



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Continuous Controls Monitoring Program – Six-month
Review of City Overtime, Standby Pay and Mileage
Expenses, 2013**

Date:	August 6, 2013
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

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

In 2012, the program was expanded to include standby pay. In January 2013, the Auditor General further expanded the Continuous Controls Monitoring Program to include staff absenteeism. Staff absenteeism is covered in a separate report.

In 2011 and 2012 City overtime and mileage reimbursement expenses decreased a combined total of \$7 million. This latest report provides overtime and mileage reimbursement information for the six months from January 1, 2013 to June 30, 2013.

During the past six months overtime costs increased over the same period in 2012 by approximately \$300,000. Standby pay decreased by \$200,000 and staff mileage reimbursements decreased by \$100,000. Management indicates that City divisions are monitoring overtime, standby pay and mileage reimbursements on an ongoing basis as part of ongoing efforts to reduce operating budgets.

We will continue to monitor overtime and provide management with periodic reports. Further analysis and final 2013 results will be provided in the Auditor General's 2013 Annual Continuous Controls Monitoring Report to the Audit Committee.

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.

DECISION HISTORY

The Auditor General's 2013 Audit Work Plan included an ongoing project entitled "Continuous Controls Monitoring". The Auditor General's work plan is available on the City's website at:

<http://www.toronto.ca/legdocs/mmis/2012/au/bgrd/backgroundfile-50926.pdf>

COMMENTS

The use of continuous controls monitoring was initiated in early 2011. In April 2013, City Council received the Auditor General's 2012 annual report on Continuous Controls Monitoring related to City overtime and mileage expenses. This report provided information related to overtime and mileage costs incurred in 2012 and 2011. The report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-55724.pdf>

This interim report provides the results of our analysis of City employee overtime costs, standby pay and mileage reimbursement costs for the first six months of 2013. The reporting criteria included the following:

- Overtime expense over 30% of base salary
- Standby Pay over \$15,000 (annualized).
- Kilometrage greater than 10,000 km (annualized).

Table 1 provides a comparative analysis of staff overtime, standby and mileage payments for the six months ended 2012 and 2013.

Table 1: Comparative Analysis of Staff Overtime, Standby Pay and Mileage Payments for the Six Months Ended 2012 and 2013

Description	June 30, 2013	June 30, 2012	Increase/ (Decrease)
Total Overtime (\$'s)	\$17.8 million	\$17.5 million	\$0.3 million
Overtime Hours	408,500	400,000	8,500
Number of Staff with Overtime > 30% of Annual Pay (pro-rated to six months)	126	111	15
Total Standby Pay (\$'s)	\$2.7 million	\$2.9 million	(\$0.2) million
Standby Hours	64,500	71,250	(6,750)
Number of Staff with Standby Pay > \$15,000 (annualized)	55	65	(10)
Staff Mileage (\$'s)	\$1.4 million	\$1.5 million	(\$0.1) million
Total Kilometers paid	2.6 million	2.9 million	(\$0.3) million
Number of Staff > 10,000 km of mileage (annualized)	10	17	(7)

As part of the Continuous Controls Monitoring Program, the City Manager was requested to review unusual levels of overtime, standby pay and mileage reimbursements identified by the Auditor General and report back on the exceptions provided.

Management responses indicate that divisions are monitoring the level of overtime, standby pay and mileage reimbursements on an ongoing basis. According to management, the reported levels of overtime will not continue for approximately 30 per cent of the reported staff.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

Continuous Controls Monitoring has highlighted unusual expenditures and enabled management to address related payroll expenses in a proactive and timely manner. During 2011 and 2012, these actions have improved controls and resulted in cost savings since the initiation of the program in 2011. However, the first six months in 2013 has shown an increase in overtime expense of \$300,000 or 1.7 per cent.

We will continue to monitor overtime and provide management with periodic reports. Further analysis and final 2013 results will be provided in the Auditor General's 2013 Annual Continuous Controls Monitoring Report to the Audit Committee.

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SIGNATURE

Jeff Griffiths, Auditor General

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