

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 13, 2010

SUBJECT: INTERNAL AUDIT REPORT – EMPLOYEE RELATIONS AND
COMPENSATION AND BENEFITS

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive for information the attached Internal Audit Report.

BACKGROUND

Internal Audit provides the Commission with independent evaluations of the efficiency and effectiveness of control systems, and operations. Internal Audit is also required to provide recommendations for improvement.

Richard G. Beecroft
Chief Auditor

April 13, 2010
01-23

Attachment – Internal Audit Report

**CHIEF GENERAL MANAGER'S OFFICE
HUMAN RESOURCES DEPARTMENT**

EMPLOYEE RELATIONS AND COMPENSATION AND BENEFITS

Covering Period:
January 2006 to July 2008

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EXECUTIVE SUMMARY

This audit assessed the management controls and program delivery of the Employee Relations section and the Compensation and Benefits section within the Human Resources Department. An Exit Meeting was held on April 9, 2009 with the Executive Director – Human Resources and the Audit Manager to discuss the audit.

There was agreement with Audit’s findings which identified the need to review and improve the administration and control process for case file management practices within the Employee Relations section.

Audit also noted that the Compensation and Benefits section should periodically review the various recognition programs and assess if they are achieving value for money.

Management has committed to taking corrective action in addressing noted areas of concern.

We wish to express our thanks for the co-operation and assistance from all parties during the course of the audit.

J. Kennelly
Acting Chief Auditor

K. Draudvila
Audit Manager

FOREWORD

The Employee Relations and Compensation & Benefits Sections are two of the five sections within the Human Resources Department. The Employee Relations section is responsible to negotiate and administer the Collective Agreements. The section also administers and provides support to management for grievance and disciplinary issues and cases. The Compensation & Benefits section is responsible for the design, development, research, analysis, interpretation, administration, communication and monitoring of all aspects of TTC staff and union employee compensation strategies and benefit programs.

AUDIT SCOPE AND OBJECTIVES

SCOPE: The audit included a review of key management, operational and financial controls of Employee Relations and Compensation and Benefits for the period January 2006 to July 2008.

OBJECTIVES: To assess the management and operational controls to ensure:

- accountability and reporting relationships are appropriate for the Commission;
- due regard for economy, efficiency and effectiveness; and
- procedures and processes are in place to measure and report on the Department's activities.

To evaluate the adequacy of financial controls to ensure:

- compliance to Legislative and Commission requirements;
- the timeliness, accuracy, completeness and authority of transactions; and
- the safeguarding and control of assets and other information.

AUDITED ITEMS FOUND ACCEPTABLE

KEY CONTROL	FINDING
Job Analysis and Evaluation	The job evaluation process in place ensures that jobs are evaluated in accordance to the plans established to maintain equity.
Salary and Wage Administration	The process in place has instituted policies that have the overall objective of maintaining competitive wage scales that are equitable and can attract required skills and retain those employed.
Organizational Design	The process ensures that all changes are reviewed to ensure that reporting relationships and accountability are maintained.
Employee Suggestion Plan	The controls in place foster the submission of employee suggestions and ensure that an objective evaluation is undertaken.
Recreation Council	Policies and procedures are in place to control the recreation council and work location councils.
Collective Agreement Management	Controls are in place to plan for, identify contract issues and foster negotiations to reach acceptable collective agreements with the unions representing the TTC's employees.
Labour Relations Education	A mandatory training program is developed and has been delivered to front-line maintenance supervisors and new supervisors as they assume their position.
Polices and Procedures	Procedures and policies are developed for the functions provided by the sections. The section and Toronto Transit Commission (TTC) policies are reviewed on a regular basis and updated.
Security	Personnel information and documentation is stored securely in locked, fire rated filing cabinets. Access to the information is controlled.

KEY CONTROL	FINDING
Payroll and Attendance	Payroll and related records are processed, approved and maintained as required by TTC policy and procedures.
Expenditures	Purchases are made according to TTC policy and procedures. Expenditures such as petty cash, purchasing card, cell phone usage and long distance calls are monitored and controlled.
Records Management	The sections have developed a complete file index and indicated retention periods that conform to the municipal by-law. Records stored in the archives are destroyed in accordance with the retention periods established.

AUDITED ITEMS FOUND UNACCEPTABLE

FINDING #1

DISPUTE RESOLUTION & GRIEVANCE MANAGEMENT

OBJECTIVE: To assess the efficiency and effectiveness of controls put in place to ensure adequate administration of the Dispute Resolution & Grievance Management process.

ANALYSIS: A review of the administration of case file management and file review found inconsistencies and gaps in documentation that support staff decision making and assessments, as well as a lack of an overall quality assurance program and grievance analysis.

Audit found the following weaknesses in the files:

- A lack of a file check list or use of the sections Grievance Summary sheet has resulted in each Employee Relations Consultant maintaining and organizing their files as they see fit. This has resulted in incomplete or missing documentation as well as duplicate copies of confidential information and supporting documentation being maintained in the files,
- The files lacked documented analyses to support and justify decisions and action plans made by the Employee Relation Consultants. Supporting documentation was conflicting or inadequate for some of the grievance files tested. Audit found that 4 of the 6 files that went to mediation lacked the requisite documentation to support the grievance proceedings. In one instance Audit could not locate the complete file for review.
- Grievances are not being responded to in a timely manner. Of the 26, step three, grievance files that were reviewed, 16 (62%) had not been responded to within the 12 calendar days as required by the collective agreement.

Employee Relations Consultant case file are not subject to a quality assurance review. There is no independent review to ensure that all the documentation is contained in the files and decisions are adequately supported.

Audit also noted that human rights complaints are being used by the departments in grievance cases which impacts on the grievance management process. The use of Human Rights database information resulted in a ruling whereby the arbitrator felt that management was influenced by this information in determining employee discipline.

RECOMMENDATIONS:

Management should improve its case file management practices, and implement effective controls so that case files are properly administered and maintained by ensuring that;

- critical case file documents, reports and assessments are identified and maintained in the file,
- grievances are responded to in a timely manner,
- files are independently monitored for quality assurance and compliance with established standards, and
- the use of human rights information by department managers in discipline matters is clarified.

**MANAGEMENT'S
RESPONSE:**

We concur, the following changes to the process have been implemented;

- A "checklist" accompanies a case file when initiated by the Employee Relations Assistant ("ERA"). This checklist ensures that the relevant information is in the file prior to "closing" a file. This responsibility rests with the Employee Relations Consultant ("ERC").
- In order to respond to grievances in a "timely fashion", the ERA assists the ERC's by identifying the due date when a file is initiated. The ERA also produces a report which lists the outstanding cases for each ERC. Outstanding means that the grievance has not yet been scheduled. This report will assist the Director with identifying concerns as it relates to timely responses.
- A process to ensure periodic file audits has been developed between the Director and the ERA. File audits are being scheduled.
- Employee Relations has raised concerns with respect to revealing information contained in the Human Rights database to management when considering discipline. Several options are being explored and further follow-up with the Human Rights Unit is continuing.

Responsibility: Director – Employee Relations

Status: Completed.

FINDING #2

EMPLOYEE RECOGNITION PROGRAMS

OBJECTIVE: To assess if there is a process in place to measure the effectiveness of the recognition programs and that they provide value for money.

ANALYSIS: The Compensation and Benefits section is responsible for administering various employee recognition programs such as; Long Service Recognition, Employee Suggestion Plan, Retirement Gift Program.

There is no formal process to periodically review and assess the various recognition programs to determine if they are still achieving their intended result. The section does not solicit feedback from the recipients. While some program modifications have been made over the years it is based on informal feedback from employees and suggestions during the budget process.

RECOMMENDATIONS: Management should periodically review the various recognition programs and assess if they are achieving value for money, as well as consider other options.

MANAGEMENT'S RESPONSE:

While not formally evaluated, Management does and will continue to get feedback at our Long Service Awards Reception and Employee Suggestion Plan Hall of Fame and comments via the Retirement Gift Program, and believe it is effective. Given the budget constraints we believe these mechanisms are an appropriate source of information for monitoring our programs.

Responsibility: Director – Compensation and Benefits

Status: Ongoing – Completed.