissioner, including Acting, the City should formalize in a policy</p>	<p>SPD HR office which clearly explains in detail what the process is.</p> <p>The Police Commissioner’s contract (and the previous Police Commissioner’s contract) clearly spells out that her annual compensation is inclusive of any Quinn bill benefit she would otherwise be entitled to. HR/LR will continue to include said language in future Police Commissioner contracts. HR/LR does not believe that a sworn police officer (including the Commissioner) can be denied the EIP benefit by making a policy.</p>



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		<p>September 1, 2018 through August 31, 2019, we estimate that the SPD’s adjustments method resulted in a savings of approximately \$40,000 than if the EIP payment had been paid at the base rate of pay being earned at the date of the EIP payment, i.e. the process used for other EIP payments where a promotion was not earned.</p> <p><u>Promotion to Police Commissioner</u> The largest EIP payment (approximately \$34,000) made in November 2019 was to the current Police Commissioner. At the time of the payment, the Commissioner was performing the job in an “acting” capacity as a promotion from a Deputy position. We noted that the calculation performed for the EIP payment was not like other SPD promotions (i.e. adjusted by pro-rating the payment based upon the relevant number of days and rates of pay for both positions). The SPD instead calculated the EIP based upon the lower Deputy rate of pay. According to City management, this was due to an agreement with the</p>	<p>that EIP is not applicable to this position, if that is City management’s intent.</p>	



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		<p>current Acting Commissioner. It was the City’s initial position that her EIP should have been adjusted for her time as Acting Police Commissioner in that no EIP should have been earned. Historically, the position of Police Commissioner did not receive EIP. However, since this was an “acting” capacity position, the position of Police Commissioner was not guaranteed. As such, both parties agreed that the current Acting Police Commissioner receive EIP at the deputy commissioner rate.</p> <p><u>Non-worked/Unpaid Days</u></p> <p>The SPD makes an adjustment in November to the EIP payments for employees having any non-worked/unpaid days taken between 9/1 – 8/31. The methodology includes calculating a daily base pay rate based upon the base pay rate in effect at the date of payment, i.e. the second pay period in November divided by 260 working days [five (5) workdays by fifty-two (52) weeks]. This daily rate is multiplied by the number of non-worked/unpaid days and then by the appropriate EIP</p>		



Finding Number	Finding	Finding Description	Recommendations	Management Response
		<p>percentage. The amount is subtracted from the employee’s full EIP payment. The remaining portion is paid in the second pay period in November at the base pay rate in effect at that time.</p> <p>In general, the adjustments made in November 2019 for employees with non-worked/unpaid days between September 1, 2018 through August 31, 2019 resulted in a savings of approximately \$31,000 than if the EIP payment had been made in full with no adjustments.</p>		
3c.	EIP payment date	<p>The EIP payment date is not specifically defined. Both agreements state that the payment is to be made “...in November” but the SPD’s practice is to use the second payroll date in November. <i>(Note: The Police Officer’s agreement originally stated the payment was to be made in the “...second pay period in November” but it was later changed to “...in November”.)</i> An agreed upon date is important to meet employee expectations, ensure funding is available and approved, and that</p>	<p>We recommend that the City work with the Police Unions to clarify the EIP payment date(s). If it is different than what is currently in the contracts, then the new date(s) should be updated and included in future contracts.</p>	<p><u>Human Resources and Labor Relations</u> HR/LR will discuss this recommendation with the SPD administration.</p>



Finding Number	Finding	Finding Description	Recommendations	Management Response
		relevant City departments (e.g. IT, City Treasurer/Collector) adhere to meeting the required payment date.		
3d.	EIP payment method	Per SPD internal procedures, EIP payments are made via “live” payroll checks, i.e., the payment is made via a separate paper check rather than direct deposited. Each recipient has to physically pick up and sign for their respective EIP payment. Therefore, the employees potentially receive both a live check for the EIP payment and a direct deposited regular paycheck on the same day. Neither contract specifies this process or the business need for preparing the EIP payments as separate paper checks.	We recommend that the City work with the Police Unions to clarify the process for the actual distribution of EIP payments and justification for its use. If it is different than what is currently in the contracts, then the new process should be updated and included in future contracts.	<u>Human Resources and Labor Relations</u> HR/LR will propose in the next round of negotiations that the EIP will be paid in a regular payroll. Currently this contract does not require direct deposit and the City will propose same as well in the next round of negotiations.
4.	There were errors in the calculation of adjustments to EIP for promotions.	In reviewing the method used by the SPD for calculating adjustments to EIP payments for employees receiving promotions, we noted several mathematical errors totaling \$9,222.83 in potential overpayments and \$446.27 in potential underpayments.	To prevent accidental Excel spreadsheet errors, we recommend locking formula cells in templates to protect formulas from unintentional edits and overrides. We also recommend more reconciliation procedures such as running a draft Telestaff report after making changes to review and verify entries were made correctly. After payroll receives the	<u>Springfield Police Department</u> We agree with the auditor’s recommendation, and reconciliation procedures have been updated to include several different verifications.



Finding Number	Finding	Finding Description	Recommendations	Management Response
			information, ensure amounts paid equal amounts calculated.	
5.	The accounting methodology in recording EIP expense is inconsistent with the City’s accounting policy.	<p>Typical EIP payments are contractually made as one-lump amount each November. Consequently, most payments are calculated once at the end of the analysis period (except for mid-year voluntary separations of service) and are paid at the officer's annual salary as of 11/1. Manual adjustments are made for known promotions and various non-worked days such as suspensions and unpaid FMLA days during the analysis period. No adjustments are made for employees that do not work the full 260 days or for pay increases who do not fall into the categories mentioned. The EIP expense is recorded in MUNIS, the City’s accounting system, when the payments are made.</p> <p>With the exception of the manual adjustments for promotions (which are recognized as expenses when incurred), the SPD uses the “cash basis method of accounting,” to record typical EIP expense. This accounting method differs from the</p>	<p>We recommend that the City work with the Police Unions formally adopt the City’s accounting policy in recognizing EIP expense in future contracts.</p> <p>In addition to potential savings and more accurate financial reporting, recoding EIP expense ratably throughout the year will result in frequent automated calculations and reconciliations which could yield better transparency for the budgeting of expenditures. Utilizing technology and potentially automating the calculations could also result in better efficiency and effectiveness for SPD staff. Year-end manual adjustment calculations would not need to be made.</p> <p>We encourage the SPD to collaboratively work with Telestaff support, MUNIS support, and the City’s IT department to explore developing data automated tools to help with EIP calculations and</p>	<p><u>Human Resources and Labor Relations</u> If Telestaff and the SPD administration are confident that they can accurately calculate the correct rate throughout the year, HR/LR will propose that the parties adopt the city’s accounting policy with respect to calculating the EIP.</p>



Finding Number	Finding	Finding Description	Recommendations	Management Response
		<p>City’s accrual method of accounting policy in that expenses are recorded when they are paid, as opposed to when they are incurred, or in the period to which they relate. By employing the accrual method of accounting, the SPD would record the typical EIP expense ratably throughout the year, using the officers’ salary in effect throughout the year.</p> <p>We reached out to two similarly sized Massachusetts municipalities and noted that they record EIP expense ratably throughout the year. These municipalities are as follows:</p> <p><u>Quincy, MA</u></p> <p>Quincy personnel stated that they calculate, pay, and record their EIP expense on a quarterly basis. If an officer has a change of salary within the quarter, the EIP amount is adjusted to reflect this using split rates. For example, if a step raise was received or the officer was promoted on May 1, the payment would be at the old rate for one month and then at the new rate for two months. If an</p>	<p>reconciliations. Although it may not be possible to totally automate calculations and reconciliations, automation may be able to help with some aspects of the process to allow more frequent reviews, spot checks, and catching variances. Additionally, differing scenarios could be generated from data to assist in strategic decision making.</p>	



Finding Number	Finding	Finding Description	Recommendations	Management Response
		<p>officer has non-working days for taking unpaid FMLA, suspensions, etc., he/she is not paid an EIP amount for those days. The quarterly education incentive is reduced by the amounts for those days.</p> <p><u>Brockton, MA</u></p> <p>In Brockton, EIP payments are a percentage of base salary (or its equivalent) ranging from 3% to 30%. It is calculated, recorded as an expense, and paid continuously throughout the year as base salary is earned. If an officer receives a promotion, their base salary will increase, retroactive to the date of the promotion, and the EIP payment will increase accordingly. Likewise, if an officer achieves a higher level of education, the educational incentive percentage itself will increase. EIP payments will be paid as long as base salary is being earned in some way (e.g., includes vacation, sick, IOD). However, if an officer is on unpaid leave or no-pay status, the EIP payment would not be paid because the base salary being earned would be zero.</p>		



Finding Number	Finding	Finding Description	Recommendations	Management Response
		Had SPD used the accrual method of accounting, we estimate that the City could have reduced its EIP expense by 6.4%, or approximately \$230,000 for Fiscal Year 2020.		