

## For Information Only

### Shift Transfers - Controls Over Distribution and Compensation For Work

Presented To:	Audit Committee
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### Recommendation

That the Audit Committee accept the report dated January 20, 2011 from the Auditor General identifying audit issues and the steps taken by Staff to resolve them, including the adequacy of management responses to audit concerns.

#### Signed By

**Auditor General**  
Brian Bigger  
Auditor General  
*Digitally Signed Jan 20, 11*

2010

# SHIFT TRANSFERS – CONTROLS OVER DISTRIBUTION AND COMPENSATION FOR WORK



Office of the Auditor General  
Bureau du vérificateur général

#2010FIN08

This audit was performed by the Auditor General pursuant to section 223.19 (1.1) of the Municipal Act, 2001, S.O. 2001, c.25 in accordance with generally accepted government auditing standards (International Standards for the Professional Practice of Internal Auditing, as set by The U.S. Government Accountability Office).

October 26, 2010

To: Doug Nadorozny, CAO

Subject:

Shift Transfers – Controls Over Distribution And Compensation For Work - #2010FIN08

Attached is the audit report #2010FIN08 containing the results of our audit of Shift Transfers – Controls Over Distribution And Compensation For Work within various departments of the City of Greater Sudbury (the City). Shift trading practices were reviewed within Pioneer Manor, Emergency Services (EMS), Fire Services and Transit Services (Transit). The Auditor General's Office conducted the audit as a result of evidence of shift trading found during the planning stage of the Transit Services audit. The Auditor General's 2010 Work Plan contains budget hours in 2010 dedicated to Timesheet and Payroll and therefore, the audit was conducted using these budget resources.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Departmental Audit Rating: Transit Services – Attention Required  
Fire Services – Acceptable  
Pioneer Manor – Strong  
Emergency Services (EMS) – Strong

Overall Audit Rating: Opportunity for Improvement

In the Auditor General's opinion, the overall audit rating for the audit is "Opportunity for Improvement" as the audit contains several medium and a few high impact findings. Weaknesses in controls were identified surrounding the recording and tracking of shift transfers within two departments. The audit also found drivers submitting time cards with other driver's names on them which has facilitated the practice of employees selling and buying shifts for cash within Transit. Management knows that this practice is occurring. In allowing it to continue management is assuming risks on behalf of the City.

This conclusion is only applicable to the functions/areas of this audit.

Our findings and conclusions are based on a comparison of the conditions, as they existed at the time of the audit, against pre-established audit criteria and as identified in the scope of the audit, for the audit period of 2009 until August 2010.

We will follow-up with management on our recommendations, according to the time frame established for implementing the recommendations. The audit committee will be kept apprised of the status of the recommendations on a regular basis.

We sincerely wish to express our appreciation for the cooperation and assistance provided to the audit team by all staff involved in this process.

Sincerely,

Brian Bigger  
Auditor General

Audit Staff: Carolyn Jodouin, Senior Auditor

CC: Tim Beadman, Chief of Emergency Services  
Jamie Canapini, City Solicitor  
Kevin Fowke, Director, Human Resources/Organization Development  
Lorella Hayes, Chief Financial Officer/ City Treasurer  
Marc Leduc, Fire Chief  
Tony Parmar, Director of Pioneer Manor  
Roger Sauve, Director of Transit Services

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## EXECUTIVE SUMMARY

### INTRODUCTION

Attached is the audit report containing the results of our audit of SHIFT TRANSFERS – CONTROLS OVER DISTRIBUTION AND COMPENSATION FOR WORK. The Auditor General’s Office conducted the audit as a result of evidence of essentially uncontrolled trading of shifts as well as uncontrolled selling of shifts for cash found during the planning stage of the Transit Services audit. The Auditor General’s 2010 Work Plan contains budget hours in 2010 dedicated to Timesheet and Payroll and therefore, the audit was conducted using these budget resources. During the planning stages of the Transit Services audit, we became aware of this issue and recognized the need for urgent resolution. Once we had established that Transit employees were selling their work shifts for cash, we reviewed other areas within the City of Greater Sudbury where we thought these practices might also be occurring.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### BACKGROUND

The City of Greater Sudbury currently employs 2,988 employees (excluding police), 515 of which are on shift work.

The Human Resources Branch provides payroll services for the various departments within the City. However, the payroll department does not have responsibility for maintaining or tracking hours worked as that function is provided within the various departments within the City.

#### **Shift Trading**

Each department creates its own schedules for its employees. Employees who for some personal reason cannot work a scheduled shift, can either use personal leave (paid or unpaid) or trade this shift with another employee. Shift trading is the way employees gain flexibility in managing personal issues and responsibilities without losing work time and compensation. Shift trading policies are different within each department of the City.

Shift trading is a common practice. It occurs within a number of departments of local government organizations, and within various industries throughout Canada.

## **Shift Selling**

Shift selling for cash is a much less common practice, although it does exist elsewhere. Unlike shift trading, which is relatively easy to manage, unrecorded cash transactions among transit operators are difficult to manage unless the practice is entirely prohibited. Management acquiescence in, or condoning, shift selling creates significant risks for the City.

### SCOPE

The use of shift trading was first noticed during the planning stages of the Transit Services audit. The scope was then expanded to determine if this practice was occurring in other departments within the City. We looked at the internal procedures for establishing and recording of shift trading and selling, as well as the payroll functions. We met with representatives from Fire Services, Emergency Services (EMS), Transit Services and Pioneer Manor to discuss the process of shift trading within each department.

### OBJECTIVES

The primary objectives of this audit were:

1. To document how shift work assignments were recorded and tracked, and how such employees were paid by the City;
2. To evaluate whether shift trading and shift selling were occurring;
3. If shift trading and shift selling were occurring on a significant scale; and
4. To offer recommendations to mitigate risk to the City.

### METHODOLOGY

The audit methodology included the following:

- Detailed review of shift transfers within Transit that occurred in January and July 2009;
- Analysis of all shift transfers documented within Transit for 2009;
- Interviewed management within Fire Services, EMS and Pioneer Manor to determine if this practice was occurring in their department and to determine methods used to control shift transfers in these departments;



- Reviewed and discussed findings with management.

## KEY ISSUES

The following 4 issues were rated as high in the audit report:

**1. The need to discontinue the practice of ‘selling’ shifts for cash within Transit Services.**

The sale of shifts for cash needs to be stopped immediately. In its place, Transit needs to implement shift trading procedures in which shifts can be transferred among equally qualified employees on a one for one basis. We recognize that some shift trading is required and is currently done in many departments within the City and in various industries in order to increase flexibility in an employee’s schedule and to help accommodate unforeseen events. However, shift trading needs to be done in a manner which is well controlled and documented.

**2. The need to formalize policies and procedures for completing shift trades that is consistently used for all exchanges.**

As part of Transit’s existing shift trading practices, Transit will need to establish the following:

- a. Formalize policies and procedures for completing shift transfers. These need to include:
  - The paperwork that must be completed and authorized for each shift transfer;
  - A time frame for reciprocating the transfer;
  - Limits for number of shifts an employee can transfer or have outstanding at any point in time;
  - Disciplinary action for abuse of the system.
- b. The need to consistently use a shift transfer sheet for all shift trades that is completed by both employees and signed by a supervisor authorizing the transfer of shifts.
- c. A database with reporting capabilities that is consistently used to record and monitor shift transfers.

**3. The lack of a requirement to have the Inspector sign and confirm the accuracy of all the waybills (timecards) in describing who actually did the work.**

All waybills should be reviewed and approved by a supervisor who can verify that the individual worked the hours recorded on the waybill. The Inspectors know exactly who is driving each bus at all times. Since each operator reports in with the Inspector when they report to work, the Inspector is the only person who can verify that the operator actually

worked the hours indicated on the waybill. As such, they should sign the waybills authorizing the time reported on the waybill. The Timekeeper should then only process the waybills that have been signed by the Inspector. Having the waybills signed will help to ensure that the person who drove the bus is the person who is getting paid for the shift.

**4. The volume of aged outstanding shift transfers older than two months requiring resolution before year end.**

Transit should ensure that all old outstanding shift transfers are reciprocated before year end. During the year, shift transfers should not remain outstanding for more than two months.

### SUMMARY OF AUDIT FINDINGS & IMPACT (MEASURE OF RESIDUAL RISK)

Category	Total Number of Findings	Number of Findings Considered			
		High (Red)	Medium (Yellow)	Low (Green)	Nominal
Transit Services – Attention Required	4	4	0	0	0
Fire Services – Acceptable	4	0	3	1	0
Pioneer Manor – Strong	0	0	0	0	0
Emergency Services (EMS) – Strong	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>

Audit findings are classified according to the following severity scale:

Impact	Details
<b>High</b>	<ul style="list-style-type: none"> <li>Key control does not exist, is poorly designed or is not operating as intended</li> <li>Serious non-compliance to policy or regulation</li> <li>May result in immediate or material loss/misuse of assets, legal/regulatory action, material financial statement misstatements, etc.</li> <li>Indicates a serious business control weakness/deficiency requiring immediate action</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>Key controls are partially in place and/or are operating only somewhat effectively</li> <li>Some non-compliance to policy or regulation</li> <li>May negatively affect the efficiency and effectiveness of operations and/or financial reporting accuracy.</li> <li>Indicates a business control concern requiring near-term action be taken</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>Key controls are in place, but procedures and/or operations could be enhanced.</li> <li>Minor non-compliance to policy or regulation</li> <li>May result in minor impact to operations.</li> <li>Indicates a business control improvement opportunity for which longer-term action may be acceptable</li> </ul>
<b>Nominal</b>	<ul style="list-style-type: none"> <li>Housekeeping</li> </ul>

## FOLLOW-UP

A summary of outstanding audit issues requiring follow up will be sent to the Director of Transit and the Fire Chief according to the timelines established below. Follow-up of outstanding issues will be conducted as follows:

Impact of Finding	Timing of Follow-up
<b>High</b>	Quarterly
<b>Medium</b>	Semi Annually
<b>Low</b>	Annually
<b>Nominal</b>	Not Applicable

## OVERALL AUDIT RATING

In the Auditor General's opinion the overall audit rating for the audit is: Opportunity for Improvement.

This conclusion is only applicable to the function locations/areas reviewed through this audit. It reflects the professional judgment of the Office of the Auditor General based on a comparison of situations as they existed at the time against audit criteria as identified in the scope of the audit. This conclusion is extended to provide reasonable assurance regarding controls. There are inherent limitations in any controls, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective controls may provide only reasonable assurance with respect to City operations.

An overall audit rating is a micro opinion based on the severity of the findings for the function audited. It is a positive assurance opinion based on the evidence found during the audit.

The overall audit rating scale is as follows:

Rating	Description
<b>Strong</b>	<ul style="list-style-type: none"> <li>No internal control weaknesses noted.</li> <li>Good adherence to laws, regulations, and policies.</li> <li>Good control environment.</li> <li>Operations are considered efficient and effective.</li> </ul>
<b>Acceptable</b>	<ul style="list-style-type: none"> <li>Several low and/or one or two medium findings.</li> <li>Minor contraventions of policies and procedures with compensating controls in place.</li> <li>No violation of laws.</li> <li>Minor opportunities for improvement in efficiency and effectiveness.</li> </ul>
<b>Opportunity for Improvement</b>	<ul style="list-style-type: none"> <li>Many medium findings and/or one or two high findings.</li> <li>Several contraventions to policy.</li> <li>Minor violations of regulations/laws with minimal impact to City.</li> <li>Moderate opportunities for improvement in efficiency and effectiveness.</li> <li>Evidence of attention to the deficiencies and progress.</li> </ul>

**Attention  
Required**

- Several high findings and some medium and/or low findings
- Controls weak in one or more areas.
- Non-compliance with policies put the City at risk.
- Violation of law/regulation put the City at risk.
- Substantial opportunities for improvement.
- Operations are considered consistently inefficient and/or ineffective

## ACKNOWLEDGEMENT

We sincerely wish to express our appreciation for the cooperation and assistance provided to the audit team by all staff involved in this process.

## OVERALL MANAGEMENT RESPONSE

The issue of shift trades is one that affects many City employees over several departments. A number of different practices, policies and procedures have been developed to manage shift trades within each department.

The Auditor states that shift trading is not only an accepted practice in some industries but is also in fact required.

*“We recognize that some shift trading is required and is currently done in many departments within the City and in various industries in order to increase flexibility in an employee’s schedule and to help accommodate unforeseen events.”*

That being said there are no shift exchange programs that come without problems. Once the employer relinquishes the authority or right to distribute work the problems begin. There are collective agreement issues to consider, favoritism, employment standards, shift values/premiums, game playing etc.

The practice of permitting shift selling is a business decision, not a legal decision. There are no city employees currently involved in shift trading that are doing anything contrary to city policies, rules and regulations.

Since this is purely a business decision the employer must take everything into consideration when determining the next course of action.

In regards to the key findings for Transit, given the implications as outlined by the Auditor General above, we agree with the need to stop employees from arranging cash trades and re-evaluate the current shift trade policy. We note that these recommended changes to the policy will no doubt make staffing more difficult and increase costs.

Transit has an established, documented shift trade process. Written policies and procedures for completing shift transfers have been in place for over 30 years. The appropriate paper work is in place, and has been going back to the 1980's. Rules regarding time frames, limits for shifts and disciplinary action which includes removal of seniority are all part of the established process. Transit has formal sheets signed by all parties. A new electronic database was developed a few years ago to assist with the monitoring of this program.

Based on the following management responses the audit rating should have been Acceptable to Strong.