



Presentation to Audit Committee
June 27, 2014

**Opportunities to Enhance the Oversight of
Non-Union Employee Separation Costs**

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Presentation Outline

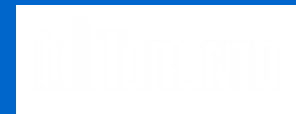
- Background
- Audit Objective
- Audit Scope
- Summary of Findings
- Key Recommendations
- Conclusion





Background

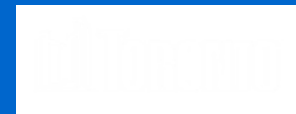
- From 2011 to 2013, 90 terminated non-union employees received separation payments, totaling \$10.9 million.
- The average separation amount was \$120,000 per employee.
- For the prior three years, separation payments approximated \$5.0 million.





Audit Objective

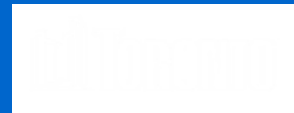
- Auditor General's 2014 Work Plan included a review of the City's non-union employee separation costs.
- The objective of this review was to ensure that separation costs were awarded in accordance with City policies.





Audit Scope

- The review examined non-union employee terminations that occurred between January 1, 2011 to December 31, 2013.
- The review did not include employees terminated from the City's Agencies and Corporations.





Summary of Findings (1)

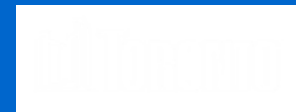
- While our review found that separation costs were mostly awarded in accordance with City policies, procedures and applicable regulations, there are opportunities to enhance certain oversight activities:
 - Separation costs are not currently tracked or reported
 - The required approvals from the Executive Director of Human Resources were not adequately documented
 - There were certain situations where City Manager authorization would have been more appropriate, particularly where Human Resources management approved separation arrangements for Human Resources staff





Summary of Findings (2)

- Proactive measures are not currently used to ensure “Comparable Employment” requirements are followed
- A formal review of the City’s Separation Program was last performed in 2011
- In certain cases, annual performance evaluations did not reflect the employee’s level of performance
- Certain instances where separation costs were not accounted for in the correct period due to lack of timely communication





Key Recommendations (1)

- 8 recommendations for enhancing overall oversight and accounting of separation costs:
 1. Regularly track non-union employee separations
 2. Report out on annual non-union employee separation costs to Employee Labour & Relations Committee
 3. Review and enhance approval levels for separation costs, including City Manager approval for certain situations
 4. Ensure appropriate approvals for separation costs are documented





Key Recommendations (2)

5. Consider developing and implementing proactive measures to identify terminated employees who may have found “comparable employment”
6. Conduct formal reviews of the City’s Separation Program on a periodic basis
7. Ensure that annual performance evaluations clearly reflect employees performance. Documentation be retained for all employees, particularly those who do not meet expectations
8. Develop and implement a communication protocol between Human Resources and Accounting Services Divisions to ensure that separation costs are properly accounted for in the City’s financial statements





Conclusion

- City Manager and Management have agreed with all 8 recommendations
- Management action plans are appended to the report
- A follow-up review of the implementation of audit recommendations will take place in 12 months

