



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Continuous Controls Monitoring – 12 Month Review of
City Overtime, Standby Pay and Mileage Expenses, 2014**

Date:	April 22, 2015
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

Since 2011 the Auditor General's Work Plan has included a project in relation to continuous controls monitoring of 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.

Since the initiation of this program in 2011, the Auditor General has been providing management with continuous monitoring reports on a periodic basis for their review and comments.

This current report provides the results of our review of City overtime costs, standby payments and mileage reimbursement costs from January 1, 2014 to December 31, 2014. A separate report on 2014 staff absenteeism will be tabled at the June 26, 2015 Audit Committee.

Our analysis of 2014 staff overtime identified the following:

- City overtime increased from \$43 million in 2013 to \$51.5 million in 2014 for an increase of \$8.5 million or 19.8 per cent. Overtime has increased in each of the past two years. In 2013, the increase in overtime when compared with 2012, was \$4.2 million or 10.8 per cent.
- The number of staff with overtime exceeding 30 per cent of their base pay increased from 105 in 2013 to 199 in 2014, an increase of almost 90 per cent.

- Overtime in Transportation Services, Toronto Water and Solid Waste Management Divisions each increased by over one million dollars during 2014 when compared with 2013 levels.
- Overtime in Employment and Social Services increased from 98,843 in 2013 to 769,659 in 2014, an increase of \$670,816. According to management the increase was due to the implementation of a new provincial information technology system for Ontario Works. Costs related to this project were entirely funded by the Province.
- Standby pay increased from \$5.3 million in 2013 to \$5.7 million in 2014, an increase of over seven per cent or \$400,000.
- Employee mileage reimbursements reduced by \$100,000 in 2014

From the inception of the Continuous Controls Program in 2011 City overtime expenses decreased until 2013 when overtime expenses rose by \$4.2 million when compared with 2012. According to management, a portion of the 2013 increase was related to severe weather related emergencies in the City

Management indicates that the 2013 winter storm effect continued in 2014 and significant overtime was spent in the aftermath and clean-up that continued in 2014. In addition, extreme cold weather in 2014 also resulted in broken water-mains contributing to higher overtime in the Toronto Water Division.

The Auditor General's 2015 Audit Work Plan includes a review of long term disability. As part of this review, the impact of staff absenteeism on overtime will also be analysed.

Appendix 1 provides comparative details of 2013 and 2014 divisional overtime expenses.

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, the continuous controls monitoring program is expected to strengthen controls and timely communication of trends in selected expenses.

DECISION HISTORY

The Auditor General's 2014 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://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.AU13.4>

COMMENTS

The use of continuous controls monitoring was initiated in early 2011. Since then, the Auditor General has consistently provided management with exception reports based on selected criteria on a periodic basis. The Auditor General has also provided City Council through Audit Committee, with periodic reports on Continuous Controls Monitoring every year. These reports are available at:

2013 Reports:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=3954e03bb8d1e310VgnVCM10000071d60f89RCRD>

2014 Reports:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=d46d902e72464410VgnVCM10000071d60f89RCRD>

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 2013 we included staff absenteeism and in 2014 continuous monitoring was also initiated on City telecommunication expenses.

Overtime has increased in each of the past two years. In 2013, overtime increased by 10.8 per cent when compared with 2012 and in 2014 overtime increased by 19.8 per cent over 2013 levels.

Table 1 provides data for staff overtime, standby pay and mileage payments from 2010 to 2014. The amounts provided represent selected payment types covering the majority of related expense categories.

Table 1: Staff Overtime, Standby Pay and Mileage Payments from 2010 to 2014

Description	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Total Overtime	\$51.5 million	\$43.0 million	\$38.8 million	\$41 million	\$45 million
Overtime Hours	1,144,000	995,000	907,500	984,400	1.08 million
Number of Staff with Overtime > 30% of Annual Pay	199	105	124	146	212
Total Standby Pay*	\$5.7 million	\$5.3 million	\$5.4 million	\$5.7 million	\$5.5 million
Standby Hours	129,600	124,600	128,000	139,000	138,000
Number of Staff with Standby Pay > 15,000 annually	48	35	53	62	46
Staff Mileage	\$3.3 million	\$3.4 million	\$3.4 million	\$3.9 million	\$4.2 million
Total Kilometers paid	6.2 million	6.5 million	6.5 million	7.5 million	8 million
Number of Staff > 10,000 km of mileage in Annual Claims	5	9	17	37	53

*Continuous monitoring for standby pay initiated in 2012

As part of the Continuous Controls Monitoring Program, the Auditor General requested management to review unusual levels of overtime, standby pay and mileage reimbursements identified by the Auditor General. Management responses indicate varied reasons including the work required as a result of extreme weather events and unfilled staff vacancies resulting in increased overtime costs. In order to address year over year increases in overtime, management should consider more proactive action in planning and authorizing overtime.

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.

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 TTC to include staff absenteeism as well.

CONTACT

Alan Ash, Director, Auditor General's Office
Tel: 416-392-8476, Fax: 416-392-3754, E-mail: aash@toronto.ca

Syed Ali, Senior Audit Manager, Auditor General's Office
Tel: 416-392-8438, Fax: 416-392-3754, E-mail: sali4@toronto.ca

SIGNATURE

Beverly Romeo-Beehler, Auditor General

ATTACHMENT

Appendix 1: City of Toronto Divisions, Comparative Summary of Overtime, January – December 2013 and 2014

Appendix 1

**City of Toronto Divisions
Comparative Summary of Overtime
January - December 2013 and 2014**

City Divisions	2014		2013		Increase/(Decrease)	
	Amount(\$'s)*	Hours	Amount(\$'s)*	Hours	Amount(\$'s)*	Hours
Overtime in Excess of \$500K						
Paramedic Services	9,645,424	155,920	8,976,687	146,272	668,737	9,648
Toronto Water	8,644,046	169,562	7,414,625	148,260	1,229,421	21,302
Solid Waste Management	5,645,567	130,693	4,037,311	95,654	1,608,256	35,039
Parks, Forestry & Recreation	5,573,355	132,007	4,606,075	114,635	967,280	17,372
Transportation Services	5,022,669	100,037	3,726,237	76,123	1,296,432	23,914
Long-Term Care Homes & Services	4,198,540	126,584	3,450,423	124,439	748,117	2,145
Fire Services	3,234,255	147,339	3,241,553	142,900	(7,298)	4,439
Shelter, Support & Housing Administration	1,165,407	24,748	1,093,849	24,090	71,558	658
Public Health	1,118,738	19,610	908,206	15,809	210,532	3,801
Engineering & Construction Services	1,048,744	18,068	778,796	13,698	269,948	4,370
Facilities Management	845,412	18,293	1,221,463	27,664	(376,051)	(9,371)
Toronto Building	774,646	11,903	870,816	13,342	(96,170)	(1,439)
Employment & Social Services	769,659	13,779	98,843	1,691	670,816	12,088
Information & Technology	678,572	10,646	513,053	8,249	165,519	2,397
Corporate Security	619,112	15,099	122,778	3,288	496,334	11,811
	48,984,146	1,094,288	\$41,060,715	956,114	\$7,923,431	138,174
Other Divisions: Overtime under \$500K	2,509,070	49,720	\$1,989,219	38,902	\$519,851	10,818
Total:	51,493,216	1,144,008	\$43,049,934	995,016	\$8,443,282	148,992

*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