



Office of the Auditor General / Bureau du vérificateur général

FOLLOW-UP TO THE 2009 AUDIT OF PAYROLL

2011

SUIVI DE LA VÉRIFICATION DE

L'ADMINISTRATION DE LA PAIE DE 2009

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2009 Audit of Payroll was included in the Auditor General's Audit Plan.

The key findings of the original 2009 audit included:

- Errors made to pension contributions by the City's Payroll Division total \$2.6 million.
- In addition to the pension errors, the audit examined a sample of 100 pays and found 56 errors. The audit also found that one employee was employed in two separate City jobs.
- The errors identified were as follows:
 - 34 documentation errors including unauthorized timesheets;
 - 15 interpretation errors resulting in \$2.6 million owing to OMERS; and,
 - 7 calculation errors.
- Other audit findings concluded:
 - The Payroll Division should take responsibility for both centralized and decentralized pay processes;
 - The City should limit access to human resources records in compliance with privacy legislation; and,
 - The Payroll Division should implement greater automation and information systems controls.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19%
ACTION INITIATED	25 – 49		-	-
PARTIALLY COMPLETE	50 – 74	2, 19	2	6%
SUBSTANTIALLY COMPLETE	75 – 99	21a, 21b, 22	3	8%
COMPLETE	100	3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21c, 21d, 23, 24, 25, 26, 27, 28	24	67%
TOTAL			36	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of November 2011 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	19	1	3%
SUBSTANTIALLY COMPLETE	75 – 99	22	1	3%
COMPLETE	100	2, 3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21a, 21b, 21c, 21d, 23, 24, 25, 26, 27, 28	27	75%
TOTAL			36	100%

Conclusion

Management has been very proactive in addressing the audit recommendations. Approximately 75% of the recommendations have been fully or substantially implemented.

Even for those recommendations that have not been substantially implemented, in most cases, management has work plans in place and has started implementing their plans. One example is where management has started to complete detailed risk assessments of decentralized payroll processes.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

RÉSUMÉ

Introduction

Le Suivi de la vérification de l'administration de la paie de 2009 était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2009 sont les suivantes :

- Le total des erreurs dans le calcul des cotisations au régime de retraite faites par la Division de l'administration de la paie de la Ville s'est chiffré à 2,6 millions de dollars.
- En plus des erreurs dans le calcul des cotisations, la vérification a décelé 56 autres erreurs sur un échantillon de 100 paies. La vérification a également constaté qu'un employé occupait deux postes simultanés.
- Les erreurs décelées se répartissaient comme suit :
 - 34 erreurs de documentation, y compris des feuilles de temps sans autorisation;
 - 15 erreurs d'interprétation, ayant pour résultat un montant de 2,6 millions de dollars dû à OMERS; et
 - 7 erreurs de calcul.
- D'autres constatations de la vérification ont conclu que :
 - la Division de l'administration de la paie doit assumer la responsabilité des processus de paie centralisés et décentralisés;
 - la Ville doit restreindre l'accès aux dossiers des Ressources humaines conformément aux lois sur la protection de la confidentialité; et
 - la Division de l'administration de la paie doit automatiser les systèmes de gestion de l'information et mettre en place des contrôles plus rigoureux.

Sommaire du degré d'achèvement

1. Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation au 31 janvier 2011 :

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19 %
ACTION AMORCÉE	25 – 49		-	-
COMPLÉTÉE EN PARTIE	50 – 74	2, 19	2	6 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	21a, 21b, 22	3	8 %
COMPLÉTÉE	100	3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21c, 21d, 23, 24, 25, 26, 27, 28	24	67 %
TOTAL			36	100 %

2. Le tableau ci-dessous présente l'évaluation de la direction concernant le degré de réalisation de chaque recommandation au mois de novembre 2011 en réponse à l'évaluation du Bureau du vérificateur général. Ces évaluations n'ont pas fait l'objet d'une vérification.

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19 %
ACTION AMORCÉE	25 – 49	-	-	-
COMPLÉTÉE EN PARTIE	50 – 74	19	1	3 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	22	1	3 %
COMPLÉTÉE	100	2, 3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21a, 21b, 21c, 21d, 23, 24, 25, 26, 27, 28	27	75 %
TOTAL			36	100 %

Conclusion

La direction a été très proactive dans sa réalisation des recommandations de la vérification. Environ 75 % des recommandations ont été entièrement ou en grande partie mises en oeuvre.

Même dans le cas des recommandations qui n'ont pas été, dans une large mesure, mises en oeuvre, la direction s'est dotée le plus souvent de plans de travail et a commencé à les mettre à exécution. Le fait que la direction ait commencé la réalisation d'évaluations détaillées des risques relativement aux processus de paie décentralisés en constitue un exemple.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

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The key findings of the original 2009 audit included:

- Errors made to pension contributions by the City's Payroll Division total \$2.6 million.
- In addition to the pension errors, the audit examined a sample of 100 pays and found 56 errors. The audit also found that one employee was employed in two separate City jobs.
- The errors identified were as follows:
 - 34 documentation errors including unauthorized timesheets;
 - 15 interpretation errors resulting in \$2.6 million owing to OMERS; and,
 - 7 calculation errors.
- Other audit findings concluded:
 - The Payroll Division should take responsibility for both centralized and decentralized pay processes;
 - The City should limit access to human resources records in compliance with privacy legislation; and,
 - The Payroll Division should implement greater automation and information systems controls.

2 KEY FINDINGS OF THE ORIGINAL 2009 AUDIT OF PAYROLL

Decentralized and Centralized Processing

We found there were an estimated 23 full-time equivalent staff in decentralized locations processing the time for approximately 40% of City employees. There are 12 staff in the Payroll Division processing the time for approximately 60% of the employees. Of this 60%, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process.

The Payroll Division does not have source documents and proof of checking performed for timesheets that are processed offsite or decentralized. Although generally aware of processes that these decentralized groups use to enter time information, Payroll Division does not perform any reviews or tests to assure themselves that the systems or procedures are adequate to ensure all entries are approved and accurate. Also, we noted the direct managers in the departmental

areas are not reviewing the payroll processes. Payroll Division is however, reliant on oversight by management in decentralized areas.

For centralized processing, the Payroll Division is reliant on documents to be coded properly at the source. The controls that are in place in Payroll Division to detect and prevent errors are manual in nature and reliant upon custom reporting of report variants.

The Payroll Division does manually run a series of reports each pay, which they downloads to an Excel spreadsheet and reviews manually. These are based on report variants (custom reporting) that Payroll Division staff create. We have found examples where reports were not complete resulting in some processing not being checked. This resulted in time entry processing not being checked and net pay amounts between \$3,000 and \$4,999 not being checked.

Access and Availability of Sample Files

Payroll Division staff have been permitted access to personnel files (Human Resources Administrative Records) which contained records that the Head of Institution for MFIPPA determined contained sensitive information not related to payroll. We found from our sample of 100, that there were 6 missing files. The OAG was advised three months later that the two of the files were found.

Sample Files Review

There was an interpretation error resulting in 15 errors, as well as 7 calculation and 34 documentation errors in the sample of 100. The resultant error rate of 56% is higher than we would have expected.

Table 1: Breakdown of Errors

Error Type	Sample from Centralized Areas		% Error Count to Total Centralized Sample	Sample from Decentralized Areas		% Error Count to Total Decentralized Sample	Total		% Error Count to Total Sample
	Count	Value		Count	Value		Count	Value	
Incorrect Interpretation -									
<ul style="list-style-type: none"> Under remittance of OMERS pension 				15	\$96	23%	15	\$96	15%
Calculation -									
<ul style="list-style-type: none"> Under remittance of OMERS pension (2 occurrences); OMERS pension not deducted; Overpayment for statutory holiday where not entitled; Overpayment for incorrect increment date; Overpayment of benefits; and, Underpayment to the estate of a deceased employee for vacation payout. 	3	\$1,412	9%	4	\$1,429	6%	7	\$2,841	7%
Timesheets -									
<ul style="list-style-type: none"> Missing employee signatures (17 occurrences); Missing supervisor signatures (7 occurrences). 	0	0	0%	24	\$11,164	37%	24	\$11,164	24%
Lack of Supporting Documentation -									
<ul style="list-style-type: none"> Missing time or leave forms (3 occurrences); No Payroll file; No banking information change form; No personnel action record; Nothing in personnel file; Letter of offer missing signature. 	0	0	0%	8	\$1,718	12%	8	\$1,718	8%
Request for Personnel Actions -									
<ul style="list-style-type: none"> Electronic approval was sent by the Administrative Assistant (2 occurrences). 	0	0	0%	2	\$2,332	3%	2	\$2,332	2%
Total Error Count	3	\$1,412	9%	53	\$16,739	82%	56	18,151	56%
Total Sample Count	35	\$84,801	100%	65	\$114,540	100%	100	\$199,341	100%

Below are the details of the errors that we found:

Interpretation error

Based on an interpretation error for Transit employees (ATU 279 and CUPE 5500), the pension calculations did not include all contributory earnings as defined by the Ontario Municipal Employees Retirement System (OMERS). We reviewed a sample of three earnings types for the 18 Transit employees from our sample of 100. For 12 of these Transit employees, we found 15 errors representing a total pension deduction understatement of \$96 with an estimated annual impact of \$1,384.

There was no supporting documentation available at the City to show the authorization or agreement with OMERS for using only the 40 hours per week as opposed to the additional OMERS Contributory Earnings inclusions. Appendix B of the full report outlines the OMERS definition of contributory earnings. The Program Manager, Pension and Benefits followed up this matter with OMERS. OMERS responded to the City that effective January 1, 2009 that the City is to have included all contributory earnings and credited service in accordance with OMERS requirements and that all contributory earnings should be administered on a retroactive basis, which the Manager indicated would be back to January 1, 1999.

Considering there would have been a four-year contribution holiday from 1999 to 2002 and a reduced rate in 2003, for the three sample earnings types, this would result in an estimated under remittance of pension contributions in the amount of approximately \$1.2 million. The corresponding amount of contributory earnings excluded in error would have been approximately \$11.4 million. Refer to the Table in section 3.2.16.

Based on this issue, which was identified by the auditors during the course of this audit, Management has subsequently advised that a review of all contributory earnings has been completed. The result of the cost of under remitted contributions is estimated to be \$2.6 million corresponding to approximately \$21.2 million of estimated contributory earnings.

These pension errors result in past, present and future pensioners receiving less than their full pension entitlement.

Seven calculation errors

1. Employee overpaid \$1,405 as pension was not deducted and the amount was not recovered by the City;
2. Benefits overpayment of \$938 was not recovered retroactively and the amount was not recovered by the City, only the portion of \$78 relating to the sample pay appears in the table;
3. Vacation payout underpaid by \$992 to a deceased employee's estate, Payroll Division planned to reimburse the deceased employee's estate;

4. Employee overpaid \$341 for a statutory holiday;
5. Employee overpaid \$17;
6. & 7. In two cases OMERS calculation errors totalled \$6, which was underpaid to OMERS, annual impact estimated at \$69.

Thirty-four errors relating to lack of supporting documentation and properly signed or authorized forms

- Where timesheets were required, no evidence of employee signature in 17 cases to confirm they worked the time;
- Where timesheets were required, no evidence of supervisory signature in seven cases to authorize hours, work and rate;
- Management has indicated that although unsupported by authorized signatures, it does not mean that the pay to employees was in error and that these are non-compliance issues that don't lead to incorrect pay. We maintain that signatures would be required as evidence that the time was worked and was authorized;
- The authorization list did not contain signatures and initials;
- Request for Personnel Actions (RPAs) were not properly authorized in two cases;
- No payroll file existed for an employee;
- File existed but no information in the file for an individual;
- No timesheet to authorize 17 hours of overtime that should not have been paid, for \$685;
- There was no leave sheet for the payout of 40 hours of vacation for \$941 which was reversed to Income Protection Plan for sick leave the next pay;
- Documentation was not provided for differences between the booking sheet and the actual pay for \$93;
- Documentation was not available to support a change to bank account information and there was no personnel action record/RPA on file; and,
- A properly authorized letter of offer was missing for a summer student.

Management doesn't agree with our error rate. Management has indicated that in their opinion the error count would be 6 out of 100 (6%) with a total value of \$2,761 out of \$199,341 (1.4%).

Controls over processing of decentralized pay

As noted, based on the high error rate in the decentralized area, audit work was conducted specifically with respect to decentralized processing. The results of this audit work follow.

Payroll Division does not have source documents and proof of the checking performed for timesheets that are processed offsite or decentralized. Payroll Division appears to be placing reliance on third party payroll systems even though they are not familiar with those systems and have not validated the controls. Therefore, this falls on operating managers to be more responsible for ensuring payroll is correctly processed. We find it unusual that a Payroll Division would not be more involved in the decentralized controls. It is our opinion that Payroll Division should be aware and should review, monitor and approve these decentralized controls on a regular basis.

One general observation that applies to most decentralized areas is that when entering overtime into SAP, the clock time entered into the system is not reliable and should not be used for other purposes such as determining shift premiums or for trend analysis. Although staff attempt to ensure the correct number of hours of overtime, the clock times are often forced or assumed.

The Paramedic Service emails the Payroll Division a spreadsheet of the applicable hours for each pay period for each employee. This is an extract from Paramedic Service scheduling system, which Payroll Division enters into SAP. There are also manual spreadsheets sent to Payroll Division with overtime that is too late for the payroll cut-off. There is a risk of errors or unauthorized changes being made to the spreadsheets before they are sent to Payroll Division.

Recreation and Culture timesheets have not always been documented with an approving signature to authorize time worked and the rate paid.

The Records Management System (RMS) used for paying Volunteer Firefighters has limited payroll functionality and the spreadsheets that are generated are manually manipulated before entry into SAP. The manual compensating controls in reviewing the reports before sending them for payment would appear to be inadequate.

The entire process for paying Transit ATU 279 employees is subject to manual intervention; there are few system controls and there are no other reviews to ensure that entries are made without error. There is no documentation of the processes that the Time Administrators use. This is a very complex area that relies on experienced staff to make it work. The staff acts as controls to ensure compliance with the complicated collective agreement. If a mistake was made in the employee's favour, unless the employee brings it forward, it would likely not be detected.

For Traffic and Parking Operations there was specific emphasis on more work resulting from previously identified risks from Fraud and Waste Hotline reports. We conducted a detailed review of decentralized activity sheets for 2007 for a specific employee and we found:

7% of overtime activity sheets for a dollar value of \$1,086 were not authorized;

1. Where more than one person was on an activity sheet, the employee is not signing the activity sheet, instead the crew leader is signing the sheet;
2. The employee was paid at two different jobs and two different rates. He was the crew leader for 26 out of the 94 activity sheets. There were 14 times where he did not have a crew and therefore should not have been a leader; and three times when he and another person were both recorded as crew leader;
3. Fifteen hours recorded for a day which included five hours of sick leave and five hours of overtime on the same day;
4. Three timesheet signatures in 2007 and 2008 where the approving signatures were not recognizable. The Program Manager indicated that they did not know whose signature it was;
5. Snow plowing and other “handyman” duties including renovations, painting and building the frame for a shed totalled 369 hours for \$14,228 including regular and overtime hours. These duties were not part of the job description for the employee whose regular duties were as “Traffic Signal Plant Inspector”. The employee had overtime for 2007 of \$21,854. As this individual was already working overtime, he did not have time available to do renovation duties, which are outside his regular duties. This should have been done through Real Property and Asset Management (RPAM);
6. As a non-related issue, a building permit had not been obtained for a 24’ X 35’ shed constructed by Traffic and Parking Operations (TPO) staff or for other renovations performed by TPO staff at 175 Loretta; and,
7. The building of the shed did not follow an appropriate RPAM process.

Other Audit Findings

Overpayments and Recovery

In addition to the sample, following are a few examples of overpayments:

- \$736 overpayment relating to three days that were to be suspensions without pay but that was paid. This was identified as part of this audit based on a review of suspensions that were known to the OAG based on Fraud and Waste reports. Management has indicated that recovery is in progress;

- \$1,500 payroll overpayment in December 2005 which had not been recovered at the time of the audit which Management has indicated has now been fully recovered;
- \$1,300 payroll overpayment which was not recovered; and,
- \$5,000 payroll overpayment in 2007 where the employee continued to be paid their regular salary while they were on a leave of absence without pay. This matter was initially identified as a result of a report to the Fraud and Waste Hotline. The amount was not fully recovered at the time of the audit. The employee subsequently left the City and the matter is now with Legal Services to collect.

An overpayment would not be identified in the system until a properly coded timesheet, leave form or Request for Personnel Action form has been processed. The risk exists that there are overpayments that are not identified and therefore not recovered. In two of the above cases, the overpayments were only identified from questions through the OAG.

The Payroll Division's November 2008 spreadsheet showed there had been \$350,000 in cumulative overpayments. Based on the cases that had not previously been identified and lack of complete reporting, we cannot be sure that the complete population of overpayments has been identified and properly actioned.

Job Classification

A Volunteer Fire Agreement or other documents to confirm levels and rates for volunteer firefighters were not available through Payroll Division in order that they could check appropriateness of levels or rates; therefore no one is reviewing rates paid.

Request for Personnel Action (RPA) Forms

The RPA form is an electronic form and the primary document that authorizes and documents personnel actions such as the hiring, transfers, and dismissals.

Management has indicated that end dates for temporary assignments are recorded in SAP however they are a soft control only. It is the responsibility of the Human Resources Consultants (HRCs) to run the reports and advise managers with respect to upcoming end of terms requiring management action. Failure to perform this review and follow-up creates the risk of overpayment. Two acting assignments were identified as not having end dates. Subsequent to our follow-up RPA forms were issued.

The RPA process that appears on Ozone as a useful reference for Management or staff was not up-to-date during 2008 and Management has indicated that the RPA has been redesigned with a help link that was updated subsequent to the audit.

Off-cycle (on-demand) Cheque Processing and SAP Internal Control

The process for off-cycle cheques (on-demand cheques), cheques run outside of regular pay runs, did not contain sufficient controls to ensure that the version that was verified matched the version that was processed. This resulted in an error of underpaid vacation pay of \$992, which went undetected until this audit and was identified as part of our sample.

For vacation payout, the off-cycle processing should be tied to hours as well as dollars and leave banks reduced. In this case the employee's leave bank was not appropriately reduced.

Fire Statutory Pay

The collective agreement for firefighters includes a clause entitling firefighters to payment or time off in lieu of statutory holidays.

In our sample, there was lack of supporting documentation for statutory pay calculation including the Senior Analyst sign-off and there was lack of back up to support manual overrides. In this case, Payroll Division did not have a copy of the e-mail that they indicated Fire Services would have sent to support the adjustment for 8.75 hours that Payroll Division made. The Payroll Division subsequently obtained a copy of the e-mail, which we reviewed and determined that they had in fact made the adjustment twice. We have confirmed with Payroll that this has resulted in an overpayment of \$341 to a former employee.

For another of the sample employees, the employee was paid for December 25 and 26 in advance on the first pay of December. This is not compliant with the collective agreement that states that statutory holidays are only eligible for payment after the statutory or declared holiday has passed. It was indicated that the payment of December 25 and 26 on the first pay of December was a past practise. This practise should be stopped.

Benefit Plans

Costs relating to overpayment of benefits that occur for a period of time are not recovered from the benefits carrier. Therefore it is important to ensure that the City review coverages when employees change positions and also to remind employees to advise Employee Services if they do not require coverage. Based on 2007 benefit rates provided by the Finance Officer, Payroll, there would be an estimated monthly difference ranging from \$146 to \$169 or \$1,752 to \$2,028 annually per employee for family versus single coverage.

OMERS Pension Contributions Reconciliation

As part of the review of the payroll sample, it was determined that there were 18 cases out of 100 where pensions were not calculated correctly. Some of the errors were quite serious, particularly errors in the pension calculation for some Transit

Services' employees. We found that the City was non-compliant with OMERS requirements. The errors had been on-going for the past 10 years and were not detected until this audit. This has resulted in the pension contributions and contributory earnings being understated. Management has estimated that under remitted employee and employer pension contributions were approximately \$2.6 million for a corresponding understatement of approximately \$21.2 million in contributory earnings. This also resulted in past, present and future pensioners receiving less than their full entitlement.

Despite these errors, Management has indicated that there is no reason to check the contributions other than when they are initially setup or changed which would be at a minimum annually. In our opinion, regular and complete checking may have detected or flagged this issue, which was not identified until this audit. The delay in detecting this issue will result in the 10-year impact of \$2.6 million being recorded in the current year and in the possibility that OMERS may charge interest and premiums for the period where the City would have previously realized a contribution holiday.

There was also an error in the amount of \$1,405 that related to the period from 2003 to 2006 which was not discovered until 2006 and was not recovered from the employee. Amounts not recovered from the employee would be a cost to the Corporation.

The Payroll Division and the Pension and Benefits Unit do not check the ongoing contributions and assume that the system calculates contributions properly. Documentation evidencing the review and follow-up where the pensionable earnings varied from annual salary by more than 5% was not available, as it had not been retained. Even though the document was not there, we question this variant threshold as too high. For example, for a salary of \$100,000, a five percent difference would be \$5,000 in contributory earnings. City documentation for the Year End Pension Adjustment Procedure erroneously showed 20% as the variant between annual salary to pensionable earnings to be used by staff when it should read 5% which is reflected in other documentation and is the variant rate used in practise. Errors could go undetected that either exceed their variant thresholds that they have not followed up or that fall within their variant thresholds. The OAG is concerned about the use of a 5% tolerance rate, because as illustrated, errors that fall within this threshold can have a significant cumulative impact and can go undetected for significant periods of time.

There is no ongoing reconciliation to confirm that the pension contributions deducted were accurate.

Training and Modified Duties

Within the payroll sample, there was no backup document available for an employee on training or for the pay rate of 50%. There was an example where the

rate paid to an employee on modified duties does not match the pay schedule as they do not qualify for an economic increase until they return to work full-time. Explanations were provided that these were long-standing practises. These should be reviewed and if considered appropriate should be documented as a policy.

Electronic Payroll Files

Electronic payroll report files were difficult and time consuming for Payroll Division to provide. The OAG found that the electronic copy of the initial employee file, that had been provided by Payroll Division/IT for sample selection and data analysis purposes, was understated by 3,813 employees.

In discussions with Payroll, although there is a reconciliation process for each pay run, it does not include the reconciliation of gross pay from the Payroll Journal to gross pay in the General Ledger (GL). There appears to be reliance that other processes in Finance or Payroll Division will detect errors. The OAG would recommend that the procedure be reviewed and changed as necessary to facilitate balancing the gross pay. A wage type report for SAP which identified the corresponding GL cost element account numbers to use to balance to the SAP GL reflected the current wage types and cost elements and not the wage types and cost elements as they appeared at the time they were incurred. The year-end balancing to T4 gross total that was provided does not reconcile to the GL, which would be an important control to detect errors or system and processing issues.

Employee with Two Concurrent Positions

As a result of data analysis performed by the OAG for this audit, we identified that an employee held two concurrent positions with the City: one as a Firefighter and one as a Building System Technician in RPAM and was paid a total of \$103,356 in 2007. This violated the City's policy on concurrent employment, which only permits an employee to hold one position at the City. This total was not included on the Public Sector Salary Disclosure list, which also violated the Provincial Public Sector Salary Disclosure Act, which requires that municipalities disclose employees that are paid more than \$100,000 in a year.

There were Memorandums of Agreement (MOA) relating to the concurrent employment for this employee for 2004 and 2007. MOAs had not been done for 2005 and 2006. As part of this audit, a review was performed and it was determined that the employee was non-compliant with the 2007 Memorandum of Agreement. Payroll Management indicated that information found in the system showed 17 times in 2007 where the employee was in violation of the clause relating to not scheduling or accepting shifts 24 hours prior to his full-time regular shift or 24 hours immediately following his full-time regular shift. This should have been detected as part of monitoring required by Payroll Division and the Human Resources Consultant as part of Concurrent Employment policy monitoring. Legal

Services should have been advised and stopped the employee from working the two jobs.

Management indicated that subsequent follow-up by Labour Relations found that there was no violation of ESA (Employment Standards Act) as most of the time the employee had traded off shifts in Fire Services so that he could take a part-time shift in RPAM. His original work schedule may have shown ten hours in Fire, followed by six hours working in RPAM, but he actually traded his shift off. Decisions should be based on information found in the system which should reflect transactions properly authorized by Management and not on hearsay or verbal representations.

Management indicated that the SAP reports used to report salaries greater than \$100,000 for 2007 were not properly structured and therefore were not able to detect this employee.

The Concurrent Employment policy does not refer to a grandfather clause and official documentation cannot be found to support cases where concurrent employment was grandfathered.

It would appear that for purposes of the Public Sector Salary Disclosure, pay for volunteer firefighting which is included on a T4 should be included. For 2007, there were two City employees who would have exceeded \$100,000 for 2007 if the volunteer firefighter payments had been included.

Consistent with Provincial requirements, the Public Sector Salary Disclosure does not include amounts from T4As, which include severance payments.

The basis for the decisions made by the City relating to the Public Sector Salary Disclosure are not documented with respect to who is responsible and who should be monitoring the disclosure.

Other Missing Supporting Documentation and Errors

Three examples of missing documentation:

- Employee on WSIB where files were missing payroll information.
- Two employees did not have an address setup in the payroll system, which has now been confirmed and corrected.

Social Insurance Number (SIN)

As part of the data analysis performed for this audit, there was an example where a temporary SIN and work permit¹ expired. Two subsequent RPAs extended the position but there was no evidence on file of a valid SIN or work permit. In May 2008 a letter was sent to the individual requesting the updated SIN and documents were subsequently provided.

¹ Work permit – Document permitting a non-Canadian to work in Canada for a temporary period.

Management indicated that a follow-up process for temporary SINs was initiated in the fall of 2007 but the SAP report did not reflect the correct field and as a result some employees were not included. There were eight employees that were active on the system with an expired SIN. These employees should have been terminated on the system as their last day of work had been in 2005 to 2008. The RPA forms had not been done at that time to terminate their employment.

Assessment of Employee Personal E-mails and Internet Utilization

Management represented that Payroll Division staff were fully utilized. Our review of e-mail and Internet accounts of the ten highest Payroll Division employees for each category for a three-month period, August, September and October 2008 showed that:

- Personal e-mail usage is generally very high averaging 25% for this group of employees.
- Employees were found to have personal communication with others from the group, friends from across the corporation, family members, etc. Some employees were found to be using the corporate e-mail system as a “texting service” and were texting each other frequently throughout the day; and,
- Personal Internet usage is very high at over 83% of hits. Sites visited ranged from health to personal finances/banking, job searches, selling cosmetic products and entertainment (e.g., streaming audio/video, travel, etc.).

Based on our review of the top ten Payroll Division users of the e-mail system and Internet, we found that contrary to Management’s representation, Payroll Division employees are not fully utilized.

Once this finding was shared with the Division, during the course of carrying out the audit, the divisional manager took some proactive action to address this situation.

Payroll Division Time Transaction Assistant Entered Time for Relative (Sibling)

One of the Payroll Division Time Transaction Assistants entered the time and leave for his brother for an eight and a half month period from January to mid-September 2008. Although there is a payroll review whereby a peer would generate a time entry report and verify the entries, we noted that in two cases he generated the time entry audit reports which included time he entered for his brother creating the risk that the report variant or parameters used might be manipulated to include or exclude certain items.

Training for Temporary Payroll Division Employees

There were nine temporary Payroll Division employees that received a total of 18 in-house training courses in non-compliance with the City's policies on training. Ten of the courses were not job specific. Training was not to be provided to temporary employees. If these employees had the time to be sent on inappropriate training, they may not be needed to do their duties.

3 STATUS OF IMPLEMENTATION OF 2009 AUDIT RECOMMENDATIONS

2009 Recommendation 1

That the City ensure that the Payroll Division is responsible for both implementing and monitoring controls for both centralized and decentralized pay processes within the existing budget.

2009 Management Response

Management agrees with this recommendation.

The Payroll Division (Payroll) has always been responsible for all aspects of centralized payroll processing.

Management does agree that it would be beneficial for Payroll to complete detailed reviews in the decentralized areas to implement and monitor controls and to make recommendations on a case-by-case basis, as to whether time entry should be centralized or decentralized. In fact, subsequent to the Payroll audit, Payroll worked with two decentralized areas to review their time entry models and processes, which resulted in Payroll assuming direct responsibility for time entry for 15 community centres and for the Transit Law group. However, Payroll does not have the resources to undertake any further work or support this change in model for other decentralized groups which includes the requirement to continually review work to ensure consistency and compliance, provide training and involvement in updating policies and procedures in the decentralized areas. To do this, existing resources will have to be identified and reassigned from other departments currently performing decentralized pay processes. This work will commence in Q3 2010 and will be completed by Q1 2012.

Management Representation of the Status of Implementation of Recommendation 1 as of January 31, 2011

Management is in the process of doing decentralized process reviews in the decentralized areas. The expected completion date has been revised to Q4 2012 due to the RPA Automation project which is another corporate priority.

Management: % complete ***15%***

OAG's Follow-up Audit Findings regarding Recommendation 1

Management has provided their workplan for decentralized time entry which shows that the decentralized process reviews for Long Term Care Branch (LTC) and Ottawa Paramedic Service Branch (OPS) have been completed. Management has compiled a detailed risk assessment with respect to the *Telestaff* system and processes for LTC. Similar issues would apply to OPS.

Issues identified by Management have been listed on a summary of risks categorized from low to high and by the relevant sub-categories of compliance, financial and operational including action items to address the risks and the timing of their implementation. The OAG sees this as a very positive step which Management should continue for the remaining reviews.

OAG: % complete 15%

Management Representation of Status of Implementation of Recommendation 1 as of November 2011

Management agrees with the OAG's follow-up audit finding.

Management is continuing to work with some decentralized areas in Transit to improve processes. Currently, Payroll is in the process of working with Transit to take on responsibility for time entry for CUPE 5500 Dispatchers and Transit Supervisors by Q4 2011. Although this is a small group of approximately 100 employees, their time entry is fairly complex.

Payroll is also involved in the time projects at Transit where they are working on introducing *Telestaff* and *Trapeze*, which will eventually interface with pay, resulting in reduction of manual time entry and increased controls. These projects are expected to go live in 2012.

Management expects implementation of this recommendation to be complete by the end of Q4 2012.

Management: % complete 15%

2009 Recommendation 2

That the City correct all the errors identified in this report.

2009 Management Response

Management agrees with this recommendation to the extent where error correction is both feasible and cost-effective. The audit report indicates that there are 56 payroll errors. Management has reviewed the errors outlined in the report and disagrees with the auditor's characterization that all of these items are errors.

Of the 56 errors identified, Management has determined that there were only six calculation errors that impacted payroll payments to employees valued at \$2,761.

The remaining fifty were non-calculation errors that did not impact payments to employees.

Interpretation (Non Calculation)

One issue, impacting 15 Transit employees relates to the interpretation of a pension calculation. Management was fully aware of the calculation being utilized for pension and it was understood to be an accepted business practice agreed to by OMERS. From a payroll perspective, proper premiums were deducted and remitted to OMERS based on this interpretation. In addition, there is correspondence on file between the City and the union, dating back to 2002 that substantiated this reporting practice. Management acknowledges that during the audit process, the auditor uncovered the fact that no formal agreement between OMERS and the City existed and agrees that the City should implement a process where the interpretation of OMERS administration rules should be reviewed on a regular basis.

Calculation

Management agrees with the auditor with respect to the following six calculation errors.

One error, which accounts for 52% of the total calculation error of \$2,761, occurred as a result of the City's inability to recover \$1,405 in OMERS arrears from the employee due to the employee's refusal to repay and their subsequent retirement. This situation was very unique and rarely occurs. On a go forward basis, the Pension and Benefits Unit will not process final retirement documents with OMERS until all overpayments are recovered from the employee. If the recovery is not received, the file, as per usual, will be forwarded to accounts receivable for collection. This process will be fully documented.

For two employees, one system configuration error resulted in under contributions of OMERS for \$5.72 in total, which was corrected on a go forward basis.

Three errors were payment errors: one underpayment of vacation upon termination of \$992 which was later paid, one overpayment of statutory holiday of \$341 which has not been recovered as the employee has been terminated for over two years and the statute of limitations with respect to recovery has been surpassed, and a third error relating to an overpayment of \$16.92 due to an increment date error, which was discovered by Payroll and subsequently recovered.

However, management does not agree with one error identified by the auditor as a calculation error. The employer paid benefit premium was not set up for one employee under the proper plan, therefore the employer paid \$78 more to the carrier than necessary. When Payroll uncovered this, they moved the employee to the proper plan on a go forward basis. In cases such as this one, the City made a business decision not to calculate retroactivity on benefit premiums when SAP was implemented City-wide in 2004. Instead, there is an annual reconciliation completed by the City's external benefit consultants, when preparing the annual

benefit plan financial statements. If there has been an overpayment or underpayment of premiums based on employee movement from one union to another, as was the situation identified by the auditor, this would be accounted for in the reconciliation at year-end and any overpayment/underpayment of premiums would be applied to future premium rates with no net financial impact to the City. Therefore, this is not a calculation error.

Timesheets (Non Calculation)

The auditor identified 24 timesheet errors with a value of \$11,164. In many decentralized areas, the process is one where the employee does not sign a timesheet as a supervisor or scheduler records time worked on behalf of the employee. This is the case for 20 of the 24 "errors" identified by the auditor. Most important to note is the fact that operational managers have confirmed that all payments relating to these 24 cases were accurate and justified based on time worked, which resulted in no incorrect payments to employees or a liability to the City.

Lack of Supporting Documentation (Non Calculation)

Eight errors identified in the report relate to lack of supporting documentation. Management's review of the information found that there were only five instances where documentation was missing, two relating to decentralized time entry, one missing payroll file from 1995, a letter of offer missing the manager's signature and an employee bank change request from 2003 that could not be found.

In addition, there were two Request for Personnel Action (RPA) forms identified as not being properly authorized. Management has reviewed one RPA and deemed the RPA to be accurate. The other error identified, relates to a seasonal transfer, which occurs each year. In 2007, this was not an RPA process; therefore, management disagrees with this being characterized as an error.

None of these issues resulted in incorrect payments being made to employees, or created a liability for the City. However, management does agree that documentation must be completed properly and recognizes the importance of this in minimizing calculation errors.

Of the six calculation errors, the largest dollar value calculation error for one employee was \$1,405 relating to OMERS pension arrears. Management was aware of this situation prior to the audit, including the employee's refusal to repay and subsequent retirement. This was a very unique situation, which rarely occurs; therefore it does not make sense to extrapolate this error to the entire payroll. Management was also aware of the \$17 overpayment due to an increment date error prior to the audit, which was highlighted when a review of increment dates occurred. The auditor's comment does not acknowledge the fact that Payroll has an ongoing recovery/payment process that takes place based on payroll checks and balances that normally detect payroll anomalies. In Recommendation 15, management has responded to the collection process for overpayments, and has

identified that 95% of the outstanding overpayments of \$351,000 at November 2008, had been dealt with at January 2010 with ongoing recovery continuing.

In management's opinion, the emphasis should be placed on the payroll "errors" that resulted in inaccurate payments to employees. Using these criteria, there would be only six payroll errors, as described above.

Based on the above analysis, it is management's opinion that the audit conclusion is misleading.

The report suggests that the pension calculation should have been found and corrected prior to the audit. Management was fully aware of the calculation and additional checks of the premium calculation would not have made a difference as the amounts deducted and remitted agreed with the pension interpretation as understood by management.

The conclusion also states that management needs to determine whose job it is to manage Payroll. The long-standing practice is that Payroll manages the gross to net payroll processes and the time entry component that is centralized within Payroll. Operational managers manage the time entry processes that are decentralized. Past practice at both the former Region and the former City of Ottawa, the two largest employers pre-amalgamation, was that operational managers who had their own time entry staff were responsible for implementing and monitoring controls. Recent discussions with four of six municipal partners (Toronto, Hamilton, Thunder Bay, Halton) confirm that this practice is also followed in their organizations. Although Payroll will assume an oversight role to assess and monitor decentralized time entry processes, operational management still has the prime responsibility for these processes which are operationally driven.

The conclusion also states that there has not been a proper use of controls in the payroll system. The report suggests that there is a problem in that not all clock times have been reflected in SAP. It is regarded as best business practice within many organizations to use generic work schedules. As per management's response to Recommendation 11, it would not be cost-effective or administratively feasible to manage changes in these areas, and would add no value to the payroll or management process. The City has implemented precise work schedules in many areas where applicable, and has over 3,600 precise work schedules set up in SAP.

With respect to interfaces, these projects involve significant work effort and resources from Payroll, business clients and IT and are completed on a prioritized basis. The Telestaff interface was implemented in early 2009 for Ottawa Paramedic Service with Long Term Care following suit shortly thereafter, and the Volunteer Firefighter interface went live in October 2009, which will impact payments to employees in 2010.

Finally, management's opinion is that the comments with respect to there being "a general lack of attention to detail by staff and supervisors involved in Payroll" are unfounded.

Management Representation of the Status of Implementation of Recommendation 2 as of January 31, 2011

Management has addressed the four calculation errors and recouped funds where feasible. The outstanding issue relates to the pension interpretation error regarding Transit employees. The City was required to rectify the reporting of contributory earnings to OMERS as per the OMERS administrative Manual Section 3.1.1 immediately. On a go forward basis, the deduction of pension contributions for additional contributory earnings commenced on the February 4, 2010 pay date.

The Pension and Benefits Unit has completed the analysis of the retroactive additional contributory earnings for the period January 1, 1999 to December 31, 2009. Ernst and Young have been engaged to audit the results of the analysis and it is anticipated that this audit will be completed by the end of Q1 2011. The estimated total cost is approximately \$2.6 million excluding interest costs of approximately \$350,000. HR anticipates mailing the analysis of the retroactive additional contributory earnings to affected employees by the end of Q2 2011. Payments to OMERS will be completed by the end of Q4 2011.

Management: % complete *70%*

OAG's Follow-up Audit Findings regarding Recommendation 2

The Interpretation Error relating to the incorrect pension contributions and contributory earnings is further addressed in the OAG comments with Recommendation 21. Fifteen of the 56 items (26.8%) relate to this matter which remains in progress.

Of the 6 errors that Management agreed were calculation errors, two were recovered or repaid and two relating to the pension contributions were corrected on a go-forward basis. The corrections were in the amount of \$1,015 out of the total of \$2,761 for the specific pays.

The other Non-Calculation Errors relating to missing employee and supervisor signatures on timesheets, request for personnel actions and lack of supporting documentation would be addressed in the OAG comments with recommendations (1, 7 and 16) that generally address these processes.

OAG: % complete *70%*

Management Representation of Status of Implementation of Recommendation 2 as of November 2011

Management agrees with the OAG's follow-up audit finding, however, further progress has been made.

The Pension and Benefits Unit has completed the analysis of the retroactive additional contributory earnings for the period from January 1, 1999 to December 31, 2009. Ernst and Young was engaged to audit the results of the analysis. The auditor has given the City assurance that the additional contributory earnings and additional contributions required are accurate. The estimated total cost is approximately \$2.6 million excluding interest costs of approximately \$350,000. Human Resources will be mailing the analysis of the retroactive additional contributory earnings to affected members in Q4 2011. Payments of contributions will be sent to OMERS by the end of Q4 2011. OMERS will calculate the interest owing and request payment from the City in 2012.

Management considers implementation of this recommendation to be complete.

Management: % complete ***100%***

2009 Recommendation 3

That the City limit access to Human Resources records in compliance with privacy legislation.

2009 Management Response

Management agrees with this recommendation.

Access to HR records has been reviewed and the following changes have been implemented: access is controlled by the Human Resources Consultants (HRCs) and the Human Resources Assistants (HRAs). HRCs will only release information to authorized requesters and will only release information pertinent to the query.

Payroll will access information they may require from an employee's personnel file through the HR Consultant.

Management Representation of the Status of Implementation of Recommendation 3 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response with the following changes; HRAs are now entitled HR Service Centre representatives and Staffing Officers also have employee file access to support the staffing process.

Management: % complete ***100%***

OAG's Follow-up Audit Findings regarding Recommendation 3

We confirmed that for the period from January 2009 to April 2010 personnel files were not charged out or released directly to Payroll in compliance with the City procedures and Management direction.

We noted and have advised Management that the City procedure entitled, "Access to Employee Files Corporate Procedures" with a revision date of September 19, 2007 contains some outdated references to Payroll Division when it was part of

Employee Services and should be updated to reflect that Payroll is now part of the Finance Department.

OAG: % complete *100%*

2009 Recommendation 4

That the City:

- a) Retain payroll audit reports; and,
- b) Review documentation retention timelines for all supporting documents including payroll internal audit reports.

2009 Management Response

- a) Management agrees with this recommendation.

Payroll currently runs and retains hard copies of a series of payroll audit reports each pay period. Payroll recognizes that it would be helpful to have easier access to net pay reports, which are currently retained electronically, and has enhanced the process to include hard copy printing and sign-off by Payroll Management. This was completed in Q4 2009.

- b) Management agrees with this recommendation.

Payroll has also reviewed the documentation retention timelines for supporting documents and has extended the retention of the time entry over/under audit reports from one to seven years, to coincide with the retention period for time/leave request forms. This has been completed.

Management Representation of the Status of Implementation of Recommendation 4 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 4

- a) We confirmed that documents which were initialled and signed were on file for January 2011 which showed the payroll audits completed.
- b) The Corporate Records Classification Scheme reflects retention timelines for Payroll records. Correspondence shows that Payroll Peer Audits will also be placed within this classification.

OAG: % complete *100%*

2009 Recommendation 5

That the City:

- a) Assess the feasibility of automating the running of payroll audit reports into the payroll process or implementing a better manual documented audit process; and,
- b) Ensure that the Payroll Manager confirm the sample of the internal payroll audits.

2009 Management Response

- a) Management agrees with this recommendation.

Management is currently working with the IT Support Centre to assess the feasibility of automating the running of payroll audit reports. If this is not feasible, Payroll will review the current process to determine if there is a requirement to enhance the documented manual process. It is anticipated that this will be completed by the end of Q1 2011.

- b) Management agrees with this recommendation.

The Payroll Manager is also currently working with IT to develop a system-generated report to allow Payroll management to confirm that internal payroll audits are being conducted and documented. If this is not feasible, Payroll will review the current process to determine if there is a requirement to enhance the documented manual process. It is anticipated that this will be completed by the end of Q1 2011.

Management Representation of the Status of Implementation of Recommendation 5 as of January 31, 2011

- a) Payroll has enhanced the manual audit process whereby the audits are now maintained hard copy in a central file rather than on-line as was done in the past. In addition, Program Managers must sign off on the hard copy forms.

Payroll is also working with IT to develop system-generated audit reports. In Q4 2010, one audit report was built and is now being used. The plan is to develop other system-generated audit reports as time permits over the next year.

- b) Effective 2011, the Payroll Manager confirms the sample by ensuring that the forms have been signed off and placed on file.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 5

- a) Payroll demonstrated the one system generated audit-report (i.e., Net Pay Control Report) which has been built and is being used.

OAG: % complete **100%**

b) We confirmed documents which were initialled and signed off were on file (e.g., January 2011) which showed the payroll audits completed.

OAG: % complete

100%

2009 Recommendation 6

That the City compare and validate the Payroll and Corporate Security employee lists and explain any variances.

2009 Management Response

Management agrees with this recommendation.

Employee master data is already sent to IT for updating systems such as email and employee directory information. IT management will review this process by Q1 2011 to determine if they can utilize the same file to compare employee master data with the Corporate Security lists to ensure they are one and the same. IT will conduct semi-annual reviews to explain and resolve any variances.

Management Representation of the Status of Implementation of Recommendation 6 as of January 31, 2011

IT management conducted a review of this process in Q1 of 2011 and without detailed requirements outlined in the audit report; IT must assume that the validation between Payroll (SAP) and Corporate Security (P2000) employee lists will require the validation of: First Name, Last Name, Middle Initial, Status (active/disabled) and phone extension and a unique identifier. It is also assumed that it will not contain Police data as it is considered confidential and not available in the P2000 system, nor will it contain visitors/consultants as they are not contained within the Payroll data, nor will it contain Parks and Recreation part time staff as they are not issued badges.

To meet this recommendation, a custom script must be written for both SAP and P2000 to extract the data. Once the data is exported, another custom script will be required to run against the data. When there are exceptions, the business areas (Payroll and Corporate Security) will have to conduct reviews to explain and resolve any variances. It is estimated this will take IT approximately two weeks of elapsed time from two developers and one Database Administrator (DBA) to write the scripts, export and match the data sets, and test results. The estimated time for the business areas to resolve the variances is unknown at this time but this will be the larger piece of work. These variances will have to be resolved by Corporate Security and Payroll each time the report is run.

Currently this recommendation cannot be completed as the current P2000 system does not support unique identifiers. It would require an upgrade to the current P2000 system and the customized scripts. The report will contain an exception list that will contain names that will have to be manually validated by Corporate

Security and Payroll. It will be a labour intensive exercise on the part of Corporate Security and Payroll to resolve these variances.

If Corporate Security is successful in obtaining approval for a P2000 upgraded system, IT Management will review this recommendation.

Management questions the value of this work in that the exception list will most likely contain thousands of names that will have to be manually validated by Corporate Security and Payroll. Parks and Recreation's part time staff do not have badges, Corporate Security issues temporary badges to visitors/consultants that are not in SAP Payroll, Corporate Security issues temporary passes to employees who forget or lose their cards therefore they would not be a match in SAP the day of extract. It will be a labour intensive exercise on the part of Corporate Security and Payroll to resolve these variances.

Management requests that the business requirements for this validation exercise be clarified by the OAG prior to staff finalizing its follow-up response.

Management: % complete *10%*

OAG's Follow-up Audit Findings regarding Recommendation 6

We have confirmed that this matter continues to be in progress.

OAG: % complete *10%*

Management Representation of Status of Implementation of Recommendation 6 as of November 2011

Management agrees with the OAG's follow-up audit finding.

Details provided in the *Management Representation of Status Implementation as of January 31, 2011*, are still valid. The effort to produce an exception list would be additional effort over and above the P2000 to Kantech upgrade. The ITS department is unable to provide a completion date on the Kantech upgrade as business requirements gathering must be conducted, which cannot begin until the end of Q1 2012. Once the ITS department have completed the Kantech upgrade, they can look at the work involved to satisfy this recommendation. The ITS department will be able to provide a more accurate timeline by the end of Q4 2012.

ITS' work will be minimal (approximately 2-3 weeks of elapsed time from two developers and one Database Administrator (DBA) to write the scripts, export and match the data sets, and test results), assuming Kantech can provide the City with a unique identifier, which P2000 cannot. The larger part will be on the business to vet the exception list. As individuals are hired/suspended/terminated in the organization, they are managed in the payroll system. It is a separate manual process to obtain/suspend/terminate a security badge and is up to the hiring manager to initiate. The exception list will most likely contain thousands of names

that will have to be manually validated by the business every time the report is run. Exceptions may include, but are not limited to:

- Staff hired in payroll system without a security badge (not required at a number of locations without card readers)
- Staff on leave with an active security badge
- Consultants with a security badge but not in payroll system
- Visitors/contractors with a temporary security badge but not in payroll system
- Staff/consultants with temporary badges because they forgot or lost their card

Management: % complete *10%*

2009 Recommendation 7

That Payroll Division implement and monitor controls to ensure that:

- a) Prior to entry, timesheets (or other appropriate documentation) exist to document and authorize time including appropriate employee and supervisory authorization;
- b) The authorization list contains signatures and initials; and,
- c) Supervisors are aware of the different rates tied to job codes.

2009 Management Response

- a) Management agrees with this recommendation.

For the centralized process, Payroll currently ensures that timesheets are signed by the appropriate supervisor/manager by referencing a manual authorization listing managed by the Time Transactions supervisor in conjunction with direction from Level 4 and 5 managers within the client organization.

For the decentralized process, Payroll's ability to implement and monitor such controls requires the identification and reassignment of existing resources currently performing decentralized pay processes. This will commence in Q3 2010 and be completed by Q1 2012.

- b) Management agrees with this recommendation.

The FMIS group is currently developing a database to house specimen signatures and initials. Payroll will be utilizing this tool in the future to review specimen signatures for the manual time and leave reporting process. It is anticipated that this will be completed by the end of Q4 2010.

With respect to electronic authorizations, recently managers/supervisors have been delegated the appropriate signing authority within the SAP system for a variety of automated human resources management actions, including approval of time and

leave. Since July 2009, the automated mileage and parking solution uses this approach and the same methodology is in use for the automated time/leave solution that was launched in November 2009 over a 3-month period, for approximately 4,800 employees. The automated processes eliminate the requirement for dual data entry and the maintenance of a manual authorization system.

c) Management agrees with this recommendation.

Management agrees that supervisors are responsible for ensuring that the accurate job code is recorded on the time sheet. The minimum and maximum pay rates tied to job codes can be found in all collective agreements, which are posted on OZONE. Hourly rates should not be recorded on the timesheet. Many alternate jobs have more than one rate of pay and the system has been built to determine the exact rate of pay owing on any given pay, when an alternate job rate is used, based on the rules of the collective agreements. The most appropriate control for payment of alternate rates has been built within the SAP system.

Payroll's ability to implement and monitor controls to ensure that supervisors are aware of the different rates tied to job codes requires the identification and reassignment of existing resources currently performing decentralized pay processes. This work will commence in Q3 2010 and be completed by Q1 2012.

Management Representation of the Status of Implementation of Recommendation 7a) as of January 31, 2011

Management is in the process of doing decentralized process reviews in the decentralized areas. The expected completion date has been revised to Q4 2012 due to the RPA Automation project which is another corporate priority.

Management: % complete *15%*

Management Representation of the Status of Implementation of Recommendation 7b) as of January 31, 2011

A database has been built to house specimen signatures for those still completing manual time and leave forms and it is being used by Payroll staff.

Management: % complete *100%*

Management Representation of the Status of Implementation of Recommendation 7c) as of January 31, 2011

Management is in the process of doing decentralized process reviews in the decentralized areas. The expected completion date has been revised to Q4 2012 due to the RPA Automation project which is another corporate priority.

Management: % complete *15%*

OAG's Follow-up Audit Findings regarding Recommendation 7a), 7c)

Management has provided their workplan for decentralized time entry which shows that the decentralized process reviews for Long Term Care and Paramedic Service have been completed. Management has compiled a detailed risk assessment with respect to the *Telestaff* system and processes for Long Term Care. Similar issues would apply to Ottawa Paramedic Service. Issues identified have been listed on a summary of risks categorized from low to high and by the relevant sub-categories of compliance, financial and operational including action items to address the risks and the timing of their implementation. As noted in Recommendation 1, the OAG sees this as a very positive step which Management should continue for the remaining reviews.

OAG: % complete

15%

Management Representation of Status of Implementation of Recommendation 7a) and 7c) as of November 2011

Management agrees with the OAG's follow-up audit finding.

Management is continuing to work with some decentralized areas in Transit to improve processes. Currently, Payroll is in the process of working with Transit to take on responsibility for time entry for CUPE 5500 Dispatchers and Transit Supervisors by Q4 2011. Although this is a small group of approximately 100 employees, their time entry is fairly complex.

Payroll will ensure that timesheets from these areas include appropriate employee and supervisory authorization. Payroll's ability to implement and monitor controls to ensure that supervisors are aware of the different rates tied to job codes requires the identification and reassignment of existing resources currently performing decentralized pay processes.

Management expects implementation of this recommendation to be complete by the end of Q4 2012.

Management: % complete

15%

OAG's Follow-up Audit Findings regarding Recommendation 7b)

Payroll has demonstrated their use of the authorized signature database and follow-up actions taken where the signature does not appear on the database.

OAG: % complete

100%

2009 Recommendation 8

That RPAM follow a consistent method for processing timesheets to Payroll.

2009 Management Response

Management agrees with this recommendation.

It is, however, important to note that during the original implementation of daily activity tracking for Building Operations staff in 2002, faxing to a centralized area was deemed to be the most efficient means of processing activity sheets for payroll purposes due to the location of employees at facilities all over the City. Out of the 300 activity sheets received by the data entry clerks on a daily basis for processing, the majority are received by fax with the drop off of originals by supervisors being the exception to the normal process. In order to ensure that time entry is not duplicated and/or missed, the process of faxing daily activity time tracking sheets has been clarified and communicated to the Building Operations supervisors.

Management Representation of the Status of Implementation of Recommendation 8 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 8

Management has indicated that an email reminder was sent to all staff to communicate the process. However, they were unable to get a copy of the email that was distributed to the Facility Supervisors back in 2009.

OAG: % complete *100%*

2009 Recommendation 9

That the City obtain a Building Permit for work conducted at Traffic and Parking Operations, as appropriate.

2009 Management Response

Management agrees with this recommendation.

In consultation with the Building Code Services branch, management has confirmed that a building permit is not required for the kitchen renovations; however, a building permit should have been secured for the storage shed. Upon further review, it was determined that there is no longer a requirement for the storage shed at Loretta. Therefore, the structure was dismantled and removed on October 8, 2009.

Management Representation of the Status of Implementation of Recommendation 9 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 9

Management has confirmed that the storage shed was dismantled and removed in October 2009.

OAG: % complete *100%*

2009 Recommendation 10

That the City review which work schedules will require "precise" time entry and that the City ensure accurate clock times are entered into the system, and that inaccurate times are not assumed or forced into the system.

2009 Management Response

Management disagrees with this recommendation.

In 2004, when the City moved all employees to SAP, the City did a review and determined the operational areas that require "precise" work schedules. The decision was made to implement three different types of work schedules in SAP. These include: "precise", "generic" and "off by seven".

Precise schedules identify exact start and end times plus duration of lunch for each and every day of the work schedule, which can be several weeks in duration. These schedules have been set up in areas where there are variable work periods such as 24 X 7 operations and rotating shifts. All precise schedules reflect accurate clock times in the system. The benefit of precise schedules is that they drive the payment of premiums, such as shifts and statutory holiday payments, therefore alleviating the requirement to perform manual time entry as was required in the former legacy payroll systems. Over 3,600 precise schedules are utilized.

Generic work schedules have been assigned to Monday - Friday workers, who have weekends and statutory holidays off and where there is no requirement to pay premiums based on regular hours worked. The City's largest union, CUPE 503 I/O allows for flexible hours (Article 5) for employees who work Monday to Friday, 7 or 8 hours per day that span between 7 am and 5 pm. It would not be cost-effective or administratively feasible to create work schedules for every employee's flexible schedule. More importantly, it would create an administrative nightmare to manage these changes. Generic work schedules are regarded as a best practice and are utilized in many organizations. There is no advantage to having precise clock times in the system for those on generic schedules.

The 'off by seven' schedule is used primarily for casuals, as this group does not have predetermined work hours. Time entry must be completed for this group to be paid. Since there are no premiums associated with the 'off by seven' schedule, clock times are not utilized.

Management Representation of the Status of Implementation of Recommendation 10 as of January 31, 2011

This recommendation has not been implemented due to the reasons outlined in the management response above.

Management: % complete *0%*

OAG's Follow-up Audit Findings regarding Recommendation 10

Management has indicated that there have been no changes with respect to this recommendation.

OAG: % complete *0%*

Management Representation of Status of Implementation of Recommendation 10 as of November 2011

Management agrees with the OAG's follow-up audit finding.

This recommendation has not been implemented due to the reasons outlined in the management response above. Specifically, it would not be cost-effective or administratively feasible to create work schedules for every employee's flexible schedule. More importantly, it would create an administrative nightmare to manage these changes. Generic work schedules are regarded as a best practice and are utilized in many organizations. There is no advantage to having precise clock times in the system for those on generic schedules.

No further action is planned to be undertaken.

Management: % complete *0%*

2009 Recommendation 11

That the City complete the interface from Telestaff to SAP, that was to be completed by February 2009, so that the process does not rely on spreadsheets that are inherently vulnerable to manipulation.

2009 Management Response

Management agrees with this recommendation.

The interface from Telestaff to SAP was completed in February 2009 whereby all time/pay-related data is transferred directly to SAP via a weekly upload. Subsequently, in 2009 an interface from Long Term Care was also implemented.

Management Representation of the Status of Implementation of Recommendation 11 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 11

Ottawa Paramedic Service (OPS) and Long-Term Care (LTC) use *Telestaff* to manage work schedules and time and leave for their staff. Since 2009, interfaces were implemented where separate files for OPS and LTC were loaded automatically into SAP on a weekly basis.

Payroll staff perform a verification to ensure the file loaded properly and review the interface log of warnings and errors to be corrected. Time and pay errors in SAP would be followed up with the operational area and manually corrected by Payroll staff.

As noted in Recommendations 1 and 7, Management has completed the decentralized process reviews for Long Term Care and Paramedic Service and has compiled a detailed risk assessment with respect to the *Telestaff* system and processes for Long Term Care which the OAG considers to be a very positive step. Similar issues would apply to Ottawa Paramedic Service.

Although the interface has been automated, as noted, there continues to be manual effort on the part of Payroll and Operational staff.

OAG: % complete *100%*

2009 Recommendation 12

That the City:

- a) Replace the RMS system used for payroll purposes for Volunteer Firefighters with a more functional system with better controls; and,
- b) Check that rates and levels paid are available in an agreement.

2009 Management Response

- a) Management agrees with this recommendation.

In the past, Volunteer Firefighter payroll information, including rates of pay and hours worked, was not housed in the SAP Payroll system, but in the RMS system used by Fire Services. Fire Services would calculate the hours worked and the rate of pay in their system and pass gross information to Payroll to be entered into SAP to calculate net pay.

Since November 2008, Payroll has been leading a project with Fire Services to utilize the SAP HR/Payroll system rather than RMS to track payroll information for the purposes of calculating pay. The official salary schedules will be built in the SAP

system and all payroll information will be tracked in that system. Implementation occurred in October 2009. A file from the RMS system will be uploaded directly into SAP identifying dates, activity and the number of hours worked for each volunteer. SAP will use that information, determine the rate of pay for each activity and calculate gross to net pay for all hours worked from October 1, 2009 onwards.

b) Management agrees with this recommendation.

The rates of pay are adjusted annually per Council approval (ACS 2007-CPS- OFS-0002, June 19, 2007) which approved retro Cost of Living Adjustments (COLA) based on adjustments received by City of Ottawa Management Professional Exempt staff retroactive to 2004. In 2008 the volunteer base honorarium was compared with Hamilton. Commencing 2009, ongoing COLA adjustments are provided equal to that received by City of Ottawa Management Professional Exempt.

Management Representation of the Status of Implementation of Recommendation 12 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete ***100%***

OAG's Follow-up Audit Findings regarding Recommendation 12

a) We confirmed that the RMS file has been uploaded into SAP with hours by activity for payment purposes. Payroll staff have a documented process which indicates this would be done twice annually in May for September of the prior year to February and in November for March to August of the same year. We noted the pay statement dates reflect the two weeks prior and does not reference the actual date ranges covered by the payment. Management has indicated that the earnings do appear with the letter R to demonstrate retroactive earnings and that the date ranges covered could be added to the message field on the pay statement.

Although hours are only submitted twice annually, the upload process is done bi-weekly in order to process employee terminations.

Although there were other reporting options, the Hours of Work report did not report hours relating to Volunteer Firefighters. As of the end of September 2011, the Hours of Work report was fixed to report hours relating to Volunteer Firefighters. Although this fault was resolved, we have confirmed that other faults with the Hours of Work report relating to recommendations 14 and 16 have not yet been resolved.

b) We have also confirmed the rates have been setup in SAP in accordance with the rates approved in the July 9, 2007 Council minutes 17.

OAG: % complete ***100%***

2009 Recommendation 13

That Payroll Division work with the Transit Services Department to:

- a) Document the processes used by Time Administrators at Transit Services;
- b) Implement a control whereby the Supervisor, Transit Booking randomly selects one day per week, or pay period, and has a different time administrator than the one that did the original entries verify the entries. Document both the scheduling and results of the control; and,
- c) Implement a control whereby time entries made by the Supervisor, Transit Booking are reviewed by the Program Manager.

2009 Management Response

Management agrees with this recommendation, however, Payroll does not have the resources to undertake this work.

To date, Payroll has worked closely with Transit Law to review their business model and processes, which has resulted in Payroll assuming direct responsibility for time entry for this group. As identified in management's response to Recommendation 1, to fully implement this recommendation would create the requirement to identify and reassign existing resources currently performing decentralized pay processes. This will commence in Q3 2010 and be completed by Q1 2012.

Management Representation of the Status of Implementation of Recommendation 13 as of January 31, 2011

Management will complete this review as part of the decentralized time entry process reviews which are planned for completion in Q4 2012.

Management: % complete *0%*

OAG's Follow-up Audit Findings regarding Recommendation 13

As indicated in Recommendation 1, Management has provided their workplan for decentralized time entry which shows that the decentralized process reviews for Long Term Care and Paramedic Service have been completed. Transit is scheduled for completion Q4 2012.

OAG: % complete *0%*

Management Representation of Status of Implementation of Recommendation 13 as of November 2011

Management agrees with the OAG's follow-up audit finding.

Management is continuing to work with some decentralized areas in Transit to improve processes. Currently, Payroll is in the process of working with Transit to take on responsibility for time entry for CUPE 5500 Dispatchers and Transit Supervisors by Q4 2011.

Any procedural documentation will be completed as a component of the decentralized review that is to be completed by the end of Q4 2012.

Management: % complete *0%*

2009 Recommendation 14

That Payroll ensure that there are codes for all labour actions in the system.

2009 Management Response

Management agrees with this recommendation.

Payroll develops codes for those labour actions that have been requested by Labour Relations or Human Resources for human resources management purposes. In 2007, Payroll was in the process of setting up the 'suspension without pay' code as per Labour Relations' request, however since the code was not built when required, the decentralized time entry group used the generic 'leave without pay' code. The suspension code was implemented mid-2007.

Management Representation of the Status of Implementation of Recommendation 14 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 14

We have confirmed that there are separate codes for suspensions with or without pay in the payroll system which meets the requirements of the recommendation.

However, based on other audits, we have found that there are issues relating to the use of these codes. Codes have not been used consistently by operating departments when processing suspensions. Ultimately, managers are responsible to ensure that they are coding transactions properly. Perhaps further education and verification with respect to this process would help managers meet their responsibilities.

OAG: % complete *100%*

2009 Recommendation 15

That the City follow up and recover any outstanding overpayments on a timely basis.

2009 Management Response

Management agrees with this recommendation.

Prior to and post this audit, Payroll has had in place a process to follow up on overpayments as they occur. The Payroll audit report identified a cumulative

overpayment value of \$351,000 at November 2008, which equates to one tenth of 1% of net payroll for one year. However, it was not mentioned that of this amount, \$236,000 or 68% had already been collected at that time. At January 2010 there remains a balance of \$23,000. Currently 93% of the overpayment value of \$351,000 identified has been dealt with and Payroll continues to work on the collection of the remaining amount owing.

Management Representation of the Status of Implementation of Recommendation 15 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 15

Management has been addressing overpayment claims and recoveries on an ongoing basis.

OAG: % complete 100%

2009 Recommendation 16

That the City complete RPAs as required, including ensuring that increments are paid properly and update the RPA process on Ozone.

2009 Management Response

Management agrees with this recommendation. Managers must complete an RPA to initiate an employee transaction.

The RPA process was updated in 2008 and further enhancements are being considered as part of the City's HR automation processes in 2009 and 2010. A review of signing authority on RPAs was conducted in 2009 as part of the City's HR automation/workflow process to ensure compliance with the City's Delegated Authority policy.

In order to enhance usability, the RPA form was updated in July 2009 to provide greater functionality by using drop-down boxes and pre-populating fields with employee/position data coming from SAP increasing accuracy.

Human Resources and Payroll will review the RPA process on Ozone. It is anticipated that this review will be completed by the end of Q2 2010.

Management Representation of the Status of Implementation of Recommendation 16 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response. The updated RPA process is reflected on Ozone.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 16

Management indicated they did review the RPA process and documentation showed that they have started to implement their review.

Management indicated that prior to May 2011, managers would access the RPA form from the City's intranet and follow the manual RPA process for manual increments, leaves of absence, resignations/terminations, and new hires.

The City's intranet currently shows the RPA process for both employee movement transactions and termination transactions and that subsequent to May 2011 are now to be submitted using the new SAP Automated Employee Transaction solution as part of the Phase I and Phase II rollouts. Management indicated that the Employee Transaction solution is not yet being fully used for new hires.

Management indicated that for Leaves of Absence, the authorizations for these would be automated through the Employee Transaction workflow process which would flow from the manager to Human Resources to the Payroll Employee Transaction Analyst. The process is similar for manual increments. Management provided the Payroll Analyst checklist which contains verifications to follow for Authorized Leave of Absence Without Pay. For one example, we noted and confirmed with Management that although the Leave of Absence Without Pay had been properly processed, we found there was an error in the Hours of Work report for this transaction code as well as the two other transaction codes in Recommendations 12 and 14.

Management indicated that Resignations/Terminations, except for Retirements which are initiated by Pensions, go directly from the manager to Payroll through the workflow process. Human Resources do not have a direct role but would be involved in a consulting role to the manager.

Although the automated RPA process is being implemented, there were a couple of employee transactions such as rank progression and red-circled employees that continue to be handled manually.

Documentation shows that rank progression has been done on a multi-action spreadsheet which the business area populates and sends to HR to further complete. The spreadsheet is sent from HR via email to Payroll with a cc to department managers. This continues to be an area of inherent risk as spreadsheets are prone to error and subject to manipulation.

Management showed that economic increments would not be automatically updated for red-circled employees and provided the documented manual process which indicates that they use information from SAP. Management indicated that they have a rigorous process which includes the Payroll Analyst recalculating and Program Manager validating and signing off every calculation. This continues to be a manually intensive process. Management has indicated that although manual,

with the level of customizations that would be required, the amount of time and effort would not make it cost effective or efficient.

OAG: % complete

100%

2009 Recommendation 17

That the City:

- a) Review their current process with respect to acting pay to ensure that documentation and system entries properly reflect the actions taken; and,
- b) Review system functionality and documentation for acting pay to ensure that acting pay is properly controlled, started and stopped appropriately and that system functionality is fully utilized.

2009 Management Response

- a) Management agrees with this recommendation.

The end date for long-term acting is identified in the SAP system. However, the system has not been designed to automatically adjust pay. HR runs the “End of Acting” reports and works with clients to determine if the acting should be extended or if the term should be ended. Management will review the current process by end of Q3 2010.

- b) Management disagrees with this recommendation.

Management does not agree that a hard control is necessary for various reasons. An assessment was undertaken with the City’s IBM partners when implementing SAP across the organization and the resulting recommendation was to utilize SAP vanilla functionality. Automatic future dating the end of assignments in SAP was not recommended, as it would be neither cost- effective nor administratively efficient. For example, the majority of acting and temporary assignments are extended beyond the initial acting period, and therefore, employee pay is at risk if a hard control is instituted. In addition, employee status changes can occur with ongoing extensions, affecting employee entitlements and future end dating at time of hire, to pay and leave.

Management Representation of the Status of Implementation of Recommendation 17a) as of January 31, 2011

Management has reviewed the end of acting process and has determined that there are no changes required to the current procedure in regard to acting pay.

Management: % complete

100%

Management Representation of the Status of Implementation of Recommendation 17b) as of January 31, 2011

This recommendation has not been implemented due to the reasons outlined in the management response above.

Management: % complete 0%

OAG’s Follow-up Audit Findings regarding Recommendation 17

a) End dates for acting pay or acting assignments are not a control which results in stopping pay or entitlements as soon as the end date is reached but rather are treated as reminders. Management has indicated that these would be reflected as part of an “End of Assignment” monitoring report generated by Human Resources Consultants as a bring/forward system for follow-up with the managers directly.

Management has indicated that they have reviewed the employee movement transactions as part of Phase 2 of the SAP Automated Employee Transaction Project implemented in May 2011. Since that time, end dates also appear as part of SAP-Manager Self Serve (MSS) for reminder purposes only. MSS includes the automated processes for managers to temporarily place a permanent employee in a position at a lower, lateral or higher pay grade, to provide acting pay to a permanent employee who will perform duties in a position at a higher pay grade, or to return an employee to their substantive position at the end of an acting assignment.

OAG: % complete 100%

b) As detailed in part a, end dates for acting pay or assignments that are in the automated system continue to be a reminder only and are not a control which results in stopping pay or entitlements as soon as the end date is reached. Management expects that in the future there would be the ability to notify managers by email.

Human Resources Management has indicated that the onus is on operational managers to complete the automated processes to end acting pay or assignments on a timely basis.

OAG: % complete 0%

Management Representation of Status of Implementation of Recommendation 17b as of November 2011

Management agrees with the OAG’s follow-up audit finding.

This recommendation has not been implemented due to the reasons outlined in the original management response. Specifically, an assessment was undertaken with the City’s IBM partners when implementing SAP across the organization and the resulting recommendation was to utilize SAP vanilla functionality. Automatic future dating the end of assignments in SAP was not recommended, as it would be

neither cost-effective nor administratively efficient. For example, the majority of acting and temporary assignments are extended beyond the initial acting period, and therefore, employee pay is at risk if a hard control is instituted. In addition, employee status changes can occur with ongoing extensions, affecting employee entitlements and future end dating at time of hire, to pay and leave.

No further action is planned to be undertaken.

Management: % complete *0%*

2009 Recommendation 18

That the City process vacation pay such that vacation hours are processed and not just dollars and that leave banks are appropriately reduced.

2009 Management Response

Management agrees with this recommendation.

When vacation payout is processed, vacation hours are processed rather than dollars and leave banks are properly reduced. The only exception to the approach is when an employee requests that some or all of the vacation owing be transferred to an RRSP. The system currently cannot accommodate processing the vacation in hours in this type of scenario.

Payroll will investigate the feasibility of enhancing the SAP system to accommodate this request by end of Q4 2010.

Management Representation of the Status of Implementation of Recommendation 18 as of January 31, 2011

Payroll Management worked with the Information Technology Services Support Centre to assess the feasibility of enhancing SAP to accommodate the processing of vacation pay using hours rather than dollars and have determined that SAP cannot accommodate this.

The frequency of leave being paid out in dollars versus hours is very low and only occurs when an employee requests some or all of their vacation cash payout to be transferred to a Registered Retirement Savings Plan.

Payroll has developed an audit process to address this process, where both peer audits and reviews by a senior person are completed to ensure leave banks are appropriately reduced when hours are paid out in dollars.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 18

Payroll has revised the process to remove some of the defaults and automated calculations to ensure that vacation hours are appropriately reduced when vacation

cash payouts are transferred to Registered Retirement Savings Plans. They have indicated this would also be double-checked as part of the peer audits.

OAG: % complete 100%

2009 Recommendation 19

That the City stop the practise of the advance payment of Fire statutory days of December 25 and 26 on the first pay of December.

2009 Management Response

Management agrees with this recommendation.

Due to past practice, Ottawa Fire Services are required to give notice to the Ottawa Professional Fire Fighters Association prior to implementation. Discussion did occur with the Association in the fall of 2009 with an anticipated implementation of Q4 2010.

Management Representation of the Status of Implementation of Recommendation 19 as of January 31, 2011

The recommendation, "That the City stop the practise of the advance payment of Fire statutory days of December 25 and 26 on the first pay of December," was tabled in 2009 Collective Agreement discussions between the Fire Management Team and the OPFFA executive. The union rejected the auditors' recommendation to stop the advance payment of Fire statutory days and thus the change in policy was not implemented. The advance payment of these statutory days are explicitly stated in Article 7, clause 7:02 of the OPFFA collective agreement as it states, "Payment for any outstanding, uncheduled lieu days will be provided on the first pay period in December of each year."

The Fire Management Team has put the OPFFA on notice that this recommendation will be tabled in Q2 of 2011 as a negotiation point in the new collective agreement to be enacted January 1, 2012. The earliest this recommendation can be enacted is December 2012 based on the negotiated removal of the existing clause in the new OPFFA collective agreement.

Management: % complete 50%

OAG's Follow-up Audit Findings regarding Recommendation 19

We have confirmed that this matter continues to be in progress and remains outstanding.

OAG: % complete 50%

Management Representation of Status of Implementation of Recommendation 19 as of November 2011

Management agrees with the OAG's follow-up audit finding.

The Fire Management Team has met with Labour Relations to review the upcoming negotiation points. This recommendation is part of the 2012 negotiations. The City has exchanged their new collective agreement proposal with the OPFFA and has commenced the negotiation process. The earliest this recommendation can be implemented is the end of Q4 2012.

Management: % complete **50%**

2009 Recommendation 20

That the City periodically review benefits and send reminders to staff to confirm that coverage is appropriate.

2009 Management Response

Management agrees with this recommendation.

Benefit confirmation initiatives are performed approximately every four years and were completed in 2001 and 2005. In keeping with this timing, there is currently a benefit verification initiative taking place. Benefits statements have been forwarded to each employee with existing benefits coverage to confirm that coverage is appropriate. This initiative will be completed by end of Q1 2010.

Management Representation of the Status of Implementation of Recommendation 20 as of January 31, 2011

The benefits verification initiative was completed in Q1 2010.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 20

Management provided the overall results from the Benefits Consultants for the information verification project which showed that out of 16,958 employees that they received updated personal verifications forms and updated beneficiary designation forms for 71% and 72% of employees. Management indicated that they went out twice to remind people to provide the information and that they are continuously promoting that employees check their benefits statements for accuracy.

In the case of dependents aged 21 to 25, Human Resources would go out annually to remind employees that they need to provide proof of dependents that are in full-time studies. Human Resources indicated that where they have not received this proof, benefits coverage would be removed. This information would also be detected at the claims level where claims would be rejected.

OAG: % complete

100%

2009 Recommendation 21

That the City ensure:

- a) Compliance with all OMERS rules/legislation;**
- b) OMERS earnings are reconciled for staff on a sample basis;**
- c) The documentation relating to year-end procedures for OMERS are corrected as appropriate; and,**
- d) Pension files are opened where staff are eligible to be offered a pension in order to track follow-up.**

2009 Management Response

- a) Management agrees with this recommendation.

The pensionable earnings reported to OMERS since January 1, 1999 were considered to be accurate. It was the understanding that this was the accepted business practice agreed to by OMERS. Although a signed agreement between OMERS and the City could not be located, correspondence on file between the City of Ottawa and the union substantiated this reporting practice. Therefore, regular checking of pensionable earnings would not have detected or flagged this issue. All pensionable earnings as per OMERS Administrative Manual Section 3.1.1 will be reported for the Transit Group by the end of 2010, including retroactivity, to ensure compliance with OMERS. Retroactive reporting of additional pensionable earnings will be concluded in 2010. On a go forward basis, the deduction of pension contributions for additional contributory earnings commenced on the February 4, 2010 pay date.

The estimated total cost is approximately \$2.6 million excluding interest. This represents both employee and employer contributions. The Pension and Benefits Unit have confirmed with OMERS that contributions and interest will not be charged during the contribution holiday.

- b) Management agrees with this recommendation.

Random audits for employees on a sample basis will take place on a quarterly basis to verify that all pensionable earnings are included as part of OMERS requirements and that the appropriate contributions are reported to OMERS. These audits will commence in Q1 2010 and will represent 1% of employees within each union affiliation contributing to the OMERS Pension Plan (equating to approximately 500

employees per year). This will be in addition to the year -end reconciliation process, which reconciles payroll contributions deducted for each employee, to contributions required by OMERS.

c) Management agrees with this recommendation.

The documentation of year-end procedures has been corrected.

d) Management agrees with this recommendation.

Commencing in 2008, pension files were opened for those eligible Other-Than-Continuous Full-Time (OTCFT) employees who elected to join the pension plan. For those eligible employees who declined to join the pension plan or those that have yet to respond, correspondence was filed in the employee's official payroll file.

In Q4 2009, official pension files were opened for all Other-Than-Continuous Full-Time (OTCFT) enrolment offers sent to employees.

Management Representation of the Status of Implementation of Recommendation 21a), c), d) as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

Management Representation of the Status of Implementation of Recommendation 21b) as of January 31, 2011

Implementation of this recommendation has been completed as per the management response. Quarterly random audits commenced in Q1 2010.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 21a)

Management is taking steps to address this recommendation.

Management provided a copy of their 2011 Workplan dated August 31, 2011 for the Reporting of the Additional Contributory Earnings from 1999 to 2009 which shows that they plan to complete most of the duties by October 2011.

Management provided a copy of the external auditor's report on the statement of OMERS adjustments for the City of Ottawa for the period from January 1, 2000 to December 31, 2008 which was one of the items listed as completed on the workplan.

Management indicated that they had started the pension redesign and resulting adjustments during 2010 and plan to finalize with the October 2011 release.

OAG: % complete *95%*

Management Representation of Status of Implementation of Recommendation 21a) as of November 2011

Management agrees with the OAG's follow-up audit finding, however, further progress has been made.

The final phase of the pension re-design was implemented on October 29, 2011. The implementation incorporated all OMERS rules and regulations.

Management considers implementation of this recommendation to be complete.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 21b)

Management has provided a copy of their documentation regarding the random audits in which they planned to conduct at the rate of 1% of the population enrolled in OMERS for each union affiliation. They had estimated that this would represent 145 samples each quarter for a total of 580 samples in 2010.

Management has demonstrated that they have conducted random audits under this format excluding Transit which they have indicated has been done as part of the pension redesign project.

OAG: % complete **95 %**

Management Representation of Status of Implementation of Recommendation 21b) as of November 2011

Management agrees with the OAG's follow-up audit finding, however, further progress has been made.

Management will continue to conduct quarterly audits at the rate of 1% of the population enrolled in OMERS for each union affiliation. Quarterly audits for the Transit groups commenced in Q2 2011. Management considers implementation of this recommendation to be complete.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 21c), 21d)

c) Management has indicated that they have enhanced the year end process and retroactive reporting and provided a copy of their year-end work plan that shows they no longer use percentage tolerance levels.

OAG: % complete **100%**

d) Management has indicated that they have now been retaining correspondence on file relating to offers to eligible Other Than Continuous Full Time employees to join the pension plan. However, they were unable to provide the process documentation.

OAG: % complete **100%**

2009 Recommendation 22

That the City review processes relating to long-standing practice(s) and establish and document policies as appropriate and ensure all other policies are followed.

2009 Management Response

Management agrees with this recommendation.

Management already has a Salary Administration guideline in place, where long-standing practices, other than those mandated by governing bodies, have been documented. With respect to the training rates for bus operators or the rate of pay for modified duties, as identified in the audit report, Payroll has requested that Transit and the Corporate Compensation group include these practices within their guidelines as required. This will be completed in Q1 2010. Payroll will ensure that if they become aware of any other practices that are not currently documented, that they will identify them for inclusion in a policy or guideline document.

Management Representation of the Status of Implementation of Recommendation 22 as of January 31, 2011

The training rate of pay for bus operators has now been incorporated into the Salary Administration Guidelines, Section 17, Appendix F. As noted in the Guidelines, Bus Operator Trainees are not members of the bargaining unit until they have passed the exam at the end of the six week training period. Trainees receive a training rate of pay that is calculated at 50% of the job rate for a bus operator. Bus Operator Trainees are enrolled in all benefits and pension from the first day of training, including sick leave.

With regard to operators on modified duties, Labour Relations has submitted a Memorandum of Agreement on January 10, 2011 to ATU 279 to eliminate the past practice of calculating rates based on Rehab hours worked. Rates of pay will be calculated based on the type of work being done as defined by the collective agreement. The City is waiting for a response from the Union and hopes to have an agreement signed by Q2 2011.

Management: % complete *75%*

OAG's Follow-up Audit Findings regarding Recommendation 22

With regards to the 50% job rate during the training period for bus operators, we have reviewed Management's guidelines and found they were consistent with the above management response.

With regards to modified duties for bus operators, we have confirmed that this matter is in progress and remains outstanding.

OAG: % complete *75%*

Management Representation of Status of Implementation of Recommendation 22 as of November 2011

Management agrees with the OAG's follow up audit finding.

Labour Relations submitted a Memorandum of Agreement (MOA) to ATU 279 in January 2011 to eliminate the past practice of calculating rates based on Rehab hours worked and have rates of pay calculated based on the type of work being done as defined by the collective agreement. The Union refused to sign the MOA and therefore, OC Transpo was unable to proceed with this change. This issue will be included in Management's bargaining proposals for the renewal of the collective agreement due to expire on March 31, 2012.

Management anticipates implementation of this item to be complete in Q1 2012.

Management: % complete *75%*

2009 Recommendation 23

That Payroll Division ensure that:

- a) Complete and accurate electronic payroll reports including masterfile and transaction data that reconcile to SAP GL and T4s for the overall payroll be available for ongoing analysis; and,
- b) The procedure be reviewed and changed as necessary to ensure there is an ongoing overall reconciliation of Payroll to the General Ledger including gross pay.

2009 Management Response

- a) Management agrees with this recommendation.

All of the masterfile information in the above recommendation was available at the time of the audit. However, as described within the report, there were instances when Payroll had to provide information requested more than once due to the ambiguity of the Auditor's request. Once the request was clarified, Payroll was able to provide the information for analysis. Since 2008, T4s have been reconciled to wage type transaction summary data contained in the Payroll Journal report, which is maintained on an ongoing basis. The T4s cannot be reconciled to the GL.

- b) Management agrees with this recommendation.

Payroll has always completed an extensive review of gross pay to net pay and corresponding employer paid payroll related costs each week utilizing transactional wage type data, which is mapped, to a GL cost element. Consequently, on a weekly basis there is positive assurance that all monetary payroll transactions are accounted for. In addition, all employer and employee deduction liability accounts are reconciled monthly. However, non-monetary transactions, including such items as vacation accruals and overtime and statutory holiday banking are not reconciled as frequently.

Payroll has broadened the current procedure for reconciling Payroll to the General Ledger, to include all payroll expenditures (monetary and non monetary) that occur as a result of the payroll process on a weekly basis. This was completed in Q4 2009.

Management Representation of the Status of Implementation of Recommendation 23 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 23

Payroll Management has provided the process flowchart to illustrate the Process of Balancing T4s and T4As throughout the year and at year end. For 2011, the Payroll process of balancing T4s and T4As would include balancing gross to net pay bi-weekly and all wage types that are paid to the gross total and to the Payroll Journal throughout the year.

Payroll provided the documentation to support the process of balancing the 2010 T4s and T4As to the SAP Payroll Journal for the monetary payroll expenditures for year end. The documents we were provided were not specifically signed off by the staff who completed them and the manager that reviewed them. Management has indicated that they had in fact reviewed the documents with staff as part of the whole package when the T4s and T4As were finalized and the final payment was sent to CRA. The letter to CRA with the final adjustment amount was signed by the manager. Management has indicated that in future they would also initial the key documents.

We have confirmed that Payroll have expanded their current procedure to reconcile Payroll to the General Ledger to include all monetary and non-monetary payroll expenditures.

OAG: % complete *100%*

2009 Recommendation 24

That the City stop employees from working two jobs and properly make the Public Sector Salary Disclosure.

2009 Management Response

Management agrees with this recommendation.

The example given by the Auditor was of an employee who was grandfathered at the time of amalgamation. The employee was working for both the City of Ottawa (full-time) and RMO (part-time) prior to 2001. Grandfathering, on a case-by-case

basis, was not uncommon at the time of amalgamation to deal with unique situations that arose during this period.

The City of Ottawa's Executive Management Committee approved the Concurrent Employment Policy on December 5, 2003. The purpose of this Policy is to ensure that employees do not hold multiple positions. The only exceptions are grandfathered employees and some staff in Parks and Recreation where the CUPE 503 Part-Time Recreation and Culture Collective Agreement allows part-time employees to work in more than one part-time position within the parameters of that agreement.

Reports have been revised to account for grandfathered concurrent employment and were utilized to prepare the 2008 Public Sector Salary Disclosure submission in 2009.

Management Representation of the Status of Implementation of Recommendation 24 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 24

Payroll has demonstrated that the payroll reports have been modified to account for grandfathered concurrent employment.

The example employee has had total salary for the City of Ottawa disclosed as part of the Public Sector Salary Disclosures from 2010 back to 2008. Although the City also provided the employee's total salaries for 2006 and 2007 to the provincial ministry in June 2008, these amounts do not appear on a disclosure list or addendum.

OAG: % complete *100%*

2009 Recommendation 25

Given the high personal use of the Internet and e-mail, that the City perform a review of the staffing requirements in Payroll Division to determine if all existing staff are required.

2009 Management Response

Management disagrees with this recommendation.

Payroll management reviewed the information provided by the Auditor. With respect to personal emails, we found that for six of the ten highest users, the personal usage was less than eight emails per day per employee, including incoming and outgoing emails. Management feels that there is a flaw in the Auditor's calculation in that they counted incoming emails, which the employee

cannot always control. For the remaining four employees, usage was found to be in excess of the norm and appropriate action has been taken. See management's response to Recommendation 26.

Payroll management also had both Labour Relations and IT complete an independent review of Internet and email usage within Payroll. The results of the Internet review indicate no excessive usage by Payroll employees. Payroll staff use the OZONE on a daily basis to retrieve Request for Personnel Action (RPA) forms in order to process payroll. Information is sent to the bank daily via Internet for weekly and daily processing of payroll direct deposit. These activities create Internet "hits". Although the report indicates that personal Internet usage is very high, it is based on the notion of an Internet "hit". A hit is described as the retrieval of any item from a web server and it does not necessarily mean the employee was actively accessing various Internet sites. For example, listening to local radio via headset was a practice allowed within Payroll due to close proximity of employees in a very open and busy environment. An enormous number of "hits" can be associated with listening to local radio while the employee is productively working. A simple test showed that listening to the radio over the Internet can produce over 1,600 hits in one day alone.

A briefing note provided by the Manager IM/IT Architecture and Security at the request of the City Manager, indicates that Internet access logs should not be used to measure time and attendance nor to measure FTE requirements of specific work units due to the fact that automated news feeds or "hits" continually update as long as the browser is open even if there is no Internet site being actively visited by the user. Furthermore, Websense, the City's Internet Security service provider has provided an opinion on the use of Websense logs to measure an employee's time spent on the Internet and hence their productivity. They support the Manager IM/IT's opinion that there is no accurate way to interpret Websense logs to measure how much time an employee spends on the Internet.

Therefore, the chart in the report identifying Internet usage in hourly increments is not an accurate way to conclude that non-business related activities are occurring within each hourly segment. Additionally, important to note on the chart is that 49% of the Internet usage falls between 11 a.m. and 2 p.m. Since Payroll staff are allowed to take lunch hour between these hours, it would be normal to see higher Internet usage throughout those timeframes, which further calls into question the auditor's conclusion with respect to employee productivity. Refer to Appendix C "Understanding Internet Access Logs" and supporting letter from Websense, for detailed information pertaining to Internet usage.

Based on the information presented above regarding personal use of Internet and email, management is of the opinion that this has no impact on determining staffing levels. In addition, the payroll management team assesses organizational and staffing requirements on an ongoing basis based on criteria such as past experience,

production volumes and special project workload requirements (such as Telestaff integration, automated mileage and parking reimbursement, and time/leave automation).

Management Representation of the Status of Implementation of Recommendation 25 as of January 31, 2011

As per the Management Response, no further action is required in the implementation of this recommendation.

Management considers implementation of this recommendation to be complete.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 25

Payroll Management has an overall Workplan for 2010 as well as Payroll Activity Metrics for 2009, 2010, and 2011 based on specific positions and tasks performed. Management indicated that any automation or other projects are done with current staff.

Payroll Management has shown that there has been a reduction in the number of Time Transaction Assistants from 11 (8 full time and 3 temporary staff) to 7 (6 full time and 1 temporary staff) from January 2010 to January 2011. Management has indicated that the reduction would have resulted from greater automation of time and leave and resulted in a reallocation of staff. This was also offset by an increased workload of one temporary staff as a result of additional time entry for Parks, Recreation & Cultural Services. Management indicated that knowledge gained from this work would help with the decentralized review of this area.

The OAG sees this as a positive step which Management should continue.

OAG: % complete 100%

2009 Recommendation 26

That the City take appropriate disciplinary action for the Payroll Division employees reviewed and identified herein, and ensure that the Responsible Computing Policy provision for "incidental personal use" of the corporate e-mail system and Internet resources is adhered to.

2009 Management Response

Management agrees with this recommendation.

For the four employees where email usage was found to be in excess of the norm, appropriate action has been taken. In addition, Payroll management has taken several steps to ensure that staff is aware of and understands the Responsible Computing Policy, especially as it relates to personal usage. This includes a review of the policy and discussions at staff meetings and one-on-ones with certain staff. Staff have been instructed not to use the radio via Internet.

Management Representation of the Status of Implementation of Recommendation 26 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 26

In addition to the disciplinary action that had been taken, Payroll Management has shown that the Responsible Computing Policy has been addressed at staff meetings.

OAG: % complete 100%

2009 Recommendation 27

That the City ensure that Payroll Division Time Transaction Assistants do not process time or leave for related parties.

2009 Management Response

Management agrees with this recommendation.

Recently, Payroll has instituted a control for the entire Payroll Division. A Disclosure form has been developed with input from Labour Relations and MFIPPA, which will be utilized by all Payroll staff (not limited to Time Transaction Assistants) to identify any conflict with related parties and their job function. Employees have completed the form and have been requested to update the form as required. A formal reminder to this effect will be issued on an annual basis. Payroll management will use this information to address any conflicts that may arise.

Although management agrees that it is not best practice to have Payroll staff process time or leave for related parties, there are often situations where Payroll is short-staffed and we do what is required to complete the work. Should this happen, there is a compensating control in place in the form of a peer review, which ensures that all entries get verified against source documents, so there is little risk associated with this activity.

Management Representation of the Status of Implementation of Recommendation 27 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 27

OAG reviewed the file of Payroll Disclosure Forms provided for all Payroll staff and identified forms were signed off for both cases where there were disclosures and where there were no disclosures.

We also confirmed an example Timekeeper and an example Payroll Analyst. For the Time Keeper example, we confirmed there was no entry by the timekeeper for any staff listed on their disclosure. For the Payroll Analyst example, we noted that they were not setup in the Payroll system with responsibility for the organizational areas for the staff listed on their disclosure. In addition, as noted in Recommendation 4, peer audits were performed and signed off for this example.

OAG: % complete **100%**

2009 Recommendation 28

That the City ensure staff is compliant with the City’s training policies.

2009 Management Response

Management agrees with this recommendation.

Management was compliant with the application of the training policy by allowing the employees to access training. In this regard, the City’s “Continuous Learning Policy” allows training for temporary employees. As stated in the policy:

“This Policy applies to all City employees and to summer students and co-op placements who are required to receive training as a result of legislative requirements (e.g., Occupational Safety and Health Act).”

The Policy does not differentiate between full-time and temporary employees. However, priority is given to full-time employees and temporary employees can be registered if space is available.

One of the objectives of the policy is:

“to encourage employees to acquire, maintain and improve their skills and knowledge through avenues of study related to their present positions or that will enhance their future opportunities and contribution to the City”.

Management Representation of the Status of Implementation of Recommendation 28 as of January 31, 2011

Implementation of this recommendation has been completed as per the management response.

Management: % complete **100%**

OAG’s Follow-up Audit Findings regarding Recommendation 28

We found that Payroll was compliant with the Continuous Learning Policy and Second Language Training Policy for 2010.

OAG: % complete **100%**

4 SUMMARY OF THE LEVEL OF COMPLETION

1. The table below outlines our assessment of the level of completion of each recommendation as of January 31, 2011.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19%
ACTION INITIATED	25 – 49		-	-
PARTIALLY COMPLETE	50 – 74	2, 19	2	6%
SUBSTANTIALLY COMPLETE	75 – 99	21a, 21b, 22	3	8%
COMPLETE	100	3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21c, 21d, 23, 24, 25, 26, 27, 28	24	67%
TOTAL			36	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of November 2011 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	1, 6, 7a, 7c, 10, 13, 17b	7	19%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	19	1	3%
SUBSTANTIALLY COMPLETE	75 – 99	22	1	3%
COMPLETE	100	2, 3, 4, 5a, 5b, 7b, 8, 9, 11, 12a, 12b, 14, 15, 16, 17a, 18, 20, 21a, 21b, 21c, 21d, 23, 24, 25, 26, 27, 28	27	75%
TOTAL			36	100%

5 CONCLUSION

Management has been very proactive in addressing the audit recommendations. Approximately 75% of the recommendations have been fully or substantially implemented.

Even for those recommendations that have not been substantially implemented, in most cases, management has work plans in place and has started implementing their plans. One example is where management has started to complete detailed risk assessments of decentralized payroll processes.

6 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.