CITY OF HOUSTON

Interoffice

Correspondence

To: Department Directors

From: David Feldman, City Attorney
Legal Department

Alfred J. Moran, Jr., Director
Administration & Regulatory Affairs

Date: August 31, 2011

Subject: Managing Overtime

Dear Colleagues:

With the implementation of Kronos, we have converted all hourly employees from "Exception Pay" to "Positive Pay". Positive Pay means that each hourly employee starts with an empty bucket of hours at the beginning of each week and fills that bucket based on time punches, vacation days, sick days, etc. "Exception Pay" means that hourly employees started with a full bucket of hours. This change allows us to more accurately track and pay employees and be in better compliance with the federal law governing wage and hour laws, known as the Fair Labor Standards Act (FLSA).

The Legal Department has advised that it is very important that all supervisors and managers understand that the FLSA requires all non-exempt (hourly) employees be paid for all hours worked. If overtime is worked but not authorized by a supervisor, we are still required to pay it. Employees should be put on notice that *no* overtime work may be performed without express approval of a supervisor with the authority to approve overtime. If, after such notice is given, an employee works overtime without approval, that employee may be subject to disciplinary action, but the employee still must be paid. We are asking departments to revisit their overtime guidelines and re-explain them to affected employees.

In addition, if a supervisor becomes aware that an employee is working overtime without approval, it is incumbent upon that supervisor to notify the employee to cease such work immediately.

Prior to Kronos, the "Exception Pay" process may have missed minor amounts of work that are now automatically calculated for each employee. These "minor" amounts can add up to be substantial amount within your department and throughout the City.

Many general fund departments have chosen to default any overtime hours to compensatory (comp) time but the law states that these amounts must be paid out in 120 days if not used.

These changes require more proactive resource management on the part of all Supervisors in the City. Payroll Services has been watching each department, and they are seeing that overtime is on the rise. We wanted to make you aware of this overtime issue so that you can address it in your management meetings before it becomes a serious budget issue.

Kronos offers many tools to help your supervisors and managers control overtime costs. Some of the most important ones are:

- **Daily Review of Timecards.** Employees can be asked to clock out early at the end of their week to reduce or eliminate overtime or comp time. This is your first line of defense.
- **Kronos Reports.** Kronos has many reports that can help a supervisor. These reports can be set up to automatically email to the supervisor or admin person on a regular basis.
- **Comp Time Monitor Genie.** This is an on-screen report to help each manager monitor comp time before it expires.
- **Comp Time Aging Report.** This new custom report will be released soon and is designed to help supervisors control their budgets by offering comp time off before the comp time expires.

Payroll Services will be developing job aids and additional training for the newer reports that will be available on the ARA-Payroll Services web site, but the Supervisor's best defense is regular review of timecards.

You will find attached a number of reports outlining the impact of overtime on your organization. Should you have any questions, please contact Don Pagel, Deputy Director for Payroll Services at (713) 837-7656.

cc: Don Pagel, Deputy Director, ARA