



City of
Peterborough

To: Members of the Audit Committee

From: Sandra Clancy, Director of Corporate Services

Meeting Date: November 7, 2016

Subject: Report CPFS16-033
Corporate Overtime Audit

Purpose

A report to respond to the request of the Audit Committee to report on expenditures related to overtime under existing policies and procedures.

Recommendations

That Council approve the recommendations outlined in report CPFS16-033 dated November 7, 2016, of the Director of Corporate Services as follows:

- a) That the 2013 – 2015 overtime financial summary data, attached to Report CPFS16-033 as Appendix A, be received for information.
- b) That the scope and cost estimate received from Collins Barrow, Chartered Professional Accountants to evaluate the effectiveness of the controls, processes and procedures in place associated with overtime, attached to Report CPFS16-033 as Appendix B, be received for information.

Budget and Financial Implications

On average, over the years 2013 to 2015, overtime costs the City approximately \$1.8 million annually on base salaries and wages of \$52.2 million or 3.4%.

If an audit of the effectiveness of the controls, processes and procedures in place associated with overtime is undertaken, the cost would be \$7,500-\$10,000 and could be charged to General Contingency.

Background

At the Audit Committee meeting of June 27, 2016, a request was made for additional information related to overtime costs incurred throughout the Corporation. The specific motions read as follows:

- a) The City's auditors be engaged to investigate and report back to the Audit Committee on expenditures related to overtime under existing policies and procedures for the Corporation of the City of Peterborough, including all of its departments and services as provided by the Corporation of the City of Peterborough, and
- b) City staff report back to the Audit Committee with information outlining how the City can launch a Corporate Overtime Audit to evaluate the effectiveness of the controls, processes and procedures in place associated with the use of overtime.

This report responds to the request.

Overtime for 2013 - 2015

The use of overtime (hours worked by full-time staff in addition to their regularly scheduled hours of work) is a fundamental means to manage fluctuations in workload and staff resources. The discretionary use of overtime can be effective in balancing workloads and capacity to ensure seamless delivery of services.

Based upon an analysis of data from the three year period 2013-2015, overtime costs incurred annually range from \$1.6 to \$2.0 million or 3.4% of base wages. Appendix A provides a summary of costs incurred by Division and Employee Group/Union. The higher amounts in 2014 are directly related to the 2014 municipal election.

There are different recording processes in place depending upon the employee group. In certain groups, only paid overtime has visibility (eg. inside workers) and overtime worked but taken in lieu is not tracked formally in the City's payroll system. For other employee groups, all overtime worked is recorded and then the system tracks if it is paid or accrued and taken in lieu at a later time (eg. outside workers).

Overtime Audit

Other municipalities, such as Guelph, Vaughan and Toronto have completed similar audits of their corporate overtime costs, albeit in each case the work was completed by Internal Audit staff. Research done during those audits reveal that a reasonable target for actual overtime expenditures to be approximately 2.0% to 2.5% (cash only) of total base salary and wages. As the City of Peterborough's average overtime is 3.4%, it appears overtime is above the reasonable target.

Collins Barrow, Chartered Professional Accountants, (Collins Barrow) the City's External Auditors have provided a cost estimate of an upset amount of \$10,000 to complete a similar engagement for the City. The scope and details of the work to be

performed is attached as Appendix B as well as a letter from Collins Barrow confirming their agreement to do the work if requested.

If Council wishes to proceed and have Collins Barrow do this work, the following motion would be appropriate:

- c) That the City's auditors be engaged to conduct a Corporate Overtime Audit which would evaluate the effectiveness of the controls, processes and procedures in place associated with the use of overtime.

Police Services

Overtime for Police Services staff is not included in Appendix A as the employees are employees of the Police Services Board (PSB) not the City of Peterborough. Their overtime is included in the City's payroll system and falls within the same general ranges as other City staff. As an example, for 2013 – 2015, the overtime ranges from 2.7% to 3.6% of salaries and wages.

The quote in Appendix B includes the review of the overtime for Police Services. If the Audit Committee approves motion c) above, and wishes to include Police Services, it is recommended that the following motion also be passed:

- d) That a letter be sent to the Peterborough Police Services Board inviting them to participate in the Overtime Audit and receive feedback from Collins Barrow at no cost to the Board.

Submitted by,

Sandra Clancy
Director of Corporate Services

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Attachments:

Appendix A – 2013 to 2015 Overtime Summary Financial Data
Appendix B – Scope of Overtime Audit and Letter from Collins Barrow

Appendix A

2013 to 2015 Overtime Summary Financial Data

City of Peterborough

Overtime Summary

Department/Division	Category	Year		
		2013	2014	2015
Council				
	Salary & Wages	406,409	405,016	426,465
	Overtime	-	-	-
	%	0.0%	0.0%	0.0%
CAO				
Leadership & Corporate Policy	Salary & Wages	341,497	346,015	457,485
	Overtime	-	5,146	-
	%	0.0%	1.5%	0.0%
Fire & Risk Management	Salary & Wages	11,563,342	11,529,436	13,055,366
	Overtime	686,335	664,955	847,123
	%	5.9%	5.8%	6.5%
Corporate Services				
Financial Services	Salary & Wages	2,330,749	2,445,683	2,686,811
	Overtime	358	14,923	-
	%	0.0%	0.6%	0.0%
Office of the City Clerk	Salary & Wages	494,986	553,632	521,755
	Overtime	-	6,721	-
	%	0.0%	1.2%	0.0%
Human Resources	Salary & Wages	810,199	802,428	865,382
	Overtime	-	3,651	-
	%	0.0%	0.5%	0.0%
Legal Services				
	Salary & Wages	752,219	850,757	925,922
	Overtime	-	4,767	-
	%	0.0%	0.6%	0.0%
Utility Services				
Public Works	Salary & Wages	6,854,238	7,131,287	7,477,700
	Overtime	377,901	554,286	388,749
	%	5.5%	7.8%	5.2%
Engineering	Salary & Wages	1,432,534	1,621,607	1,921,423
	Overtime	21,536	26,151	38,762
	%	1.5%	1.6%	2.0%
Transportation	Salary & Wages	6,191,333	6,485,216	6,918,745
	Overtime	382,318	412,670	269,924
	%	6.2%	6.4%	3.9%
Waste Management	Salary & Wages	269,227	286,750	291,485
	Overtime	-	208	170
	%	0.0%	0.1%	0.1%
Environmental Protection	Salary & Wages	1,522,901	1,572,273	1,612,110
	Overtime	32,054	38,561	26,340
	%	2.1%	2.5%	1.6%

City of Peterborough

Overtime Summary

Department/Division	Category	Year		
		2013	2014	2015
Planning & Development Services				
Planning	Salary & Wages	1,348,150	1,348,532	1,354,553
	Overtime	904	5,426	-
	%	0.1%	0.4%	0.0%
Protective Inspection & Control	Salary & Wages	960,297	1,011,371	1,199,992
	Overtime	57,176	50,132	6,748
	%	6.0%	5.0%	0.6%
Airport	Salary & Wages	95,852	99,721	107,721
	Overtime	-	370	-
	%	0.0%	0.4%	0.0%
Social Housing	Salary & Wages	443,258	455,037	479,284
	Overtime	-	2,265	-
	%	0.0%	0.5%	0.0%
Community Services				
Office of the Director	Salary & Wages	291,709	296,794	292,780
	Overtime	-	4,449	-
	%	0.0%	1.5%	0.0%
Culture & Heritage	Salary & Wages	644,990	609,765	632,962
	Overtime	2,598	4,861	3,720
	%	0.4%	0.8%	0.6%
Arenas	Salary & Wages	2,282,320	2,499,232	2,577,367
	Overtime	49,306	61,857	62,861
	%	2.2%	2.5%	2.4%
Recreation	Salary & Wages	1,932,338	2,073,684	2,159,270
	Overtime	21,131	29,072	25,706
	%	1.1%	1.4%	1.2%
Social Services	Salary & Wages	6,969,759	7,149,044	7,575,813
	Overtime	955	51,117	11,377
	%	0.0%	0.7%	0.2%
Art Gallery of Peterborough	Salary & Wages	261,169	327,125	427,595
	Overtime	2,160	898	2,323
	%	0.8%	0.3%	0.5%
Peterborough Public Library	Salary & Wages	1,518,425	1,423,402	1,571,650
	Overtime	583	5,025	796
	%	0.0%	0.4%	0.1%
City TOTAL				
	Salary & Wages	49,717,901	51,323,807	55,539,636
	Overtime	1,635,315	1,947,511	1,684,599
	%	3.3%	3.8%	3.0%

Appendix B

Collins Barrow – Scope of Overtime Audit and Collins Barrow Letter

Appendix B

Scope of Overtime Audit and Collins Barrow letter

Objectives:

- Compliance with existing policies and collective agreements
- Proper authorization levels and adequacy of controls for approval of overtime
- Efficient and effective use of overtime
- Financial impact by service area
- Adequacy of management oversight

Scope:

- All divisions where the average overtime for the years 2013-2015 is greater than 2% of salary and wages

Method for achieving objectives:

- Interview of each division manager as well as a few staff to corroborate information
 - In these interviews we will determine:
 - What the process of approval of overtime is – including approval
 - Why the overtime is typically being occurred
 - Potentially where there may be abuse with the system
 - If there are any written policies
 - How much oversight there is
- Review of timesheets showing approvals and other documentation related to how overtime is being approved prior to it being worked

Deliverable:

- Written report with recommendations by Division

October 11, 2016

Ms. Sandra Clancy, Treasurer
The Corporation of the City of Peterborough
500 George Street North
Peterborough, ON
K9H 3R9

Dear Sandra:

The audit committee has requested us to review the overtime procedures and the use of overtime at the City of Peterborough. The objective of the final report will be to ensure there is proper compliance with existing overtime policies and collective agreements, ensure there is proper authorization and adequacy of controls for approval of overtime, review the financial impact of overtime by service area and to review the adequacy of management oversight.

The scope of this engagement will include all departments within the City with overtime accounting for greater than 2% of the total salaries.

Our estimate to provide a report detailing the above is \$7,500-\$10,000. The upper end of the range will only be charged if we find discrepancy between our interviews and our findings from review of documentation.

If you have any questions, please do not hesitate to contact me.

Yours truly,

COLLINS BARROW KAWARTHAS LLP



Per: Joanna Park CPA, CA
Partner