

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 24, 2013

SUBJECT: AUDITOR GENERAL'S REPORT – TTC EMPLOYEES
OVERTIME AND RELATED EXPENSES – CONTINUOUS
CONTROLS MONITORING

ACTION ITEM

RECOMMENDATION

It is recommended that the Board:

- (1) Receive for information the attached report from the Auditor General's Office, City of Toronto, on the TTC Employees Overtime and Related Expenses – Continuous Controls Monitoring; and
- (2) Forward the report to the City Audit Committee.

BACKGROUND

The Auditor General advised the TTC Board at the December 19, 2012 meeting that the development of an ongoing process to identify unusual levels of employee overtime had been initiated at the City. The Auditor General further advised that a similar process was being undertaken at the TTC.

The project, known as continuous controls monitoring, includes an ongoing review and analysis of employee overtime as well as other employee related expenses.

At its meeting on April 25, 2013, the TTC Audit Committee received the Auditor General's report for information and approved forwarding the report to a regular meeting of the Board for information and then to the City Audit Committee.

Attachment
1-27



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Toronto Transit Commission Employees Overtime and Related Expenses – Continuous Controls Monitoring

Date:	March 21, 2013
To:	TTC Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

A continuous controls monitoring program was initiated at the City in 2011. The objective of the program is to develop exception reports to pro-actively identify unusual levels of overtime and other employee expenses on an ongoing basis. This is done through the use of specialized audit software.

In September 2012, the Auditor General issued an interim report on continuous controls monitoring of TTC overtime and other payroll expenses. The report provided information related to costs incurred in 2011 and for the period from January 1, 2012 to June 30, 2012. The report is available at <http://www.toronto.ca/audit/2012/ttc-employee-overtime-related-expenses-2012.pdf>

The purpose of this report is to provide the results of our analysis of staff overtime and other related costs for 2012 and management's comments on the analysis. A comparative analysis of 2012 and 2011 staff overtime by TTC divisions is provided in Appendix 1.

Our analysis of TTC's payroll identified certain areas for follow-up by TTC management. The TTC Chief Executive Officer was requested to report back on whether there were opportunities to better manage and reduce these expenses. As a result of management actions and continuous monitoring, we have noted a reduction in staff overtime and other employee expenses:

- Total staff overtime decreased by approximately 8 per cent or \$5.5 million in 2012 to \$65.3 million when compared with \$70.8 million in 2011.

- The number of staff with unscheduled overtime exceeding 50 per cent of their base pay declined from 143 in 2011 to 74 in 2012, a reduction of almost 50 per cent.
- Staff mileage expenses declined from \$492,000 in 2011 to \$437,000 in 2012, a reduction of \$55,000.
- Staff meal allowance for 2012 was \$248,000, a reduction of \$14,500 from 2011.

While the results represent an improvement in the management of overtime, certain management responses to our analysis suggest that further improvements are possible.

RECOMMENDATIONS

The Auditor General recommends that:

1. The TTC Audit Committee receive this report for information and forward this report to the City Audit Committee.
2. The Chief Executive Officer, Toronto Transit Commission, review the management responses to the Auditor General's analysis of staff overtime to determine if overtime in certain divisions can be more actively managed to reduce the overall operating costs.

Financial Impact

The recommendations in this report have no immediate determinable financial impact. However, there will be ongoing savings and efficiencies from this project. Since the initiation of this project in 2012, there has been an overall reduction of over \$5.5 million in staff overtime, mileage and other related payroll expenses.

DECISION HISTORY

The TTC Audit Committee at its meeting of April 30, 2012 directed TTC staff to work with the Auditor General on the overtime monitoring and approval process and requested the Auditor General to report back at its next meeting. The meeting documents are accessible on the TTC's Web site at:

http://www.ttc.ca/About_the_TTC/Audit_Committees/Audit_Committee_Meetings/2012/index.jsp

COMMENTS

The use of continuous controls monitoring was initiated at the City in early 2011. The TTC is the first major Agency or Corporation where we have initiated this process.

We have analyzed TTC payroll information and have developed exception reports covering all divisions within TTC. The first set of reports for the six months ended June 30, 2012 and twelve months ended December 31, 2011 were provided in July 2012. Since then, we have regularly analyzed TTC payroll data and have provided TTC with

exception reports at the end of each quarter. The exception criteria established for these reports include:

- Staff with unscheduled overtime exceeding 50 per cent of base pay
- Staff with standby pay greater than \$7,500 annually
- Kilometrage – over 10,000 kilometres in annual claims
- Meal allowance reimbursement - over \$1,000 in a calendar year

Our analysis covered all of TTC’s approximately 13,000 staff for 2012 and 2011 and noted the following:

	December 31, 2012	December 31, 2011	Increase/ (Decrease)
Total Overtime*	\$65.3 million	\$70.8 million	(\$5.5 million)
Number of Staff with Unscheduled Overtime > 50% of Base Salary	74	143	(69)
Total Standby Pay**	\$680,000	\$743,000	(\$63,000)
Number of Staff > \$7,500 Annual Standby Pay	16	20	(4)
Number of Staff > 10,000 km of mileage in Annual Claims	2	5	(3)
Number of Staff > \$1,000 Annual Meal Allowance	3	7	(4)

**includes \$8.4 million in 2012 and \$7.8 million in 2011 as scheduled overtime*

***total standby pay included in total overtime*

A summary of overtime statistics by department is attached as Appendix 1.

In performing this review, we requested management to respond to each of the 74 instances where the employee’s unscheduled overtime exceeded 50 per cent of their base pay. These responses are summarized as follows:

- a) Management anticipates that the identified overtime levels will continue for 65 of the 74 identified employees.
- b) In 48 of the 74 instances, management has indicated that, “Overtime levels managed as per ESA 2000 and related arbitration language and Collective Agreement”.
- c) In 8 instances, management responded that, “New overtime schedules have been implemented to more evenly distribute hours”.

Items (b) and (c) warrant further comments.

Item (b) refers to employment standards legislation and the collective agreement. Without doubt, once overtime has been worked, the employer must ensure compliance with the referenced documents. However, the point of monitoring overtime is to ensure it is being managed prior to its occurrence.

Item (c) indicates that overtime will be more evenly distributed amongst employees. While this may be advisable, depending on the circumstances in the operating unit, it does not provide any indication that there may be opportunities to reduce overall overtime rather than just redistribute it to different employees.

In view of the above noted comments, recommendation number two in this report requests the Chief Executive Officer to review management's comments on overtime levels to ensure appropriate attention is being given to opportunities to reduce overtime leading to reductions in overall operating costs.

CONCLUSION

The use of continuous controls monitoring of staff overtime and related expenses will assist TTC management in improving internal controls over these expenses. In 2012, the total overtime decreased by \$5.5 million, a reduction of approximately 8 per cent compared to 2011. This reduction is in line with reductions noted following the implementation of continuous controls monitoring of employee overtime at the City.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

12-TTC-01

ATTACHMENTS

Appendix 1: Comparative Overtime Statistics by Departments – 2012 and 2011

Appendix 1

Comparative Overtime Statistics by Departments – 2012 and 2011

Department	Total Pay (\$)	Total Overtime* (\$)	Total Employees	Total Overtime > 50% of Base Pay (\$)	Overtime as Per cent of Base Pay Range (%)	Employees with Overtime > 50% of Base Pay
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Overtime Statistics by Departments – 2012

Bus Transportation	\$341,892,340	\$28,404,577	5,388	\$1,775,739	52-99	43
Bus Maintenance	103,009,611	3,657,994	1,408	121,285	51-71	3
Rail Transportation	97,839,170	11,811,892	1,452	598,057	50-75	14
Rail Infrastructure	74,667,677	8,606,708	1,011	502,735	50-70	13
Rail Plant Maintenance	73,600,267	4,181,719	1,061	-	-	-
Rail Cars and Shops	73,130,876	4,526,294	1,032	53,154	90	1
Information Technology	18,762,273	776,128	204	-	-	-
Materials and Procurement	16,254,055	541,651	217	-	-	-
Other Departments	87,843,465	2,794,897	1,019	-	-	-
Totals - 2012	\$886,999,734	\$65,301,860	12,792	\$3,050,970	50-99	74

Overtime Statistics by Departments – 2011

Bus Transportation	\$291,424,110	\$25,032,406	4,711	\$2,418,737	51 - 107	60
Bus Maintenance	61,541,178	2,356,804	876	28,860	53	1
Rail Transportation	125,366,415	19,498,105	1,978	2,830,504	50 - 130	64
Rail Infrastructure	25,789,247	908,416	294	-	-	-
Rail Plant Maintenance	138,640,374	13,146,905	2,044	479,730	50 - 76	12
Rail Cars and Shops	112,227,645	6,296,096	1,620	192,650	63 - 106	4
Information Technology	18,303,487	833,177	208	-	-	-
Materials and Procurement	15,360,929	820,407	214	-	-	-
Other Departments	64,438,687	1,907,661	813	62,339	51 - 63	2
Totals - 2011	\$853,092,072	\$70,799,977	12,758	\$6,012,820	50-130	143
2012 - Increase/(Decrease)	\$33,907,662	(\$5,498,117)	34	(\$2,961,850)		(69)
2012- Increase/(Decrease)- %	3.97	(7.77)	0.27	(49.26)		(48.25)

**includes \$8.4 million in 2012 and \$7.8 million in 2011 as scheduled overtime*