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

**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 Continuous Controls Monitoring Program was initiated in 2011. Initial expenses selected for the application of continuous controls monitoring were employee overtime and mileage reimbursements.

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 and mileage reimbursements on an ongoing basis as part of its initiative to reduce operating budgets.

The following chart provides three years statistics for staff overtime and mileage payments:
<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Overtime</td>
<td>$38.8 million</td>
<td>$41 million</td>
<td>$45 million</td>
</tr>
<tr>
<td>Overtime Hours</td>
<td>907,500</td>
<td>984,400</td>
<td>1.08 million</td>
</tr>
<tr>
<td>Number of Staff with Overtime &gt; 30% of Annual Pay</td>
<td>124</td>
<td>146</td>
<td>212</td>
</tr>
<tr>
<td>Staff Mileage</td>
<td>$3.4 million</td>
<td>$3.9 million</td>
<td>$4.2 million</td>
</tr>
<tr>
<td>Total Kilometers paid</td>
<td>6.5 million</td>
<td>7.5 million</td>
<td>8 million</td>
</tr>
<tr>
<td>Number of Staff &gt; 10,000 km of mileage in Annual Claims</td>
<td>17</td>
<td>37</td>
<td>53</td>
</tr>
</tbody>
</table>

There has been an overall reduction of $7 million in overtime and staff mileage payments since December 2010.

The Auditor General’s Continuous Controls Monitoring Program was initiated with an intent to expand it 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. We anticipate that similar reductions in overtime will occur.

While it is not possible to accurately attribute these reduced costs to the Auditor General’s continuous controls monitoring program, it is likely that such costs would not have occurred without the level of scrutiny by the Auditor General’s Office.

**RECOMMENDATION**

**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, there will be ongoing savings and efficiencies from this project. Since the initiation of this project in 2011, there has been a significant decline in staff overtime, mileage and other related payroll expenses. There has been an overall reduction of $7 million in overtime and staff mileage payments since December 2010.
DECISION HISTORY


COMMENTS

The use of continuous controls monitoring was initiated in early 2011. In February 2012, City Council was provided with our 2011 annual report on Continuous Controls Monitoring related to City overtime. This report provided information related to overtime costs incurred in 2010 and 2011. In September 2012, we also provided an interim progress report on the results of Continuous Controls Monitoring of City's overtime and other payroll related expenses. These reports are available at:

i) http://www.toronto.ca/audit/2012/Continuous_Control_Monitoring_Overtime_and_Mileage_Sept_10_%202012.pdf

ii) http://www.toronto.ca/audit/2012/continuous_control_monitoring_overtime_7feb2012.pdf

This current report provides the results of our analysis of City employee overtime costs and mileage reimbursement costs for the twelve months of 2012.

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 and mileage reimbursements on an ongoing basis as part of an effort to reduce operating budgets.

As a result of management actions, we have noted the following:

- A reduction in 2012 overtime payments of $6.2 million when compared with 2010.
- Reduction in 2012 employee mileage reimbursements of $800,000 when compared with 2010.

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.
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SIGNATURE

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Jeff Griffiths, Auditor General

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