

Continuous Controls Monitoring: City Staff Overtime, Absenteeism, and Other Payroll-Related Expenses

Date: June 30, 2026
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

The Auditor General's 2026 Annual Work Plan¹ included a project on continuous controls monitoring of selected payroll-related expenses at the City.

The objective of this continuous controls monitoring (CCM), a non-audit project, was to highlight unusual transactions and exceptions in payroll-related expenses, including emerging trends, and areas where internal controls may need to be strengthened.

The CCM project uses an exception-based analytics approach to review payroll transactions and trends over multiple years. The areas selected for analysis in this CCM project included:

- Staff overtime, standby and callback payments, and kilometrage reimbursements
- Staff absences, such as paid sick time, ill-dependent leave, and bereavement leave

The following criteria were used to analyze payroll data to identify exceptions for review:

- Employees earning more than 50 per cent of their base salary or more than \$50,000 in overtime
- Staff sick leave, including ill-dependent leave, exceeding 500 hours in a year
- Bereavement leaves exceeding 100 hours in a year

Our analysis found that all the payroll-related areas selected for review increased from 2023 to 2025. In particular, overtime increased by 22.7 per cent (from \$109.4 million to \$134.2 million), while paid sick leave (including ill-dependent) increased by

¹ [Auditor General's Office 2026 Work Plan](#)

20.8 per cent (from \$109.2 million to \$131.9 million) from 2023 to 2025. The report outlines the top five divisions for each area.

We asked management to review the results from our data analysis, and their comments are provided in the appendices 2 to 11 of the report.

Although management has provided many valid explanations for the overall increases, given the significance of these increases and the associated costs, there is a need for a focused review of the drivers of these expenses, along with division-level monitoring of the areas with the largest and fastest-growing costs.

In addition, this report provides four recommendations to strengthen internal controls of payroll-related expenses, including improving the City's Attendance Management Program.

Subject to the availability of resources, the Auditor General may perform this analysis on a periodic basis in the future and encourages management to monitor the selected areas on an ongoing basis.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Chief People Officer, in coordination with the Chief Financial Officer and Treasurer, and the Director, Pension, Payroll & Employee Benefits Division, to review the current Attendance Management Program to:

- a. Evaluate whether historical standards and processes developed in 2001 are still relevant to the ongoing operational needs at the City, and update if it is determined that changes are needed
- b. Enhance corporate oversight and benchmarks to measure effectiveness of the program across divisions, particularly for those with high absenteeism.

2. City Council request the Chief Financial Officer and Treasurer and the Director, Pension, Payroll & Employee Benefits Division, in coordination with the Chief People Officer, to:

- a. Review the sick occurrence transactions provided by the Auditor General and determine, in coordination with the City Solicitor, if any pay adjustments are needed
- b. Determine whether any retroactive review of all Sick–New Occurrence transactions is needed for prior periods, including since the inception of the Sick–New Occurrence policy
- c. Communicate and train staff and supervisors to improve their understanding of

the Sick–New Occurrence policy and exception approval requirements

- d. Coordinate with the Chief Technology Officer to evaluate whether automated controls can be implemented to ensure that the correct Sick–New Occurrence type is entered into the system when this sick time is entered by staff.

3. City Council request the Chief People Officer in coordination with relevant Division Heads, to:

- a. Review the existing exemption lists for payment of overtime to non-union staff, and assess whether job codes described in the lists for payment of overtime to non-union staff remain appropriate in accordance with operational needs
- b. Develop procedures to ensure that these exemption lists are reviewed on a periodic basis
- c. Review the job codes for non-union staff who are paid overtime and are not included in the exemption list as eligible to receive overtime pay, and assess whether this practice remains appropriate in accordance with operational needs.

4. City Council request the Chief Financial Officer and Treasurer, in coordination with relevant Division Heads, to:

- a. Establish a formal process to ensure that work schedule updates entered in divisional timekeeping systems that interface with the City’s payroll system are reflected accurately and in a timely manner and that periodic reconciliations are performed to confirm both systems are aligned
- b. Implement monitoring controls to identify and promptly resolve schedule mismatches between the systems
- c. Review the list of exceptions provided as a result of this report and determine whether any payroll adjustments are required.

FINANCIAL IMPACT

Addressing the recommendations contained in this report will strengthen internal controls for payroll-related expenses, including the City’s Attendance Management Program, and may result in potential savings to the City. The extent of financial benefits cannot be determined at this time.

DECISION HISTORY

The Auditor General’s 2026 Work Plan included a project on City-wide data analytics and continuous controls monitoring of selected payroll-related expenses at the City.

The Auditor General has issued the following continuous controls monitoring reports to date.

1. [Employee Overtime \(October 20, 2011\)](#)
2. [Review of Employee Overtime and Mileage Reimbursements \(February 7, 2012\)](#)
3. [Review of City Staff Absenteeism \(March 14, 2013\)](#)
4. [Review of City Staff Absenteeism \(May 31, 2013\)](#)
5. [12-Month Review of City Staff Absenteeism, 2013 \(May 5, 2014\)](#)
6. [12 Month Review of City Overtime, Standby Pay and Mileage Expenses, 2014 \(April 22, 2015\)](#)
7. [City Accounts Payable – January 1 to September 30, 2015 \(February 16, 2016\)](#)
8. [City Staff Absenteeism for 2015 \(September 21, 2016\)](#)

COMMENTS

A high-level summary of key audit findings is provided in the 'At a Glance'.

The attached audit report provides the Audit Committee and Council members with the results of our analysis and recommendations together with management's response, and management's comments from the key divisions in Appendices 2 to 11. Management has agreed to all four recommendations.

The Auditor General will follow-up on the status of implementation of recommendations after they are fully implemented and will update the Audit Committee and City Council accordingly.

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SIGNATURE

Tara Anderson
Auditor General

ATTACHMENTS

Attachment 1: Continuous Controls Monitoring: City Staff Overtime, Absenteeism, and other Payroll-Related Expenses