



STAFF REPORT ACTION REQUIRED

Toronto Water Division Review of Wastewater Treatment Program – Phase One

Date:	July 16, 2007
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The objective of this review was to assess whether the City's wastewater treatment program was being managed economically, efficiently and in compliance with City policies and legislative requirements. Due to the scope of the work involved, this review was divided into two phases. Phase One of this review focused on controls over payroll processing, overtime and attendance management, as well as the use of technology in managing maintenance activities. Phase Two of our review will address contract management and payment processing.

Our review identified financial control weaknesses in processing payroll, managing overtime costs and monitoring employee attendance. We also found that technology was not fully utilized by plant staff to manage maintenance activities. In our view, the more effective use of technology would likely reduce repair and resultant payroll overtime costs. Issues identified during this review were discussed with senior management and, as a result, are taking immediate action to implement our recommendations.

RECOMMENDATIONS

The Auditor General recommends that:

1. The General Manager, Toronto Water Division, review the current process to monitor employee attendance during night and weekend shifts and determine whether or not it is practical or cost-effective to conduct random checks of employee attendance during night and weekend shifts.

2. The General Manager, Toronto Water Division, require management review and approval of all overtime worked and ensure that all plant staff use appropriate documentation approved by management that clearly explain the reasons for overtime worked.
3. The General Manager, Toronto Water Division, in consultation with the Director, Policy, Planning, Finance and Administration and the Director, Pension, Payroll and Employee Benefits, develop overtime reports to meet the information needs of the managers responsible for reviewing overtime costs. Management should regularly review overtime reports to monitor overtime usage and costs and identify potential opportunities to reduce overtime.
4. The General Manager, Toronto Water Division, direct that detailed overtime analyses be performed to determine whether the amount of overtime is reasonable and necessary in the wastewater plants. Such overtime analyses should identify reasons for overtime and trends among work areas and positions within the plants.
5. The General Manager, Toronto Water Division, consult with the union the potential of adopting a common shift schedule for both the water filtration and wastewater plants that will reduce staff overtime.
6. The General Manager, Toronto Water Division, develop criteria for defining the exceptional circumstances where supervisors approve staff requests for changes to their scheduled vacation.
7. The General Manager, Toronto Water Division, ensure that the staff in the Toronto Water Division are aware of their responsibilities relating to the attendance management program and require that employee absenteeism is regularly monitored in accordance with City policy.
8. The General Manager, Toronto Water Division, ensure that:
 - a. divisional staff, independent of the payroll input process, review and verify the accuracy and completeness of payroll transactions; and
 - b. Toronto Water staff do not input their own payroll data into the payroll system.
9. The Chief Financial Officer and Treasurer take appropriate action to identify and recover payroll overpayments resulting from the incorrect use of payroll input codes prior to the enhancement of on-line system controls in August 2006.
10. The General Manager, Toronto Water Division, develop and implement standard payroll procedures in the Toronto Water Division that require supervisory staff to review and approve a standard time sheet that captures all staff time and attendance.

11. The General Manager, Toronto Water Division, review the use of alternate rate assignments to ensure that such assignments are necessary and properly processed in accordance with policies and procedures as well as the provisions in the collective agreement.
12. The General Manager, Toronto Water Division, consider the possibility of reassigning payroll input duties to plant administrative staff.
13. The General Manager, Toronto Water Division, require that an evaluation of the use of the work management system be conducted following implementation of the system at each plant location. In addition, timely action should be taken to correct problems that are identified during the evaluation process.
14. The General Manager, Toronto Water Division, evaluate the feasibility of accelerating the timelines to implement the work management system at the wastewater plants.
15. The General Manager, Toronto Water Division, expedite the review and assessment of the existing work management systems and the SAP Plant Maintenance Module and consider the feasibility of creating an interface between the selected system and the SAP Financial Information system.
16. The General Manager, Toronto Water Division, develop a single time sheet to be used for payroll purposes and assess the feasibility to also use this time sheet for the work management system.

FINANCIAL IMPACT

The implementation of recommendations in this report will improve financial controls over employee attendance, overtime and payroll processing. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

This report provides the results of Phase One of the Auditor General's review of Toronto Water's wastewater treatment program. This review was conducted as part of the Auditor General's Annual Work Plan.

COMMENTS

The Auditor General's report entitled "Toronto Water Division, Review of Wastewater Treatment Program – Phase One", contains 16 recommendations and is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Toronto Water Division, Review of Wastewater Treatment Program – Phase One

Appendix 2: Management's Response to the Auditor General's Review of Toronto Water Division, Review of Wastewater Treatment Program – Phase One

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