

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 30, 2012

SUBJECT: INTERNAL AUDIT – RAIL TRANSPORTATION DEPARTMENT –
STREETCAR DIVISIONS

INFORMATION ITEM

RECOMMENDATION

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

Joseph L. Kennelly
Chief Auditor (Acting)

April 30, 2012
01-27

Attachment – Internal Audit Report

OPERATIONS BRANCH

RAIL OPERATIONS

RAIL TRANSPORTATION DEPARTMENT

STREETCAR DIVISIONS

**Covering Period:
January 2010 to June 2011**

TABLE OF CONTENTS

	Page No.
EXECUTIVE SUMMARY	ES – 1
FOREWORD	1
AUDIT SCOPE AND OBJECTIVES	1
AUDITED ITEMS FOUND ACCEPTABLE	2
AUDITED ITEMS FOUND UNACCEPTABLE:	
1. Payroll	3
2. Training and Development.....	6
3. Attendance Management	8

EXECUTIVE SUMMARY

This audit assessed the key management and operational controls of the Streetcar Divisions of the Rail Transportation Department. An Exit Meeting was held on December 2, 2012 with the General Manager – Operations Branch, Deputy General Manager – Rail Operations and General Superintendent – Rail Transportation to discuss the findings.

The approved 2011 budget (in thousand \$) for the Divisions is outlined below:

BUDGET	Labour	Non-Labour	Total
Operating	\$ 51,538.3	\$ 542.6	\$ 52,080.9
Capital	---	---	---
TOTAL	\$ 51,538.3	\$ 542.6	\$ 52,080.9

The approved employee positions for the Divisions for 2011 are as follows:

EMPLOYEE POSITIONS	Operating	Capital	Total
Management/Supervisory	44	---	44
Hourly	594	---	594
TOTAL	638	---	638

The audit noted non-compliance with Commission policy an inadequate segregation of conflicting duties with regards to the pre-approval of clerical overtime, a lack of a clear and comprehensive policy regarding the payment of Operators' crew allowances, Operators with expired certifications continuing to operate streetcars in service, and unclear procedures for managing attendance and dealing with problem absenteeism.

There was general agreement on the audit findings and recommendations. Actions had been taken or are underway to address the deficiencies including: the creation of the job positions to provide clerical oversight and assistance in overtime distribution and exception reporting of payroll and workforce issues; the development of a training course and increased qualification requirements for division clerks; eliminating the backlog of overdue streetcar operator recertification, and clarifying the application and reinforcing management's understanding of the Commission's attendance management program.

We wish to express our thanks for the cooperation and assistance provided to us by all parties during the course of this audit.

R. G. Beecroft
Chief Auditor

D. A. Torralba
Audit Manager

FOREWORD

Streetcar Divisions is one of six sections within the Rail Transportation Department and is comprised of the Roncesvalles and Russell divisions. These divisions are responsible for the operation of TTC streetcars providing public transit in the City of Toronto.

AUDIT SCOPE AND OBJECTIVES

Scope: The audit included a review of key management, operational and financial controls of the Streetcar Divisions of the Rail Transportation Department for the period January 2010 to June 2011.

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 Section'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
Sign-Ups	Administrative processes are in place to ensure sign-ups are performed in accordance with union regulations.
Mileage Records	Variations to streetcar mileage are tracked and mileage statistics accurately adjusted.
Vaults	Processes are in place to account and report for all fare vaults at the Divisions.
Special Events	Recurring and new special events are monitored and plans are prepared to reduce impact to service.
Hazard Identification and Risk Assessments (HIRAs)	Work hazards have been identified, assessed, documented and communicated to employees.
Security and Asset Control	Divisional information and assets are safeguarded.

AUDITED ITEMS FOUND UNACCEPTABLE:

FINDING #1

PAYROLL

OBJECTIVE: To assess the effectiveness of the payroll function at the Divisions in ensuring employees are paid correctly in accordance with corporate policy, legislation and collective agreements.

ANALYSIS: The Day General Clerk at each division records overtime hours worked by all the clerks during the week, including his/her own, in a "Tentative Clerical Overtime" sheet. At the end of the week, the Day General Clerk enters clerical overtime hours into the Online Attendance Recording System (OARS) and the resultant report is presented to the Superintendent or Assistant Superintendents for approval.

Audit could not find any evidence of pre-approval by the Superintendent or Assistant Superintendent of the final overtime allocation. Additionally, approval for the weekly OARS report is predominantly based on trust as the Superintendent or Assistant Superintendents relies on the Tentative Clerical Overtime sheets which are merely records of overtime worked and not pre-approved. This practice does not comply with the Commission's "Lieu Time and Overtime" policy which requires overtime worked to be pre-approved by the appropriate authority.

The lack of pre-approval of overtime combined with the lack of segregation of conflicting duties, in that the Day General Clerk could initiate, record and process his/her own overtime, could result in the abuse of the process and expose the Commission to financial loss.

Audit also examined the slip administration processes at both divisions to verify whether deviations to the pre-determine work schedule of streetcar operators are effectively monitored and accurately recorded. Audit noted the manual nature of the slip administration process causing human errors, a lack of review of the payroll documentation submitted to Payroll Accounting, and a lack of clear and comprehensive guidelines on the payment of crew allowances and make up crew values (MUCV), which resulted in incorrect payments to operators and inconsistency in applying the rules for these payments. From a sample of 48 randomly selected instances of slip administration, the following errors were noted:

- five (5) instances where the operators were entitled to crew allowances but were not paid;
- two (2) instances of miscalculated MUCV where one operator was overpaid;

Such errors could potentially trigger union grievances and retroactive payments.

RECOMMENDATION:

Management should:

- ensure segregation of duties is maintained between tracking of overtime and entering payroll information into OARS;
- ensure overtime work is pre-approved and documented, and that the practices at the Divisions comply with Commission policy;
- consider automating the process of slip administration to increase efficiency and reduce likelihood of human errors; in the absence of an automated systems, implement a final review of the documentation prepared for Payroll Accounting prior to submission and review existing forms for potential design improvements to facilitate accurate reporting;
- develop and communicate a clear, comprehensive policy regarding when crew allowances should or should not be paid and ensure such policy is understood by all concerned.

**MANAGEMENT'S
RESPONSE:**

Rail and Bus Transportation are in process of hiring and deploying four District Office Supervisors (DOS), who will provide clerical oversight over overtime distribution, and exception reporting on operating workforce issues (Time sheets, payroll, off-duty sheets, absence reporting, etc)

Rail and Bus Transportation are in process of hiring and deploying a Time Clerk at large transportation divisions to assist with timely and accurate exception reporting. While this does not affect either streetcar division, it does affect YUS Subway Division, whose clerical workforce moves to Wilson Bus. A time clerk will be added to the joint clerical roster managing the workforce for Wilson Bus/YUS subway division.

Transportation has developed a training course for all divisional clerks. This course is being utilized for all new transportation clerks.

Transportation is increasing the qualification requirement for non-signing clerical positions from 2 years as a signing clerk to 4 years.

Status: Three of four DOS's in place. DOS's in place at all Rail Transportation divisions.

Currently assessing clerical needs and documentation utilized at all locations; standardized templates are being developed; training and coaching to be applied following needs assessment. Training program already developed.

Completion: Hire of 4th DOS: February 1, 2012.
Hire of Time Clerk at YUS/Wilson division: February 1, 2012.
Increased qualification for non-signing clerks: Posting for February 1, 2012 amalgamation of Wilson Bus/YUS clerical workforce.

Responsibility: General Superintendent - Rail Transportation
Director - Support Services
Superintendent - Streetcar Transportation

FINDING #2

TRAINING AND DEVELOPMENT

OBJECTIVE: To determine if necessary training to the employees are provided in a timely manner to ensure compliance with the regulations and other requirements.

ANALYSIS: In response to a Rail Safety Audit, the Streetcar Recertification programme was implemented in 2000 requiring all streetcar operators to undergo recertification training every three years. Successful completion of the recertification training is required in order to continue operating a streetcar. Tracking of the Operators training requirements (Recertification) are performed by the Operations Training Department. The Day General Clerks at each division keep track of the Operators whose certificate has expired.

Because of the constant shortage of workforce to fill the normal scheduled crews, Management has not strictly enforced the recertification requirements despite availability of all the necessary information on lapsed certifications. Thus, a number of streetcar operators with expired certifications have been allowed to continue operating streetcars. At the Roncesvalles Division, six streetcar operators in June 2011 and 32 operators in October 2010 operated streetcars with expired certificates. At the Russell Division, 16 Operators with expired certificates operated streetcars in May 2011.

Allowing the Streetcar Operators to operate the streetcars with expired certificate may compromise safety and may also expose the Commission to financial liability.

RECOMMENDATIONS: Management should ensure that Streetcar Operators are certified within the permissible time limit and no Streetcar Operators with expired certificates are allowed to operate streetcars.

**MANAGEMENT'S
RESPONSE:**

Rail Transportation's intent is to change current policy to allow a time buffer between lapse of recertification and disqualification from vehicle operation.

Actions have also been taken to accelerate delivery of recertification training to operators whose recertification dates are overdue.

Status: Backlog of overdue recertifications should be completed by end of January 2012.

Policy Change targeted by Financial Period 6, 2012.

Completion: Ongoing

Responsibility: General Superintendent - Rail Transportation
Manager – Operations Training Department (OTC)
Director – Support Services/Workforce & Budgets

FINDING #3

ATTENDANCE MANAGEMENT

OBJECTIVE: To assess the effectiveness of the attendance management process and controls

ANALYSIS: Audit reviewed randomly selected instances of absenteeism from six board periods and checked related records to determine the effectiveness of the attendance management programme. Streetcar Divisional management is not clear on the procedure to follow when dealing with absenteeism. The presence of three different set of guidelines i.e. "Collective Agreement", "Health and Wellness Process" and Guidelines- Innocent Absenteeism" has added to the divisional management's confusion. Lack of understanding and clarity at the divisional level in applying the principles/procedures of the guidelines resulted in inconsistent approach in managing absenteeism, lack of proper documentation in the employee files and sometimes inaction.

For example, one of the absence incident reviewed involved an employee who was referred for Work Health Assessment after the individual's absences were deemed unacceptable. The assessment indicated that there is no medical condition that exists which prevents the employee from attending work regularly. Despite this assessment, no marked improvement in the attendance of the employee was noted and no action has been taken by the management on this matter.

Absence of a standard and consistent absence management procedure could expose the Commission to financial loss due to increased overtime costs of filling in for absent employees, and increased customer dissatisfaction and customer complaints due to service levels not being met. In addition, management's inaction on problem absenteeism cases as cited above may result in abuse by the operators. Lack of proper documentation may undermine any disciplinary actions taken against an employee to address problem absenteeism

RECOMMENDATION: Streetcar divisional management should clarify what the approved and official attendance management procedure is and adopt those procedures.

**MANAGEMENT'S
RESPONSE:**

Rail Transportation acknowledges there was staff confusion regarding attendance management strategies (At Work and Absence from Work procedures per Appendix E of the Collective Agreement vs. the Health and Wellness Process recommended by the Mercer consultants).

The Health and Wellness position has been removed from divisional locations and staff have been redirected to apply attendance expectations according to the At Work Program as formalized in Appendix E of the collective agreement.

Actions have been taken to reinforce understanding of the At Work process with Divisional Staff at all Rail Transportations.

Status:

Action complete with commitment for annual review and training of new staff.

Completion:

October 12, 2011

Responsibility:

General Superintendent - Rail Transportation