SUBJECT: Use of Standby, Call In/Out & Overtime (Public Works) – Audit Report 2008-02 (CM08025) (City Wide)

RECOMMENDATION:

(a) That Report CM08025 respecting Audit Report 2008-02, Use of Standby, Call In/Out and Overtime (Public Works), be received; and

(b) That the management action plans as detailed in Appendix “A” of Report CM08025 be approved and the General Manager of Public Works direct the appropriate staff to have these plans implemented.

EXECUTIVE SUMMARY:

The 2008 Internal Audit work plan approved by Council included the audit of the use of standby, call in/out and overtime. The results of the audit are included in a formal audit report containing observations, recommendations and management responses attached as Appendix “A” to Report CM08025.

BACKGROUND:

Considerable funds are expended by the City in the use of standby, call in/out and overtime options. During 2007, more than 4,000 employees received payments for overtime totalling $9.6 million. About 280 employees were compensated for their standby duties in the amount of $980,000 and over 180 employees were paid $568,000 for call in/out hours.
BACKGROUND: (Continued)
As Public Works (PW) accounts for the greatest percentage of the expenditure in all three areas (74% of standby, 90% of call in/out and 65% of overtime), the audit concentrated on procedures, records and transactions in this department only.

The audit fieldwork was completed in April 2008. The results of this audit are attached as Appendix “A” of Report CM08025.

The Audit and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

ANALYSIS/RATIONALE:
The audit involved a review of current PW processes to ensure compliance with relevant legislation and City policies and collective agreements and to assess whether the controls in place adequately provided for the proper assignment, approval, payment and accounting of standby, call in/out and overtime occurrences.

The audit resulted in the identification of areas for improvement with respect to Employment Standards Act (ESA) compliance, approval of overtime and call in/out hours and written procedures. Several recommendations for strengthening the overtime bank process were also made. A formal audit report containing observations, recommendations and resulting management action plans was issued and is attached as Appendix “A” of Report CM08025. The associated corporate risks are identified with each observation noted.

The main recommendations noted in the audit report include:

- Completion and retention of signed extra hours of work agreements with the various unions to enable employees to work more than 48 hours a week and allow the City to be in compliance with the ESA.
- Authorization of Water and Wastewater Division’s supervisors’ call in/out and overtime hours before processing payroll.
- Completion of written Finance and Administration procedures for the recording these types of extra hours in some divisions of Public Works.
- Consistent application of earning codes to allow for proper categorization and accounting of these expenditures.
- Written approval for carry over of unused overtime at year end.
- Changes to computer systems to trigger exception reporting when overtime payout or lieu time reaches or exceeds banked hours.
- A timely review and rectification of any negative balances in the overtime bank.

Management and staff have agreed to or have already taken actions to implement all of the formal recommendations. Specific action plans can be found in the attached audit report.

ALTERNATIVES FOR CONSIDERATION:
Not applicable.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial
Contravention of the Employment Standards Act (ESA) exposes the City to potential fines and penalties.

Staffing
A review of staffing levels, related job tasks and workload may provide a means of reducing some of the expenditures incurred for overtime, call in/out and standby.

Legal
Agreements with unions for extra hours of work should be worded and executed in such a manner as to be legally enforceable outside the terms of the collective agreements.

POLICIES AFFECTING PROPOSAL:

Collective agreements with CUPE 1041, 5167 and ATU 107.

RELEVANT CONSULTATION:

The attached report includes management action plans which reflect the responses of management and staff responsible for the administration and processing of standby, call in/out and overtime (Finance & Administration, Public Works Department and Human Resources, City Manager’s Office).

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☒ No

Environmental Well-Being is enhanced. ☐ Yes ☒ No

Economic Well-Being is enhanced. ☒ Yes ☐ No

City Council’s strategic commitment to “Best Practices – Best Value” under “A City That Spends Wisely and Invests Strategically” is addressed through audits and reviews and their subsequent follow up to ensure controls are in place to protect the assets of the City and promote efficient, effective and economic services and programs.

Does the option you are recommending create value across all three bottom lines?
☐ Yes ☒ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
☐ Yes ☒ No

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Attachment – Appendix “A”
# OBSERVATIONS OF EXISTING SYSTEM | RECOMMENDATION FOR STRENGTHENING SYSTEM | MANAGEMENT ACTION PLAN
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1. **Employment Standards Act (ESA)**  
According to the ESA, effective March 1, 2005, if an employer wants an employee to work more than 48 hours a week, a written agreement must be obtained from the employee or the union (if the workplace is unionized) and, an approval from the Ministry of Labour’s Director of Employment Standards must be received.  
Statistics indicate that a number of the City’s employees work over 48 hours a week, especially in Public Works during winter operations. Most of these employees belong to various bargaining units such as CUPE 5167 and CUPE 1041. At the time of audit, there was no evidence indicating that the City had received any written agreements from the employees or the bargaining agents they belong to.  
According to the Labour Relations Officers from Human Resources, the City has, on numerous occasions, requested the bargaining agents enter into extra hours of work agreements but has achieved very limited success. Although in the past the City has required and received permits from Ministry of Labour with respect to working excess weekly hours, these permits were void in the absence of an agreement with the union.  
The contravention of the ESA has exposed the City to potential fines and is detrimental to the City’s public image.  
That the Labour Relations Officers from Human Resources work with management from the relevant sections where employees are requested to work over 48 hours a week to seek written agreements from these employees or their related bargaining agents. Approval from the Director of Employment Standards should also be subsequently obtained. If an employee is required to work more than 60 hours a week, the approval of the Ministry of Labour’s Director of Employment Standards must be received before the employee can start working more than 60 hours a week.  
Such agreements and approvals should be retained properly for future reference.  
Agreed. In June, Human Resources sent communications to the Union Executive, management and all employees regarding the ESA requirement for extra hours of work and overtime averaging agreements to enable employees to work more than 48 hours in a week and be in compliance with the regulations. As of October 10, 2008, the City has signed extra hours of work agreements with CUPE 1041 and ATU 107 but not CUPE 5167.  
In the meantime, Public Works Senior Management has indicated support to limit hours of work to 48 hours for CUPE 5167 members in order to be in compliance with the ESA until an agreement with that union is finalized. Management continues to encourage CUPE 5167 to sign an extra hours of work agreement.

2. **Authorization of Supervisors’ Hours**  
One of the effective controls to ensure the justification of the call in/out or overtime hours claimed by the City’s employees is to have the timesheets where these hours are recorded authorized by the employees’ immediate supervisors.  
It was noted during the audit that the overtime and call in/out timesheets of the supervisors from Water & Wastewater (WWW) division of Public Works are emailed directly to the Finance & Administration (F&A) for processing without being approved by their superintendents or managers.  
The lack of approval from the superintendents or managers could leave room for inaccurate reporting of the call in/out or overtime hours actually worked.  
That the superintendents or managers from WWW review and approve (either in paper or electronically) the supervisors’ timesheets for call in/out and overtime hours before they are sent to the F&A.  
Agreed. A process whereby the Water Distribution and Wastewater Collection Supervisors e-mail their timesheets directly to the Finance and Administration (F&A) staff person is now in place. The F&A staff person then creates a spreadsheet to summarize all of the Supervisors’ timesheets. On the Monday following each pay period, the F&A staff person e-mails the spreadsheet to the Superintendents for their approval prior to pay cheques being processed.
### OBSERVATIONS OF EXISTING SYSTEM

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<tr>
<th>#</th>
<th>Finance &amp; Administration (F&amp;A) Procedures</th>
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<td>3.</td>
<td>There are no written F&amp;A procedures with respect to the process of recording standby, call in/out &amp; overtime hours in some of the divisions in Public Works. When there are no complete procedures to refer to, the employee currently carrying on the process relies on personal understanding and experience, which could be incorrect or inconsistent. It is also problematic and inefficient for the successor to commence his/her duties within a short period of time.</td>
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### RECOMMENDATION FOR STRENGTHENING SYSTEM

That F&A procedures pertaining to the process of recording standby, call in/out & overtime be documented and retained in the F&A area. These procedures should be reviewed annually to ensure that they remain current and are appropriately and consistently applied.

### MANAGEMENT ACTION PLAN

Agreed. Public Works General F&A will complete the procedures for the standby, call in/out & overtime by the 1st quarter 2009.

<table>
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<tr>
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<th>Earnings Codes and General Ledger (GL) Accounts</th>
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<td>4.</td>
<td>Earnings codes are used when various payroll expenses are entered into PeopleSoft. Each earnings code is designated for a certain type of payroll expense and is linked to a specific GL account in PeopleSoft. A number of discrepancies were noted during the audit:</td>
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- When call in expenses from Water & Wastewater (WWW) division are entered into PeopleSoft, the default GL account is overridden by Finance & Administration (F&A) with an account assigned for overtime expenses.
- Earnings codes for overtime expenses are used when the call out expenses from WWW are entered in PeopleSoft.
- Banked call in/out hours and the subsequent usage of these hours are recorded in PeopleSoft using the earnings codes established for the accumulation of overtime hours. The usage of improper earnings codes and GL accounts and the F&A’s ability to override GL accounts during the time entry process could result in misleading financial information. |

### RECOMMENDATION FOR STRENGTHENING SYSTEM

That F&A consult with Payroll concerning the structure of earnings codes and GL accounts pertinent to standby, call in/out & overtime expenses and define the usage of these earnings codes and GL accounts. Once the decision is made, it should be implemented consistently across all of the City’s departments.

### MANAGEMENT ACTION PLAN

Agreed. Review of the earnings codes will be completed and incorporated into the procedures as noted in #3 above by the 1st quarter 2009.
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<td>5.</td>
<td>According to collective agreements for CUPE 1041 &amp; CUPE 5167, employees are allowed to bank overtime hours. Unused overtime balances should be paid out by December 31 annually unless written approval has been provided to carry lieu time over. As of December 31, 2007, a number of employees had unused overtime hours carried over to 2008 but, at the time of audit, there was no evidence available indicating that written approval had been obtained as required. Further, a number of employees were found to have negative balances in their overtime banks as of December 31, 2007. Factors contributing to the overdrawn overtime banks include: Banked overtime hours and the subsequent usage of these hours are entered into PeopleSoft or Hansen (a system used by Operations &amp; Maintenance for time entry). At the time of audit, both systems permitted the number of overtime hours entered for each employee under overtime payout and/or lieu time taken to exceed the number of overtime hours that had previously been banked in the system. Finance &amp; Administration (F&amp;A) (or an Operations Service Representative (OSR) from O&amp;M) relies on queries from PeopleSoft to determine the balances in employees’ overtime bank. A number of different queries were available in PeopleSoft, as noted during the audit. Due to individual configurations, results from these queries may differ, especially when the activities in the overtime bank take place during the first or last pay period of each year. This could lead to errors, confusion and inefficiency. There were instances in which the overtime hours paid or taken during the current pay period were not taken into consideration when F&amp;A or an OSR informed the employees of their unused overtime bank balances before year end. There are no controls currently in place to ensure negative balances in employees’ overtime bank are closely monitored or properly accounted for at year end. Consequently, certain employees could be overpaid.</td>
<td>That written approval from management be obtained for those employees who want to carry over unused overtime balances at year end. Such approval should be retained properly for future reference. That a control be implemented in PeopleSoft and Hansen which would trigger a warning message if an employee’s hours of overtime payout and/or lieu time taken reach or exceed the balance in his/her overtime bank. That F&amp;A confer with Payroll in reference to the configuration of PeopleSoft queries pertinent to overtime banking and determine a corporate standard query that should be used consistently by F&amp;A (and the OSRs from O&amp;M). The selected query should be tested for accuracy and completeness. The remaining queries should be removed from PeopleSoft. That overtime hours utilized during the current pay period be taken into account when calculating the year-to-date unused overtime hours for each employee. That employees’ overtime balances as of December 31, 2007 be revisited and negative balances rectified. In addition, such reviews should be completed as part of the annual year-end processes with negative balances examined and addressed.</td>
<td>Agreed. Public Works General F&amp;A will ensure proper documentation is obtained for all Public Works’ employees requesting carry over of overtime. This has been added to the list of duties for the General Admin FA1. Expected implementation by December 2008. Agreed. A meeting will be requested with the PeopleSoft team and Hansen to determine the feasibility of including a trigger. In the absence of this meeting, a monthly review will be completed of the balances and follow-up by the General Admin FA1. Expected implementation by fall 2008. Agreed. Public Works General F&amp;A will work with Payroll to identify the most useful overtime bank query and recommend other queries be expired. This matter will also be reviewed with other F&amp;A managers. Expected implementation by December 2008. Agreed. Reports of this nature already exist but are not being used. Therefore, commencing immediately, a monthly review of balances will be done and rectified by Public Works General F&amp;A. Agreed. Public Works General F&amp;A will rectify the December 31, 2007 negative balances by the end of 2008.</td>
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