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CRS INTERNAL AUDIT: *CANADIAN FORCES ALLOWANCES*

May 2005

7050-8-2 (CRS)



Canada 

SYNOPSIS

This report presents the results of an independent audit of the payment of Canadian Forces Allowances to Regular Force and Class C Reserve Force members. The main objectives of this audit, and the substantial testing performed, were to assess the accuracy and timeliness of payments, as well as the sufficiency of the management framework.

Notwithstanding observed exceptions, we have concluded that, generally, recipients were entitled to the allowances they received, if not the amounts paid. However, the process to administer certain of the allowances (i.e., about \$60M, or 34 per cent of the \$174M paid in 2001) requires significant manual intervention and repeated recalculation of eligibility points accumulated over the course of military careers. Due to a cumbersome process, and varying approaches to the calculation of entitlement amounts, we were not able to provide assurance regarding the accuracy of payments. In fact, there is no standard process used to validate the amounts paid.

Apparent exceptions to the legitimacy of entitlements pertain mainly to ambiguous policy regarding the continued payment of sea duty allowances to individuals who were landed for extended periods. Additionally, allowances were paid to persons not occupying positions specifically designated as having an entitlement.

The control framework for CF allowances must be improved. Until such time that payroll personnel are provided with necessary electronic tools to capture information and to calculate all allowance payments owing, the risk of errors going undetected will remain high. This, combined with lack of clarity around entitlements, puts at risk the quality of service to CF members and equity in the payment of allowances. At the same time, excessive resources will continue to be expended to administer the allowances, and instances of non-compliance will persist.

The key audit recommendations are as follows:

- Manual interventions should be minimized through automation of the process for determining the amount of qualifying points or eligible years of service;*
- Those administering policies should be consulted regarding policy changes to ensure that the resource implications are apparent;*
- Clarification should be provided regarding sea duty allowances for those who have not been at sea for extended periods;*



- *A listing of entitled positions should be kept current along with provision for system edits that permit allowance payments only to those occupying such designated positions; and*
- *A risk-based monitoring framework should be put in place for allowances.*

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Management action plans demonstrate constructive attention to the majority of the recommendations made. CRS may request interim, or more specific, milestones. To assist these action plans, the report contains information on practices for the militaries of ...

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A summary of key recommendations and corresponding management actions/plans is presented in matrix format on page V/V and a detailed version can be found at Annex G.



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RESULTS IN BRIEF

Introduction

In accordance with the Chief Review Services (CRS) Work Plan, CRS initiated an audit of Canadian Forces (CF) Environmental Allowances. The scope of this audit also included Military Foreign Service (MFS) and certain Special allowances. MFS allowances were included because the process for administering such allowances requires significant manual intervention, thereby increasing the risk of error. Special allowances such as maternity and parental leave and Post Living Differential (PLD), were deemed to be relatively high risk because they are either difficult to administer or were new to the CF.

Audit Objectives, Criteria and Coverage

The main objectives of this audit were to:

- Determine whether the administrative processes and management framework, including risk management strategies and practices, as well as the use of information for decision making, are as efficient and effective as possible; and
- Assess whether the payment of environmental, foreign and special allowances to Regular Force (Reg F) and Reserve Force Class C (RF Class C) members were accurate and timely – the audit is based on payments made in calendar year 2001.

To enable CRS to report on the audit objectives, we developed assessment criteria (see [ANNEX A – Table 1](#)) targeted at achieving significant conclusions relative to management practices, information used for decision-making and risk-management strategies and practices governing the payment of CF allowances. Further, certain technology-driven and diagnostic procedures were developed to assist in identifying potential anomalies and errors.

In addition, we developed audit criteria (see [ANNEX A – Table 2](#)) to perform detailed audit tests on a statistical sample of 300 different pay accounts. Specifically, we assessed whether those in receipt of allowances were so entitled, and if the amounts were accurate and paid within a reasonable timeframe. Total expenditures for CF allowances for calendar year 2001 were \$174M. However, the total population from which our sample was drawn was \$142M, representing 82 per cent of the total expenditures.



Overall Assessment

There are serious deficiencies in the management and administration of CF Allowances. Without concerted attention, CF members cannot be assured that they will receive the allowances to which they are entitled and within reasonable timeframes. Conversely, inequities and inappropriate costs will arise as members receive benefits to which they are not legitimately entitled. As such, the system risks poor service, inequity, unnecessary administrative expense and non-compliance.

The control framework for the management of CF allowances requires significant improvement. The current design and delivery process for certain environmental and Foreign Service allowances is such that monthly rates are based on accumulated eligible service or qualifying points. However, *each time* a member becomes eligible for a particular allowance, the lack of an automated mechanism means that pay clerks must manually determine the career accumulation of points for each individual. We found inconsistencies in the formulas used by the pay clerks. This control framework is cumbersome and results in incorrect payments. There are members who have been underpaid and others who have received amounts in excess of entitlement – we are unable to quantify this.

Of the \$174M paid in 2001, nearly \$60M, or 34 per cent of allowances, involved significant manual intervention. Notwithstanding circumstances where we have questioned the entitlement to allowances, we are satisfied that the vast majority of recipients were entitled to the allowances they received. However, there is no standard mechanism in place to ensure that the correct amounts were paid. Until such time that payroll staff are provided with appropriate electronic tools to capture a member's accumulated eligible services or qualifying points, excessive resources will continue to be expended to administer such allowances and inconsistent practices/calculations will continue. This will also have implications for the timeliness of payments.

Attention will also be required to ensure that individuals receiving allowances occupy designated positions/duties – no such list existed and substantial payments have been made to persons not occupying a designated position. Additionally, policy regarding sea duty allowances requires clarification. The result is that people are receiving allowances to which they are not entitled.

Special allowances are paid in a relatively accurate and timely manner. These allowances are characterized by simple policies, low manual intervention and/or centralization. We found no error in the payments of special allowances that are administered by subject experts who operate in a highly-centralized environment, such as Maternity and Paternity leaves, or through a highly-automated process such as PLD.



The overall assessment is supported by the key findings outlined below.

Key Findings

Management Framework

The current management practices for CF allowances were assessed against a set of established criteria as described in [ANNEX A – Table 1](#). The key findings are:

- **Process.** On a yearly basis, DND/CF spends nearly \$60M on point-based allowances, such as Foreign Service Premiums (FSP), Sea Duty Allowances (SDA), and Air Crew Allowance (AIRCRA), and depends on manual intervention to administer them. In addition, policy developers do not sufficiently consult those charged with administration, and do not have sufficient view of the complications and resource implications involved. These circumstances have resulted in resource imbalances, inconsistent practices and inaccurate payments.
- **Designated Positions.** Many members receive environmental allowances such as for Sea, Diving, Submarine, Paratroop and Aircrew Duties – their positions are to have been designated by the Minister of National Defence (MND) or the Chief of Defence Staff (CDS). However, the audit team noted that at least 248¹ members in receipt of such allowances held positions that had not yet been designated. For AIRCRA and SDA alone, the Department was paying as much as \$500,000 annually in respect of members not occupying designated positions. Likewise, no clearance diving positions had been designated and nearly \$800,000 was paid out in 2001 alone for allowances for these positions.
- **Landed personnel.** The audit team noted instances where members were landed ashore and continued to receive sea duty allowances for up to six months while their ships remained deployed. The policy allows for members to receive the allowance during periods of temporary absence on leave, temporary duty, hospitalization or temporary periods of medical restriction. Instead of posting or attach posting these members off ship, they were deemed *landed* ashore, enabling them to continue to receive the allowance, even though their duties did not involve sporadic or continuous exposure to adverse environmental conditions, as required by policy. We believe the policy was vague and susceptible to misinterpretation – six months is not temporary, and we question the entitlement of members to the allowance during that period. This policy interpretation cost the Department an additional \$800,000 over the period August 2001 to June 2003 (see [ANNEX B](#) for details).

¹ The directed assessment was conducted for sea duty, aircrew and clearance diving only.



Use of Information for Decision Making and Risk Management Practices

There has been no systematic process-level risk assessment to guide system performance monitoring. Had a PLRA been conducted and automated indicators been developed, many of the difficulties cited in this report would have been avoided, or their impact minimized.

Key Recommendations

A summary of all recommendations resulting from this audit is provided in [ANNEX C](#). The key recommendations are listed below:

1. For point-based allowances, the process for determining the amount of qualifying points or eligible service should be automated. This will reduce the need for manual intervention, ensure greater consistency and improve control over the accuracy and completeness of information – ADM(HR-Mil).
2. Ensure those who administer the policy are sufficiently consulted prior to the introduction of new or amended policies. This will ensure due consideration to the resource implications associated with policy administration – ADM(HR-Mil).
3. Maintain a current listing of designated positions and ensure system edits permit the processing of allowances only for those occupying formally-designated positions – ADM(HR-Mil) and consultation with ECSs.
4. For landed personnel, provide further clarification of the term *temporary* to ensure policy is being applied consistently – ADM(HR-Mil).
5. Conduct a process-level risk assessment (PLRA) – ADM(HR-Mil).

Management Action Plans

Management action plans provided by ADM(HR-Mil) and ADM(Fin CS) demonstrate constructive attention to the recommendations made in this report. For certain actions, CRS may request interim milestones through the normal follow-up and monitoring processes. Recommendations and corresponding management action plans are presented in matrix format at [ANNEX G](#).



Key recommendations to be tracked by CRS are summarized in the table below.

Ser	CRS Recommendation	OPI	OPI Management Action Plan
1	Calculation of Career Points: Automate the process for determining the amount of qualifying points or eligible service.	ADM(HR-Mil)/DHRIM	Concur: An automated tracking system within the HR Management System is one of the functions specified in the Environmental Allowances Review. Rough Time Estimate: Requirements FY 2005/06 Programming FY 2006/07
2	Maintaining List of Designated Positions: Continue to consult with the ECSs to ensure a current listing of designated positions is relative to allowance entitlements.	ADM(HR-Mil)/DGCB	Concur: Each allowance will be reviewed on a cyclical basis to confirm that organizational or equipment changes are reflected in the list of designated positions.
3	System Edits: Appropriate edits should be built into the system to ensure that only those members occupying formally-designated positions receive corresponding allowances.	ADM(HR-Mil)/DHRIM	Concur: One of the HRMS changes envisaged in the Environmental Allowances Review implementation phase is to add an attribute to data definition of “position” to account for allowance and qualification designations.
4	Policy Clarification: Provide further clarification of the word <i>temporary</i> to ensure the policy is being adhered to in a consistent manner.	ADM(HR-Mil)/DGCB	Concur: The proposed policy framework, where most of the dollars are paid for actual days on deployment, should overcome the majority of problems. Rough Time Estimate: Policy Drafting 2005/06 Jan – Mar 06
5	Ceasing and starting allowances: Automate the process so that members’ allowances cease at the losing unit when posted out, and it is the responsibility of the gaining unit to start up any of the applicable allowances when posted in.	ADM(HR-Mil)/DHRIM	Concur: HRMS rules will provide effective controls. Entitlement will be linked to COS dates and the incumbent of the designated position.
6	Risk management and monitoring framework: Develop a formal risk management framework and undertake a systematic PLRA with the assistance of those responsible for administering the policy.	ADM(HR-Mil)	Concur: However further discussion and information is required.
7	Reports: Generate reports to provide management with accurate and relevant information for continuous monitoring.	ADM(HR-Mil) ADM (Fin CS)	Concur: System-generated, management exception reports will be determined in the implementation of the environmental allowance policy review.



BACKGROUND

Objectives

Audit

- Assess if the payments of environmental, foreign and special allowances to Reg F and RF Class C members were accurate² and timely³; - scope addressed payments made in calendar year 2001; and
- Determine if the administrative processes and management framework, including risk management strategies and practices and use of information for decision making, are as efficient and effective as possible.

Other

Develop technology-driven analytical and diagnostic procedures to assist the identification of potential anomalies or errors.

Audit Scope

The scope was DND/CF-wide and covered three types of allowances for calendar year 2001 (see [ANNEX D](#) for the complete listing of sampled allowances):

Type	Brief Description	Basis of Payment	Example
Environmental	The financial compensation paid for the performance of assigned duties where there is a continuing and substantial exposure to the environmental conditions.	With the exception of casual allowances, the monthly rate for most allowances is based on years of service the member is posted to a designated position.	Sea Duty Allowance (SDA)
		For other allowances, members are entitled to a daily rate for each day they must live under certain conditions.	Field Operations Allowances (FOA)

² Accurate – members are paid what they are owed in exchange for the services rendered.

³ Timely – pay guides are updated within no more than 30 days from the date the salary or benefit has been earned.



Type	Brief Description	Basis of Payment	Example
Special	They are unique and have no correlation to one another.	Each one has its own basis of payment.	Post Living Differential (PLD)
Foreign Service (or MFS)	The benefits and allowances paid to members when they are posted, attached posted, attached posted (temporary) or on temporary duty (TD) to an operation outside Canada either accompanied or unaccompanied.	The monthly rate for some of them, such as Foreign Service Premium (FSP), are determined by the member's accumulated qualifying points, which are earned during his/her eligible foreign postings.	Foreign Service Premium (FSP)

Total expenditures for CF allowances for calendar year 2001 were \$174M, however the total expenditures of the three types of allowances from which our sample was drawn is \$142M – 82 per cent of \$174M (Figure 1).

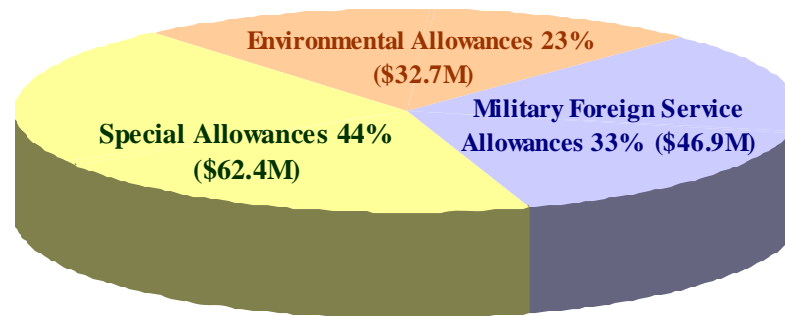


Figure 1 Population from which the sample was drawn

Audit Methodology

The findings of the audit are based on the following methodologies:

- gaining an in-depth understanding of the current process to administer and deliver CF allowances by:
 - observing allowance-related activities performed by pay clerks; and
 - conducting interviews with personnel involved with administering and delivering CF allowances, as well as key personnel responsible for relevant allowance-related policies, such as Directorate of Pay Policy and Development (DPPD);
- reviewing allowance-related processes to identify risks – for example, areas where significant manual intervention was required were perceived as high risk;
- developing detailed audit criteria and procedures in accordance with Treasury Board guidelines;
- visiting 11 sites representing a cross-section of the three Environments;
- assessing a statistically representative random sample of 300 pay accounts against detailed audit criteria; and
- assessing additional pay accounts in areas believed to have either a high probability of error, or to have an adverse affect on the accuracy and timeliness of allowance payments if an error would occur. A summary of the objectives and findings of those directed assessments are provided in [ANNEX E](#).



DETAILED FINDINGS AND RECOMMENDATIONS

Overall Assessment

The vast majority of the CF members are entitled to the type of allowances that they receive, but we are unable to provide overall assurance that payments are accurate and timely.

Based on the results of our random sample of 300 pay accounts and a review of management practices for CF allowances, the CRS audit team is satisfied that, in 2001, the vast majority of Reg F and RF Class C members receiving CF allowances were entitled to such allowances, but the accuracy and timeliness of the payments could not be determined.

Accuracy and Timeliness of CF Allowances Payments

The monthly allowance rate for many point-based allowances are determined by the amount of accumulated eligible years of service or qualifying points. The following are reasons that accuracy and timeliness of payments for point-based allowances could not be determined and [Figure 2](#) illustrates their interrelationships.

- 1) No procedural guidelines exist to ensure amounts of qualifying points and eligible years of service for point-based allowances are calculated in a consistent manner across the CF.
- 2) Preliminary results of four SDA reviews conducted by different units confirmed the existence of inconsistent payment practices in calculating allowance points.
- 3) Payroll staff is ill-equipped to ensure figures concerning eligible years of service and qualifying points are maintained in an accurate and timely manner.
- 4) Significant manual intervention is required to monitor qualifying points and eligible years of service, increasing the risk of error.
- 5) In many instances, levels of eligible years of service for environmental allowances were not updated in a timely manner.
- 6) Many members who received environmental allowances did not occupy positions designated for these allowances by the Minister of National Defence (MND) or Chief of the Defence Staff (CDS), as required by policy.
- 7) In most instances, members' qualifying points and eligible years of service are not maintained in the members' files, resulting in a lack of information to support consistent and accurate calculations.
- 8) No performance indicators against which to measure timeliness exist. The sample revealed 17 instances where more than 30 days was required to post transactions to members' pay guides.



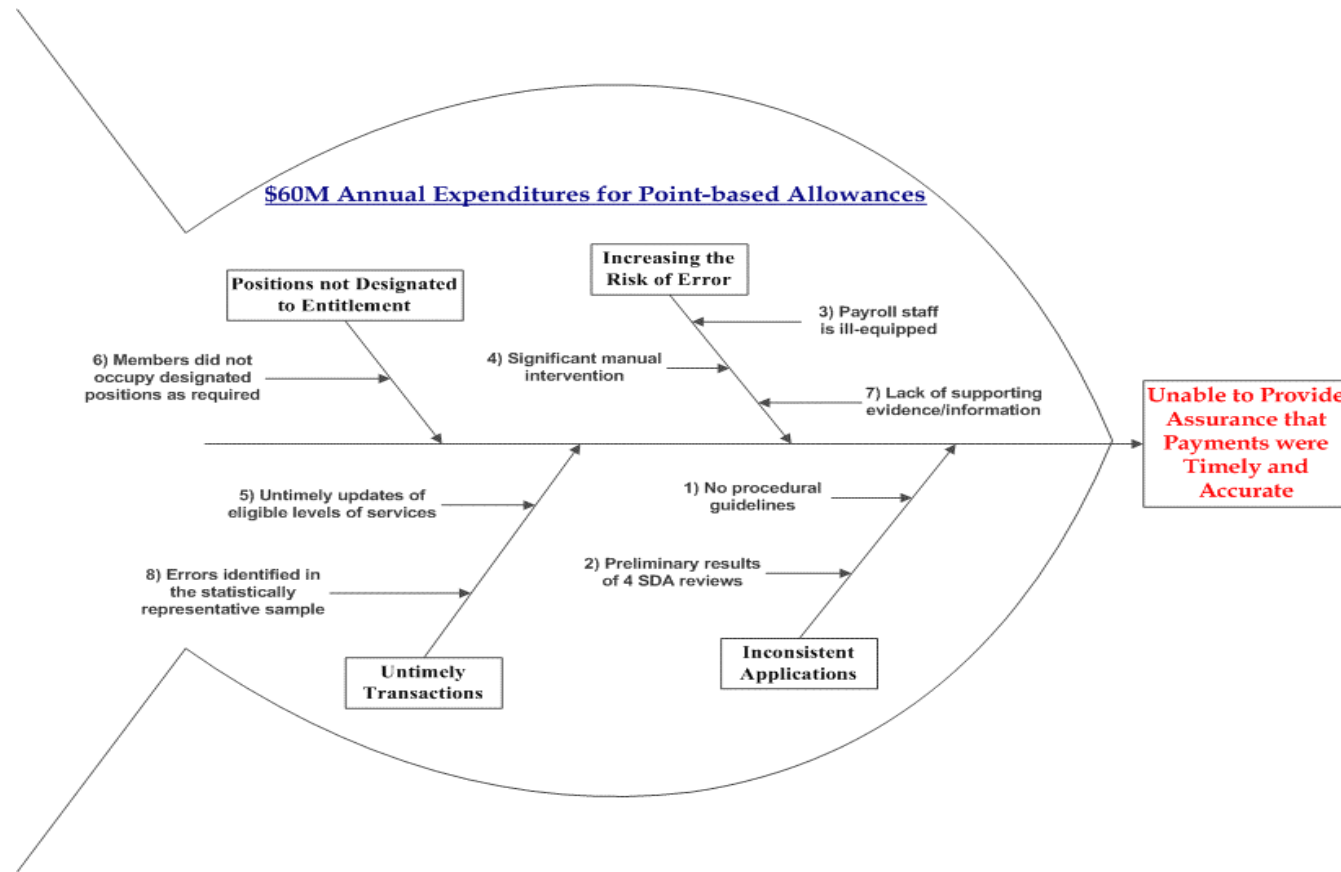


Figure 2 Reasons Why CRS Cannot Provide Assurance Payments were Timely and Accurate

Since point-based allowances account for a significant proportion of all annual CF allowance expenditures (34 per cent or \$60M), CRS is unable to provide assurance that payments of CF allowances were made in timely and accurate manner.

Directed Assessment in High Risk Areas

The CRS audit team also conducted numerous directed assessments in areas where weaknesses were identified. The results highlight instances where the intent of CF policies is not being followed because pay clerks are not equipped to implement policy, or policy requires further clarification. The causes and effects of the shortcomings identified by the CRS audit team, as well as certain results of the directed assessment, are discussed in detail in the following sections of the report.



Current Management Practices

Significant manual intervention and duplication of effort characterized the current process to administer certain allowances. Until the process to track members' eligible service or qualifying points is automated, excessive resources will continue to be expended and inconsistent practices will continue. Incorrect payments have been made and inordinate delays have occurred in processing payments.

1. Inconsistent Approaches to Calculate Members' Amounts of Eligible Services or Qualifying Points

Issue

The current process to calculate members' amounts of eligible services for environmental allowances, or qualifying points for Foreign Service Premiums (FSP) is neither efficient nor effective.

Causes and Impacts

Inefficient

- Excessive resources are being utilized to administer these allowances. The DND/CF spends nearly \$60 million annually on point-based allowances. Due to lack of automation, pay clerks must manually monitor the *cumulative* time or points on an ongoing basis to ensure that the accumulating time toward the next increment is adjusted in a timely manner.
 - At one location, a pay clerk required in excess of two months to determine the eligible years of service for 220 members of a ship prior to its deployment. At another location, a team of four pay clerks (two full-time, two part-time) took more than two months to verify the accuracy of qualifying points for some 1,200 members being deployed. This process is on-going as members' qualifying points must be adjusted as they come due for increments.
- Each time members become entitled to point-based allowances, pay clerks must manually recalculate members' cumulative amount of eligible service or qualifying points. For example, if a member is deployed on five different operations during his/her career, qualifying points for FSP will likely have been calculated on five different occasions by five different pay clerks, with little guarantee that the same methodology will be applied each time.
- In most instances, supporting evidence for members' qualifying points or eligible services was not maintained on their files.



- The audit team identified many instances where levels of accumulated service for sea duty and aircrew allowances were not changed in a timely manner, resulting in many members being underpaid. The table below illustrates the extent of this underpayment.

(1) Type	(2) Members	Delays		Underpayments			
		(3) Average Delay (months)	(4) Maximum Delay (months)	(5) Average Monthly Underpayment per Member	(6) Maximum Monthly Underpayment per Member	(7) = (2) x (5) Cumulative Monthly Underpayment	(8) = (7) x 12 Cumulative Annual Underpayment
SDA	186	13	43	\$83	\$107	\$15,500	\$186,000
Aircrew	107	29	82	\$58	\$125	\$6,200	\$74,400

- Of the 107 aircrew and 186 “sea duty” members whose level is understated, we communicated with the units of eight and nine members respectively to obtain justification. Only one response was received. Aside from establishing the level had not been changed in a timely manner, it was confirmed that one member was no longer entitled to sea duty. Recovery action has since been taken. Of the remaining members for which we requested justification, some may be owed as much as \$5,800 for aircrew or \$4,000 for sea duty.
- As the tracking process is comparable for all point-based allowances (such as foreign service premium and submarine allowance), a high probability exists that members in receipt of other allowances may be in a similar situation.

Ineffective

- No Departmental procedural guidelines exist, and inadequate training is provided to payroll staff calculating eligible services and qualifying points. As a result, there is a wide range of inconsistency in determining what a CF member is entitled to.
- The CRS audit team obtained preliminary results from four SEA Duty Allowance (SDA) reviews conducted by different units. These reviews were undertaken to assess the accuracy of eligible services for each unit’s members. [Figure 3](#) below demonstrates that the reviews identified many discrepancies, resulting in many members either owing or being owed money.



- The discrepancy rate among the four units included in the SDA review varied from 28 per cent to 99 per cent. Of the 662 cases reviewed, the overall discrepancy rate was 44 per cent, of which 73 per cent (i.e., almost one third of the cases reviewed) were possibly paid more than what they were entitled to. At the time of this audit, no reimbursements or recovery actions had yet been taken because management was unsure of the proper approach to follow.
- Although discrepancy rates cited relate solely to Sea Duty Allowance, results could be similar for all CF allowances that are dependent on eligible services or qualifying points, which total nearly \$60 million annually.
- In a directed assessment conducted by the CRS audit team, some action had been taken with respect to erroneous payments, but no action had been taken to correct members' amount of eligible service. Consequently, these members are receiving time credit for periods that they were not entitled to the allowance.

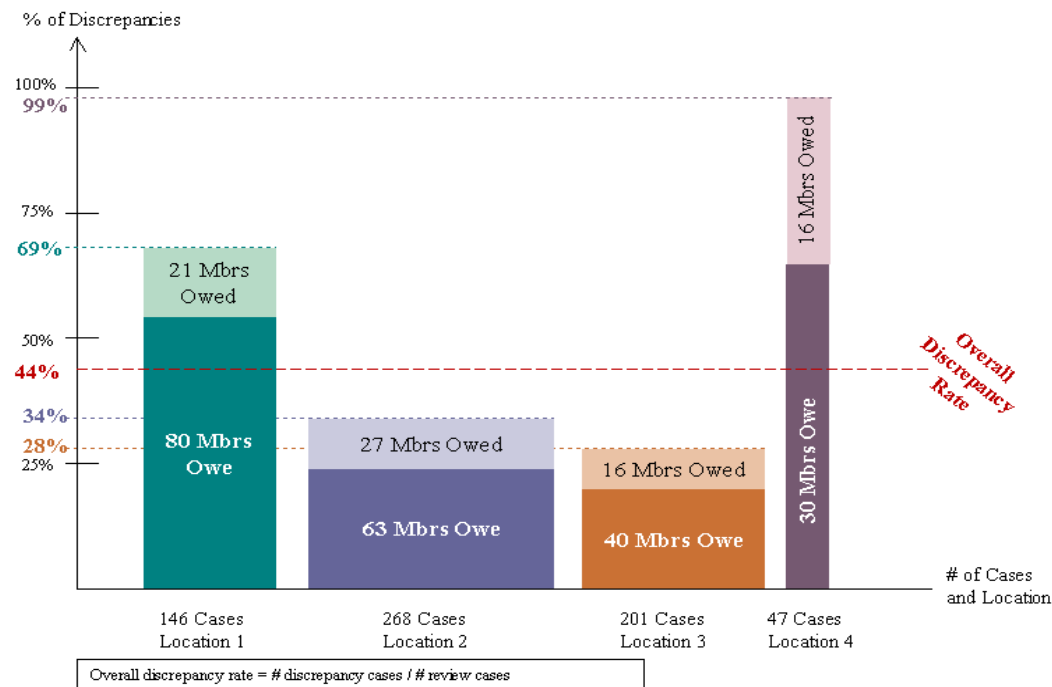





Figure 3 Results from Four Sea Duty Allowance (SDA) Reviews conducted by different units

A lack of automation is a fundamental cause of these deficiencies. Until payroll staff is provided with proper enabling/monitoring tools, underpayment/overpayment will continue and excessive resources will be expended.



Benchmarking Approaches to Calculating Eligible Services

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Recommendation

OPI	Actions
ADM(HR-Mil)/ DHRIM	Automate the process for determining the amount of qualifying points or eligible services. Automation should remove the need for manual intervention, ensuring greater consistency and improved control over the accuracy of qualifying points and eligible services, thereby increasing the accuracy of related allowance payments.

2. Practicality of Policy Administration

Issue

Many policies that govern allowances are complex and require significant manual intervention to be administered properly.

Causes and Impacts

- Personnel responsible for administering allowances should have more opportunity for input when changes to policies are being developed. Otherwise, the practicality of administering some allowances is not fully considered, making it difficult to ensure the intent of the policies is being adhered to. Policies that are laborious to administer include:

Allowance	Efforts required to ensure policy is adhered to
Environmental	Designated positions. Members are entitled to certain environmental allowances if they are posted to designated positions. At the time of the CRS audit, however, a complete list of designated positions did not exist.
	The monthly rate for many environmental allowances is dependant on members' years of eligible service. No Departmental procedural guidelines exist to track eligible years, and payroll staff is not provided with adequate tools to monitor this information properly. Approximately 8,000 members, at any point in time, receive allowances that are calculated based on eligible years of service or qualifying points.
Foreign Service Premium (FSP)	Tracking points for FSP is labour intensive. Members receive one point per month when they serve at foreign posts. Partial months are counted only during the first and last month where there are ten compensation days of FSP in a calendar month.
	When members receive FSP and when dependants are temporarily absent from posts for more than 25 days, the premium is adjusted to reflect the change in circumstances.
	The increment for OPS FSP changes every six months, however, payroll staff is not provided with an adequate process to administer these changes efficiently.

- If the practicality of administering policies is not sufficiently considered prior to them becoming effective, the risk of error will remain high.

Recommendation

OPI	Actions
ADM(HR-Mil)/ DGCB	Before introducing new or amended policies, DND/CF must ensure that personnel responsible for administering these policies will be able to do so in an efficient and timely fashion. In addition, policies should be reviewed periodically to ensure administration simplicity and practicality.



3. Members in Non Designated Positions Receiving Environmental Allowances

Issue

Current procedures do not ensure that members receiving environmental allowances for serving in *designated* positions are actually occupying positions so designated by the Minister of National Defence (MND) or Chief of the Defence Staff (CDS).

Causes and Impacts

- Many positions are assumed to have been designated by the MND or the CDS for environmental allowances such as sea duty, diving, submarine, paratroop and aircrew. The CRS audit team noted at least 248⁴ positions that were not designated as qualified for an environmental allowance; but members holding these positions were receiving such allowances. These positions may meet the criteria for allowance-designation, however, until such time that the positions have been formally designated, members are not entitled to receive payments.
- Because our limited test identified only those in receipt of continuous SDA, Aircrew or Clearance Diving allowance that had been at the same unit from December 2002 to May 2003, there are likely many more instances whereby members have occupied non-designated positions and received such allowances.
- The audit identified 95 members receiving Aircrew allowance in non-designated aircrew positions and 36 members receiving Sea Duty Allowance that were neither posted to a ship nor serving in a designated position. Of these 131 members, we asked for further details on 44, of which 26 replies were received. In seven of those cases, recovery action followed because it was acknowledged that such individuals were not entitled to the payments. The respondents believed that the remaining 19 positions would meet the criteria for the allowances being paid, even though proper designation had yet to be carried out. Recoveries ranged from \$1,200 to \$26,000 each.
- On an annual basis, the Department is paying as much as \$500,000 in aircrew and SDA to members who are not occupying designated positions.
- In 2001, nearly \$800,000 was paid to members under the clearance diving allowance when no clearance diving positions had been designated.

Recommendations

OPI	Actions
ADM(HR-Mil)	Continue to consult with the ECS to update and maintain the list of designated positions.
	For those receiving environmental allowances because they are deemed to be occupying a designated position, build edits into the system to allow only members occupying formally designated positions to receive the allowances.

⁴ The directed assessment was conducted for sea duty, aircrew and clearance diving only.



4. Un-Entitled landed personnel receiving Sea Duty Allowances

Issues

The CRS audit team found instances where members were landed ashore while their ships were deployed, and instances of members unemployable on a ship due to medical reasons, continuing to receive sea duty allowances (SDA) for up to six months. Instead of posting or attach posting these members off ship, they were deemed *landed* ashore, enabling these members to continue to receive SDA even though their duties did not involve sporadic or continuous exposure to adverse environmental conditions, as required by policy.

Causes and Impacts

- The policy allows members to receive SDA during periods of temporary absence on leave, temporary duty, hospitalization or temporary periods of medical restrictions. The policy provides no definition of *temporary*. Consequently both coasts interpret *temporary* as periods of up to six months; the CRS audit team believes six months is excessive.
- The audit team noted that numerous members were landed for compassionate, training or medical reasons. While landed, these members duties did not “involve sporadic or continuous exposure to adverse environmental conditions”, as required by policy.
- As it is not uncommon for 20 to 25 members to be landed whenever a ship deploys, such practice is costly to the CF. For example, out of 4 ships deployed in 2003, we found 100 landed members who continued to receive SDA while their ships were in-theatre. Assuming an average monthly SDA rate of \$330 per member, it likely cost the Department an additional \$200,000 to land all these members for a period of six-months. For the period August 2001 to June 2003, CF ships deployed on 16 different occasions. Assuming 25 landed members per ship at the rate of \$330 per month, the allowance could have cost DND/CF an additional \$800,000 (see illustration in [ANNEX B](#)). It is important to note that when ships deploy, landed colleagues must be replaced.
- When members receive SDA, the time counts toward their next higher increments. Some sailors indicated that, in certain instances, frustration builds because they must frequently go to sea while others stay behind and continue to receive the same benefits and accumulate points.
- This frustration is avoided under allowances such as OPS FSP. When members on operations are injured and deemed unfit, their FSP **ceases** immediately⁵ upon departing the foreign location. Similarly, Field Operations Allowance (FOA) is paid for the time members live under field conditions **only**.
- It is worthwhile to note that FOA is funded by the respective units unlike SDA and Aircrew which are centrally funded by ADM(HR-Mil).
- CRS staff was advised that there has been an inconsistent application of the policy. Some members get *landed* as opposed to others who get *attached posted* (thus losing their entitlement to SDA) even though the same conditions apply to both.

⁵ Effective 23 July 2003, CBI stipulates that a member who is absent from the post for an undetermined length of time for medical or compassionate reasons ceases to receive OPS FSP on the 26th compensation day after the departure from the post, or on the day it is determined that the member would not return to the post, whichever is earlier.



Benchmarking Approaches to Administering Landed Personnel

Severed under
Section 13(1)(a)
of the AIA
Information
obtained in
confidence

Recommendation

OPI	Actions
ADM(HR-Mil)/ DGCB	Provide further clarification of the word <i>temporary</i> to ensure the policy is being adhered to in a consistent manner.



5. Ceasing Members' Allowances

Issues

Units have failed to cease allowance payments to members who are no longer entitled.

Causes and Impacts

- The most significant cause for allowances being paid to members who are no longer entitled is the losing unit failing to cease the allowance of a member being posted out. Policy stipulates that it is the responsibility of the losing unit to cease those environmental allowances which the member will no longer be entitled to in the new position or unit.
- If “gaining” units do not recognize that the losing units failed to cease the allowances, members continue to receive the monthly allowances even though they are no longer entitled to them. The CRS audit team noted instances where members wrongly received either aircrew or sea duty allowances for more than 30 consecutive months. Recovery action was initiated.
- When errors are uncovered, recovery action must be taken regardless of who is at fault. Recovery, however, often leads to financial hardship for these members. Some members have filed grievances because, in their opinion, they were not at fault; but rather that the pay clerks had provided poor advice. Regardless of the outcome, grievances are bad for employee moral.

Recommendation

OPI	Actions
ADM(HR-Mil)/ DHRIM	Automate the payment process so that members' allowances cease at the losing unit when posted out, and it is the responsibility of the gaining unit to start up any applicable allowances when members are posted in.

Use of Information for Decision Making and Risk Management Practices

1. Process Level Risk Assessment

Significant manual intervention is required to administer CF allowances. This increases the risk of undetected errors and the amount of resources required to administer the allowances. Had a systematic process level risk assessment (PLRA) been performed and automated indicators developed, many problems raised in this report would have been avoided or their impact minimized.

Issues

There is no formal risk management framework in place to identify risks related to the delivery of CF allowances, including a process level risk assessment (PLRA) to address deficiencies or gaps.

Causes and Impacts

The following table summarizes some of the deficiencies or gaps a PLRA would have avoided.

	Causes	Impacts
Excessive use of resources	<ul style="list-style-type: none"> Pay clerks are not provided with adequate tools to efficiently administer CF allowances such as point-based allowances. The administrative process is very labour intensive. Certain policies (see section “Practicality of Policy Administration” for details) are very complex. Significant manual intervention is required to ensure intent of policy is being adhered to. 	<ul style="list-style-type: none"> Inefficient use of resources
Higher risk of error	<ul style="list-style-type: none"> The more manual intervention, the higher the risk of error. Most processes to administer CF allowances require significant manual intervention. A PLRA would have noted this fact. 	<ul style="list-style-type: none"> Under/overpayment Grievances and QOL
Inconsistent approaches to policy administration	<ul style="list-style-type: none"> Lack of national procedural guidelines to administer CF allowances results in inconsistent approaches that adversely impacts the integrity of the process in addition to Quality of Life. Ambiguity of certain policies (see section “Un-Entitled landed personnel receiving Sea Duty Allowances” for details) gives rise to misinterpretation or inconsistent practices. 	<ul style="list-style-type: none"> Lack of process integrity Grievances



Recommendation

OPI	Actions
ADM(HR-Mil)	Develop a formal risk management framework and undertake a systematic PLRA with the assistance of those responsible for administering the policy.

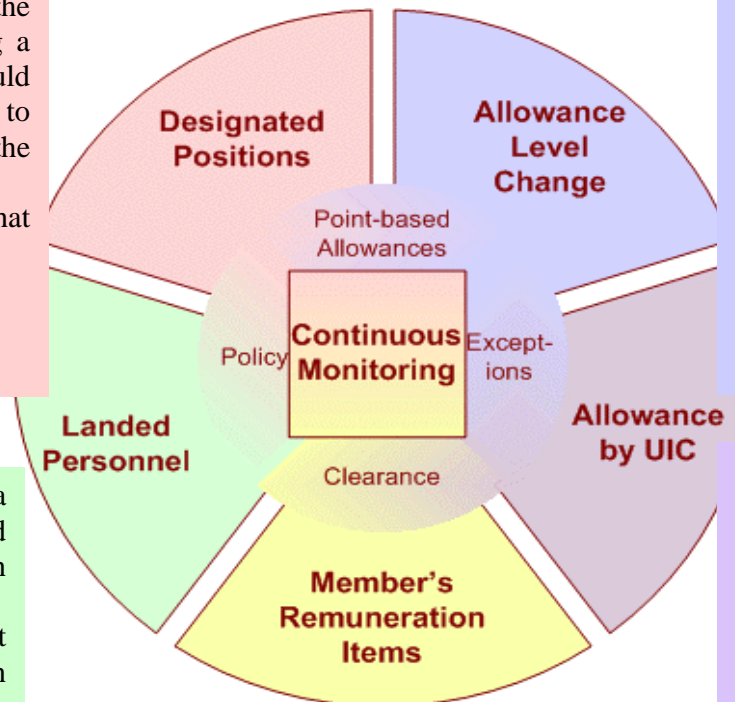


2. Continuous Monitoring

Continuous monitoring is vital to support risk management and decision-making. It allows management to identify anomalies and errors due to control failures, allowing for more reliable, relevant and timely information. Accordingly, we recommend the following reports be generated to provide management with accurate and relevant information for monitoring – on an ongoing basis – the following areas of concern identified during the audit.

- For all allowances where one of the criteria for entitlement is occupying a designated position, ECSs should produce reports on a regular basis to identify all members in receipt of the allowance who are not:
 - Posted to a unit (e.g., a ship) that entitles them to the allowance or;
 - Occupying a designated position.
- Follow up on all members identified.

- CMS to obtain on a monthly basis a current list of landed members and the explanation for those that remain on the list for more than one month.
- For ships in-theatre, generate a report of those in receipt of SDA and obtain reasons for payment of allowances.



- Produce a report (as part of RMDS reports) to compare a member's accumulated days at the current level to the maximum days required to reach the next level. Follow-up those that exceed the maximum required.
- On a regular basis, RMS clerks should review the report to identify those who may be due for their next higher level or potential anomalies. Accordingly, requisite actions can be taken.

- On a regular basis, the CO of each PON or UIC should require a report (as part of RMDS reports) of allowances paid to its members.
- Such reports allow the unit COs to identify unusual items (for example, SDA paid by a flying unit) that may require follow-up action.

- RMS clerks should generate a report to show all active items of a member's pay guide in CCPS/Re, such as allowances, Separation Expense, Single Quarters, rations, etc., every time a member is clearing in or out of a unit.
- Follow-up actions should be taken for exceptional items.



ANNEX A – Assessment Criteria

Table 1: Assessment Criteria for Management Practices, Information used for Decision-Making and Risk Management Strategies and Practices

Assessment Criteria ⁶		Component Assessed	Risk Management	Management Control Framework	Information for Decision-Making
1)	Identified risk areas (including a PLRA and business interruption) and an assessment of their likelihood and impact		✓		
2)	Defined policies and procedures that address risk areas and clearly articulate those business risks		✓	✓	
3)	Identified and communicated the residual risk and a tolerance level for risk		✓		
4)	Determined and communicated responsibilities and authorities for managing the payroll function, which includes a current schedule of delegation			✓	
5)	Structured training program for RMS clerks			✓	
6)	Adequate segregation of duties within the payroll function			✓	
7)	Payroll transactions are fully documented with sufficient audit trail			✓	
8)	Established appropriate access controls to CCPS\Re system			✓	
9)	Pay-related information is maintained in a secured area			✓	
10)	Established processes to adapt to changes in policy, systems and pay structure in a timely and accurate manner		✓	✓	
11)	Ongoing monitoring processes to ensure operational objectives are being achieved and control activities operate as intended			✓	
12)	Performance indicators to assess the payroll function to assist in making efficient use of resources				✓
13)	A flexible systematic exception reporting system for management use is in place to identify exceptional items			✓	✓
14)	Consistent problem resolution procedures and reporting mechanisms are in place			✓	
15)	A range of mechanisms are in place to maximize communication and access to payroll information				✓
16)	Information is used to support and assist in decision-making for broader pay-related areas				✓

⁶ The assessment criteria were developed by applying the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model.



ANNEX A

Table 2: Assessment Criteria for Random Sample of Pay Accounts

Type of Allowance Criteria (Accuracy and Timeliness)		Environmental Allowances						Foreign Service Allowances				Special Allowances		
		Sea Duty	Aircrew	Field Operations	Submarine	Paratroop	Ship Diver	Premium Service	Foreign Hardship	Risk Bonus	Hardship Bonus	Post Living Differential	Parental	Maternity
1)	Ensure member was paid proper allowance rate/level	A	A	A	A	A	A	A	A	A	A	A	A	A
2)	Verify reasonableness of the allowance level	A	A		A	A	A	A			A			
3)	Ensure allowance kick-started within 30 days of the effective date	T	T	T	T	T	T	T	T	T	T	T	T	T
4)	Ensure member was paid no later than the 2 nd day of each month after the kick-start month	T	T		T	T	T	T	T	T	T	T	T	T
5)	Ensure the recipient had a valid service number	A	A	A	A	A	A	A	A	A	A	A	A	A
6)	Ensure member was paid within the normal pay status	A	A	A	A	A	A	A	A	A	A	A		
7)	Ensure member was paid within MATA or PATA pay status												A	A
8)	Ensure member occupied a designated position	A	A		A	A	A							
9)	Ensure member was posted to an eligible position, operation or post	A	A	A	A	A	A	A	A	A	A	A		
10)	Ensure proper records of duty were filed in member's pers file	A	A	A	A	A	A	A	A	A	A			
11)	Verify reasonable authorization of the allowance	A	A	A	A	A	A	A	A	A	A	A	A	A
12)	Ensure member was not receiving incompatible allowances at the same time	A	A	A	A	A	A	A	A	A	A	A	A	A

A = Accuracy – members are paid exactly what they are entitled to.

T = Timeliness – members' pay guides are updated within 30 days of the allowance effective date.



ANNEX B – Scenario Illustration of SDA Expenditures to Landed Members

As part of our directed assessment, we conducted a review of four different ships that deployed in 2003. The findings are summarized as follows and illustrated in the table below:

- When ships enter theatre, SDA should cease and FSP should begin. A review of four different ships that deployed in 2003 found 100 members who continued to receive SDA while their ships were in-theatre. Of the 100 members, 44 of them were traced to the current list of landed personnel. Many of the remaining 56 members were not on the current list of landed personnel, because their ships had returned from theatre. In all likelihood, these 56 members were not onboard their ships when it entered theatre. In these cases, these members would not have been entitled to SDA.
- In the vast majority of cases, when ships return from theatre, members are removed from the landed list as they resume duties onboard. We are told this situation is a longstanding practice. When ships deploy, it is not uncommon for 20 to 25 members to be landed. This is consistent with our finding – 100 members landed for four ships deployed.
- The estimated monthly SDA paid to the 100 members while their ships were in theatre was \$33,000 – approximately \$330 per member. If all of these members were to be landed for the maximum six-month period, the total cost would be \$200,000.
- For the period August 2001 to June 2003, CF ships deployed on 16 different occasions. If, on average, 25 members per ship were landed personnel, the cost to DND/CF to continue to pay SDA to these members would be as high as \$800,000.

	Directed Assessment (4 ships)	Possible Impacts (16 ships)
1) Number of deployment/ship	4	16
2) Number of landed personnel per deployed ship	25	25
3) Estimated average monthly SDA per member	\$330	-
4) Estimated cost for each deployment/ship for a period of 6-month [(2) x (3)]x 6 months	\$49,500	\$49,500
5) Estimated cost for all deployments [(1) x (4)]	\$198,000	\$792,000



ANNEX C – Summary of Recommendations and Potential Consequences if not Implemented

Area of Concern	OPI	Recommendation	If Recommendation is not Implemented	
			Risk	Potential Consequences
Process to administer point-based allowances	ADM(HR-Mil)	Automate the process used to determine the amount of qualifying points or eligible service.	<u>Compliance Risk:</u> payments of allowances do not comply with policy.	Incorrect payments and delays in processing payment.
			<u>Efficiency Risk:</u> the resources used to produce outputs are not minimized.	Payroll administration costs are increased or more payroll staff may be in place than necessary.
Practicality of policy administration	ADM(HR-Mil)	Ensure those who administer the policy are sufficiently consulted prior to introducing new or amending existing policies.	<u>Capacity Risk:</u> the effective productive capacity of the process is not fully utilized.	Payroll processes that do not meet new policy requirements or the needs of the payroll staff.
Process to administer designated positions	ADM(HR-Mil)	Continue to consult with the ECS to update and maintain a current list of designated positions.	<u>Compliance Risk:</u> payment of allowances does not comply with policy.	Incorrect payments and delays in processing payment.
	ADM(HR-Mil)	For those receiving environmental allowances because they are deemed to be occupying a designated position, build edits into the system to allow only members occupying formally designated positions to receive environmental allowances.		
Administration of landed members	ADM(HR-Mil)	Provide further clarification of <i>temporary</i> to ensure policy is being followed.	<u>Authority Risk:</u> payroll processes do not comply with prescribed procedures and policies.	Payroll actions that result in incorrect payments and increased costs.



ANNEX C

Area of Concern	OPI	Recommendation	If Recommendation is not Implemented	
			Risk	Potential Consequences
Process of in/out clearance	ADM(HR-Mil)	Automate the payment process so that members' allowances cease at the losing unit when posted out, and it is the responsibility of the gaining unit to start up any of their applicable allowances when posted in.	<u>Compliance Risk:</u> payment of allowances does not comply with policy.	Over reliance on manual processing increases risk of error.
Process level risk assessment	ADM(HR-Mil)	Develop a formal risk management framework and undertake a systematic PLRA with the assistance of those who administer the policy.	Exposed to all risks and the associated potential consequences that are identified in this annex.	
Continuous monitoring	ADM(Fin CS)/ ADM(HR-Mil)/ ECS	Develop technology driven reports to allow management to monitor the accuracy of information on an ongoing basis.	Exposed to all risks and the associated potential consequences that are identified in this annex.	



ANNEX D – List of Sampled Allowances

Allowances Included in Population			Expenditures in 2001 (Scope)	Random Sample		
Code	Type	Description		# of Items	Total \$	% of Total
501	Special	Post Living Differential (PLD)	\$53,378,029	114	\$489,327	39.34%
557	Foreign Service	Foreign Service Premium (FSP) and Operations FSP (OPS FSP)	\$27,917,767	63	\$383,337	30.82%
517	Environmental	Sea Duty (SDA)	\$16,814,951	40	\$139,521	11.22%
885	Foreign Service	Hardship (HA)	\$11,113,522	24	\$37,884	3.05%
410	Environmental	Aircrew (AIRCRA)	\$7,510,123	15	\$58,995	4.74%
352	Special	Parental (PATA)	\$6,861,483	13	\$83,112	6.68%
886	Foreign Service	Risk (RA)	\$6,322,841	12	\$11,225	0.90%
045	Environmental	Field Operations (FOA)	\$4,112,767	11	\$3,330	0.27%
351	Special	Maternity (MATA)	\$1,847,621	3	\$23,097	1.86%
315	Environmental	Submarine (SUBA)	\$1,323,114	2	\$9,303	0.75%
887	Foreign Service	Hardship Bonus (HAB)	\$1,203,953	1	\$591	0.05%
400	Environmental	Paratroop	\$968,829	1	\$1,785	0.14%
436	Environmental	Ship Diver (SDIVA)	\$477,178	1	\$2,241	0.18%
435	Environmental	Clearance Diving	\$750,282	0	-	-
401	Environmental	Rescue Specialist	\$650,698	0	-	-
402	Environmental	Casual Aircrew	\$431,206	0	-	-
510	Environmental	Casual Sea Duty	\$102,336	0	-	-
404	Environmental	Casual Paratroop	\$57,883	0	-	-
432	Environmental	Casual Clearance Diving	\$35,722	0	-	-
433	Environmental	Casual Ship Diver	\$19,492	0	-	-
316	Environmental	Casual Submarine	\$429	0	-	-
438	Environmental	Saturation Diving	\$0	0	-	-
TOTAL:			\$141,900,226	300	\$1,243,748	100%



ANNEX E – Summary of Directed assessment for CF Allowances

Directed Sample	Objective	Scope	Findings	Conclusion
<i>Debit balance Pay guides</i>	To identify the causes for debit balances to pay guides.	Pay guides with debit balance in excess of 2 months NMEs or > \$1,000 as on February 03, 2003 Size = 14 members	Debit balances caused by recovery of allowances – 9 members identified.	Major reason is that the clearance in & out routine is not done consistently.
<i>Incompatible allowance</i>	To verify if sufficient system edits have been built into the CCPS to avoid payment of incompatible allowances.	All allowance history in CCPS/Re from September 1999 to May 16, 2003 Size = 1,026,227 transactions (92,283 members)	No evidence of members receiving incompatible allowances.	Sufficient edits exist in the CCPS to prevent the payment of incompatible allowances.
<i>Abuse of casual allowances</i>	To gain insight and possible impacts of excessive use of casual allowances and to attest whether it breaches the intent of the policy.	All allowance history in CCPS/Re from September 1999 to May 16, 2003	No evidence of abuse of casual allowances.	Sufficient edits exist in the CCPS to prevent abuse of casual allowances.
<i>AWOA Members</i>	To verify if allowances are paid to members who are on AWOA.	Members whose pay status were < > 'Normal' in CCPS/Re as of December 2001 and members who were selected for the representational sample during calendar year 2001 Size = 784 members	No evidence of payment of allowances when status < > 'Normal'.	Sufficient edits exist in the CCPS to prevent the payment of allowances when status < > 'Normal'.
<i>Released Members</i>	To verify that no allowances are earned subsequent to the effective date of release.	Members selected for the representational sample during calendar year 2001 Size = 29 members	No evidence of allowances earned subsequent to members' release.	Sufficient edits exist in the CCPS to prevent members from earning allowances subsequent to their release from the CF.
<i>Designated positions – Submarine Allowance (SUBA)</i>	To verify if members who receive SUBA are posted and employed in a designated position.	Members who were receiving SUBA continuously as of May 16, 2003 Size = 203 members	13 members identified that did not meet our criteria.	Lack of controls in the system. No system edits for designated positions and no updated designated position listings.



ANNEX E

Directed Sample	Objective	Scope	Findings	Conclusion
<i>Designated positions – Sea Duty</i>	Except for members posted to a ship, verify if those who receive SDA are employed in a designated position.	Members who were receiving SDA continuously as on May 16, 2003 (with SDA end date of 12/31/9999) Size = 2494 members	36 members did not occupy a designated position but continuously received SDA.	Lack of system controls. No system edits or current designated position listings.
<i>Designated positions – AIRCRA</i>	To verify if members who receive AIRCRA are posted and employed in a designated position.	Members who were receiving AIRCRA continuously as of May 16, 2003 Size = 1457 members	95 members did not occupy a designated position but continuously received AIRCRA.	Lack of system controls. No system edits or current designated position listings.
<i>Level change overdue (SDA and Aircrew)</i>	To determine the cause of untimely level changes (overdue), and identify members that are underpaid and members who are not entitled to those allowances.	Period: ACL files as of May 2003 Sample for Sea Duty: 945 members Sample for Aircrew: 896 members	Level change was missed (overdue) for a portion of the cases, resulting in members being underpaid. AIR 107 identified SDA 186 identified	Lack of system edits in the pay system to keep track of points and level changes.
<i>Timeliness of OPS FSP Level Change</i>	To obtain insight about the timing of OPS FSP level BF taking place. Level change delays that exceeded 30 days were deemed untimely.	Members who received OPS FSP and had a level change between the period January 01, 2002 and May 16, 2003 Size = 4,139 transactions	732 transactions or 18% were found untimely. Of these transactions: ▪ 31–50 days: 44% ▪ 51–60 days: 10% ▪ 61–90 days: 23% ▪ 91 days +: 23%	Delays in the system are likely caused by a lack of automation to track points and level changes.
<i>SDA recipients that don't deploy</i>	To verify whether members 'landed' ashore continue receiving SDA while the ship to which they are posted is in theatre.	4 naval deployments on OP APOLLO HMCS Winnipeg, HMCS Iroquois, HMCS Fredericton and HMCS Regina. Size = 1135 members	A total of 100 members on the 4 ships continued to receive SDA while the ship was in theatre.	Policy interpretation has led to 'landed' members continuing to receive SDA. This is not consistent with intent of policy.
<i>SPHL Personnel</i>	To identify inconsistencies on the application of the SPHL Personnel policy and to verify whether members posted to SPHL continue to receive environmental allowances.	108 members on the Halifax SPHL listing, 37 members on the Esquimalt SPHL listing 114 members posted to an SPHL/SPL UIC and identified using ACL.	4 members continued receiving their allowances.	Clearance in & out routine is not done properly.



ANNEX F – Table of Acronyms and Abbreviations

AIRCRA	Air Crew Allowance	MFS	Military Foreign Service
AWOA	Absent Without Authority	MND	Minister of National Defence
BF	Bring forward	OPS FSP	Operations Foreign Service Premium
CCPS	Central Computation Pay System	PATA	Parental Allowance
CCPS/Re	Central Computation Pay System (Reengineered)	PLD	Post Living Differential
CDS	Chief of Defence Staff	PLRA	Process Level Risk Assessment
CF	Canadian Forces	PON	Pay Office Number
CMS	Chief of the Maritime Staff	QOL	Qualify of Life
CO	Commanding Officer	RA	Risk Allowance
CRS	Chief Review Services	Reg F	Regular Force
DND	Department of National Defence	RF	Reserve Force
DPPD	Directorate of Pay Policy and Development	RMDS	Report Management Distribution System
ECS	Environmental Chiefs of Staff	RMS	Resource Management Support
FOA	Field Operations Allowance	SDA	Sea Duty Allowance
FSP	Foreign Service Premiums	SDIVA	Ship Diver Allowance
HA	Hardship Allowance	SPHL	Service Personnel Holding List
HAB	Hardship Allowance Bonus	SUBA	Submarine Allowance
MATA	Maternity Allowance	TD	Temporary Duty
Mbrs	Members	UIC	Unit Identification Code



ANNEX G – Recommendations & Management Action Plans

Ser	CRS Recommendation	OPI	OPI Management Action Plan
1	Calculation of Career Points: Automate the process for determining the amount of qualifying points or eligible service.	ADM(HR-Mil)/ DHRIM	<u>ADM(HR-Mil):</u> An automated tracking system within the HR Management System is one of the functions specified in the Environmental Allowances Review to be addressed during the implementation phase. Tracking individual days on deployment, combined with precise algorithms in the HRMS will address Ops Foreign Service Premium. Regarding the remaining allowances, a counter and precise algorithm for interpreting qualifying service will be included in the HRMS to track the number of days a member is in receipt of a continuous allowance. <u>Rough Time Estimate:</u> Phase 1 – Requirements – FY 2005/06 Phase 2 – Programming – FY 2006/07
2	Estimating the Resource Implications of Policy: Those responsible for administration should be consulted regarding the resource implications of new or amended policies.	ADM(HR-Mil)/ DGCB	<u>ADM(HR-Mil):</u> This is done to the extent practicable. It has always been the practice to consult with key stakeholders such as D Mil Pay on each new policy and with ECS staffs as required. Moreover, for comprehensive policy reviews, a working group of administrators from all operational environments and NDHQ key stakeholders is usually convened (i.e., Environmental Allowances Review). To seek unit-level input on each policy change, CFSU(O) has been used as a proxy where required.
3	Simplifying Administration: Policies should be reviewed periodically to ensure administrative simplicity and practicality.	ADM(HR-Mil)/ DGCB	<u>ADM(HR-Mil):</u> Although policy should drive administration, not the reverse, in implementing and evaluating policies we have been and will continue to be proactive in seeking feedback from all stakeholders. It should be recognized that the merger of the Finance and Administration Clerk occupations has caused some teething pains insofar as supervisors familiar to working in administration have had to acquire additional knowledge to work in finance and vice versa. To help make policies more understandable, it is intended to convert the form of the policy instrument (compensation and benefit instructions) to information mapping format. This initiative was briefed at the Comptrollers' conference in Oct 04 and was enthusiastically received by RMS clerks.



ANNEX G

Ser	CRS Recommendation	OPI	OPI Management Action Plan
4	Maintaining List of Designated Positions: Continue to consult with the ECSs to update and maintain the list of designated positions vis-à-vis allowance entitlements.	ADM(HR-Mil)/ DGCB	ADM(HR-Mil): Each allowance will be reviewed on a cyclical basis to confirm that organizational or equipment changes are reflected in the list of designated positions. The cyclical program will be promulgated.
5	System Edits: Appropriate edits should be built into the system to allow only those members occupying formally designated positions to receive corresponding allowances.	ADM(HR-Mil)/ DHRIM	ADM(HR-Mil): One of the HRMS changes envisaged in the Environmental Allowances Review implementation phase is to add an attribute to data definition of “position” to account for allowance and qualification designations. Since payments of continuous allowances by the CCPS will be effected only by automated instructions from the HRMS, HRMS rules will provide effective controls. Rough Time Estimate: Phase 1 – Requirements – FY 2005/06 Phase 2 – Programming – FY 2006/07
6	Policy Clarification: Provide further clarification of the word <i>temporary</i> to ensure the policy is being adhered to in a consistent manner.	ADM(HR-Mil)/ DGCB	ADM(HR-Mil): The proposed policy framework, where most of the dollars are paid for actual days on deployment, should overcome the majority of problems encountered. Furthermore, policy refinement will occur in the Environmental Allowances implementation phase to ensure consistent application across all operational environments. Rough Time Estimate: Phase 1 – Discussions with ECSs – FY 2005/06 – Sept – Oct 05 Phase 2 – Policy Drafting – FY 2005/06 – Jan – Mar 06 Phase 3 – Approval Submission (TBD)
7	Ceasing and starting allowances: Automate the payment process so that members’ allowances cease at the losing unit when posted out, and it is the responsibility of the gaining unit to start up any of their applicable allowances when posted in.	ADM(HR-Mil)/ DHRIM	ADM(HR-Mil): See serial 5. Entitlements will be linked to COS dates and the incumbent of the designated position.



ANNEX G

Ser	CRS Recommendation	OPI	OPI Management Action Plan
8	Risk management and monitoring framework: Develop a formal risk management framework and undertake a systematic PLRA with the assistance of those responsible for administering the policy.	ADM(HR-Mil)	<u>ADM(HR-Mil):</u> We concur, however further discussion and information is required. A formalized risk management framework would be a useful addition to the recently- promulgated ADM(HR-Mil) Instruction on policy development, implementation, and evaluation.
9	Reports: Generate reports to provide management with accurate and relevant information for continuous monitoring of the following areas of concern identified during the audit: <ul style="list-style-type: none"> ○ Designated positions ○ Allowance level change ○ Allowance by UIC ○ Member's remuneration items ○ Landed personnel 	ADM(HR-Mil) ADM(Fin CS)	<p><u>ADM(HR-Mil):</u> Since automation will greatly improve the accuracy of administration once fully implemented and refined, system-generated, management exception reports will be determined in the implementation phase of the environmental allowance policy review (i.e., application of overrides to the automated process).</p> <p><u>ADM(Fin CS):</u> The recommendation is valid and such reports would provide useful tools to unit COs. These enhanced reports will have to be delayed until the current freeze in all non-legislated CCPS development is lifted and resources are available. The freeze is in effect until completion of the CCPS Pension Module Upgrade.</p> <p><u>Auditors notes:</u> Since these reports are vital to decision-making and risk management, CRS believes that such reports should be made available no later than end of FY 2005/06.</p>

