

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** May 28, 2014

**SUBJECT:** AUDITOR GENERAL'S REPORT – CONTINUOUS CONTROLS  
MONITORING PROGRAM – TORONTO TRANSIT  
COMMISSION, 12-MONTH REVIEW OF EMPLOYEES  
OVERTIME AND RELATED EXPENSES, 2013

**ACTION ITEM:**

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## RECOMMENDATION

It is recommended that the TTC Board:

- (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, 12-Month Review of Employees Overtime and Related Expenses, 2013;
- (2) Approve the forwarding of the attached report for information to the Audit Committee of the City of Toronto.

## 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.

At its meeting on May 12, 2014, the TTC Audit Committee received the Auditor General's report and approved forwarding the report to a regular meeting of the Board and then to the Audit Committee of the City of Toronto.

The TTC Audit Committee moved the following two ancillary motions:

1. As part of the 2015 budget process, that staff report back on possible ways to reduce overtime, including a review of Operator work rules and the spareboard complement.

2. With the reduction in subway passenger traffic on Fridays of summer long weekends, the TTC Audit Committee directed staff to report back to the June TTC Board meeting on the feasibility of starting subway closures earlier for summer long weekends.

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1-27

Attachment



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Continuous Controls Monitoring Program –  
Toronto Transit Commission, 12-Month Review of  
Employees Overtime and Related Expenses, 2013**

<b>Date:</b>	April 18, 2014
<b>To:</b>	TTC Audit Committee
<b>From:</b>	Jeff Griffiths, Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

The Auditor General initiated continuous control monitoring of overtime and other payroll related expenses at the Toronto Transit Commission in 2012. The objective of the program is to develop exception reports to pro-actively identify unusual levels of overtime and other expenses on an ongoing basis.

Since the initiation of the program, the Auditor General has provided continuous monitoring reports to TTC management on a periodic basis. The reports provided 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 2013 and management's comments on the analysis. A comparative analysis of 2013 and 2012 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 increased by 17 per cent or \$11 million in 2013 to \$77.5 million when compared with \$66.5 million in 2012.
- The number of staff with unscheduled overtime exceeding 50 per cent of their base pay increased from 74 in 2012 to 106 in 2013, an increase of 43 per cent.
- Staff mileage expenses declined from \$437,000 in 2012 to \$405,000 in 2013, a reduction of over 7 per cent or \$32,000.

- Staff meal allowance for 2013 was \$281,000, an increase of 13 per cent or \$33,000 from 2012.

Management comments on the data provided indicate that for most part the overtime incurred was justified and have provided certain detailed information relating to circumstances giving rise to some of the increase in overtime levels. In certain areas staff absenteeism was a factor for increased overtime. It is our intent to expand our continuous monitoring program to staff absenteeism. We have initiated discussion with TTC management and intend to finalize our criteria and reports by the end of 2014.

A detailed management response on 2013 overtime expenses from the TTC Chief Executive Officer is enclosed as Appendix 2.

## **RECOMMENDATIONS**

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### **The Auditor General recommends that:**

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

### **Financial Impact**

The recommendations in this report have 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](http://www.ttc.ca/About%20the%20TTC/Audit%20Committees/Audit%20Committee%20Meetings/2012/July%2026/Minutes/Minutes%20April%2030.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.

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 have analyzed TTC payroll information and have developed exception reports covering all divisions within TTC. The first set of reports on continuous monitoring was provided to TTC management in July 2012. Since then, we have regularly analyzed TTC payroll data and have provided TTC 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 – staff with over 10,000 kilometres in annual claims
- Meal allowance reimbursement - over \$1,000 in a calendar year

Our analysis covered all of TTC’s approximately 13,000 staff for 2013 and 2012 and noted the following:

	<b>December 31, 2013</b>	<b>December 31, 2012**</b>	<b>Increase/ (Decrease)</b>
Total Overtime*	\$77.5 million	\$66.5 million	\$11.0 million
Number of Staff with Unscheduled Overtime > 50% of Base Salary	106	74	32
Total Standby Pay (included in total overtime)	\$802,000	\$699,500	\$102,500
Number of Staff > \$7,500 Annual Standby Pay	20	16	4
Total Kilometrage Paid to Staff	\$405,000	\$437,000	(\$32,000)
Number of Staff > 10,000 km of Mileage in Annual Claims	2	2	-
Total Meal Allowance	\$281,000	\$248,000	\$33,000
Number of Staff > \$1,000 in Meal Allowance Payments	1	3	(2)

*\*includes scheduled overtime of \$9.3 million in 2013 and \$8.5 million in 2012.*

*\*\*2012 numbers for overtime and standby pay have been adjusted to accurately reflect retroactive wage increases.*

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 106 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 identified overtime levels will continue for 98 of the 106 identified employees.
- b) In 43 of the 106 instances, management has indicated that, "Overtime levels managed as per ESA 2000 and related arbitration language and Collective Agreement".
- c) In the Collector Division, 12 staff were identified with excessive overtime, reasons provided by management for all of the 12 staff is that absenteeism within the department led to excessive overtime.
- d) In Wheel Trans Operations, 3 staff were identified with excessive overtime. Management advised that staff absenteeism due to long term illness resulted in the need for additional overtime.

Management has indicated that overtime levels are being managed in accordance with relevant legislation. In their detailed comments on individual instances of overtime, management has advised that processes are being reviewed and they expect a reduction in the amount of overtime attributable to compliance with legislation.

The other area of concern expressed by management was staff absenteeism. We have already initiated discussions with the TTC management and intend to finalize our criteria and reports by the end of this year to provide for pro-active monitoring of absenteeism.

For the overall increase in overtime, management indicated the following reasons. The detailed comments by the TTC Chief Executive Officer are attached as Appendix 2.

- Retroactive wage increase for 2011 and 2012 and standard increase for 2013 impact on overtime amounted to \$2.3 million (As noted, the Auditor General's Office adjusted amounts for each year to ensure retroactive overtime was recorded in the appropriate year. As such, the impact of these increases on 2013 is reduced to approximately \$1 million.)
- Extreme weather conditions during 2013, flooding in summer and winter storm, resulted in extra work amounting to \$800,000 in overtime
- Workforce gapping
- Staff absences higher than the targeted levels
- Scheduled or built-in overtime due to route scheduling exceeding 8 hours per day.

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**

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## **SIGNATURE**



Jeff Griffiths, Auditor General

13-AGO-02

## **ATTACHMENTS**

- Appendix 1: 2013 Overtime Statistics by Department
- Appendix 2: Toronto Transit Commission's Response to Continuous Controls Monitoring – TTC Payroll

## Appendix 1

**2013 Overtime Statistics by Department**

<b>Department</b>	<b>Total Pay (\$)</b>	<b>Total Overtime* (\$)</b>	<b>Total Employees</b>	<b>Total Overtime &gt; 50% of Base Pay (\$)</b>	<b>Overtime as Per cent of Base Pay Range (%)</b>	<b>Employees with Overtime &gt; 50% of Base Pay</b>
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**Overtime Statistics by Departments -2013**

Bus Transportation	\$286,240,240	\$21,900,270	4,465	\$1,130,013	50-78	28
Rail Infrastructure	70,437,227	11,110,579	924	1,198,660	50-72	31
Subway Transportation	54,912,151	8,680,179	796	907,147	51 - 95	20
Stations	50,195,631	5,286,428	784	467,332	51 - 71	12
Streetcar Transportation	44,152,113	5,255,222	681	317,226	51 - 69	7
Bus Maintenance and Shops	102,584,305	4,428,309	1,348	51,700	66	1
Plant Maintenance	52,086,663	3,923,891	691	-	-	-
Rail Cars and Shops	59,660,840	3,742,185	828	-	-	-
Streetcar Maintenance	29,603,545	3,148,358	410	151,230	51 - 98	3
Bus Transportation - Wheel Trans	29,403,046	2,436,191	438	106,198	51 - 57	3
Revenue Operations	12,231,380	1,612,695	170	-	-	-
Information Technology Services	19,729,724	1,042,473	211	-	-	-
Construction	11,073,051	878,922	109	-	-	-
Transit Enforcement	4,910,651	822,079	58	44,002	51	1
Materials and Procurement	16,667,557	669,784	217	-	-	-
Training & Development	11,482,603	605,366	130	-	-	-
Other Departments	68,169,547	1,998,187	788	-	-	-

<b>Totals - 2013</b>	<b>\$923,540,274</b>	<b>\$77,541,118</b>	<b>13,048</b>	<b>\$4,373,508</b>	<b>50 - 98</b>	<b>106</b>
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<b>Totals - 2012</b>	<b>\$886,999,734</b>	<b>\$66,514,640</b>	<b>12,792</b>	<b>\$3,138,126</b>	<b>50 - 99</b>	<b>74</b>
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<b>Increase/(Decrease)- %</b>	<b>4%</b>	<b>17%</b>	<b>2%</b>	<b>39%</b>	<b>-</b>	<b>43%</b>
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*\*includes scheduled overtime of \$9.3 million in 2013 and \$8.5 million in 2012.*



## TORONTO TRANSIT COMMISSION



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April 15, 2014

Jeff Griffiths  
Auditor General – City of Toronto  
Metro Hall  
55 John Street  
9<sup>th</sup> Floor,  
TORONTO, Ontario M5V 3C6

**Re: Continuous Controls Monitoring – TTC Payroll**

Dear Mr. Griffiths: *Jeff,*

In reply to your request, the review of the exceptions noted in the spreadsheets provided by your office for the year ended December 31, 2013 has been completed by each of the responsible TTC group areas. The spreadsheets with the updated responses are attached in electronic form to this e-mail.

With respect to the overtime results for the 2013 year, we provide you with our response to your year-end report.

The TTC manages overtime by means of a transparent budgeting process in which approval must be obtained for the incurrence of overtime within the budget cycle. Management efforts are made to monitor overtime costs on an on-going basis. However, recognition must be made to the fact that in times of emergencies and unforeseen events beyond the control of TTC, the TTC strives to always maintain the safety for our customers combined with a level of service that is expected by the public.

The TTC's 2013 overtime results increased over 2012 levels by approximately \$11 million (or 17%) primarily as a result of:

**Increased Activity on Capital Projects**

More capital work necessitated numerous weekend subway closures primarily for the Line 1 (Yonge-University-Spadina) Automatic Train Control Resignalling and Union Station new platform projects. The number and days of subway closures in 2013 was twice the level of 2012, i.e. 25 closures over 40 days in 2013 compared to 12 closures over 21 days in 2012. During these closures, in addition to the work performed on the aforementioned projects, other capital work and operating maintenance activities were undertaken to take advantage of the opportunity afforded by the temporary subway shut downs to complete work in an efficient and effective manner than would otherwise be possible. Most of this work was done on an overtime basis as well. In 2013, approximately \$2.7 million in overtime work was incurred on the subway closures for the Line 1 Automatic Train Control Resignalling and the Union Station projects.



On a going forward basis, the TTC has entered into a contract with an external vendor to provide personnel to assist in the subway closures at a market hourly rate which is lower than that of internal TTC labour.

### **Wage Rates**

Overall, wage rates were higher in 2013 as a result of the arbitrated award of the existing collective bargaining agreement (CBA). That award included general annual wage rate increases of 2% effective April 1 for each of the years 2011, 2012 and 2013. Due to the late timing of the award, specifically June 4, 2012, and the time required to process retroactive pay adjustments for the years 2011 and 2012, wage rates were not updated until very late in 2012 and consequently, overtime paid for most of 2012 did not reflect the applicable wage rate increases. However, the overtime payments made in 2013 did incorporate all of these rate increases. This reason accounts for about \$2.3 million in higher overtime expenses for 2013.

### **Extreme Weather**

The July 8, 2013 storm resulted in unplanned overtime work for bus shuttle service to replace subway service, crowd control, customer service and communications, emergency response and repairs, clean up and remediation, and security.

The December 21-22, 2013 ice storm precipitated unplanned overtime work for bus shuttle service to replace subway, SRT and streetcar service, responding to numerous requests for shelter buses and emergency transportation, and various other emergency response activities.

Both events accounted for about \$0.8 million in overtime expenses.

### **Workforce Gapping**

Workforce gapping for the operating budgets was \$8.5 million higher than targeted levels largely due to the fact that vacated positions (as existing employees transitioned to other positions) were intentionally left unfilled in preparation for the continued contracting out of bus servicing and cleaning work.

### **Absence**

While 2013 absence rates were lower than the 2012 levels, they were higher than the 2013 target (i.e., budget) resulting in increased overtime to cover scheduled service.

### **Route Scheduling**

Another component of overtime expenses is a result of the planned overtime which is a necessary cost in the planning of route schedules. In the transit industry, route schedules do not always fit into an exact 8-hour day; rather a schedule may require an Operator, for example, to complete a route in an 8 ½ or 8 ¾ hour shift. This is what is referred to as "planned" overtime. The level of service and route schedules, along with the associated costs, including overtime, are included in the annual budget and submitted for approval.



Even after accounting for incremental overtime expenses incurred, the total 2013 labour costs were less than budget. The TTC will continue to make every effort possible to manage overtime expenditures in a prudent and diligent manner always mindful of the public taxpayers.

Sincerely,



**Andy Byford,  
Chief Executive Officer**

