

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-08
PUBLIC WORKS - TRANSIT – OVERTIME**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (DECEMBER 2015)
<p><u>Attendance Management</u> Two factors that influence the amount of overtime costs incurred is sick/short term disability (STD) absences and Emergency Leave days.</p> <p>Transit Operators took an average of 12.59 sick days (based on a 7-hour day) in 2012. Additionally in 2012, Transit Operators took an average of 2.07 Emergency Leave days.</p> <p>The corporate-wide reduction target of average sick days per employee is 9.47 sick days (based on a 7-hour day).</p> <p>If Transit Operator sick days were brought down to the corporate-wide target, the potential savings to the organization would be approximately \$255,000 from lost productivity and a range of approximately \$320,000 to \$380,000 in additional staffing costs (including overtime).</p> <p>These figures would be higher if Emergency Leave days were also considered as part of the calculations.</p>	<p>1. That Transit management focus on the attendance management process and utilize all available tools in the Attendance Support Program to try to reduce the average number of sick/STD days for Transit Operators down to the corporate-wide target and to manage the usage of Emergency Leave days.</p>	<p>Agreed. Transit currently utilizes all aspects of the ASP program, with zero meetings outstanding each month. In addition, all players meetings are held for those employees who reach level 4 in the program. The meetings are attended by the Director, Union Executive, Labour Relations and Return to Work.</p> <p>The nature of the work, Bus Operator, makes it difficult to return employees quickly as the safety of the employee as well as the public must be ensured.</p>	<p>In Progress. Transit has been utilizing tools available within the ASP program in a timely and consistent manner. However, this has not been successful in driving down absences and overtime costs.</p> <p>Revisions are expected to occur within the Attendance Support Program during 2016. This may provide management with more effective options to manage attendance in the future. Expected completion: December 2018.</p>

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<p><u>No Management Review of Operator Payroll</u> Payroll for Transit Operators is prepared by Transit Payroll Clerks. No management review occurs to verify the integrity and reasonability of the payroll data prior to its submission for processing to Corporate Payroll. There are no written business procedures for the processing of payroll for Transit Operators.</p> <p>The current process for preparing the Transit Operators payroll contains a high volume of manual overtime calculations with an insufficient amount of supporting documentation retained to support these amounts.</p> <p>This process has the potential for errors to occur and go undetected due to the insufficient supporting documentation and the complexity of the heavily manual process.</p>	<p>2. That a procedure documenting the Transit Operators' payroll calculations be written, approved and implemented to ensure the consistency of this process and of the documentation that is maintained.</p> <p>3. That, once the payroll process has been reviewed and updated, management develop and implement a management review process for the Transit Operators' payroll.</p> <p>4. That management review the underlying programming/ configuration in Trapeze (Transit computer application) and automate as many payroll calculations as possible to reduce the volume of manual calculations that are performed by Transit Payroll Clerks.</p>	<p>Agreed. Documentation of the payroll calculations is underway and is expected to be complete by March 2014.</p> <p>Agreed. Management review process will be documented and implemented by January 2014.</p> <p>Agreed. Programming changes are currently underway, with the majority being implemented November 2013. Further changes will be implemented by mid-December 2013.</p>	<p>Not Completed. Business procedures have not been developed for payroll calculations. Expected Completion: June 2016.</p> <p>Not Completed. A management review process is currently not in place. Expected Completion: June 2016.</p> <p>Completed. The calculation of most recurring calculations has been automated. Trapeze system programming is being continuously assessed for further improvements.</p>

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<p><u>No Management Review of Operator Payroll (cont'd)</u> The current state of payroll documentation that is maintained would not currently permit effective management review to occur even if such a review was already taking place.</p>	<p>5. That sufficient supporting documentation be maintained to support manual payroll calculations.</p>	<p>Agreed. Items that remain outstanding from above will be documented by November 2013.</p>	<p>Not Completed. Sufficient supporting documentation is not maintained for manual calculations. Expected Completion: December 2016.</p>

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<p><u>Assignment of Work-Documentation</u> Assignment of work (including overtime) to Operators by Transit management has been the subject of several grievances.</p> <p>The current documentation does not adequately support the management decision making process (i.e. document the underlying rationale of work assignments). The files maintained are manual, handwritten, inconsistently completed and are difficult to follow.</p> <p>It is important for management to minimize the organization's potential exposure to grievances by demonstrating compliance with the Collective Bargaining Agreement.</p>	<p>6. That management digitize and/or automate the documentation of the work assignment process, either in a spreadsheet or in Trapeze.</p> <p>7. That management revise the documentation maintained for filling unplanned absences (which contribute to overtime) so that the rationale for such management decisions is clearly evident.</p>	<p>Agreed. A process that will allow for work assignments to be consistently documented is being developed. To be completed by January 2014.</p> <p>Agreed. Documentation to be completed by January 2014.</p>	<p>Not Completed. The process is still heavily reliant on manual assignment. Expected Completion: December 2016.</p> <p>Initiated. Additional supporting information is being retained; however it is insufficient to document decision making during the work assignment process. Expected Completion: December 2016.</p>

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<p><u>Business Procedures</u> There are no written business procedures for workflows related to Transit overtime.</p> <p>Without defined guidelines, workflows, goals and expectations, it is difficult for management to effectively evaluate Payroll and Dispatch staff performance.</p> <p>If there is staff turnover, new staff does not have consistent, written procedures for reference. Training time can take longer than necessary due to the lack of such information.</p> <p>By not documenting business procedures, management is choosing not to emphasize internal controls in writing. Staff are not aware of existing controls and how they relate to their job duties. Management needs to stress the importance of internal controls and their execution to staff.</p>	<p>8. That management develop, approve and implement business procedures for workflows related to Transit overtime costs. These documents should be reviewed on a regular basis (annually) and be revised, as required.</p> <p>Key areas that need to be addressed include:</p> <ul style="list-style-type: none"> • Payroll calculation and processing, including overtime costs; • Schedule optimization; • Assignment of work by Dispatch for unplanned absences to minimize overtime costs; and • Shift trades and their potential impact on overtime. 	<p>Agreed. Documentation will be completed for all areas mentioned. As part of the documentation the review period will be incorporated.</p> <p>To be completed by:</p> <p>March 2014</p> <p>June 2014 January 2014</p> <p>December 2014</p>	<p>Not Completed. Business procedures relating to overtime have not been developed. Expected Completion: December 2016.</p>

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<p><u>Operator Hours Worked Reported to Corporate Payroll</u> The current method of reporting Operator hours and earnings does not reflect the actual type of hours that were worked. This information is also reported inconsistently in the Budget Variance Reports that are prepared.</p> <p>There is no direct financial impact to the organization from this current reporting method. However, the number of regular hours worked and regular earnings is overstated and the number of overtime hours worked and overtime earnings are understated. This can have an impact on Employment Insurance (EI) and Canada Pension Plan (CPP) earnings.</p>	<p>9. That the actual regular hours and overtime hours worked by Transit Operators be reported to Corporate Payroll.</p>	<p>Agreed. Software changes that will report hours in the corporate format are in the process of being developed. To be completed November 2013.</p>	<p>Completed. Charges to overtime accounts reflect all actual regular and overtime hours worked.</p>

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<p><u>Tracking Overtime Usage</u> Overtime usage is not specifically tracked by the Workforce Planning/Dispatch team at Transit. Overtime costs are not considered on a daily basis when unplanned absences are being filled. This information is important to collect because not all unplanned absences trigger overtime costs due to the fact that spare operators are included in the daily workforce planning schedule and should be effectively utilized.</p>	<p>10. That the forms maintained by Workforce Planning/Dispatch be revised to include information as to whether or not an absence triggers overtime costs.</p> <p>11. That analysis of information such as spare operator utilization vs. overtime incurred be performed on a quarterly basis in order to determine any root causes of overtime costs that can be controlled by management.</p>	<p>Agreed. New assignment lists which show who is working unplanned overtime have already been created. This information is now available daily.</p> <p>Agreed. Staff will work with the software provider to develop the necessary reports. June 2014.</p>	<p>Alternative Implemented. System functionalities have been utilized to take into account overtime usage when filling unplanned absences.</p> <p>In Progress. A target complement has been set based on past experience. However, no formal analysis has occurred. Expected Completion: December 2016.</p>

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<p><u>Documentation of Shift Trades</u> Shift trades (also known as "Switch and Trades") occur when an Operator requests to trade a shift with another Operator. A form is completed and submitted to the Superintendent of Workforce Planning for approval.</p> <p>Shift trades are not recorded in Trapeze to accurately reflect the actual shift and hours that employees worked. The implication is that the total hours worked in a week is not necessarily accurate and an employee could actually be working greater than 60 hours per week. This has potential compliance implications with the Employment Standards Act (ESA).</p>	<p>12. That the actual shifts worked by employees be recorded in Trapeze.</p>	<p>Agreed. Staff will work with the software provider to determine a method for recording shift trades. Completion is expected by June 2014.</p>	<p>Completed. Actual shifts worked by employees during a shift trade are now recorded in Trapeze.</p>