



**State of New Jersey**  
DEPARTMENT OF COMMUNITY AFFAIRS  
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CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

LORI GRIFA  
*Commissioner*

December 15, 2011

Honorable Jeffery Jones, Mayor  
And Members of City Council  
City of Paterson  
155 Market Street  
Paterson, New Jersey 07505

Dear Mayor Jones and City Council:

On September 23, 2011, the Division was informed that the City of Paterson compensated managerial employees for "overtime" with respect to activities related to Hurricane Irene. That revelation was extraordinarily problematic because, generally, various laws and policies at the federal, State, and most local levels provide that managerial employees receive only base salary compensation and are not eligible to receive overtime pay.

Immediately upon learning that overtime was being provided to managers, the Director of the Division of Local Government Services and the State Fiscal Oversight Monitor assigned to Paterson spoke with Mayor Jones and his Business Administrator. The State indicated that overtime compensation for elected officials and managers: was inappropriate; should end immediately; and past payments should be returned regardless of the event or circumstances causing "overtime" unless there were lawfully adopted policies and related contractual obligations to the contrary.

The Mayor indicated he had never before received overtime and that he would not cash any overtime check issued to him. The Business Administrator indicated that he had received overtime in the past for various activities, but indicated a willingness to return overtime payments if they had been inappropriately provided. After a frank discussion about the City's finances, both indicated that going forward, they would immediately move to eliminate the policy of paying overtime for management and cause inappropriate overtime payments to be returned.

To ensure that appropriate repayment by managers was being undertaken and to better understand overtime policies and practices, the Division requested certain documentation including, but not limited to: overtime ordinances and policies; evidence of all overtime paid to City employees for the period from July 1, 2010 to present; and certain time sheets.



The Division has concluded its review of documents provided to date and the following pages constitute our findings and recommendations with respect to same. Moving forward, we will periodically request documentation to ensure that inappropriate overtime payments are being returned and that other recommendations in this report are being pursued.

Additionally, the Division believes a review of overtime practices in other municipalities is warranted. While clearly an exception, the Division recently intervened in at least one instance where a City provided overtime to managers. For this reason, we have shared this letter with the State Comptroller so that his office may benefit from these findings and take whatever steps appropriate to determine if this problem is more prevalent and to ensure local governments are not squandering limited resources.

While the overtime issues in Paterson are important and need reform, the City of Paterson is encouraged to move on to the extraordinarily crucial need to address an \$8 million structural imbalance that was knowingly and purposefully made a part of its introduced budget. The City Council has not acted to finally address previous audit findings that taxpayers are inappropriately subsidizing certain sewer users, including users who pay no taxes at all. Neither has the City Council moved forward with a past requirement to restructure its debt to allow for a reasonable and appropriate 20 year maturity for bonds. The ability to take corrective actions to reduce this structural deficit lessens every day that there remains inaction. As with last year's delay and late efforts to address a structural deficit, inaction and delay will limit the City's options to a large tax hike or the need for a reduction in force that is larger than otherwise necessary.

The Division appreciates the City Council's ongoing efforts to improve overtime matters and acknowledges that reforming overtime matters can be part of addressing the City's structural deficit. However, we caution against allowing overtime efforts to overshadow the more pressing need to address a large structural deficit.

Sincerely,



Thomas H. Neff, Director  
Division of Local Government Services



Erin Mallon Knoedler,  
State Fiscal Oversight Monitor  
Division of Local Government Services

## OVERTIME FINDINGS, ORDERS AND RECOMMENDATIONS

- The Acting Personnel Director’s performance with respect to payroll functions has been extraordinarily poor. The Division recommends that the City should explore how it may replace the Acting Director and seek qualified applicants to fill that position. Additionally, the Division recommends that the City move payroll operations from the Division of Personnel to the Department of Finance with appropriate staffing allocations to ensure that proper internal controls are being met. The following represent just some of the inadequate performance with respect to overtime:
  1. There were discrepancies between daily sign-in sheets and biweekly time sheets as to the amount of overtime hours calculated during the floods.
  2. From 7/1/11 through 10/14/11, the City of Paterson incurred \$2,172,402.19 in overtime compensation for employees including police and fire personnel. Departments gave minimal written justifications or description of overtime.
  3. The Division of Personnel’s biweekly timesheets contained handwritten notes regarding “pre-paid” time and no explanation or justification of overtime compensation.
  4. The Public Safety Director’s Hurricane Irene Cost Analysis Report indicates that on three occasions pre Hurricane Irene, one employee received a check in amount of \$18,000.00 instead of \$1,800.00 and another received a check for \$12,000.00 instead of \$1,200.00. Additionally, Mr. Brown indicates that another employee received three duplicate checks for the same overtime compensation.
  
- Consistent with past directives of the Division and assurances of the City, the Division orders that overtime inappropriately provided to managers be returned to the City for the period from July 1, 2011 to present. The schedule below sets forth the Division’s estimates as to amounts owed. The City of Paterson should document all such efforts to obtain reimbursements and submit proofs that repayments have been obtained no later than February 1, 2012 and pursue enforcement action as necessary. If amounts estimated below are not appropriate, the City should explain why.

Jeffery Jones	Mayor	\$9,122.44
Charles Thomas	Business Administrator	\$13,372.84
Charles Pettiford	Chief of Staff	\$6,898.35
Lanisha Makle	Dir Community Development	\$5,493.71
Donna Nelson-Ivy	Director of Human Services	\$6,743.62
Christopher Coke	Director of Public Works	\$9,957.33
Betty Taylor	Personnel Director	\$3,326.29

- Consistent with past directives and assurances, overtime inappropriately provided to managers should be returned to the City for the period from July 1, 2010 to June 30,

2011. The schedule below sets forth the Division's estimates as to amounts owed. The City of Paterson should identify all employees that inappropriately received overtime for that period, and document all such efforts to obtain reimbursements. The Division will be independently verifying the appropriate amounts that should be returned after reviewing the requested documents. The City should submit proofs that repayments have been obtained or reasonable payment schedules are in place, no later than March 1, 2012.

Jeffery Jones	Mayor	\$0.00
Charles Thomas	Business Administrator	\$7,440.70
Charles Pettiford	Chief of Staff	\$0.00
Lanisha Makle	Dir Community Development	\$0.00
Donna Nelson-Ivy	Director of Human Services	\$1,572.34
Christopher Coke	Director of Public Works	\$7,786.66
Betty Taylor	Personnel Director	\$11,549.12

- It has come to the attention of the Division that the position of Budget Director has been consistently receiving overtime for more than two decades. This salaried position requires work at unusual hours (i.e. attendance at council meetings). It is clearly inappropriate as a matter of policy that such position receive overtime and the practice should end. The City should end this practice either through reasonably restructuring the terms of employment or through managing the employees' time such that overtime is not required.
- The Director of the Department of Finance should oversee the process of auditing the timesheets for compensation for Hurricane Irene and Tropical Storm Lee against payments made for overtime to ensure accuracy and take corrective action as appropriate. The Director of Finance should report to the Division of Local Government Services on any discrepancies and a corrective action plan for each.
- The City should review and revise all written policies with respect to overtime, and at a minimum, include the following:
  1. Indicate the job titles eligible for overtime and relegate to contractually required recipients.
  2. Indicate job titles not eligible for overtime.
  3. For those titles eligible to receive overtime compensation can get it, the following policies should take effect:
    - In future emergencies, the Department of Finance should review and authorize all overtime payment requests by Department to be deemed appropriate prior to submission to be processed by payroll staff. Department of Finance should notify the Business Administrator of instances where overtime is ongoing.

- City Department Heads should report to the Department of Finance all instances where employees are working overtime and the reason for the overtime. The Business Administrator and Director of Finance in cooperation with the appropriate Department Head should discuss and develop a plan to eliminate or reduce overtime in non-emergency instances.
- Each Department Head should develop a plan to handle overtime compensation in times of emergencies including evaluating the types of employees needed to respond to such emergencies. Additionally, the Department Head should clearly delineate that employees are to be paid for actual hours worked.

## Attachment A: Documents Reviewed by the Division

1. City of Paterson Department/Division Organization Chart (with locations)
2. City of Paterson Overtime Payments and Payroll Expenditures for July 1, 2011 through October 14, 2011
3. City of Paterson Overtime Payments and Payroll Expenditures for July 1, 2010 through June 30, 2011
4. City of Paterson Policies and Procedures Manual
5. City of Paterson Office of the Director of Public Safety Hurricane Irene Cost Assessment and Analysis Report
6. City of Paterson Office of the Director of Public Safety Supplemental Hurricane Irene Report
7. Mayor Jeffery Jones' statements before City Council on October 12, 2011
8. City of Paterson Daily Sign In Sheets and Biweekly Time Sheets
9. Mayor's Office – October 17, 2011 letter from Charles Pettiford, Chief of Staff to Sonia Gordon, Deputy City Clerk in response to City Council's October 14, 2011 request
10. Mayor's Office – Biweekly Time Sheets for 6/27/11 through 10/2/11
11. Department of Administration – City Council's document request of October 12, 2011 and Department of Administration's response to request
12. Department of Administration – Biweekly Timesheets from 12/27/10 through 9/30/11
13. Department of Administration – Overtime/Compensatory Time Authorization for Russell Forenza, Budget Officer for 1/3/11 through 9/16/11
14. Department of Health and Human Services – Response to City Council's document request of October 12, 2011
15. Department of Health and Human Services – September 30, 2011 letter from Donna Nelson-Ivy, Director to Charles Thomas, Business Administrator returning her overtime check for compensation for time worked during Hurricane Irene flooding.
16. Department of Health and Human Services – Biweekly Time Sheets for Department for 8/22/11 through 9/4/11 and personnel time logs
17. Department of Community Development – Department's response to City Council's October 12, 2011 documentation request
18. Department of Public Works – Department's response to City Council's October 12, 2011 documentation request
19. Department of Public Works – Biweekly Time Sheets for 8/22/11 through 9/4/11
20. Department of Personnel – Biweekly Time Sheets for 12/27/10 through 9/16/11
21. September 23, 2011 letter from Director Neff to the City of Paterson's Mayor and Council instructing overtime for elected officials and managers to immediately cease and for overtime compensation to be reimbursed

Attachment B: Documents Requested by the Division Still Outstanding

1. Copies of video coverage of Special Council Meetings concerning overtime.