



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Continuous Controls Monitoring Program – City  
Overtime and Standby Pay for 2015**

<b>Date:</b>	June 14, 2016
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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The Auditor General initiated continuous monitoring of overtime costs and standby pay in 2011 to highlight trends and changes in related costs. As part of the Continuous Controls Monitoring Program, the Auditor General's Office provides management with exceptions warranting further review.

This report provides the results of our continuous monitoring of City overtime costs and standby payments for 2015.

In 2015, staff overtime totaled \$51.4 million. This is a decrease of approximately \$128,000 and approximately two per cent or 26,000 hours when compared to 2014. During 2015, the City of Toronto also hosted the Pan Am Games. The overtime incurred for this event was approximately 32,000 hours amounting to \$2 million. If this overtime is excluded, the overall decrease in overtime would be approximately 4 per cent when compared to 2014.

For the years 2013 and 2014 overtime increased consecutively. The significant increase was due to the 2013 winter storm and its after effects that continued in 2014.

In 2015, standby pay totaled \$6 million. Standby pay has increased by approximately \$300,000 in 2015 when compared to 2014.

**RECOMMENDATION**

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**The Auditor General recommends that:**

1. City Council receive this report for information.

## Financial Impact

This report has no financial impact.

The continuous controls monitoring program is expected to strengthen controls and identify trends in selected expenses. The financial impact depends upon successful reduction of staff overtime and is not quantifiable at this time.

## DECISION HISTORY

The Auditor General's 2015 Audit Work Plan included an ongoing project entitled "Continuous Controls Monitoring". 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's work plan is available on the City's Website at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-79980.pdf>

The Auditor General has also provided the Audit Committee and City Council with periodic reports on Continuous Controls Monitoring. Previous reports on Continuous Monitoring of Overtime and Standby Pay for 2014 and 2013 are available on the City's Website at:

2014: <http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-79960.pdf>

2013: <http://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-66986.pdf>

## ISSUE BACKGROUND

Since its inception in 2011, the Continuous Controls Monitoring Program has continually expanded. The program now includes continuous monitoring of selected City expenses including:

- Overtime and standby pay
- Absenteeism for selected ill, ill-dependent and bereavement leave
- Mileage reimbursements
- Telecommunication expenses
- Duplicate accounts payable invoices

In addition, the program has also expanded to include monitoring of selected expenses at the Toronto Transit Commission.

## COMMENTS

In 2015, the City incurred \$51.4 million in costs for staff overtime. This is a decrease of approximately \$128,000 and a decrease of approximately 26,000 hours or two per cent, when compared to 2014.

- Toronto Paramedic Services and Fire Services experienced the highest increases in overtime, with both divisions showing increases in excess of \$900,000 in 2015. The total overtime costs for each division was \$10.6 million and \$4.2 million respectively. Management has advised that the increase was mainly due to the overtime incurred during the Pan Am Games.
- Overtime for Solid Waste Management and Transportation Services reduced by \$646,000 and \$809,000 respectively in 2015. The total overtime costs for each division was \$5.0 million and \$4.2 million respectively.
- Premium pay for staff who work on statutory holidays totalled \$13.5 million in 2015. This constitutes a significant part of overall overtime costs. Premium pay for Toronto Paramedic Services, Long Term Care Homes and Services, Fire Services, and Parks Forestry & Recreation totaled over \$10 million or 77 per cent of total premium pay for the City.

Standby pay increased to \$6 million in 2015 from \$5.7 million in 2014, an increase of 5.3 per cent or approximately \$300,000.

#### Exception reporting

As part of the Continuous Controls Monitoring Program, the Auditor General periodically provides management with reports based on selected exception criteria. Exception criteria include:

- Staff with Overtime > 30% of annual pay
- Staff with Standby Pay > \$15,000 annually

The City Manager and divisional management were requested to review the unusual levels of overtime and standby pay and report back on the reasons for the overtime and standby pay. The intent was to identify exceptions for management to take appropriate action where staff overtime may be reduced. No detailed audit work is performed on either the data or management comments.

Management responses indicate that overtime was incurred for a variety of reasons including:

- Work required as a result of extreme weather events
- Completion of work due to seasonality
- Increase in emergencies and unpredictable events (such as water-main breaks)
- Unfilled staff vacancies resulting in increased overtime costs.

Table 1 provides data for staff overtime cost and standby pay from 2011 to 2015, including the number of exceptions identified based on our predefined criteria.

**Table 1: Staff Overtime and Standby Payments for 2011 through 2015**

<b>Description</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total Overtime*	\$51.4 million	\$51.5 million	\$43.0 million	\$38.8 million	\$41 million
Overtime Hours	1,118,200	1,144,000	995,000	907,500	984,400
Premium pay included in Overtime*	\$13.5 million	\$13.1 million	\$11.8 million	\$10.9 million	\$12.6 million
Number of Staff with Overtime > 30% of Annual Pay	141	199	105	124	146
Total Standby Pay	\$6 million	\$5.7 million	\$5.3 million	\$5.4 million	\$5.7 million
Standby Hours	131,100	129,600	124,600	128,000	139,000
Number of Staff with Standby Pay > \$15,000 annually	51	48	35	53	62

*\*Premium pay includes payments made to staff on duty on statutory holidays*

## **CONCLUSION**

Continuous controls monitoring has highlighted some unusual expenditures and enabled management to address related payroll expenses in a proactive and timely manner.

The Auditor General's Continuous Controls Monitoring Program was initiated with an intention to expand to include other operational areas within the City including agencies and corporations. In July 2012, continuous controls monitoring was initiated at the Toronto Transit Commission for overtime, standby pay, mileage and meal allowance payments. In addition, similar to the City, the program has been expanded at the TTC to include staff absenteeism.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

99-CCM-01

## **ATTACHMENT**

Appendix 1: City of Toronto Divisions, Comparative Summary of Overtime, January – December 2014 and 2015

Appendix 1

Comparative Summary of Overtime  
2014 and 2015

Division Description	Staff Complement Dec 2015	Annual Pay 2015 (\$)	2015		2014		Increase/(Decrease)		
			Hours	Amount (\$)	Hours	Amount (\$)	Hours	Amount (\$)	% Change (\$)
<b>Top 10 City Divisions:</b>									
Paramedic Services	1,372	114,430,433	171,351	10,579,330	155,920	9,645,424	15,431	933,906	9.7%
Toronto Water	1,510	113,532,734	164,058	8,532,957	169,562	8,644,046	(5,504)	(111,089)	(1.3%)
Parks, Forestry & Recreation	10,089	339,897,488	125,350	5,320,696	132,007	5,573,355	(6,657)	(252,659)	(4.5%)
Solid Waste Management	902	56,951,527	114,667	4,999,840	130,693	5,645,567	(16,026)	(645,727)	(11.4%)
Transportation Services	969	68,780,850	80,515	4,214,025	100,037	5,022,669	(19,522)	(808,644)	(16.1%)
Fire Services	3,100	298,560,803	161,215	4,154,060	147,339	3,234,255	13,876	919,805	28.4%
Long-Term Care Homes & Services	3,064	181,504,169	122,028	4,023,096	126,584	4,198,540	(4,556)	(175,444)	(4.2%)
Shelter, Support & Housing Administration	839	59,168,919	24,997	1,211,241	24,748	1,165,407	249	45,834	3.9%
Employment & Social Services	1,976	135,884,760	19,495	1,069,836	13,779	769,659	5,716	300,177	39.0%
Facilities Management	590	36,974,001	22,624	1,068,529	18,293	845,412	4,331	223,117	26.4%
<b>Total - Top 10 Divisions</b>	<b>24,411</b>	<b>1,405,685,684</b>	<b>1,006,300</b>	<b>45,173,610</b>	<b>1,018,962</b>	<b>44,744,334</b>	<b>(12,662)</b>	<b>429,276</b>	<b>1.0%</b>
<b>Other City Divisions</b>	<b>7,194</b>	<b>555,012,739</b>	<b>93,837</b>	<b>5,138,574</b>	<b>105,436</b>	<b>5,630,144</b>	<b>(11,599)</b>	<b>(491,570)</b>	<b>(8.7%)</b>
<b>Public Health</b>	<b>1,764</b>	<b>134,114,860</b>	<b>18,014</b>	<b>1,053,369</b>	<b>19,610</b>	<b>1,118,738</b>	<b>(1,596)</b>	<b>(65,369)</b>	<b>(5.8%)</b>
<b>Totals:</b>	<b>33,369</b>	<b>2,094,813,283</b>	<b>1,118,151</b>	<b>51,365,553</b>	<b>1,144,008</b>	<b>51,493,216</b>	<b>(25,856.56)</b>	<b>(127,663)</b>	<b>(0.2%)</b>

\*Notes:

- Amounts are calculated based on actual hourly rates
- Amounts include stat holiday premium
- Amounts may vary due to timing differences, pay adjustments and other accounting codes/adjustments not included in our continuous monitoring program