



City of  
**Peterborough**

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**To: Members of the Audit Committee**

**From: Sandra Clancy, Director of Corporate Services**

**Meeting Date: June 19, 2017**

**Subject: Report CPFS17-030  
Corporate Overtime Audit**

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## **Purpose**

A report to recommend the audit of Corporate Overtime prepared and presented by the City's auditor, Collins Barrow Kawartha LLP, be received as information.

## **Recommendation**

That Council approve the recommendation outlined in report CPFS17-030 dated June 19, 2017, of the Director of Corporate Services as follows:

That the 2013 – 2016 Overtime audit, attached to Report CPFS17-030 as Appendix A, be received for information.

## **Budget and Financial Implications**

On average, over the years 2013 to 2016, overtime costs the City approximately \$1.7 million annually on base salaries and wages of \$53.6 million or 3.2%.

## **Background**

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.

Except for special circumstances such as a municipal election, non-union positions are not eligible for overtime pay. They are entitled to a maximum of seven days of time in lieu of actual overtime worked. Union positions are entitled to overtime pay. Based upon an analysis of data from the four year period 2013-2016, overtime costs incurred annually range from \$1.4 to \$2.0 million or 3.2% of base wages.

At the Audit Committee meeting of November 7, 2016, the Committee made the following recommendations regarding overtime costs:

- 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.
- 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.

Collins Barrow, the City's External Auditors have completed their audit work. The scope and details of the work performed is attached in their audit findings report as Appendix A.

### **Police Services**

Audit findings for 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. Collins Barrow is working directly with Police Services staff and reporting their findings directly to the PSB.

Submitted by,

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Attachments:

Appendix A – Collins Barrow - Overtime Audit Report - May 17, 2017

# Appendix A

Collins Barrow - Overtime Audit Report - May 17, 2017

City of Peterborough

Overtime Audit

May 17, 2017

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Contents

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Executive Summary .....	3
Audit Objectives .....	3
Scope.....	4
Method.....	4
Corporate Overview .....	5
Summary Of Overtime .....	8
Employee Union Groups - Summary Of Overtime Conditions .....	9
Summary By Division.....	9
Fire and Risk Management.....	10
Public Works.....	11
Transit .....	12
Arenas .....	14
Environmental Protection .....	15
Protective Inspection and Control.....	16
Conclusions .....	17
Recommendations .....	18

## Executive Summary

The use of overtime (hours worked by full-time and part-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 an effective method in balancing workloads and capacity to ensure seamless delivery of services. Managing the use of overtime is complicated by collective agreements, unpredictable events such as weather and other emergencies, extended sick leave or absences and minimum service requirements in accordance with the collective agreements or internal policies and procedures.

For the service areas reviewed, the management interviewed appear to have a good working knowledge of the key drivers of overtime in their division and are actively using the processes that are in place to manage the use of overtime to maximize service levels while minimizing the amount of overtime within the limitations of the various union agreements.

With the exception of Protective Inspection and Control, the divisions with overtime in excess of 2% of overall payroll for the division operate 7 days a week. As such they incur unavoidable overtime on statutory holidays and on Sundays for CUPE L504.

There does not appear to be any overall organizational controls over overtime costs other than budget controls. Management strives to minimize overtime to stay within their approved budgets.

The "tone at the top" also impacts the culture of the organization and how overtime is perceived. If it appears that managing overtime is a goal of the organization and this is properly conveyed to management and staff in such a way that they are on board, overtime will not be seen as a right but as a necessary tool to manage service levels when required. Conversely, if managing overtime is not a priority to management it can progressively increase over time.

Using municipal benchmark data from the City of Guelph report, a reasonable overtime target for actual overtime expenditures (cash only) would be approximately 2.0% to 2.5% of total base salary and wages. These benchmarks have not been audited for their accuracy.

## Audit Objectives

The purpose of this audit of the overtime expenditures for the Corporation of the City of Peterborough is to investigate the expenditures related to overtime for the following:

- 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

The following details the scope and limitations for this examination of the overtime expenditures for the Corporation of the City of Peterborough.

### Included:

- All divisions with paid out overtime greater than 2% of total salaries and wages for the division
- All union and non-union staff

### Excluded:

- Divisions with overtime less than 2% of total salaries and wages for the division
- Banked overtime taken as time off
- Salaries and wages for Policing which will be completed in a separate report to the Police Services Board
- Payroll and timekeeping processes
- Analysis of service area resources and work scheduling processes

## Method

The following details the method used to determine the drivers for overtime in each division and the specific documentation retained by each division in order to assess whether the overtime expenditures for the Corporation of the City of Peterborough were authorized and approved.

Interview division managers as well as staff as necessary to corroborate information. The interviews were designed to determine the following:

- The process for determining when overtime is required, who is selected for the additional work and how it is approved
- The typical factors leading to overtime being required
- If there are written policies and procedures
- If there are any areas where there could be abuse of the systems

Review of internal documents including:

- Extracted data from the payroll system for 2013, 2014, 2015 and 2016 to July 31
- Collective agreements
- Existing policies and procedures
- Employee timesheets
- Daily tracking sheets for staff and call-ins
- Other applicable backup for selection for overtime and its approval

## Corporate Overview

Below is a summary of the overtime for the Corporation of the City of Peterborough for 2013 to 2016. The 2013 to 2015 data was used to calculate the average annual overtime and to select the divisions to be included in the audit as the audit started before the 2016 data was available. 2016 data was subsequently obtained and included to provide additional information.

Overtime Summary		Year			
Division	Category	2013	2014	2015	2016
<b>Council</b>	Salary & Wages	406,409	405,016	426,465	415,630
	Overtime	-	-	-	-
	%	0.0%	0.0%	0.0%	0.0%
<b>CAO</b>	Salary & Wages	341,497	346,015	457,485	360,175
	Overtime	-	5,146	-	-
	%	0.0%	1.5%	0.0%	0.0%
<b>Fire &amp; Risk Management</b>	Salary & Wages	11,563,342	11,529,436	13,055,366	12,698,549
	Overtime	686,335	664,955	847,123	525,552
	%	5.9%	5.8%	6.5%	4.1%
<b>Corporate Services</b>	Salary & Wages	2,330,749	2,445,683	2,686,811	2,677,448
	Overtime	358	14,923	-	-
	%	0.0%	0.6%	0.0%	0.0%
Office of the City Clerk	Salary & Wages	494,986	553,632	521,755	466,501
	Overtime	-	6,721	-	1,076
	%	0.0%	1.2%	0.0%	0.2%
Human Resources	Salary & Wages	810,199	802,428	865,382	955,218
	Overtime	-	3,651	-	-
	%	0.0%	0.5%	0.0%	0.0%
<b>Legal Services</b>	Salary & Wages	752,219	850,757	925,922	976,099
	Overtime	-	4,767	-	-
	%	0.0%	0.6%	0.0%	0.0%
<b>Police Services</b>	Salary & Wages	16,092,291	17,239,278	18,467,248	18,748,902
	Overtime	479,548	617,104	491,646	686,136
	%	3.0%	3.6%	2.7%	3.7%



Overtime Summary		Year			
Division	Category	2013	2014	2015	2016
<b>Utility Services</b>					
Public Works	Salary & Wages	6,854,238	7,131,287	7,477,700	6,968,720
	Overtime	377,901	554,286	388,749	344,614
	%	5.5%	7.8%	5.2%	4.9%
Engineering	Salary & Wages	1,432,534	1,621,607	1,921,423	2,153,501
	Overtime	21,536	26,151	38,762	24,558
	%	1.5%	1.6%	2.0%	1.1%
Transportation	Salary & Wages	6,191,333	6,485,216	6,918,745	6,922,272
	Overtime	382,318	412,670	269,924	395,851
	%	6.2%	6.4%	3.9%	5.7%
Waste Management	Salary & Wages	269,227	286,750	291,485	299,340
	Overtime	-	208	170	-
	%	0.0%	0.1%	0.1%	0.0%
Environmental Protection	Salary & Wages	1,522,901	1,572,273	1,612,110	2,433,578
	Overtime	32,054	38,561	26,340	56,349
	%	2.1%	2.5%	1.6%	2.3%
<b>Planning &amp; Development Services</b>					
Planning	Salary & Wages	1,348,150	1,348,532	1,354,553	1,469,607
	Overtime	904	5,426	-	-
	%	0.1%	0.4%	0.0%	0.0%
Protective Inspection & Control	Salary & Wages	960,297	1,011,371	1,199,992	1,204,345
	Overtime	57,176	50,132	6,748	3,536
	%	6.0%	5.0%	0.6%	0.3%
Airport	Salary & Wages	95,852	99,721	107,721	107,864
	Overtime	-	370	-	-
	%	0.0%	0.4%	0.0%	0.0%
Social Housing	Salary & Wages	443,258	455,037	479,284	484,048
	Overtime	-	2,265	-	-
	%	0.0%	0.5%	0.0%	0.0%
<b>Community Services</b>					
Office of the Director	Salary & Wages	291,709	296,794	292,780	290,272
	Overtime	-	4,449	-	-
	%	0.0%	1.5%	0.0%	0.0%
Culture & Heritage	Salary & Wages	644,990	609,765	632,962	755,338
	Overtime	2,598	4,861	3,720	2,272
	%	0.4%	0.8%	0.6%	0.3%

<b>Overtime Summary</b>		<b>Year</b>			
<b>Division</b>	<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Community Services, continued</b>					
Arenas	Salary & Wages	2,282,320	2,499,232	2,577,367	2,391,373
	Overtime	49,306	61,857	62,861	41,997
	%	2.2%	2.5%	2.4%	1.8%
Recreation	Salary & Wages	1,932,338	2,073,684	2,159,270	2,282,663
	Overtime	21,131	29,072	25,706	21,834
	%	1.1%	1.4%	1.2%	1.0%
Social Services	Salary & Wages	6,969,759	7,149,044	7,575,813	8,682,948
	Overtime	955	51,117	11,377	2,047
	%	0.0%	0.7%	0.2%	0.0%
Art Gallery of Peterborough	Salary & Wages	261,169	327,125	427,595	391,945
	Overtime	2,160	898	2,323	2,061
	%	0.8%	0.3%	0.5%	0.5%
Peterborough Public Library	Salary & Wages	1,518,425	1,423,402	1,571,650	2,322,708
	Overtime	583	5,025	796	1,385
	%	0.0%	0.4%	0.1%	0.1%
<b>City Total</b>	Salary & Wages	65,810,192	68,563,085	74,006,884	76,459,044
	Overtime	2,114,863	2,564,615	2,176,245	2,109,268
	%	3.2%	3.7%	2.9%	2.8%

The above information was exported from the City's payroll system. Divisions with an average overtime equal to or greater than 2% of salaries and wages for the 2013-2015 period, excluding overtime, were selected to be included in the overtime audit. Those divisions are highlighted above and are detailed in the summary by division section of this report with the exception of Police services which will be detailed in a separate report to the Police Service Board. With the salaries and wages for 2016 included in the average overtime calculation, no additional divisions were greater than the 2% threshold.

These figures do not include the costs of banked overtime taken as time off in lieu of being paid. This information is available for some divisions that flow all banked time through the payroll system; however, some divisions track banked time internally with only the payouts going into the payroll system.

## Summary Of Overtime

The City provides overtime pay to union employees based on the terms of the respective collective agreements. In general, overtime is paid for any time worked outside of the employees regularly scheduled shifts and is either paid out 1.5 times the employee's regular rate of pay or banked at 1.5 times the number of hours worked with the exception of statutory holidays for most unions and Sundays for CUPE L504 which are paid out or banked at 2 times the regular rate/hours.

Overtime taken as time off has been excluded from this analysis as there is not enough data to determine if there is a cost to the City or not.

Several situations could result.

- There would be a net savings to the City if the overtime taken as time off did not result in the scheduling of someone else to replace the staff member.
- There would be a neutral cost situation where the overtime taken as time off resulted in the scheduling of a replacement staff member; however, in this situation the overtime cost would be transferred to 1.5 times the regular hours and be included in regular pay and would not show up in this analysis.
- There would be an additional cost in a situation where the overtime taken as time off resulted in a call-in. In this situation, the cost would be shown in this analysis. The use of banked hours is required to be approved by the manager. As such, the use of banked hours, if managed properly could be an efficient way to reduce employees banked hours during slower periods. Additional data collection when time sheets are prepared and at the time of payroll recording would be required to monitor the effectiveness of the use of banked hours.

### Employee Union Groups - Summary Of Overtime Conditions

Union	Overtime Hours *	Overtime Rate *	Exceptions *	Max. OT bank	OT Assignment Process *	Exceptions *
ATU 1320 Transit	Time in excess of daily hours scheduled or 42 hours weekly (44 for PT)	1.5 times 2.0 times for statutory holidays		80	Sign up sheet based on least weekly OT accumulated	Supervisor discretion if < 90 min notice
CUPE L126 Inside Workers	Time in excess of daily hours scheduled or 70 hours bi-weekly (35 hours weekly for PT)	1.5 times 2.0 times for statutory holidays	Flextime	70	Equally among those willing and qualified	
CUPE L504 Outside Workers	Time in excess of daily hours scheduled or 80 hours bi-weekly (40 hours weekly for PT)	1.5 times 2.0 times for Sundays and statutory holidays		80	Seniority based on those having the unit or assignment required to perform the work	
Fire L169	Time in excess of scheduled hours	1.5 times	General Alarm and voluntary work	80	Rotating basis	

\* Not all potential pay rates or exceptions have been noted

### Summary By Division

For each division selected for review, we have included a summary of the overtime by union group. Also, included for each division, is a summary of our observations and the key management procedures and techniques used to manage overtime based on our interviews with management and the results of our testing for each division under review.

## Fire and Risk Management

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
Fire	11,993,148	484,979 4.0%	12,402,103	847,123 6.8%
126	92,206	- 0.0%	100,143	- 0.0%
Management and other	653,771	- 0.0%	553,122	- 0.0%

### Observations:

The key drivers for overtime are the following:

- sick time (including staff off on disability and staff on accommodative work)
- maintaining minimum staffing in accordance with the collective agreement
- crews dispatched to the airport for commercial flights or to the Township of Cavan Monaghan
- the addition of Northumberland County dispatch

Management has several policies and procedures in place to manage overtime including the following:

- The maximum staff that can be off at a time is 3 off on vacation and 3 off in lieu (2 during busy time).
- Every fall, management makes a determination of how many new recruits will be needed based on upcoming mandatory retirements and others who are eligible to retire. Due to the heavy training requirements for new staff the process starts in the fall to have new recruits ready for spring which is the start of their busy time.
- Firefighters are cross trained and rotate assignments every 2 months to maintain familiarity with all aspects of the job.
- Absent staff would only result in a call-in if the complement would go below the minimum staff level which is approved before the overtime is worked

### Testing:

All samples tested were consistent with the collective agreements and the division's policies and procedures. Appropriate backup was provided for the approval of the overtime, the selection of the employee for the overtime and for the approval for the overtime payout.

## Public Works

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
504 FT	4,899,586	286,294 5.8%	5,542,632	327,593 5.9%
504 PT	1,017,412	44,619 4.4%	835,988	36,839 4.4%
126	583,924	13,700 2.3%	515,633	24,318 4.7%
Management	467,796	- 0.0%	583,445	- 0.0%

### Observations:

The key drivers for overtime are the following:

- sick time (including staff off on disability)
- work volume due to weather, emergencies and variations in service performed during different times of the year
- work on statutory holidays and Sundays
- shift overlap
- Restrictions on temporary staffing

Management has several policies and procedures in place to manage overtime including the following:

- The foreman determines whether a call-in is required for an absent staff based on expected work levels for the day
- Overtime is approved by the Foreman or supervisor prior to the overtime being worked
- Hiring additional staff as required to maintain an optimal complement of staff resulting in overtime when work volumes are high but reducing overall salaries costs as less staff are idle when work volumes are low

### Testing:

All samples tested were consistent with the collective agreements and the division's policies and procedures. Appropriate backup was provided for the approval of the overtime for call-ins, the selection of the employee for the overtime and for the approval for the overtime payout. For overtime due to extension of a regular shift, there was no formal approval of the overtime in advance; however, based on discussions with the manager of public works, the foreman is on site and would be aware of the shift extension and as such, the approval for the overtime is the foreman's approval of the employee's timesheet which was the case for all samples of this type.

## Transit

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
ATU FT	4,450,547	306,248 6.9%	4,417,261	212,348 4.8%
ATU PT	715,721	72,870 10.2%	818,996	49,029 6.0%
126	442,407	9,748 2.2%	382,812	6,475 1.7%
Management and other	1,313,596	6,983 0.5%	1,299,676	2,072 0.2%

### Observations:

The key drivers for overtime are the following:

- The transit department is restricted by the collective agreement to 17 part-time employees (referred to as the extra board) and by the budget to how many full-time drivers they have.
- Sick time (including staff off on short term disability, staff off on long term disability and WSIB who can't be permanently replaced for two years, doctor's appointments etc.)
- Statutory holiday services added in 2016, which included a specific budget line of \$154,000, resulted in a significant portion of the 2016 overtime totals.
- Challenges maintaining staff levels when staff leave or retire as it normally takes 12 -16 weeks to hire and train new staff. Currently new staff are not hired until the position is vacated to ensure staffing levels do not exceed maximums permitted under the collective agreement and the budget.
- Route expansion in 2013 for peak service was to be compensated by combining some routes which didn't work out resulting in additional routes with no immediate increase in staffing and an increase in overtime in 2013 and 2014. 5 additional staff were added in 2015 which reduced overtime in 2015. 6 additional staff were approved in 2016 for additional route expansion; however, unusually high turnover in 2016 (staff leaving and retiring) resulted in challenges recruiting sufficient drivers resulting in an increase in overtime in 2016.
- The extra board is often understaffed.

Management has several policies and procedures in place to manage overtime including the following:

- Charter services reduced or eliminated

- Vacation scheduled in November for following year. Latest agreement better at spreading vacation out throughout the year to minimize situations where short staffed due to vacations.
- Staff are cross trained on all vehicles/equipment in their area

Testing:

All samples tested were consistent with the collective agreements and the division's policies and procedures. With the exception of three pieces of documentation that were noted as being destroyed due to water damage, appropriate backup was provided for the approval of the overtime, the selection of the employee for the overtime and for the approval for the overtime payout.



## Arenas

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
504 FT	1,112,021	32,771 2.9%	1,151,958	33,977 2.9%
126	337,774	2,205 0.7%	402,567	3,800 0.9%
Management and other	918,780	6,774 0.7%	1,022,841	25,084 2.5%

### Observations:

The key drivers for overtime are the following:

- sick time
- Statutory holidays, using up vacation near year end leaves short staffing
- Minimum # of operators required during busy season
- multiple functions the same week at the Memorial Centre

Management has several policies and procedures in place to manage overtime including the following:

- Maintain a complement of staff such that the vacancies and LTD are not a major factor
- Absent staff would be up to the foreman if a call-in is required based on work levels for the day
- Overtime is approved by the Foreman or supervisor prior to the overtime being worked
- When a call-in is required, staff may be moved between locations to cover the shortest remaining shift

### Testing:

All samples tested were consistent with the collective agreements and the division's policies and procedures. Appropriate backup was provided for the approval of the overtime, the selection of the employee for the overtime and for the approval for the overtime payout. We did note in one area where there were only 2 union staff that a formal call-in sheet was not maintained as it was known which of the two employees to call first. As there is no documentation of the call-in process, additional costs to the City could result in an instance where the less senior employee was called in and the more senior employee complained that they were not called first. We recommended to the manager that some documentation be maintained when an overtime shift is declined to minimize the City's exposure.

## Environmental Protection

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
504 FT	1,337,928	42,055 3.1%	699,801	19,674 2.8%
126 FT	567,931	14,287 2.5%	479,395	6,652 1.4%
504 PT	50,984	- 0.0%	46,257	14 0.0%
Management	410,440	- 0.0%	386,660	- 0.0%

### Observations:

The key drivers for overtime are the following:

- sick time as required due to service levels or to maintain minimum staffing
- work on statutory holidays and Sundays
- shift overlap
- Malfunctions, emergencies and flow of workload

Management has several policies and procedures in place to manage overtime including the following:

- The supervisor determines whether a call-in is required for an absent staff based on expected work levels for the day except where they are required to maintain a minimum staffing for the operations division
- Overtime is approved by the supervisor prior to the overtime being worked
- Maintain a complement of staff such that so that vacancies are not a major factor

### Testing:

All samples tested were consistent with the collective agreements and the division's policies and procedures. Appropriate backup was provided for the approval of the overtime for call-ins, the selection of the employee for the overtime and for the approval for the overtime payout. For overtime due to extension of a regular shift, there was no formal approval of the overtime in advance; however, based on discussions with the manager, the normal process for approval for the overtime is evidenced as the approval of the employee's timesheet which was the case for all samples of this type.

## Protective Inspection and Control

Union/Group	2016		2015	
	Wages excl. Overtime	Overtime	Wages excl. Overtime	Overtime
126 FT	969,482	3,536 0.4%	964,777	6,748 0.7%
126 PT	37,259	- 0.0%	35,183	- 0.0%
Management	197,606	- 0.0%	200,033	- 0.0%

### Observations:

The key drivers for overtime are the following:

- Short staffing in 2013 and 2014, minimal overtime in division in 2015 and none in 2016
- workload

Management has several policies and procedures in place to manage overtime including the following:

- overtime hours are tracked by division and regularly go over the maximum 70 hours; however, the bank is normally used up during slower periods.
- Flex time is used

### Testing:

As there was minimal overtime in 2015 and 2016, no samples were available for selection. Based on discussions with management, the 2013 and 2014 overtime was due to significant staff shortage that was rectified in 2015. In addition, due to the shortage of staffing in 2013 and 2014, even with the higher % of overtime, the payroll costs were underbudget for those two years.

## Conclusions

It is important to note that the overtime issues facing the City are similar to those being faced by all municipalities.

The budgeting process for salaries and wages for each division would include a component for overtime. If the budget process includes a reasonable overtime component based on an analysis of the service requirements of the division and the optimal staffing complement and not based solely on past overtime experience, then the annual comparison of actual to budget will be a meaningful comparison in determining where management should focus their attention or follow up on unusual variances.

With the possible exception of three pieces of documentation for transit that were unavailable due to water damage, all samples tested were in compliance with existing policies and collective agreements and had adequate controls over the authorization for and approval of the overtime.

For Fire and Risk Management, Public Works, Environmental Protection and Arenas, management felt that while hiring additional staff would reduce the amount of overtime, the overall cost of the additional staff would be greater than the reduction in the cost of the overtime; this would result in a net cost to the City. Without additional data tracking of the specific conditions which resulted in the overtime, it is not possible to conclude whether hiring additional staff would result in additional costs to the City or a cost savings.

Transit felt that they have been short staffed for years and that the approval of additional full-time staffing for 2017 would assist in reducing the amount of overtime. Based on our analysis, we concur with this assessment.

The Protective Inspection and Control division was short staffed in 2013 and 2014 and the hiring of staff to get back up to their normal complement resulted in overtime for 2015 and 2016 being reduced to a minimal amount.

We would like to acknowledge the full cooperation and support of all staff in completing this audit.

## Recommendations

We recommend that management consider the following points in managing overtime costs going forward:

- continue to monitor total payroll costs based on budget to actual comparisons;
- consider analyzing the data available from the payroll system, similar to that exported for this report, to monitor changes in overtime as a percentage of wages by division semi-annually and follow up on any unusual trends;
- continue to monitor the use of short and long term disability;
- consider the addition of new payroll codes to distinguish overtime costs between major categories such as due to sickness, due to statutory holidays, due to weather or workload; and
- consider options for proactively hiring and training staff in anticipation of retirements or staff not returning from long term disability, this would include having new staff hired and in training prior to the position being vacated.