



Auditor General
Town of Markham

September 22, 2009

Mayor and Members of Council,

I am pleased to present the Overtime and Attendance Management Audit Report of the Auditor General of the Town of Markham. The Report contains recommendations, which if implemented, should improve the management of overtime and attendance at the Town of Markham. The Report was discussed with Town staff, who have committed to implement corrective actions as detailed in the Report. Action plans that require Council approval or funding sources will be addressed using the Town's current operating protocols.

This Report is provided to you for information and adoption of Town staff's proposed action plans.

The audit focused on Town processes to manage overtime and employee absenteeism. Absenteeism can lead to reduced productivity, disruption of work scheduling and output, and increased costs such as overtime. Overtime is a cost to the Town that can pose a risk of waste and abuse if not well managed.

The audit found that the policy framework, practices, and controls to effectively and efficiently manage attendance and overtime need improvement. Although there were no identified widespread abuses of sick time or overtime, there is a need to monitor and actively manage the rising trends.

Fires Services current staffing model needs to be reviewed, the budgeting process clarified, overtime drivers monitored and the attendance program strengthened.

The detailed report will be posted on the Town of Markham's web site and made available to the public after tabling to Council.

Sincerely,

Ingrid Kutter

**TOWN OF MARKHAM AUDITOR GENERAL
OVERTIME AND ATTENDANCE MANAGEMENT
AUDIT REPORT**

MAY 26, 2009

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1.0 Introduction

This report presents the results of the Attendance Management Audit completed on May 20, 2009. This Audit was conducted as part of the Auditor General's 2009 audit work plan approved by Council on November 11, 2008.

This Report contains recommendations, which if implemented, should improve the management of overtime and attendance management. This Report was discussed with line management, the Commissioners, and the Chief Administrative Officer, who have committed to implementing corrective actions as detailed in this Report.

Town staff provided the Auditor General with unrestricted access to all activities, records, systems, and personnel necessary to conduct this audit freely and objectively. All observations, findings, and recommendations of the Auditor General are included in this Report.

2.0 Background

Attendance management for the purposes of this audit refers to processes to manage overtime, employee absenteeism, and leave. Overtime is defined as those hours worked in excess of a regular work period. Employee absenteeism is defined as unscheduled absences from work due to illness or injury, whereas leave is scheduled absences.

Absenteeism can lead to reduced productivity, reduced employee morale, and increased overhead costs such as overtime.

Statistics Canada publishes annually a benchmarking report on "Work Absence Rates", which talks to absence in the workplace. *"There are many kinds of absence. Some, such as annual vacation, are generally considered beneficial for both the organization and the employee. Since they are usually scheduled, their effect on the organization can be fairly easily absorbed; the same can be said of statutory holidays. Other absences, such as those caused by illness and family-related demands, are generally unavoidable, as are those due to inclement weather. Absenteeism, a term used to refer to absences that are avoidable, habitual and unscheduled, is a source of irritation to employers and co-workers. Such absences are disruptive to proper work scheduling and output, and costly to an organization and the economy as a whole. Although absenteeism is widely acknowledged to be a problem, it is not easy to quantify. The dividing line between avoidable and unavoidable is difficult to draw, and absenteeism generally masquerades as legitimate absence."*

The Town of Markham recognizes the importance of employee well being and the need for leave provisions for employees that need it. Sick leave payments are available to replace employment income lost due to illness or injury which prevents an employee from performing their duties. All regular full-time employees are provided non-cumulating sick leave credits, except for Fire Services. A comprehensive Employee

Wellness Program is offered to staff, designed to provide information and services to maintain health, reduce risks, and achieve high levels of health and wellness. Good management ensures compliance with agreements and legislation reducing abuse and strengthening employee relations.

Overtime is a cost to the Town that needs to be managed in an economical way. The Town budgeted \$851,961 in 2008 (\$735,083 in 2007) for overtime, recognizing its usefulness in the right circumstances. Actual overtime expenditures in 2008 more than doubled the budgeted amount ending the year at \$2,240,305 mostly offset by staff vacancies. Effective budgeting is essential to good fiscal management.

There are four distinct employee groups at the Town of Markham; one is non-union, including permanent and temporary full time, permanent part time and temporary short term, governed by Human Resources policies and provincial legislation. The other three groups have collective bargaining agreements to further govern employment and working conditions. They represent inside workers, outside workers, and firefighters.

Markham Public Library is governed by separate Board approved policies and collective agreements for its two employee groups.

3.1 Audit Scope

The scope of the audit included the town wide processes for managing attendance and overtime for all departments. Individual departmental practices of Fire Services who have distinct processes and Markham Public Library who function under their own Board approved policies were also included. Specifically the audit included:

- short term absences from work due to illness or injury, family responsibilities and medical appointments
- leave taken for vacation
- overtime with a focus on some high users of overtime; Fire Services, Roads, and Parks

The audit excluded:

- Absences under the long term disability plan which are managed through a third party provider, and
- maternity leaves

3.2 Audit Objectives

The objectives of the audit were to assess the management framework, practices and controls that ensure staff attendance and overtime were;

- compliant with legislation, collective agreements and Human Resource policies,
- properly authorized and accurately recorded,
- managed in an efficient manner
- effectively monitored using reliable management information to identify exceptions and measure outcomes

3.3 Audit Methodology

In order to perform the audit work the following methods were used:

- Review of relevant documentation such as policies, collective agreements and procedural documents
- Benchmarking absence data
- Interviews with town staff
- Walkthroughs of the departmental processes
- Audit survey of 30 staff
- Examining files, records and supporting documents
- Extracting data from information systems and subsequent analysis

4.0 Conclusion

The policy framework, practices, and controls to effectively and efficiently manage attendance and overtime need improvement. People managers did not have sufficient reliable and meaningful management information to manage absenteeism and overtime use.

The Town's average sick days taken by full time employees is steadily increasing. Town absences remain below the national average for public sector workers but exceed the private sector experience. Vacation carry over has increased, along with an increase in overtime in the high user departments. Overtime earned as time off is not tracked town wide, but estimates show overtime hours would increase by at least 30%. Overtime spend represents less than 3% of salary costs concentrated in four departments with Fire Services accounting for over 60% of the spend.

Although there were no identified widespread abuses of sick time or overtime, there is a need to monitor and actively manage the upward trends.

Fire Services continually exceeded their people budget with higher than expected overtime and lower salary costs. The large number of staff vacancies in 2008 and 2009 increased reliance on overtime to cover both the vacancies and sick absences. The current staffing model needs to be reviewed, the budgeting process clarified, overtime drivers monitored and attendance program strengthened.

5.0 Key themed audit recommendations

There are 5 key themed audit recommendations and for each of those, more detailed recommendations are included in section 6 of this Audit Report. Underlying these recommendations is a need for a town wide policy framework aligned with risk management practices. This would include identification of required policies and owners, responsibilities, policy structure, and monitoring and reporting outcomes.

1. Attendance Management Program

An attendance management program should be implemented town wide to support people managers in controlling the rising trend in town absence rates. Effective management of workplace attendance contributes to quality service delivery, value for money in overtime expenditures and improved productivity through the well being of employees. A formal program would provide direction on workplace attendance consistent with collective agreements and legislation.

Management reporting should be developed to enable effective monitoring of non compliance and high sick users. People managers cannot effectively monitor and manage staff attendance without good reports.

2. Medical certificates (excludes Fire and Library Services)

Medical certificates should always be obtained in compliance with policy requirements. Responsibility for follow up on required medical certificates and ensuring the certificates contain sufficient information to support the employee's absence should be clarified as part of the attendance management program. An improved reporting mechanism should be developed to enable Human Resources and people managers to monitor absences and trigger requests for medical certificates.

3. Process Inefficiency

Consideration should be given to improving the efficiency and effectiveness of the absence reporting process recognizing there are limitations without an investment in technology and a well defined information management strategy. Although some opportunities are feasible, ideally consideration needs to be given to the current system functionality and the Town's future direction. Automating forms, direct update to systems, revisiting functionality with the third party provider, are some of the areas to explore.

4. Overtime

The overtime policy should be updated to provide guidance to town staff and set the tone at the top by communicating a commitment to use overtime effectively. Budgets are management's authority for expenditures and should be developed to reflect actual expectations and promote accountability.

Opportunities to deliver services with improved scheduling or mix of staff should be assessed on a regular basis especially by high overtime user departments. There should be a higher level of approval, beyond the immediate supervisor, once a certain level of

overtime has been reached. Data capture, analysis and performance reporting all need to be strengthened to support more efficient use of overtime.

5. Fire Services

The audit proposes four key recommendations to manage overtime costs. The first recommendation is to undertake a staffing study to select a sustainable staffing model. It should not be assumed that the current model is the most cost effective going forward, even when vacancies are filled. The choice on balancing overtime with salary costs must be clear within the model.

Second, develop a stronger budgeting process that reflects actual expectations, has targets, and ensures accountability through regular monitoring. Detailed analysis of overtime drivers is needed.

Third, continue to manage the overtime drivers. Further attendance management processes are required to bring sick leave to acceptable levels and prevent opportunities for abuse. Medical certificates should be obtained in a consistent, fair and equitable fashion for moderate absences. Strengthen the attendance program to minimize overtime for chronic sick users. Develop thresholds to trigger timely recruitment.

Other opportunities to manage overtime more effectively include streamlining the process for filling captain positions called in sick, focus on reducing non firefighter overtime and District Chief overtime, and discourage overtime work during scheduled vacation.

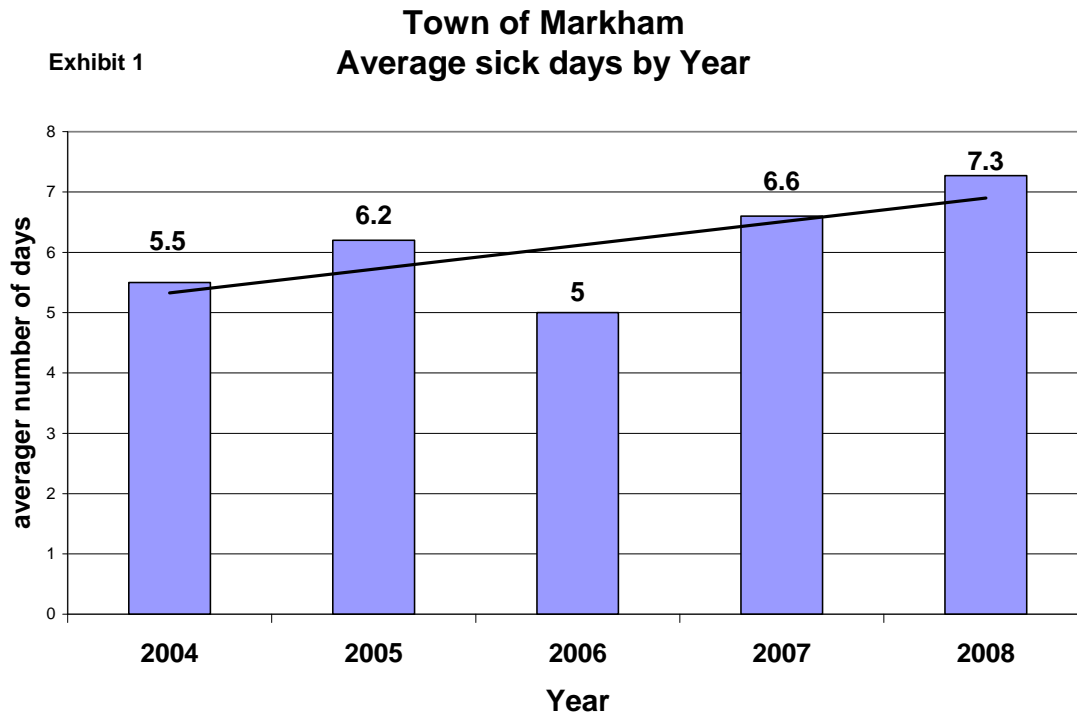
6.0 Detailed Findings, Recommendations, and Management Responses

6.1 Attendance Management

Highlights		
Finding #	Description	Observation
6.1.1	Attendance Management Program	The Town does not have a formal attendance management program in place.
6.1.2	Management Reporting	Availability and integrity of management reports to support attendance management was limited
6.1.3	Medical Certificates	The process for obtaining medical certificates for excessive absence events in the year is not fully effective to ensure certificates are requested and received.
6.1.4	Inefficient process	The absence reporting process is manually intensive and prone to errors.
6.1.5	Vacation Entitlement	Vacation carry over is excessive for 9% of Town staff.
6.1.6	Vacation Policy	The vacation policy does not require staff to take at a minimum a one week block of time each year.
6.1.7	Records Retention	Employees are not clear on the records retention requirements.
Please note that the town has provided a response on page 17 of this Report that addresses all section 6.1 audit findings		

Background

The Town's average sick days taken by full time employees is steadily increasing as shown in exhibit 1. Absence rates for all commissions have increased since 2006. The highest users of sick time in 2008 were Roads with 17.8 days on average per employee.



** Data provided by Town of Markham internal reports*

In prior years the Town measured itself against external benchmarks; however this has yet to be done for 2007 and 2008. The source and comparative nature of the external benchmarks was not clear. Some external benchmarks used in 2006 were based on both short and long term absences while the Town's performance measure was based only on selected short term absences (excluded medical appointment and family responsibilities).

Town absence rates for 2008 increase when medical appointments, family responsibilities and long term absences are included. The Town of Markham's total days lost per full time employee in 2008 was 11.75 of which 7.27 was for short term absences, 0.85 for personal time (maximum allowed per staff is 20 hours) and 3.63 for long term absences.

Exhibit 1a

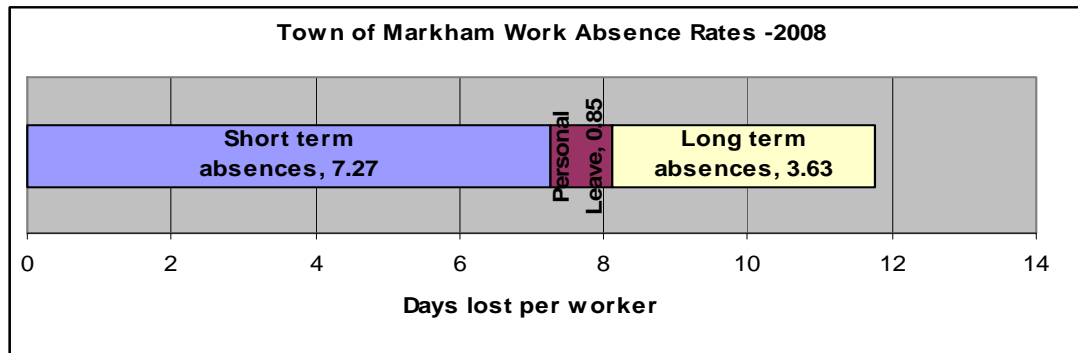
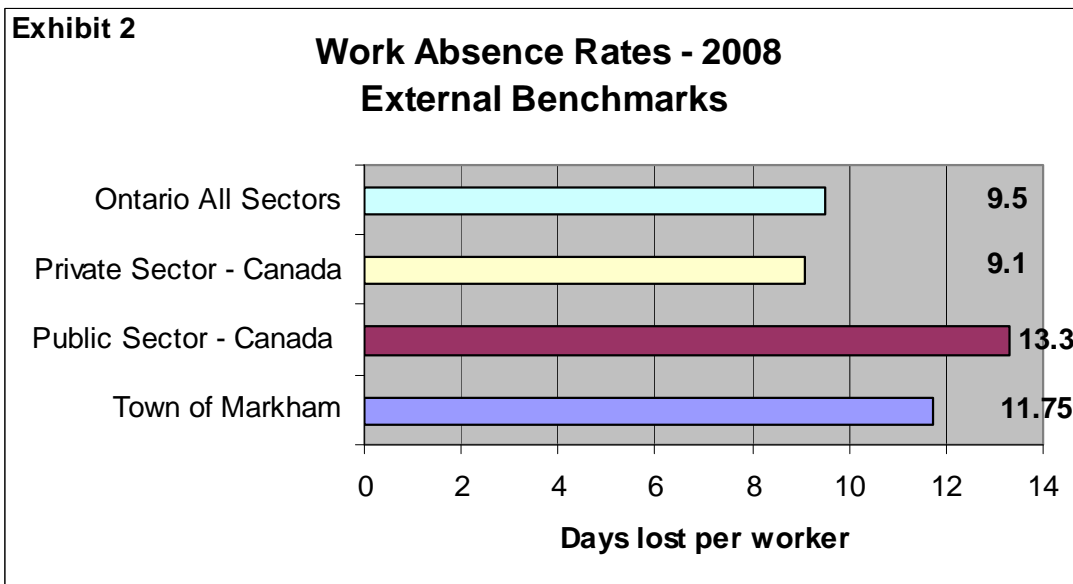


Exhibit 2 provides comparable benchmarking. Town absences are below the national average for public sector workers but exceed the private sector experience.



* includes both short and long term absences (illness or disability, medical appointments, family responsibilities and excludes maternity leaves) Source: Stats Canada – Work Absence Rates - 2008

Finding 6.1.1 - Attendance Management Program

The Town does not have a formal attendance management program in place.

The Town does not have a formal attendance management program in place to ensure the efficient and effective management of people resources. Effective management of workplace attendance contributes to quality service delivery, value for money in overtime expenditures and improved productivity through the well being of employees. A formal program would provide direction on workplace attendance consistent with collective agreements and legislation.

The key elements of an attendance management program would include a statement of the Town's principles and approach in managing attendance, roles and responsibilities, reporting requirements, target absenteeism rates to define success and trigger action, an approach in assisting employees to achieve regular attendance, management monitoring reports and benchmarking.

The Town's collective agreements and current policy address sick leave coverage, how employees report absences, and when medical certificates are required. In 2006 Human Resources was in the process of developing a formal attendance management plan to address both preventable and innocent absence associated with short term disability, long term disability, and workplace accidents. However that plan has yet to be finalized and implemented. In early 2009, Human Resources restarted this initiative and have a draft policy underway.

Currently, responsibility for managing and following up on absences, both short and long term, is not well understood. Of 23 people managers surveyed, sixty-five percent (65%) were not aware of the responsibility for managing attendance between human resources, line management and senior management. Responsibility for following up on medical certificates was not well understood resulting in a few instances where follow up was not completed. A well designed attendance management program would provide clarity on responsibilities.

Recommendation 6.1.1

a) The attendance management program should be finalized and implemented in 2009. The draft policy does incorporate key elements that would be expected in such a program. Additional guidance on standard reporting and documentation requirements is recommended, such as standard templates to support attendance review activities.

b) Attendance management training should be available for people managers.

c) The rising trend in the town absence rates needs to be continually monitored and managed against established divisional targets to define success and trigger action as needed.

d) Benchmarking should be conducted on an annual basis with comparative numbers.

Finding 6.1.2 – Management Reporting

Availability and integrity of management reports to support attendance management was limited.

The human resources system used to support attendance management was limited in the availability and integrity of management reports. Good reports help to ensure compliance with policies and identify irregularities. People managers cannot effectively monitor and manage staff attendance without good reports.

The human resources system is supported by a third party as part of the payroll system agreement. As noted in the town's information management strategy a "lack of integration between HRIS (human resources information system) and Payroll forces many manual steps in processing, with attendant errors". The system was contracted in 2004. The service agreement has not been reviewed since to ensure it continues to meet Town needs and satisfactory service levels.

Individual employee reports are produced a few times a year, however the focus is on corrections to the records as opposed to managing attendance. These reports are a key control to ensure absence records are accurate. Errors are very common and correction involves time of the employee, supervisor, attendance clerks, and human resources. Errors occur due to coding the reason wrong, input, and missed absence forms. Absence forms are approved by the supervisor; however there is often no validation of the data input to the system. For 12 of 23 audit survey respondents the required input spreadsheets are completed by the attendance clerks without independent verification. The integrity of absence system records could be compromised.

In 2 cases vacation taken was not reflected in the system absence report however the data upload was accurate. There was no explanation why the system was incorrect. Data extracted from standard system reports for audit purposes was not reliable or in a format that could be readily used for analysis. The accuracy of the HR system for absences cannot be assumed.

There is no regular reporting to senior management on departmental absenteeism and rates to support attendance management. Employees and supervisors do not have direct access to absence information as needed. Some departments have created their own mechanisms for monitoring. Absences for part time employees are not tracked because they are not paid for sick leave, however those absences could impact co-worker productivity and the need for overtime.

There are no exception reports to identify high sick users, employees exceeding entitlements, and when medical certificates are required. Reliance is placed on informal manual processes.

In 2008 approximately 12 % of full time staff booked over 10 sick leave days. Generally for high sick users medical certificates, physical restriction forms, and return to work forms are requested and obtained; however in a very few cases the documents were not received. The audit survey indicated some difficulty in managing attendance for a few individuals.

The audit found that personal leave entitlements were exceeded for 17 staff, however no employee reported more than 5.5 hours in excess. Employees have 20 hours available to use for medical appointments, unexpected family illness or emergencies.

Recommendation 6.1.2

a) Regular reporting should be developed for people managers and senior management to ensure compliance with policy and enable effective monitoring. Consideration should be given to providing people managers direct access to absence information to enable timely action. A short term alternative to consider is redesigning the absence spreadsheets submitted to HR to include a rolling balance of absences. This would allow supervisors the ability to review absences and leaves prior to submission. Since some employee groups are subject to “pay by exception” (paid full salary unless noted otherwise) a rolling balance would avoid overpayments.

b) Anomalies encountered in system reports should be communicated to the vendor for investigation and correction.

c) Automation of approved absence forms for direct upload would improve efficiency and support data integrity. Without automation, regular departmental absenteeism reporting is critical. There should be independent verification of the data upload. The absence report review is a key control in tracking absences and should always be approved by the supervisor especially for the error corrections.

d) The attendance review process, as noted in the draft attendance management policy, should be clarified as to expectation and implemented for all high users of sick leave. Responsibility for follow up on documentation should be clarified. Departments with high sick time, such as Roads, should be more fully supported by Human Resources with an attendance review process.

e) The service agreement for the Payroll and HR system should be reviewed on a regular basis to ensure it continues to meet Town needs efficiently. Control reports should be obtained from the vendor to provide assurance on data integrity and security.

Finding 6.1.3 – Medical Certificates (excluding Fire and Library Services)

The process for obtaining medical certificates for excessive absence events in the year is not fully effective to ensure certificates are requested and received.

The current Town policy states the following “A medical certificate from a qualified medical practitioner must be provided to Human Resources after a continuous sick leave for 3 days. After five sick leave absence periods, in any one calendar year, the employee shall not be paid for any subsequent sick days unless a doctor's certificate is provided. This procedure shall continue for the remainder of the calendar year.”

The audit examined a sample of 15 employees who had reached 5 or more absence occurrences during 2008. The Town process requires Human Resources to send a letter to the employee copied to their supervisor, informing them they have reached 5 absence occurrences. The letter states that future absences will require a medical certificate prior to sick leave benefits being paid. The process to track and monitor employees with 5 or more absence occurrences lacks management reports, is manual, prone to error and cumbersome. **Letters were not always sent or medical certificates were not received**

even when a letter was sent. Sick benefits were paid without the required medical certificate.

Specifically, of the 15 employees sampled, 3 did not have a letter sent by Human Resources and of those, 2 were paid sick leave benefits for a 6th incident with no medical certificate. An additional 2 employees had been sent a letter however the 6th absence occurrence was paid without a medical certificate.

The audit also examined a sample of 20 employees who had more than 3 consecutive sick days and found all had the required medical certificates on file. This process works effectively. However, in three of the sample, the medical certificates on file did not provide sufficient information to support the employee's absence, specifically with regards to the period of the employee's absence. For example, no dates provided or certificate appears backdated.

Recommendation 6.1.3

- a) Responsibility for follow up on required medical certificates and ensuring the certificates contain sufficient information to support the employee's absence should be clarified as part of the attendance management program.
- b) An improved reporting mechanism should be developed to enable Human Resources and people managers to monitor absences and trigger requests for medical certificates.
- c) Human Resources should work with the system vendor to identify opportunities to automate absence tracking, specifically the count of absence occurrences and absence entitlements.

Finding 6.1.4 – Inefficient process

The absence reporting process is manually intensive and prone to errors.

The absence reporting process is manually intensive and prone to errors. Recording of vacation entitlements and time taken is another cumbersome process. Some departments have their own tracking mechanisms. Integrity of these tracking mechanisms and accompanying reports cannot be assured.

Of the thirty attendance clerks nearly half spend on average 2-3 hours a week on attendance management issues and processes. Absence spreadsheets are submitted after the pay is processed, so any required pay adjustments may require employee permission if they have an older employee contract that does not allow for repayment. A third of the departments submit the absence spreadsheet to HR late increasing workloads.

Recommendation 6.1.4

Without an investment in technology, there are minimal opportunities for efficiency gains; however the following low cost alternate initiatives may provide some relief. They should be explored further to determine feasibility.

- Absences input directly to HR system by the attendance clerks, or approved absence forms in PDF format to be electronically managed, or automation of approved absence forms for direct upload,
- Attendance spreadsheets to include rolling balances,
- Regular reporting of individual absence on pay stubs,
- Expand department tracking mechanisms to other departments
- Vendor consultation on opportunities to streamline through the system

In addition, the following higher cost initiatives could be considered,

- Automated call in system with reporting
- Move towards employee self serve, consider portal opportunities

Finding 6.1.5 - Vacation Entitlement

Vacation carry over is excessive for 9% of Town staff

In accordance with the Employment Standards Act, Town collective agreements and Town policy, employees are entitled to vacation each year. The specifics of that entitlement vary between the employment groups. Vacation not taken in the year may be carried over to the next year provided there is proper approval, no more than one week is carried over and the carry over is taken within a certain time period.

Vacation entitlements were complied with in the audit sample tested. All employees with over one year of employment took some vacation in 2008. Vacation entitlements and time taken is recorded each pay period and reviewed by staff using an absence report that is periodically produced.

Vacation carry over increased since 2006 and remains much the same from 2007 to 2008 averaging 3.8 days. Vacation carry over is found mainly in the non union and management employee group. Although the average carry over is less than one week, 79 staff (9.25% of full time town employees) have excessive (greater than 2 weeks) vacation carry over that could detract from achieving a healthy workplace and could impact service delivery. In a sample of 10 staff with more than 15 days carry over; all had taken some vacation in 2008 however 8 of the 10 continue to increase their carry over each year. The largest carry over was 22 weeks followed by 13 weeks.

There is no history of employees losing vacation not taken within the required time frame. Vacation deferred costs the Town when taken later at higher salary costs.

Recommendation 6.1.5

Supervisors should develop a plan for individuals with excessive carry over as to how the carry over will be reduced going forward and this should be monitored.

Finding 6.1.6 – Vacation Policy

The vacation policy does not require staff to take at a minimum a one week block of time each year.

The vacation policy does not require staff to take at a minimum a one week block of time each year. Over 40 staff did not take a one week block of vacation time; including 3 staff with greater than 15 days carry over. Some of the staff were in high risk positions such as payroll, information technology finance, and building inspection. Not taking a one week block of vacation could facilitate fraudulent activity. Generally, persons engaged in such activities will need to be present in the workplace to conceal their actions. A one week absence increases the likelihood of detection because one week normally allows for a full transaction / processing cycle to complete.

Recommendation 6.1.6

The vacation policy should be updated to require staff to take at least a one week block of vacation annually. Management reports should be designed to monitor compliance.

Finding 6.1.7 – Records Retention

Employees are not clear on the records retention requirements.

The Town has a Records Retention By-law, however attendance records are not identified as a record for all departments, and the retention period is inconsistent among departments.

Employees are not clear on records retention requirements, in particular for absence reports, overtime records, medical certificates, and disciplinary communications. The audit survey of 28 staff identified that the length of time documents are retained is not always in compliance with the By-law. Respondents provided inconsistent retention periods ranging from 1 year to 7 years to forever, or until the employee leaves. Not all respondent were aware of the retention period.

Medical certificates are retained in some departments rather than in one secure location such as human resources, creating a risk that employee personal information may be unsecured.

Recommendation 6.1.7

a) Records retention By-law should be updated to be consistent for attendance records.

b) Medical records should always be kept in a secure location, preferably with Human Resources who have a secure process already in place.

Management Response

The appropriate retention period for attendance and health records will be covered in the inventory of records Clerk's is about to undertake and will also be informed by the consultant that we are engaging to help us review the appropriateness of our By-law and corresponding retention periods.

Management Response (for all observations in section 6.1)

The Auditor General's report reveals that there are many opportunities for improving the effective management of workplace attendance. Of most significance is her finding that without an investment in technology, there are minimal opportunities for efficiency gains. We are in agreement with that observation. The Town's ability to effectively manage all facets of employee attendance and develop relevant longer term people management strategies relies heavily on systems that are intelligent, integrated and efficient. Therefore, management's response is primarily focused around a solution rooted in technology.

It is recognized that the review of current attendance management processes is a priority. Although several draft policies will be reviewed and adopted by year end, the full implementation of a comprehensive attendance program will require a phased multi-year approach. Relying on the information presented in the report, the following short, mid and long term opportunities have been identified:

Short Range Improvement Opportunities - not requiring an immediate investment in technology (October 2009 – June 2010)

- 1. Review of draft policies that facilitate adherence to legislative requirements by December 31, 2009; with adoption and implementation by June 2010:*

Policies

- Hours of Work and Overtime*
 - Vacation*
 - Employment Standards Act Posting*
 - Flexible Work Arrangements*
 - Leaves of Absence*
 - Attendance Management*
- 2. Review and revision of time sheets and absence reports for the purpose of recording all types of absence and embedding associated legislative requirements and corporate regulations.*
 - 3. Review HR resources to determine whether additional support can be provided to departments with high rates of absenteeism.*

Mid Range Improvement Opportunities – requires external contracted services and technology advancement (February 2010 to December 2010)

- 1. Secure contracted/consulting services to identify technology-based attendance management solutions/options. Expected deliverables include:*

- gap analysis*
- process mapping*
- identification of accountabilities*

- *Systems technology review, analysis and recommendation*
 - *procedure development*
 - *development of collection, measurement and reporting tools;*
 - *development of training tools and associated communication*
2. *Corporate review of proposed solutions and identification of the most appropriate*
 3. *Incorporate solution and implementation costs and work activities into business unit planning and budget process. It is expected that a significant additional investment in technology will be required in 2011 and onward.*

Long Range Improvement Opportunities (January 2011 – June 2012)

1. *Program and system implementation*

6.2 Overtime

Highlights		
Finding #	Description	Observation
6.2.1	Overtime Policy	Overtime policy is outdated and does not provide sufficient guidance.
6.2.2	Overtime Planning	Budgeting for overtime is not effective in controlling overtime costs.
6.2.3	Managing and Monitoring Overtime	Overtime drivers and expenditures are not monitored and analysed sufficiently.
6.2.4	Lieu Time	Amount of lieu time earned and taken cannot be reliably determined and managed
6.2.5	Recreation Part-Time staff	Part-time staff earns overtime that is not intended within their positions.

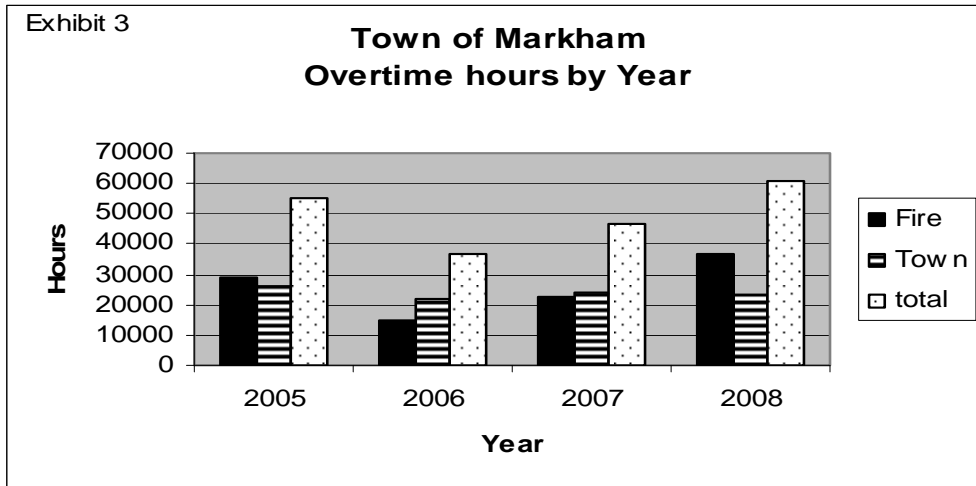
Background

Employment standards are enforced under the Employment Standards Act, 2000 (ESA) which sets out the minimum standards that employers and employees must follow. ESA provides rules about working excess daily or weekly hours and averaging hours of work for overtime purposes.

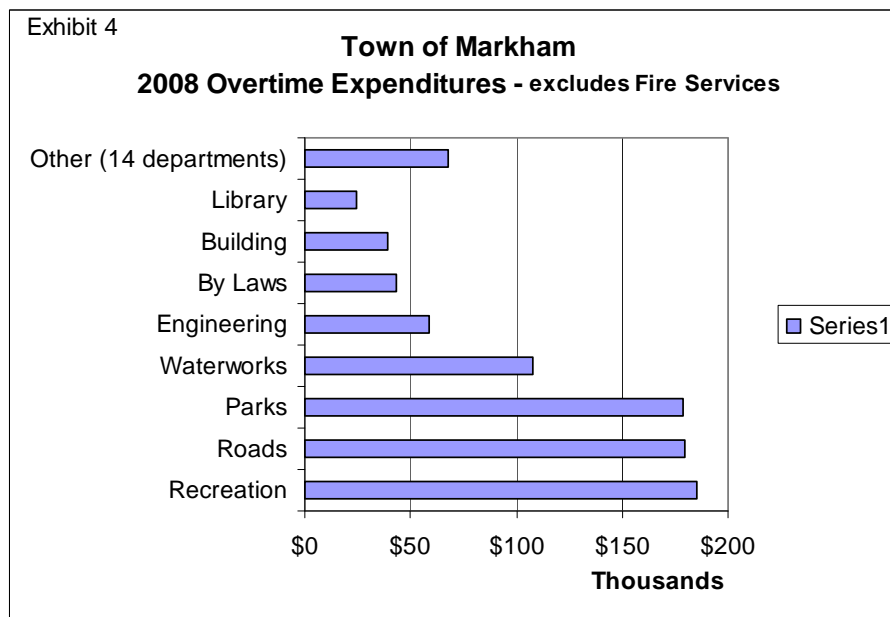
The Town's overtime is also governed by the various collective agreements, an outdated overtime policy and standard templates for reporting overtime incurred. The policy does state that "overtime payments will be made to eligible employees only when the overtime hours are approved by the employee's department head and scheduled in advance or in an emergency situation". The audit was based on this fundamental principle.

The Town budgeted \$851,961 in 2008 (\$735,083 in 2007) for overtime, recognizing its usefulness in the right circumstances. Actual overtime expenditures in 2008 more than doubled the budgeted amount ending the year at \$2,240,305 generally offset by staff vacancies resulting in a net overage of approximately \$600,000.

Overtime hours for the Town, excluding Fire Services, have remained fairly constant over the last 4 years, averaging 27 hours per full time employee in 2008. The number of staff earning overtime in 2008 has remained unchanged since 2007.



The top four department users of overtime in 2008 were **Fire at 61% (\$1,363,767)**, **Recreation 8.3% (\$185,347)**, **Roads 8% (\$179,581)**, and **Parks 8% (\$178,684)**, representing 82% of overtime spend. Fire Service more than doubled overtime spend since 2006. The other three high users of overtime also increased overtime spend since 2006 by thirty-five percent on average.



As a line item in the budget, most departments exceeded their overtime budget. However, if overtime is managed as part of the overall people budget rather than as a line item, then only 3 departments exceeded people budget: Fire (\$587,187), Art Gallery (\$31,437 salaries only) and Waste Management (\$7,688). Departmental vacancies were not always filled and instead overtime was used to delivery town services, however people budgets were not exceeded in most cases. In 2008, the Town was running at an average vacancy rate of 5%.

Fire Services is discussed separately in this Audit Report under section 6.3.

Finding 6.2.1 – Overtime Policy

Overtime policy is outdated and does not provide sufficient guidance.

The overtime policy was last updated in 1989 and does not fully reflect current town processes and practices. There is non-compliance with the policy for the non-union employee group specifically with some outdated internal processes.

Overtime is a discretionary cost that must be properly authorized, recorded and controlled. Overtime can pose a risk of waste and abuse if not well managed. Overtime can also be an efficient tool to balance workloads and public needs against available staffing. The policy does not elaborate on the circumstances in which supervisors may authorize expenditure of overtime and does not require departments to provide more detailed guidance for their supervisors. The budget may accommodate the overtime, but the overtime spend should be necessary. The policy does not address the overall Town philosophy on overtime and performance targets. There is no standard for setting limits on the amount of overtime an individual should work other than legislative restrictions.

Recommendation 6.2.1

The overtime policy should be updated to provide guidance to town staff on not only the process for approving and recording overtime but also how overtime should be used and when it is appropriate. The policy should set the tone at the top by acknowledging the significance of overtime and communicating a commitment to use it efficiently.

Management Response

The Town acknowledges the need for a framework and protocols to guide corporate policy development. This framework will ensure that policies are created to address identified outcomes; regularly reviewed, updated and retired, if no longer applicable; clear on expectations, requirements, and roles and responsibilities for compliance and on-going policy administration.

The creation of a Markham framework would include guiding principles, roles and expectations, key process steps or elements, and engagement strategies that are common to all types of policy development. It is envisioned that the framework would be applicable, but not limited to, areas such as financial, resource management, service standards, customer service, social equity and access.

The Town has an excellent track record in assembling inter-departmental teams to undertake critical initiatives successfully. CCC will assign the undertaking of the Framework for Corporate Policy Development to a cross-commission team made up of Strategy Managers. Project scoping and a draft work plan will be provided to CCC for approval by the end of 2009. Framework development, handoff strategy, including alignment to corporate learning plans, and project communication and implementation will have a target completion date in the fourth quarter of 2010.

Finding 6.2.2 – Overtime Planning

Budgeting for overtime is not effective in controlling overtime costs.

Town budgeting for overtime is usually based on the previous year's budget and may not reflect the actual operational need of a department nor identify the optimal balance of overtime and staffing. As a line item most departments exceeded their budgets.

There may be an optimal level where overtime is more efficient than providing town services through permanent staffing. Overtime is generally at rates of one and a half pay but only spent when needed whereas permanent staff incur salary and benefit costs on a regular basis. In some of the high user departments the Town uses temporary full time or permanent part time staff to accommodate varying workloads. There is no regular analysis done for high user divisions to determine the optimal balance of staff and overtime levels.

The audit survey of 24 town staff indicated that the primary reasons for incurring overtime are for special events and evening committee meetings, emergencies and operational coverage to meet service levels and accommodate after hours work. Staff vacancies and absences were not noted as major contributors to overtime. Overtime would appear to be embedded in the service delivery model.

Recommendation 6.2.2

Budgets are management's authority for expenditures, and as such, management should be held accountable. Budgets should be developed to reflect actual expectations with regular monitoring against line items. Opportunities to deliver services with improved scheduling or mix of staff should be assessed on a regular basis especially by high overtime user departments. Opportunities to realign work schedules with the work requirements, such as special events, should be thoroughly examined.

Management Response

Staff believe that, following the 2010 Budget approval, there will be an opportunity to re-design the structure of personnel budgets to identify the projected overtime expected while protecting the integrity of the total fulltime salary budgets. This would then allow for better analysis of monthly variances and overtime trends to identify opportunities for realigned work schedules. Staff anticipate that, allowing for time to consult with departments incurring overtime cost, the restructured budgets can be completed by the end of February 2010.

Finding 6.2.3 – Managing and Monitoring Overtime

Overtime drivers and expenditures are not monitored and analysed sufficiently.

The Town provides a year end report of overtime earned by individual for senior management and quarterly the budget variance is also reported on. However, there is no regular analysis of the overtime drivers and spend to identify opportunities to reduce overtime costs. Payroll system does not provide sufficiently detailed data. Overtime is recorded by pay period but not by the actual date. Departments must rely on manual

overtime forms or some have developed their own tracking mechanisms for managing overtime, which creates data integrity issues and inefficiencies in record keeping.

Excluding Fire Services, 6 staff earned over \$10,000 in 2008 but none more than \$20,000. Of the 6 staff, 5 were supervisors with front line service requirements where in some cases scheduling may provide opportunities to reduce overtime. In one case, the excessive overtime was identified by the department and action successfully taken to reassign work reducing overtime. The top earner was an administrative staff who worked overtime on a weekly basis to meet departmental needs as approved by the Director. Overtime records did not identify the rationale or the specific date, rather just a weekly total. The overtime appears to reflect inefficient departmental work practices such as document management, technology use by staff, and customer service processes. The employee continues to work the overtime in 2009 part in payment and part in lieu time off, adding to the 27 days of lieu time carried over from other years.

Recommendation 6.2.3

- a) There should be a higher level of approval, beyond the immediate supervisor, once a certain level of overtime has been reached. Where employees are incurring high overtime (for example greater than \$10,000) opportunities to reduce the overtime should be considered, such as reassigning work, stopping non essential activities, and scheduling.
- b) High overtime user departments should analyse their overtime requirements regularly to identify opportunities to minimize the people costs and continuously monitor overtime usage and the overtime drivers.
- c) Reports should be available to support departmental management.

Management Response

The Town acknowledges that the need for overtime and its use varies by business unit. Those departments with services that include front-line community response have very different overtime budgets than a unit providing internally focused corporate services. However, in all cases there is an expectation that departments will manage within their approved budgets. There is also an expectation that all business unit leaders will include as part of their yearly operational planning and budgeting, an assessment of their resources. That assessment should include a projection of overtime requirements for the following year.

In February of 2009, the Payroll area of the Finance department introduced a monthly overtime summary report. The report captures individual overtime activity and a year-to-date total for each business unit. The introduction of this process allows for improved management review, communication and accountability. Before the end of 2009 the Directors forum will be asked to add to their 2010 annual work plan the identification of a framework and protocols for improved management of overtime. Specifically, they will be asked to review the findings of this Audit and report back to CCC with specific recommendations by the third quarter of 2010.

Finding 6.2.4 – Lieu Time

Amount of lieu time earned and taken cannot be reliably determined and managed.

Lieu time is when an employee takes time off their regular working hours to compensate for overtime worked instead of being paid overtime. The Town policy on overtime provides guidelines for taking lieu time for non union employees. Overtime worked may be taken as time off at the applicable overtime rate, must be mutually agreed with employee and department head, and must be taken within 6 months of earning the overtime. Employees with collective agreements have clauses dealing with lieu time. Some collective agreements restrict the amount of lieu time earned and when lieu time can be taken, while others are silent on those matters.

Earned lieu time is a cost to the Town. The majority of lieu time is taken at overtime rates of one and half times the regular working time. Lieu time is often taken by employees who also have high overtime. Earning lieu time can impact the well being of employees. Taking lieu time can place a strain on co-workers, impact service levels and could increase sick time and related overtime if not carefully managed. Accumulation of time earned could amount to several weeks at year end. A few instances were noted where the employee could not schedule time off regular work hours and was required to be paid out as required by their collective agreement.

The amount of lieu time earned and taken cannot be reliably determined. There is no town wide record keeping of the amount of lieu hours earned or taken. While other attendance events are reported through the Human Resources system, lieu time is not required to be reported but rather left to the individual departments to manage. Some keep formal records using spreadsheets input from timesheets, others have more informal processes, and others do report lieu time taken through Human Resources but not lieu time earned. Reconciliation of lieu earned to lieu taken is not formalized.

Based on the best available data, at a minimum, approximately 7,500 hours of lieu time is taken with the highest users being roads, parks and recreation.

Lieu time is not always taken within 6 months of being earned, as required by the Town policy. Some employees have lieu time carried forward from 2007. There is a negative impact on employee well being, future service levels and productivity.

There is no clear policy on how lieu time should be managed. In one collective agreement there is limit of what can be earned, however for other employee groups there are no clear boundaries.

Recommendation 6.2.4

a) A town wide policy for earning and taking lieu time should be developed for all employee groups subject to existing collective agreements. The policy should set clear boundaries and consider criteria such as how much lieu time can be accumulated, any restrictions on when it can be taken, is it transferable year to year, approval process consistent with overtime process and does it need to be used before vacation time. Can

lieu time be used when there are regular work demands such as evening meetings or would the time be better managed adjusting working hours to accommodate the needs?

b) Lieu time earned and taken should be recorded in the human resources “People At Work” system for tracking purposes and regular reporting back to Department Heads.

c) Department Heads should consider adjusting work schedules if the work regularly accumulates lieu time.

Management Response

1. Review of the draft policies to be scheduled prior to October 31, 2009.

2. Review and revision of time sheets and absence reports for the purpose of recording all types of absence and embedding associated legislative requirements and corporate regulations.

Finding 6.2.5 – Recreation Part–Time staff

Part-time staff earns overtime that is not intended within their positions.

Recreation part-time staff incurred \$29, 825 of overtime in 2008. In accordance with the collective agreement part-time staff should only be working 24 hours a week and that would not entitle them to earn overtime. The scheduling and time reporting practices do not provide supervisors a mechanism to identify staff schedules that create overtime situations. Part-time staff can often work for more than one supervisor accumulating hours that result in overtime.

Monitoring part-time staff weekly hours has been haphazard; in 2009 the recreation implemented a more rigorous manual review, however this review only identifies non compliance and is not preventative. The Town plans to implement an automated solution to better manage the part time staff schedules and working hours.

Recommendation 6.2.5

a) Recreation management should continue to monitor part time staff hours continuously to identify non compliance.

b) As the Town embarks on implementing the automated solution for part time staff in recreation there should be library representation on the advisory committee to share lessons learned and provide a forum for developing automated reports that both departments can use, creating consistency and ease of use. If the automated solution is viable, consideration should be given to expanding to other departments such as Operations.

Management Response

The Library CEO has indicated that the Library would be happy to participate on the advisory committee. Staff will ensure that a Library representative is invited to the meetings. It was the intent of Finance to roll out any automated solution to Operations following the successful implementation in Recreation.

6.3 Fire Services

Highlights

Markham Fire Services continually exceeded their people budget with higher than expected overtime and lower salary costs. The staffing model and budgeting process does not reflect actual experience. The large number of staff vacancies in 2008 increased reliance on overtime to cover both the vacancies and leaves (vacation and sick absences) eroding budgets. The 2009 recruitment class, for the new fire station in 2010, will include hires to fill the current vacancies. This will not reduce the 2009 overtime expenditures.

Overtime drivers include the staffing model a municipality chooses, the amount of sick absences, and the vacation or other leave scheduling. The Town's high vacancy rate and high sick rate contributes to the high overtime. Excessive overtime can drive high sick time further exacerbating overtime costs.

The audit proposes four key recommendations to manage overtime costs. The first recommendation is to undertake a staffing study to select a sustainable staffing model. It should not be assumed that the current model is the most cost effective going forward, even when vacancies are filled. The choice on balancing overtime with salary costs must be clear within the model. Second, develop a stronger budgeting process that reflects actual expectations, has targets, and ensures accountability through regular monitoring. Detailed analysis of overtime drivers is needed.

Third, continue to manage the overtime drivers. Further attendance management processes are required to bring sick leave to acceptable levels and prevent opportunities for abuse. Medical certificates should be obtained in a consistent, fair and equitable fashion for moderate absences. Strengthen the attendance program to minimize overtime for chronic sick users. Develop thresholds to trigger timely recruitment.

And finally, explore other opportunities to manage overtime more effectively include streamlining the process for filling captain positions called in sick, focus on reducing non firefighter overtime and District Chief overtime (maximum savings of \$45,000), and discourage overtime work during scheduled vacation.

Background

Markham Fire Services provides fire suppression, fire prevention, public education, fire investigation, fire dispatch and emergency rescue services, and leads the emergency preparedness planning for the Town. Fire Services operates with 236 staff, of which 200 are allocated to fire suppression working 2 shifts daily with 9 duty crews at 7 stations providing 24/7 service. The collective agreement and standard operating procedures govern work conditions including leave entitlements and overtime call back.

Fire Services operating costs in 2008 was \$ 25,772,866 (\$24,443,812 in 2007). Benchmarking indicated that Fire Services in Markham appeared to be operating efficiently with costs below other municipalities. The average cost of service per capita in 2007 within Markham was \$93 compared to an average of \$123 within 10 other sampled municipal counterparts. Markham's municipal performance efficiency measure for Fire Services (operating costs per \$1000 assessment) was well below the median for lower tier municipalities in 2005 and similar to the median for all municipalities. The 2007 measures remained relatively the same.

Fire departments use a variety of staffing models to manage delivery of services and sustain 24/7 services.

At one extreme, the over staffing model keeps a large enough crew so as to not pay overtime to cover leaves, both sick and vacation. This can be an expensive option because the "extra" staff cost includes salary and benefits which is avoided with overtime. The "extra" staff are not always efficiently used. There are days they may not be needed. At the other extreme is the constant staffing model, which has smaller crew and uses overtime to cover sick and vacation leaves. Operations are staffed with just enough positions to cover all seats. This model can result in significant immediate fiscal savings, however over the long term other costs arise. Excessive overtime can drive more overtime if employee wellness is impacted. Overworked staff leads to increase in sick time and potentially safety issues. Abuse of sick leaves can arise if staff rely on overtime as part of the compensation package.

The Town is operating a hybrid model that has some overstaffing built into the shifts to accommodate vacation and 2 sick occurrences each shift without incurring overtime. Overtime is used to cover other absences including sick leaves in excess of 2 per shift. With a fully staffed fire department all on full duty, 40 staff would be available to meet the minimum required staffing level of 38 per shift.

Staff calling in sick, staff on long term disability, training, meetings or vacancies can impact required minimum staffing levels resulting in overtime to cover shifts. Overtime is used primarily in the fire suppression and dispatch units to maintain the 24/7 services. The Town's model is very sensitive to vacancies and sick leaves that are not budgeted and planned for.

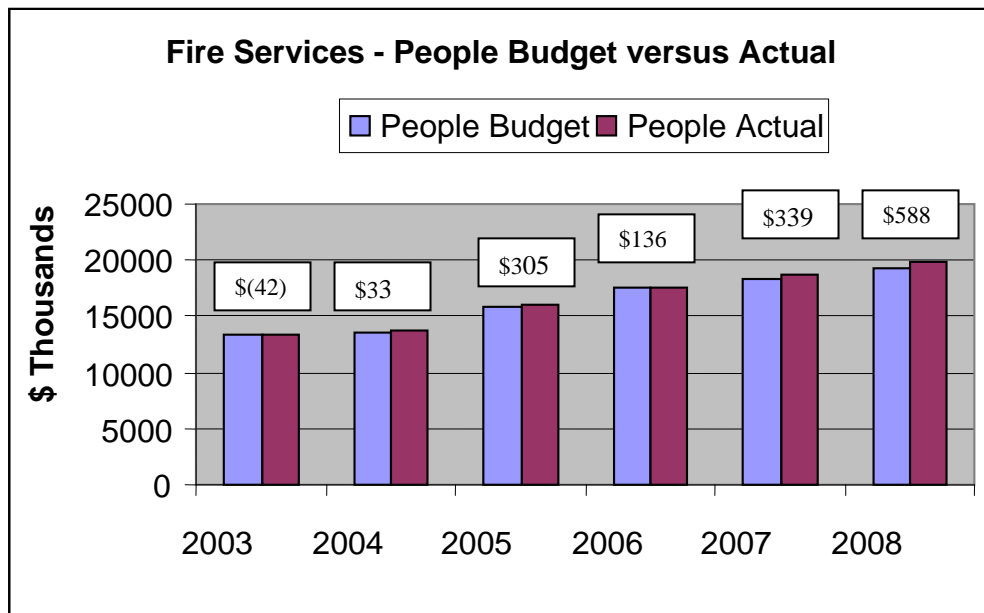
The 13 staff vacancies in 2008 and 2009 have changed the staffing model. No longer is there a buffer for sick leaves and vacation. Costs have shifted from salary and benefits to overtime payments. Town analysis in 2007 determined that hiring additional firefighters to fill vacancies was more costly than the overtime costs. Benefits such as health, pension, and vacation entitlements are avoided for the additional staff.

In 2008 Fire Services spent \$ 1,363,767 on overtime compared to the budget of \$261,545 resulting in an unfavourable difference of \$1,022,222. Staff vacancies arising from retirements, resignations, and involuntary leaves created a favourable variance in the salary budget but that did not offset the overtime overage.

The net result was a people cost that was over budget by \$587,187.

For the last five years overtime and salary costs combined exceeded budget. Exhibit 5 highlights the budget variance, in thousands of dollars each year. Note that positive numbers represent an overbudget spend. For 2009 the Town has forecasted another unfavourable people budget variance of \$670,402 due to current vacancies, expected overtime and costs of a recruitment class.

Exhibit 5



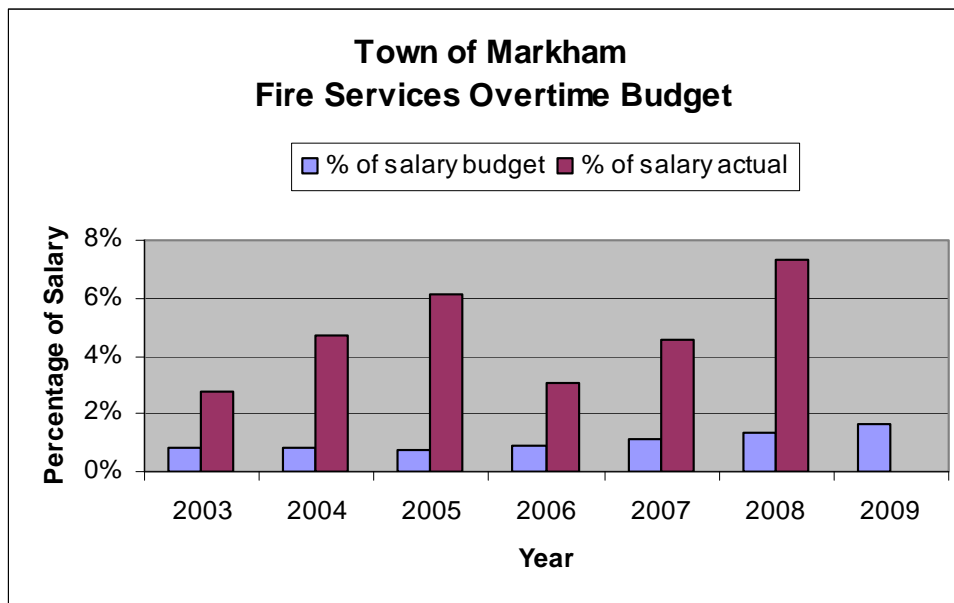
Finding 6.3.1 – Overtime Budgets

Overtime budgets are not effective in controlling spend and ensuring accountability.

The Fire Services overtime budget was not set realistically in 2008 or 2009 to reflect expected expenditures required to deliver fire services.

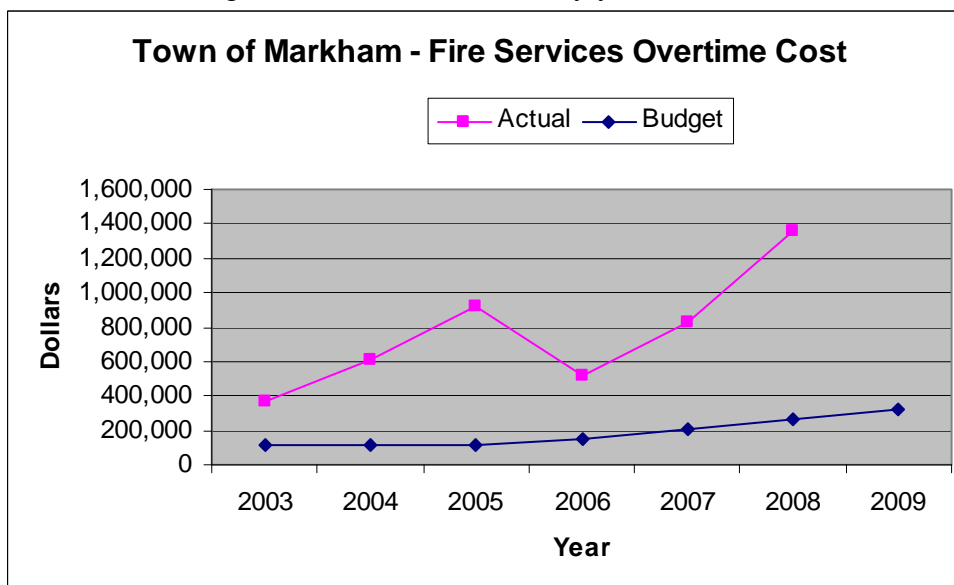
Fire Services overtime was budgeted each year at approximately 1% of the salary budget (exhibit 6) however the actual cost was always higher. Actual overtime as a percent of salary costs varied between a low of 3% in years of a recruitment class (2006) and a high of 7% in 2008 when large vacancies were experienced (5% vacancy).

Exhibit 6



The overtime budget has been exceeded every year.

Exhibit 7



Budgets are management's authority for expenditures, and as such, management should be held accountable. When budgets are not set realistically, management accountability is lost and it becomes difficult to control costs. Well designed budgets and monitoring tools provides a mechanism to measure results and set expectations.

Budget variances were not well analysed and explained. The 2007 Town analysis determined filling vacancies was more costly than using overtime, however the budget did not reflect the changed staffing model. The forecast for 2009 indicated overtime expenditures are expected to be greater than the savings from not filling vacancies. Insufficient analysis was done by the Town to explain why overtime is costing more than the vacancy savings.

There was no detailed data on how overtime drivers impacted overtime expenditures in 2008. High overtime could be due to a number of reasons such as high vacancies that averaged 5% during the year, sick leave, long term disability leave, staff on modified duties due to injuries, vacation, or maternity leaves.

Fire Services started tracking the reasons for overtime in October 2008. Initial results indicated that for the first 3 months of 2009, seventy-five percent of the overtime was due to sick call ins, and eighteen percent was due to long term disability leaves. This would imply that sick time is driving overtime. However, the data does not account for the impact vacancies have when sick calls occur.

Recommendations 6.3.1

- a) The Town needs to conduct a staffing study to address the optimal staffing model and force size. The staffing study should be aligned with the upcoming Town Fire Master Plan update.
- b) Detailed variance analysis is needed to better explain the overtime cost drivers, build a realistic budget, and enable targeted actions to reduce variances. More refinement is needed in the data captured.
- c) Budgets should be set against an agreed staffing model. For 2009 the overtime forecast should be broken down sufficiently for variance analysis and to promote accountability. Variances should be explained monthly and action taken to bring the actual costs back into line with budgets.
- d) Fire Services has planned for a recruitment class in 2009 and expects to have a fully staffed suppression unit in 2010. The staffing study should be used to ensure the staffing model in 2010 is appropriate and cost effective.

Management Response

- a) *Fire & Emergency Services department has included a request for funding to complete a Master Fire Plan in 2010, one component of the plan would be a staffing model for all divisions of the department, completion 2011.*
- b) *Staff continues to identify data required to better analyze the cost drivers for overtime. The recoding of the reasons for absences that was introduced in September 2008 will assist with this. A monthly management report will be generated of the information gathered then a year end review will be done with Finance Department to facilitate changes to the 2010 overtime budget. It may be beneficial to contract a consultant to review the data.*
- c) *As in “b” above the recoding of the reasons for overtime will assist with identifying the cost drivers and developing the 2010 budget. Fire staff will work with finance to identify the necessary budgets for overtime in 2010 based on the results of the analysis.*
- d) *The recruitment conducted in 2009 will allow a fully staffed suppression division as of February 1, 2010 under the current fire services staffing model.(Which is one of the lowest per capita in Ontario) The planned Fire Master Plan to be conducted in 2010 and completed by 2011 will review options for a staffing model that provides appropriate response and is cost effective.*

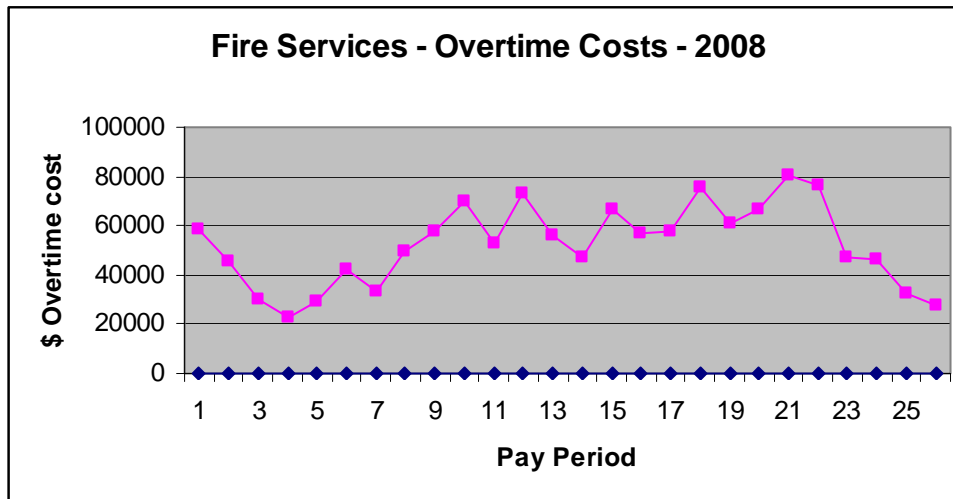
Finding 6.3.2 – Overtime costs

Controls to ensure accurate processing of overtime are adequate, however managing the drivers of overtime needs improvement in particular staffing shortfalls and absences. Reliance on overtime has become excessive.

The Town is operating a staffing model that has some overstaffing built into the shifts to accommodate vacations and 2 sick occurrences each shift without incurring overtime. With the current vacancies the staffing model breaks down. In 2008 Fire Services depended on overtime to cover vacancies and absences, both planned and unplanned. In late 2007 there were 7 vacancies including 4 long term leaves. By the end of 2008 that total increased to 13 staff.

Overtime costs were incurred every pay period increasing throughout the year and dropping off towards the end of the year (exhibit 8)

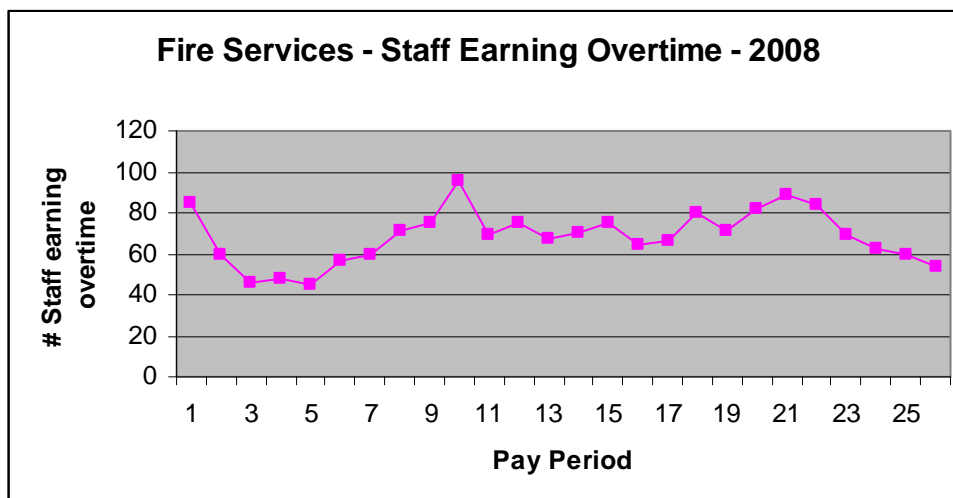
Exhibit 8



The most pay periods worked by an employee was 21 out of 26 available pay periods, the average being 9 pay periods. In 2008, fifty-two (25% of fire staff) staff earned over \$10,000 with the highest earning \$22,667. Only eight fire staff worked over 60 hours in one pay period and that happened rarely.

Every pay period there is overtime incurred by at least forty staff (exhibit 9) implying that on average at least 1.5 to 3.5 staff are called in each shift. The number of times staff are called in for overtime has been increasing from 915 in 2006, to 1332 in 2007, and to 1960 in 2008. The cost per call in has also increased in the last 3 years.

Exhibit 9



The audit examined controls for overtime costs that mitigate abuse, such as inequitable or unnecessary assignment of overtime and payment for overtime not authorized or not worked. Controls are satisfactory to ensure that sick calls are received in a timely

manner, properly logged and the overtime decision is approved. Processes and systems are in place to ensure call back process is equitable and provides the required position. The process involves a fair amount of manual intervention, such as updating master staff lists, identifying when a call back is required, transferring data to payroll and human resources using departmental spreadsheets.

Overtime was not always booked in payroll in the pay period it was incurred due to late submission of overtime records. This was noted for non fire suppression activity such as fire equipment maintenance and administrative meetings. In one case, overtime reporting for the year was delayed at the request of the employee for personal reasons. Integrity of trending analysis could be impacted.

The collective agreement provides conditions for earning overtime, specifically fire staff cannot work more than 24 consecutive hours and must have at least one shift off after being sick before they can be considered for overtime. During the audit testing, no exceptions to these conditions were noted.

The audit examined a sample of overtime payments to verify there was a valid reason, that the correct replacement position was used, and payroll records were accurate. No exceptions were noted.

The audit examined the distribution of overtime for unusual concentration that may indicate abuse. Overtime was distributed among all fire staff and not concentrated among a few individuals. Firefighter positions accounted for 67% and captain positions 27% of the total Fire Services overtime in 2008. There was some concentration of overtime with the captain positions, who earned on average nearly twice the overtime earned on average by firefighter positions. District Chief positions (4) earned overtime in 2008 in total of \$30,000 but their sick time was low. Although this is a small portion of the overall costs, the rationale for adding these positions in 2006 was to reallocate work load and improve span of control. One would expect overtime to be minimal.

Fire Services is limited from planning around vacancies to reduce overtime. Based on the collective agreement to provide equity in the call back process, vacancies are not filled ahead of time but instead are treated as an absence call in, so the next in line gets the call back.

Recruitment class for late 2009 is planned to both support the new fire station in 2010 and the current vacancies. High vacancy rate and related overtime costs were known by Town staff going in 2009 however the recruitment class was not held in time to reduce 2009 costs.

Recommendation 6.3.2

a) Identify the optimal level of overtime through the staffing study. Drivers of unacceptable or unplanned overtime should be assessed and corrected as necessary.

- b) Opportunities to better plan around vacancies should be explored especially if vacancies are expected to continue in 2009.
- c) The staffing study should identify the threshold for recruitment activity in order to minimize impact of vacancies.

Management Response

- a) *Fire Master Plan will evaluate staffing model options that will minimize as appropriate an optimal level of overtime. Fire services will continue to monitor the reasons for overtime and address any causes of unplanned overtime. An attendance management program developed in conjunction with Human Resources would be helpful. Changes to our attendance management cannot be implemented until the conclusion of the current collective bargaining process which should occur by year end.*
- b) *Fire Services will continue to incur significant overtime in 2009 until the new recruitment class is in place. The analysis completed by Finance Department in 2008 that recommended overtime versus filling vacancies was based on half the number of vacancies. Since the time of the analysis the number of permanent vacancies has doubled. However, the Fire Chief will continue to monitor and implement the most cost effective method to cover the vacancies in 2009 in accordance with the collective agreement.*
- c) *Included in the Terms of Reference for the Fire Master Plan will be a section on a staffing model, the staffing model will be expected to identify a threshold for recruitment. Fire Services has been in discussions with Human Resources about an on-going recruitment process for fire as opposed to a current practise so we have candidates available when we meet an identified threshold for hiring.*

Finding 6.3.3 – Leave and Overtime Costs

Unplanned absences have increased over the last few years increasing the need for overtime.

Excessive overtime can impact employees' well being resulting in chronic sick leaves and thereby further increasing the need for overtime. The audit examined sick leave patterns and attendance management practices.

Fire Services average sick days were higher than the Town average sitting at 8.6 days in 2008 and 8.0 days in 2007 (excludes long term disability absences) compared to the 2008 average of 7.3 days for the Town. Fire Suppression average sick days increased every year, from a low of 6.1 days in 2004 to 8.3 days in 2008.

Approximately 27% of fire staff (59) had over 10 sick absences in 2008 compared to 12% of town staff. Every day there is at least one fire staff absent. The highest day had 16

staff absent. There was no particular day of the week that had higher than normal absences.

# of fire service staff	# of sick days (shifts)
5	Over 100 days
13	Greater than 20 days but less than 100 days
46	Greater than 10 days and less than 20 days
161	Less than 10 days
<i>Excludes half shift or less absences as these are not deducted from sick leave credits. In 2008 there were 136 half shift or less absences.</i>	

The audit found that fire staff with very high sick leave (greater than 50 days in the year) had minimal overtime, and for those with sick leave greater than 20 days there was no apparent cause and effect between the overtime and sick time, except for one retiring employee who had sick and overtime throughout the year. Attendance management practices for this exception was not sufficient.

Captain positions are working high overtime. The average overtime earned by captains is nearly twice that earned by firefighters and the average sick time for captains is higher than for the firefighters. Of the top ten overtime earners in 2008, three had high sick leaves more than 10 days but less than 20 days. All three were fire captains and earned overtime for eleven months of the year. There was no clear pattern to indicate if overtime was causing the sick leaves. There were an additional six fire staff, four of which were captains, that had both high overtime (greater than \$10,000) and high sick time (greater than 10 days).

Recommendation 6.3.3

There is an opportunity to reduce overtime costs if captain overtime can be managed more effectively. Strengthen the attendance program to minimize overtime for chronic sick users.

Management Response

An attendance management program developed in conjunction with Human Resources would be helpful. Changes to our attendance management cannot be implemented until the conclusion of the current collective bargaining process which should occur by year end.

Finding 6.3.4 – Medical Certificates

The process for requiring medical certificates is haphazard. Generally active attendance management is done for longer term absences. Medical certificates are not requested for shorter term absences in a consistent and sufficient manner.

Each firefighter staff receives sick leave credits for each unbroken month of service, such credits to be cumulative. Deductions are made from the sick leave credits for all time absent for sick leave. A firefighter may be required to produce a medical certificate for absences, at the request of the Town.

The process for requiring medical certificates is haphazard and depends on the Platoon chiefs to make the decision. Generally, for long term absences, medical certificates are requested along with return to work, physical restriction forms and modified work arrangements with the intent to provide an environment that enables an employee to work in a modified capacity that is mutually beneficial. The audit found that there is generally documentation on file and active attendance management for longer term absences. Medical certificates are sometimes requested for shorter term absences but not in a consistent and sufficient manner.

Recognizing the discretion in requesting medical certificates, audit criteria for testing was based on Town wide practices in other departments and reasonability. A sample of staff with varying absence patterns were reviewed for medical certificates or for other documentation that demonstrated good attendance management practices.

Sample size	Absence Pattern	Observations
3	Absences greater than 20 days	Medical certificates on file – longer term absences
2	Absences of 5 consecutive days	Medical certificates on file – longer term absences
8	absences of 4 consecutive days	5 had no medical certificate on file
2	absences of 3 consecutive days	1 had no medical certificate on file
1	Absent 6 days in one month	No medical certificate
7	Greater than 10 sick days occurring over more than 5 incidents	6 had no medical certificates

Medical certificates are not obtained in a consistent and sufficient manner for high short term sick leave users. This would include staff with 3 or more consecutive absences or more than 10 sick absences over more than 5 incidents in the year.

Recommendation 6.3.4

Fire Services should formalize standards on when to request medical certificates for employee absences. Consideration should be given to adopting the Town standard of requiring medical certificates for 3 or more consecutive absences and for more than 5 absence incidents in the year. There would be a minimal cost to the Town if implementing this recommendation because the collective agreement requires the Town to pay for the costs of the medical certificates.

Management Response

The Fire Chief disagrees that the process for requiring medical certificates is “haphazard”, sick notes are covered in the collective agreement and the Deputy Chief’s Standing orders as follows;

COLLECTIVE AGREEMENT

9.04 A firefighter may be required to produce a certificate signed by a qualified medical practitioner for any illness. No firefighter shall draw during his/her active service with the Corporation, sick leave benefits if the absence from work is not due to illness as attested by the medical certificate, if required by a representative of the Corporation. In the case of a prolonged absence a certificate shall be submitted

every thirty (30) days unless waived by representatives of the Corporation. The certificate shall set out any specific limitations that would restrict the firefighter's ability to perform his/her normal work and the prognosis for return. The Corporation shall pay the reasonable cost of any such certificate. (1981)(1998) (2006)

DEPUTY CHIEF'S STANDING ORDERS

4.13 Doctors, Dentists, etc. Appointments & Sick Notes

- (a) The use of sick leave allowance will not be allowed for doctor or dentist appointments when it falls on working time.*
- (b) A sick note will be required for all absences on the shifts before or after a scheduled vacation, lieu day, trade or management time off. The sick note must be presented to their immediate supervisor upon return to duty.*

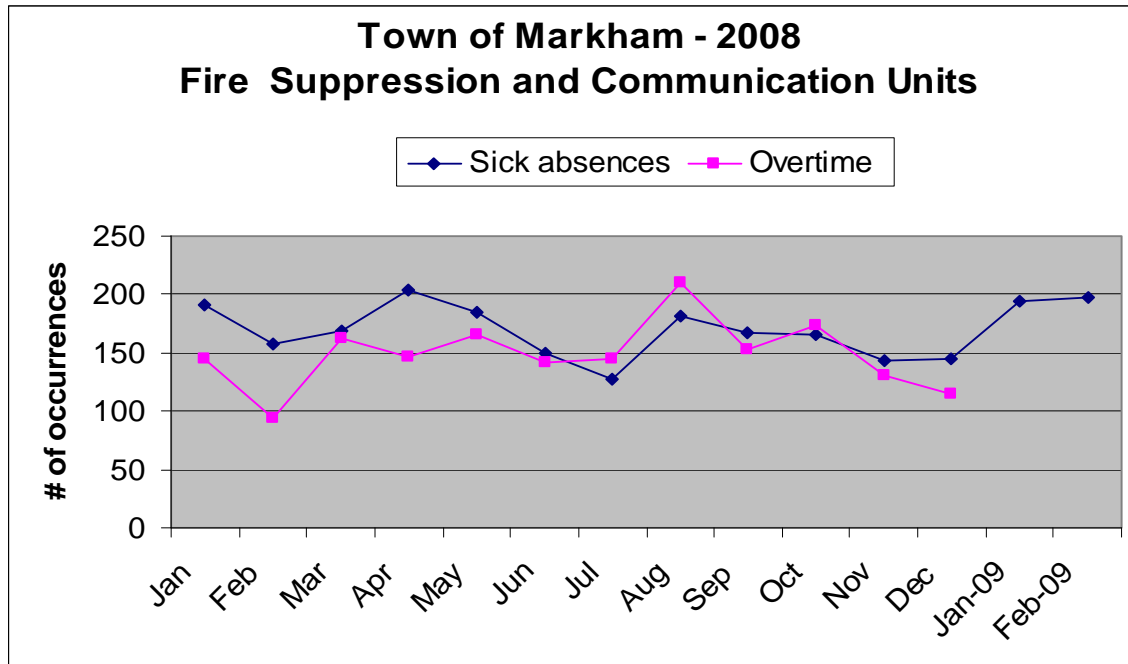
District and Platoon Chief's are responsible for collecting and forwarding these notes to Human Resources. A District or Platoon Chief can request a note anytime they feel there is a need, identified pattern etc. Platoon and District chief's are directed to contact any staff who are off for a complete tour and inquire if the employee will be returning for his next schedule shift, if not the employee is advised they must have a physical Restrictions Form completed prior to the commencement of their next shift or there time off may not be approved for payment.

The fire service is currently in collective bargaining with the firefighters. The recommendation to adopt the Town standard will be implemented at the conclusion of collective bargaining by way of including the change in the above SOP or the collective agreement.

It is unclear from the above chart if the notes were not requested, not received or not filed correctly, when Fire adopts the Town's standard in future it would seem reasonable that fire develop a tracking system to monitor when notes were received and forwarded to HR.

Finding 6.3.5 – Leave and Overtime Costs **Vacation scheduling is not fully optimized.**

Fire Suppression and Communication units account for nearly 95% of the overtime earned in Fire Services. In looking at their patterns of sick and overtime occurrences, overtime exceeded sick time in the summer months in part due to higher vacation occurrences.



Based on the planned staffing model, vacations should generally be covered without having to use overtime. Vacancies have impacted that planned model such that overtime is now used to cover some vacations. Firefighters are able to work during their scheduled vacation earning overtime. With some of these vacations scheduled in the summer months, this further increases the overtime costs.

Recommendation 6.3.5

- a) Staff should be discouraged from working overtime during their scheduled vacation.
- b) Overtime incurred due to vacation should be monitored as part of the decision making on the staffing model and the timing of a new recruit class.

Management Response

- a) *Unfortunately, discouraging staff from working overtime during their scheduled vacation could be problematic with the current high vacancy rate or current staffing levels. Not allowing staff to work overtime while on vacation would not reduce overtime costs, in fact it may have a negative impact as the overtime at any given time would be distributed amongst fewer people. This option can be reviewed when all current vacancies have been filled and a staffing model developed.*
- b) *Overtime is not incurred due to vacation unless we have a resignation during the calendar year, when this happens fire management assess available alternatives and implements the most cost effective method to cover the shortage created by the vacancy.*

6.4 Operations – Roads and Parks

Background

Operations is responsible for the maintenance of roads, parks, and streetscapes, ensuring effective winter control, environmental protection of right-of-ways, watercourses, and the maintenance of drainage infrastructure. The two divisions, parks and roads, previously operated as separate units, but recently have started to coordinate activities wherever permissible in the collective agreements. Temporary staff is available to meet service delivery demands and help to reduce overtime demands.

In 2008, both Parks and Roads were under budget for their people spend (salary plus overtime) by 3% and 1% respectively despite unplanned overtime expenditures of \$356,456 in 2008.

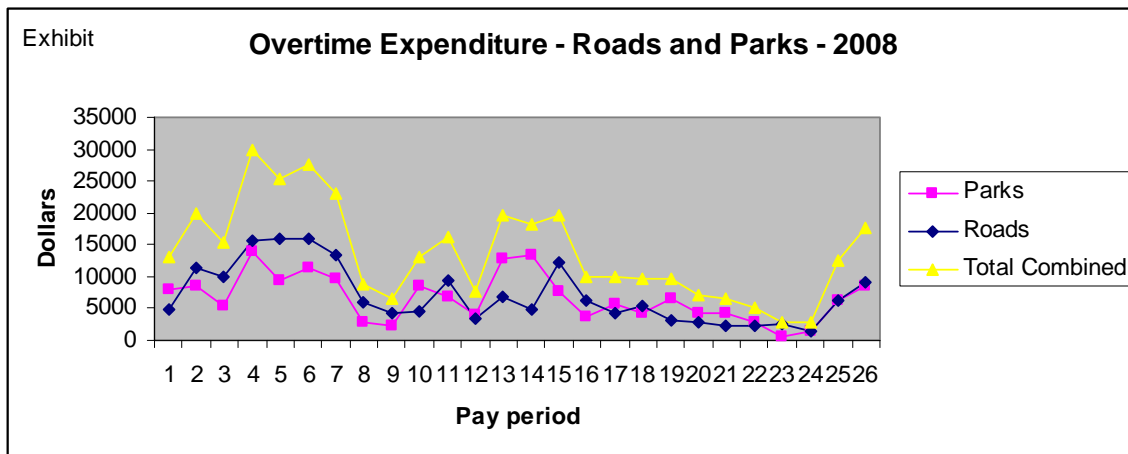
Parks Division

2008	Actual \$	Budget \$	Difference \$	Difference %
Salary	3,848,243	4,099,292	251,049	6%
Overtime	172,836	55,950	-116,886	-209%
Total	4,021,079	4,155,242	134,163	3%

Roads Division

2008	Actual \$	Budget \$	Difference \$	Difference %
Salary	2,169,262	2,284,677	115,415	5%
Overtime	183,620	101,375	-82,245	-81%
Total	2,352,882	2,386,052	33,170	1%

Operations incurred overtime on a regular basis throughout the year in delivering on its service level requirements reaching it peak in the winter months and again in the late spring months.



Over half the staff in Roads and Parks incurred overtime in the form of lieu time to the maximum allowable under the collective agreements, and supervisors incurred twice as much. This overtime is not included in the overtime expenditures. The amount of overtime earned as lieu was quite high, with Roads earning 24% of the overtime earned in pay and Parks earning 40%.

The department does a good job tracking lieu time earned and taken, ensuring no carry over into future years for employees under the collective agreements. Some lieu time was paid out at year end if employees could not schedule time off.

Finding 6.4.1 – Overtime Management

There is insufficient management information and analysis on overtime.

In order to manage overtime expenditures it would be helpful to better understand the underlying reasons for incurring overtime. Operations management identified the following factors impacting overtime:

- Weather related – put infrastructure back into place
- Time sensitive – outside of regular work hours
- Scheduled work – projects, street sweeping, snow removal
- Emergency call outs
- Other (special events)

There was no mechanism to document the rationale for overtime and track the underlying causes to better understand and manage costs.

Staff timesheets are manually completed and input into spreadsheets for upload to the payroll system. Road timesheets do record the work time using eleven activity codes in addition to earning codes for regular and overtime hours. There are no management reports summarizing costs, including overtime spend, for departmental activities. Parks also record their timesheets using some activity codes, however the data is not captured during processing, instead all time is recorded in the department records as one activity.

Operations are often called upon to support special events held within the Town such as festivals and celebrations. Overtime is often used to support these events. Even a simple request to deliver garbage cans, or picnic tables resulted in overtime in 2008. The full costs of the activities are hidden, as the overtime is absorbed into the Town's operating costs. In 2008, over 200 special events were supported in some fashion by Operations. More transparency on the cost of activities would help in allocating scarce resources and identify funding opportunities.

With Roads averaging a high sick time of 17.8 days (Parks only 6.8 days) there is a need to improve the attendance management and wellness program in support of a healthy workforce. Excessive sick time increases the need for overtime, which in turn impacts absences. In 2008, Roads had 35 employees, of which 7 with sick time over 10 days also booked overtime greater than 10 days. The employees were from the sign maintenance

division, truck drivers, and a working supervisor. The highest sick time in Roads was also in these areas. The overtime and sick time were generally booked throughout the year.

The top 10 earners of overtime in Roads are a mixture of supervisors and labourers earning 43% of the Roads overtime. The top 10 earners in Parks were all supervisors accounting for approximately 45% of the total Parks overtime. In some cases overtime was incurred to supervise contractors whose work hours were not aligned with staff schedules.

Operations does use temporary staff and students for seasonal work that provides some relief from overtime however scheduling was not done well in 2008 resulting in excessive overtime. In one case a student worked 18 days consecutively for parks maintenance, earning 32 hours of overtime without justification. During special events, temporary staff often worked double shifts. In 2009, management has indicated a revised scheduling model will help to reduce some overtime.

Recommendation 6.4.1

a) Analyse overtime usage with the goal of reducing overtime through better management practises in work scheduling. Overtime costs for special events should be tracked and provided to decision makers for consideration of funding sources. The service delivery review process underway by town staff may be a good fit for conducting the initial analysis.

b) Improve data collection to support improved analysis. Consideration should be given to technology that has one point of entry, allows for approvals, scheduling and identification of potential overtime. Currently, the Town is implementing a scheduling and time reporting system linked to the current payroll system. Depending on the outcome of that pilot project, Operations should consider its feasibility.

c) In conjunction with the current Town initiative to implement a job costing system, Operations should ensure it is identified as a user of that system and its processes are included as requirements.

d) Guidelines on which circumstances and activities are appropriate for overtime should be developed. Defining discretionary and non discretionary overtime provides supervisors direction in making overtime decisions and should help to reduce overtime by deferring non essential work to regular work hours. Overtime should normally be in response to emergency or sick coverage for essential services. Work schedules should be revisited to ensure alignment with the work, such as supervising contractors.

Management Response

Operations Managers have implemented a new staffing schedule for 2009 to meet the service demands for Special Events. The new schedule includes six seasonal staff covering weekend shifts which should significantly reduce overtime demands. In

addition, Operations Department will be working with cross Commission team on the new E3 initiative to address Special Event planning, services-in-kind, opportunities for cost recovery (fees) etc. (2010).

Through the third quarter of 2009, Operations staff will review current data collection to identify opportunities to improve both analysis and monthly reporting for Supervisors and Managers. The Service Planning Project currently underway will incorporate process mapping, approval procedures, and monthly management reports for overtime for all service areas of Operations. Upon the successful completion of the pilot project, Operations will test the new scheduling and time reporting system (Easy Labour) to determine feasibility of the system for both Roads and Parks operations.

We have met with the Finance Department and confirmed that the Operations Department requirements will be included in the procurement process for new job costing software. The main purpose of this project is to track and report costs associated with our various maintenance activities. We expect to have the Request for Proposal for the job costing system issued by the end of the year.

In the absence of a Town wide Human Resource overtime policy, the Operations Department will proceed with documenting guidelines specific to operational activities, circumstances and/or customer service demands for both discretionary and non-discretionary overtime requirements. Operations Department anticipates completion of this task by the end of the third quarter 2009. In addition, Operations Managers will work with Human Resources in preparation for the next round of collective bargaining (April 2010) to identify opportunities to implement flexible hours of work to better align with contractors' schedules.

It is recognized by the Finance Department that the Operations Department will be the key user of a job costing system, and that its system requirements will be primary.

Finding 6.4.2 – Overtime Approval - Parks

There was no evidence that overtime is approved.

The audit review of Park staff timesheets found that there is not always evidence that overtime is approved. The timesheets and hours worked were approved; however in many cases the hours worked were not coded as overtime on the timesheets. Hours were coded as regular time or the code was missing. Although the hours were signed off by a supervisor, without the hours coded as overtime the signoff only verifies that the hours were worked. The supervisor may have been unaware that the hours worked created overtime. There is no mechanism for a supervisor to know if an employee has worked the maximum hours before overtime is required. Payroll may be the first to identify the overtime.

The use of manual timesheets for both Roads and Parks is cumbersome and creates administrative workload such as data entry, uploading spreadsheets, following up on missing timesheets, and creating management reports.

Recommendation 6.4.2

a) Supervisors should be aware when scheduling staff for work if overtime will be incurred. The decision to allow overtime should not be taken lightly. Timesheets should clearly indicate the hours eligible for overtime.

b) Discretionary overtime should be defined and require additional approvals.

c) A mechanism needs to be in place to support supervisors in identifying overtime situations and to manage overtime to a minimum.

d) With the current time reporting system in place, there are limitations to improving the approval process. Consideration should be given to scheduling staff in advance so that additional work requests are more easily identified and assessed as to costs and benefits.

Management Response (Operations)

Through the third quarter of 2009, Operations Managers and Supervisors will re-design daily timesheets to clearly identify both regular and overtime hours worked during all shifts. Scheduled overtime will be pre-authorized by the employees' Supervisor and clearly indicated on daily timesheets including the activity, circumstance or service requirement. Supervisors will undertake staff training sessions for all full and part time staff to ensure daily time sheets are properly filled out and signed off by both the employee and Supervisor.

All full-time and part-time staff schedules will be provided to all Supervisors and Working Supervisors to manage overtime to a minimum. The Operations Department has schedules in place to respond to emergency (non-discretionary) after hours overtime requirements. Managers and Supervisors will re-visit emergency and non-emergency response protocols and provide updates and training to the Contact Centre, Information Markham and Fire & Emergency Services Dispatch as required.

As noted in our previous comments, the new Special Events staffing schedule implemented in June 2009 should significantly reduce weekend overtime requirements for Parks maintenance staff.

6.5 Library Services

Background

Library Services has their own Board approved policies for attendance management that provide basic direction on reporting absences, sick and family leave coverage, and requirements for medical certificates. The Library has 2 collective agreements, one for full time staff and one for part time staff. The Library uses a fuller version of the Human Resources system that provides additional functionality for scheduling staff and recording timesheets, absences, and overtime. Library payroll administration has created good management reports, however automation would be beneficial.

Average sick days taken by full-time library staff was 7.3 days in 2008, similar to the Town average. The total overtime incurred for 2008 was approximately \$24,815. Overtime is incurred for work on statutory holidays clearing the book return backlog.

The audit reviewed both overtime and attendance management processes and tested a sample of transactions to ensure policy compliance and proper approvals.

Finding 6.5.1 - Medical Certificates

Management discretion to obtain medical certificates was used excessively.

For full time staff the requirement for medical certificates is similar to the Town policy; however the Library policy allows for management discretion to not request the certificate. Management used this discretion excessively. There were no medical certificates in four of the five employees sampled who had six or more absence occurrences. Staff indicated that for two of the staff, management made a decision to waive the requirement however no evidence was on file.

Recommendation 6.5.1

Library Services should adopt the town standard policy and remove the discretion, improving employee equity and achieving consistency within Library Services and the Town.

Management Response (Library)

The Library agrees with the recommendation. This will require a revision of the Library's Management Policy entitled "Sick Leave and Family Illness Leave Policy" (#VII-M.4).

Responsibilities are as follows:

- *Director, Administration & Operational Support – Ensure revision of Policy*
- *Director, Administration & Operational Support – Ensure staff are notified of the requirement to produce medical certificates as outlined in the revised Policy and the Collective Agreements*
- *Director, Service Excellence / Director, Library Strategy & Innovation – Ensure employee compliance with such notification*

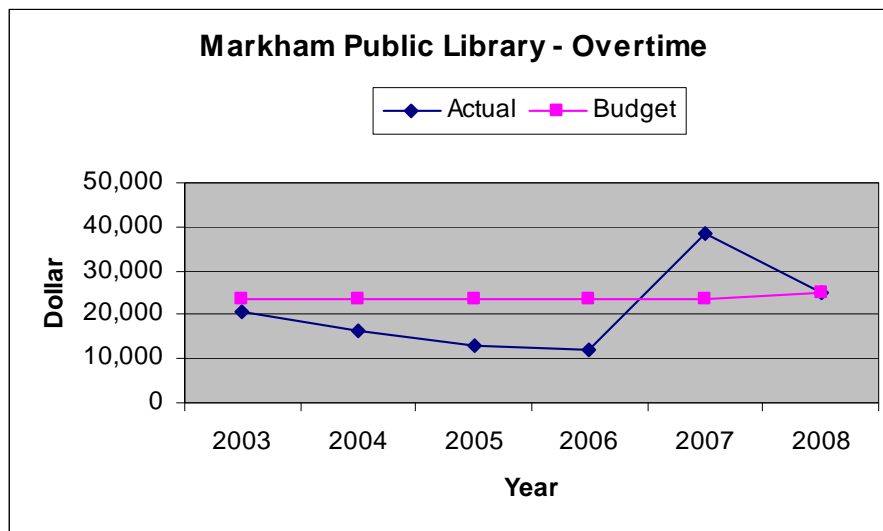
The above will be implemented effective June 30, 2009.

Finding 6.5.2 - Overtime

Overtime used for the Library's classification project was not economical.

The overtime budget has not changed over the years, even though actual expenditures have been below budget up to 2006. In 2004, changes in the collective agreement altered the need for overtime on Sundays, reducing the actual overtime required. In 2007, overtime exceeded budget. Overtime was assigned to prepare Markham Village Library and its collections for re-opening to the public after a two year closure. Delays in construction resulted in a compressed timeframe for work completion prior to a hard opening date.

In 2008, statutory holiday staffing was under budget at year end so the excess overtime budget was assigned to the Library's classification project. The amount of overtime incurred was approximately \$6,500. The overtime was not necessary to meet critical project timelines and was not planned. Unused budgets are generally transferred to the Library reserve for future use.



Recommendation 6.5.2

The budgeting process should reflect planned expenditures rather than prior year budgets. Projects should have separate budgets that can be tracked and monitored. Overtime for projects should be necessary and demonstrate economical reason, or service delivery rationale.

Management Response (Library)

- *We agree with and will implement the recommendation, effective Q2 of 2009.*