



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Continuous Controls Monitoring – Review of Employee Overtime and Mileage Reimbursements

Date:	February 7, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Audit Work Plan included the development of a system of Continuous Controls Monitoring for selected City expenses. The objective of the Continuous Controls Monitoring Project is to develop reports on a regular basis to assist management in proactively monitoring financial transactions, detect expenses that appear unusual and identify areas where internal controls may be inadequate.

The Continuous Controls Monitoring process involves the ongoing and regular identification of unusual transactions in the City's SAP financial information system. The Auditor General uses specialized proprietary audit data extraction software to assist in the continuous controls monitoring process.

The use of continuous controls monitoring was initiated by the Auditor General's Office in early 2011. The initial expenses selected for the application of continuous controls monitoring were employee overtime and employee mileage reimbursements.

For 2011, employee overtime amounts in excess of 50 per cent of annual base salary and mileage reimbursement amounts exceeding \$10,000 were identified and reviewed.

For the period January 1, 2011 to December 31, 2011, overtime expense decreased from approximately \$45 million in 2010 to \$41 million in 2011. Similarly, mileage reimbursement payments were reduced from approximately \$4.2 million in 2010 to \$3.9 million in 2011.

As part of the continuous controls monitoring process, the City Manager was requested to review unusual levels of overtime and mileage reimbursements identified by the Auditor General. The City Manager was requested to report back to the Auditor General on the reasons for the overtime and mileage reimbursements identified. Management responses indicated that divisions are currently monitoring the level of overtime and mileage reimbursements on an ongoing basis as part of an effort to reduce operating budgets.

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. During 2011, City overtime costs have been reduced by \$4 million and employee mileage reimbursements have been reduced by \$300,000 from 2010.

DECISION HISTORY

The Auditor General's 2011 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/auditworkplan-jan12.pdf>

COMMENTS

The use of continuous controls monitoring was initiated in early 2011. In September 2011, the Auditor General issued an interim report on Continuous Controls Monitoring related to City overtime. This report provided information related to overtime costs incurred in 2010 and for the period January 1, 2011 to August 31, 2011. The report is available at <http://www.toronto.ca/audit/2011/continous-controls-sept23.pdf>

This current 2011 year end report provides the results of our analysis of 2011 employee staff overtime costs and employee mileage reimbursement costs. A comparative analysis of 2010 and 2011 employee overtime by City division is provided in Appendix I.

During 2011, overtime and mileage reimbursement reports exceeding specified limits were generated every four months and provided to the City Manager for further analysis, review and comment.

As a result of management actions during 2011 we identified the following:

- An overall reduction in 2011 overtime payments by \$4 million from 2010
- An overall reduction in 2011 overtime hours by 100,000 hours from 2010

- 34 staff members earned overtime in excess of 50 per cent of base salary in 2010; the number of employees earning overtime in excess of 50 per cent of base salary in 2011 was 14.

In regard to mileage reimbursement costs:

- An overall reduction in employee mileage reimbursements of \$300,000 from 2010 levels
- Two employees were reimbursed over \$10,000 for mileage expense in 2010; one employee mileage reimbursement claim exceeded \$10,000 in 2011.

CONCLUSION

Continuous controls monitoring has highlighted unusual expenditures and has enabled management to address selected payroll issues in a proactive and timely manner. The Auditor General intends to continue monitoring City payroll expenses and is currently considering expansion of the project to include other areas including purchasing, accounts payable, receivables and revenues. Continuous controls monitoring of overtime expenses in the larger ABCCs' is also in the planning stage.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

09-PFR-02

ATTACHMENTS

Appendix I – Comparison of Staff Overtime – 2010 and 2011

APPENDIX 1

Comparison of Staff Overtime - 2010 and 2011

Division(s)	Staff Overtime Amount (\$'s)		Reductions/ (Excess)
	2010	2011	
Emergency Medical Services	10,525,311	9,179,188	1,346,123
Fire Services	3,423,847	2,717,951	705,896
Toronto Water	8,284,560	7,769,439	515,121
Technical Services	1,420,643	1,070,051	350,592
Facility Management	1,719,500	1,475,065	244,435
Shelter, Support & Housing Administration	1,401,258	1,258,652	142,606
Parks, Forestry & Recreation	3,609,450	3,647,894	(38,444)
Solid Waste Management	3,993,885	4,080,187	(86,302)
Long-Term Care Homes & Services	2,907,653	3,042,675	(135,022)
Public Health	1,088,420	1,248,827	(160,407)
Transportation Services	2,909,563	3,348,124	(438,561)
Other Divisions	4,459,376	2,906,506	1,552,870
	\$45,743,466	\$41,744,559	\$3,998,907