

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 25, 2013

SUBJECT: AUDITOR GENERAL'S REPORT – CONTINUOUS CONTROLS
MONITORING PROGRAM – TORONTO TRANSIT
COMMISSION, SIX-MONTH REVIEW OF EMPLOYEES
OVERTIME AND RELATED EXPENSES, 2013

ACTION ITEM:

RECOMMENDATION

It is recommended that the TTC Audit Committee:

- (1) Receive for information the attached report from the Auditor General's Office, City of Toronto, on the update status of the Continuous Controls Monitoring Program – Toronto Transit Commission, Six-month Review of Employees Overtime and Related Expenses, 2013; and
- (2) Forward the report to a regular meeting of the City Audit Committee.

BACKGROUND

The Auditor General advised the TTC Board at the December 19, 2012 meeting that the development of an ongoing process to identify unusual levels of employee overtime had been initiated at the City. The Auditor General further advised that a similar process was being undertaken at the TTC.

The project, known as continuous controls monitoring, includes an ongoing review and analysis of employee overtime as well as other employee related expenses.



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Continuous Controls Monitoring Program –
Toronto Transit Commission, Six-month Review of
Employees Overtime and Related Expenses, 2013**

Date:	August 15, 2013
To:	TTC Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

In 2012 the Auditor General's Office implemented a continuous control monitoring process for overtime and other payroll related expenses at the Toronto Transit Commission (TTC).

The first set of continuous monitoring reports for the twelve months ended December 31, 2011 and six months ended June 30, 2012 were provided to the TTC in July 2012. Since then, we have been providing these reports to the TTC on a periodic basis at the end of each quarter. The purpose of providing these reports is to inform management of employees with overtime and other payroll expenses meeting predetermined exception criteria. Such reporting provides management with a timely opportunity to take corrective action where necessary.

In March 2013, the Auditor General issued the first full year comparative report on TTC overtime and other payroll expenses. The report provided information related to costs incurred during 2011 and 2012. The report is available at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-59277.pdf>

We have now finalized the data for the six months ended June 30, 2013 and note that total overtime for the first half of 2013 increased by \$5 million compared to the first six months of 2012. The purpose of this report is to provide the results of our analysis of staff overtime and other related costs together with management comments on the analysis.

Our analysis of TTC's payroll identified certain areas for follow-up by TTC management. We noted the following:

- Total staff overtime increased by approximately 15 per cent, or \$5 million, during the first six months of 2013 to \$38.9 million when compared with \$33.9 million in the first six months of 2012. We will continue to monitor this level of overtime and provide management with periodic reports and provide Council our annual wrap-up report for 2013.
- Staff mileage expenses declined from \$244,000 in the first six months of 2012 to \$216,000 in 2013, a reduction of \$28,000.
- Staff meal allowance for the first six months of 2013 was \$146,000, an increase of \$16,000 from 2012. This increase is attributed to increased overtime as more meal allowance claims were made due to increased overtime hours worked.

The TTC has undergone significant reorganization during 2012 and 2013. As a result, it has not been possible to perform department level comparative analyses of overtime for the first six months of 2012 and 2013. We have been advised that such analysis will be available for the year end overtime report.

Management comments on the data provided indicate that for most part the overtime incurred was justified. However, in certain areas, it is apparent that staff absenteeism was a factor for increased overtime. It is our intent to expand our continuous monitoring program to staff absenteeism and we will be discussing this with TTC management staff in the near future. We initiated similar monitoring for staff at City Divisions during 2013.

RECOMMENDATION

The Auditor General recommends that:

1. The TTC Audit Committee receive this report for information and forward this report to the City Audit Committee through the Commission.

Financial Impact

The recommendation in this report has no immediate determinable financial impact. However, it is expected that ongoing savings and efficiencies will be realized due to regular monitoring of payroll related expenses and corrective actions on a timely basis.

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/index.jsp

COMMENTS

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

We have analyzed TTC payroll information and have developed exception reports covering all departments within TTC. The first set of reports for the 12 months ended December 31, 2011 and six months ended June 30, 2012 were provided in July 2012. Since then, we have regularly analyzed TTC payroll data and have provided TTC management with exception reports at the end of each quarter. 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 – over 10,000 kilometres in annual claims
- Meal allowance reimbursement – over \$1,000 in a calendar year

Our analysis covered all of TTC's over 13,000 staff for 2013 and noted the following:

	June 30, 2013	June 30, 2012	Increase/ (Decrease)
Total Overtime*	\$38.9 million	\$33.9 million	\$5 million
Total Overtime - Percent of Total Pay (Annualized) - %	8.4%	7.7%	0.7%
Number of Staff with Unscheduled Overtime > 50% of Base Salary	86	92	(6)
Total Standby Pay (included in total overtime)	\$410,000	\$378,000	32,000
Number of Staff > \$7,500 Annual Standby Pay	16	22	(6)
Total Mileage Expenses	\$216,000	\$244,000	(\$28,000)
Number of Staff > 10,000 km of mileage in Annual Claims	5	7	(2)
Total Meal Allowance	\$146,000	\$130,000	\$16,000
Number of Staff > \$1,000 in Meal Allowance in annual payments	--	3	(3)

**includes scheduled overtime of \$4.8 million in 2013 and \$4.6 million in 2012*

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

In performing this review, we requested management to respond to each of the 86 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 the overtime levels will continue for 52 of the 86 identified employees with overtime levels exceeding 50 per cent of annual base pay.
- b) In the Collector Division, 11 staff were identified with excessive overtime, reasons provided by management for 10 of these staff is that absenteeism within the department led to excessive overtime.
- c) In the Rail Infrastructure Division, for 13 out of 25 instances, management indicated that overtime was due to maintenance of an increased number of defects identified through testing of tracks.

For clarity, our role in this process is to accumulate data and report it to management. We do not perform any detailed audit work on either the data or management comments related to the expenditures incurred. The intent of the process is to assist management in identifying where overtime expenditures may be reduced.

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. In 2012, the total overtime decreased by \$5.5 million, a reduction of approximately 8 per cent compared to 2011. However, this trend has reversed in that there has been an increase of 15 per cent in overtime during the first six months of 2013 compared to the first six months of 2012.

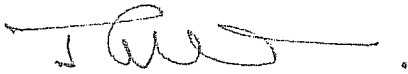
The purpose of continuous monitoring program is to provide timely information to the management to enable it to take corrective action on a timely basis where necessary.

CONTACT

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SIGNATURE



Jeff Griffiths, Auditor General

13-AGO-02

ATTACHMENTS

Appendix 1: Toronto Transit Commission, Overtime Statistics by Departments –
June 30, 2013

**Toronto Transit Commission
Overtime Statistics by Departments – June 30, 2013**

Department	Total Pay (\$)	Total Overtime* (\$)	Total Employees	Total Overtime > 50% of Base Pay (\$)	Unscheduled Overtime as Per cent of Base Pay Range (%)	Employees with Overtime > 50% of Base Pay
Bus Transportation	\$281,701,144	\$10,087,796	4,392	\$329,500	50-67%	15
Rail Infrastructure	77,982,057	6,153,002	1,039	537,000	51-71	25
Subway Transportation	52,961,930	4,426,148	763	437,500	50-86	19
Rail Cars and Shops	74,185,842	2,936,336	1,051	89,600	51-65	4
Streetcar Transportation	45,031,496	2,677,083	694	134,500	51-64	6
Bus Maintenance	107,112,616	2,490,784	1,447	23,000	55	1
Plant Maintenance	62,233,127	2,354,045	856			
Collectors	27,220,911	2,141,487	428	231,200	51-67	11
Wheel-Trans	29,276,185	1,233,094	437	39,300	52-59	2
Revenue Operations	9,227,772	613,668	140			
Information Technology Services	19,719,379	511,370	215			
Construction	10,593,390	456,759	108	30,500	52	1
Training and Development	11,926,829	371,175	136			
Materials and Procurement	17,422,867	368,892	240			
Station Janitors	18,343,894	337,403	346	40,400	65-67	2
Transit Enforcement	4,958,057	316,734	59			
Other Departments	70,967,479	1,377,356	855			
Totals – June 30, 2013	\$920,864,975	\$38,853,132	13,206	\$1,892,500	50-86%	86

**includes scheduled overtime of \$4.8 million in 2013*