



OFFICE OF THE
City Auditor

Edmonton Transit System Shift Trades

January 20, 2009



The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Edmonton Transit System Shift Trades

1. Introduction

Our 2008 Annual Work Plan, as approved by City Council, included a review of the employee time entry and approval processes used by different operating areas within the City of Edmonton. During the course of the audit, we became aware of an issue in the Edmonton Transit System Bus Operations Section that needed timely resolution. We therefore focused our review on the Edmonton Transit System shift trades practice portion of the audit to ensure that we completed it as quickly as possible.

2. Background

Edmonton Transit System has a 2008 operating budget of \$221,530,000 and 2,054.6 full-time-equivalent employees.¹ Of those employees, there are approximately 1,400 bus operators employed at any given time.

Human Resources Branch provides personnel and payroll services to Edmonton Transit System, as it does for the rest of the City. However, Human Resources Branch does not have responsibility for maintaining or tracking bus operator hours since that function is provided by a stand-alone dispatch system called ETDS.

The Information Technology Branch implements, manages, supports, and enhances the supporting applications and technical infrastructure to meet operational requirements for time entry and approval. This includes the Edmonton Transit System scheduling and dispatch application, application servers, data storage, and data back-up.

3. Scope

As we became aware that the shift trades practice in the Edmonton Transit System Bus Operations Section was posing significant risks to the City, we examined that practice in detail. This report addresses only the current Edmonton Transit System shift trade practice issues. We did not review shift trades practices in other operational areas within the City however, based on the risks identified in this review, we have made a recommendation that the Human Resources branch work with all operating areas to ensure all shift trade practices within the City comply with all legislated requirements.

¹ City of Edmonton, 2008 Approved Budget, December 19, 2007, pp. 37, 43.

4. Audit Objective

The objective of this audit was to document and evaluate the shift trades practice used in the Edmonton Transit System Bus Operations Section.

5. Audit Methodology

We obtained the full database for shift trades that occurred between January 1, 2007 and September 30, 2008. We then analyzed the data to identify the number of shift trades and the hours traded for each bus operator in the database. We conducted further analysis to quantify the trades that were not reciprocated, replacement hours that did not correspond to trades, and net hours traded and replacement hours worked. We then interviewed Edmonton Transit System supervisors and searched the Edmonton Transit System database to verify our analysis and to obtain further information on selected samples. We interviewed representatives from Law Branch, Edmonton Transit System Management, Human Resources Branch, and Information Technology Branch to assess the significance of our findings.

6. Observations and Analysis

6.1. Shift Trades Practices

Edmonton Transit System holds quarterly shift sign-up periods, during which employees choose their shifts for the upcoming three-month period. To allow employees a degree of flexibility in managing personal issues that arise during each sign-up period, Edmonton Transit System Management has historically allowed operators to trade shifts rather than requiring them to use personal leave (paid or unpaid). We determined through our research that shift trade practices are used in many jurisdictions as a means to meet operational needs while allowing employees some flexibility for unforeseen events (we found several examples in Canada, United States, and Australia).

Unlike jurisdictions in which we found detailed policies and/or agreements for shift trades, Edmonton Transit System uses the term 'shift trades' to describe the practice of either trading scheduled hours with another operator on an hour-for-hour basis or the scheduled operator paying another operator an agreed-upon amount of cash to work in his/her place. At least in some instances, cash shift trades have been practiced since at least 1985.²

Prior to December 31, 2000, bus operators were allowed to trade up to 14 shifts (either full or partial shifts) in each sign-up period (three months) before they needed a supervisor's approval. According to Edmonton Transit System Management, this process worked reasonably well. However, the 14-trade limit did not work well in certain

² Memorandum from Edmonton Transit System Management, June 28, 1985.

circumstances. For example, when drivers are scheduled to swap off at a location that is inconvenient for one or both of them, the drivers may prefer to swap at a nearby stop that is more convenient. These trades are typically only 0.1 to 0.2 hours each. Through discussions with the union, management agreed to lift the 14-trade restriction.

Edmonton Transit System management believes that the practice of shift selling is common among other western Canadian cities. We surveyed other local government organizations to determine whether similar practices were in place. The only formal responses we received were that only hour-for-hour trades were allowed and that they don't allow selling scheduled hours. Details on our survey and shift sales research are provided in the Appendix.

6.2. Shift Trade Transactions

Edmonton Transit System Management implemented shift trade tracking in their dispatch system in late 1998. For the purposes of our review, we obtained and analyzed shift trades data for 2007 and for January through September 2008.

While the process in the Edmonton Transit System is commonly referred to as "shift trading," it is better characterized in at least some cases as "shift selling." While some operators may trade hour-for-hour with another operator, some bus operators indicated that it is common practice to 'sell' hours to another operator (paying the replacement operator). For example, Operator 1 pays Operator 2 to take over one of his/her shifts. At a later date Operator 2 pays Operator 1 (or another operator) to take over his/her shift, so even an hour-for-hour trade becomes a cash transaction.

Table 1 shows that significant numbers of shift hours have been traded or sold by Edmonton Transit System bus operators both in 2007 and through the end of September 2008. According to confidential sources, scheduled hours are typically 'sold' at \$18 to \$20 cash per hour. We used \$18 per hour to calculate total trade/sales values. (Note that this total value is not necessarily the amount of money that changed hands.) Edmonton Transit System had approximately 1,400 bus operators in 2007-2008 (excluding LRT and DATS operators).

Table 1: Summary of Shift Trades Data

Description	2007	2008 (to September 30)
Number of employees selling scheduled hours	1,114	1,005
Total number of shift sales/trades	21,586	12,811
Total hours sold/traded	99,358.1	60,636.6
Value of total hours sold/traded (at \$18/hour)	\$1,788,446	\$1,091,459

Several operators have sold or traded much or most of their scheduled work to other operators. Management has allowed this practice in the interest of meeting service demands, but the end result is that operators are not being treated equitably. Some operators have essentially sold their jobs, but continue to receive employment benefits and accumulate pension credits. Other operators are working significant numbers of replacement hours, but the withholdings from their pay do not reflect their actual

income. Table 2 shows the value of trades conducted by the operator who sold the most hours and extra incomes for the operators who accepted the most extra work hours in 2007 and year-to-date 2008 (using an assumed rate of \$18 per hour).

Table 2: Most Hours Traded

Period	Employee who sold the most scheduled hours	Employees who worked the most replacement hours (extra income)
2007 (full year)	1,600.9 hours x \$18 = \$28,816	1,199.2 hours x \$18 = \$21,586
2008 (to September 30)	1,063.2 hours x \$18 = \$19,138	740.7 hours x \$18 = \$13,333

The same operator sold the most hours in both 2007 and 2008 year-to-date. The operator who worked the most replacement hours in 2007 dropped well down the list in 2008. The operator who worked the most replacement hours in 2008 year-to-date worked the second-highest number of replacement hours in 2007.

We selected the operators who sold the most hours or worked the most replacement hours for further review (the top five in each category in 2007 and the top ten in each category in 2008). Management reported that they were familiar with most of the operators we selected for our sample and provided the following information on the situations with which they were familiar:

- Operator A grieved management's decision to not allow him/her to sell shifts because they were interfering with operating his/her concrete company. The grievance was abandoned.
- Operator B has been operating a driver training school and selling most of his/her shifts.
- Operators C, D, and E resigned their operator positions rather than give up their competing employment.
- Operator F has been operating an information technology business on the side and selling many shifts.
- Operator G doesn't seem to have another job, but would reportedly prefer not to work.
- Operator H's trades privileges were revoked and he/she has been off on sick or vacation leave since then.
- Operator I operates a personal business and when management restricted his/her trades this fall, booked off sick, followed by leave without pay, and then sick again.
- Operator J has been off work for an extended period because of difficult circumstances and has been allowed to sell his/her shifts.
- Operator K had a severe medical problem and likely will not be returning to work.
- Operator L normally sells Thursday and Friday shifts. This employee may be going to school part time or working elsewhere (management was not sure which was the case).
- Employees who work lots of replacement shifts are often very reliable employees, with some of them not claiming a sick day in recent years. Some

of them are reportedly working extra shifts to fund vacations or simply to make extra money.

Edmonton Transit System Management has recently reimplemented controls to ensure that supervisor approval is required for more than 14 trades per sign-up period. Before the December 31, 2000 collective agreement, shift trades were limited to no more than 14 per sign-up period (3 months) without requiring explicit management approval. As indicated in the following quotation, the current Amalgamated Transit Union Local 569 collective agreement allows shift trades with no firm upper limits as defined in Section 6.19:

- An operator who wishes to trade a shift or part of a shift shall first obtain permission from the management supervisor or designate, and every trade must be recorded.
- The number of approved trades in a sign up is not limited, although all trades are subject to management approval.
- Trades may be approved for extended periods of time provided mutual agreement of both the management supervisor and Union representative is obtained.

Edmonton Transit System Management has clearly stated that they have chosen to allow shift trades to allow operators a degree of scheduling flexibility:

...the intent of removing the ceiling on trading was to allow for short daily trading to allow for a modification to awkward relief points or to facilitate schooling or other personal needs. However, the intent was never to allow an employee to trade away their work to allow employment elsewhere.³

In addition, Edmonton Transit System Management has recently implemented shift trade restrictions for employees who have been selling significant portions of their assigned shifts. Those employees are not permitted to trade away any of their scheduled hours without explicit Management approval.

In 2001, the Vancouver Courier reported that "...the Vancouver Sun revealed that cash trades for shifts are common at local bus depots, with some drivers earning commissions for brokering shift sales..."⁴ During the course of our interviews with Management and others, we were advised that shift brokers are active in the Edmonton Transit System as well.

6.3. Shift Trade Trends

We believe that the most substantial issue in the current shift trades practice is that the City is not paying the operator who is actually driving the bus. The actual driver is

³ Email from Edmonton Transit System Management dated August 18, 2008 with subject "RE: Trades – EDTS [sic] System."

⁴ <http://archive.vancourier.com/issues01/05201/news/05201N1.html>, The Vancouver Courier.com, Accessed November 27, 2008.

recorded in the Edmonton Transit Dispatch System, but that information is not being passed to Human Resources Branch to ensure that the person who is actually driving receives their pay and benefits in accordance with all applicable legislation.

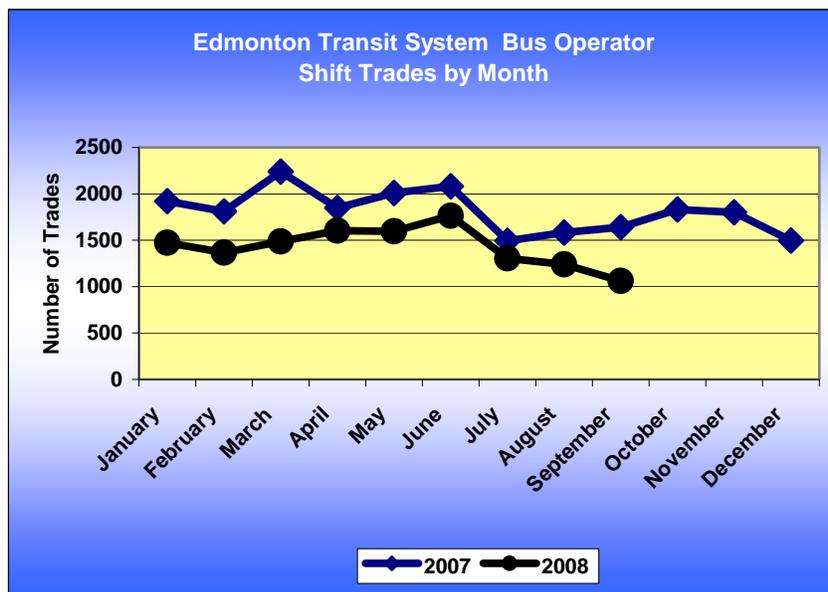
As seen in Table 3, several Edmonton Transit System bus operators have been either selling shifts without working replacement shifts or working replacement shifts without selling any shifts.

Table 3: Shift Trades Not Reciprocated

Employees who:	2007			2008 (to September 30)		
	Employees	Trades	Hours	Employees	Trades	Hours
Sold hours, but did not work replacement shifts	283	6,541	28,823.3	301	3,829	17,932.6
Worked replacement hours, but did not sell any shifts	134	2,097	8,819.7	180	2,237	10,294.9

A significant number of shift trades and/or sales are for averages of less than or equal to 2 hours per trade (57 operators with 189 trades of less than or equal to 2 hours in 2007; 50 operators with 175 trades of less than or equal to 2 hours as of September 30, 2008). Management has indicated that some of these trades are associated with inconvenient hand-over locations that the drivers routinely adjust, as discussed earlier.

As seen in the following chart, the overall number of shift trades and sales has been declining since October 2007 as management began to address certain shift trade practices. However, the total hours sold and traded remains high.



6.4. Shift Trades Impact and Effect

The City is operating in violation of legislated requirements to record and report accurate work hours for each employee. In addition, the City is allowing some employees to accumulate full-time pension, employment insurance, and other employment benefits without actually working full-time. Current shift trade practices are contrary to the general principle of employment equity.

For example, under the terms of the City's pension plan, employees are allowed to buy back up to a maximum of one year of pensionable service to make up for pensionable service lost during a leave of absence (such as maternity leave) even if the actual period or periods of leave of absence exceed one year. Yet the shift trades practice at Edmonton Transit System allows some employees to trade away all or most of their scheduled hours while continuing to earn full-time pensionable service credits and accumulate full-time union seniority credits.

Provincial occupational health and safety legislation requires that employers protect workers' health and safety within "reasonably practicable" limits. If shift trades are not controlled to prevent bus operators from working well beyond their normal shift, the City may be at increased risk from more frequent accidents.

The current shift trades practices do not provide Human Resources with accurate payroll records for determining employees' pension credits, other employment benefits, and source withholdings (income tax, employment insurance, Canada Pension Plan, etc.). In summary, some employees are receiving more and others receiving less than their entitled compensation. Management is aware of and tracks shift trades. However, Management needs to address the impact of the shift trades on pension plans, the need to maintain accurate payroll records, and any impact on other benefit plans. Because this has been a long-standing practice (cited in an Edmonton Transit System Management memorandum in 1985 and again in an anonymous document dated February 15, 1995),⁵ it may take some time to resolve the longer term issues.

6.5. Overall Evaluation

Edmonton Transit System dispatchers have been using the Edmonton Transit Dispatch System to record which operator is driving each bus at all times, however, this information is not being forwarded to Human Resources Branch. This results in time not being accurately recorded and reported to external agencies (e.g., Local Authorities Pension Plan and Canada Revenue Agency) for operators who participate in shift trades. Some operators' actual work hours are being under-reported; other operators' actual work hours are being over-reported.

Current Edmonton Transit System Management practices are not sufficient to prevent cash transactions between operators for shift trades.

⁵ Memorandum from Edmonton Transit System Management, June 28, 1985. Document from February 15, 1995 with no indication of who authored it.

The current shift trades practices in Edmonton Transit System must be changed immediately to ensure that the City complies with all legislated requirements. In addition, Edmonton Transit System must take steps to minimize the City’s exposure to other risks identified in Section 6.4 and to resolve issues related to historical non-compliance with legislation and policies.

7. Recommendations

We have developed three recommendations that are designed to reduce the City’s risk exposure with regard to compliance with legislation and to resolve the historical issues that have evolved over several years. We have discussed the recommendations with Management and they have provided action plans to address each of them. We believe that their proposed actions will appropriately resolve the issues.

Recommendation 1	Management Response and Action Plan
<p>The OCA recommends that Edmonton Transit System Management work with Human Resources Branch to manage its shift trades practice in a manner that complies with all legislative requirements.</p>	<p>Accepted Comments: <i>Edmonton Transit will develop, in consultation with the Human Resources Branch, Information Technology Branch and with input from the Amalgamated Transit Union Local #569, a shift trading protocol that meets all legislative requirements by ensuring the City of Edmonton directly pays, at all times, the operator or employee who is in care and control of all transit vehicles or performing work on behalf of the City of Edmonton.</i> Planned Implementation: March 31, 2009 Responsible Party: Edmonton Transit</p>

Recommendation 2	Management Response and Action Plan
<p>The OCA recommends that Human Resources Branch work with other operating areas to ensure that all shift trades practices throughout the City are managed in a manner that complies with all legislative requirements and union agreements.</p>	<p>Accepted Comments: <i>The Human Resource Branch has commenced a review of City Departments to identify any areas where the trading of shifts is permitted. Where shift trades are occurring a detailed review will be undertaken to ensure that current practises comply with legislative requirements. Should a practise not comply the Human Resource Branch will work with the Department to amend their process so that it does comply.</i> Planned Implementation: June 2009 Responsible Party: Corporate Services Department</p>

Recommendation 3	Management Response and Action Plan
<p>The OCA recommends that the City Manager develop a strategy to appropriately resolve any issues resulting from historical shift trade/selling practices throughout the City.</p>	<p>Accepted Comments: <i>The Corporate Services Department will review the implications of this historic practise and recommend to the City Manager a course of action.</i> Planned Implementation: June 2009 Responsible Party: Corporate Services Department</p>

Appendix: Shift Selling in Other Jurisdictions and Industry Segments

When we surveyed other local government organizations, the only formal responses we received were that they allow only hour-for-hour trades and they don't allow selling scheduled hours.

We did, however, find evidence that scheduled hours were either alleged to be or were actually being sold in a variety of industry segments and jurisdictions. For example, in 2001, "...the Vancouver Sun revealed that cash trades for shifts are common at local bus depots, with some drivers earning commissions for brokering shift sales – even though the practice is banned by Coast Mountain and the union."⁶ In a 2006 incident, a worker in Sydney, Australia claimed that he had been fired because of "his involvement in selling shifts."⁷ The State of Delaware Office of Auditor of Accounts investigated an allegation that "[Sussex Correctional Institution] employees pay other SCI employees to work their assigned shifts. Leave records do not reflect time off." The Auditor of Accounts reported that he had partially substantiated the allegation, "in that timecards do not accurately reflect the actual hours worked by SCI employees."⁸ The State of Connecticut Auditors of Public Accounts reported that they found that shift trades were:

...a regular practice of correctional officers. ... The scheduled officer is paid and the working officer is not. ... These shift swaps are not reported to the Department payroll office and therefore not reflected on the Department's official attendance records.

It was found that a correctional officer at York Correctional Institution was continually allowing officers to work his assigned shift without a reciprocal trade. ... We did not determine if "under the table" payments were being made in lieu of not working the swapped shift.⁹

In April 2008, the California State Auditor reported on the results of its investigation into an allegation that "A manager and four subordinates at the Department of Justice ... disregarded mandatory time reporting requirements, resulting in these employees failing to account for hundreds of hours they did not work." The Auditor's investigation substantiated the allegation and determined that the practice violated state regulations.¹⁰ This example did not involve shift trades, but did relate to benefits received for work not performed.

⁶ <http://archive.vancourier.com/issues01/05201/news/05201N1.html>, The Vancouver Courier.com, Accessed November 27, 2008.

⁷ "Workplace Issues," No. 42, July 2006, Page 9. Source: http://www.wst.tas.gov.au/data/assets/pdf_file/0005/73319/WPI_42July06.pdf, Accessed November 28, 2008.

⁸ Wagner, R. T., "Department of Correction, Sussex Correctional Institution, Time Reporting, Special Investigation," February 10, 2007, pp. i, 2, 4, 5.

⁹ Johnston, K.P. and Jaekle, R.G. "Auditors' Report, Department of Correction for the Fiscal Years Ended June 30, 1998 and 1999," State of Connecticut, pp. 14-15.

¹⁰ "California State Auditor Report 2008-1," "Department of Justice: Employees' Disregard for Time Reporting Requirements, Management's Failure to Ensure Employees Properly Reported Absences," April 2008, pp. 27-31.