



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Continuous Controls Monitoring Program – Toronto Transit Commission, 12-Month Review of Employees Overtime and Related Expenses, 2014

Date:	March 27, 2015
To:	TTC Audit Committee
From:	Beverly Romeo-Beehler, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General initiated continuous controls monitoring of overtime and other payroll related expenses at the City in 2011. This program was expanded to Toronto Transit Commission in 2012. The objective of the program is to develop exception reports to proactively identify unusual levels of overtime and other expenses on an ongoing basis.

Since the initiation of this program, the Auditor General has been providing continuous monitoring reports to TTC management on a periodic basis. These reports provide information related to staff with unusual levels of overtime and other payroll related expenses.

The purpose of this report is to provide the results of our analysis of staff overtime and other payroll related costs for 2014 and management's comments on the analysis. A comparative analysis of 2014 and 2013 TTC staff overtime is provided in Appendix 1.

Our analysis of TTC's payroll identified certain areas for follow-up by TTC management.

- Total staff overtime for 2014 increased by \$5.3 million or 6.8 per cent when compared to 2013. We note that overtime has increased in each of the past two years. In 2013, the increase in overtime when compared with 2012, was \$11 million or 17 per cent.
- The number of staff with unscheduled overtime exceeding 50 per cent of their base pay increased from 106 in 2013 to 132 in 2014, an increase of 25 per cent.
- Staff meal allowance for 2014 was \$304,000, an increase of over eight per cent or \$23,000 from 2013, roughly in line with the increase in overtime during 2014.

In 2013, there were external events, such as summer flooding and a winter storm contributing to the increase in overtime. For 2014, management has provided a mix of factors contributing to increased overtime, such as staff absenteeism, unfilled vacant positions in certain departments, capital projects and additional work in certain areas. However, management has also advised that steps are being taken to fill certain vacant positions and this should help reduce overtime levels.

The Auditor General is in the process of expanding the continuous monitoring program to staff absenteeism and has also included in her audit work plan for 2015 to perform a detailed audit on long term disability, staff overtime and absenteeism. The results of our audit are expected to be presented to the TTC Audit Committee in early 2016.

RECOMMENDATIONS

The Auditor General recommends that:

1. This report be forwarded to the City's Audit Committee for information.

Financial Impact

The recommendation in this report has no immediate determinable financial impact. However, effective management and monitoring of overtime has the potential to reduce operating expenses.

DECISION HISTORY

The TTC Audit Committee at its meeting of April 30, 2012 directed TTC staff to work with the Auditor General on the overtime monitoring and approval process and requested the Auditor General to report back at its next meeting. The meeting documents are accessible on the TTC's Web site at:

http://www.ttc.ca/About_the_TTC/Audit_Committees/Audit_Committee_Meetings/2012/July_26/Minutes/Minutes_April_30.jsp

COMMENTS

The use of continuous controls monitoring was initiated at the City in early 2011. TTC is the first major Agency or Corporation where we have initiated this process.

The Auditor General's role in this process is to accumulate data and report it to management. No detailed audit work is performed on either the data or management related comments. The intent of the process is to identify exceptions where overtime expenditures may be reduced.

We have analyzed TTC payroll information and have developed exception reports covering all divisions within TTC. The exception criteria established for these reports include:

- Staff with unscheduled overtime exceeding 50 per cent of base pay
- Staff with standby pay greater than \$7,500 annually
- Kilometrage – staff with over 10,000 kilometres in annual claims
- Meal allowance reimbursement – staff with over \$1,000 in a calendar year

We note that overtime has increased in each of the past two years and understand there were external events contributing to the 2013 increase. In 2013, the overtime increased by 17 per cent when compared with 2012, and in 2014, it increased by 6.8 per cent over 2013 levels. Our analysis covered all of TTC's more than 13,000 staff for 2014 and noted the following:

Description	December 2014	December 2013	Increase/ (Decrease)
Total Payroll	\$960.0 million	\$923.5 million	\$36.5 million
Overtime as a per cent of annual payroll	8.6%	8.4%	-
Total Overtime*	\$82.8 million	\$77.5 million	\$5.3 million
Number of Staff with Unscheduled Overtime > 50% of Base Salary	132	106	26
Total Standby Pay (included in total overtime)	\$867,000	\$802,000	\$65,000
Number of Staff > \$7,500 Annual Standby Pay	23	20	3
Total Mileage Expenses	\$399,000	\$405,000	(\$6,000)
Number of Staff > 10,000 km of mileage in Annual Claims	1	2	(1)
Total Meal Allowance	\$304,000	\$281,000	\$23,000
Number of Staff > \$1,000 in annual Meal Allowance payments	4	1	3

**includes scheduled overtime of \$9.3 million in each of the years 2014 and 2013*

A summary of overtime statistics by department is attached as Appendix 1.

In performing this review, we requested management comments on each of the 132 instances where the employee's unscheduled overtime exceeded 50 per cent of their base pay. These responses are summarized as follows:

- a) Management anticipates that due to the change in workforce model or increase in staff, the identified overtime levels will not continue for 56 of the 132 identified employees, while 75 employees will continue to have similar overtime levels and, for one staff, management was not sure of the required overtime levels during 2015.
- b) In the Bus Transportation Department, 30 staff met the exception limits. Management has indicated that, "Overtime levels managed as per ESA 2000 and related arbitration language and Collective Agreement" and that the similar levels of overtime will continue during 2015.
- c) In the Subway Transportation Department, 21 met the exception limits. The reason provided by management for excessive overtime for all of the 21 staff is that absenteeism and workforce deficiencies within the department led to excessive overtime. However,

these deficiencies have been addressed and the same level of overtime will not be required in 2015.

- d) In Street Car Transportation, 8 staff were identified with excessive overtime due to staff vacancies in the department.

In addition, TTC capital projects and additional work in certain areas have been identified as contributing factors to high overtime.

The Auditor General is in the process of expanding the continuous controls monitoring program to staff absenteeism and has included it in her audit work plan for 2015 to perform a detailed audit on long term disability and absenteeism. This review will also evaluate whether there is a relationship between high overtime and staff absenteeism. The results of our audit will be presented to Audit Committee in early 2016.

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

The use of continuous controls monitoring of staff overtime and related expenses will assist TTC management in improving internal controls over these expenses.

The purpose of continuous monitoring program is to provide timely information to management to enable it to take corrective action on a timely basis where necessary.

CONTACT

Jerry Shaubel, Director, Auditor General's Office
Tel: 416-392-8462, Fax: 416-392-3754, E-mail: JShaubel@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

13-AGO-02

ATTACHMENTS

Appendix 1: 2014 Overtime Statistics by Department

Appendix 1

2014 Overtime Statistics by Department

Department	Total Pay (\$)	Total Overtime* (\$)	Total Employees	Total Overtime > 50% of Base Pay (\$)	Overtime as Per cent of Base Pay Range (%)	Employees with Overtime > 50% of Base Pay
------------	-------------------	----------------------------	--------------------	--	--	---

Overtime Statistics by Departments –2014

Bus Transportation	299,000,174	22,594,479	4,582	1,537,806	50-89	37
Rail Infrastructure	73,196,700	11,988,027	941	1,029,718	50-72	24
Subway Transportation	58,728,371	8,842,464	846	839,083	50-85	21
Streetcar Transportation	46,235,706	5,782,737	706	534,999	51-74	12
Stations	50,977,137	5,278,288	789	605,030	50-78	15
Plant Maintenance	54,975,838	4,615,290	721	--	--	--
Streetcars	31,752,471	4,377,885	430	503,121	50-79	11
Bus Maintenance and Shops	104,726,263	4,247,038	1,357	39,879	50-51	1
Rail Cars and Shops	57,801,510	4,086,597	794	73,672	55-61	2
Bus Transportation - Wheel Trans	30,760,626	2,709,367	452	84,862	52-79	2
Revenue Operations	12,075,645	1,575,942	167	44,142	57-58	1
Transit Enforcement	6,674,598	1,199,417	86	354,020	50-89	6
Information Technology Services	20,493,938	1,099,189	213	--	--	--
Construction	11,257,850	893,821	109	--	--	--
Materials and Procurement	17,060,555	800,790	219	--	--	--
Training and Development	12,963,007	629,327	146	--	--	--
Other Departments – Overtime less than \$500K	71,389,878	2,067,822	805	--	--	--

Totals – 2014	\$960,070,267	\$82,788,480	13,363	5,646,332	50-89	132
----------------------	---------------	--------------	--------	-----------	--------------	------------

Totals – 2013	\$923,540,274	\$77,541,118	13,048	\$4,373,508	50 - 98	106
----------------------	----------------------	---------------------	---------------	--------------------	----------------	------------

Increase/(Decrease)-%	4.0%	6.8%	2.4%	29.1%	-	24.5%
------------------------------	-------------	-------------	-------------	--------------	----------	--------------

**includes scheduled overtime of \$9.3 million in each of the years 2014 and 2013*