



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

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

Date:	June 11, 2014
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's 2014 Work Plan included a review of the City's non-union employee separation costs. The City has statutory and legal obligations to provide separation pay to an affected employee when the employment relationship is terminated by the City. From 2011 to 2013, 90 terminated non-union employees received separation payments. Annually, this represents less than one per cent of the 4,200 non-union employees employed by the City. The average separation amount was approximately \$120,000 per employee.

The objective of this review was to ensure that non-union employee separation costs have been awarded in accordance with City policies. For the most part, our review found that separation costs were awarded in accordance with City policies, procedures and applicable regulations. However, there are opportunities to enhance certain oversight activities.

This report contains eight recommendations along with a management response to each of the recommendations.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Executive Director, Human Resources Division to regularly track non-union employee separation costs.

2. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to report annually, to the Employee and Labour Relations Committee on cumulative non-union employee separation costs. The information reported should include a sufficient level of detail and analyses that allows adequate oversight of separation costs, while ensuring that personal information is protected.
3. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division, to review the current process for approving separation costs in order to ensure that the authorization levels are appropriate in the circumstances. In particular, the process should require the City Manager to approve non-union terminations involving exceptional separation arrangements as well as terminations that would give rise to a conflict of interest risk.
4. City Council request the City Manager, to ensure that all separation costs, including any exceptions, are documented and approved in accordance with the required approvals set out in the Separation Program.
5. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to consider developing and implementing proactive measures to identify terminated employees who have found employment elsewhere to ensure the comparable employment provisions are being followed. Steps to be considered should include but not be limited to:
 - a. periodically mail out notices to employees who receive a separation payment, inquiring as to their employment status;
 - b. periodically perform search of publicly available information on the internet; and
 - c. recover overpayments where appropriate.
6. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to conduct a formal review of the City's Separation Program on a periodic basis, to ensure that the program remains fair and consistent with the practices of other municipalities and organizations, employment legislation and common law practices. All revisions should be reflected in the Separation Program and Strategies manual accordingly.
7. City Council request the City Manager to work with both Human Resources and Division Heads to ensure that annual performance evaluations clearly reflect employees performance. Documentation be retained for all employees particularly those employees who do not meet expectations.

8. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the Director, Accounting Services, to develop and implement a communication protocol to ensure that separation costs are properly accounted for in the financial statements.

Financial Impact

The implementation of recommendations in this report will improve the oversight and financial reporting over non-union employee separation costs. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

COMMENTS

The objective of this review was to ensure that non-union employee separation costs have been awarded in accordance with City policies. For the most part, our review found that separation costs were awarded in accordance with City policies, procedures and applicable regulations.

Our review identifies opportunities for enhancing overall oversight and accounting for non-union employee separation costs. Such enhancements include the following:

- Tracking and reporting out on annual separation costs
- Reviewing and enhancing the approval process
- Strengthening certain administrative controls
- Conducting a formal review of the City's Separation Program periodically
- Enhancing the rigor with which the current performance evaluation process is conducted
- Developing a communication protocol to ensure separation costs are accounted for on a timely basis

The audit report entitled "Opportunities to Enhance the Oversight of Non-Union Employee Separation Costs" is attached as Appendix 1. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Opportunities to Enhance the Oversight of Non-Union Employee Separation Costs

Appendix 2: Management's Response to the Auditor General's Report on Opportunities to Enhance the Oversight of Non-Union Employee Separation Costs

AUDITOR GENERAL'S REPORT

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

May 29, 2014

Jeffrey Griffiths, CPA, CA, CFE
Auditor General



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EXECUTIVE SUMMARY

Separation pay is required by statute and common law

The City has statutory and legal obligations to provide separation pay to an affected employee when the employment relationship is terminated by the City. Non-union employees can be terminated either under the City's Separation Program or on a without cause basis.

Average separation amount was \$120,000 per employee

From 2011 to 2013, 90 terminated non-union employees received separation payments. Annually, this represents less than one per cent of the 4,200 non-union employees employed by the City. The average separation amount was approximately \$120,000 per employee.

Audit objective and scope

The Auditor General's 2014 Audit Work Plan included a review of the City's non-union employee separation costs. This review did not include the City's Agencies and Corporations.

The objective of this review was to ensure that non-union employee separation costs have been awarded in accordance with City policies. The audit covered the period from January 1, 2011 to December 31, 2013.

Key findings

For the most part, our review found that separation costs were awarded in accordance with City policies, procedures and applicable regulations. However, there are opportunities to enhance certain oversight activities.

Separation Costs Should be Tracked and Reported

Regular monitoring and reporting assist with oversight and accountability

The Human Resources Division does not currently track the cumulative separation costs incurred by the City. This information can assist management to monitor overall costs or evaluate the effectiveness of the current Separation Program.

Total separation costs are not reported to the Employee and Labour Relations Committee. In the absence of reported information, it is difficult to determine whether separation costs have been regularly monitored. Reporting to Committee is an opportunity for the City to further strengthen oversight and accountability, while ensuring that personal information is protected.

Approval Process Should be Reviewed

Improved documentation and additional approvals are required

There is a need to review the approval process and ensure that the appropriate approvals are documented. Separation costs should be approved by the Executive Director, Human Resources. In all the samples we reviewed, the costs were approved by the Director, Strategic Recruitment, Compensation & Employment Services. We did not find any documented approvals or other written communication from the Executive Director in the termination files. Our review also identified certain situations where City Manager authorization would likely have been more appropriate.

“Comparable Employment” Provisions Should be Reviewed

A more proactive approach should be considered

Terminated employees receiving separation payments are required to notify the City upon finding comparable employment. In such cases, the separation amount would be reduced. In our review period, only one employee declared comparable employment, but there may be other cases. The City should consider taking a more proactive approach to ensure the provisions are followed. This will minimize the risk of overpayment.

Formal Review of the Separation Program Should be Performed

Periodic reviews help ensure compliance and effectiveness of the Program

The City’s Separation Program was last reviewed in 2011. Formal reviews should be done on a periodic basis to ensure that the Separation Program continues to be consistent with statutory and legal obligations. Such reviews can also assist management to evaluate the effectiveness of the program and identify areas for improvement on a timely basis.

Performance Evaluation Process Requires More Rigor

The City needs to ensure its performance evaluation process is conducted with more rigor. This would mitigate the extent of separation costs, particularly where terminations may ultimately be required.

Improved Communication is Required

Accounting for separation costs requires timely communication

Finally, a communication protocol between Human Resources and Accounting Services Divisions should be developed to ensure that separation costs are properly accounted for in the City's financial statements. We found certain instances where separation costs were not recorded in the correct fiscal period.

Conclusion

This report presents the results of our review of non-union employee separation costs. The recommendations in this report identifies additional measures that will enhance overall oversight and accounting of separation costs.

BACKGROUND

Separation pay is required by statute and common law

The City has statutory and legal obligations to provide separation pay to an affected employee when the employment relationship is terminated by the City. Non-union employees can be terminated either under the City's Separation Program Position Termination Approach or on a without cause basis.

City's Separation Program – Position Termination Approach

The City's Separation Program Position Termination Approach for non-union employees (the "Separation Program") was implemented in 1998. It was originally adopted by Council to assist the City with restructuring and subsequent downsizing of staff following amalgamation. The Separation Program is administered under the authority of the City Manager and is governed by provincial legislation and common law. It continues to be applied for ongoing workforce reduction directives at this time.

Termination without cause

The same statutory and common law obligations apply to terminations without cause. Termination without cause generally refers to an employee that is terminated for reasons that are not related to misconduct.

ESA, 2000 – Termination Notice

Under the Ontario *Employment Standards Act, 2000* (“ESA”), employers are required to provide a minimum termination notice period, or pay in lieu of notice. This requirement increases with each year of employment to a maximum of eight weeks.

ESA, 2000 – Severance Pay

As well, employees with five years of continuous service or more are generally entitled to severance pay. The Ontario Ministry of Labour describes severance pay as “*compensation to an employee for loss of seniority and the value of firm-specific skills and recognizes his or her long service*” and is prescribed at one week per year of employment to a maximum of 26 weeks.

Common law may require additional payments

Under common law, employers may also be required to provide employees with additional entitlements. The common law is the body of case law precedent of previous employment cases. Case law precedent provides guidance for how a court will determine the additional severance or damages to which an employee is entitled.

Less than one per cent of non-union staff affected

There are approximately 4,200 non-union employees in the City. From 2011 to 2013, 90 terminated non-union employees received separation payments. Annually, this represents less than one per cent of all non-union employees.

Average separation amount was \$120,000 per employee

The average separation amount was approximately \$120,000 per employee.

Table 1 below summarizes the City’s non-union employee separation costs for the three-year period. On average, \$3.6 million was paid or committed to annually.

Table 1: Non-union Employee Separation Costs 2011 to 2013

Year	Annual Separation Cost (in millions)¹	Total Number Employees¹	% of Non-Union Workforce²
2011	\$2.9	24	0.6%
2012	\$4.0	32	0.8%
2013	\$4.0	34	0.8%
Total	\$10.9	90	

Note 1: Information provided by City of Toronto, Human Resources Division

Note 2: Percentage of non-union workforce calculated based on non-union staff complement at the end of December 31, 2013.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

***Auditor
General's 2014
Work Plan***

The Auditor General's 2014 Audit Work Plan included a review of the City's non-union employee separation costs.

Audit objective

The objective of this review was to ensure that separation costs have been awarded in accordance with City policies. Specifically, our objective was to determine whether separation costs were:

- awarded in accordance with City policies, procedures and applicable regulations;
- appropriately approved and authorized; and
- accurately recorded in the financial information system.

Audit scope

The separation costs we reviewed included the following components:

- termination notice and severance pay requirements of the Ontario *Employment Standards Act, 2000*; and,
- common law obligations.

Other expenses such as legal reimbursements, unused time-off, vacation savings pay, and other benefits were excluded for the purpose of this audit.

This 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, or elected officials.

***Audit
methodology***

Our audit methodology included the following:

- review of relevant committee and Council meeting minutes and reports
- review of the Ontario *Employment Standards Act, 2000*
- review of the Separation Programs and Strategies manual
- review and examination of selected termination documents and records
- recalculation of separation costs

- review and analysis of City’s financial information system data
- interviews with Human Resources, Pension, Payroll & Employee Benefits, Accounting Services, and Legal Services staff
- evaluation of management controls and practices
- review of the Auditor General’s previously issued audit reports related to termination expenses and reports issued by other jurisdictions.

Compliance with generally accepted government auditing standards

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.

AUDIT RESULTS

A. Oversight of Non-Union Employee Separations

Termination decisions are difficult to make, whether they are related to organizational restructuring or other reasons unrelated to misconduct.

Once a decision to terminate the employment relationship has been made, whatever the reason, separation costs are required.

A.1. Separation Costs Should be Tracked and Reported

Separation costs are generally compliant with City policies

Separation costs are determined and approved on a case by case basis. For the most part, our review found that separation costs were awarded in accordance with City policies, procedures and applicable statutory and common law requirements.

Total separation costs are not tracked

The Human Resources Division does not currently track the cumulative separation costs incurred by the City. This information can assist management to monitor overall costs, identify specific divisions or terminations that require further review, evaluate the effectiveness of the current Separation Program, and adjust the program if required.

For example, separation costs can be reviewed on a divisional level. A summary of the total non-union employee separation costs by division from 2011 to 2013 is attached as Exhibit 1.

Separation costs can be analysed for trends or variances

Table 2 below summarizes the separation costs from 2011 to 2013 by amount. Our analysis indicates that 41 employee terminations resulted in a separation amount of less than \$100,000 per employee, which is the largest category. We also note that there were two employees who received separation amounts in excess of \$300,000. These employees had on average 17.5 years of service and held executive and management level positions, which, in combination with additional factors, accounted for the higher separation amounts.

Table 2: 2011 to 2013 Non-union Employee Separation Amounts

Separation Amount Per Employee	# Employees	Total Separation Costs	Average Years of Service
Less than \$100,000	41	\$1,705,341	6.4
\$100,000 to \$199,999	30	\$4,483,239	22.4
\$200,000 to \$299,999	17	\$4,110,502	24.4
Greater than \$300,000	2	\$646,380	17.5
Total	90	\$10,945,462	

Separation costs are not reported

Currently, separation costs are not reported to any council committee or to City Council. In the absence of reported information, it is difficult to determine whether separation costs have been regularly monitored.

Regular monitoring and reporting would assist with oversight and accountability

Although there are no reporting requirements, regular monitoring and reporting of cumulative separation costs should be reported to the Employee and Labour Relations Committee on a periodic basis. Reporting out on separation costs is an opportunity for the City to further strengthen oversight and accountability.

Recommendations:

- 1. City Council request the Executive Director, Human Resources Division to regularly track non-union employee separation costs.**
- 2. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to report annually, to the Employee and Labour Relations Committee on cumulative non-union employee separation costs. The information reported should include a sufficient level of detail and analyses that allows adequate oversight of separation costs, while ensuring that personal information is protected.**

A.2. Approval Process Should be Reviewed

There is a need to review the approval process and ensure that the appropriate approvals are documented.

Separation Program settlements require approval from Executive Director

For terminations under the Separation Program Position Termination Approach, the required approvals are set out in the Separation Program and Strategies manual. It states that the “*Executive Director, Human Resources approves the separation settlement and signs the comments section [of the Separation Payment Calculation and Approval form] if authorizing any exception*”.

Director approval was obtained instead

Our review found that all separation approval forms were signed-off by the Director, Strategic Recruitment, Compensation & Employment Services and not by the Executive Director.

Separation costs outside the guidelines may be necessary

For complex situations and special cases, consultation with Legal Services may be required. Such cases can result in separation costs that are outside the standard Separation Program guidelines.

In these cases, the Separation Program provides authority to the Executive Director to approve such exceptions after having received legal advice. The procedures as set out in the manual state that “*Exceptions are identified on the comments special issues section of the Separation Payment Calculation and Approval form. This section is signed by the Executive Director before exceptional amendments are processed.*”

***Executive
Director
authorization
was not
documented***

We identified three employee terminations under the Separation Program that resulted in separation costs outside the standard guidelines. These amounts were approved by the Director. We did not find any documented approvals or other forms of written communication from the Executive Director in the employees' termination files.

Management has advised that the existing consultation and approval procedures of the Separation Program also apply to terminations without cause.

***City Manager
approval likely
more appropriate
in some cases***

For two particular cases of termination without cause, the separation agreements made were unusual. These involved exceptional arrangements that likely should have been approved by the City Manager. In these two particular cases, separation payments were negotiated to be paid out at a future date. In the meantime, these employees were allowed to remain at the City working on specific special projects. In addition, separation payments were calculated at the conclusion of the temporary assignments.

These payments were based on the salary levels and total years of service at the conclusion of the temporary assignments which were 23 years and 24 years respectively. While we understand that these payments were awarded in accordance with common law practice, there was nothing to preclude the City from calculating separation costs when the positions were initially terminated.

We were advised that both the former City Manager and the former Executive Director at the time were aware of the separation arrangements offered. However, there were no documented approvals or written communications on file.

We have discussed both of these separation arrangements with the current City Manager who indicated that he was unaware of the specific arrangements and would have not approved the arrangement if he had been aware of it.

Separation arrangements which deviate from the standard policy and procedures should be approved without exception by the City Manager.

Separation Payments to Human Resources Division Employees

Potential conflict of interest risk

There were two employee terminations within the Human Resources Division that resulted in separation payments. In both cases, the separation amount was awarded and approved within the Separation Program guidelines. However, since the Executive Director and the Director approve their own division's staff terminations, this gives rise to a conflict of interest risk.

Risk can be further mitigated

Although such decisions are made in consultation with Legal Services, the conflict of interest risk could be mitigated by ensuring that City Manager approval is obtained.

Recommendations:

- 3. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division, to review the current process for approving separation costs in order to ensure that the authorization levels are appropriate in the circumstances. In particular, the process should require the City Manager to approve non-union terminations involving exceptional separation arrangements as well as terminations that would give rise to a conflict of interest risk.**
- 4. City Council request the City Manager, to ensure that all separation costs, including any exceptions, are documented and approved in accordance with the required approvals set out in the Separation Program.**

A.3. “Comparable Employment” Provisions Should be Reviewed

Separation costs could be reduced

The City's Separation Program Position Termination Approach was designed to assist terminated employees by providing them with a bridge to re-employment. The Separation Program attempts to balance the need to ensure fairness and equity for employees, while recognizing the financial constraints faced by the City.

“Comparable Employment” factors

The Separation Program contains a provision whereby the separation amount is reduced if the terminated employee obtains comparable employment during the separation period. The factors used to determine whether “comparable employment” has been secured include:

- requires similar skills, knowledge and experience;
- the combined wages/salary and benefits are at least 90 per cent of those of the former job;
- similar hours of work; and
- the nature/term of the employment is the same.

Obligations to notify the City if comparable employment found

Terminated employees are required to sign an “Agreement of Notification of Comparable Employment” prior to receiving any separation payments. Accordingly, the employee is obligated to notify the City if comparable employment is found or to consult with the City’s staff on this issue.

Third-party reporting of new employment

In situations where a third-party reports that a terminated employee is employed elsewhere, Human Resources Division staff would take the necessary steps to confirm the accuracy of the information.

The same comparable employment provisions apply to employees terminated without cause.

One instance of reported comparable employment

In our sample review of 21 terminations, only one employee declared comparable employment. Management has advised that no other terminated employees have reported or enquired about comparable employment to date.

Our review of publicly available information on the internet identified another former employee who appears to have found employment elsewhere while still receiving separation payments. Management has advised it is currently taking the necessary steps to determine whether the new employment is comparable.

A more proactive approach may be beneficial

For the most part, the City relies on the terminated employee to notify staff of any change in employment status. However, the City can take a more proactive approach to ensure the provisions are followed. This will minimize the risk of overpayment.

This issue was previously identified in a 2003 Auditor General in-camera report, “Employee Separation Program Payment Review”.

Recommendation:

- 5. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to consider developing and implementing proactive measures to identify terminated employees who have found employment elsewhere to ensure the comparable employment provisions are being followed. Steps to be considered should include but not be limited to:**
 - a. periodically mail out notices to employees who receive a separation payment, inquiring as to their employment status;**
 - b. periodically perform search of publicly available information on the internet; and**
 - c. recover overpayments where appropriate.**

A.4. Formal Review of the Separation Program Should be Performed

Program was last reviewed in 2011 by Legal Services

A review of the City’s Separation Program was last performed by the Legal Services Division in 2011. That review confirmed that the Separation Program continued to comply with the provisions of the ESA and common law.

Informally, there is regular communication between Human Resources and Legal Services Divisions to monitor employment law issues as they relate to the Separation Program and employee terminations.

Periodic reviews help ensure compliance and effectiveness of the Program

While there are no requirements to do so, formal reviews of the City’s Separation Program would help ensure that it continues to be consistent with the City’s obligations pursuant to the ESA, common law and other legal factors. Periodic reviews will also assist management in evaluating the effectiveness of the program and identify areas for improvement on a timely basis, such as the areas identified in this report.

As was done when the Separation Program was first developed, the City should also review the policies and programs of other municipalities and organizations to identify best practices.

Furthermore, the Separation Program and Strategies manual should be updated in conjunction with any formal reviews.

Recommendation:

- 6. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to conduct a formal review of the City's Separation Program on a periodic basis, to ensure that the program remains fair and consistent with the practices of other municipalities and organizations, employment legislation and common law practices. All revisions should be reflected in the Separation Program and Strategies manual accordingly.**

A.5. Performance Evaluation Process Requires More Rigor

Certain employees have been terminated without cause generally because their work performance is below expectations. Certain of those employees are long serving and have been employed by the City for many years. In some cases, annual performance evaluations do not reflect their level of performance. As a result, when a decision is made to terminate these employees, the City has no choice but to terminate them without cause. Consequently, even though these employees are poor performers they are provided with significant separation payments.

In order to mitigate the extent of separation costs, there is a clear need to ensure the performance evaluation process is conducted with more rigor at the City. This would ensure that performance issues are addressed at the earliest possible date and enable the City to make an informed decision on terminating employees with poor performance sooner. While there have been some improvements to the performance management program within the last two years, the current performance review process could be further enhanced in order to mitigate the potential cost of paying higher separation amounts, particularly where terminations may ultimately be required.

Recommendation:

- 7. City Council request the City Manager to work with both Human Resources and Division Heads to ensure that annual performance evaluations clearly reflect employees performance. Documentation be retained for all employees particularly those employees who do not meet expectations.**

B. Accounting for Separation Costs

B.1. Improved Communication is Required

Timely communication is required

Government accounting standards generally require separation costs to be recorded in the City's financial statements when the employee's termination agreement has been finalized. However, when termination decisions and actions are not communicated on a timely basis to Accounting Services Division, the financial information reported may be inaccurate.

Some instances where separation costs not appropriately accounted for

Our review found some instances where the separation costs were not recorded in the correct period due to communication delays. For example, there were two employee terminations in 2011 where the separation costs, totaling \$600,000, should have been reported in 2007. In another example, separation costs of \$145,000 should have been reported in 2013, but the termination agreement had not been communicated to Accounting Services at the time of our audit.

Recommendation:

- 8. City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the Director, Accounting Services, to develop and implement a communication protocol to ensure that separation costs are properly accounted for in the financial statements.**

CONCLUSION

This report presents the results of our review of non-union employee separation costs. For the most part, our review found that separation costs were awarded in accordance with City policies, procedures and applicable regulations. The recommendations in this report identify additional measures that will enhance overall oversight and accounting of separation costs.

Exhibit 1**Total Non-Union Employee Separation Costs By Division from 2011 to 2013**

Division	Year			Grand Total
	2011	2012	2013	(2011-2013)
	\$	\$	\$	\$
311 Toronto	15,537	124,621	23,562	163,720
Affordable Housing Administration		21,250		21,250
Children's Services	22,248	208,583	135,782	366,613
City Clerk's Office			28,721	28,721
City Planning			157,485	157,485
Corporate Finance	18,316			18,316
Deputy City Manager A Office	254,830			254,830
Economic Development & Culture	22,484	268,113	32,945	323,542
Engineering & Construction Services		436,315	64,050	500,365
Equity, Diversity & Human Rights	236,645		90,554	327,199
Facilities Management	8,365	200,983	15,495	224,843
Fire Services	27,745			27,745
Fleet Services			189,168	189,168
Human Resources	285,331		331,775	617,106
Information & Technology	531,317	337,176		868,493
Internal Audit		14,437		14,437
Legal Services	14,861	106,999		121,860
Long-Term Care Homes & Services			289,988	289,988
Municipal Licensing & Standards		274,042	319,961	594,002
Office of the Ombudsman	71,126			71,126
Parks, Forestry & Recreation	424,032	356,640	183,456	964,128
Policy, Planning, Finance & Administration		187,225		187,225
Public Health	229,684	65,750	125,602	421,037
Real Estate Services		52,349	216,048	268,397
Shelter, Support & Housing Administration	168,738	309,204	204,796	682,737
Social Development, Finance & Administration		516,541		516,541
Solid Waste Management	322,336			322,336
Strategic & Corporate Policy		182,637		182,637
Strategic Communications			118,279	118,279
Toronto Building			290,741	290,741
Toronto Water	202,839	383,119	1,065,833	1,651,791
Transportation Services			158,805	158,805
Grand Total	2,856,434	4,045,984	4,043,044	10,945,462

Note: Number of employees are not included in the above as to do so could possibly identify individual employees.

**Management's Response to the Auditor General's Review of the
Opportunities to Enhance the Oversight of Non-Union Employee Separation Costs**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	City Council request the Executive Director, Human Resources Division to regularly track non-union employee separation costs.	X			HR has implemented regularly tracking as of March 2014.
2.	City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to report annually, to the Employee and Labour Relations Committee on cumulative non-union employee separation costs. The information reported should include a sufficient level of detail and analyses that allows adequate oversight of separation costs, while ensuring that personal information is protected.	X			Executive Director HR to meet with City Manager and City Solicitor to determine/finalize reporting format and content. First annual report to the Employee & Labour Relations Committee to be scheduled for 1 st quarter of 2015, for reporting on 2014 non-union separation costs, and thereafter reporting will be on an annual basis.

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
3.	City Council request the City Manager, in consultation with the Executive Director, Human Resources Division, to review the current process for approving separation costs in order to ensure that the authorization levels are appropriate in the circumstances. In particular, the process should require the City Manager to approve non-union terminations involving exceptional separation arrangements as well as terminations that would give rise to a conflict of interest risk.	X			Current approval process to be reviewed immediately with any necessary changes to meet this recommendation to be implemented effective July 2014.
4.	City Council request the City Manager, to ensure that all separation costs, including any exceptions, are documented and approved in accordance with the required approvals set out in the Separation Program.	X			To be implemented immediately, effective June 2014.

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
5.	<p>City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to consider developing and implementing proactive measures to identify terminated employees who have found employment elsewhere to ensure the comparable employment provisions are being followed. Steps to be considered should include but not be limited to:</p> <ul style="list-style-type: none"> a. periodically mail out notices to employees who receive a separation payment, inquiring as to their employment status; b. periodically perform search of publicly available information on the internet; and c. recover overpayments where appropriate. 	X			City Manager, Executive Director HR and City Solicitor to consider measures outlined in recommendation and implement new procedures for last quarter of 2014.

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
6.	City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the City Solicitor, to conduct a formal review of the City's Separation Program on a periodic basis, to ensure that the program remains fair and consistent with the practices of other municipalities and organizations, employment legislation and common law practices. All revisions should be reflected in the Separation Program and Strategies manual accordingly.	X			A formal review to be conducted every 3 years, beginning in 2014.
7.	City Council request the City Manager to work with both Human Resources and Division Heads to ensure that annual performance evaluations clearly reflect employees performance. Documentation be retained for all employees particularly those employees who do not meet expectations.	X			The performance management system was enhanced in 2012 with further improvements made in 2014. HR will continue to identify opportunities for program enhancements and the City Manager will direct management to be diligent about providing effective performance feedback to employees and maintaining appropriate documentation.

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
8.	City Council request the City Manager, in consultation with the Executive Director, Human Resources Division and the Director, Accounting Services, to develop and implement a communication protocol to ensure that separation costs are properly accounted for in the financial statements.	X			To be implemented immediately – June 2014.