



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Continuous Controls Monitoring Program – Review of  
City Overtime and Mileage Expenses**

<b>Date:</b>	September 10, 2012
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

---

The Auditor General's Work Plan included the development of a system of continuous controls monitoring for selected City expenses. The objective of the Continuous Controls Monitoring Program is to provide periodic reports to management which assist in proactively monitoring financial transactions, detecting unusual expenses and identifying areas where internal controls could be strengthened.

The Auditor General initiated the Continuous Controls Monitoring Program in early 2011. Initial expenses selected for the application of continuous controls monitoring were employee overtime and mileage reimbursements. Standby Pay was recently added to the "dashboard" of expenses monitored under the program.

The Auditor General's Continuous Controls Monitoring Program was initiated with an intent to expand it to include City Agencies and Corporations. In July 2012, at the request of the Toronto Transit Commission (TTC), the Auditor General provided reports to the TTC Audit Committee on staff overtime, standby pay, mileage reimbursements and meal allowance payments.

Since the initiation of this project in 2011, there has been a consistent decrease in overtime and mileage expenses. Management indicates that City divisions are monitoring overtime, standby pay and mileage reimbursements on an ongoing basis as part of an effort to reduce operating budgets.

Based on our analysis of January to June 2012 overtime expenses, 2012 annual overtime expenses will likely be in the range of \$36 million. This is a reduction of \$5 million from 2011 levels.

Similarly, based on our analysis of mileage reimbursements for the first six months of 2012, annual mileage reimbursements are projected to be approximately \$3.5 million which is \$400,000 less than 2011 levels.

## **RECOMMENDATIONS**

---

### **The Auditor General recommends that:**

1. City Council receive this report for information.

### **Financial Impact**

The recommendation in this report has no financial impact. However, it is our view that there will be ongoing savings and efficiencies from this project. For example, during 2011, City overtime costs were reduced by \$4 million and employee mileage reimbursements were reduced by \$300,000 from 2010. We anticipate a similar trend of decreasing overtime and mileage expenses for 2012.

## **DECISION HISTORY**

The Auditor General's 2012 Audit Work Plan included an ongoing project entitled "Continuous Controls Monitoring". The Auditor General's work plan is available on the City's Web site at: <http://www.toronto.ca/audit/2011/2012workplan-nov4.pdf>

## **COMMENTS**

The use of continuous controls monitoring was initiated in early 2011. In February 2012, City Council received the Auditor General's 2011 annual report on Continuous Controls Monitoring related to City overtime. This report provided information related to overtime costs incurred in 2010 and 2011. The report is available at:

[http://www.toronto.ca/audit/2012/continuous\\_control\\_monitoring\\_overtime\\_7feb2012.pdf](http://www.toronto.ca/audit/2012/continuous_control_monitoring_overtime_7feb2012.pdf)

The present 2012 interim report provides the results of our analysis of City employee overtime costs and mileage reimbursement costs for the first six months of 2012.

In the Auditor General's 2011 report, employee overtime amounts in excess of 50 per cent of annual base salary were reported. In addition, mileage reimbursements exceeding \$10,000 were identified and reviewed. For 2012, we have revised the overtime criteria to amounts in excess of 30 per cent of annual base salary. The mileage reimbursement criteria have been changed to expenses exceeding \$5,000.

As part of the Continuous Controls Monitoring Program, the City Manager was requested to review unusual levels of overtime and mileage reimbursements identified by the Auditor General and report back on the reasons for overtime and mileage reimbursements identified.

Management responses indicated that divisions are monitoring the level of overtime, standby pay and mileage reimbursements on an ongoing basis as part of an effort to reduce operating budgets.

As a result of management actions during 2011 and 2012, we estimate the following potential cost savings:

- Estimated reduction in 2012 overtime payments of \$5 million from 2011 levels
- Estimated reduction in 2012 employee mileage reimbursements of \$400,000 from 2011 levels

## **CONCLUSION**

Continuous Controls Monitoring has highlighted unusual expenditures and enabled management to address related payroll expenses in a proactive and timely manner. These actions have improved controls and resulted in cost savings.

## **CONTACT**

Alan Ash, Director, Auditor General's Office  
Tel: 416-392-8476, Fax: 416-392-3754, E-mail: [aash@toronto.ca](mailto:aash@toronto.ca)

Syed Ali, Senior Audit Manager, Auditor General's Office  
Tel: 416-392-8438, Fax: 416-392-3754, E-mail: [sali4@toronto.ca](mailto:sali4@toronto.ca)

## **SIGNATURE**

---

Jeff Griffiths, Auditor General

12-PPB-01