

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 26, 2012

SUBJECT: TTC EMPLOYEES OVERTIME AND RELATED EXPENSES –
CONTINUOUS CONTROLS MONITORING

INFORMATION 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 TTC Employees Overtime and Related Expenses – Continuous Controls Monitoring; and
- (2) Forward the report to a regular meeting of the Commission for information and then to the City Audit Committee.

July 26, 2012
Attachment
1-27



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Toronto Transit Commission Employees Overtime and
Related Expenses – Continuous Controls Monitoring**

Date:	July 12, 2012
To:	TTC Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General advised the TTC Audit Committee at its April 30, 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 the Audit Committee that a similar process was being undertaken at the TTC. In this context, the Committee requested the Auditor General to provide a status update on the overtime project to the next TTC Audit Committee meeting.

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

The objective of the program is to develop exception reports to pro-actively identify unusual levels of overtime and other employee related expenses on an ongoing basis. These reports are provided to management in order to assist them in identifying control exposures and addressing them on a timely basis. These reports are generated using specialized audit software.

The first set of reports for the 12 months ended December 31, 2011 and the 6 months ended June 30, 2012 were distributed to TTC management in July 2012.

Our analysis of TTC's payroll identified areas for follow-up by TTC management. The TTC Chief Executive Officer was requested to report back on whether there were opportunities to better manage and reduce these expenses.

In future, exception reports will be generated quarterly and distributed accordingly. The intent is that our Office will coordinate the initial reviews with responsibility for the process being transferred to TTC management staff at an appropriate time.

RECOMMENDATIONS

The Auditor General recommends that:

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

Financial Impact

There are potential savings as a result of continuous controls monitoring. The extent of the savings cannot be quantified at this time.

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. It is our intent to expand this process to other major agencies and corporations. The TTC is the first major entity where we have initiated this process.

We have analyzed TTC payroll information and have developed exception reports covering all divisions within TTC. The first set of reports for the 12 months ended December 31, 2011 and the 6 months ended June 30, 2012 have been provided to TTC management. The exception criteria established for these reports are similar to those initially used for the City:

- Staff with unscheduled overtime exceeding 50 per cent of base pay
- Staff with standby pay greater than \$7,500 annually
- Kilometrage – Over 10,000 kilometers in annual claims
- Meal allowance reimbursement - over \$1,000 in a calendar year

Exception reports provided to TTC management included the employee's name, Division, the annual approved salary and the extent of overtime, standby pay, mileage claims and meal allowances earned during the reporting period.

The Auditor General requested TTC management to report back on the results of their review with specific emphasis on three key questions:

- Was the Division Head aware of the extent of overtime and by extension was it appropriately approved and are controls operating effectively?

- Was there an operational need/justification for the extent of overtime earned?
- Will the level of overtime continue?

The information provided to TTC management is currently being reviewed and analyzed.

Our analysis covered all of TTC's more than 13,000 staff for 2011 and 2012 and noted the following (annual amounts are prorated for the June 30, 2012 data):

	December 31, 2011 *	June 30, 2012
Total Overtime*	\$72 million	\$34 million
Number of Staff with Unscheduled Overtime > 50% of Base Salary	143	92
Total Standby Pay	\$743,000	\$378,000
Number of Staff > \$7,500 Annual Standby Pay	20	22
Number of Staff > 10,000 km of mileage in Annual Claims	5	7
Number of Staff > \$1,000 Annual Meal Allowance	7	3

**includes \$7.8 million in 2011 and \$4.6 million in 2012 as scheduled overtime*

Conclusion

The use of continuous controls monitoring of staff overtime and related expenses will assist TTC management in improving internal controls over these expenses and potentially generate savings through enhanced management controls and changes in processes.

Since we initiated continuous controls monitoring of employee overtime at the City, overtime costs have decreased from \$45 million in 2010 to \$41 million in 2011.

CONTACT

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SIGNATURE



Jeff Griffiths, Auditor General

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