Audit of Civilian Overtime

November 2013

7055-27 (CRS)

Canada

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Acronyms and Abbreviations

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
ADM(HR-Civ)	Assistant Deputy Minister (Human Resources – Civilian)
CBA	Collective Bargaining Agreement
CHRSC	Civilian Human Resources Service Centre
CRS	Chief Review Services
CTO	Compensatory Time Off
DCCP	Director Corporate Compensation Programmes
DCLR	Director Civilian Labour Relations
DLTPD	Director Learning, Training, and Professional Development
DND	Department of National Defence
DOA	Deployed Operations Account
DRMIS	Defence Resource Management Information System
FAA	*Financial Administration Act*
FY	Fiscal Year
HRMS	Human Resources Management System
OPI	Office of Primary Interest
PWGSC	Public Works and Government Services Canada
TB	Treasury Board
TBS	Treasury Board Secretariat
VCDS	Vice Chief of the Defence Staff

Results in Brief

Civilian overtime includes hours worked by employees in excess of their regularly scheduled hours of work or on designated paid holidays. At the employee's request, overtime work and associated entitlements are compensated at a premium rate in the form of a payment or as a leave credit in lieu of payment, known as compensatory time off (CTO).

> **Overall Assessment**
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> The process of managing civilian overtime is efficient but improvements to the governance framework and to the internal controls are required to improve its effectiveness.

From fiscal year (FY) 2007/08 to FY 2011/12, the use of civilian overtime has increased in the Department of National Defence (DND), but has remained fairly constant in proportion to civilian payroll. In FY 2011/12, the Department compensated employees an estimated $48 million for overtime, including pay and CTO. Overtime is compensated at an average estimated premium of 57 percent. The use of civilian overtime has the potential to increase in the short-term as managers cope with staffing restrictions due to deficit reduction measures. Therefore, although overtime can be a cost efficient alternative, it is important that its use be effectively and efficiently managed.

Findings and Recommendations

Overtime Governance. The framework and guidance provided to managers is not sufficient to promote the effective management of civilian overtime in a consistent manner. A comprehensive departmental policy instrument, in combination with enhanced training and guidance, would help organizations and managers understand their responsibilities, adequately justify, track, and monitor overtime use, and consider economical alternatives.

It is recommended that the Department develop and communicate a comprehensive departmental policy instrument on the management of civilian overtime. It is also recommended that the Department update and enhance the overtime guidance on the Assistant Deputy Minister (Human Resources – Civilian) (ADM(HR-Civ)) internal website and in the Managing Civilian Human Resources course curriculum to include the following:

- an overview of the developed policy instrument on the management of civilian overtime;
- stakeholder responsibilities;
- oversight and monitoring requirements;
- guidance on how to access information from the systems of record; and
- a sample completed claim form and form control procedures.

Overtime Control Environment. Civilian overtime management needs to be improved by implementing additional controls to increase the likelihood that overtime claimed is authorized, accurately recorded, and consistent with the *Financial Administration Act* (FAA).

Organizations are submitting incomplete and outdated versions of the departmental overtime claim form for compensation. In addition, the procedure for submitting the forms to the applicable Civilian Human Resources Service Centres (CHRSC) is not formally defined and, in some instances, does not prevent the forms from being altered post-approval. Certification of delegation of authority is not verified in the organization or at the CHRSC.

It is recommended that the Department require organizations to accurately complete the current version of the overtime claim form and implement a risk-based control to ensure that the overtime approver has the appropriate delegated financial authority as required by the FAA.

There is currently no requirement for each instance of overtime to have a documented pre-approval. Although the collective bargaining agreements (CBA) indicate that overtime can be verbally pre-approved, without a formal written pre-approval there is a risk of miscommunication between employees and managers on the approved nature and duration of the work.

It is recommended that the Department initiate and communicate the requirement for organizations to perform written pre-approvals and justification of overtime.

The process for compensating employees with CTO does not include adequate review and verification procedures, even if they are subsequently cashed out.

It is recommended that the Department implement a risk-based approach to verify the overtime compensated as CTO.

Note: For a more detailed list of Chief Review Services (CRS) recommendations and management response, please refer to Annex A—Management Action Plan.

Introduction

Background

Civilian overtime refers to hours worked in excess of regularly scheduled hours of work and during designated paid holidays. Civilian employees can be compensated for overtime worked in the form of payment or as CTO.[1] Overtime worked is compensated at a premium rate in accordance with CBAs. This rate ranges from time and a half to double time and depends on the nature of the work, the total hours worked, and if the overtime was worked on a holiday or a scheduled day of rest. Civilian employees are also entitled to meal benefits when the overtime is worked immediately prior to or following regular hours of work.

During FY 2011/12, DND paid civilian employees a total of $34 million and credited employee compensatory leave balances with 179,000 hours worth approximately $14 million for overtime worked. Overtime is compensated at an average estimated premium of 1.57, which means that the Department is paying 57 percent more than during regular office hours. As depicted in Figure 1, the total estimated overtime costs have increased by approximately 41 percent from FY 2007/08 to FY 2011/12; however, the relative overtime costs have remained fairly constant at an average 1.75 percent of the Department's total civilian payroll. The Department's overtime as a percentage of payroll was the lowest amongst the national and United States government departments and agencies analyzed for benchmarking purposes.
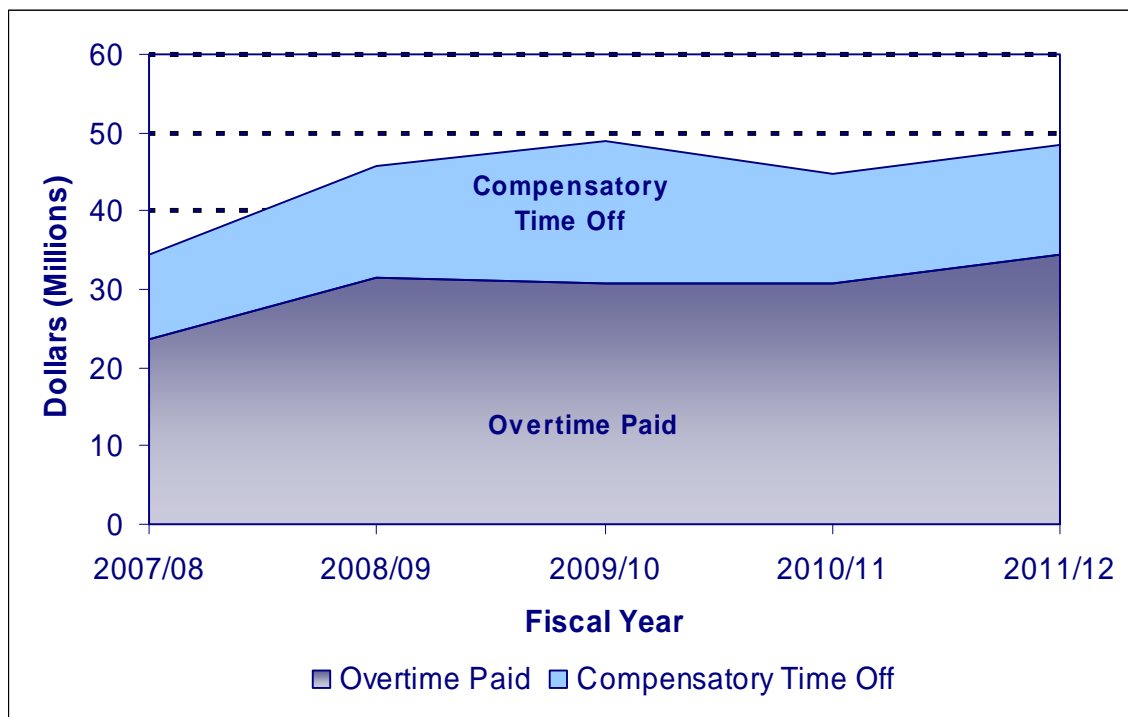

Figure 1. Total Departmental Overtime Costs (Estimated). This trend analysis includes the amount of overtime paid to employees and an estimated cost for compensatory time used from FY 2007/08 to FY 2011/12. The data is summarized in Table 1.

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[1] CTO is time off in lieu of pay for overtime worked.

Fiscal Year	Overtime Paid (Millions)	Compensatory Time Off (Estimated Cost)[2] (Millions)	Total (Millions)
2007/08	$23.6	$10.8	$34.4
2008/09	$31.4	$14.4	$45.8
2009/10	$30.6	$18.2	$48.8
2010/11	$30.7	$14.0	$44.7
2011/12	$34.5	$14.0	$48.5

Table 1. Total Departmental Overtime Costs (Estimated). This table highlights the overtime paid to employees, the estimated costs associated with the compensatory time used and the total estimated overtime costs for the Department from FY 2007/08 to FY 2011/12.

The risks associated with civilian overtime include non-compliance with applicable policies and CBAs, inappropriate use of resources, and employee burnout. In consideration of these risks, CRS included the Audit of Civilian Overtime in the Risk-Based Audit Plan for FY 2011/12. The Audit of Civilian Overtime reviewed the management practices with respect to civilian overtime and made recommendations that should promote enhanced governance, process controls, and risk management practices to assist the Department in achieving its objectives as outlined in the *Canada First* Defence Strategy.

Although the Department should strive to minimize civilian overtime, its prudent use should not be discouraged as it may be the most economical way to meet urgent deadlines and surge requirements. The amount of overtime worked is highly correlated to the nature of the work and to employee job classifications. For example, the requirement for overtime is higher in areas such as information technology and those that require minimum staff on duty at all times, such as firefighters and heat plant operators. The nature of the work may also require a specific level of expertise and training or may be associated with a surge requirement, which can make hiring additional indeterminate or term employees impractical.

Currently, overtime claims for both payment and CTO are processed though a paper-based claim form.[3] The administration and processing of overtime compensated as payment is scheduled to become electronic as part of the Consolidation of Pay Services Project. This project is part of the Public Works and Government Services Canada (PWGSC) Transformation of Pay Administration Initiative, which will gradually transfer pay administration services from Departments to a national Public Service Pay Centre starting in 2012. For DND, the transfer of the overtime pay process is expected to be completed in five phases, with initial accounts scheduled for transfer in September 2013, and full implementation by April 2015. The migration to the electronic process is expected to incorporate new and improved controls, edits, and business rules to automate pay system requests and standardize the steps involved in submitting and processing overtime claims. Those overtime claims that request CTO will continue to be processed within the Department through the paper-based claim form.

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[2] These estimated costs represent compensatory time used in the fiscal year applied to the applicable employee's hourly rate of pay.
[3] The departmental overtime claim form is the Extra Duty Pay and Shiftwork Report (DND 907).

Objective

The objective of this audit was to assess whether sufficient governance processes, controls, and risk management practices are in place to ensure civilian overtime is managed effectively and efficiently.

Scope

The scope of this audit included the current civilian overtime management process from identification of need to employee compensation. The scope of this audit did not include a detailed review of the following:

- call-back and stand-by compensation;[4]
- overtime compensated from the Deployed Operations Account (DOA);[5] and
- overtime associated with the Communications Security Establishment Canada.[6]

Methodology

The approach included the following:

- interviews with 48 supervisors and managers, including human resource managers and comptrollers from 30 organizations at multiple levels of the Department; 26 compensation specialists from ADM(HR-Civ); and seven information management analysts from Assistant Deputy Minister (Information Management);
- reviews of available Treasury Board (TB) and DND policies and guidance on the management of civilian overtime, including the TB Policy on Terms and Conditions of Employment, CBAs, the archived and rescinded TB Management of Overtime Policy, as well the guidance provided on the ADM(HR-Civ) website and the departmental overtime claim form (DND 907);
- discussions regarding the availability of central agency guidance on the management of civilian overtime with Treasury Board Secretariat (TBS) staff;
- selection of a directed sample of 90 overtime claim forms to review, including both overtime claimed to be paid and overtime claimed as CTO;
- reviews of policies, guidance and overtime claim forms used in the United States' Department of Defense and the Australian Defence Force; and
- analysis of data extracted from the Defence Resource Management Information System (DRMIS) and the Human Resources Management System (HRMS).

Audit Criteria

The audit criteria can be found at Annex B.

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[4] Call-back is a situation where employees are required to return to work after they have completed their work for the day. Stand-by is a situation where the employees are required to be available for work during off-duty hours. These situations are treated separately in departmental reports and in CBAs.

[5] The DOA includes employment expenditures related to all deployment activities. These DOA expenditures, including overtime, do not follow the same standard processes as regular expenditures.

[6] The Communications Security Establishment Canada is now a stand-alone agency and has been granted its own appropriation and internal audit organization.

Statement of Conformance

The audit findings and conclusions contained in this report are based on sufficient and appropriate audit evidence gathered in accordance with procedures that meet the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The audit thus conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the audit, and apply only to the entity examined.

Findings

Governance

> The Department does not have a formal policy instrument to govern the management of civilian overtime. Existing guidance and training does not adequately address the importance of minimizing, justifying, or monitoring civilian overtime.

Departmental Policy Instrument

The Department does not currently have a formal policy instrument on the management of civilian overtime. Based on interviews carried out during the audit, most DND organizations have not prepared specific guidance on the management of civilian overtime. As part of its Policy Suite Renewal Initiative, TB archived and rescinded the Management of Overtime Policy in 2006. In discussions with TBS, it was indicated that this policy would not be replaced as the intention of the Policy Suite Renewal Initiative is to ensure that departmental deputy heads have maximum flexibility to manage their human resources. With the elimination of a central government policy and the absence of a departmental policy instrument, there exists a gap in the guidance and expectations for the sound management of civilian overtime. Some of the areas that are lacking in guidance include the following:

- the recording and monitoring requirements;
- the justification of the overtime;
- the responsibilities of key stakeholders; and
- the consideration of economical alternatives.

Recording and Monitoring of Overtime

Overtime information is recorded in two independent information systems that are not integrated. The overtime payments are recorded in DRMIS, while the overtime requested as CTO is recorded in HRMS. As a result, managers are not able to easily produce reports on the cumulative use and cost of overtime for individuals or for organizations within the Department. In addition, the systems do not contain all of the information that would facilitate the effective monitoring of overtime. For example, overtime information in DRMIS includes the total amount paid to employees, but does not include the number of hours worked in relation to these costs. In HRMS, CTO hours are recorded at the premium rate, but the system does not allow managers to view the actual hours of overtime worked. In spite of the

> **Good Practice**
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> Some Level One organizations have prepared guidance on the management of civilian overtime with expectations communicated to lower-level organizations.

> **Good Practice**
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> One organization processes overtime claim forms through a central coordinator who reviews the forms for accuracy and tracks overtime compensated as payment and as CTO. This information is then communicated to managers for budget considerations and for monitoring overtime at the employee level.

shortcomings in both systems and the lack of integration between them, the audit concluded that the cost to address these issues would certainly outweigh the benefits as they relate to civilian overtime.

Few managers are aware of the full reporting capability of the systems. For example, most managers were not aware that the overtime recorded in HRMS could be reported at the section or organizational levels and could also include the associated dollar value of the CTO liability.

While the managers and supervisors interviewed indicated that a majority of the overtime is recorded and claimed in the departmental systems, it was noted that there are instances where overtime is managed outside of the formal reporting process.

Because the availability of information is limited and because managers have a limited awareness of reporting capabilities, departmental overtime is not effectively monitored to ensure the following:

- overtime use is efficient;
- budgetary impacts associated with CTO payouts[7] are considered; and
- employees are not working excessive overtime that could potentially lead to burnout.

As indicated during the interviews, some organizations do not actively monitor overtime and were unaware of the amount of overtime being completed as a whole or by specific individuals. For example, in one instance in our selected sample, an employee was erroneously credited a large number of hours of CTO for one month. Although the CHRSC eventually detected and adjusted the error in the following fiscal year, this error was not detected in the organization. While the data analysis indicated that the majority of overtime completed is within an acceptable level of effort for individual employees, the audit found instances where employees were completing overtime at levels that could lead to employee burnout and issues with quality of work.

Justification

Managers do not document the justification for overtime worked; however, the explanations they provided during the interviews seem to indicate that overtime was justified. Examples of overtime requirements that were provided included work associated with establishing and repairing data encryption hardware, civilian employees deployed on foreign missions, policy and speech preparation for senior level executives, information management technicians having to work outside of regular business hours to avoid mass disruption of work, and organizations that require minimum staff on duty (e.g., firefighting crews, snow clearing operators, and heating plant operators). Having the justification in writing would improve the ability of the Department to monitor the validity of the overtime worked. An example of an adequate written justification could be

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[7] Compensatory leave cannot be carried forward beyond the annual date stipulated in the applicable CBA, at which point the balance automatically cashes out. Employees may request a cash-out prior to this date.

as simple as "required to meet deadline of project X." Without documented justification for overtime, it is not possible to monitor the legitimacy of the overtime worked and it may be used in situations that would not be considered urgent or critical.

Stakeholder Responsibilities

The responsibilities of stakeholders in the process of managing civilian overtime are not clearly or adequately documented or communicated. Although the ADM(HR-Civ) website includes a brief process outline, there is limited information provided on stakeholder responsibilities related to key control areas, such as the pre-approval and approval of overtime. In addition, the responsibility for the review, certification of delegation of authority, processing, and monitoring functions is not clearly defined. The audit found that the organizations and the CHRSCs interpreted process responsibilities differently. Without clearly defined and communicated stakeholder responsibilities, overtime may be processed and compensated without having been subject to an appropriate review and approval process.

Consideration of Alternatives

Although no formal departmental requirement exists, organizations interviewed indicated that economical alternatives to overtime are considered before overtime is used. It is recognized that there may not be suitable alternatives to overtime given the current fiscal restraints, time sensitivity, surge requirements, and subject matter expertise that is often required for the work. Organizations indicated that they considered alternatives such as hiring additional staff or using temporary help, but they did not indicate that they had considered workload distribution management and work prioritization. Guidance would help create awareness of suitable alternatives for managers. Without adequate guidance and awareness, managers may not be considering all of the suitable alternatives to overtime.

> **Good Practice**
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> Some organizations perform a cost analysis for employees who are travelling to determine the most cost effective way to do business. For example, since employees are paid for travel time, some organizations analyze whether employees should travel home after completing the workday or stay an additional night and travel during regular work hours to avoid overtime charges.

Guidance and Training

Because there is no departmental overtime policy, the available training and guidance does not adequately assist managers to ensure overtime is managed effectively and efficiently. The current departmental guidance includes a process outline[8] on the ADM(HR-Civ) website and a brief section on

> **Good Practice**
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> Some regional CHRSCs prepare and deliver briefings for managers on how to accurately complete overtime claim forms.

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[8] The information on the website includes the requirement to review and approve the claim form and to submit it to the applicable CHRSC. It also includes a link to the claim form template.

overtime management in the Managing Civilian Human Resources[9] course that is offered through the DND Learning and Career Centres; however, few managers interviewed were aware of either resource. The guidance and training do not include expectations for managers and organizations to justify the overtime, consider economical alternatives, or monitor the overtime from a fiscal and human resources perspective. The guidance on the website also does not include a sample completed overtime claim form for reference. A sample completed form would guide managers on the accurate completion of the overtime claim form and help to decrease the requirement for follow-up questions from compensation specialists.

In the absence of adequate training and guidance on the management of civilian overtime, managers do not have sufficient tools to increase the likelihood that overtime is justified, economical, monitored, or accurately processed to comply with key control requirements.

Recommendation

1.   Develop and communicate a comprehensive departmental policy instrument on the management of civilian overtime.
OPI: ADM(HR-Civ)

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[9] As part of the Defence Leadership Curriculum, this course is mandatory for newly appointed military and civilian supervisors who manage civilian employees.

Internal Controls and Risk Management

> The implementation of risk-based control activities in the process of managing civilian overtime would help increase the likelihood that overtime claimed is authorized, accurately recorded, and in accordance with the approval requirements of the FAA.

Accurate and Timely Overtime Compensation

Based on the review of the sampled transactions and client interviews, organizations are referring to the applicable CBAs to determine the appropriate overtime entitlements and rates for compensation. The collective agreements are also consulted when the overtime claims are reviewed at the applicable CHRSCs. The sample analysis found few errors with the rate and appropriateness of employee entitlements with respect to overtime, as 98 percent of the tested transactions were processed with the correct rate and entitlements as outlined in the applicable CBAs.

Although no formal service standards exist within the CHRSCs, employees are generally compensated for overtime worked in a timely manner. The various CBAs stipulate expected payment timeframes and the service centres aim to meet these expectations. However, it was indicated that occasional surge requirements could result in modest processing delays. In addition to the time required to process the forms at the CHRSCs, the length of time it takes an organization to approve the claim forms and to submit them to the applicable service centres can also cause delays. Although the service centres indicated that the volume and nature of employee complaints are not tracked, the instances are reportedly low.

Overtime Approval

While the review of the sampled transactions demonstrates that overtime in the Department is generally approved by a manager or supervisor, there were instances where the individuals performing the approval did not hold the proper delegation of financial authority as required by Section 34 of the FAA. Of the sampled transactions, 79 percent were approved by a manager or supervisor with the appropriate delegation of authority, while the remainder were signed by an individual who did not have the appropriate delegation of authority or in some instances, who did not hold any delegation of authority. The audit found that the approval of the overtime is not verified at the organizational level or at the CHRSCs to ensure that the person signing the overtime claim form has the appropriate delegation of authority. Since there is limited monitoring of overtime in the organizations and since there is no approving authority certification at the CHRSCs, there is a risk that the Department is compensating employees for overtime that was not completed. A risk-based approach to certifying that the approver of the overtime holds the appropriate delegation of authority would reduce the risk of improper compensation. This could be accomplished, for example, by certifying a random sample of transactions in accordance with Section 34 of the FAA, as well as higher-risk transactions that are above a threshold number of hours.

Overtime Claim Form Completion and Submission Process

Although ADM(HR-Civ) provides an updated version of the overtime claim form (DND 907) on their website, the review of the sampled transactions has indicated that most organizations are using an outdated version. Of the sampled transactions, 24 percent were claimed using the current version of the form, while the remainder were claimed using various outdated versions. The newest version of the form requires all of the pertinent information, while the outdated forms are missing key elements. For example, the area for Section 34 approval on the most current version of the form requires that the name of the approver be printed and signed and that their position and phone number be indicated, while some older versions require only a signature. Requiring only a signature results in difficulty reviewing the forms for monitoring purposes as illegible signatures make the certification of delegated authority cumbersome and time consuming. In addition, some organizations print and sign pay exception reports in DRMIS instead of using the departmental claim form. These reports do not include all of the information needed by the analysts at the CHRSCs to comprehensively ensure that overtime rates and entitlements are accurate and compliant with the CBAs. For example, unlike the standard overtime claim form, these reports do not include the employees' regular hours of work or when the overtime was worked in relation to the employees' regular hours. Some overtime entitlements, such as meals and higher premiums, are based on the overtime hours worked in relation to the employees' regular hours. It was also noticed that the employees were not signing or initialling the report to attest to the overtime worked. Because the compensation analysts accept various outdated versions of the claim form, there is a risk that employees can be inaccurately or inappropriately compensated for overtime.

The audit found that many of the sampled overtime claim forms were processed with incomplete or missing information. For example, 48 percent of the tested transactions did not have the employees' regular working hours, 51 percent did not include the employment status, and 26 percent did not have employee initials attesting to overtime worked. Without this information, it is difficult to determine the appropriateness of the overtime entitlements.

There was limited guidance on the process for submitting the overtime forms to the applicable CHRSCs for processing and compensation. There is currently no control over the handling of the overtime claim form. For example, some interviewees indicated that once approved, the claim form is returned to the employee before being forwarded to the CHRSC. Additionally, 76 percent of the sampled claim forms were not appropriately marked to strike out remaining or blank information cells to prevent altering the form post-approval. Due to the fact that incorrect or incomplete claim forms are being accepted and that there is no control of the form post-approval, there is a risk that employees can be inappropriately compensated for overtime.

Recommendations

2.   Require organizations to accurately complete the current version of the overtime claim form and implement a risk-based approach to certifying the approving authority in order to ensure the overtime is authorized pursuant to the FAA.
OPI: ADM(HR-Civ)

3.   Update and enhance the overtime guidance on the ADM(HR-Civ) internal website and in the Managing Civilian Human Resources course to include the following:

a.   an overview of the developed policy instrument on the management of overtime;
b.   stakeholder responsibilities;
c.   oversight and monitoring requirements;
d.   guidance on how to access information from the systems of record; and
e.   a sample completed form and form control procedures.
OPI: ADM(HR-Civ)

Processing of CTO

The review, verification and approval process used to compensate employees with CTO is not as rigorous as the process used to compensate employees in the form of a payment. While all overtime claim forms are reviewed for completeness and accuracy by the CHRSCs, only those claims requesting payment will be forwarded to a compensation advisor for a more in-depth verification. For those transactions that are to be compensated with CTO, the transactions are reviewed for completeness and accuracy by the transactional staff, entered directly into HRMS and immediately credited to the employee's leave balance. A more in-depth verification would almost certainly have detected situations like the one previously noted, where one employee was credited a large number of CTO hours in error.

As required by the CBAs, the employees' CTO balances will automatically cash out if not used by a date specified in the agreement. Employees are also able to request that their CTO be cashed out before the specified date. For both of these scenarios, the CHRSCs would process the payout of the hours, but the overtime claim forms would not have been verified by a compensation advisor. Without adequate monitoring of the CTO hours at the organizational level and without an appropriate level of review and verification at the CHRSCs, employees may be compensated inaccurately for overtime.

Recommendation

4.   Implement a control to ensure that overtime compensated as CTO is verified and accurately credited to employee leave balances.
OPI: ADM(HR-Civ)

Overtime Pre-approval

The pre-approval of overtime, including Section 32 of the FAA, is not consistently or formally recorded by all organizations in the Department. Although collective agreements indicate that the overtime can be pre-approved verbally, there are risks associated with not formally documenting the pre-approvals. These risks include potential miscommunications on the amount of overtime that was pre-approved and whether the overtime was justified.

> **Good Practice**
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> Some Level One organizations have required all overtime to be formally pre-approved in writing.

Recommendation

5.   Develop and communicate a policy that requires organizations to perform written pre-approvals and justification of overtime. In exceptional circumstances, approval and justification can be provided post-overtime.
OPI: ADM(HR-Civ)

General Conclusion

The management of overtime was generally found to be working efficiently and the risk areas assessed as part of the audit were generally well managed. However, the audit identified some areas for improvement in governance and internal controls that impact the effective management of overtime.

In terms of governance, there was no policy or directive to provide guidance to managers on the management of overtime and to effectively mitigate risks related to overtime. This has resulted in inconsistencies and weaknesses in the manner overtime was managed throughout the Department.

Although some of the expected internal controls were in place, additional controls are required to ensure that appropriate approvals take place and that employees are accurately compensated.

Annex A—Management Action Plan

CRS uses recommendation significance criteria as follows:

High—Controls are not in place or are inadequate. Important issues are identified that could negatively impact the achievement of program/operational objectives.

Moderate—Controls are in place but are not being sufficiently complied with. Issues are identified that could negatively impact the efficiency and effectiveness of operations.

Low—Controls are in place but the level of compliance varies.

Governance – Departmental Policy Instrument

CRS Recommendation (High Significance)

1.   Develop and communicate a comprehensive departmental policy instrument on the management of civilian overtime.

Management Action

The Director Civilian Labour Relations (DCLR) is currently drafting instructions for managers on "Hours of Work" that will address overtime, provide guidance to managers and reflect the following principles:

- only delegated managers may approve overtime;
- overtime is over and above regular hours of work;

- specific terms of the applicable collective agreement must be adhered to;
- in normal circumstances, overtime must be approved in writing and in advance by the delegated authority;
- delegated mangers should be prepared to justify the reasons for overtime; and
- funds are available.

OPI: ADM(HR-Civ)/DCLR
Target Date: April 2014

Annex A

Internal Controls and Risk Management – Overtime Claim Accuracy and Approval

CRS Recommendation (High Significance)

2.   Require organizations to accurately complete the current version of the overtime claim form and implement a risk-based approach to certifying the approving authority in order to ensure the overtime is authorized pursuant to the FAA.

Management Action

The Department has recently implemented the Public Works and Government Services Canada (PWGSC) Compensation Web Application for Extra Duty Pay. This web application provides a standard format with built-in edits on 30,000 Collective Agreement extra duty pay rules. The on-line system has embedded the necessary and required Section 34 approvals within the program, which will mean that only managers with delegated Section 34 authority can approve overtime. Also, with the gradual movement of compensation accounts to a centralized processing office in Miramichi, New Brunswick, forms that are submitted in hard copy will require verification of Section 34 by the departmental "Trusted Source."

When section 34 is granted to or removed from a manager, the Associate Deputy Minister (Finance and Corporate Services) (ADM(Fin CS)) authenticates the change prior to updating the list. The updated list is then communicated to PWGSC to reflect changes into the Compensation Web Application for Extra Duty Pay online application. The National Compensation Services team will use the updated list to verify signatures on overtime forms prior to sending to the Pay Centre.

To further address the risk associated with overtime claim accuracy and approval, the following measures will be taken:

- The Director Corporate Compensation Programmes (DCCP) will provide direction to L1s requiring the use of the correct and current form.
- A risk-based approach for certifying the approving authority for overtime claims (compensatory and cash payments) will be implemented by DCCP. Specifically, DCCP will determine appropriate sampling requirements, provide direction to compensation staff regarding certification procedures, and monitor this process.

OPI: ADM(HR-Civ)/DCCP
Target Date: November 2014

Annex A

Internal Controls and Risk Management – Overtime Guidance

CRS Recommendation (Moderate Significance)

3.   Update and enhance the overtime guidance on the ADM(HR-Civ) internal website and in the Managing Civilian Human Resources course to include the following:

a. an overview of the developed policy instrument on the management of overtime;
b. stakeholder responsibilities;
c. oversight and monitoring requirements;
d. guidance on how to access information from the systems of record; and
e. a sample completed form and form control procedures.

Management Action

The Learning and Career Centre Course Calendar includes two courses dealing with a manager's responsibilities related to overtime:

- Managing Civilian Human Resources, which includes a "Compensation" module; and
- Labour Relations for Supervisors and Managers, which includes a module entitled "Interpreting and Applying Collective Agreements."

Beginning in April 2014, the Managing Civilian Human Resources course will be offered on-line. Both DCCP and DCLR are currently reviewing the Compensation and Labour Relations content of this course. The content of the course will be modified to include references to the following:

- stakeholder responsibilities in relation to overtime;
- policy and guidance documents that include specific references to the application of these responsibilities;
- guidance on how to access the overtime system;
- overtime claim form procedures and a completed sample form; and
- oversight and monitoring requirements.

In addition, the ADM(HR-Civ) website will be updated to make reference to all policies, guidance, tools and training that relate to the management of overtime to support the delegated authority.

OPI: ADM(HR-Civ)/DCCP, DCLR, DLTPD
Target Date: June 2014

Annex A

Internal Controls and Risk Management – Processing of CTO

CRS Recommendation (Moderate Significance)

4.   Implement a control to ensure that overtime compensated as CTO is verified and accurately credited to employee leave balances.

Management Action

CTO is currently verified in some regions. As noted in the response to Recommendation 2, a risk-based verification process will be implemented across the Department to ensure that CTO entries are accurate.

Proper managerial authority to verify and approve CTO remains. However, a requirement is clearly identified on the overtime claim form and is affirmed by providing the appropriate name, title and signature of the delegated authority. ADM(HR-Civ) confirms that this is a chain of command delegation and management accountability issue, and will ensure that this is understood in all policy, guidance and training materials.

With the anticipated reduction of compensation resources due to the centralization of Pay Services, verification capability will be significantly reduced. However, DCCP has been working with the ADM(Fin CS) organization on the implementation of the Financial Controls Framework, and part of the requirement will be a post-pay verification process. As part of some residual work that will remain in departments once accounts are transferred to Miramichi, ADM(HR-Civ) will dedicate resources to work with ADM(Fin CS) on post-pay verification. Overtime, including CTO, will be carefully considered in this work.

OPI: ADM(HR-Civ)/DCCP
Target Date: December 2015

Annex A

Internal Controls and Risk Management – Overtime Pre-approval

CRS Recommendation (Moderate Significance)

5.   Develop and communicate a policy that requires organizations to perform written pre-approvals and justification of overtime. In exceptional circumstances, approval and justification can be provided post-overtime.

Management Action

Existing tools and guidance documents currently available on the ADM(HR-Civ) intranet site reflect the established principle that, "in normal circumstances, overtime must be approved in advance." In addition, collective agreements reflect management's exclusive authority to assign overtime hours, i.e., employees do not determine the requirement for overtime work. While written pre-approval is the normal requirement, in some circumstances, it may be unrealistic, given the operational work environment of many DND workplaces.

With respect to "justification" for overtime, this is a managerial authority and accountability under the FAA. As such, direction related to the requirement for the use of overtime would normally come from departmental management or financial functional authorities (Vice Chief of the Defence Staff (VCDS) and ADM(Fin CS)).

Furthermore, the Instructions on Hours of Work and training materials, as noted in Recommendations 1 and 3, will reaffirm the expectation that overtime is normally approved in advance.

OPI: ADM(HR-Civ)
Target Date: November 2014

Annex B—Audit Criteria

Criteria Assessment

The audit criteria were assessed using the following levels:

Assessment Level and Description

Level 1: Satisfactory

Level 2: Needs Minor Improvement

Level 3: Needs Moderate Improvement

Level 4: Needs Significant Improvement

Level 5: Unsatisfactory

Governance

1. A governance structure is in place to ensure that overtime is managed effectively and efficiently.

   Assessment. Level 4 – No departmental policy or directive exists on the management of civilian overtime.

Internal Controls

2. Control activities are effective to ensure that the administration of overtime is compliant with policies, directives, and collective agreements and that overtime information is adequately tracked.

   Assessment. Level 3 – Although some controls already exist, additional controls are required to ensure that overtime is adequately pre-approved and approved as required by the FAA, and that employees are accurately compensated.

Risk Management

3. The Department adequately mitigates the risks associated with overtime to ensure that its use is kept to an appropriate minimum, that employees are accurately and timely compensated, and that employees are not expected to complete excessive overtime.

   Assessment. Level 3 – Recommendations to improve governance issues will address the Department's need to mitigate the risks associated with civilian overtime.

<div align="right">**Annex B**</div>

Sources of Criteria

1. TBS, Core Management Controls: A Guide for Internal Auditors, November 2007.

2. TB Policy on Terms and Conditions of Employment and Collective Bargaining Agreements.

3. Expected public sector/government best practices.

4. Financial Administration Manual.