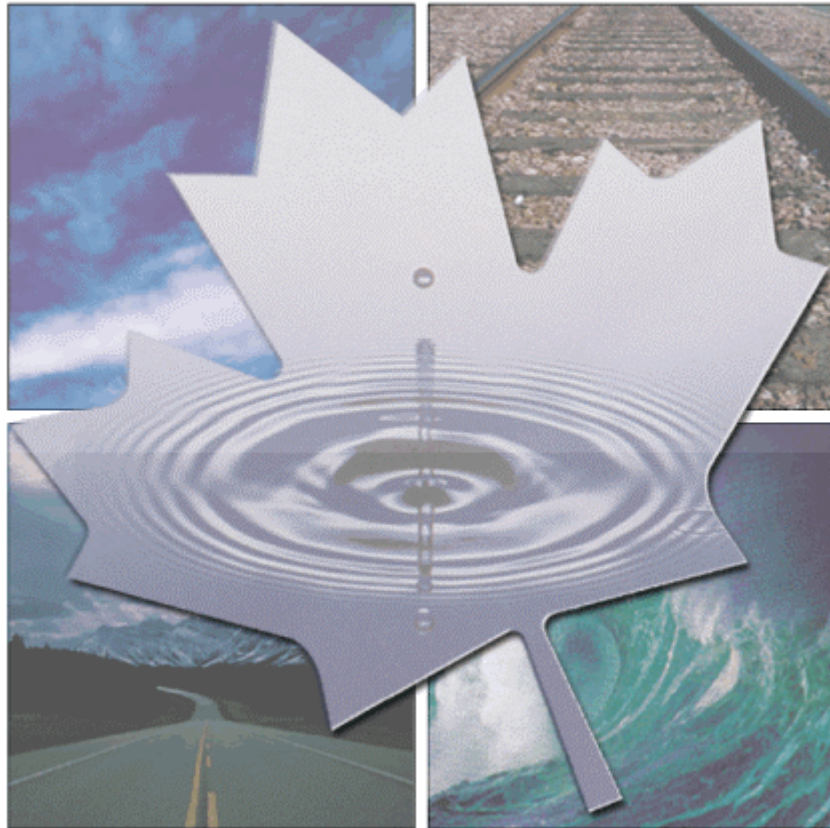




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Integrity, Innovation and Quality



**Audit of Overtime and Extra-Duty
Compensation in Transport Canada**

September 2006
1577-04-006

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EXECUTIVE SUMMARY

Transport Canada (TC) employees are eligible for compensation, for work performed outside of their regular hours at the employer's request, and the terms and rates governing overtime are provided for in the various collective agreements. The TC Integrated Leave and Extra Duty System (LEX) is the departmental system that is used to recommend, authorize and record claims for overtime and extra-duty compensation.

The main audit objective was to ensure that a satisfactory framework governing the recording, management and control of departmental extra duty compensation has been established and that value-for-money considerations were duly acknowledged by approving managers. The audit effort focused on those directorates, particularly within the Safety & Security function, that had incurred significant extra-duty charges in 2003-04 and on those individuals at the higher end of the earned extra duty spectrum. Given the extensive scope of examination, investigation of causal factors was limited and certain sections of the report (2.6 - 2.8) are simply intended to provide management with information that can be used to target areas where potential savings could accrue.

In an environment characterized by budgetary constraints, the operational elements of the Department are still challenged to invest in program efficiencies and fundamental changes in program design as well as react to ever increasing demand for services. Staffing delays also increase the need to resort to the extra-duty option in order to meet program objectives. In fact, the nature of the regulatory oversight and landlord responsibilities inherent in the TC mandate, the need for extensive technical training of departmental employees and the close working relationship with the transportation industry necessitate that certain services and tasks are provided outside of core hours. In addition, some employees have to respond to emergency situations, such as accidents and safety-related incidents, outside of core business hours. Consequently, the use of overtime is a fundamental necessity at both the Headquarters (HQ) and regional level and there are some directorates that have introduced processes that effectively manage this resource.

Over 3,000 departmental employees submitted claims, totaling \$14.3M, for overtime and extra duty compensation in 2003-04. The majority of the claims were for amounts under \$5,000. The total earned overtime represented about 4% of the spending on salaries and wages (excluding employee benefits) in that year. About two-thirds of this amount was attributable to claims made by regional employees. The net cost to the Department was approximately \$10M since \$4M of total earned overtime and extra-duty compensation was cost recovered from external clients.

The audit did not identify any evidence of systemic abuses or fraud nor were any serious control weaknesses detected in the LEX system governing the processing of approved extra-duty pay transactions. However, the cost-effective management of overtime, and the accurate computation of extra-duty compensation, essentially depends on the vigilance of the managers responsible for the approval of overtime claims. In our opinion, some managers are not exercising due care or vigilance in this respect nor can they

clearly demonstrate that overtime, or at least the type of overtime employed, was the most cost effective means of service delivery. In particular, the audit disclosed that the system of pre-approval often constituted an informal exercise and instances were observed where overtime was not pre-approved or where pre-authorization was not rigorously applied. It was also noted that some employees approved overtime transactions without possessing the necessary delegated signing authority. In addition, testing disclosed certain instances of the pyramiding of extra-duty claims whereby employees earned standby and other overtime during the same overtime period. A ruling is being sought from Human Resources (HR) on this issue. In other isolated cases, overtime claims were approved that were not compliant with the terms and conditions of the respective collective agreements.

The audit also identified the need for increased training in the exercise of Section 34 responsibilities pertaining to overtime and the adoption of consistent and a more formalized approach to the pre-approval and subsequent verification of overtime claims. Such measures are necessary, particularly in light of the high number of acting managers exercising approval authority.

While it is acknowledged that senior managers are generally informed of the identity of the high overtime earners, there was little evidence that the causal factors have been assessed and that measures have been taken to routinely monitor incidents of high overtime usage. In fact, much of the savings achieved in the past several years have been predicated on budget reductions, affecting certain directorates and regions, that forced managers to examine overtime drivers and associated levels of service and take more risk, particularly regarding the provision of standby coverage. It was also observed that some managers have a tendency to regard overtime as simply another resource to meet service demands and to achieve training and other objectives. They are not rewarded for becoming more prudent managers of overtime nor can they individually implement some of the structural changes that are necessary to achieve sustainable reductions such as:

- the adoption of more formal and consistent practices, on a department-wide basis, in terms of both the management of overtime and the provision of standby coverage; and,
- the further refinement of business practices, such as increased delegation to industry or the greater adoption of the Safety Management Systems (SMS) concept of regulatory oversight, that should serve to reduce the travel and the necessity to conduct audits and inspections outside of core hours.

MANAGEMENT RESPONSE

Senior departmental management have accepted the findings of the audit and have initiated action to address the recommendations (refer to Section 3 of the report).

At HQ, the Assistant Deputy Minister-Safety and Security has discussed the audit, including high overtime earners, with each Director General. Following careful analysis of each case, it was determined that, in the vast majority of instances, overtime was

justified and paid in accordance with the rules. In some cases, employees were reminded of these rules. Managers have been directed to review their practices with respect to overtime to ensure that they are following the rules and the collective agreements.

HQ has also taken various actions in response to the audit findings including:

- clarifying and communicating existing policies and guidelines;
- ensuring that overtime and standby pay is administered in keeping with Central Agency and departmental guidelines ;
- recognizing that the use of overtime and extra-duty should take into account not only operational needs but also the need for work/life balance;
- evaluating overtime requirements;
- implementing regular reviews of overtime and extra-duty reports;
- reinforcing the need to discuss and pre-approve overtime by the delegated authority; and
- using the on-line LEX system to approve, document and track all overtime requests.

Regional offices have also taken action as evidenced in the following examples:

The Regional Directors in the Atlantic Region have reviewed each case of high overtime earners in their respective branches and have established mechanisms to encourage a more equitable acceptance of overtime requirements in various work locations.

The Ontario Region has established a Regional Directors' committee to review the use of stand-by and overtime and to determine how best to manage such situations with the objective of reducing related costs.

In the Quebec Region, the management committee discussed the report and decided to undertake a financial and procedural review of overtime and standby. Quarterly reports will be produced and allow for the management committee to better analyze and explain trends and forecasts and make informed decisions about any adjustments which may be required, bearing in mind the operational needs. The context for overtime and standby pay vis-à-vis operational demands is currently being reviewed for all regional branches. Control and follow-up mechanisms are already in place in most branches as well as rotational systems for work involving standby pay.

Prairie & Northern Region will involve Finance and Administration and Human Resources in developing a process to monitor, challenge and report to senior management on the use of overtime. The plan will focus on a more detailed and rigorous financial challenge function and follow-up review to strengthen accountabilities. Senior management will be briefed at least on a quarterly basis.

In Pacific Region, the importance of a consistent and more formalized approach to pre-approval of overtime is recognized and the region will establish systematic control processes and will develop and implement a post-audit system to address the need for a formalized verification of overtime claims with a view to demonstrating the proper

management of resources. They have also taken steps to improve the management of overtime and standby by preparing an annual total compensation report that is shared with Directors and summarized in their annual Financial Management Report. The use of standby has been reduced as part of a broader cost reduction initiative. The importance the region gives to this audit report is underscored by their intention to develop and deliver a course to managers on various aspects of effective management of overtime

AUDIT AND REVIEW COMMITTEE (ARC) DECISION

The audit findings, recommendations and the Management Action Plans (refer to Section 3 of this report), were tabled and accepted at ARC on November 16, 2005. Minor revisions were subsequently made and the report was re-tabled at ARC on April 26, 2006. Approval of the report was provided on this date. The report's management action plan has been updated to identify the current status of management actions. Final approval was provided on September 18, 2006.

1. BACKGROUND

Overtime is defined as authorized time worked by an employee in excess of the standard daily or weekly hours of work and for which the employee may be entitled to compensation pursuant to the provisions of a collective agreement or a Treasury Board (TB) authority. It should be noted that both the terms *overtime* and *extra-duty* compensation are used synonymously throughout the report.

Over 3,000 TC employees submitted claims, totaling \$14.3M, for extra duty compensation in 2003-04. In 2004-05, this amount increased by 8% to \$15.5M.

The average earned amount in 2003-04 was \$4,672 per claimant although 863 employees earned in the \$5,000 - \$20,000 range and 90 employees earned between \$20,000-\$50,000. Overtime (including travel time) accounted for approximately 80% of the earned extra duty while standby and callback pay accounted for a further 12%.

The Safety & Security function accounted for approximately 87% of earned extra duty compensation recorded in 2003-04 and employees in **REMOVED - ATIP** were the principal claimants. Approximately two-thirds of the Department's earned extra duty is attributable to regional employees. Amounts were relatively equitably distributed between the regions with Quebec slightly higher and Ontario slightly lower than the national average. However, the **REMOVED - ATIP** had a disproportionate number of high overtime earners compared to other regions.

The terms and rates governing extra-duty compensation, for work performed outside of an employee's regular hours at the employer's request, are provided for in the various collective agreements or the terms and conditions of employment. LEX is the departmental system that is used by employees and managers to recommend, approve and record claims for overtime and extra-duty compensation. The Department's Human Resources Directorate (HR) oversees the administration of these agreements and maintains the LEX system. The Treasury Board (TB) policy governing extra-duty provides general direction with respect to maximum hours of work and the management of overtime. HR has also established principles and guidelines promoting the management and administration of departmental overtime and extra duty entitlements. The departmental financial manual (TP 117) depicts the requirements for account verification and the financial pay authorization procedures.

1.1 OBJECTIVES AND SCOPE

To ensure that a satisfactory framework governing the recording, management and control of departmental extra duty compensation has been established and that value-for-money considerations are duly acknowledged. In particular:

- employees are compensated for approved extra-duty in accordance with the terms and conditions of the applicable collective agreements or the terms and conditions of employment;

- departmental practices are compliant with TBS direction governing extra-duty expenditures;
- managers who approve extra duty compensation are cognizant of their responsibilities in this regard and have been delegated the authority pursuant to the Financial Administration Act (FAA);
- managers who approve extra duty compensation have assessed instances of high usage and have taken appropriate measures to reduce such expenditures through identifying more cost effective alternative solutions; and,
- a mechanism exists to ensure that all overtime subject to cost recovery is identified and billed.

1.2 SCOPE OF EXAMINATION AND METHODOLOGY

The audit effort focused on those directorates, particularly within Safety & Security, that had incurred significant extra-duty charges in 2003-04 and on those individuals at the higher end of the earned extra duty spectrum. However, dollar magnitude did not comprise the sole criteria for determining which NCR (National Capital Region) and regional directorates were subject to examination. Consequently, certain pockets of extra duty expenditures were reviewed in other groups such as Technology and Information Management Services Directorate (TIMSD), Communications, and Programs & Divestiture. Standby and call-in/call-back pay were also included in the audit scope. In addition, the audit attempted to examine the causal factors generating the need for overtime. The LEX control framework was also assessed and the functionality of key components was subject to testing.

The audit methodology employed the use of standard questionnaires and the analysis of selected extractions of LEX data depicting 2003-04 extra-duty claims. In addition, interviews were conducted with HR officials responsible for the administration of LEX and for the monitoring/interpreting departmental obligations concerning the extra-duty conditions of the respective collective agreements. Interviews were also conducted with various managers who were responsible for the approval of overtime and for ensuring that such resources were utilized in a fiscally prudent manner.

It should be noted that the planning phase of the audit disclosed that certain aspects of the framework governing extra-duty expenditures, such as pre-approval of overtime and the consideration of cost effective alternatives, did not generally constitute a formal exercise supported by verifiable documentation. Consequently, it was recognized that our findings relating to certain audit criteria would be formulated from interviews and other qualitative evidence.

2. FINDINGS

2.1 PRE-APPROVAL OF OVERTIME AND EXTRA DUTY REQUESTS

Managers who have delegated signing authority for overtime and extra duty entitlements, in accordance with Section 32 and 34 of the FAA, are required to ensure that:

- there is clear justification to have employees work in excess of the standard hours and that overtime is managed in an efficient and cost effective manner; and,
- overtime and extra duty entitlements are approved in advance and in accordance with the collective agreements.

The departmental policy governing overtime is predicated on the pre-approval, by knowledgeable managers, of individual requests for overtime that are properly justified. In addition, managers are to only provide this pre-approval after consideration of the cost implications associated with other alternatives including the impact of delaying or not providing the service. Consequently, pre-approval is fundamental to ensuring that overtime is managed in a cost effective fashion.

Our audit examination of the process governing pre-approval of overtime in the Department disclosed that:

2.1.1 Pre-approval of most overtime requests did not usually constitute a formal, verifiable practice. In addition, it was observed that some overtime is not subject to pre-approval

Some managers and directors have admitted that they do not routinely pre-approve overtime requests from their direct reports nor do they necessarily monitor what their subordinate managers practices are in this regard. The logic governing this approach is that they are dealing with professional individuals, often over a long period of time, who are expected to know under what circumstances that overtime is permitted. In addition, since all claims are eventually approved, the approving manager would be aware of any anomalies or abuse of this confidence. Other managers have stated that they will only insist on pre-approval if overtime is not cost recovered or is to be incurred for service delivery or other tasks that are not normally provided outside of core hours. Overtime was also approved after the fact and by some individuals who did not possess delegated signing authority and were not in a position to exercise the related pre-approval responsibilities. Certain other managers did not delegate signing authority while on vacation or when otherwise absent for up to a month. Consequently, all overtime worked during this period was approved only after their return. Pre-approval of these claims would be extremely difficult under such circumstances. It was also observed that less rigour was involved in the pre-approval of overtime associated with extra-duty which was

to be cost recovered from external sources or which was to be journal vouchered to another branch or group.

Some managers have also established informal parameters such as promulgating a set number of hours above which pre-approval was necessary or beyond which the inspector must cease work and commence it the next day. Certain managers and directors consider the approval of a unit's shift schedule or annual work/training plan, that includes an estimate of overtime requirements for the coming year, as being compliant with the TB directive on pre-approval. Others maintain that the direct tasking of employees, such as assigning them to conduct aircraft maintenance, a pilot proficiency check, or an in-flight inspection, on a specific date, constitutes pre-approval of any associated overtime. Since much overtime is incurred while an employee is in travel status, certain managers associate the formal provision of the authority to travel (either blanket or trip-specific) as implying pre-approval of all overtime associated with the trip.

It should be recognized that not all individual overtime situations are amenable to pre-approval. This would include the necessity to provide emergency responses outside of core hours. In addition, Aircraft Services helicopter pilots and maintenance engineers operate from Canadian Coast Guard (CCG) bases in most regions. The tasking of these individuals, which infers pre-approval of any associated overtime, is performed by CCG personnel.

2.1.2 The informal nature in which most overtime is pre-approved does not provide clear justification of the need to work overtime nor that overtime is managed in an efficient and cost-effective manner.

While departmental policy requires pre-approval, it does not articulate the manner in which this is to be accomplished nor any requirement to maintain verifiable documentation. In reality, the pre-approval of overtime is the responsibility of individual managers, both incumbents and actors, both experienced and new to their position. The pre-approval of individual claims is not recorded in the LEX system and there are no requirements to discharge this responsibility in a formal manner or to document the factors considered in the examination of potentially more cost effective alternatives. Such criteria would include:

- does the service have to be provided or the task performed and is there an alternative to providing the service outside of core hours?
- can the client be encouraged to provide more notice of service requirements or to schedule these requirements during working hours?
- can the work be done, or the travel undertaken, on a weekday or a Saturday at time and a half instead of on Sunday at double time?
- does the standby coverage or the inspection have to be performed by a manager or can a lower paid individual do the job?
- could more trained staff, or cross training, reduce the overtime costs?

- is it necessary to travel outside of core hours to attend certain meetings, courses and workshops, particularly those that are of an administrative nature or do not constitute technical training?
- does the combination of travel and overtime costs justify the current level of participation of TC employees at international conferences, in working groups, ICAO audits and other international forums?

Some branches did employ the travel authority form as a mechanism for pre-approval while others developed informal agreements to cover specific types of overtime, such as the number of hours that an inspector could claim while on aircraft type training. However, our examination disclosed only isolated instances where a directorate had actually designed a form that employees had to submit for pre-approval of overtime and once signed, was maintained on file as auditable evidence.

While we are confident that many managers do engage in some type of pre-approval of overtime, much of it is verbal or given by e-mail (which is subsequently deleted). Consequently, it is difficult for a manager to convince an external party, particularly if the remarks field in LEX was not used, that the overtime approved represented the most economical approach in the circumstances. It is doubtful if certain managers consciously evaluate the cost effectiveness of individual overtime requests even if they do maintain that they practice pre-approval on a consistent basis. It is only reasonable to assume that some managers view overtime as simply another resource to get the job done and place client service, and the achievement of other operational and training objectives, ahead of any conscious consideration of more cost-effective strategies.

2.1.3 Employees who pre-approve overtime, in an acting capacity, may not have the necessary operational knowledge or incentive to challenge the need for overtime or to assess other economic alternatives

Multiple individuals often approved an individual employee's overtime claim submissions over the course of the 2003-04 fiscal year. This constitutes a large number of acting managers and superintendents with responsibility for the pre-approval of overtime requests, many of which were submitted by inspectors and other technical specialists sometimes located in geographically-dispersed areas. It was observed that some of these acting managers occupied administrative positions while others were from different disciplines or even other directorates. It was also noted that certain individuals acting in these positions were temporarily responsible for pre-approving the overtime of their co-workers. Such circumstances do not always provide the necessary level of assurance that the need for overtime was consistently and effectively challenged or that other more cost effective alternatives were considered.

2.2 APPROVAL OF OVERTIME AND EXTRA DUTY CLAIMS

The HR policy pertaining to the management and administration of overtime specifies that a manager, with delegated signing authority, will only authorize compliant overtime and extra-duty entitlements when he/she is satisfied that the work or services performed

by the employees was essential and that overtime constituted the most cost-effective way of discharging these obligations.

In order for managers to properly exercise their responsibilities under Section 32 and 34 of the FAA, they are required to ensure that:

- claimed overtime and extra duty entitlements are compliant with the conditions in the applicable collective agreements;
- claimed overtime and extra duty entitlements accurately reflect the additional hours worked or the additional duties performed by the employee;
- individuals identified as recommenders have a thorough knowledge of the collective agreements, policies and the LEX system associated with overtime and extra duty entitlements; and,
- employees receive training to report overtime and extra duty entitlements using the LEX system and that they are informed of the articles in the collective agreements pertaining to these entitlements.

If there is no formal system of pre-approval, it is somewhat difficult for managers to compare the overtime hours claimed to those that were subject to pre-authorization particularly if the claim is submitted long after the date that the overtime was actually worked.

Our review of the process governing the approval of overtime claims revealed that:

2.2.1. The limitations of LEX edit controls are such that the approving manager constitutes the key control governing data integrity.

While LEX contains some edits that flag unusual overtime transactions submitted for processing; if no such warning is given, the overtime claim is sent for processing and a pay action is created.

Our testing disclosed that once the claimed overtime hours were input to LEX and approved by the manager, LEX controls were sufficient to ensure that most compensation was correctly computed using the applicable rates of pay. However, if the approved overtime hours were overstated or the incorrect multiplier was used, then errors in compensation could incur. For example, if a regular employee submitted a claim for overtime worked on a Saturday, but selected a double multiplier, and the approving manager did not detect the error, LEX edit controls were not designed to identify this anomaly. The employee's compensation would then be overstated.

Because of the number of collective agreements governing overtime compensation to TC employees, the variations in agreement conditions and the existence of shift work and compressed work schedules, it was difficult to build many generic edit controls in LEX. The LEX system was designed to facilitate and automate the initiation, authorization, recording and payment of leave and extra duty occurrences. While LEX facilitates compliance with Section 34 of the FAA, in that edits in the system allow for input of overtime and extra duty entitlements applicable to the employee's group and level, it was

not envisioned to replace the responsibility of the manager. Consequently, much of the onus for the integrity of extra-duty compensation rests with the approving manager and the recommender.

2.2.2. The managerial exercise of Section 34 approval, relating to overtime claims, is not governed by the same rigor and training associated with the approval of invoiced charges.

The exercise of Section 34 approval by a manager with delegated signing authority applies both to the approval of an invoice and an overtime claim. There are definite responsibilities associated with the former exercise that are clearly defined in the Department's financial manual. These responsibilities include ensuring that the invoice computations are correct, the rates/prices are in accordance with the contract or purchase order and that the goods and services have been received. The manager has to attest to these conditions before exercising his/her Section 34 approval. A formal account verification stamp is used for this purpose. Fulfillment of these obligations is a critical element of the financial training provided to each new manager. In addition, Finance has a pre and post audit function that targets certain invoiced expenditures for additional verification.

While managers are required to exercise the same responsibilities pertaining to each overtime claim, the reality is quite different. The manager simply has to click the approval button to enter the validated claim into LEX. There is not the same rigour and sense of accountability associated with the process, the training of new managers does not specifically address the responsibilities associated with overtime approval and Finance does not view individual overtime transactions as of sufficient risk to warrant additional verification.

2.2.3 There is inconsistent use of recommenders to verify the accuracy and compliant-nature of overtime claims and the roles and responsibilities of these individuals are not formally articulated.

The HR policy allows managers to rely on individuals to act as recommenders who are responsible for:

- confirming that the employee actually performed the duties associated with requests for overtime and/or extra duty compensation;
- ensuring that entitlements are permissible under the terms of the relevant collective agreement;
- ensuring that overtime and extra duty entitlements have been reported accurately in accordance with the HR policy and the LEX system reporting requirements; and,
- if the requests for compensation are appropriate, forwarding them to manager for authorization.

These individuals must also have a thorough knowledge of the collective agreements, applicable HR policies and the LEX system.

Our review disclosed that many managers do not use recommenders even where they have a significant number of direct reports.

Where recommenders were used, their roles and responsibilities have not usually been clearly articulated. This presents a fundamental accountability problem and creates difficulty in training new staff. In addition, our interviews revealed that some approvers and recommenders were not familiar with the limitations associated with LEX edit controls, did not use a calendar to verify the dates claimed, did not check the multipliers used, did not have access to shift, compressed work week and standby schedules and were not intimately familiar with collective agreement conditions governing overtime for the employees reporting to the manager. While some approving managers or recommenders verified the accuracy of claimed overtime hours to such documents as travel claims or NTARS (National Time and Activity Reporting System) printouts, others did not perform this independent verification. Some managers were also overly dependent on their recommenders without specific knowledge of the extent of the verification performed or evidence that the responsibilities were routinely discharged.

2.2.4 Overtime claims are approved by a variety of actors and incumbents, some of whom did not possess the necessary delegated signing authority. Corporate Finance and HR have taken timely action to address this anomaly.

The security component of the LEX system is designed to ensure that only responsibility center managers authorize overtime and that no unauthorized changes are made once the initial approval has been given.

However, our review disclosed that certain individuals, without the necessary delegated signing authority, were approving overtime claims of inspectors and management personnel. Examples include an Executive Assistant approving a Director's overtime and an Administrative Officer approving overtime for a Chief. It was also obvious that some of the above-mentioned individuals were not in a position to discharge all of the verification responsibilities associated with Sec 34 approval.

Once HR was informed of the circumstances, it undertook a compliance review which included a comparison of individuals identified as overtime approvers in LEX to those identified by Finance as having valid signing authority. In October 2004, an interim manual solution was implemented to have Finance approve or reject all requests for access to the roles of LEX Extra Duty Manager and alternate. Finance was also tasked with compiling the regional databases and ensuring that all approvers registered in LEX had the necessary signing authority. The above-mentioned review, which was completed in February 2005, revealed that a large number of individuals, identified as approvers in LEX, did not have the appropriate financial signing authority. As a result, both HR and Finance initiated a joint action plan to address the system weaknesses and deleted the unauthorized approvers from LEX.

2.2.5 Employees are recognized as valid approvers of overtime even after the acting assignment has expired.

Approval of overtime claims has been widely delegated in some directorates down to the superintendent level. A large number of actors are also temporarily given signing authority to approve overtime. Once an individual is initially recognized by LEX as a valid approver, he/she retains that authority indefinitely, until it is withdrawn by the employee's manager. Consequently, this could allow collusion between two employees in the approval of overtime claims. Many managers do not routinely review overtime claims approved by their subordinates or actors and the risk of detection through expenditure monitoring is reduced if the employees elect to take the time off as compensatory leave.

2.2.6 While our testing did not disclose serious instances of non - compliance, anomalies were observed that indicate that Section 34 responsibilities have not always been properly exercised.

One of the prerequisites to the approval of an overtime claim is the confirmation that the employee actually performed the duties associated with requests for extra duty compensation. This may present a challenge to the manager given the informal process governing the pre-approval of overtime and the geographical dispersion of directorate staff. It was also observed that the manager who approved the overtime claims was not always the same individual who provided the initial pre-approval to the employee. The ability of the approving manager, to verify that the claimed hours have been worked, is not always clearly defined in such instances. In addition, some directorates and branches have not established a formal mechanism to routinely validate the claimed overtime hours to independent sources such as travel claims, aircraft logs or NTARS printouts. It was also obvious from the anomalies listed below that entitlements were not always vouched to the terms of the relevant collective agreement.

- incorrect multipliers were used, mostly to the detriment of the employee making the claim;
- call-in and callback claims were approved that were not in accordance with the collective agreements;
- isolated claims for extra-duty during core working hours were approved;
- standby hours were inflated to reduce the payment of other forms of overtime;
- duplicate claims for standby were occasionally approved;
- daily extra-duty claims sometimes exceeded 24 hours mainly due to pyramiding or the accumulation of standby charges.

In addition, many coding anomalies were observed, particularly regarding the posting of travel overtime and some employees habitually recorded time ranges in LEX that did not correspond to, or overlapped with, the claimed hours of overtime. There was also sporadic use made of the LEX reason codes and remarks features in some directorates.

It is our opinion that these anomalies constitute sufficient evidence that the recommender/approval role, while articulated in the departmental overtime policy, has to be more formally defined and more rigorously applied at the directorate and branch level.

2.3 EXERCISE OF SECTION 33 PAYMENT AUTHORITY UNDER THE FAA

2.3.1 Corporate Finance maintains that it has informally evaluated the level of risk associated with the payment of overtime compensation and found it to be minimal.

Once the manager approves the overtime claim in LEX, the request is sent to HR Compensation Operations which processes the pay action for transmittal to the PWGSC pay system. Corporate Finance provides bulk Section 33 authorization. PWGSC then prepares the checks and forwards them to Finance for NCR employees. A HR-Compensation and Benefits Officer then reviews the cheque register in order to identify any unusual amounts and randomly verifies the details of the supporting pay transactions. The Manager, or a Team Leader, initials the register for cheque amounts over \$2,000. The verification is minimal since it is HR's contention that exhaustive initial tests of system interfaces have been conducted and historically the error rate has been low (three or four cases of overpayments annually). HR then notifies Finance to release the cheques for internal distribution.

The low level of risk that Corporate Finance attributes to overtime compensation precludes the need to engage in sample post-audit of overtime payments as is the practice for the payment of invoices.

While bulk Section 33 payment authority, with respect to overtime compensation, is performed by employees in Accounting Operations, it is in reality a shared responsibility between Corporate Finance and HR. Finance is essentially dependent on the controls within the LEX system to ensure that overtime compensation is properly computed, is only paid to departmental employees and the payments are not subject to duplication. However, Finance does not possess the process descriptions, nor do they periodically test the key controls, necessary to assess the degree of dependence that can be placed on the LEX control framework.

2.4 COLLECTIVE AGREEMENT CONDITIONS GOVERNING OVERTIME

TC employees are subject to more than ten different collective agreements and the conditions governing key entitlements such as overtime, standby, call-in, callback, shift premiums and compensation for work on a statutory holiday are not always uniform. Incumbent and acting managers, and recommenders, sometimes have to be intimately familiar with three or more of these agreements that may govern extra-duty entitlements within their branch or directorate. In addition, managers may have some employees performing shift work while others could be on a compressed workweek. Compounding the situation is the complex wording of some agreement conditions and the lack of a national system for compiling and promulgating interpretations issued by the various HR

jurisdictions within the Department. However, it is recognized that managers do have access to their Regional Labour Relations Advisor who can, in turn receive guidance and input from his/her corporate counterpart. Interpretations are also a standing item during Labour Relations teleconferences with the regional advisors and attempts are made to distribute interpretations on issues of departmental importance.

The two main collective agreements governing overtime in the Safety & Security Group are those that apply to Technical Services and Aircraft Operations (AO). The TI category of employees is covered by the former while the CAIs are governed by the latter agreement. The Technical Services agreement provides for a normal work week of 37.5 hours and a 7.5 hour work day scheduled to fall between 0600-1800 while the AO agreement specifies a work day of 0700-1800. The Technical Services agreement provides some flexibility in negotiating the hours of work to adjust for operational considerations.

Compensation for overtime is generally paid at time and a half after 7.5 hours work on a regular day and on the first day of rest. Double time is earned after 7.5 hours on the first day of rest and for all hours worked on the second or subsequent day of rest. Some other agreements require certain employees to work on the first day of rest to get double time on the second or subsequent day of rest.

Both the Technical Services and AO agreements provide for compensation for travel time on government business. However, the former agreement limits overtime claims to a ceiling of 12 hours at straight pay while the latter restricts overtime claims to a maximum of 12 hours at the applicable overtime rate. Some other agreements do not have a ceiling on the number of travel hours compensated.

Both of the above-mentioned agreements also provide compensation where an employee works on a statutory holiday. Overtime is compensated at time and a half except if the employee worked on a holiday contiguous to a day of rest, on which he/she also worked and received overtime. In that case, the individual is entitled to regular pay plus two times the hourly rate of pay for hours worked on the statutory holiday. Other agreements provide for compensation at time and a half (up to 7.5 hours) and double time if the statutory holiday is also the employee's scheduled day of rest.

2.4.1 Our examination did not disclose any serious anomalies associated with the LEX access, security and the application of its limited edit controls nor did our testing identify errors in the computation of payments associated with approved overtime claims.

In order to test LEX controls governing the computation of extra-duty compensation, fictitious employees, in the AO, AS, CH, CS and TI groups, were created. The testing specifically focused on the operation of the LEX edits governing key components such as the calculations of overtime compensation using the appropriate rates of pay, the use of the appropriate multipliers, the detection of edit over-rides and the use of correct coding. Access controls and data security were also examined. Testing also encompassed key

phases of data preparation, input, processing, output, and storage, and the linkages to the payroll system and BIRM. No major anomalies were observed.

2.4.2 The lack of clarity and uniformity of certain conditions in the various collective agreements has contributed to inconsistency of application and has resulted in the approval of some overtime claims that could be technically non-compliant with the agreement conditions governing extra-duty compensation

The review of employee overtime claims entered in LEX disclosed that inconsistency in application, and the potential contravention of collective agreement conditions, was particularly prevalent in the following areas:

- **Call-in and Callback Provisions**

Both the Technical Services and the AO agreement make provision for compensation to be paid to an employee who receives a call to duty, *or responds to a telephone or data line call*, outside of core hours, on a day of rest or a statutory holiday (call-in). At the employer's discretion, the employee may work at his residence in such instances. Compensation is based on the greater of actual time worked at the applicable overtime rate or payment equivalent to one hours pay at straight time for an eight hour period. There is no similar provision in the Applied Science or Engineering (CH) or the Program & Administrative Services (AS, PM) agreements.

The TS and the Applied Science/Engineering agreement, also states that if an employee is called back to work outside of core hours, on a day of rest or a statutory holiday, *and returns to work* (callback), he/she shall be entitled to the greater of compensation at the applicable overtime rate for the time worked or compensation equivalent to three hours pay at the applicable overhead rate. Time spent by an employee reporting to work or returning to his residence shall not constitute time worked. The AO agreement contains the same conditions except that the employee is entitled to the greater of compensation at the applicable overtime rate for the time worked or compensation equivalent to four hours pay at straight time.

Consequently, some collective agreements contain a provision for compensating employees for the inconvenience of answering phone calls at home (call-ins) while others do not specifically provide for call-in pay. Our review disclosed a variety of applications of the call-in provisions. While most employees claimed one hour at straight time for initiating or responding to phone calls outside of core hours, others have claimed up to two hours at straight time or at time and a half. The later circumstances were sometimes dependent on whether the calls were received while the employee was on standby. The proper accounting for multiple calls, handled within an eight hour period, was also a source of confusion as evidence by HR e-mails on the matter.

In addition, our testing disclosed that most employees who received callback compensation claimed the minimum hours (three or four hours depending on the collective agreement) but remained at home and did not physically return to work.

Further investigation determined that many of the above-mentioned circumstances occurred when an employee received and made phone calls/e-mails outside of core hours. While there is a call-in provision in both the Technical Services and AO agreements to compensate employees for this inconvenience (1 hour overtime at straight time), other agreements have no such condition. Consequently, employees have applied the callback provisions and have been reimbursed for up to \$180 for potentially handling a single phone call outside of core hours or on days off.

Some employees in TDG routinely claimed the minimum callback of three hours for making/answering phone calls and for unspecified work at home associated with these calls. A significant number of Civil Aviation Systems Safety personnel, mostly in NCR, also routinely claimed three hours under the callback provisions even though they don't physically return to work. A similar practice was noted in Emergency Preparedness. In these instances, the employees were set up to work at home or connected to a network that negated the need to return to the office.

It was also observed that certain Marine Safety inspectors, mainly in the Atlantic and Pacific Regions, employ the callback provisions. In both regions, the callback is initiated by a client who requires a service such as a tank inspection or a port warden inspection on short notice. The actual time expended to perform the applicable services is often less than three hours and employees in other regions, performing similar services, do not earn callback in this fashion.

Certain groups and regions experienced more difficulty than others with the application of the call-in and callback provisions with the result that managers have approved overtime claims that were not technically compliant with the collective agreements.

HR is cognizant of the inconsistency of application of the above-mentioned provisions, both through concerns expressed by certain managers and from our communication of preliminary audit findings. While there have been several interpretations provided by regional HR units, it is our opinion that a national directive is required on this issue.

HR has also confirmed our position that a strict interpretation of the Technical Services and AO agreements would suggest that an employee is entitled to a minimum of three or four hours only if they physically return to work. When answering the phone or working from home, the one hour compensation is applicable. In addition, they have agreed to examine the call-in and callback entitlements for CH employees.

- **Pyramiding of Extra-Duty Pay**

The article in the Technical Services agreement, prohibiting pyramiding, is buried in the section of the contract under the section termed Pay Administration. It states that “payments provided under the *overtime, reporting pay, designated paid holiday, callback and the standby provisions* of this agreement shall not be pyramided, that is

an employee shall not receive more than one compensation for the same service”. The Applied Sciences/Engineering and the Program and Administrative Services contracts each have a similar version of this pyramiding restriction that stipulates that there shall be no duplication of overtime payments for the same hours worked. The AO agreement contains no similar provision although it does preclude the earning of callback and standby simultaneously.

Most agreements that allow for standby compensation require that “an employee, designated by letter or by list for standby duty, shall be available during his period of standby at a known telephone number and *be available to return to work* as soon as possible if called”. For this inconvenience, TIs are to be compensated at the rate of one-half hour for each four hour period, *or part thereof*, for which the employee has been designated as being on standby. No standby compensation shall be granted if the employee is unable to report to work”.

Within this inconsistent and confusing myriad of collective agreement conditions, managers and recommenders are expected to ensure that extra-duty claims do not contravene conditions governing pyramiding. However, our testing disclosed that some employees often earn standby, callback and/or overtime for the same period and that standby pay is not reduced accordingly. In particular, some employees were occupied in performing other inspections or were on travel status while on standby. There have also been some conflicting HR interpretations, at the regional level, regarding these practices and at least one instance where small amounts of standby pay had been refunded to employees after a manager had initially restricted claims of this nature.

When presented with our findings, HR responded that, according to the various collective agreements, employees are entitled to claim standby while on callback providing that the callback period is less than the period during which the employee was on standby. They referred to Article 44.01 of the AO agreement to support their position but admitted that there was no equivalent article in the TS agreement. HR intends to further investigate this issue. HR also confirmed that, while the TS and certain other agreements specifically prohibit pyramiding, the AO agreement is silent on the subject. Nevertheless, it is HR’s opinion that the employee should not be claiming standby and other extra duty for the same period of time and it was agreed that Labour Relations would provide a more specific ruling on the issue.

- **Application of Overtime Provisions in the Airline Inspection Division**

Our review of LEX reports for selected employees in 2003-04 disclosed that some were claiming overtime before and after regular working hours despite the fact that the regular working hours did not equate to 7.5 hours. Our interviews with the approving manager and the applicable union official did not clarify exactly the rationale for this practice except that it related to differing interpretations of Article 18 (hours of work) in the new AO agreement and that the practice commenced in April and ceased in November of 2003. Claims of this nature, amounting to approximately \$11,000, were approved during this period.

When informed of our findings, HR speculated that it may have had something to do with a premium for working outside of core hours. Labour Relations has made a commitment to investigate the circumstances and to determine the compliant nature of the transactions.

- **Standby Pay Earned within Marine Safety-Quebec Region**

Our review of LEX reports for Marine Safety employees in 2003-04 disclosed that it was a general practice at certain TCCs, within Quebec Region, to input accumulated standby hours as opposed to daily submissions. Further examination disclosed that, while the inspectors were compensated in accordance with the collective agreement, the managers were allowed additional hours based on a local decision made in 1991. In exchange for the extra compensation, the managers were not expected to claim any call-ins or callbacks. This decision, while not compliant with the collective agreement, was regarded as a cost-effective measure in the management of overtime.

- **Standby Pay Earned by Security Inspectors in Ontario Region**

It was observed that security inspectors at Pearson Airport were receiving standby pay during regular working hours. The rationale for this practice was that, in case of an incident during normal working hours, a person should be designated to receive the call and to ascertain the optimal action or response. This would potentially avoid the disruption of existing shift workers who might be occupied in conducting monitoring activities or investigating other incidents. The current Director plans to reassess the practice.

2.5 STANDBY PAY

The rationale for the provision of standby coverage is that the various modes of transportation are not restricted to a 7.5 hour workday and that the Department must have the ability to respond to accidents/incidents on a 24 hour basis. Consequently, the various collective agreements provide for compensation for departmental employees that are designated to be available for this purpose.

Departmental employees earned approximately \$1.4M in standby pay in 2003-04. Six Directorates accounted for 92% of the earned standby compensation and the following two tables stratify standby pay by geographical distribution and by Group/Directorate:

NCR	\$.261M	18%
Atlantic	.273	19%
Quebec	.336	23%
Ontario	.157	11%
PNR	.137	10%
Pacific	.278	19%
	<u>\$ 1.442M</u>	<u>100%</u>
Marine Safety Programs	\$.453M	31%
Security	.228	16%
Civil Aviation	.215	15%
TIMSD - NCR	.198	14%
Surface	.115	8%
Aircraft Services	.114	8%
Communications	.054	4%
Finance & Admin-NCR	.049	3%
Others	.012	1%
	<u>.004</u>	<u>-0-</u>
	<u>\$1.442M</u>	<u>100%</u>

Our review of the application of standby within the Department disclosed that:

2.5.1 Standby personnel mainly act in a communications/advisory capacity and most do not actually respond to the various incidents reported.

The various collective agreements stipulate that employees shall be available during a period of standby at a known telephone number and be available to return to work as soon as possible if called. This does not reflect the realities of most standby situations where the person on standby is rarely required to physically leave their residence to respond to a reported incident. Instead, most calls require either the employee to phone another inspector to respond to the incident (i.e. a Marine Safety pollution incident) or to communicate significant incidents (i.e. airport security breaches) upwards through the established communications loop. In many cases, no further action is required and sometimes the same incident is communicated to HQ through more than one channel. While many of the actual calls received by employees on standby do not require an immediate response, the coverage is still deemed necessary in the event that a serious incident occurs in the off hours.

2.5.2 The need to provide coordinated standby coverage has not been examined from a department-wide perspective and individual groups and regions have established different standby requirements based on local perceptions of risk and senior management preferences.

Some groups that provide a standby capability promulgate minimum hours that coverage has to be provided while most leave it up to individual directorates and regions. Consequently, variations exist as to the hours that standby will be provided, the number

of employees that will be on standby at any one time and the type of training and experience that are required to participate in standby. Some indication of these circumstances is reflected in the following table of standby pay distribution:

	TIMSD	Comm	CivAv	MS	P&D	SEP	Surface	ASD	Total
NCR	\$115,000	\$36,000	\$39,000			\$55,000		\$3,000	\$248,000
Atlantic			39,000	143,000	15,000	33,000	33,000	9,000	272,000
Quebec			28,000	134,000	106,000	25,000	28,000	15,000	336,000
Ontario		10,000	38,000	31,000	-0-	47,000	30,000	-0-	156,000
PNR		3,000	29,000	28,000	29,000	26,000	22,000	-0-	137,000
Pacific	-0-	-0-	25,000	117,000	78,000	29,000	1,000	27,000	277,000
	\$115,000	\$49,000	\$198,000	\$453,000	\$228,000	\$215,000	\$114,000	\$54,000	\$1,426,000
									99%

The cost of providing standby coverage varies across the Department and some employees are excluded from participating in standby in one region while their counterparts are eligible in another geographic location. In other cases, the Regional Director or some other manager will assume the standby responsibilities but will not claim compensation for providing the service while others will claim alternative types of extra-duty to compensate for the lack of standby funding in their branch budgets.

Marine Safety is responsible for a disproportionate share of departmental standby costs although it is not clear why the capability to respond to incidents in this area is more critical than those occurring in Civil Aviation or other groups. Marine Safety standby coverage also varies between the Regions but unlike Civil Aviation, standby coverage is not provided by an NCR component. Marine Safety-Ontario Region, unlike most of its counterparts, has only one individual on standby and this responsibility is shared by managers and inspectors residing in both the Regional Office and the TCCs. Most other regions require two or more individuals on standby at the same time and some only allow managers to perform this task.

Variations in standby coverage and practices also exist within most other groups and directorates. A management letter will provide a more in-depth review of the variety of standby practices in the entities subject to our audit examination

2.5.3 The ability to review standby coverage and associated practices is constrained by the inconsistent fashion in which reported incidents, and the applicable response or action taken, is recorded.

In order for management to establish the level of risk associated with standby and to make informed decisions as to the level of coverage required and the skills and experience of the personnel, it is necessary to collect the relevant information as to the number of calls handled outside of core hours, the nature and seriousness of the incidents reported and the resultant action taken. Our review indicated that some branches do not record such information while others do so in an inconsistent fashion. Among the best practices observed was the standby log maintained in the Dartmouth TCC of Marine Safety-Atlantic Region.

2.5.4 Some branches provide standby coverage but the individuals who perform this service are not compensated

Our analysis of standby expenditures across the Department disclosed that certain directorates had reported negligible standby hours compared to their counterparts in other regions. These wide disparities between regional directorates mainly occurred in the Programs & Divestiture (Programs), Surface and Communications groups and our cursory analysis disclosed the following:

- **Surface**

The Surface Group was responsible for \$114,000 in standby pay in 2003-04. Each region recorded an average of \$28,000 of standby with the exception of Pacific Region where about \$1,000 was earned. Our investigation of this variance disclosed that the two Regional Managers were performing much of the standby coverage in Pacific Region and were not claiming compensation for this service.
- **Programs**

Standby pay in the Programs regions amounted to \$228,000 but no such compensation was claimed in Ontario Region and only \$15,000 in standby was earned in Atlantic Region. Quebec and Pacific Regions were responsible for \$106,000 and \$78,000 respectively. While the reason for such extreme variances was partially attributable to the different number of ports and airports that were still operated by the various TC regions in 2003-04, regional decisions to operate dual standby coverage at both the site and Regional Office level increased the costs in Quebec and Pacific Regions.
- **Communications**

The Communications Group was responsible for \$49,000 in standby pay in 2003-04. The NCR Directorate accounted for 73% of this amount while Ontario Region employees earned \$10,000 and PNR employees claimed \$3,000. It is assumed that management personnel, in the other regions, were performing the standby duties themselves without recording compensation in LEX.

Other directorates recorded no standby even though it was obvious in one case that certain employees acted in this capacity and routinely provided advice from home relating to dangerous goods incidents. It is our understanding that the directorate had no budget for standby

2.5 SHIFT WORK

This form of staffing is generally employed in organizations that routinely operate on a 16 -24 hour basis where overtime costs would be less economical if employees were routinely compensated at time and a half and double time for work outside of core hours. Consequently, one would expect that overtime would be minimal in such instances.

Our review disclosed that the majority of shift work in the Department is employed in the following organizations:

:

- Aircraft Services – NCR;
- Canadian Transport Emergency Centre (CANUTEC); and,
- Security - Class I airports

In 2003-04, approximately \$195,000 in shift premiums was earned, mainly by the employees in the three above-mentioned organizations.

Aircraft Services-NCR has instituted shift work to meet the maintenance needs of the external clients, in terms of aircraft availability, and to reduce associated overtime requirements. Consequently, its Aircraft Maintenance Engineers (AMEs) operate on two 7.5 hour shifts during the weekdays (0700-2230) and one shift (0730-1530) on the weekends and statutory holidays.

CANUTEC is a 24 hour a day operation established to assist emergency personnel in handling dangerous goods emergencies. It is a national, bilingual emergency centre that maintains a scientific bank on chemicals manufactured, stored and transported in Canada and is staffed by professionals specialized in emergency response and experienced in interpreting technical information and providing advice. CANUTEC is staffed by two individuals during the day and one on the evenings. Two 12 hour shifts are operated on the weekends and holidays. Management maintains that approximately 100 calls daily require a response.

The Security Directorate staffs the eight Class I airports with security inspectors who conduct surveillance and oversight of various facets of security framework including pre-board screening, baggage reconciliation, access controls and security of aircraft. A security directive requires Regional Directors to ensure that there is security coverage seven days a week, 16 hours a day, at all Class I airports. In addition, they are required to ensure that one inspector is present at each international terminal one day per week on a random basis. All regions were compliant with the minimum hours of coverage, specified in this directive, and employed shift work for this purpose. Some regions also employed shift work, as opposed to overtime, to cover the one day a week that full 24 hour coverage was required.

In addition to the above-mentioned organizations, it was also noted that employees work a partial shift schedule at the St. Anthony airport in Atlantic Region. It was also observed that there are other branches that routinely provide services outside of normal working

hours (i.e. branches solely dedicated to the performance of port warden inspections) that are not subject to shift work.

While employees engaged in shift work normally average a 37.5 hour week over the period of a shift schedule, the length of their shifts may vary (i.e. 4 days on 3 days off in the case of security inspectors at some Class I airports). Shift workers in the TI, CH and PC classifications are entitled to shift premiums for hours worked between 1600-0800 and on weekends. Article 25.13 (h) of the Technical Services agreement also allows employees, subject to variable hours of work (i.e. compressed work week), to earn overtime, for all work performed on regular working days or on days of rest (but not statutory holidays), at a multiplier of 1.75.

2.6.1 In addition to the receipt of shift premiums, some shift workers are also compensated for considerable amounts of overtime.

The **REMOVED – ATIP** -NCR operate on shift work and about **REMOVED - ATIP** of these employees received \$47,000 in shift premiums, in 2003-04. Total overtime earned by the **REMOVED - ATIP** in that year amounted to approximately \$376,000 with another \$26,000 earned for work on statutory holidays (five employees earned between \$1,400-\$2,500 for such overtime). Our analysis indicates that most of the overtime compensation for the high **REMOVED - ATIP** earners was attributable to their duty time on DND flights for which they still received shift premiums while on these assignments. Overtime was also incurred due to unscheduled maintenance requirements on client aircraft and for work backlogs.

Since CANUTEC is a 24/7 operation, it is staffed with two individuals during the day and one on the evenings and weekends. When not responding to phone calls, employees are engaged in research activities. Shift premiums totaling \$16,000 were paid to **REMOVED - ATIP** individuals in 2003-04. In addition, CANUTEC employees (excluding the Director) averaged \$6,200 in other overtime during the 2003-04 fiscal year. Some of this overtime was generated by the requirement to compensate them for an additional half hour per 7.5 hour shift for working through their lunch period. An additional 45 minutes of an hour was also added to the 12 hour weekend shifts, and on statutory holidays, for this reason.

It is management's contention that such overtime cannot be eliminated other than by doubling the shifts with two advisors at all times where one person could cover the emergency centre while the other took a 30 minute period for lunch. Overtime is also necessary to limit the number of weekend shifts that advisors would have to work with a view towards reducing training and hiring costs associated with employee turnover.

The Security directorates in the regions have a cadre of inspectors, based at each Regional Office, who conduct security oversight at the Class II and smaller airports. In addition, an onsite security presence is maintained at the Class I airports. Extra-duty compensation in Security-Ontario Region amounted to \$192,000 in 2003-04. About 20% of this amount was attributable to shift premiums for employees based at the two Class I airports in Toronto and Ottawa. While it was difficult to readily segregate the exact

amount of overtime worked by inspectors at Pearson and at Ottawa airports in 2003-04, our review disclosed that relatively modest amounts (ie. \$1,700-\$4,300) of overtime were earned outside of shift hours. However, this was not the case for overtime earned on statutory holidays that amounted to \$4,400 for certain inspectors. Extra-duty compensation in Security-Pacific Region amounted to \$188,000 in 2003-04 and about 5% of this amount was attributable to shift premiums. A further 22% of earned extra-duty related to overtime on a statutory holiday of which **REMOVED - ATIP** inspectors at Vancouver Airport earned an average of \$4,800. Compensation for employees working shift at Halifax airport, on statutory holidays, was also responsible for 18% of the total overtime hours claimed in the directorate in 2003-04. **REMOVED – ATIP**

The above analysis would suggest that overtime worked outside of scheduled shift hours ranged from modest to significant for some employees, depending on the directorate. However, it was noted that the overtime cost of providing shift coverage on statutory holidays was particularly high in the regional Security directorates. Consequently, it is our contention that the conditions governing the provision of compensation for employees on shift, working statutory holidays, has significant overtime implications particularly with respect to providing a security presence at the Class I airports.

In addition to resulting in considerable earned overtime, the conditions governing this type of overtime compensation are difficult to interpret and require access to the relevant shift schedules for the applicable period in order to verify claimed amounts. Consequently, the manager/recommender role is extremely important in order to ensure the accuracy of the overtime claims. In addition, it was observed that staffing levels at least one Class I airports may be excessive on statutory holidays. The generous contract provisions governing shift work on a statutory holiday necessitates that the number of employees working on such days are kept to minimum levels consistent with operational requirements.

However, time constraints limited our efforts to perform any detailed testing of overtime claims relating to this type of extra-duty compensation or to extensively evaluate whether staffing levels on statutory holidays were reasonable.

A secondary reason driving the overtime compensation earned by security inspectors at the Class I airports relates to contractual conditions that permit the extrapolation of overtime hours using a 1.75 multiplier. Since this rate can be used by employees working variable hours, those security inspectors, working shift or on a compressed work week, claim overtime using this multiplier. The 1.75 multiplier is comparatively higher to the time and half rate applicable to regular employees who work outside of normal working hours and on the first day of rest. Consequently, this results in higher overtime costs and managers have a responsibility to factor this into their decisions prior to pre-approving overtime, or in advance of establishing shift schedules and confirming compressed working arrangements.

2.6.2 Some Directorates have adopted staggered work schedules to partially accommodate requests for client services outside of core hours.

While the main collective agreements establish core working hours, there is also a provision to adjust these hours to accommodate service requirements. For example, one branch in Marine Safety-Pacific Region has taken this initiative by having one inspector commence work at 0600 and another start at 1000 and work until 2000. This serves to reduce the number of hours of standby coverage and potentially could result in lower overtime costs. A Civil Aviation directorate routinely amends its employee's hours of work to better suit the course schedule when on type training. Atlantic Region has also placed St. Anthony airport employees on a partial shift schedule that may be appropriate to other TC-operated airports depending on the cost-benefit implications of the practice.

2.7 TOP OVERTIME EARNERS

A review of the top 100 overtime earners in the Department disclosed that these individuals earned a total of \$2.6M in 2003-04 that accounted for 17% of the Department's total extra-duty charges. The top 100 overtime earners averaged \$25,551 each with 2003-04 earnings ranging from \$19,227 to \$49,115.

Dollar Range	# of Employees	%age	
19,000-25,000	58	58%	
25,001-30,000	24	24%	82%
30,001-35,000	9	9%	91%
35,001-40,000	5	5%	96%
40,001-45,000	2	2%	98%
45,001-50,000	2	2%	100%
	100		

The following two tables stratify the top 100 employees in terms of both overtime dollars earned and the Group/Directorate and Region in which these individuals resided.

Breakdown of Earned Overtime By the Top 100 Employees by Group/Directorate:

	NCR	Atlantic	Quebec	Ontario	PNR	Pacific	Total
Aircraft Services	\$.299M	\$.244M	\$.261M	\$.025M	-0-	\$.114M	\$.943M
Civil Aviation	.533	.022	-0-	.036	.044	-0-	.635
Marine Safety	.021	.081	.251	-0-	.028	.175	.556
Dangerous Goods	.094						.094
Programs	-0-	-0-	.069	-0-	-0-	.020	.089
Security	.020	-0-	.046	.023	-0-	-0-	.089
Informatics	.043						.043
Executive Services	.034						.034
Executive Offices	.027						.027
Surface	-0-	-0-	-0-	-0-	.026	-0-	.026
Finance & Admin	.021	-0-	-0-	-0-	-0-	-0-	.021
	<u>\$1.092M</u>	<u>.347M</u>	<u>.627M</u>	<u>.084M</u>	<u>.098M</u>	<u>.309M</u>	<u>\$2.557M</u>
Earned OT \$	42%	14%	25%	3%	4%	12%	100%

Breakdown of the Number of Top 100 Employees by Group/Directorate :

	NCR	Atlantic	Quebec	Ontario	PNR	Pacific	Total
Aircraft Services							
Civil Aviation							
Marine Safety							
Dangerous Goods							
Programs							
Security							
Informatics							
Executive Services							
Executive Offices							
Surface							
Finance & Admin							
	<u>39</u>	<u>14</u>	<u>27</u>	<u>3</u>	<u>4</u>	<u>13</u>	<u>100</u>
No. of Employees	39%	14%	27%	3%	4%	13%	100%
Excluding Aircraft Services	47%	6%	24%	3%	6%	14%	100%

This stratification reflects that 36% of the top 100 overtime earners were employees of **REMOVED - ATIP** accounted for a further 48%. In addition, 39% of these employees resided in NCR-HQ while 61% were regionally-based personnel. After excluding **REMOVED - ATIP** employees, **REMOVED - ATIP** accounted for 24% of the remaining top 100 overtime earners nationally or 44% of those who resided at the regional level. The **REMOVED - ATIP** directorate in that region had a disproportionate number of high overtime earners.

A more intensive examination of the top 25 earners of overtime in the Department, in 2003-04, established that these employees had accumulated earnings of \$859,509. This amount constituted 6% of the Department's earned overtime liability in that fiscal year. Earnings were between \$27,523 - \$49,115 and were stratified as follows:

Dollar Range	# of Employees	%	age
\$25,000 - \$30,000	7	28	28%
\$30,000 - \$35,000	9	36	64%
\$35,000 - \$40,000	5	20	84%
\$40,000 - \$45,000	2	8	92%
\$45,000 - \$50,000	<u>2</u>	<u>8</u>	<u>100%</u>
	<u>25</u>		

REMOVED - ATIP

A review of organizations/individuals characterized by high overtime use disclosed the following general observations:

2.7.1 Certain pockets of overtime within the Department require further evaluation to determine if there are more cost effective alternatives.

Four organizations in NCR that consistently exhibit high overtime use are Aircraft Services, TDG, the Airline Inspection Division in Commercial & Business Aviation (CBA) and Aircraft Certification.

Aircraft Services – NCR accounted for \$1.028M in earned extra-duty compensation in 2003-04. The fixed wing pilots, based in NCR, incur overtime associated with either pilot training or performing DND flights. Pilots often must work outside of core hours to gain access to the flight simulator, which has a very high demand. Most DND flights are also in the evening or weekends. The need for AMEs to accompany departmental aircraft, particularly on overseas DND flights, also constitutes a major overtime driver for this directorate.

The TDG directorate in NCR operates CANUTEC and also plays both a functional and an operational role in the regulation and oversight of dangerous goods within Canada. While it only accounted for \$215,000 in earned extra-duty compensation in 2003-04, 44% of this amount was attributable to **REMOVED - ATIP**. A disproportionate amount of callback pay earned in the Department was also attributable to this directorate and 36% of core overtime was earned on the weekends. An analysis of 2004-05 LEX data disclosed that earned overtime in 2004-05 was similar to that recorded in the previous year and while the **REMOVED - ATIP** fell to 26%, **REMOVED - ATIP** overtime increased significantly to \$19,000 and \$24,000 respectively.

CBA was responsible for 43% of the Civil Aviation extra-duty costs in NCR in 2003-04. Almost 90% of the extra-duty incurred within CBA-NCR related to overtime incurred on a regular day or day of rest. Travel overtime, while not reflected as such in the LEX statistics, was a significant component. The Airline Inspection Division, which is

responsible for regulatory oversight of the national carriers and has inspectors based in NCR and some regions, accounted for 73%, or \$644,000, of CBA-NCR extra-duty costs. In addition, this division was responsible for more than 50% of the **REMOVED - ATIP** overtime earners in Civil Aviation.

Aircraft Certification-NCR is highly reactive to industry demands for the certification of aircraft and incurs significant overtime costs particularly for international travel. The Directorate was responsible for 32% of Civil Aviation extra-duty costs in NCR, or \$666,000, in 2003-04. However, it also recovered 29% of earned overtime in that year. Our analysis indicated that **REMOVED - ATIP** of its employees earned in excess of \$10,000 in extra-duty compensation in 2003-04. Staff shortages apparently contributed to the need to deliver services on overtime.

The Aircraft Services regions reported \$1.5M in earned extra-duty mainly attributable to the departmental helicopter pilots and AMEs who support the CCG helicopter operations. In addition, CBA was also the largest single generator of overtime in the Civil Aviation regions and the principal drivers were the conduct of regulatory oversight and the provision of certain services outside of core hours. Travel associated with the above-mentioned activities, and with pilot training, was a major contributing factor. Systems Safety branches, in NCR and the regions, also exhibited high extra-duty use mainly because their employees provided most of the standby in Civil Aviation. Certain Marine Safety activities, particularly the conduct of port warden and port state control inspections outside of core hours, generate large amounts of overtime at the regional level. The Security directorates in the regions also reported \$834,000 in extra-duty charge in 2003-04, 20% of which was attributable to standby. The overtime component attributable to the provision of coverage at the Class I airports could benefit from further examination. Finally, the disproportionate number of high overtime earners in Quebec Region is also an area of concern.

Only a more detailed review of existing staffing levels, associated workload requirements, service delivery practices and overtime drivers would determine whether the use of overtime is the most cost effective approach in the above-mentioned organizations and whether existing levels of extra-duty compensation are sustainable in terms of employee health/productivity.

2.7.2 Certain individuals work excessive overtime hours and a significant number of such employees occupied management positions

TB policy states that 48 hours constitutes the maximum number of hours in a week that a federal government employee may work unless exceptional conditions prevail which would hinder a department's ability to service the public or operate efficiently.

Our review indicates that some departmental employees worked up to 20 weeks overtime in 2003-04. **REMOVED - ATIP** claimed 611 hours of overtime (excluding standby) on 114 days in the fiscal year. Several employees have worked consecutive 14-19 hour days,

others have claimed overtime on the majority of available Saturdays and/or Sundays.

REMOVED - ATIP

Some high overtime earners worked in organizations where the workload is seasonal, or claimed abnormally long hours due to unusual occurrences (such as the Ontario electricity blackout or the SARs outbreak in Toronto in 2003-04). In other cases, an argument could be made that certain of the above-mentioned tasks performed on overtime were actually cost - beneficial to the Department. However, high levels of overtime in concentrated periods are historically the norm for some individuals.

It was also observed that a significant number of high overtime earners occupied managerial positions, particularly in some Marine Safety regions. While these individuals are working managers, they are also in the position to distribute overtime opportunities. In addition, excessive overtime may detract from the fulfillment of managerial responsibilities such as monitoring their employees work performance. There is also a cost implication, albeit low to moderate, in having managers perform tasks outside of core hours that a lower paid individual could perform.

Response to service delivery requests and other drivers sometimes requires employees, particularly inspectors, to work late into the night and early morning hours, and still put in a full 7.5 hours on the subsequent day. The effectiveness of the employee on the following day is questionable, particularly if this occurs with regularity or on consecutive dates.

A more detailed analysis of the top overtime earners will be provided upon request.

2.7.3 The opportunity to earn extra-duty compensation was not evenly distributed in some Directorates

The collective agreements require that opportunities to earn extra-duty compensation are equitably distributed where operationally feasible. This includes the opportunity to participate in the provision of standby services. Achievement of this objective is not always possible as some individuals do not wish to participate while others do not have the necessary skills or experience. However, our review disclosed some inequity in overtime and standby distribution, particularly in certain branches where the high earners reside. Consequently, it is the responsibility of management to clearly define the requirements for employees to participate in overtime and standby opportunities and to provide reasonable access to the necessary training in this regard.

2.8 OVERTIME DRIVERS

While the LEX system provides a coding structure that differentiates between travel-related overtime and that incurred for work after hours and on days of rest, coding anomalies are quite prevalent and serve to distort the data available for analysis. LEX also provides an optional list of reason codes that could be useful in identifying the tasks or activities that generate overtime. Our examination revealed that reason codes are not

often recorded by employees or, if used, the codes are inconsistently applied and are not rolled-up for analytical purposes. However, certain regional Branches, such as Civil Aviation-Ontario Region, have designed their own coding structure that is more closely aligned with their ARASS activities. The mandatory use of these reason codes provides the Region with general substantiation as to the amount of Civil Aviation overtime associated with particular tasks. In addition, Marine Safety has introduced a time reporting system that records actual inspector time, including overtime, against specific activities. This system, known as NTARS, allows the identification of the principal overtime drivers. For the remainder of the groups and regions, our effort to identify the overtime drivers was often dependent on the feedback from experienced managers supplemented by our analysis of LEX printouts, particularly of the high overtime earners.

2.8.1. Considerable overtime is associated with travel outside of core hours and work performed on Sunday.

Our examination of overtime drivers disclosed that travel-related overtime was a very significant component of the overall extra-duty liability for the Department and, due to coding errors, was likely even larger than reported. All the major agreements provide for compensation for travel time outside the HQ area for government business. For travel on a normal working day on which the employee doesn't work, only regular pay is applicable. Where the individual travels and works on the same day, the employee is entitled to claim any travel time in excess of 7.5 hours of work up to prescribed maximum. On a day of rest or a statutory holiday, the employee is due compensation at the applicable overtime rate for hours traveled up to the above-mentioned ceiling. There are two LEX codes to record travel overtime, one for travel on a normal working day and the second for travel on a day of rest. In 2003-04, 52,000 hours of travel overtime were claimed at a cost of \$2.8M. This constitutes the second largest driver of overtime in the Department. Travel overtime is claimed for a variety of trips from the half hour that a Marine Safety inspector spends in driving to the docks in Vancouver, to conduct a port warden inspection, to the \$1,900 in travel overtime (\$4,900 in total overtime) **REMOVED - ATIP**

Significant overtime expenditures are associated with US and international travel which is undertaken for a variety of reasons, including service delivery, internal training and to attend workshops and conferences. A review of the overtime claimed in a small HQ branch disclosed that extra-duty was claimed with respect to at least eight trips to Europe and Asia in 2003-04, three of which cost \$4,700 in claimed overtime. All of the above-mentioned trips were to attend meetings, seminars and to participate in working groups related to international agreements to which Canada was a party.

Another major overtime expenditure is associated work on the second subsequent day of rest. For most departmental employees, this relates to overtime worked on Sundays. Compensation for Sunday overtime is generally paid at double time although some collective agreements require certain classes of employees to work on the first day of rest in order to qualify for double time on the second day of rest.

In 2003-04, 24,000 hours of overtime on the second day of rest were claimed at a cost of \$1.5M. While this constituted just 10% of extra-duty charges for that year, it excludes a large amount of Sunday travel overtime coded to #089. Both types of overtime hours are generally compensated at double time. Consequently, claims for Sunday overtime should be subject to increased scrutiny by managers intent on reducing overtime expenditures within their branches and directorates.

2.8.2. Opportunities exist to focus overtime reduction efforts on internal drivers that the Department has some measure of influence and on those external drivers that can be affected by modifications to existing business practices.

Our examination observed that extra-duty expenditures are influenced by both internal and external drivers, some of which the Department has an element of control over while others are imposed by industry demands for service outside of core hours. In addition, overtime in some directorates is seasonal in nature and could be accommodated in a more cost effective manner if the employees were encouraged to take compensatory time off instead of cash payments. Contractually, the Department has little discretion in this respect. Finally, the divestiture of additional airports/ports, and the adoption of changes to how the department “does business”, could significantly impact on overtime use. This would require further adoption of the Safety Management System (SMS) of regulatory oversight and increased delegation to industry in certain areas such as new vessel construction, domestic vessel inspections, flight tests/check rides and port warden inspections.

We have defined internal overtime drivers as those activities that departmental employees perform outside of core hours and over which the Department has some measure of control. These would include:

- **Regulatory Oversight**

The regulatory oversight role principally encompass audits, inspections and other forms of monitoring and surveillance undertaken by Civil Aviation, Rail Safety, Dangerous Goods, Security and Programs. Generally, the Department establishes who should be inspected, at what frequency, how many are done and what type of methodology is employed. It is also often a managerial decision whether or not to travel within core hours and whether to approve work conducted at night or on weekends. Participation of Civil Aviation employees in national audits is a particularly significant generator of overtime.

- **Education and Awareness**

There is considerable overtime in certain branches, such as Systems Safety, associated with the conduct of safety-related presentations. While it is recognized that many of these sessions have to be conducted at night or on weekends, the Department still decides which requests will be accepted, sometimes using pre-established criteria.

- **Training, Conferences, Meetings and Working Groups**

Considerable overtime, comprised of both travel and on-site work, is often associated with the above-mentioned activities. While some technical training is mandatory, and is only available at specified locations, the Department generally retains the discretion as to the frequency of certain types of training (i.e. recurrent), whether to travel outside of core hours and how much overtime is necessary for study time/lesson preparation when on travel status. The Department also provides many of the courses internally and some discretion exists as to where to hold the course, how it is delivered, its length and when it should start and terminate. The same holds true for working groups such as Marine Safety-Regulatory Reform where thousands of dollars in overtime charges are incurred by regional personnel traveling to HQ to participate. Flying from PNR and Pacific Region to attend a course, or a working group, in Toronto and/or Ottawa can result in a claim exceeding \$1,000 for overtime for one inspector. Similar costs are incurred even for non-technical courses such SMS or risk management. Since much of the simulator training is conducted in the southern US, overtime associated with this type of training is also significant although the scheduling of simulator time is frequently beyond departmental control. In addition, the Department has some discretion as to what domestic and international conferences that it's employees will attend, how many will go and whether travel has to be undertaken outside of core hours or on weekends. The same applies to meetings attended by supervisory staff, such as RMACs and CMACs.

- **International Obligations**

Our review of LEX reports disclosed a significant amount of overtime is associated with international obligations both for travel and time on site. This is particularly true of the Security Group where both HQ and regional inspectors spend lengthy periods participating in ICAO audits and other offshore reviews. In addition, Marine Safety incurred considerable overtime relating to the attendance of employees at meetings, seminars and workshops relating to the Paris, Tokyo and even the Caribbean MOUs. Overtime expenditures were also incurred in assisting Taiwan in establishing a port state control inspection regime. Again, the frequency to which the Department participates in these exercises may be somewhat discretionary.

- **Updating Manuals**

The participation of HQ and regional employees in manual revisions in 2003-04, **REMOVED – ATIP**. While some of these tasks are “one-time occurrences”, and it is recognized that tight timeframes may require the use of overtime to discharge them, there is still some element of discretion as to who will perform the work and where it will be undertaken.

- **Vacant Positions, Limited Specialists and the Timing of Resource Decisions**

There were pockets of overtime in the Department attributable to delays in staffing vacant positions (i.e. Security and Programs in Ontario Region) and to the lack of sufficient numbers of technical specialists (i.e. remedial specialists in TDG, electrical inspectors in Atlantic and Ontario Regions of Marine Safety). In addition, the unexpected allocation of funding in the last quarter of the fiscal year can result in accelerated spending on computer equipment or facilities retrofit with associated

overtime implications. These are areas where the Department has some flexibility to address the circumstances and thereby reduce associated overtime claims.

Overtime is also driven by external factors that limit the Department's ability to reduce overtime charges. These would include:

- **Regulatory Oversight**

Regulatory oversight in Marine Safety is somewhat different than in the other groups as they have much less flexibility to determine who should be inspected, at what frequency, how vessels are inspected and what type of methodology is used. Essentially every domestic vessel over a certain tonnage must be inspected at prescribed intervals, and following the general methodology described in the regulations. The onus is thereby placed on the vessel owner to contact TC and arrange for the inspection. There are overtime implications associated with this practice that cannot be avoided even if some of it is cost recovered. In addition, the Regions are directed to do inspections on 100% of certain vessels (i.e. tankers) or are subject to Revenue Canada requirements to inspect every vessel engaged in the coasting trade (i.e. Newfoundland). This generates overtime as the individual TCCs have limited flexibility in terms of the number of vessels it inspects and when to inspect them.

- **Industry Schedules and Hours of Work**

The industries associated with the various modes of transportation rarely work a standard 7.5 hour day. Consequently, departmental inspectors may have to adapt their hours to those that they are auditing or inspecting. For example, the conduct of ramp inspections, in-flight monitoring, track inspections, access control or inspections of screening points may require departmental employees to work outside of core hours.

- **Industry Requests for Services Outside of Core Hours**

Both Civil Aviation, and particularly Marine Safety, routinely respond to industry requests to have services provided at domestic and international locations, often outside of core hours. Since much of the overtime associated with these inspections and related services is cost recoverable, the department will perform these tasks at very short notice. Essentially the client dictates when the task will be performed and the associated fees do not act as much of a deterrent for the mid-size and large companies. Consequently, considerable overtime is associated with the performance of port warden inspections and flight tests/check rides and check pilot monitoring. To a lesser extent, overtime is also associated with the conduct of domestic vessel inspections, site remediation exercises and the issuance of operating certificates outside of core hours.

Many of the flight tests, check rides and check pilot monitoring activities are conducted at simulator locations in the US, often outside of core hours and sometimes on statutory holidays. This has also resulted in situations where a Civil Aviation inspector can be compensated for a period of inactivity during the day and claim overtime at night for conducting a check ride or monitoring a check pilot. TC has

little control over the scheduling at these flight simulators and may choose to purchase simulator time during the off peak late night and early hours to reduce costs. In addition, the Department has purchased its own simulator, to be installed in Ottawa, to negate the need for the US training on certain aircraft types.

- **Memorandums of Agreement With External Parties**

The majority of overtime, claimed by regional Aircraft Services pilots and AMEs, is incurred in providing support to the CCG helicopter fleet. These TC employees are tasked directly by the CCG and TC managers are not directly involved in the pre-approval of overtime requirements.

- **International Obligations**

Canada is signatory to certain international agreements, such as the Tokyo and Paris accords, which stipulate that the department is to inspect a target percentage of foreign vessels. While the Regions have some discretion concerning the number of vessels to inspect, they are still at the mercy of the vessel operators and agents who determine the arrival and departure dates and times. Many of these port state control inspections are done outside of core hours and on weekends although some managers have attempted to discourage this practice. In addition, the adoption of a standard approach to conducting port state control inspections might serve to reduce associated overtime.

- **Collective Agreements**

Certain conditions in the collective agreements governing overtime in TC actually generate additional overtime. This is particularly the case with respect to certain employees on shift work that are required to work on a statutory holiday. The restrictive hours of work in certain agreements are a contributing factor. The requirement to pay employees working variable hours, at an overtime rate of 1.75, is also a driver of overtime costs.

It is our opinion that any rationalization of overtime expenditures in the Department must focus on those key drivers that generate overtime expenditures, particularly those that relate to travel and Sunday overtime and those that have a discretionary element.

2.9 COST RECOVERY

Certain overtime expenditures are subject to cost recovery and the resultant revenues, of approximately \$4M annually, influence overall departmental funding levels. Nevertheless, managers still have an obligation to comply with TB requirements regarding pre-approval and approval of overtime and to ensure that the most cost effective means of service delivery is selected.

Overtime is subject to cost recovery for certain services provided, outside of core hours, mainly by Aircraft Services, Civil Aviation, Marine Safety and Rail Safety.

2.9.1 A consistent departmental approach to the recovery of overtime charges has not been established nor has the necessary control framework to ensure consistent application of the fee structure and the identification of all billable charges.

Aircraft Services recovered approximately \$30M in 2003-04 for the provision of services to various external parties, including the CCG. Most of these recoveries are governed by specific Memorandum of Agreement and will be subject to examination in a separate audit of cost recovery.

Only the fees for the cost recovery of certain out-of-hours services in Marine Safety are enshrined in the regulations. The other groups, including some Marine Safety Technical Services branches, develop their own fee structure and generally rely on agreements with external parties to establish the financial liability.

The fees for the recovery of out-of-hours charges in Marine Safety are established pursuant to Part VII of the Board of Steamship Inspections-Scale of Fees and the Port Warden Tariff Regulations. In 2003-04, these fees generated the following revenues:

#8513	Control of Dom Shipping-Out of Hours	423,000
#8514	Control of Foreign Shipping-Out of Hours	110,000
#8528	Safe Carriage of Cargo-Out of Hours	<u>475,000</u>
		<u>\$1,008,000</u>

The above-mentioned amount represented 42% of total overtime earned in Marine Safety in 2003-04.

Section 28 of Part V11 (Out-of-Hours Duties) specifies that the fee payable for each inspection visit, at the request of the vessel owner or operator, including the travel time related to the visit, is as follows:

Mon-Fri	1700-0800	\$70/hr	min fee \$140
Sat/Holiday	any hr	\$70/hr	min fee \$210
Sun	any hr	\$99/hr	min fee \$297

The Port Warden Tariff Regulations stipulates a similar fee structure. There is no specific condition that permits Marine Safety to recover actual salary or travel costs.

Civil Aviation recorded recoveries of out-of-hours charges of \$688,000 in 2003-04, only \$105,000 of which represented recoveries of domestic services. This amounted to a recovery rate of approximately 13% of earned overtime expenditures. The regional CBA rate of recovery was generally higher than its counterparts (the CBA Directorate in Ontario Region reported recoveries of 32% of its travel and out-of-hours expenditures in 2003-04). Civil Aviation has promulgated a cost recovery policy for the recovery of out-of-hours charges entitled "Recovering the Incremental Costs of Providing Services Inside/Outside Canada". It was intended to standardize the approach to recovering incremental costs and to provide additional latitude for recovering of certain extraordinary services that were not covered under the Canadian Aviation Regulations

(CARs). Applicants are required to sign an agreement promising to reimburse the Department for certain costs, including overtime, for performing out-of-hours services and also for non-fee services relating to safety awareness and education. The individual regions have some latitude in the application of this policy and one has applied a surcharge to invoiced charges incurred. The Aircraft Certification Directorate in NCR, which recovered \$191,000 of its overtime costs in 2003-04, bills for all overseas travel and overtime costs and applies a \$40 hourly fee for all domestic work. The Directorate's cost recovery practices are based on an agreement that was negotiated with industry in past years and a policy entitled "Cost Recovery for Aeronautical Certification".

Rail Safety recovers inspector overtime pertaining to the conduct of inspections conducted outside of core hours for short line railways. The rates are established by individual regions pursuant to agreements negotiated with the provinces. Recoveries for Short Line Inspections amounted to \$159,000 in 2003-04. This represented about 23% of total regional overtime incurred by Surface but must be adjusted to exclude recovered travel costs.

While cost recovery was not the focus of this examination, particularly since an audit on this subject is scheduled to commence shortly, it is apparent that the Department has a number of fee structures, policies and assorted agreements that govern the recovery of overtime costs for specific services. In addition, it was observed that some of the fees, particularly in Marine Safety, have not been updated in the past ten years. In fact, most fees for the recovery of out-of-hours charges are not of the magnitude to discourage requests for services outside of core hours by any but the smaller operators. Interviews with regional personnel also disclosed that there is a measure of discretion in the fee applications. It was also noted that most fees are initiated by individual inspectors and that there are often insufficient controls established to ensure that all eligible overtime is in fact identified for billing purposes. Some directorates have established best practices such as the identification of cost recoverable overtime in LEX.

2.10 OVERTIME ANALYSIS, MONITORING AND REPORTING TO SENIOR MANAGEMENT

2.10.1 While effort has been expended to present overtime data at a corporate level, the collection and analysis of pertinent information of this nature has been less pronounced at the regional and the directorate level.

Effective analysis, leading to cost control and possible expenditure reduction, is dependent on the accuracy and usefulness of the applicable data particularly pertaining to the identification of the drivers of overtime, both discretionary and non-discretionary. It is also imperative to collect information pertaining to the organizations that historically incur high extra-duty costs and on those where the high overtime earners reside.

Both Corporate Finance and HR have conducted limited department-wide profiles of overtime spending within the past two years. This was particularly the case in 2004-05,

when Corporate Accounting presented macro data on trends and other relevant information to a working group, and subsequently to TMX. The analysis done was intended to provide senior management with trend and other relevant information at the macro level and to alert senior management that overtime is an item that should attract their attention, given spending of over \$15M per year.

The Salary Management System (SMS) offers two reports that could be useful to managers in the monitoring of their overtime expenditures. In addition, standard overtime reports are now accessible through the BIRM Managers Portal. Although no standard reports are available from LEX, the system does provide certain optional features, such as reason codes and remarks, which can provide certain data for analytical purposes. Civil Aviation-Ontario Region and the Airline Inspection Division have instituted mandatory recording in this regard. In addition, LEX reports on individual high earners can be easily downloaded to Excel and the data readily assessed. However, reason codes and the remarks are either not used or are inconsistently recorded in many directorates and where they are used, the data is often not downloaded and analyzed. While most directors and their immediate subordinates are aware of what units are high overtime users, and what employees are consistently the high earners, the analysis does not generally go much further in terms of identifying the organization drivers and the reasons why certain individuals are major earners. However, it should be recognized that most experienced managers have some idea what factors influence their overtime spending.

Our request made to HQ Groups and the regions, to inform us of any formal analysis of overtime undertaken in the past two years solicited positive responses from only Ontario and PNR Regions. Our assessment of the Ontario Region's approach to data collection, analysis and reporting disclosed some best practices including:

- the mandatory use of LEX reason codes and remarks;
- the refinement of reason codes by Civil Aviation to better reflect their core tasks;
- the recording of flags to identify Civil Aviation overtime requiring cost recovery;
- the institution of quality control mechanisms in some directorates to validate overtime data accuracy and completeness;
- the analysis and reporting of overtime data within some Civil Aviation directorates and on a regional basis by Corporate Services;
- the submission of basic overtime estimates by the directorates to Corporate Services in advance of the fiscal year

While there is no direct correlation between good monitoring, challenge and reporting practices and the successful control of overtime, the Ontario Region Civil Aviation directorate has achieved a 15% reduction in earned overtime over the three year period ending in 2004-05.

2.10.2 The existing departmental policy does not clearly delineate the corporate roles and associated strategy in the monitoring of compliance with TB and departmental policy governing overtime and the reporting of the results to senior management.

The TB policy governing extra-duty compensation provides direction with respect to the management of overtime and maximum hours of work. The policy requires that overtime may only be authorized when management is satisfied that the work or service involved is essential, and that overtime is the most appropriate and cost effective way to perform the task or to deliver the service. In addition, it is the responsibility of departments to manage overtime in a manner that will ensure that its use is kept to an appropriate minimum and its cost is justified. The ability of departments to demonstrate compliance will involve the establishment of clear service standards to justify overtime use and evidence that economic alternatives to overtime are considered and used where appropriate. Overtime use is to be monitored by the departmental HR Branches.

The departmental HR policy governing overtime and extra duty entitlements assigns responsibility for ensuring that the application of the policy and the administration of overtime and extra duty is monitored and reviewed. In particular, the Compensation Operations Branch (APRBC) is responsible for:

- monitoring the LEX system on a regular basis to ensure compliance with policies and procedures established for the reporting, recording and payment of these entitlements;
- monitoring requests in accordance with requirements under Section 34 of the FAA before forwarding them to Finance for authorization and transmission to Public Works (PWGSC); and,
- reconciling payments issued to employees for overtime and extra duty entitlements before Finance releases the payments.

HR is also responsible for ensuring that managers and/or their designees are provided with the necessary training pertaining to overtime and extra duty entitlements contained in the collective agreements and policies.

In addition, Chapter 320 of TP 117 describes the responsibilities for account verification that a manager must undertake before approving overtime and extra duty under Sections 32 and 34 of the FAA. Chapter 380 of TP117 also requires that Responsible Financial Officers perform authorization audits on selected pay transactions (that have a direct impact on the budget) in order to ensure compliance to established policies and procedures and to ensure that the system is functioning properly. Those pay transactions that have a direct impact on the budget include overtime and extra duty pay.

Our cursory review disclosed little evidence that either party has developed a strategy to discharge the above-mentioned monitoring responsibilities in a systematic fashion. A causal factor may be that the control framework and the associated risk associated with the processing of overtime expenditures has not been formally assessed. It is our opinion that such action is a necessary prelude to clarifying each directorate's role and responsibility and developing a clear monitoring strategy.

3. RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

RECOMMENDATIONS

Short of recommending an across the board budgetary reduction in overtime expenditures, which would serve to penalize the more prudent managers, and impact on the Department's ability to discharge its mandated responsibilities, Internal Audit is not in a position to delineate a "quick fix", short term solution. More effective management of overtime is linked to the concept of accountability and the exercise of more prudent management practices. While more structure in the processes governing pre-approval, approval and monitoring is necessary, particularly in those branches and directorates exhibiting high overtime usage, the risk exists that some managers will view such measures as simply a bureaucratic exercise. It is exceedingly difficult for external parties, such as Internal Audit, to influence a change in philosophy governing how certain employees and managers view overtime. It is imperative that managers consider the authorization of overtime with the same diligence as they would the acquisition of goods and services from external parties. Managers must make conscious decisions to routinely consider more cost effective alternatives, before approving overtime, and be recognized for such efforts in this regard. Consequently, the overall responsibility to effect change rests with the operational managers, to a large degree, to ensure that a \$14.5M departmental liability is treated with due diligence and is taken seriously by those in a position to enforce accountability and to influence change.

In addition, it should be recognized that the audit findings are not meant to be an indictment of current management practices throughout the Department. It is simply that improvements can be made in the accountability structure and through targeted efforts to investigate areas of potential savings and the adoption, over time, of new or revised methods of service delivery. There are also benefits to be achieved from the adoption of a consistent approach to the use of overtime resources across the Department.

Consequently, it is recommended that Assistant Deputy Minister - Safety and Security (AA) assume the lead role in addressing the report findings given that this group is responsible for 87% of earned overtime within the Department and has functional responsibility for policy direction in this regard. Specific recommendations have also been addressed to the Assistant Deputy Minister – Corporate Services (AD) in his role as the corporate functional authority and the administrator of the LEX system.

The above-mentioned approach is not meant to absolve the Regional Directors General (RDG) from responsibility to input to policy development and to ensure that their directorates comply with the functional direction issued. Other group heads should adopt similar strategies, in due course, to address their respective overtime situations.

3.1 It is recommended that the Assistant Deputy Minister-Safety and Security (AA):

3.1.1 Develop and promulgate policy and direction governing the administration of overtime and extra-duty compensation within Safety and Security with emphasis on the following components:

Overtime Pre-Approval

3.1.1.1 Managers should be reminded to pre-approve all overtime requests in accordance with departmental and TB policy and maintain documentation to substantiate instances where pre-authorization was not possible (ie. emergency responses to accidents or incidents)

3.1.1.2 The mechanism governing pre-approval should be documented by the respective directorates and branches and promulgated to all employees exercising this authority, both incumbents and actors. While verbal pre-approval of routine requests for overtime would still be permitted, as would the use of e-mails, the mechanism for providing formal pre-approval should be tailored to branch and directorate overtime drivers and operational requirements and should incorporate existing documents, such as travel authority or training authorization forms, where possible. In addition, managers should be required to maintain such documentation for a specified period in order to be able to provide justification for overtime worked by their employees and to be able to respond to independent challenge as to the alternatives considered.

3.1.1.3 The level of formality associated with the pre-approval of overtime should incorporate risk management considerations in that more formal measures (including the possible establishment of a dollar limit) would be required in those branches and directorates that historically exhibit high overtime use and/or in which the high earners reside.

3.1.1.4 Directors, managers and superintendents should be required to periodically review the pre-approval practices of their direct reports and actors to ensure they are compliant with the procedures governing this activity.

Overtime Approval

3.1.1.5 Each branch and directorate should be required to formally document, and promulgate, the process by which its managers exercise their Section 34 responsibilities with respect to overtime. Particular emphasis should be placed on describing how managers ensure that the employees' claims for extra-duty and overtime entitlements:

- conform to the terms and conditions of the respective collective agreements; and,
- accurately reflect the time worked outside of core hours

3.1.1.6 Managers (including directors, managers and superintendents) should be required to periodically examine overtime approved by their subordinates to ensure that this responsibility was properly discharged.

3.1.1.7 Managers, particularly those with a large number of direct reports, should be encouraged to use recommenders to assist in the verification of overtime claims.

3.1.1.8 The roles and responsibilities of recommenders of overtime should be formally articulated and managers should periodically ensure that these duties are being properly discharged.

Standby Pay

3.1.1.9 All directorates that provide standby coverage should be required to document current standby practices in terms of:

- the reason that standby coverage is necessary;
- the national or regional policies that govern standby;
- the hours of coverage and the number of employees on standby at any one time;
- any restrictions regarding participation in standby in terms of employee level, training and experience and the rationale for imposing such restrictions;
- the number and nature of the incidents reported;
- any operational anomalies that may necessitate enhanced standby coverage; and,
- the perceived risk of reducing standby coverage

3.1.1.10 An individual(s) within the HQ functional authority should be assigned responsibility to periodically assess the above-mentioned data with the objective of promoting consistency in Safety & Security standby practices

3.1.1.11 All directorates that provide standby coverage should be required to ensure that:

- logs recording incidents handled by duty officers are maintained in a consistent fashion and clearly articulate the time the call was received, the originator of the call, the nature of the incident and resultant action taken;
- these logs should form the basis for periodically evaluating the level of risk associated with standby coverage; and,
- employees are informed of any restrictions governing their participation in standby, the rationale for these restrictions and are provided reasonable access to any training in this regard

3.1.1.12 Those directorates that provide standby coverage without remuneration should be requested to assess the causal factors and prepare a submission articulating any funding constraints.

Operational Monitoring

3.1.1.13 A framework should be established at the regional and HQ levels to provide for the monitoring of overtime expenditures in the operating branches. Overtime should be reviewed from a national perspective, at least annually, including the identification and investigation of any material variances between directorates and regions and the communication of the findings/recommendations to program management

3.1.1.14 The monitoring mechanism should also be employed to communicate to senior management the identity of:

- those directorates that historically incur high overtime costs or those that experience material increases over previous years expenditures; and,
- those individuals that have earned overtime and extra-duty compensation above an established ceiling (ie.\$15,000).

3.1.1.15 Detailed explanations should be solicited from the respective managers as to the reason for the level of overtime expenditures and any action taken to implement more cost effective alternatives or to distribute overtime in a more equitable fashion

3.1.1.16 The results of this assessment should be communicated to the ADM/RDG level along with recommendations for further action in terms of funding restrictions, the need to introduce more formal measures governing pre-approval/approval or areas requiring additional audit/review effort

Overtime Drivers

3.1.1.17 The audit findings relating to the principal drivers of overtime should be reviewed and used to target efforts to reduce, or to re-profile, the resultant expenditures. Examples of such action could include:

- the more timely staffing of vacant positions and the hiring of more technical specialists;

- the scheduling of internal meetings/training/workshops to allow travel during working hours;
- the examination of overtime associated with the use of simulators for pilot training and service delivery;
- the opportunities for cross training of employees who participate in standby coverage;
- the examination of how port warden and port state control inspections are performed and the necessity to deliver many of these services outside of core hours;
- the necessity to participate in international seminars, working groups and other events at the current levels and to incur travel and on-site overtime associated with these events;
- the need to incur significant overtime for the updating of manuals;
- the timing of funding for facilities refits and the acquisition of computer hardware; and
- the overtime implications associated with employees on shift work.

Cost Recovery

3.1.1.18 While specific recommendations regarding the establishment of consistent departmental practices governing the cost recovery of overtime must be delayed until the audit of cost recovery is completed, managers should be directed to implement appropriate controls to ensure that existing recoveries are invoiced in a complete and consistent fashion.

3.2 It is recommended that the Assistant Deputy Minister-Corporate Services (AD):

Exercise of Sec 33 Payment Authority

3.2.1 Confirm that the level of risk associated with the payment of overtime and extra-duty compensation has been evaluated and that no additional measures (ie. post audit sampling) are required in this regard

3.2.2 Solicit a briefing or a final status report from HR and Corporate Finance on the nature of measures taken to preclude employees without delegated signing authority from approving overtime claims.

Collective Agreement Conditions Governing Overtime

3.2.3 Consider the promulgation of easy-to-understand guidelines, for use by approving managers and recommenders, depicting key conditions of selected collective agreements governing TC employees. These could include a description of:

- hours of work and conditions under which they can be amended;

- multipliers governing overtime on regular working days and days of rest;
- multipliers governing overtime on statutory holidays;
- minimum hours relating to callback pay;
- eligibility to extrapolate overtime hours using the 1.75 multiplier; and,
- application of coding with respect to travel overtime

3.2.4 Issue formal interpretations to assist managers and recommenders in ensuring the consistent application of the main collective agreements pertaining to:

- call-in pay;
- callback pay;
- pyramiding of extra-duty compensation; and
- overtime paid to shift workers on statutory holidays

3.2.5 Establish a national system for the development and the promulgation of interpretations of collective agreement conditions

3.2.6 Promote the need to improve consistency in the key conditions governing overtime and extra-duty compensation in the various collective agreements

Corporate Monitoring and Reporting

3.2.7 Revise existing departmental policies to clearly articulate the corporate roles and responsibilities governing compliance monitoring with respect to overtime and the reporting of results to senior management.

3.2.8 Communicate the LEX reporting features that are available to departmental managers and how to access them

MANAGEMENT ACTION PLAN

Item	OPI	Action Plan	Current Status as of September 2006
SAFETY & SECURITY			
3.1.1 "Safety and Security develop and promulgate policy and direction governing the administration of overtime and extra-duty compensation within Safety and Security"	Safety and Security	<p>Agree. An overtime and extra-duty compensation policy will be developed and implemented. This policy will be presented to TMX in the spring of 2006.</p> <p>In keeping with guidance provided by Audit & Advisory Services, the policy will recognize day-to-day operational demands as well as the requirements of ten different collective agreements and any other special circumstances. It will address the following:</p> <ul style="list-style-type: none"> a) Overtime Pre-Approval b) Overtime Approval c) Standby Pay d) Operational Monitoring e) Overtime Drivers f) Cost Recovery g) Compliance monitoring. 	<p>A national Safety and Security policy has been drafted.</p> <p>In addition, a national working group has been established to undertake the following tasks by the end of FY2006/07:</p> <ul style="list-style-type: none"> ▪ Develop associated documentation permitting a consistent national management and application of overtime and extra-duty to improve the accountability framework and financial stewardship associated to overtime and extra-duty compensation, and ▪ Review overtime drivers

Item	OPI	Action Plan	Current Status as of September 2006
CORPORATE SERVICES			
Exercise of Sec 33 Payment Authority			
3.2.1 Confirm that the level of risk associated with the payment of overtime and extra duty compensation has been evaluated and that no additional measures (i.e. post audit sampling) are required in this regard.	Financial Policy and Systems & Accounting Operations	Risks associated with the payment of overtime will be documented, together with identification of risk mitigation measures, in order to permit an informed decision with respect to the need for further action.	Completed
3.2.2 Solicit a briefing or a final status report from HR and Corporate Finance on the nature of measures taken to preclude employees without delegated signing authority from approving overtime claims.	Compensation, HR Systems (HR Business Affairs) & Finance	a) A review of authorizers was undertaken by Compensation, Finance & HR systems commencing in June 2004: <ul style="list-style-type: none"> - a review of the authorizers in LEX versus the authorizer listing in Finance. - new processes for granting access to the role of authorizing manager or alternate were developed and communicated - the LEX authorizer listing was reviewed and updated. - communications were sent to employees, managers and chiefs and above. - extra duty reports previously sent to non-delegated managers were re-routed to correct managers. 	Completed
	HR Business Affairs & Finance	b) In addition to the above update, HR Business Affairs will provide to Finance on a quarterly basis a listing of new or (longer-term) acting and/or changed RC No. for managers for monitoring against Finance's authorizer listing.	Work is underway

Item	OPI	Action Plan	Current Status as of September 2006
Collective Agreement Conditions Governing Overtime			
<p>3.2.3 Consider the promulgation of easy-to-understand guidelines, for use by approving managers and recommenders, depicting key conditions of selected collective agreements governing TC employees. These could include a description of:</p> <ul style="list-style-type: none"> - hours of work and conditions under which they can be amended; - multipliers governing overtime on regular working days and days of rest; - multipliers governing overtime on statutory holidays; - minimum hours relating to callback pay; - eligibility to extrapolate overtime hours using the 1.75 multiplier; and, <p>application of coding with respect to travel overtime</p>	<p>a) Compensation and Labour Relations</p> <p>b) Compensation and HR Business Affairs</p> <p>c) Labour Relations</p> <p>d) Human Resources Directorate</p>	<p>Specific Collective Agreements are available to all managers.</p> <p>The concerns in 3.2.3 will be handled through the development of Frequently Asked Questions (FAQ) which will address certain types of situations identified in the audit or types of LEX entries required for certain codes. The first version of FAQ's will be posted in HR Online and will be augmented on an ongoing basis.</p> <p>Description of extra duty codes and edits will be developed and posted in HR Online, in partnership with HR Systems. (See also 3.2.4)</p> <p>Labour Relations will develop a mechanism for reference by managers required to interpret these key conditions of selected collective agreements.</p> <p>HRD will write a letter to all managers, for the Deputy Minister's signature, advising of the audit</p>	<p>On-going</p> <p>Dec 2006 On-track. – a draft set of FAQs is currently being prepared, and the regions will be consulted on the draft</p> <p>Dec 2006</p> <p>A checklist for managers has been developed to assist managers with the interpretation of related key conditions of employment in the AO, TI and CH collective agreements. It is anticipated that this checklist will be posted on TC's internal web site by the end of September 2006. (Also addresses Action Item 3.2.4)</p> <p>Fall 2006</p>

Item	OPI	Action Plan	Current Status as of September 2006
		findings and the responsibilities relating to overtime approval.	
3.2.4 Issue formal interpretations to assist managers and recommenders in ensuring the consistent application of the main collective agreements pertaining to: call-in pay; callback pay; pyramiding of extra-duty compensation; and overtime paid to shift workers on statutory holidays	Labour Relations	<p>Labour Relations will develop a mechanism for reference by managers required to interpret these key conditions of selected collective agreements. These articles will be included in the checklist developed in response to recommendation 3.2.3.</p> <p>Given that these articles have been identified as issues primarily for AO's and TI's, Labour Relations will issue an interpretation of the application of these articles for the Aircraft Operations and Technical Services collective agreements and will also include the Applied Sciences and Engineering collective agreement to cover the Chemistry Group.</p> <p>The commitment to examine the claiming of standby and other extra duty at the same time will be covered by the commitment in response to recommendation 3.2.4.</p>	See Action Re: Recommendation 3.2.3 (c)
3.2.5 Establish a national system for the development and the promulgation of interpretations of collective agreement conditions	Labour Relations	<p>Corporate Labour Relations will continue to develop and disseminate to all regions those interpretations that are national in scope.</p> <p>Corporate Labour Relations will continue the practice of having interpretations as a standard agenda item for monthly Labour Relations teleconferences. The Branch will also continue to encourage regional officials to consult with them before interpreting collective agreement provisions</p>	<p>On-going</p> <p>On-going</p>

Item	OPI	Action Plan	Current Status as of September 2006
		that may have a regional impact.	
3.2.6 Promote the need to improve consistency in the key conditions governing overtime and extra-duty compensation in the various collective agreements	Labour Relations	<p>Corporate Labour Relations will bring this to the attention of TB as the Employer.</p> <p>It should be noted, however, that Treasury Board Secretariat negotiators (representing the employer) approach negotiations with the interests of the Public Service overall in mind and that different negotiating teams are assigned to each bargaining group.</p>	Prior to each collective bargaining round
General Comments:	Labour Relations	Labour Relations will work with Internal Audit to review specific findings related to the application of the overtime provisions in the Airline Inspection Division in 2003.	Completed. Labour Relations, with Internal Audit and a region, reviewed specific findings related to the application of the overtime provisions in the Airline Inspection Division, which occurred in 2003. Due to the circumstances and the fact that provisions are now properly applied, no recovery has been initiated. TC has also reiterated the importance of the appropriate application of the relevant provisions
Corporate Monitoring and Reporting			
3.2.7 Revise existing departmental policies to clearly articulate the corporate roles and responsibilities governing compliance monitoring with respect to overtime and the	Compensation	<p>Existing policies will be reviewed, including the Extra Duty Policy, regarding the roles and responsibilities of recommenders and managers.</p> <p>Compliance/monitoring reviews are periodically</p>	March 2007

Item	OPI	Action Plan	Current Status as of September 2006
reporting of results to senior management.		<p>performed by Compensation as required, where it becomes apparent that there are either system problems or appears to be misuse of codes.</p> <p>In fiscal year 2004-05 a compliance review was done for the following:</p> <ul style="list-style-type: none"> - <u>Review Approvers of Extra Duty</u> – start date June 04 - Phase 1 to III. <p>In 2005-06 (to date) compliance reviews have been initiated and are at various stages of completion. For the most part, the reviews undertaken were for leave codes rather than extra duty codes. However, reviews and intense testing of the functionality of the extra duty codes were performed where employees identified problems while entering data and when changes were negotiated in collective agreements. Managers, employees or Chiefs and above are contacted when warranted.</p> <p>It is feasible to identify, on a yearly basis, the top 10 overtime earners in TC. This will be communicated to the respective TMX member.</p>	<p>Completed</p> <p>On-going</p> <p>May 30th annually. This process will start in 2007</p>
3.2.8 Communicate the LEX reporting features that are available to departmental managers and how to access them	HR Business Affairs	The LEX Application was designed with no reporting features. However, since the recent roll-out of BIRM's Manager's Portal, standard reports relating to financial implications of overtime compensation are available through BIRM.	On-going

Item	OPI	Action Plan	Current Status as of September 2006
	HR / Financial Policy and Systems	<p>Ad hoc reports continue to be available, subject to privacy concerns, upon request to HR Business Affairs.</p> <p>A suite of overtime reports have been developed in Business Objects. Subject to appropriate security, these reports are now available to financial management staff via the BIRM Finance and Administration Portal and to managers through the BIRM Manager's Portal. The new overtime reports are being communicated to managers (over 50% complete) through portal awareness sessions that are currently underway.</p>	<p>On-going</p> <p>Completed nationally for Responsibility Centre managers.</p>

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**APPENDIX A - EARNED OVERTIME AND EXTRA-DUTY COMPENSATION
BY CODE**

2003-04

Overtime-	Regular Day	\$ 5,163,000
	First Day of Rest	1,678,000
	Second Day of Rest	1,528,000
	Statutory Holiday	336,000
	Travel	2,846,000
Standby		1,442,000
Callback		294,000
Shift Premiums		195,000
Call-ins		42,000
Special Assignment		480,000
Other		<u>271,000</u>
		<u>\$14,275,000</u>

**APPENDIX B - EARNED OVERTIME AND EXTRA-DUTY COMPENSATION
BY GROUP**

2003-04

AIRCRAFT SERVICES

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$1,028,000	\$ 3,000	\$ 299,000 ()
Atlantic Region	455,000	9,000	244,000 ()
Quebec Region	418,000	15,000	261,000 ()
Ontario Region	157,000	-0-	25,000 ()
PNR	67,000	-0-	-0- ()
Pacific Region	<u>372,000</u>	<u>27,000</u>	<u>114,000</u> ()
	<u>\$2,497,000</u>	<u>\$ 54,000</u>	<u>\$ 943,000</u> ()

(REMOVED - ATIP)

CIVIL AVIATION

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$2,051,000	\$ 39,000	\$ 533,000 ()
Atlantic Region	426,000	39,000	22,000 ()
Quebec Region	562,000	28,000	-0- ()
Ontario Region	611,000	38,000	36,000 ()
PNR	1,120,000	29,000	44,000 ()
Pacific Region	<u>534,000</u>	<u>25,000</u>	<u>-0-</u> ()
	<u>\$5,304,000</u>	<u>\$198,000</u>	<u>\$ 635,000</u> ()

(REMOVED - ATIP)

MARINE SAFETY

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$168,000	\$ -0-	\$ 21,000 ()
Atlantic Region	710,000	143,000	81,000 ()
Quebec Region	679,000	134,000	251,000 ()
Ontario Region	224,000	31,000	-0- ()
PNR	130,000	28,000	28,000 ()
Pacific Region	<u>475,000</u>	<u>117,000</u>	<u>175,000</u> ()
	<u>\$2,386,000</u>	<u>\$453,000</u>	<u>\$556,000</u> ()

(REMOVED - ATIP)

SURFACE

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$215,000 (TDG)	\$ -0- (verify)	\$ 94,000 ()
	51,000 (RS)	-0-	-0- ()
Atlantic Region	98,000	33,000	-0- ()
Quebec Region	141,000	28,000	-0- ()
Ontario Region	110,000	30,000	-0- ()
PNR	243,000	22,000	26,000 ()
Pacific Region	<u>84,000</u>	<u>1,000</u>	<u>-0-</u> ()
	<u>\$ 942,000</u>	<u>\$114,000</u>	<u>\$120,000</u> ()

(REMOVED - ATIP)

PROGRAMS & DIVESTITURE

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 63,000	\$ -0-	\$ -0- ()
Atlantic Region	120,000	15,000	-0- ()
Quebec Region	290,000	106,000	69,000 ()
Ontario Region	14,000	-0-	-0- ()
PNR	139,000	29,000	-0- ()
Pacific Region	<u>176,000</u>	<u>78,000</u>	<u>20,000</u> ()
	<u>\$ 802,000</u>	<u>\$114,000</u>	<u>\$89,000</u> ()

(REMOVED - ATIP)

SECURITY & EMERGENCY PLANNING

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 342,000	\$ 55,000	\$20,000 ()
Atlantic Region	127,000	33,000	-0- ()
Quebec Region	198,000	25,000	46,000 ()
Ontario Region	192,000	47,000	23,000 ()
PNR	129,000	26,000	-0- ()
Pacific Region	<u>188,000</u>	<u>29,000</u>	<u>-0-</u> ()
	<u>\$1,176,000</u>	<u>\$ 215,000</u>	<u>\$89,000</u> ()

(REMOVED - ATIP)

TIMSD

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 272,000	\$ 115,000	\$ 43,000 ()

POLICY

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 117,000	-0-	-0- ()

(REMOVED - ATIP)

CORPORATE SERVICES

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 211,000	\$ -0-	\$21,000 ()
Atlantic Region	28,000	-0-	-0- ()
Quebec Region	10,000	-0-	-0- ()
Ontario Region	62,000	-0-	-0- ()
PNR	60,000	-0-	-0- ()
Pacific Region	<u>23,000</u>	<u>-0-</u>	<u>-0-</u> ()
	<u>\$ 394,000</u>	<u>\$-0-</u>	<u>\$21,000</u> ()

COMMUNICATIONS

	Earned Overtime	Standby Component	Top 100 Earners
NCR	\$ 118,000	\$ 36,000	\$-0-
Atlantic Region	-0-	-0-	-0-
Quebec Region	-0-	-0-	-0-
Ontario Region	20,000	10,000	-0-
PNR	4,000	3,000	-0-
Pacific Region	-0-	-0-	-0-
	<u>\$142,000</u>	<u>\$49,000</u>	<u>\$ -0-</u>

