

CORRECTIONAL SERVICE CANADA

AUDIT OF COMPENSATION & BENEFITS

FINAL REPORT

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EXECUTIVE SUMMARY

In accordance with the departmental audit plan for 2005-06, the audit of Compensation and Benefits was conducted from December 2005 to March 2006.

The objectives established for this audit were as follows:

- to assess the adequacy of CSC's management framework on Pay Administration;
- to assess the adequacy of CSC's processes and controls for the management of compensation and benefits to ensure the efficiency and effectiveness of the compensation administration process. (This objective includes both procedural and financial controls and addresses compliance with legislation, departmental and central agency policies and procedures, and collective agreements); and
- to assess the adequacy of performance and compliance monitoring on the compensation administration activities.

The audit included direct observations from pay procedures, file reviews (pay cards, employee pay files, Financial Administration Act (FAA) Sections 33 and 34) and interviews. It also included a review of the information input into the Public Works and Government Services Canada (PWGSC) on-line pay system as well as input into the Human Resources Management System (HRMS). The audit focused on the following types of pay transactions:

- Taken-on-strength (TOS) (Indeterminate, terms, casuals, etc.).
- Pay Increments.
- Allowances (Bilingual Bonus, Inmate Training Differential (ITD) applied to the groups General Labour & Trades (GL), General Services (GS) & Heating, Power and Stationary Plant Operation (HP), Penological Factor Allowance (PFA), Offender Supervision Allowance (OSA), Terminable allowances, etc.)
- Pay at risk and Performance Pay.
- Leave Without Pay (LWOP).
- Recovery of debts owed to the Crown.
- Pay for acting periods.
- Struck-off-strength (SOS) (Indeterminate, terms, casuals, etc.).

The scope of the audit included both EX and non-EX group employees and was national in scope.

A total of 1.9 million pay transactions were processed during the period April 1, 2004 to September 30, 2005 by approximately 95 compensation employees in the NHQ and five regions, resulting in \$1.4 billion in salary costs for the department. A breakdown of these expenditures,

by region, is presented in Section 1, Table 1 “Summary of Pay Transactions and Associated Salary Costs by Regions”.

The audit was conducted in accordance with the standards set out in the TB *Policy on Internal Audit*. These standards require that the audit is planned and performed in a manner that allows the audit team to determine assurance of the audit findings. The audit team's conclusions are based on the assessment of findings against the objectives and criteria as defined in Section 2.0 and reflect the audit work conducted between December 2005 and March 2006. In the audit team's opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this audit report. Debriefings were conducted by audit team members at which time audit findings were discussed. Some regions have already taken action to address specific areas requiring improvement.

Employee pay entitlements and benefits deductions are governed by various Acts and regulations such as the new Public Service Employment Act (PSEA), collective agreements and Terms and Conditions of Employment Regulations. Compensation personnel are challenged with applying the interpretations of these, sometimes complex, legislative requirements and guidelines. Compensation Advisors undergo an extensive combination of formal and on-the-job training with more complex files assigned to senior Compensation Advisors. The Compensation Advisors, Supervisors and Managers draw on an extensive library of compensation and benefits guidelines, directives and Personnel Pay Input Manuals (PPIM) maintained by PWGSC.

The Department has an obligation to ensure that employees are receiving the correct rate of pay, in accordance with their respective collective agreement or terms and conditions of employment, that their pay is effected in a timely manner and that they are afforded an acceptable level of service with respect to their compensation and benefits related concerns.

Overall, with respect to regular pay transactions such as taken-on-strength (TOS), struck-off-strength (SOS) and pay increments, management can be provided with a good level of assurance that employees are being paid at the correct rate of pay in accordance with their respective collective agreements. The department employs a group of dedicated compensation staff that will do their utmost to ensure that departmental employees are paid accurately and on a timely basis. Sometimes this dedication precedes established processes in that some compensation staff will effect a pay transaction prior to receiving the pertinent pay documents from the manager.

However, results of the audit revealed with non-regular (supplementary) pay transactions such as acting pay/appointments and for the commencement and cessation of allowances such as the Penological Factor Allowance (PFA) and the bilingual bonus, errors are occurring and going undetected. We also found that the absence of adequate supporting documentation for many pay transactions meant that the audit team was unable to ascertain the validity and accuracy of many pay actions.

Results of the audit can be summarized as follows:

1. The department has not adopted a consistent organizational structure for the delivery of compensation and benefits services across all regions.

2. Guidelines which outline responsibilities, documentation requirements and timing for effecting pay actions have not been established for all individuals involved in the pay process.
3. The department has not adopted a consistent approach to the independent verification of pay transactions.
4. Compensation staff are not being provided, on a routine and timely basis, with adequate supporting documentation which provides them the authority to pay.
5. Delivery of Executive pay services is effective; however some weaknesses in the Performance Awards process were noted.
6. Guidelines for the verification and monitoring of pay transactions have not been established.
7. The department has not established adequate mechanisms for the monitoring of performance and compliance monitoring.

Overall, improvements are needed to improve the adequacy of CSC's management framework on pay administration and the processes, controls, and compliance monitoring for the management of compensation and benefits. Implementation of the following recommendations will contribute to ensuring that errors are kept to a minimum, and that compensation and benefits is managed effectively. Action will therefore be required in the following areas:

1. ;
2. Develop guidelines which clearly define and communicate the responsibilities of the manager, supervisor, staffing officers/HR advisors and compensation and benefits advisors;
3. Assess the Human Resources Handbook, developed by the Pacific region, for consideration as a model in developing guidelines which outline the responsibilities of all individuals involved in the pay process;
4. Develop and communicate departmental procedures for the verification of pay transactions including requirements for adequate auditable evidence of pay verification, to ensure that a consistent approach to pay verification is implemented across the department;
5. Develop a standard checklist to ensure for key documents are included on employee pay files including evidence of entitlement to the PFA, bilingual bonus, etc. and the employee clearance report for SOS files;
6. Review and modify the existing "Bulletin on CSC Acting Appointments" to reflect requirements of the new PSEA, ensure that the Bulletin is communicated and easily accessible to all managers and supervisors, staffing officers/HR advisors and compensation staff and that a monitoring regime is in place to identify deviations from the Bulletin;
7. Ensure that a review of information in the HRMS pertaining to employees receiving the bilingual bonus be carried out and that this information is supported by adequate approvals and documentation on the employee pay file;
8. Ensure that the necessary pay actions are taken to cease the Penological Factor Allowance for employees who no longer meet the PFA requirements of the collective agreement

9. Ensure that responsibility for the complete process for the calculation of and notification of pay-at-risk increases to EX staff rests with the Director, Compensation and Labour Relations, including preparation of notification letters;
10. Develop guidelines for regional financial officers which outline departmental requirements for the pay transaction verification process, including the associated sampling requirements for source documents;
11. Develop and implement a monitoring regime to provide oversight in the verification of high risk transactions such as SOS and LWOP and cessation of entitlements to allowances such as the PFA and bilingual bonus.

1.0 INTRODUCTION

A salary management risk-based preliminary audit survey was conducted by Samson & Associates, in March 2004, to provide Correctional Service Canada (CSC) with an independent assurance that administration of pay and benefits is controlled, has effective and efficient processes, complies with applicable policies, Acts and regulations, and to identify best practices in the area of pay and benefits. The preliminary audit was performed at National Headquarters, and in the Ontario and Quebec Regions. The results were presented to the Performance Assurance Sector and Human Resources Management Sector (HRMS) at National Headquarters as well as to the Regional Administrators of Human Resources.

Following discussions with HRMS, and further examination of the issues identified during the preliminary survey, the Performance Assurance Sector determined that due to the high risk areas identified, further audit attention was required to assess the extent of risk existing in the compensation and benefits function. Hence, the audit of Compensation & Benefits was included in CSC's internal audit plan for 2005-06.

Samson & Associates was contracted to conduct the audit from December 2005 to March 2006. The audit consisted of a review of a random sample of pay transactions selected from a total of 1.9M pay transactions actioned between April 1, 2004 and September 30, 2005. The following table presents a summary of the volume of pay transactions by region for this period, including associated salary costs.

Table 1
Summary of Volume of Pay Transactions and Associated Salary Costs By Region
April 1, 2004 to September 30, 2005

REGION	APRIL 1 TO SEPTEMBER 30, 2004		OCTOBER 1 TO MARCH 31, 2005		APRIL 1 TO SEPTEMBER 30, 2005		TOTAL			
	NON REGULAR PAY TRANSACTIONS	AMOUNT	NON REGULAR PAY TRANSACTIONS	AMOUNT	NON REGULAR PAY TRANSACTIONS	AMOUNT	NON REGULAR PAY TRANSACTIONS	NUMBER OF EMPLOYEES	PERCENTAGE OF TOTAL NON REGULAR PAY TRANSACTIONS	AMOUNT
Atlantic	24,297	\$5,637,315	24,041	\$4,650,842	34,398	\$9,236,103	82,736	1,580	11.9%	\$19,524,261
Quebec	61,368	\$15,743,176	61,945	\$15,795,327	87,856	\$27,279,398	211,169	3,602	30.5%	\$58,817,901
Ontario	39,318	\$11,449,245	39,011	\$10,828,010	57,213	\$17,591,841	135,542	3,403	19.5%	\$39,869,096
NHQ	11,055	\$4,998,811	11,111	\$3,978,508	17,119	\$7,475,398	39,285	935	5.7%	\$16,452,718
Prairies	37,744	\$9,382,451	37,815	\$9,280,980	61,880	\$17,786,553	137,439	3,275	19.8%	\$36,449,984
Pacific	25,377	\$7,840,704	25,369	\$6,631,350	36,499	\$12,023,444	87,245	2,284	12.6%	\$26,495,498
SUB-TOTAL	199,159	\$55,051,703	199,292	\$51,165,017	294,965	\$91,392,737	693,416	15,079	35.5%	\$197,609,458
*Regular pay, overtime and miscellaneous pay transactions	397,050	\$381,806,654	393,161	\$378,917,955	472,727	\$432,237,284	1,262,938		64.5%	\$1,192,961,893
GRAND TOTAL	596,209	\$436,858,357	592,453	\$430,082,972	767,692	\$523,630,021	1,956,354	15,079	100%	\$1,390,571,351

*Non-regular pay transactions represents the types of transactions selected for review as described in Table 2

**Number of employees represents the number of employees on strength as of September 30, 2005

2.0 AUDIT OBJECTIVES & SCOPE

2.1 Audit Objectives

The objectives of the audit are:

1. To assess the adequacy of CSC's management framework on Pay Administration;
2. To assess the adequacy of CSC's processes and controls for the management of compensation and benefits to ensure the efficiency and effectiveness of the compensation administration process. (This objective includes both procedural and financial controls and will address compliance with legislation, departmental and central agency policies and procedures, and collective agreements);
3. To assess the adequacy of performance and compliance monitoring on the compensation administration activities.

2.2 Scope of the Audit

The audit included direct observations of pay procedures, file reviews (pay cards, employee pay files, Financial Administration Act (FAA) Sections 33 and 34) and interviews. It also included a review of the information input into the PWGSC on-line pay system as well as input into the Human Resources Management System (HRMS). The audit focused on the following types of pay transactions:

- Taken-on-strength (TOS) (Indeterminate, terms, casuals, etc.)
- Pay Increments
- Allowances (Bilingual Bonus, Inmate Training Differential (ITD) applied to the groups General Labour & Trades (GL), General Services (GS) & Heating, Power and Stationary Plant Operation (HP), Penological Factor Allowance (PFA), Offender Supervision Allowance (OSA), Terminable allowances, etc.)
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- Pay at risk and Performance Pay
- Leave Without Pay (LWOP)
- Recovery of debts owed to the Crown
- Pay for acting periods
- Struck-off-strength (SOS) (Indeterminate, terms, casuals, etc.)

The scope of the audit included both EX and non-EX group employees.

The audit was national in scope and included National Headquarters (NHQ located in Ottawa)

and all five regional compensation units (Note: the Prairie Region has 4 separate compensation units). The audit also required an examination of the management framework, policies, plans and procedures, as well as a review of the pay input, monitoring and verification process.

On-site audit work was conducted at the following sites:

- National Headquarters (NHQ) - Ottawa, Ontario
- Ontario Region Regional Headquarters - Kingston, Ontario
- Atlantic Region Regional Headquarters - Moncton, New Brunswick
- Quebec Region Regional Headquarters - Laval, Quebec
- Prairie Region – Regional Headquarters and Compensation Units:
 - Regional Psychiatric Centre, Saskatoon, Saskatchewan,
 - Saskatchewan Penitentiary, Prince Albert, Saskatchewan
 - Stony Mountain Institution, Winnipeg., Manitoba
 - Edmonton Institution, Edmonton, Alberta
- Pacific Region Regional Headquarters - Abbotsford, British Columbia

A sample of pay transactions for the period April 1, 2004 to September 30, 2005 were selected for review. Transactions selected were based on sampling criteria as outlined in Section 3.0.

2.3 Audit Criteria

Audit criteria were derived from the various collective agreements applicable to the department including the Correctional Services Non-Supervisory and Supervisory (CX), Health Services, Program & Administrative Services, Operational Services, Financial Administration, etc. Criteria were also based on Treasury Board and CSC policies and Commissioner's Directives. These include but are not limited to:

- Public Service Employment Act (PSEA)
- Financial Administration Act (FAA)
- 14 Collective agreements
- Terms and Conditions of employment
- Treasury Board Policy
- Comptrollership Policy on Pay Administration
- Compensation and Pay Administration
- Pay Authorities - Policies and Publications
- Salary Administration
- Commuting Assistance Directive
- Bilingual Bonus Directive
- National Joint Council Agreements / Directives
- Public Works and Government Services Canada (PWGSC) Personnel Pay Input Manuals (PPIM)

The audit criteria for each objective are presented in Appendix A. It should be noted that while all audit criteria were assessed as part of the audit, only those criteria where issues of significance were identified have been reported against in Section 4.

3.0 APPROACH AND METHODOLOGY

Individual audit teams, consisting of a CSC Audit Manager/Auditor and external auditor were assembled to carry out detailed testing and employee file reviews at NHQ and at each of the five regions. Each audit team was also augmented with a CSC Compensation Manager. This approach was very successful in that it not only provided the audit team with readily accessible and hands on compensation and benefits expertise during the on-site visits, but it also provided an informal opportunity for Compensation Managers to share practices and concerns between regions. We appreciate the willingness of the Pacific, Prairie (Edmonton Institution) and Atlantic regions for offering their scarce and much in demand resources and their contribution in the conduct of the audit.

Pay transaction data was obtained from the PWGSC on-line pay system. Data was also obtained from the departmental Human Resources Management System (HRMS) for information on the number of employees taken-on-strength (TOS), struck-off-strength (SOS), and employees occupying bilingual positions. A data analysis software package, Audit Command Language (ACL) was used in the analysis of approximately 1.9 million pay transactions. Considering the total population and a 95% confidence level, it was determined that approximately 90 transactions per region would provide a representative sample for detailed testing

A random risk-based sample of approximately 90 pay transactions at each region, with the exception of the Prairie Region and NHQ, were selected for detailed testing and employee file review. The sample for NHQ was somewhat smaller (39) since the volume of pay transactions represents less than 6% of total pay transactions processed. Considering that the Prairie Region is comprised of four separate compensation and benefits units, a slightly larger sample of 126 pay transactions, or approximately 31 per unit were selected for review.

Transactions were selected based on risk-based sampling criteria as outlined below. The sampling criteria were developed from the audit teams' previous knowledge and experience in conducting compensation and benefits audits.

Table 2 – Sampling Criteria

<i>Element</i>	<i>Sampling Criteria</i>
Taken-on-Strength (TOS)	Random selection of 5 TOS actions per region
Struck-off-Strength (SOS)	Random selection of 5 SOS actions per region
Severance pay	5 highest payments per region
Pay increments	Random selection of 5 payments per region
Bilingual bonus	Random selection of 5 payments per region
Acting pay/appointments	15 highest payments per region
LWOP	5 highest payments per region
Pay at risk	5 highest payments per region
Retroactive pay	5 highest payments per region
PFA	5 highest payments per region
OSA	Random selection of 5 payments per region
Maternity leave	5 highest payments per region
Terminable allowances	5 highest payments per region
Pay in lieu of leave	10 highest payments per region
Commuting allowance	2 highest payments per region
Recoveries	3 highest payments per region
Total transactions – 90	

Finally, compensation and benefits processes were documented and validated during the conduct of on-site audit work in each region.

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 Management Framework on Pay Administration

4.1.1 COMPENSATION AND BENEFITS SERVICE DELIVERY

Finding: The department has not adopted a consistent organizational structure for the delivery of compensation and benefits services across all regions

We expected to find in a place a well defined organizational structure that would support the effective delivery of compensation and benefits services throughout the department.

Compensation and benefits services are decentralized and delivered in NHQ and five regions, including Pacific, Prairie, Ontario, Quebec and Atlantic. Services are provided to approximately 15,000 employees by approximately 95 compensation advisors, supervisors and managers.

We found that the organizational structure for the delivery of compensation and benefits services has a number of variations across all regions and NHQ. An organization chart is attached in Appendix C. With the exception of the Prairie Region, responsibility for the provision of compensation and benefits services rests with Compensation Managers (AS-05). These positions report to the Regional Administrator Human Resources, except at NHQ. At NHQ, the reporting relationship differs slightly in that this position reports to the Director, NHQ Human Resource Operations.

In the Prairie Region, Compensation Supervisors (AS-03) are responsible for compensation and benefits services. Supervisor positions are at four separate institutions – Edmonton Institution (AS-04), Saskatchewan Penitentiary, Stony Mountain and the Regional Psychiatric Centre. The reporting relationship for each of these Compensation Supervisors also differs as follows:

- At Edmonton Institution the Compensation Supervisor (AS-04) reports operationally to the AWMS (who in turn reports to the Warden) and functionally to the Regional Chief Staff Relations and Compensation, through to the Regional Administrator Human Resources in Saskatoon.
- At Saskatchewan Penitentiary, Stony Mountain and the Regional Psychiatric Centre (RPC), the Compensation Supervisors report to the Chief, Human Resources at each institution, through to the Regional Chief, Staff Relations & Compensation at Regional Headquarters in Saskatoon who in turn report to the Regional Administrator Human Resources in Saskatoon.

The audit team was informed that this structure was established a number of years ago to support the “clustering” of services in the Prairie Region. Since funds for the compensation and benefits function are allocated from the institutions budget, there is a risk that compensation and benefits

priorities are competing with operational priorities when institutions are faced with budget constraints.

Results of the audit revealed that while the institution based structure in the Prairie Region provides a certain level of client satisfaction for compensation's clientele, there is a risk that the Compensation Supervisors may be placed in situations of perceived conflicting direction or that they may find themselves in situations where they cannot maintain impartiality. Compensation Supervisors are often obligated to follow the established hierarchy of their reporting relationships at the institutions, to seek compensation and benefits advice from individuals who may or may not possess a sufficiently advanced level of expertise in compensation and benefits. We found that this was particularly evident at the RPC. In addition, while Compensation Supervisors have a reporting relationship to the Regional Chief, Staff Relations and Compensation, the Supervisors more often than not will seek advice directly from staff at Compensation and Labour Relations at NHQ.

We also found that the physical location of some of the Prairie Region compensation units at institutions, such as Saskatchewan Penitentiary (Prince Albert) and RPC (Saskatoon) leaves the Compensation Supervisors disconnected from a critical network of compensation resources. This situation has had a particularly detrimental effect at RPC where limited success has been achieved through the continuous efforts to recruit and retain compensation staff. The result is that the compensation unit lacks the cohesiveness and stability needed to ensure that the optimum level of compensation service can be provided to its clientele.

Functional direction to the Compensation Managers and Supervisors is provided by the Director, Compensation and Labour Relations at NHQ. Employees from this unit provide policy interpretation, advice and assistance to the Compensation Managers and Supervisors. The audit team found that the functional direction provided by this unit was well received in the regions, albeit turn-around times of responses to queries were not always optimum. Further, we also noted that the Prairie Region Compensation Supervisors were not consistently privy to the same extent of policy interpretations and advice as those shared with the Compensation Managers in the other regions. We also noted that regular conference calls between this unit and the Compensation Managers/Supervisors have been discontinued. We understand that the NHQ unit also experiences a high turnover of staff and that it may be difficult to not only maintain the stability this unit needs in order to ensure the provision of timely advice, but also ensure that the unit has adequate resources to provide the services needed.

Conclusion

Overall, with the exception of the Prairie Region, Compensation Managers are providing an effective delivery of compensation and benefits services to departmental employees.

Recommendation # 1

The Regional Deputy Commissioner, Prairies, in consultation with the Assistant Commissioner Human Resources Sector, should:

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4.1.2 ROLES AND RESPONSIBILITIES

Finding: Guidelines which outline responsibilities, documentation requirements and timing for effecting pay actions have not been established for all individuals involved in the pay process

We expected to find guidelines which clearly define and communicate the responsibilities of all individuals involved in the processing of staffing actions which result in a pay action, including the manager, supervisor, staffing officers/HR advisors and compensation and benefits advisors. There is a risk that the absence of such guidelines may result in errors, or missed or untimely pay actions.

Managers have a key responsibility to ensure that compensation staff are duly informed of staff changes that have an impact on pay, such as acting situations. We found that in 10% of the 533 files reviewed that managers are either not fully aware of these responsibilities, or choose not to respect them. Of particular concern is what appears to be a blatant disregard for documentation requirements pertaining to such actions as acting appointments. We noted many examples where documents authorizing extensions to acting pay/appointments had been received well past the termination date of the pay/appointment. The department has been remiss in ensuring that managers have the necessary tools needed to ensure that compensation and benefits requirements are met in a timely manner. This is of particular concern in a department where there are all too many actors, as is evidenced by approximately 50,000 acting pay/appointment situations for 3,100 employees in the 18 month period covered by this audit. We understand that under the new PSEA managers will be required to take mandatory staffing training in order to receive staffing delegation. While this will contribute to improvements it is anticipated that the training will not be at a sufficiently low enough or detailed enough level to provide specific guidelines for line managers and supervisors. There is also the risk that acting managers may not receive the necessary training.

Although we were not able to locate any departmental guidelines outlining the responsibilities of managers, supervisors, staffing officers and compensation advisors, we did find that the Pacific Region has developed a Human Resources Handbook which contains instructions for human resources business processes for non-staffing actions such as acting pay and extensions, retirements, etc. Within this document, for each type of action, the individuals responsible have been identified, including the manager, employee, compensation advisor, HR advisor, etc., as well as the pertinent documents that are required to be completed and submitted. We feel that this is a good practice and the document could serve as a model for expansion to other types of pay actions and be shared with and adopted by NHQ and all other regions

Further, results of interviews in each of the regions visited revealed that compensation staff frequently expressed concern with a continuous push from the staffing branch to process what compensation staff perceive to be staffing responsibilities as opposed to pay responsibilities. For example, Compensation Advisors told us that because they were not receiving adequate documentation confirming an employee's entitlement to the bilingual bonus (authority to pay), they were expected to access other information sources such as the HRMS to verify the entitlement.

Conclusion

Overall, the lack of guidelines to clearly define and communicate the responsibilities of the manager, supervisor, staffing officers/HR advisors and compensation and benefits advisors in the processing of all staffing actions which result in a pay action, may result in errors or missed or untimely pay actions. There is a risk that the department may have to recover overpayments or employees may be underpaid.

Recommendations # 2 and # 3

The Assistant Commissioner, Human Resources Management Sector, in consultation with the Regional Deputy Commissioners, should:

- Develop guidelines which clearly define and communicate the responsibilities of the manager, supervisor, staffing officers/HR advisors and compensation and benefits advisors involved in the pay process
- Assess the Human Resources Handbook, developed by the Pacific Region, for consideration as a model in developing guidelines which outline the responsibilities of all individuals involved in the pay process.

4.2 Compensation & Benefits Processes and Controls

4.2.1 CONTROLS OVER THE ACCURACY OF PAY TRANSACTIONS

Finding: The department has not adopted a consistent approach to the independent verification of pay transactions

We expected to find adequate controls in place to provide assurance that pay transactions are accurate and that there is evidence of independent pay verification.

Employee pay entitlements and benefits deductions are governed by various Acts and regulations such as the new Public Service Employment Act, Public Service Superannuation Act, Financial Administration Act, collective agreements, Terms and Conditions of Employment Regulations

and Treasury Board policies and guidelines governing salary administration. Compensation staff must possess a sufficient understanding of the various rules, regulations and policies applicable to pay and benefits to accurately process pay and benefits transactions and must keep abreast of continuous changes.

All pay transactions are entered in PWGSC's On-Line Pay System by Compensation Advisors (CAs). CAs follow the specific instructions and procedures of the Personnel Pay Input Manual (PPIM) for preparing, verifying, authorizing and batching input to the On-Line Pay System. Departmental payroll registers are generated by PWGSC for all regular and non-regular (supplementary) pay transactions. These registers contain specific pay entitlement and benefit deduction amounts which appear on an employee's pay stub.

Although the On-Line Pay System contains key edits to ensure the accuracy and validity of most regular pay transactions we noted that the system contains no specific edits to check that salary levels are accurate for supplementary pay transactions, such as acting pay, LWOP actions, etc. Given this weakness we expected to find that the department had developed compensating controls intended to further ensure the accuracy of salary payments and to minimize the occurrence of errors.

NHQ and all regions are expected to follow a standard accepted process whereby all pay transactions processed by a Compensation Advisor are subject to an independent review and verification by an alternate Compensation Advisor (Buddy System) prior to finalization.

However, we found that the mechanisms in place to provide evidence of pay verification varied from region to region. In some regions such as the Prairies (Edmonton Institution) and Atlantic compensation staff use an independent "log" to record a particular pay transaction. The particulars of a pay transaction are recorded on a log sheet and the pay verifier initials the accuracy and validity of the pay transaction. The logs are not retained on the employee files. In other regions/units, such as Saskatchewan Penitentiary, pay transactions were supported by copies of pay input screens from the on-line pay system, annotated by the verifier and placed on the employee pay file. Results of our testing revealed that in regions that used the verification log we were not readily and easily able to ascertain that pay transactions had been verified. We also found that in some regions the verification logs had been inadvertently destroyed.

We also found at Saskatchewan Penitentiary that responsibility for pay verification has been assigned to the Compensation Supervisor. We consider this to be a good practice and one that provides an adequate level of oversight over the accuracy of pay transactions. We understand that the Pacific Region plans to adopt this same practice. The Compensation Manager is in the process of hiring two senior compensation advisors who will be tasked with the responsibility for pay verification.

Conclusion

The use of "logs" to record the verification of pay transactions does not provide adequate evidence of pay verification.

Recommendation # 4

The Assistant Commissioner, Human Resources Management, in consultation with the Regional Deputy Commissioners, should:

- Develop and communicate departmental procedures for the verification of pay transactions including requirements for adequate evidence of pay verification, to ensure that a consistent approach to pay verification is implemented across the department

4.2.2 CONTROLS OVER THE AUTHORITY TO PAY

Finding: Compensation employees are not being provided, on a routine and timely basis, with adequate supporting documentation which provides them the authority to pay

We expected to find adequate controls in place to provide assurance that pay transactions are supported by adequate documentation which provides the compensation advisor with the authority to pay.

Results of our testing have identified the following weaknesses regarding inadequate documentation for the different types of pay actions.

Taken-on-Strength (TOS) and Struck-off-Strength (SOS)

While we found no significant issues, we found controls over the adequacy of documentation were weak. In 8 (30%) of the 27 TOS actions reviewed, letters of offer were missing and/or the content and quality of the letters lacked key information such as entitlement to bilingual bonus, Penological Factor Allowance (PFA), etc. This was more prevalent with TOS/SOS actions in early 2004. We did note improvements in the letters in the 2005 files with all regions now using standard benefits letters available from the TB Virtual Pay website. We noted that the Prairie Region has recently undertaken the initiative to improve letter templates provided by NHQ staffing.

Results of the audit also revealed that most regions were using checklists to ensure that all steps to action an employee taken-on-strength or struck-off-strength had been followed and the required documents were obtained and processed. We found most regions had adopted the use of checklists for TOS/SOS actions however these checklists varied from region to region. Although we found no departmental guidelines or directives outlining the requirement for completion of the checklists, we found the use of the checklists to be a good practice.

We also noted that the majority of the files for SOS'd employees did not contain employee clearance reports indicating financial certification that no money is owed. As required by the TB Board Comptrollership Policy on Pay Administration, individuals delegated Section 33 of the FAA should be the last to sign off before final payment is released. We were informed that in

some regions the employee clearance reports were retained at the institutions.

Conclusion

Controls over the adequacy of key documentation on employee files are weak.

Recommendation # 5

The Assistant Commissioner Human Resources Management Sector in consultation with Regional Deputy Commissioners should:

- Develop a standard checklist for key documents to be included on employee pay files including evidence of entitlement to the PFA, bilingual bonus, etc. and the employee clearance report for SOS files.

Acting Pay/Appointment

In accordance with most collective agreements, when an employee is required to substantially perform the duties of a higher classification level in an acting capacity and performs those duties beyond the minimum required days as established in their respective collective agreement (vestibule period), the employee shall receive pay at the higher classification level (acting pay/appointment). We expected to find adequate supporting documentation, approved by the appropriate requisite authority, on file to support payments to employees at the higher classification level.

Results of our file reviews revealed that in 10% of the 115 acting pay/appointments reviewed that documentation was not adequate to support payment at the higher classification level. We noted in two regions a few instances where employees had been acting in the same position for periods of up to five years. However, we were informed that senior management is paying close attention to the practice of long term acting appointments and is ensuring that these situations are being reduced. In particular, the Atlantic Region has made efforts to reduce the number of long term acting appointments (greater than one year) which have been reduced from a high of 72 in 2003-04 to 12 in 2005-06.

We also noted during our file review that the department has not adopted a consistent set of documents for acting pay and acting appointments. The Public Service Employment Regulations (PSER) states that the accepted letter of offer is the certificate of appointment in acting situations that will exceed the vestibule period. For acting appointments of a shorter duration, departments may use whatever documentation method is most convenient, so long as the acting appointment is recorded. In the Pacific Region the Request for Staffing Action Form is used for acting pay while the other regions are using a variety of different acting pay forms. For acting appointments we found most regions were using the standard appointment letters available on the PWGSC and TBS websites. We did note some improvements in the quality of these letters for appointments made in the latter part of 2005. Some regions have modified these letters to reflect the particulars of the region and the appointment.

The department has adopted a practice of long term acting appointments. We found that this practice has been consistently adopted by all regions and NHQ. A “Bulletin on CSC Acting Appointments”, dated July 28, 2004, was developed and addresses the practice of long term acting appointments in CSC. This document clearly outlines the intention for use of acting appointments “... to be used only in situations where a need clearly exists for a **temporary** duration and not as long term solutions to meet indeterminate staffing needs”.

The Bulletin further states that long acting situations may create a real or potential unfair advantage which gives rise to frustration on the part of employees who are not provided similar opportunities. This has a detrimental effect on the merit principle as well as the Public Service core staffing values. The Bulletin defines a number of principles and requirements including:

- Unfair Advantage – An acting appointment loses its temporary character, where a series of continuous extensions are given, or where the appointment is permitted to become one of such significant and indefinite duration as may be presumed to place its occupant at an unfair advantage in any subsequent selection process.
- Extensions – The practice of extending acting assignments of employees by assigning them to similar positions, at the same level, while never exceeding the four (4) month period does not respect the PSEA and will not be tolerated.
- Monitoring – All acting appointments will be recorded and their use effectively monitored – with corrective measures undertaken promptly where problems and gap areas are identified.

Managers are expected, through human resources planning and integration with operational planning, to move from a temporary focus to a permanent one in their staffing strategies and activities.

While this Bulletin clearly outlines managers’ responsibilities in the process, the requirements of this bulletin do not seem to be followed in most regions. Further, subsequent to the new Public Service Employment Act (PSEA), the bulletin may no longer reflect the current regulations.

Although staffing practices were beyond the scope of this audit, we found during our file review that with the practice of long term acting appointments there is no indication on the pay file that the temporary staffing of these positions, beyond the initial vestibule period, have been adequately advertised to other individuals and that the opportunity for right of appeal for these individuals has not been posted, in some cases for as far back as five years. This contravenes the intent of an open and transparent staffing process. Public Service Employment Regulations (PSER) state that acting appointments within the vestibule period, four months for all groups and levels except the EX group which is six months, are excluded from merit and the right to appeal. The exclusion from merit and appeals ceases to apply as soon as it is known that the acting appointment will be longer than the excluded period. This may be known at the outset of the acting appointment or at some later date. When it is known that an acting appointment will last for more than the excluded period described in the PSER, employees in the area of selection must be informed of their right to appeal.

Conclusion

Overall, we found that the controls over acting pay/appointments were weak and that there is a risk that the absence of adequate documentation or untimely submission of documents may result in underpayments/overpayments.

Recommendation # 6

The Assistant Commissioner, Human Resources Management Sector should:

- Review and modify the existing “Bulletin on CSC Acting Appointments” to reflect requirements of the new PSEA; ensure that the Bulletin is communicated and easily accessible to all managers and supervisors, staffing officers/HR advisors and compensation staff; and that a monitoring regime is in place to identify deviations from the Bulletin.

Allowances

We expected to find adequate controls in place to ensure that employee’s entitlement to allowances and benefits such as the bilingual bonus, PFA, OSA, terminable allowances, etc. were supported by adequate documentation and paid on a timely basis. We also expected to find that the cessation of these allowances and benefits were actioned according to the expiry of such and that there was sufficient documentation on the employee pay file to support cessation.

Bilingual Bonus

Employees are eligible for the bilingual bonus if: the employee occupies a position for which there is a clear requirement for the use of both official languages in the performance of their functions or duties of their positions, which have been identified bilingual, in accordance with Treasury Board criteria; and the employee’s Second Language Evaluation (SLE) results confirm that he/she meets the language requirements of their position. During the period April 1, 2004 to September 30, 2005, more than 3,000 employees were in receipt of the bilingual bonus, resulting in a cost of \$3.3M to the department. Results of our review of 35 employees receiving the bilingual bonus revealed that in all regions, employee files lacked sufficient evidence to support that the employee was entitled to the bilingual bonus.

Further, of particular concern was the lack of evidence to support that an employee in an acting position was entitled to the bilingual bonus. The TB Bilingual Bonus policy states that an employee who receives the bonus and who is **temporarily** assigned to another bilingual position shall continue to receive the bonus, regardless of the linguistic profile of the new position (or functions). In instances where an employee who receives the bonus is temporarily assigned to a unilingual position, the employee shall continue to receive the bonus only if the basic monthly salary of the new position is less than, or equal to, the basic monthly salary of the regular position plus the bonus.

Considering the departmental practice of long term acting appointments, as mentioned previously, we found that the intent of the bilingual bonus policy has not been appropriately applied for those employees who have been acting for long periods. Also, in many of these

instances we were not able to ascertain whether or not the employee's substantive position was bilingual because evidence for the most part was lacking on the files. In many instances approval of entitlement to the bilingual bonus was absent from acting pay forms and acting appointment letters. We did find however, that for the more recent appointments, improvements to the letters of offer had been made and now include approval of entitlement to the bilingual bonus. We noted a good practice at Saskatchewan Penitentiary attachments to the letter of offer had been signed by the employee acknowledging that they were entitled to the bilingual bonus.

We also found that the department has not adopted a consistent approach to recuperating bilingual bonus payments from employees who are no longer entitled to the bonus. Results of our testing revealed numerous cases where in one region bilingual bonus overpayments were being recovered where in other regions the decision not to recover had been taken.

The audit team was provided with a copy of an interpretation of a TB ruling on bilingual bonus paid in error which states that the department has no basis upon which to recuperate past bonus payments. As per Article 1.12.6 of the Bilingualism Bonus Directive the Deputy Head is responsible for ensuring that payment of the bilingualism bonus is initiated and stopped in accordance with established policies and procedures. The Directive clearly stipulates that in any instance where the bonus ceases to be paid, the incumbent must receive written notice that payments will stop two months after date of notice. Therefore, the Department must take the appropriate steps outlined in Articles 1.2 (negative results on an Second Language Exam (SLE) or 1.3 (raised or re-identified linguistic profiles), whichever applies, to properly stop payment of the bonus. The directive does not address the issue where an employees' substantive position is bilingual but has been acting for extended periods of time in a unilingual position. We are concerned that this ruling may have been inaccurately applied in the decision as to whether or not recoveries of overpayments of the bilingual bonus are needed.

In addition, as part of our detailed testing we attempted to reconcile information obtained from the departmental HRMS on the linguistic profile of bilingual positions and employee SLE results for the incumbered bilingual positions, with documentation on the employee pay file. Given the lack of adequate documentation, as mentioned above, we had difficulty reconciling the information and therefore could not place a high level of reliance on the information contained in the HRMS.

Conclusion

The audit team is not able to place a high level of assurance on the accuracy and validity of bilingual bonus payments.

Recommendation # 7

The Assistant Commissioner, Human Resources Management Sector should:

- Ensure that a review of information in the HRMS pertaining to employees receiving the bilingual bonus be carried out and that this information is supported by adequate

approvals and documentation on the employee pay file.

Penological Factor Allowance (PFA)

In accordance with some collective agreements such as the Program Administrative Services collective agreement, the Penological Factor Allowance (PFA) is used to provide additional compensation to an incumbent of a position who, by reason of duties being performed in a penitentiary, assumes additional responsibilities for the custody of inmates other than those exercised by the Correctional Group. The payment of the PFA is determined by the designated security level and ranges from \$600 per annum for minimum security level to \$2,000 per annum for maximum security level.

A total of 8,189 employees were in receipt of the PFA during the period April 1, 2004 to September 30, 2005 representing a cost of \$10.2M to the department. Results of our review of 26 employees receiving the PFA revealed that with the exception of the Pacific Region we found little evidence on the employee files to support the entitlement to the allowance. The Pacific Region opted to retain a copy of the PFA/OSA Allowance Request for Approval form on the employee file. We also noted that approximately 160 employees at NHQ were in receipt of the PFA.

The audit team was informed that institutions were instructed to review the positions entitled to the PFA. From what we understand, there was no clear definition of “custody” which resulted in each region (institution) interpreting PFA entitlements differently. This resulted in a number of overpayments to employees who were no longer entitled to the PFA and subsequent grievances.

We understand that there have been some past changes in decisions by senior management regarding recovery of PFA overpayments and then suspension of the recovery actions. This has resulted in cumbersome and unnecessary additional workload for compensation employees.

Conclusion

We were not able to ascertain for the majority of the files reviewed whether or not the employee was entitled to the PFA.

Recommendation # 8

The Assistant Commissioner, Human Resources Management Sector should:

- Ensure that the necessary pay actions are taken to cease the Penological Factor Allowance for employees who no longer meet the PFA requirements of the collective agreement

4.2.3 EXECUTIVE (EX) PAY

Finding: Delivery of Executive pay services is effective however, some weaknesses in the Performance Awards process was noted.

We expected to find a standard approach for the effective delivery of pay services to EX staff across the department.

Executive pay services are decentralized and provided in NHQ and the five regions. With the exception of NHQ, Compensation Advisors provide services to EX employees along with non-EX employees. In NHQ, at the time of the audit, the Compensation Manager had assumed responsibility for all EX employees. We were informed that this was an interim measure taken until staffing of vacant Compensation Advisor positions had been completed.

Pay entitlements and benefits for EX staff are governed in part by a separate set of regulations and pay administration. Provision of compensation and benefits services for this group of employees requires experienced Compensation Advisors with a knowledge of excluded employee pay rates and benefits packages.

As part of our detailed testing we reviewed approximately 4 Executive pay transactions at NHQ and in each region. We found no significant anomalies. However, we did note that some improvements in the processing of pay at risk could be improved. We found that pay at risk calculations are prepared by the Director, Compensation and Labour Relations (NHQ) and approved by the Executive Committee. These calculations are then forwarded on a spreadsheet to the respective regional compensation units for verification. This spreadsheet is used by the regions to prepare the covering letter to EX staff as well to prepare an appendix which provides details on the calculation. We noted in two regions that although the EX staff had been paid at the correct rate that the salary information quoted on the appendices were incorrect. Our understanding is that these appendices are prepared by a variety of different staff in the regions, which may or may not be compensation staff. Responsibility for preparation of the notification to EX staff should remain with the Director, Compensation and Labour Relations.

We also noted that performance pay for the MD-MSP-3 group for fiscal year 2004-05 had not been actioned at the time of the audit. Employees in this group are subject to the Performance Management Program (PMP) which also applies to the EX group.

Conclusion

Overall, the results of the audit identified no significant anomalies in the delivery of compensation and benefits services to EX staff. However, some improvements are needed in the process for preparing performance pay and pay at risk notification to departmental EX staff.

Recommendation # 9

The Assistant Commissioner Human Resource Management Sector should:

- Ensure that responsibility for the complete process for the calculation of and notification of performance pay and pay-at-risk increases to EX staff rests with the

Director, Compensation and Labour Relations, including preparation of notification letters.

4.2.4 FINANCIAL CONTROLS

Finding: Guidelines for the verification and monitoring of pay transactions have not been established.

As required by the TBS policy on Account Verification and Section 34 of the Financial Administration Act (FAA), all payments must be verified and certified. "Financial Officers with payment authority pursuant to FAA Section 33 must provide assurance of the adequacy of the Section 34 account verification and be in a position to state that the process is in place and is being properly and conscientiously followed". The policy further states that departments must establish and document internal policies outlining the extent of verification required based on risk considerations, to certify that transactions are accurate. We expected to find that the department had adequate controls and processes in place to meet these legislative and policy requirements.

Although we found no significant issues with the account verification process (Section 34) we did note that there is no consistent approach across the department with respect to verification and monitoring of pay transactions by Finance. On a daily basis Financial Officers in the NHQ and each region access the On-Line Pay system and approve pay transactions either in bulk or transaction by transaction. Results of the audit revealed that in some regions source documents are submitted with the pay verification log (RPC, Saskatchewan Penitentiary). However, due to different physical locations of finance officers and compensation staff in some regions (Atlantic & Pacific) source documents are not forwarded. We noted however, that in the Pacific Region, Finance receives a copy of the letter of offer and signs-off on all acting pay situations.

Since all departmental pay offices are not in the same geographic location as finance offices, Financial Officers (FO)'s do not always have supporting documentation readily available to them at the time of verification. The Department has not established specific policies and procedures for Financial Officers to follow for the verification of pay transactions. We feel that the majority of financial officers therefore cannot provide the necessary level of assurance, as required by the FAA, that pay transactions are valid and accurate.

Although the department has implemented a random sampling process this process varies from region to region. For example at RPC a 5% sample is covered whereas in other regions a 10% sample is covered. We were informed that there are no clear guidelines outlining the sampling requirements.

Conclusion

Overall, results of the audit indicate that although pay transactions are being verified in accordance with Section 34 FAA, there is a risk that with the absence of adequate documentation to support the pay transaction in some regions, regional financial officers may not be able to provide the necessary level of assurance, as required by the FAA, that pay transactions are valid

and accurate. Further, regional financial officers lack specific guidelines on a consistent departmental approach to the verification process.

Recommendation # 10

The Assistant Commissioner, Corporate Services should:

- Develop guidelines for regional financial officers which outline departmental requirements for the pay transaction verification process, including the associated sampling requirements for source documents.

4.3 Performance and Compliance Monitoring

4.3.1 SERVICE STANDARDS, TOOLS AND MONITORING

Finding: The department has not established adequate mechanisms for the monitoring of performance and compliance monitoring

We expected to find that the department had implemented mechanisms to ensure the adequacy of performance and compliance monitoring of compensation and benefits administration activities.

Service Standards

We understand that at compensation managers' symposium held more than a year ago, that a set of service standards was developed. These standards have yet to be finalized and communicated to all compensation units.

Tools and Good Practices

Throughout the course of the audit we noted many good tools and practices are being used by the NHQ and most regions. For example, we found, with the exception of the RPC, that all regions were using automated calculation tools which facilitate the sometimes complex calculation of retro-active pay, maternity leave benefits, and leave with income averaging, etc. While many of these tools are available on the PWGSC and TBS compensation websites, we also found that most Compensation Supervisors and Managers augment these tools with additional tools found elsewhere. At the RPC compensation staff are still relying on manual calculations for retro-active pay, maternity leave, etc. Reliance on these manual processes is not a timely and cost-effective use of limited resources, and there is a higher risk of errors being made.

Monitoring Regime

Considering the magnitude of the cost to the department for salary expenditures (\$1.4B), we expected to find in place a monitoring regime which provides an additional level of oversight over high risk transactions such as SOS. We found no evidence of such a regime.

There are a variety of software packages on the market which can be used effectively to develop a monitoring regime. As mentioned previous in this report, the audit team used one of these packages called Audit Command Language (ACL) which provided us with an effective tool in developing our testing sample.

Conclusion

Overall, we found that the department does not have an adequate performance and compliance monitoring regime in place.

Recommendation # 11

The Assistant Commissioner, Human Resources Management Sector in consultation with the Regional Deputy Commissioners should:

- Develop and implement a performance and compliance monitoring regime to provide oversight in the verification of high risk transactions such as SOS and LWOP and cessation of entitlements to allowances such as the PFA and bilingual bonus.

APPENDIX A
Audit Criteria**Objective 1: To assess the adequacy of CSC's management framework on Pay Administration**

- Criterion 1 - An appropriate organizational structure (resource and work allocation, and proper direction, control, and communication) is in place to ensure compliance to policies, efficient and effective service delivery and financial integrity.
- Criterion 2 - Roles and responsibilities are well defined and clearly communicated
- Criterion 3 - Goals and objectives for the compensation and benefits function are articulated in HR strategic and operational plans
- Criterion 4 - Mechanisms are in place to share best practices and foster continuous improvement.

Objective 2: To assess the adequacy of CSC's processes and controls for the management of compensation and benefits to ensure the efficiency and effectiveness of the compensation administration process.
(This objective will include both procedural and financial controls and will address compliance with legislation, departmental and central agency policies and procedures, and collective agreements)

- Criterion 1 - Taken-on-strength (TOS) procedures and practices comply with Acts and regulations and Treasury Board, central agency and departmental policies and directives
- Criterion 2 - Executive pay services are provided consistently and efficiently to employees across the department
- Criterion 3 - Controls over Struck-Off-Strength (SOS) pay actions are adequate and in compliance with Treasury Board, central agency and departmental policies and procedures.
- Criterion 4 - Adequate controls have been established and implemented for financial pay transactions, the pay processes are efficient and effective and part of CSC's financial management framework.
- Criterion 5 - Benefits and allowances are paid as per the dispositions of the Correctional Service and various collective agreements or terms and conditions of employment
- Criterion 6 - Pay increments are actioned in a timely manner in accordance with the conditions of the appropriate collective agreement
- Criterion 7 - Performance pay is actioned in a timely manner in accordance with the appropriate collective agreement or terms and conditions of employment
- Criterion 8 - Leave without pay are authorised in accordance with the Treasury Board, central agency and departmental policies and the various collective agreements or appropriate Terms and Conditions of Employment.
- Criterion 9 - Adequate controls are in place to ensure prompt action for recovery of debts owed to the Crown.
- Criterion 10 - Acting pay and acting appointments are in accordance with applicable policies

and procedures
Criterion 11- Claims for disability are in accordance with applicable policies, procedures and collective agreements.

Objective 3: To assess the adequacy of performance and compliance monitoring on the compensation administration activities.

Criterion 1: Systems are in place to provide management with accurate and timely information for decision-making

Criterion 2: Processes and mechanisms are in place to ensure the appropriate reporting of performance information

Criterion 3: Mechanisms are in place to ensure compliance with applicable acts, regulations, policies, etc.

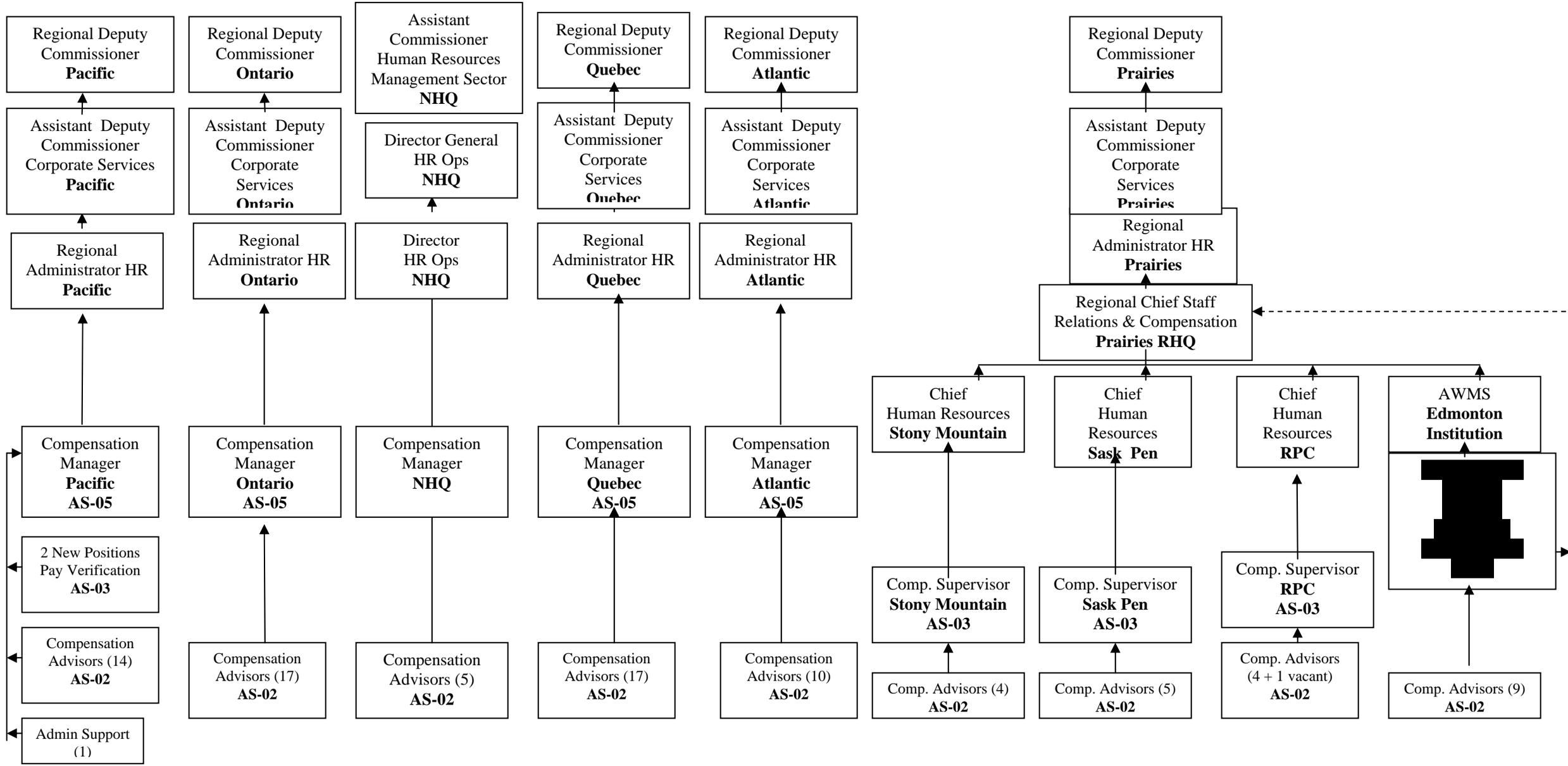
Criterion 4: Management has an active role in ensuring the effectiveness of the compensation and benefits administration activities.

Table 1A –
Pay Transactions by Region

TYPE OF PAY TRANSACTION	ATLANTIC		QUEBEC		ONTARIO		SUB-TOTAL	
	Transactions	Files Reviewed	Transactions	Files Reviewed	Transactions	Files Reviewed	Transactions	Files Reviewed
Acting pay/appointments (002)	4,788	20	16,647	20	9,224	20	30,659	60
Severance pay (054)	124	4	359	5	272	5	755	14
PFA (042)	27,991	4	65,636	5	57,698	5	151,325	14
OSA (006)	3,204	4	6,382	5	4,890	5	14,476	14
Maternity allowance (148)	1,056	4	2,562	5	2,900	5	6,518	14
Terminable allowance (227, 229)	5,653	5	9,781	3	9,016	5	24,450	13
Pay differential (080)	8,345	2	24,365	5	19,533	5	52,243	12
Bilingual bonus (141)	19,428	5	55,770	5	8,419	10	83,617	20
Pay in lieu of leave (029, 033, 173)	3,197	7	9,253	10	5,690	10	18,140	27
At Risk Pay (Performance Award) (179)	44	4	91	4	72	4	207	12
Retroactive pay (211,212)	6,956	5	15,440	10	14,472	3	36,868	18
LWOP (301)	1,950	3	4,883	3	3,356	5	10,189	11
SUB-TOTAL	82,736	67	211,169	80	135,542	82	429,447	229
Regular pay, overtime & miscellaneous other	127,374	0	335,195	0	287,197	0	749,766	0
TOTAL	210,110	67	546,364	80	422,739	82	1,179,213	229
Taken-on-Strength (TOS)	860	5	1,634	5	1,427	5	3,921	15
Struck-off-Strength (SOS)	771	5	1,341	5	1,232	5	3,344	15
GRAND TOTAL	211,741	77	549,339	90	425,398	92	1,186,478	259

**Table 1B –
Pay Transactions by Region**

TYPE OF PAY TRANSACTION	NHQ		PRAIRIES		PACIFIC		TOTAL	
	Transactions	Files Reviewed	Transactions	Files Reviewed	Transactions	Files Reviewed	Transactions	Files Reviewed
Acting pay/appointments (002)	3,731	13	8,457	20	6,974	22	49,821	115
Severance pay (054)	73	5	212	8	174	4	1,214	31
PFA (042)	166	0	58,510	7	38,303	5	248,304	26
OSA (006)	41	0	5,290	7	3,351	5	23,158	26
Maternity allowance (148)	607	4	3,464	7	1,794	5	12,383	30
Terminable allowance (227, 229)	5,696	2	11,158	14	8,056	10	49,360	39
Pay differential (080)	0	0	19,263	6	9,843	5	81,349	23
Bilingual bonus (141)	21,520	2	2,773	7	2,983	6	110,893	35
Pay in lieu of leave (029, 033, 173)	1,769	2	7,197	15	3,893	11	30,999	55
At Risk Pay (Performance award) (179)	265	4	74	4	62	11	608	31
Retroactive pay (211,212)	4,059	1	17,648	14	8,934	10	67,509	43
LWOP (301)	1,358	1	3,393	7	2,878	5	17,818	24
SUB-TOTAL	39,285	34	137,439	116	87,245	99	693,416	478
Regular pay, overtime and miscellaneous other	46,069	0	257,008	0	210,095	0	1,262,938	0
TOTAL	85,354	34	394,447	116	297,340	99	1,956,354	478
Taken-on-Strength (TOS)	828	2	1,275	5	669	5	6,693	27
Struck-off-Strength (SOS)	737	3	1,106	5	475	5	5,662	28
GRAND TOTAL	86,919	39	396,828	126	298,484	109	1,968,709	533



Recommendations	Primary Responsibility	Action Plan	Anticipated cost and resource requirements	Target completion date
1. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. Develop guidelines which clearly define and communicate the responsibilities of the manager, supervisor, staffing officers/HR advisors and compensation and benefits advisors.	ACHRM / DGLRB / DGODR	<ul style="list-style-type: none"> • Outline roles and responsibilities including affected parties involved in the Staffing and Compensation process (team members to include regional personnel). • Develop and distribute Compensation Service Standards to all departmental Managers and HR personnel. • Review templates of letters of offer and standard HR forms to ensure required data is present • Develop guidelines for each staffing process outlining roles and responsibilities of all parties involved. • Review resource indicators for Compensation and Staffing, taking into consideration the: <ul style="list-style-type: none"> ○ workload and expectations; ○ training required; ○ complexity of the work; ○ required knowledge / expertise to perform the functions; ○ verification ○ level of quality control requested/desired. 	\$10,000 (travel)	<ul style="list-style-type: none"> ▪ September 30, 2006 ▪ December 31, 2006 ▪ December 31, 2006 ▪ March 31, 2007 ▪ December 31, 2006
3. Assess the Human Resources Handbook, developed by the Pacific region, for consideration as a model in developing guidelines which outline the responsibilities of all individuals involved in the pay process.	ACHRM / DGLRB	<ul style="list-style-type: none"> • Assess the Handbook developed by the Pacific Region through a working group involving representatives from Pacific Region, Corporate, and one other Region. <ul style="list-style-type: none"> ○ Establish Working group ○ Develop model • Develop and distribute national guidelines outlining roles and responsibilities of all individuals involved in the pay process (in conjunction with the Action in Recommendation # 2 above). • Monitoring 	\$5,000 (travel)	<ul style="list-style-type: none"> ▪ September 30, 2006 ▪ March 31, 2007 ▪ March 31, 2007 ▪ Ongoing
4. Develop and communicate departmental procedures for the	ACHRM / DGLRB	<ul style="list-style-type: none"> • Obtain existing documentation on the verification process from within CSC and from other government departments/agencies. 		<ul style="list-style-type: none"> ▪ September 30, 2006

Recommendations	Primary Responsibility	Action Plan	Anticipated cost and resource requirements	Target completion date
verification of pay transactions including requirements for adequate auditable evidence of pay verification, to ensure that a consistent approach to pay verification is implemented across the department.		<ul style="list-style-type: none"> • Establish a working group involving representatives from Corporate Compensation, Regional Compensation, Finance and Performance Assurance. • Develop and distribute verification guidelines for pay transactions and payments that conform to the needs of CSC. • Collaborate with the working group addressing Recommendation # 2. • Follow-up monitoring 		<ul style="list-style-type: none"> ▪ September 30, 2006 ▪ March 31, 2007 ▪ Ongoing
5. Develop a standard checklist to ensure that key documents are included on employee pay files including evidence of entitlement to the PFA, bilingual bonus, etc. and the employee clearance report for SOS files.	ACHRM / DGLRB / DGODR	<ul style="list-style-type: none"> • Obtain and review existing TBS checklists, and materials used in Regions. • Create other required checklists. • Work with Corporate Staffing to finalize template letters that indicate employee entitlements to allowances. • Provide direction to the departmental compensation advisors to use the checklists. • Provide direction to Managers and Staffing Personnel to use the template letters. 		<ul style="list-style-type: none"> ▪ September 30, 2006 ▪ December 31, 2006 ▪ March 31, 2007 ▪ March 31, 2007 ▪ March 31, 2007
6. Review and modify the existing “Bulletin on CSC Acting Appointments” to reflect requirements of the new PSEA, ensure that the Bulletin is communicated and easily accessible to all managers and supervisors, staffing officers/HR advisors and compensation staff and that a monitoring regime is in place to identify deviations from the Bulletin	ACHRM / DGODR	<ul style="list-style-type: none"> • Modify bulletin as per new PSEA • Communicate to EXCOM, Managers, and staff <ul style="list-style-type: none"> ○ Gen-Communiqué ○ Website • Establish monitoring system for acting appointments in line with the Appointment Delegation Accountability Instrument 		<ul style="list-style-type: none"> ▪ Completed ▪ December 31, 2006
7. Ensure that a review of information in the HRMS pertaining to employees receiving the bilingual bonus be carried out and that this information is supported by adequate approvals and documentation on the employee pay file.	ACHRM / DGLRB	<ul style="list-style-type: none"> • Obtain and validate data from PWGSC Pay System. • Create working group involving representatives from Corporate Compensation, HRMS, Regional and Corporate Staffing. • Determine departmental procedures for the provision of bilingual bonus entitlement to Compensation Units. • Collaborate with the working group addressing Recommendation # 2. • Monitoring 	\$5,000 (travel)	<ul style="list-style-type: none"> ▪ September 30, 2006 ▪ September 30, 2006 ▪ December 31, 2006 ▪ Ongoing
8. Ensure that the necessary pay actions are taken to cease the Penological Factor Allowance for employees who no longer	ACHRM / DGLRB	<ul style="list-style-type: none"> • Determine which employees are in receipt of the PFA. • Determine which employees are eligible to receive the PFA. 		<ul style="list-style-type: none"> ▪ Completed ▪ September 30, 2006 ▪ Ongoing

Recommendations	Primary Responsibility	Action Plan	Anticipated cost and resource requirements	Target completion date
meet the PFA requirements of the collective agreement.		<ul style="list-style-type: none"> • Provide notification of employee eligibility/non-eligibility to Compensation and Benefits as required. • Provide new PFA procedures to Compensation and Benefits staff as required. • Action changes to employee accounts as required. • Monitoring 		
9. Ensure that responsibility for the complete process for the calculation of and notification of pay-at-risk increases to EX staff rests with the Director, Compensation and Labour Relations, including preparation of notification letters.	ACHRM / DGLRB / DGODR	<ul style="list-style-type: none"> • Re-evaluate current process to determine if change is required. • Submit recommendation to NHRMC. 		November 30, 2006
10. Develop guidelines for regional financial officers which outline departmental requirements for the pay transaction verification process, including the associated sampling requirements for source documents.	ACCS / ACHRM	<ul style="list-style-type: none"> • Develop a standard for pay verification, including a sampling process regarding the supporting documentation to pay transactions. • Identify differences (centralized vs. decentralized vs. other) and determine what exceptions might be acceptable (actual process is reliable despite the fact that different from National standard). • Identify areas to improve by region/institution. • Share best practices/processes and corrective actions across all regions/institutions. • Implement standard (for supporting documentation). • Perform post implementation audits of overtime claims in the regions. 		<ul style="list-style-type: none"> ▪ October 31, 2006 ▪ December 31, 2006 ▪ December 31, 2006 ▪ January 31, 2007 ▪ March 31, 2007 ▪ Ongoing
11. Develop and implement a monitoring regime to provide oversight in the verification of high risk transactions such as SOS and LWOP and cessation of entitlements to allowances such as the PFA and bilingual bonus.	ACHRM / ACPA	<ul style="list-style-type: none"> • Develop and implement monitoring system specific to SOS, LWOP, PFA, and bilingual bonus transactions. • Communicate monitoring system to Regions. 		<ul style="list-style-type: none"> ▪ March 31, 2007 ▪ March 31, 2007