



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



Audit of Payroll

Office of Audit and Evaluation

Final Report

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The AAFC Audit Committee / Evaluation Committee recommended this audit report for approval by the Deputy Minister on March 22, 2012.

Audit of Payroll

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EXECUTIVE SUMMARY

Agriculture and Agri-Food Canada (AAFC) incurred payroll expenses for its 6,300+ employees¹ of \$593.1 million in 2009/10². The Human Resources Branch (HRB) and the Corporate Management Branch (CMB) have responsibilities for pay administration. The application of employee compensation policies and supporting directives is the responsibility of HRB, whereas payroll accounting is the responsibility of CMB. While pay and benefits are compiled and administered at the departmental level, actual payments are processed through the Pay Operations and Service Management Directorate of Public Works and Government Services Canada (PWGSC).

The Compensation Division of HRB provides compensation services to all AAFC employees. These compensation services are decentralized between the National Capital Region (NCR) and five regional pay offices. AAFC pay offices process over 150,000 pay transactions each year. Compensation Advisors enter pay transactions into the PeopleSoft system, which then interfaces with the PWGSC's Regional Pay System to generate payments to employees.

The Office of Audit and Evaluation (OAE) identified the need for an audit of payroll in its Three-Year Risk-Based Audit Plan for 2010-13. The objective of the audit was to provide assurance that key controls in support of payroll transaction processing were in place and functioning effectively within AAFC. The audit reviewed pay transaction processing for the period from April 1, 2009 to March 31, 2010. The audit did not address pre-payroll (e.g. operational planning and salary management) or post-payroll (e.g. pay-related finance processes such as salary accruals, month-end and year-end reconciliations) processing.

Audit lines of enquiry were developed for the audit taking into consideration a risk assessment conducted during the audit planning phase, which was based on interviews conducted with various HRB and CMB staff, and documentation review, including payroll policies and directives, HRB's Compensation Monitoring Framework and CMB's post payment monitoring activity reports. Audit lines of enquiry included Roles and Responsibilities; Policies and Procedures; Transaction Documentation, Accuracy and Timing; Monitoring Procedures; and Overpayments. Six audit criteria were developed in regard to these lines of enquiry (see Annex A).

The audit found that adequate and effective controls were generally in place to support the payroll process; however, the audit noted opportunities for improvement. A number of key strengths in the controls to support the payroll process were identified:

- Compensation Division has developed and distributed to Compensation staff draft national end-to-end processes and draft verification procedures.
- Compensation Advisors (CAs) who verify transactions have approximately 18 months experience.
- Two CAs verify severance pay transactions (double verification) and calculation templates are used.

¹ This figure does not include casual employees, term employees <3 months, or employees on unpaid leave.

² Source: AAFC Financial Statements for the Fiscal Year ended March 31, 2010.

- The NCR Office has assigned a specialized resource to verify all Overtime transactions.
- The Moncton Office requires Compensation Manager approval for all Overtime transactions over \$3K and retroactive adjustments older than two years and stamps all invoices paid once confirmation is received from PWGSC.
- Service Commitment performance is being tracked by the Compensation Division.
- The segregation of duties control, resulting in separate individuals processing and verifying transactions, was in place and functioning at the time of the audit conduct phase.
- Monitoring activities are conducted periodically by the Compensation Division and the Financial Controls and Reporting Division (FCRD).

The audit also noted opportunities for improvement within the payroll control framework.

The recommendations, directed at the Assistant Deputy Minister (ADM), HRB are:

- Ensure that training is provided to all Compensation Advisors on delegated authorities from an HR perspective, including interpreting Specimen Signature Records (SSRs), as well as their roles and responsibilities under Section 34 of the *Financial Administration Act* (FAA).
- Ensure that CAs verify delegated authority and authenticate management signatures for all transactions where management approval is required.
- Ensure that greater efforts are made towards consistent interpretation of significant changes to PWGSC and TBS policies and procedures by Compensation staff; for example, through memos from the Director of Human Resources, Compensation, announcing significant changes, followed by timely national discussion meetings.
- Ensure that adequate supporting documentation, including templates, is maintained on payroll files to assist with calculations and provide support for amounts paid.
- Upon receipt of the FCRD audit findings, the ADM, HRB should identify to CMB the actions to be taken, and should provide an annual report to the Horizontal Management Committee (HMC) on progress and resolution of issues identified.
- Ensure that the Compensation Division implements a documented procedure to manage and process overpayments, including roles and responsibilities, tracking of overpayments and communication of appropriate amounts to Compensation Managers and the Financial Policy and Attestation Division (FPAD).

1.0 INTRODUCTION

1.1 Background

1.1.1 Agriculture and Agri-Food Canada (AAFC) incurred payroll expenditures of \$593.1 million in 2009/10 for approximately 6300 of its employees. Based on AAFC's March 31, 2010 Financial Statements, this amount represents 24% of total expenditures.

1.1.2 The Assistant Deputy Minister (ADM) of the Human Resources Branch (HRB) and the ADM of the Corporate Management Branch (CMB) both share responsibilities for pay administration in AAFC. HRB responsibilities include the application of employee compensation policies and supporting directives, while CMB responsibilities consist of payroll accounting and financial control over the pay administration processes.

1.1.3 The Compensation Division of HRB provides compensation services to all AAFC employees through the National Capital Region (NCR) and five regional pay offices, processing over 150,000 payroll transactions each year. These payroll transactions are covered by approximately 150 processes. Taken-on-Strength (TOS), Struck-off-Strength (SOS) Overtime, Performance Pay and Retroactive Adjustments represent activities with the largest number of processes.

1.1.4 Compensation Advisors of HRB are responsible for processing and verifying payroll transactions. Compensation Advisors enter payroll transactions into the PeopleSoft system, which then interfaces with the Public Works and Government Services Canada's (PWGSC's) Regional Pay System to generate payments to employees.

1.1.5 The Office of Audit and Evaluation (OAE) identified the need for an audit of payroll in its Three-Year Risk-Based Audit Plan for 2010-13.

1.2 Audit Objective

1.2.1 The objective of the audit was to provide assurance that key controls in support of payroll transaction processing were in place and functioning effectively within AAFC.

1.3 Audit Scope

1.3.1 The audit reviewed pay transaction processing for the period from April 1, 2009 to March 31, 2010. The audit did not address pre-payroll (e.g. operational planning and salary management) or post-payroll (e.g. pay-related finance processes such as salary accruals, month-end and year-end reconciliations) processing.

1.3.2 The lines of enquiry were developed for the audit taking into consideration a risk assessment conducted during the audit planning phase, which was based on interviews conducted with various HRB and CMB staff, and documentation review, including payroll policies and directives, HRB's Compensation Monitoring Framework and CMB's post payment monitoring activity reports. The lines of enquiry for this audit were: Roles and

Responsibilities; Policies and Procedures; Transaction Documentation, Accuracy and Timing; Monitoring Procedures; Systems Controls; and Overpayments. Six audit criteria were developed in regard to these lines of enquiry and are provided in Annex A.

1.4 Audit Approach

1.4.1 The audit approach and methodology were risk-based and consistent with the International Standards for the Professional Practice of Internal Auditing and the Internal Auditing Standards for the Government of Canada as required under the Treasury Board Secretariat's (TBS') *Policy on Internal Audit*. These standards require that the audit be planned and performed in such a way as to obtain reasonable assurance that the audit objective is achieved. The audit was conducted in accordance with an audit program that defined audit tasks to assess each audit criterion.

1.4.2 The audit included various tests to provide assurance against the audit objective. These tests included interviews, observations, system and process walkthroughs, anomalies analysis and review of supporting documentation. In addition, a sample of 70 transactions from the NCR and Moncton offices was examined. These offices were selected in order to observe payroll processes conducted in both a large and smaller office, and because neither office had been subject to any recent financial monitoring activity by the Financial Controls and Reporting Division. Transactions were selected from 6 categories, judged to be high risk during the audit planning phase, through documentation review and interview results (10 TOS, 10 SOS, 20 Severance, 10 Overtime (OT), 10 Acting, and 10 Performance Pay). The highest dollar value and most recent transactions were selected for review. The payroll process for each transaction was examined and findings are described in Section 2 of this report. Given that the transaction sample was not statistically selected, the results cannot be extrapolated and the audit conclusion cannot be generalized to the entire population of payroll transactions. The audit recommendations may have changed had a larger sample of transactions been examined.

1.5 Conclusion

1.5.1 It is the opinion of OAE that adequate and effective controls were generally in place to support the payroll process; however, the audit noted opportunities for improvement.

1.5.2 The audit identified a number of key strengths in the controls to support the payroll process, as follows:

- Compensation Division has developed and distributed to Compensation staff draft national end-to-end processes and draft verification procedures.
- Compensation Advisors (CAs) who verify transactions have approximately 18 months experience.
- Two CAs verify severance pay transactions (double verification) and calculation templates are used.

- The NCR Office has assigned a specialized resource to verify all Overtime transactions.
- The Moncton Office required Compensation Manager approval for all Overtime transactions over \$3K and retroactive adjustments older than two years and stamps all invoices paid once confirmation is received from PWGSC.
- Service Commitment performance is being tracked by the Compensation Division.
- The segregation of duties control, resulting in separate individuals processing and verifying transactions, was in place and functioning at the time of the audit conduct phase.
- Monitoring activities are conducted periodically by the Compensation Division and the Financial Controls and Reporting Division.

1.6 Statement of Assurance

1.6.1 In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report.

1.6.2 The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the entity examined. The evidence was gathered in compliance with TBS policy, directives and standards on internal audit, and the procedures used meet the professional standards of the Institute of Internal Auditors.

2.0 DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

2.0.1 This section of the report presents the key observations, based on the evidence and analysis associated with the audit, and provides recommendations for improvement.

2.0.2 Management responses are included and provide:

- An action plan to address each recommendation
- A lead responsible for implementation of the action plan and
- A target date for completion of the implementation of the action plan.

2.0.3 The Office of Audit and Evaluation is aware of the Government of Canada's decision to consolidate pay administration activities to a "Centre of Expertise" in Miramichi, New Brunswick, as well as its intention to modernize the existing PWGSC pay system. Definitive information is not currently available on when and how these initiatives will impact payroll activities at AAFC. All audit recommendations were developed to ensure that they would remain appropriate when these changes take place.

2.1 Roles and Responsibilities

2.1.1 The audit found that roles and responsibilities are, for the most part, known by all groups (Compensation Division of the Human Resource Branch and the Financial Controls and Reporting Division of the Corporate Management Branch), with the exception of roles and responsibilities under Section 34 of the FAA. Compensation Principal Advisors have been assigned specialized roles, such as towards the Compensation Monitoring Framework (CMF), communicating PeopleSoft system updates, documenting end-to-end payroll processes, and monitoring service standards. Roles and responsibilities of new Compensation Advisors have been learned through training provided by PWGSC, combined with on-the-job training and guidance from experienced advisors.

2.1.2 Compensation Advisors (CAs) have not been provided specific training on their roles and responsibilities under Section 34 of the FAA, including both delegated authority and signature validation. Evidence was not found for the 70 transactions reviewed that management signatures on supporting documentation, authorizing transactions under Section 34 of the FAA, were verified against Specimen Signature Records (SSRs) or that delegated authority was confirmed. For four transactions, no management authorization was found on file. Interviews with CAs confirmed that they were not verifying delegated authority using SSR Online or authenticating management signatures. As a result, there is a risk that transactions could have been processed by CAs for payment, without the proper delegated authority.

2.1.3 The verification of signatures will become even more significant when pay administration activities are consolidated to the “Centre of Expertise” in Miramichi, New Brunswick. CAs in AAFC currently manage assigned pay lists and are familiar with many of the managers’ signatures providing authorization under Section 34 of the FAA. With the consolidation, it will be necessary to transfer an FAA compliant process, where manager authorization signatures are validated against SSRs, as the familiarity with each of their signatures may not be feasible.

Recommendation 1:

2.1.4 The ADM, HRB should ensure that training is provided to all Compensation Advisors on delegated authorities from an HR perspective, including interpreting SSRs, as well as their roles and responsibilities under Section 34 of the *Financial Administration Act* (FAA).

Management Response: *Recommendation is accepted.*

Action Plan and Target Dates for Completion:

- *Training program was developed in December 2011 (Completed).*
- *A pilot training session was run (February 2012).*
- *Validation and finalization of training package (end of March 2012).*
- *Compensation advisor training will be completed (June 30, 2012).*

Lead Responsible: *Director General, Workplace Relations*

Recommendation 2:

2.1.5 The ADM, HRB should ensure that Compensation Advisors verify delegated authority and authenticate management signatures for all transactions where management approval is required.

Management Response: *Recommendation is accepted.*

Action Plan and Target Dates for Completion:

- *Compensation will work with Finance to update current specimen signature records to ensure binders are up-to-date (September 2012).*
- *The Compensation Team will be reminded of the requirement to authenticate management signatures (September 2012).*
- *Due to the centralisation of the payroll function, the development of a government wide solution would be up to PWGSC to examine. The department will therefore not be investing in an electronic solution for payroll.*

Lead Responsible: *Director General, Workplace Relations*

2.2 Policies and Procedures

2.2.1 The audit found that the Compensation Division completed a national end-to-end procedures manual document. Development is on-going with the objective of detailing end-to-end processes for all pay transactions. Draft procedures for verification have also been developed and, at the time of the audit conduct phase, were under review by management, before including them in the overall procedures manual.

2.2.2 As indicated in Section 2.1, no evidence was found for the 70 pay transactions reviewed, to indicate that management signatures on supporting documentation, authorizing transactions under Section 34 of the FAA, were verified against Specimen Signature Records. The file review also found inconsistencies with verification procedures: 63 payroll transactions (out of 70 reviewed) included either verifier initials and/or verification dates and seven transactions reviewed showed no evidence of verification (52 files had evidence of verifiers initials, 8 files had verified date stamp, 3 files contained both and 7 files had no evidence of being verified).

2.2.3 The audit found communication of changes to payroll policies and procedures to staff was primarily received from Compensation Principal Advisors and Compensation Managers. In addition, CAs were responsible to view updates and interpret changes to payroll processing policies and procedures on the TBS and PWGSC websites. Based on the audit interviews with CAs, they consistently identified the issue of inconsistent interpretations of TBS and PWGSC policies and procedures amongst staff, due to the requirement to self-interpret changes. Having no formal process to communicate changes to policies or procedures and CAs reviewing and interpreting changes to policies/procedures themselves adds to the risk of inconsistent and/or incorrect processing of payroll transactions. A process to better communicate policies and procedures would have an immediate impact towards improving processing and verifying payroll transactions in a consistent manner and reducing processing errors. Risk exposure to the AFFC would be reduced until the Center of Expertise is implemented.

2.2.4 Adequate financial controls for processing pay transactions subject to higher risk of processing errors have been established, including a control requiring verification of severance pay transactions by two CAs (double verification), assigning a single resource to process all overtime (OT) transactions which are then verified by a Team Leader, and requiring Compensation Manager verification if an OT transaction exceeds \$3K. This threshold for OT transactions requiring management approval has been documented in the draft verification procedures and will be incorporated into national end-to-end processes and used for all regional pay offices.

2.2.5 The FCRD's Section 33 bulk authorization procedures were found to be appropriate given the complexity to verify transactions on an individual basis and the requirement to approve and forward batches to PWGSC for payment processing before each pay cut-off date.

Recommendation 3:

2.2.6 The ADM, HRB should increase communication on policy and procedure changes with compensation staff and validate whether their interpretations are consistent.

Management Response: *Recommendation is accepted.*

Action Plan and Target Dates for Completion:

- *Compensation management will continue to communicate with staff as new interpretations are received from central agencies. Where significant changes occur, training and tools are developed (Ongoing).*
- *The Compensation Monitoring Framework is designed to identify and respond to learning gaps. Where gaps are identified, Compensation Management ensures that appropriate training is received. The Annual Compensation Monitoring Report provides senior management with a summary of remedial training required (May 2012).*
- *Verifiers will continue to provide on the job training as knowledge gaps are identified (Ongoing).*

Lead Responsible: *Director General, Workplace Relations*

2.3 Transaction Documentation, Accuracy and Timing

2.3.1 Appropriate documentation was on file to allow for the processing and verifying of pay transactions, except for four transactions out of 70 transactions, where manager authorizations were not found on file (addressed under Recommendation 1), five transactions that did not contain supporting documentation to explain amounts paid to employees, and one transaction for which the employee file could not be located. The file verification process does not require specific documentation to be maintained on file to ensure transactions are processed correctly. Calculation templates were being used for severance pay transactions; however, templates were not used for other transaction types (i.e. Acting Pay), to ensure consistency in amounts calculated and to provide an audit trail. Without appropriate documentation on file, there is a risk that CAs process transactions incorrectly. The CA transaction verifier cannot validate the transaction if appropriate documentation is not on file, including verifying calculations performed by the CA transaction processor. Consistency in calculating Acting Pay and providing an audit trail for verification is difficult without the use of templates.

2.3.2 No issues were found for the remaining 60 of the 70 transactions with respect to accuracy and processing time in accordance with AAFC service commitments.

2.3.3 Transactions should always be supported by documentation. When files are transferred to the Centre of Excellence, it will be important to ensure files are complete to

provide an adequate audit trail and facilitate future transactions requiring details of past adjustments.

Recommendation 4:

2.3.4 The ADM, HRB should ensure that adequate supporting documentation, including templates, is maintained on payroll files to assist with calculations and provide support for amounts paid.

Management Response: *Recommendation is accepted.*

Action Plan and Target Dates for Completion:

- *Verification process training has been developed and will begin February 2012. The training addresses the documentation requirements for pay files including storage of documentation sufficient to provide comprehensive audit trails (June 30, 2012).*
- *Templates are not available for all processes, at this time. However, AAFC has been formalizing processes and will continue to do so as resources are available (Sept 30, 2012).*

Lead Responsible: *Director General, Workplace Relations*

2.4 Monitoring Procedures

2.4.1 A Compensation Monitoring Framework was implemented by the Compensation Division in May 2010 as the primary monitoring tool with the objective to measure, assess and report on the effectiveness and efficiency of compensation service delivery. As of the timing of the audit conduct phase, monitoring activities have been conducted in accordance with the Framework.

2.4.2 The FCRD conducts post-payment monitoring activities (audits) on two regional pay offices per year, reviewing approximately 75 transactions per office. The audits include findings and recommendations for improvement. The ADM, CMB provides the results of the FCRD audits to HRB. Findings are reviewed with Compensation Managers and recommendations are provided in a report at the completion of the monitoring activity. Also, follow-up on findings with a monetary impact takes place during the monitoring activity. The FCRD does not follow-up on report recommendations to monitor status of improvements until the next scheduled regional audit (every 3 years). Compensation management was not required to prepare an action plan to address recommendations. No additional sampling or on-going testing was conducted by FCRD other than the two scheduled visits per year. There is a risk that the issues identified during regional pay office audits would not get resolved in a timely manner without a defined action plan and adequate follow-up conducted by the FCRD.

2.4.3 The audit found that AAFC Service Commitment performance was being tracked and results published in a Service Standard Dashboard report available on AgriSource. Results were also included in an executive summary prepared quarterly and shared with HR Management.

2.4.4 It is uncertain whether the Compensation Monitoring Framework, post payment monitoring activities, or the Service Standard performance tracking will be required when Compensation activities are transferred to the Centre of Expertise. The transfer may take several years and these activities will be needed in the meantime to help manage the risk associated with processing payroll transactions.

Recommendation 5:

2.4.6 Upon receipt of the FCRD audit findings, the ADM, HRB should identify to CMB the actions to be taken, and should provide an annual report to the Horizontal Management Committee (HMC) on progress and resolution of issues identified.

Management Response: *Recommendation is accepted.*

Action Plan and Target Dates for Completion:

- *Upon receipt of FCRD findings, Compensation will prepare an action plan to address recommendations and submit it to CMB (Ongoing).*
- *Compensation will monitor the actions required as part of the Compensation Monitoring Framework work plan (Ongoing).*
- *Compensation will provide the HMC with an annual report of its progress in implementing the required actions (June 2013).*

Lead Responsible: *Director General, Workplace Relations*

2.5 Overpayments

2.5.1 At the time of the audit, a documented process was not in place to manage overpayments, including defining roles and responsibilities. CAs determined when to communicate overpayments to their managers and when to get the Financial Policy and Attestation Division (FPAD) involved to collect overpayments. No system was found to be in place within HRB to centrally track overpayments or communicate the balance of receivables to FPAD. FPAD was only informed of overpayments when employees left the Department, for collection activity purposes, at which time, the receivable was recorded in the Departmental Financial System (underestimation of assets beforehand).

2.5.2 Without documented procedures to process and track overpayments, there is a risk that collection efforts will not be managed by CAs effectively and will not be escalated to the FPAD (for collection) in a timely manner. Without a tool to consolidate and track overpayments in Compensation, the FPAD cannot reflect receivables in assets, resulting in an underestimation of assets.

2.5.3 It is uncertain whether the FPAD will be responsible for recording and/or collection of overpayments associated with payroll when payroll activities are transferred to the Centre of Expertise. The transfer may take several years and these activities are needed to help manage risk associated with payroll until that time.

Recommendation 6:

2.5.4 The ADM, HRB should ensure that the Compensation Division implements a documented procedure to manage and process overpayments, including roles and responsibilities, tracking of overpayments and communication of appropriate amounts to Compensation Managers and the Financial Policy and Attestation Division (FPAD).

Management Response: *Recommendation is accepted.*

Action Plan and Target Date for Completion:

- *Compensation will develop a business process to manage overpayments and will communicate it to the compensation team by March 2013. The business process will include the procedure on the communication of appropriate overpayments amounts to the FPAD so that receivables are recorded in the financial system when required, following initial collection efforts by HRB.*

Lead Responsible: *Director General, Workplace Relations*

Annex A: Audit Criteria

Criteria	Sub-Criteria
Line of Enquiry I: Roles and Responsibilities	
1.0 Roles and responsibilities are clearly defined, understood and communicated to employees involved in the pay process, and these employees are adequately trained to perform their required work.	1.1 Roles and responsibilities of Compensation staff (inc. Compensation Managers (CMs), Compensation Advisors (CAs), Principal Advisors (PAs), Team Leaders (TLs) are clearly defined.
	1.2 Compensation Managers understand their roles and responsibilities and are appropriately trained.
	1.3 Compensation Advisors responsible for <u>processing</u> payroll transactions clearly understand their roles and responsibilities and are appropriately trained.
	1.4 Compensation Advisors responsible for <u>verifying</u> payroll transactions understand their roles and responsibilities and are appropriately trained.
	1.5 Other Compensation staff involved in the overall payroll process (i.e. Principals Advisors, Team Leaders) understand their roles and responsibilities and are appropriately trained.
	1.6 Finance staff understand their roles and responsibilities and are appropriately trained.
Line of Enquiry II: Policies and Procedures	
2.0 Adequate policies and procedures have been created and implemented to ensure pay transactions are properly authorized and verified as per Section 33 and 34 of the <i>Financial Administration Act</i> (FAA).	2.1 A national control framework, including payroll policies and procedures, has been created and shared with the regional pay offices to ensure appropriate transaction authorization and verification as per Section 34 of the FAA.
	2.2 Compensation Advisors that process and verify pay transactions follow defined policies and procedures in the processing of transactions, including confirming that payroll transactions sent to them for processing are approved appropriately as per Section 34 of the FAA.
	2.3 Compensation Advisors ensure that the payments created by the Regional Pay System (RPS) (as recorded in the compensation web application) are consistent with input and source documentation prior to payments/cheques being released to employees.
	2.4 Policies and procedures in support of the <u>Section 33 bulk authorization</u> provided by Finance (FCRD) (prior to transactions being sent to the RPS system) are appropriate given the volume and frequency of transactions being processed.
	2.5 Policies and procedures in support of the <u>Section 33 post payment verification</u> activities of Finance (FCRD) are appropriate given the volume of transactions processed.
	2.6 Changes to payroll policies and procedures are shared with staff responsible for account processing and verification in a timely manner.
	2.7 Adequate financial controls have been implemented for transactions considered to be high-risk.
	2.8 Rejected payroll transactions are appropriate and immaterial in amount.

Criteria	Sub-Criteria
Line of Enquiry III: Transaction Documentation, Accuracy and Timing	
3.0 Payroll transactions are processed accurately and in accordance with AAFC client service commitments, with proper supporting documentation maintained on file.	3.1 Payroll files contain supporting documentary evidence of transaction authorization, processing and verification and are stored in a secure manner.
	3.2 Payroll transactions are in the correct amount.
	3.3 High-risk transaction payments are made to the correct employees and are not duplicated.
	3.4 Regional compensation staff are aware of AAFC service commitments and their payroll files contain documentation illustrating timely processing of transactions, in accordance with AAFC service commitments.
	3.5 Payroll transactions relating to the use of annual leave are appropriate and match employee entitlements.
Line of Enquiry IV: Systems Controls	
4.0 System controls over pay transactions (e.g. segregation of duties) have been activated and validated to ensure they are functioning as intended.	4.1 Departmental payroll system controls have been activated and communicated to financial and compensation staff.
	4.2 The Departmental payroll system only allows access to existing Compensation Advisors and does not allow the same Compensation Advisor to input and verify the same transaction.
Line of Enquiry V: Monitoring Procedures	
5.0 Monitoring procedures are in place to ensure that processes and controls in support of payroll processing are effective, and that areas for improvement are identified and addressed.	5.1 The Compensation Monitoring Framework (CMF) is being used to ensure that payroll activities are being conducted effectively and efficiently by the pay offices.
	5.2 In addition to activities under the CMF, pay offices and/or Headquarters perform routine monitoring activities to ensure that payroll activities are being conducted effectively and efficiently.
	5.3 Compensation Managers provide adequate and regular oversight of Compensation Advisors with regards to payroll transactions.
	5.4 The results of s. 33 work performed by Finance (FCRD) staff (including bulk authorizations, but primarily post payment verification) is monitored to ensure that it is adequately risk-based, that it the timing and frequency of the work is appropriate, and that it meets the obligations of Finance under the FAA.
	5.5 Deficiencies found as a result of the s. 33 post payment verification work performed by Finance (FCRD) are followed-up on in a timely manner and addressed.
Line of Enquiry VI: Overpayments	
6.0 Adequate policies and procedures have been established and implemented to identify and address overpayments.	6.1 Overpayments are identified and corrected and an oversight function is in place to monitor any necessary recoveries.