

**REFERRED FROM AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING - SEPTEMBER 11, 2015**



**STAFF REPORT
ACTION REQUIRED**

**Auditor General's Report – Continuous Controls Monitoring
Program – Toronto Transit Commission, 12-Month Review of
Employee Absenteeism, 2014**

Date:	September 11, 2015
To:	TTC Audit and Risk Management Committee
From:	Chief Executive Officer

Summary

Attached is the Auditor General's report, "Continuous Controls Monitoring Program – Toronto Transit Commission, 12-Month Review of Employee Absenteeism, 2014".

The report is being forwarded to the TTC Audit and Risk Management Committee for review and consideration, and forwarding to the next TTC Board meeting.

Recommendation

It is recommended that the TTC Audit Committee:

- (1) Forward the Auditor General's report to the next TTC Board meeting.

Contact

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Attachment

Auditor General's Report – Continuous Controls Monitoring Program – Toronto Transit Commission, 12-Month Review of Employee Absenteeism, 2014.



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Continuous Controls Monitoring Program –
Toronto Transit Commission, 12-Month Review of
Employee Absenteeism, 2014**

Date:	July 29, 2015
To:	TTC Audit Committee
From:	Beverly Romeo-Beehler, Auditor General
Wards:	All
Reference Number:	

SUMMARY

Since 2011, the Auditor General has reported on continuous controls monitoring of selected expenses. The objective of this monitoring is to provide periodic reports to management to assist in proactively monitoring financial transactions, detecting unusual expenses and identifying areas where internal controls could be strengthened.

The continuous controls monitoring program was first initiated at the City for overtime and other payroll related expenses. This project was later expanded to Toronto Transit Commission in 2012. It is our plan to expand this project to other agencies and corporations subject to the availability of resources.

Initial expenses selected for continuous monitoring at TTC were overtime, standby pay, mileage, and meal allowance payments. In 2014, the project was expanded to include employee absenteeism relating to sick time, occupational injury and bereavement.

Since the initiation of this project, the Auditor General has been providing continuous monitoring reports to TTC management on a periodic basis. These reports provide information related to employees meeting predefined criteria for the items being monitored. TTC management have reported that, as a result of actions taken, certain overtime has been reduced by approximately \$100,000 per week, or roughly \$5 million on an annualized basis.

The Auditor General also updates Council through Audit Committee on the results of continuous monitoring and the actions taken as reported by management. The result of

our review of 2014 TTC employee overtime and other payroll related expenses is available at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-81059.pdf>

This current report is our first report on the continuous controls monitoring of employee absenteeism at the TTC. Our analysis identified certain areas for follow-up by TTC management. The results of our analysis are provided in the “Comments” section of this report.

In addition to our continuous controls work, our 2015 Audit Work Plan includes a more detailed audit on long term disability and employee absenteeism. There may be work related to overtime also. The results of our audit will be presented to Audit Committee in early 2016.

RECOMMENDATION

The Auditor General recommends that:

1. This report be forwarded to the City’s Audit Committee and City Council for information.

Financial Impact

The recommendation in this report has no immediate determinable financial impact. TTC staff have already reported that savings have been achieved through changes made to reduce the impact of absenteeism on overtime. The magnitude of these savings will be verified by the end of 2015.

DECISION HISTORY

The Auditor General’s 2014 Audit Work Plan included an ongoing project related to Data Analytics and Continuous Controls Monitoring. The Auditor General’s work plan is available on the City’s Web site at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-79980.pdf>

Monitoring of employee absenteeism is part of overall continuous controls monitoring project.

COMMENTS

The use of continuous controls monitoring began at the City in early 2011. The TTC was the first major agency or corporation included in this initiative.

The Auditor General uses continuous controls monitoring to identify notable exceptions that may warrant further review and management action. The Auditor General has

analyzed TTC's attendance and overtime data and developed exception reports covering all divisions within the TTC. The exception criteria include:

- Employees with paid sick time hours exceeding 500 hours annually
- Employees with paid occupational injury time exceeding 100 hours annually
- Employees with sick and occupational injury time exceeding 100 hours and having a significant amount of overtime (in excess of 50% of annual pay)

The Auditor General reviews and evaluates the exception criteria on an ongoing basis and adjusts the criteria as and when required.

This is the 2015 continuous controls monitoring report for staff absenteeism. Our analysis covered all of the TTC's more than 13,000 employees for 2014. Sick pay accounts for approximately 96 per cent of total paid absences in the TTC. We noted the following:

Description	December 2014
Total Payroll	\$960.0 million
Total paid employee absence hours	1.27 million
Total paid employee absence amount	\$34.1 million
Total Employee Absences as a percent of payroll	3.5%
Highest Departmental Employee Absences as a percent of payroll	5.4%
Number of employees with paid sick time exceeding 500 hours	531
Average number of days lost due to illness or disability	12 days
2012 Statistics Canada figures for absenteeism ¹	
• private sector	8.3 days
• public sector	12.4 days
Lowest average days per TTC department	6 days
Highest average number of days per TTC department	18 days

¹ <http://www.statcan.gc.ca/pub/75-006-x/2013001/article/11862-eng.htm>

A summary of employees' absenteeism statistics by department is attached as Appendix 1.

Absenteeism

In relation to employees with paid sick time hours exceeding 500 hours annually, and employees with paid occupational injury time exceeding 100 hours annually, TTC noted that:

- a) they anticipate that absences for 391 or 74 per cent of the employees appearing in the exception list will not continue in the future. This is mainly due to the employees returning to regular work duties. In addition, approximately 44 of these employees are expected to progress to long term disability and will therefore not reappear on the absenteeism listing.
- b) 140 or 26 per cent of the employees appearing in the exception list will likely have the same level of absences continue due to severe illness.

Overtime

As part of this report we also considered the impact of staff absenteeism on overtime. We considered this because in response to the Auditor General's 2014 continuous controls overtime report, TTC management indicated that it believed that staff absenteeism was one of the reasons for an increase in overtime. In light of this response we immediately initiated data requests to consider the effect of absenteeism on overtime.

There were 11 instances noted where employees recorded sick and occupational injury time of over 100 hours and where 50 per cent of their annual pay was comprised of overtime. While the Auditor General was gathering, analyzing and sharing data with TTC regarding the interrelationship between absenteeism and overtime, TTC initiated immediate changes to reduce the impact of absenteeism on overtime. TTC Management reports that approximately \$100,000 per week, or over \$5,000,000 per year will be saved by covering off absenteeism with regular staff members, rather than overtime pay.

The Auditor General will continue to review employee absenteeism and overtime data on a periodic basis. The Auditor General's 2015 Audit Work Plan also includes a detailed audit on long term disability and absenteeism. This review may also consider whether there is a relation between high overtime and employee absenteeism. The results of our audit will be presented to Audit Committee in early 2016.

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 employee absences will assist TTC management in improving internal controls over these expenses.

The purpose of our continuous monitoring project is to provide timely information to management to enable timely corrective action where necessary.

CONTACT

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SIGNATURE

A handwritten signature in black ink, appearing to read 'BR Beehler', written over a horizontal line.

Beverly Romeo-Beehler, Auditor General

ATTACHMENTS

Appendix 1: Toronto Transit Commission, Total Employee Absences, Sick Time and Occupational Injury by Departments, January – December 2014

Toronto Transit Commission
Total Employee Absences, Sick Time and Occupational Injury by Departments
January - December 2014

Department	Total Absence (Hours)	Total Absence Amount (\$'s)	Absence Amount as '% ' of Dept.'s Annual Payroll	Sick Time (Hours)	Average number of days per employee*	Sick Pay Amount (\$'s)	Occup. Injury (Hours)	Occup. Injury Pay Amount (\$'s)	Dept.'s Annual Payroll (\$'s)	Employee Count
<u>Total Absence Exceeding \$500K</u>										
Bus Transportation	473,866	\$11,434,225	3.80%	457,912	13	\$10,931,150	2,489	\$78,383	\$299,000,174	4,582
Bus Maintenance and Shops	115,893	3,321,796	3.20%	113,049	11	3,215,893	--	--	104,726,263	1,357
Stations	113,202	2,746,550	5.40%	110,829	18	2,666,983	688	26,975	50,977,137	789
Rail Infrastructure	79,261	2,379,663	3.30%	76,623	11	2,272,128	681	35,717	73,196,700	941
Subway Transportation	87,537	2,266,971	3.90%	84,493	13	2,166,021	769	24,455	58,728,371	846
Rail Cars and Shops	84,722	2,259,038	3.90%	82,473	13	2,180,379	--	--	57,801,510	794
Bus Transportation - Wheel Trans	65,533	1,656,425	5.40%	63,807	18	1,594,694	454	18,899	30,760,626	452
Streetcar Transportation	61,628	1,532,627	3.30%	58,970	11	1,447,586	497	15,250	46,235,706	706
Plant Maintenance	44,722	1,309,692	2.40%	43,549	8	1,266,079	--	--	54,975,838	721
Streetcars	36,851	965,319	3.00%	36,251	11	943,556	--	--	31,752,471	430
Information Technology Services	10,215	557,698	2.70%	9,371	6	518,547	404	15,069	20,493,938	213
Departments with Total Absence Under \$500K	96,284	3,627,100	2.80%	92,909	8	3,486,191	366	14,443	131,421,532	1,532
Total:	1,269,714	\$34,057,104	3.50%	1,230,236	12	\$32,689,207	6,348	\$229,191	\$960,070,266	13,363

*based on 8 hours work per day