Ottawa

Office of the Auditor General / Bureau du vérificateur général

AUDIT OF PAYROLL

2009

VÉRIFICATION DE L’ADMINISTRATION DE LA PAIE
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EXECUTIVE SUMMARY

Introduction
The Audit of Payroll was included in the Audit Plan of the Office of the Auditor General (OAG), which was first presented to Council in the 2005 Annual Report in May of 2006.

Background
The City of Ottawa employs approximately 17,000 staff, including the Ottawa Police Service (OPS), Ottawa Public Library (OPL) and Elected Officials (EO) and their staff. Payroll has indicated that they use a higher number in system description information as Payroll is responsible for managing leave records and paying third parties for insured benefits, however active employees number 14,500 (excluding Police, Library and Elected Officials and staff). For 2007, this represented 11,500 full-time equivalents (FTEs) totalling $900 million for compensation and benefits. Payroll is the single largest expense at the City. There are 12 collective agreements covering approximately 90% of position holders and two Terms and Conditions of Employment. Since April 2004, the overall City payroll has been processed using the corporate accounting system - SAP and there was a system upgrade in November 2007. The SAP HR system implementation and enhancements have cost approximately $22 million.

For 2007, the City issued 21,063 T4 and T4A forms (Canada Revenue Agency Statements of Remuneration Paid and Statements of Other Income) and 154 revised T4s representing a dollar value of $850 million.

The Payroll Division that reported to Employee Services Branch in 2007 is responsible to ensure the deposit of accurate and timely pay for employees; to oversee the payroll year-end activities; to issue the T4s and T4As; and, to ensure payroll compliance with contractual and legislated requirements.

Payroll Management has indicated that in 2007 there were 48 planned Payroll positions plus 17 temporary positions. These included one time funding for nine temporary positions and the remaining eight temporary positions are for replacements for long term sick/LTD or short term assignments such as summer students. On average in 2007, Payroll had 58 active individuals per month. This included 12 centralized time entry positions in 2007 (9 FTEs and 3 temps). In 2008 the Payroll FTE count increased by one for a total of 49 planned positions. However, the OAG noted that the official organization charts did not contain this information. This does not include employees from other areas of Employee Services that would be involved with payroll processing, nor does this include departmental employees, estimated by Management as 23 full-time equivalents,
that are involved in the decentralized processing of payroll. Within the City, we found the time information used to pay employees is either entered centrally by the Payroll Division for approximately 60% of employees or in a decentralized fashion by various groups for approximately 40% of employees. A discussion of the City’s Payroll function, systems, and structure appears in the detailed section of the report.

**Scope**

The scope of the audit was limited to the review and analysis of the City payroll process for 2007 excluding OPS and OPL.

**Scope Limitation**

At the beginning of the fieldwork, the City Clerk acting as Head of Institution for the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) stopped access by the Office of the Auditor to the sample of Human Resource employee personnel files. This resulted in a scope limitation impacting the ability of the Office of the Auditor General to meet the objectives of the audit. The audit was continued as sufficient findings resulted from the work that could be completed. The Head of Institution for MFIPPA subsequently discovered that Payroll staff inappropriately had access to these files. Three months later the Head of Institution for MFIPPA determined that the Office of the Auditor General should be permitted access to the files. These files were not reviewed, as they were no longer considered representative.

**Approach**

This Audit included the review of a sample of 100 pays relating to one pay period for each of 100 employees (52 salaried employees and 48 hourly employees). The gross annual T4 value for the 100 employees for 2007 was $4,985,935. The total value of the 100 pays reviewed was $199,341. Interviews were held with key personnel and documentation was gathered, reviewed and analysed in order to determine the payroll process. Results are provided in this report.

Data analysis of the entire payroll population identified potential issues where further analysis and follow-up was conducted. Issues arising from the data analysis are provided in this report.

Based on issues arising from the random selection, audit work was conducted specifically with respect to the City’s Payroll System and decentralized processing. The results of this audit work appear in this report. The decentralized areas that were reviewed included the following:
Audit of Payroll

- Traffic and Parking Operations Branch
- Transit Services Department - OC Transpo Work Management System
- Ottawa Paramedic Service Branch
- Long Term Care Branch
- Fire Services Branch
- Recreation and Culture
- Surface Operations Branch
- Real Property and Asset Management Branch
- Volunteer Firefighters
- Theatre and Stage

**Objectives**

To assess the overall accuracy of payroll processed in 2007 including:

- Accuracy and timeliness of pay to employees;
- Payroll compliance with contractual and legislated requirements; and,
- Leave records maintained and updated.

**Key Findings**

**Decentralized and Centralized Processing**

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

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

For centralized processing, the Payroll Division is reliant on documents to be coded properly at the source. The controls that are in place in Payroll Division to detect

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1Specific emphasis on more work as a result of previously identified risks from Fraud and Waste Hotline Reports.
and prevent errors are manual in nature and reliant upon custom reporting of report variants.

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

**Access and Availability of Sample Files**

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

**Sample Files Review**

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

<p>| Table 1: Breakdown of Errors |</p>
<table>
<thead>
<tr>
<th>Sample from Centralized Areas</th>
<th>% Error Count to Total Centralized Sample</th>
<th>Sample from Decentralized Areas</th>
<th>% Error Count to Total Decentralized Sample</th>
<th>Total</th>
<th>% Error Count to Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Error Type</strong></td>
<td><strong>Count</strong></td>
<td><strong>Value</strong></td>
<td><strong>Count</strong></td>
<td><strong>Value</strong></td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>Incorrect Interpretation –  * Under remittance of OMERS pension*</td>
<td>15</td>
<td>$96</td>
<td>23%</td>
<td>15</td>
<td>$96</td>
</tr>
<tr>
<td>Calculation –  * Under remittance of OMERS pension (2 occurrences)<em>;  * OMERS pension not deducted</em>;  * Overpayment for statutory holiday where not entitled*;  * Overpayment for incorrect increment date*;  * Overpayment of benefits*; and,  * Underpayment to the estate of a deceased employee for vacation payout*</td>
<td>3</td>
<td>$1,412</td>
<td>9%</td>
<td>4</td>
<td>$1,429</td>
</tr>
<tr>
<td>Timesheets –  * Missing employee signatures (17 occurrences)<em>;  * Missing supervisor signatures (7 occurrences)</em></td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>24</td>
<td>$11,164</td>
</tr>
</tbody>
</table>
Audit of Payroll

<table>
<thead>
<tr>
<th>Lack of Supporting Documentation –</th>
<th>Sample from Centralized Areas</th>
<th>% Error Count to Total Centralized Sample</th>
<th>Sample from Decentralized Areas</th>
<th>% Error Count to Total Decentralized Sample</th>
<th>Total</th>
<th>% Error Count to Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing time or leave forms (3 occurrences);</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>8</td>
<td>$1,718</td>
<td>12%</td>
</tr>
<tr>
<td>No Payroll file;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No banking information change form;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No personnel action record;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nothing in personnel file;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter of offer missing signature</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Request for Personnel Actions –</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>2</td>
<td>$2,332</td>
<td>3%</td>
</tr>
<tr>
<td>Electronic approval was sent by the Administrative Assistant (2 occurrences).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Error Count</td>
<td>3</td>
<td>$1,412</td>
<td>9%</td>
<td>53</td>
<td>$16,739</td>
<td>82%</td>
</tr>
<tr>
<td>Total Sample Count</td>
<td>35</td>
<td>$84,801</td>
<td>100%</td>
<td>65</td>
<td>$114,540</td>
<td>100%</td>
</tr>
</tbody>
</table>

Below are the details of the errors that we found:

**Interpretation error**

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

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

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

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

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

**Seven calculation errors**

1. Employee overpaid $1,405 as pension was not deducted and the amount was not recovered by the City;
2. Benefits overpayment of $938 was not recovered retroactively and the amount was not recovered by the City, only the portion of $78 relating to the sample pay appears in the table;
3. Vacation payout underpaid by $992 to a deceased employee’s estate, Payroll Division planned to reimburse the deceased employee’s estate;
4. Employee overpaid $341 for a statutory holiday;
5. Employee overpaid $17;
6. & 7. In two cases OMERS calculation errors totalled $6, which was underpaid to OMERS, annual impact estimated at $69.

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

- Where timesheets were required, no evidence of employee signature in 17 cases to confirm they worked the time;
- Where timesheets were required, no evidence of supervisory signature in seven cases to authorize hours, work and rate;
- Management has indicated that although unsupported by authorized signatures, it does not mean that the pay to employees was in error and that these are non-compliance issues that don't lead to incorrect pay. We maintain that signatures would be required as evidence that the time was worked and was authorized;
- The authorization list did not contain signatures and initials;
- Request for Personnel Actions (RPAs) were not properly authorized in two cases;
- No payroll file existed for an employee;
Audit of Payroll

- File existed but no information in the file for an individual;
- No timesheet to authorize 17 hours of overtime that should not have been paid, for $685;
- There was no leave sheet for the payout of 40 hours of vacation for $941 which was reversed to Income Protection Plan for sick leave the next pay;
- Documentation was not provided for differences between the booking sheet and the actual pay for $93;
- Documentation was not available to support a change to bank account information and there was no personnel action record/RPA on file; and,
- A properly authorized letter of offer was missing for a summer student.

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

Controls over processing of decentralized pay

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

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

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

The Paramedic Service emails the Payroll Division a spreadsheet of the applicable hours for each pay period for each employee. This is an extract from Paramedic Service scheduling system, which Payroll Division enters into SAP. There are also manual spreadsheets sent to Payroll Division with overtime that is too late for the payroll cut-off. There is a risk of errors or unauthorized changes being made to the spreadsheets before they are sent to Payroll Division.
Recreation and Culture timesheets have not always been documented with an approving signature to authorize time worked and the rate paid.

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

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

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

1. 7% of overtime activity sheets for a dollar value of $1,086 were not authorized;
2. Where more than one person was on an activity sheet, the employee is not signing the activity sheet, instead the crew leader is signing the sheet;
3. The employee was paid at two different jobs and two different rates. He was the crew leader for 26 out of the 94 activity sheets. There were 14 times where he did not have a crew and therefore should not have been a leader; and three times when he and another person were both recorded as crew leader.
4. Fifteen hours recorded for a day which included five hours of sick leave and five hours of overtime on the same day;
5. Three timesheet signatures in 2007 and 2008 where the approving signatures were not recognizable. The Program Manager indicated that they did not know whose signature it was;
6. Snow plowing and other “handyman” duties including renovations, painting and building the frame for a shed totalled 369 hours for $14,228 including regular and overtime hours. These duties were not part of the job description for the employee whose regular duties were as “Traffic Signal Plant Inspector”. The employee had overtime for 2007 of $21,854. As this individual was already working overtime, he did not have time available to do renovation duties, which are outside his regular duties. This should have been done through Real Property and Asset Management (RPAM);
7. As a non-related issue, a building permit had not been obtained for a 24’ X 35’ shed constructed by Traffic and Parking Operations (TPO) staff or for other renovations performed by TPO staff at 175 Loretta; and,

8. The building of the shed did not follow an appropriate RPAM process.

Other Audit Findings

Overpayments and Recovery

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

- $736 overpayment relating to three days that were to be suspensions without pay but that was paid. This was identified as part of this audit based on a review of suspensions that were known to the OAG based on Fraud and Waste reports. Management has indicated that recovery is in progress;
- $1,500 payroll overpayment in December 2005 which had not been recovered at the time of the audit which Management has indicated has now been fully recovered;
- $1,300 payroll overpayment which was not recovered; and,
- $5,000 payroll overpayment in 2007 where the employee continued to be paid their regular salary while they were on a leave of absence without pay. This matter was initially identified as a result of a report to the Fraud and Waste Hotline. The amount was not fully recovered at the time of the audit. The employee subsequently left the City and the matter is now with Legal Services to collect.

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

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

Job Classification

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

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

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

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

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

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

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

Fire Statutory Pay

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

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

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

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

**OMERS Pension Contributions Reconciliation**
As part of the review of the payroll sample, it was determined that there were 18 cases out of 100 where pensions were not calculated correctly. Some of the errors were quite serious, particularly errors in the pension calculation for some Transit Services’ employees. We found that the City was non-compliant with OMERS requirements. The errors had been on-going for the past 10 years and were not detected until this audit. This has resulted in the pension contributions and contributory earnings being understated. Management has estimated that under remitted employee and employer pension contributions were approximately $2.6 million for a corresponding understatement of approximately $21.2 million in contributory earnings. This also resulted in past, present and future pensioners receiving less than their full entitlement.

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

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

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

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

**Training and Modified Duties**

Within the payroll sample, there was no backup document available for an employee on training or for the pay rate of 50%. There was an example where the rate paid to an employee on modified duties does not match the pay schedule as they do not qualify for an economic increase until they return to work full-time. Explanations were provided that these were long-standing practises. These should be reviewed and if considered appropriate should be documented as a policy.

**Electronic Payroll Files**

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

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

**Employee with Two Concurrent Positions**

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

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

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

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

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

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

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

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

Three examples of missing documentation:

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

Social Insurance Number (SIN)

As part of the data analysis performed for this audit, there was an example where a temporary SIN and work permit\(^2\) expired. Two subsequent RPAs extended the position but there was no evidence on file of a valid SIN or work permit. In May 2008 a letter was sent to the individual requesting the updated SIN and documents were subsequently provided.

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

Assessment of Employee Personal E-mails and Internet Utilization

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

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

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

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\(^2\) Work permit – Document permitting a non-Canadian to work in Canada for a temporary period.
Once this finding was shared with the Division, during the course of carrying out the audit, the divisional manager took some proactive action to address this situation.

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

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

**Training for Temporary Payroll Division Employees**

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

**Recommendations and Management Responses**

**Recommendation 1**

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

**Management Response**

Management agrees with this recommendation.

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

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

**Recommendation 2**
That the City correct all the errors identified in this report.

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

Of the 56 errors identified, Management has determined that there were only six calculation errors that impacted payroll payments to employees valued at $2,761. The remaining fifty were non-calculation errors that did not impact payments to employees.

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

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

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

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

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

However, management does not agree with one error identified by the auditor as a calculation error. The employer paid benefit premium was not set up for one employee under the proper plan, therefore the employer paid $78 more to the carrier than necessary. When Payroll uncovered this, they moved the employee to the proper plan on a go forward basis. In cases such as this one, the City made a business decision not to calculate retroactivity on benefit premiums when SAP was implemented City-wide in 2004. Instead, there is an annual reconciliation completed by the City’s external benefit consultants, when preparing the annual benefit plan financial statements. If there has been an overpayment or underpayment of premiums based on employee movement from one union to another, as was the situation identified by the auditor, this would be accounted for in the reconciliation at year-end and any overpayment/underpayment of premiums would be applied to future premium rates with no net financial impact to the City. Therefore, this is not a calculation error.

**Timesheets (Non Calculation)**

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

**Lack of Supporting Documentation (Non Calculation)**

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

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

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

Of the six calculation errors, the largest dollar value calculation error for one employee was $1,405 relating to OMERS pension arrears. Management was aware of this situation prior to the audit, including the employee’s refusal to repay and subsequent retirement. This was a very unique situation, which rarely occurs; therefore it does not make sense to extrapolate this error to the entire payroll. Management was also aware of the $17 overpayment due to an increment date error prior to the audit, which was highlighted when a review of increment dates occurred. The auditor’s comment does not acknowledge the fact that Payroll has an ongoing recovery/payment process that takes place based on payroll checks and balances that normally detect payroll anomalies. In Recommendation 15, management has responded to the collection process for overpayments, and has identified that 95% of the outstanding overpayments of $351,000 at November 2008, had been dealt with at January 2010 with ongoing recovery continuing.

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

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

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

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

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

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

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

**Recommendation 3**

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

**Management Response**

Management agrees with this recommendation.

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

Payroll will access information they may require from an employee’s personnel file through the HR Consultant.
Recommendation 4
That the City:

a) Retain payroll audit reports; and,

b) Review documentation retention timelines for all supporting documents including payroll internal audit reports.

Management Response

a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

Recommendation 5
That the City:

a) Assess the feasibility of automating the running of payroll audit reports into the payroll process or implementing a better manual documented audit process; and,

b) Ensure that the Payroll Manager confirm the sample of the internal payroll audits.

Management Response

a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

**Recommendation 6**
That the City compare and validate the Payroll and Corporate Security employee lists and explain any variances.

**Management Response**
Management agrees with this recommendation.

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

**Recommendation 7**
That Payroll Division implement and monitor controls to ensure that:

a) Prior to entry, timesheets (or other appropriate documentation) exist to document and authorize time including appropriate employee and supervisory authorization;

b) The authorization list contains signatures and initials; and,

c) Supervisors are aware of the different rates tied to job codes.

**Management Response**

a) Management agrees with this recommendation.

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

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

b) Management agrees with this recommendation.

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

With respect to electronic authorizations, recently managers/supervisors have been delegated the appropriate signing authority within the SAP system for a
variety of automated human resources management actions, including approval of time and leave. Since July 2009, the automated mileage and parking solution uses this approach and the same methodology is in use for the automated time/leave solution that was launched in November 2009 over a 3-month period, for approximately 4,800 employees. The automated processes eliminate the requirement for dual data entry and the maintenance of a manual authorization system.

c) Management agrees with this recommendation.

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

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

**Recommendation 8**
That RPAM follow a consistent method for processing timesheets to Payroll.

**Management Response**
Management agrees with this recommendation.

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

**Recommendation 9**
That the City obtain a Building Permit for work conducted at Traffic and Parking Operations, as appropriate.
Management Response
Management agrees with this recommendation.

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

Recommendation 10
That the City review which work schedules will require “precise” time entry and that the City ensure accurate clock times are entered into the system, and that inaccurate times are not assumed or forced into the system.

Management Response
Management disagrees with this recommendation.

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

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

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

**Recommendation 11**

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

**Management Response**

Management agrees with this recommendation.

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

**Recommendation 12**

That the City:

a) Replace the RMS system used for payroll purposes for Volunteer Firefighters with a more functional system with better controls; and,

b) Check that rates and levels paid are available in an agreement.

**Management Response**

a) Management agrees with this recommendation.

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

Since November 2008, Payroll has been leading a project with Fire Services to utilize the SAP HR/Payroll system rather than RMS to track payroll information for the purposes of calculating pay. The official salary schedules will be built in the SAP system and all payroll information will be tracked in that system. Implementation occurred in October 2009. A file from the RMS system will be uploaded directly into SAP identifying dates, activity and the number of hours worked for each volunteer. SAP will use that information, determine the rate of pay for each activity and calculate gross to net pay for all hours worked from October 1, 2009 onwards.

b) Management agrees with this recommendation.

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

**Recommendation 13**
That Payroll Division work with the Transit Services Department to:

a) Document the processes used by Time Administrators at Transit Services;

b) Implement a control whereby the Supervisor, Transit Booking randomly selects one day per week, or pay period, and has a different time administrator than the one that did the original entries verify the entries. Document both the scheduling and results of the control; and,

c) Implement a control whereby time entries made by the Supervisor, Transit Booking are reviewed by the Program Manager.

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

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

**Recommendation 14**
That Payroll ensure that there are codes for all labour actions in the system.

**Management Response**
Management agrees with this recommendation.

Payroll develops codes for those labour actions that have been requested by Labour Relations or Human Resources for human resource management purposes. In 2007, Payroll was in the process of setting up the ‘suspension without pay’ code as per Labour Relations’ request, however since the code was not built when required, the decentralized time entry group used the generic ‘leave without pay’ code. The suspension code was implemented mid-2007.
**Recommendation 15**

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

**Management Response**

Management agrees with this recommendation.

Prior to and post this audit, Payroll has had in place a process to follow up on overpayments as they occur. The Payroll audit report identified a cumulative overpayment value of $351,000 at November 2008, which equates to one tenth of 1% of net payroll for one year. However, it was not mentioned that of this amount, $236,000 or 68% had already been collected at that time. At January 2010 there remains a balance of $23,000. Currently 93% of the overpayment value of $351,000 identified has been dealt with and Payroll continues to work on the collection of the remaining amount owing.

**Recommendation 16**

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

**Management Response**

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

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

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

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

**Recommendation 17**

That the City:

a) Review their current process with respect to acting pay to ensure that documentation and system entries properly reflect the actions taken; and,

b) Review system functionality and documentation for acting pay to ensure that acting pay is properly controlled, started and stopped appropriately and that system functionality is fully utilized.
**Management Response**

a) Management agrees with this recommendation.

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

b) Management disagrees with this recommendation.

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

**Recommendation 18**

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

**Management Response**

Management agrees with this recommendation.

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

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

**Recommendation 19**

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

**Management Response**

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

**Recommendation 20**
That the City periodically review benefits and send reminders to staff to confirm that coverage is appropriate.

**Management Response**
Management agrees with this recommendation.

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

**Recommendation 21**
That the City ensure:

a) Compliance with all OMERS rules/legislation;

b) OMERS earnings are reconciled for staff on a sample basis;

c) The documentation relating to year-end procedures for OMERS are corrected as appropriate; and,

d) Pension files are opened where staff are eligible to be offered a pension in order to track follow-up.

**Management Response**

a) Management agrees with this recommendation.

The pensionable earnings reported to OMERS since January 1, 1999 were considered to be accurate. It was the understanding that this was the accepted business practice agreed to by OMERS. Although a signed agreement between OMERS and the City could not be located, correspondence on file between the City of Ottawa and the union substantiated this reporting practice. Therefore, regular checking of pensionable earnings would not have detected or flagged this issue. All pensionable earnings as per OMERS Administrative Manual Section 3.1.1 will be reported for the Transit Group by the end of 2010, including retroactivity, to ensure compliance with OMERS. Retroactive reporting of additional pensionable earnings will be concluded in 2010. On a go forward basis, the deduction of pension contributions for additional contributory earnings commenced on the February 4, 2010 pay date.
The estimated total cost is approximately $2.6 million excluding interest. This represents both employee and employer contributions. The Pension and Benefits Unit have confirmed with OMERS that contributions and interest will not be charged during the contribution holiday.

b) Management agrees with this recommendation.

Random audits for employees on a sample basis will take place on a quarterly basis to verify that all pensionable earnings are included as part of OMERS requirements and that the appropriate contributions are reported to OMERS. These audits will commence in Q1 2010 and will represent 1% of employees within each union affiliation contributing to the OMERS Pension Plan (equating to approximately 500 employees per year). This will be in addition to the year-end reconciliation process, which reconciles payroll contributions deducted for each employee, to contributions required by OMERS.

c) Management agrees with this recommendation.

The documentation of year-end procedures has been corrected.

d) Management agrees with this recommendation.

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

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

**Recommendation 22**

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

**Management Response**

Management agrees with this recommendation.

Management already has a Salary Administration guideline in place, where long-standing practices, other than those mandated by governing bodies, have been documented. With respect to the training rates for bus operators or the rate of pay for modified duties, as identified in the audit report, Payroll has requested that Transit and the Corporate Compensation group include these practices within their guidelines as required. This will be completed in Q1 2010. Payroll will ensure that if they become aware of any other practices that are not currently documented, that they will identify them for inclusion in a policy or guideline document.
**Recommendation 23**

That Payroll Division ensure that:

a) Complete and accurate electronic payroll reports including masterfile and transaction data that reconcile to SAP GL and T4s for the overall payroll be available for ongoing analysis; and,

b) The procedure be reviewed and changed as necessary to ensure there is an ongoing overall reconciliation of Payroll to the General Ledger including gross pay.

**Management Response**

a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

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

**Recommendation 24**

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

**Management Response**

Management agrees with this recommendation.
The example given by the Auditor was of an employee who was grandfathered at the time of amalgamation. The employee was working for both the City of Ottawa (full-time) and RMOC (part-time) prior to 2001. Grandfathering, on a case-by-case basis, was not uncommon at the time of amalgamation to deal with unique situations that arose during this period.

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

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

**Recommendation 25**

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

**Management Response**

Management disagrees with this recommendation.

Payroll management reviewed the information provided by the Auditor. With respect to personal emails, we found that for six of the ten highest users, the personal usage was less than eight emails per day per employee, including incoming and outgoing emails. Management feels that there is a flaw in the Auditor’s calculation in that they counted incoming emails, which the employee cannot always control. For the remaining four employees, usage was found to be in excess of the norm and appropriate action has been taken. See management’s response to Recommendation 26.

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

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

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

Based on the information presented above regarding personal use of Internet and email, management is of the opinion that this has no impact on determining staffing levels. In addition, the payroll management team assesses organizational and staffing requirements on an ongoing basis based on criteria such as past experience, production volumes and special project workload requirements (such as Telestaff integration, automated mileage and parking reimbursement, and time/leave automation).

**Recommendation 26**

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

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

Recommendation 27
That the City ensure that Payroll Division Time Transaction Assistants do not process time or leave for related parties.

Management Response
Management agrees with this recommendation.

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

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

Recommendation 28
That the City ensure staff is compliant with the City’s training policies.

Management Response
Management agrees with this recommendation.

Management was compliant with the application of the training policy by allowing the employees to access training. In this regard, the City’s “Continuous Learning Policy” allows training for temporary employees. As stated in the policy:
“This Policy applies to all City employees and to summer students and co-op placements who are required to receive training as a result of legislative requirements (e.g., Occupational Safety and Health Act).”

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

One of the objectives of the policy is:

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

**MANAGEMENT CONCLUSION**

The audit findings in the report relate primarily to operations in 2007. Since that time, ongoing improvements have been made including the implementation of time/leave automation, increased system and manual controls and enhanced procedures. Currently close to 5,000 employees now enter their time and leave directly into the system, eliminating dual data entry and ensuring correct sign-off, as managers/supervisors have been delegated the appropriate signing authority within SAP. In addition, a review of two operational units has resulted in Payroll assuming direct responsibility for time entry for these units.

All departmental managers with decentralized payroll input have reviewed payroll recording and input to ensure improved accuracy, completeness and authorization. In addition interfaces have been built from the Telestaff scheduling tool utilized by Ottawa Paramedic Service and Long Term Care, which have eliminated the requirement for dual data entry, which reduces overall risk of error. The Volunteer Firefighters payroll information is now housed in the SAP system for the purpose of calculating gross to net pay, again reducing risk.

Prior to the Payroll Audit, management was aware of the non recovery of the $1,405 pension arrears which was a very unique and rare situation and the overpayment of $17 due to an incorrect increment date error. Unfortunately, there are situations where some payroll errors occur, due to differences in timing between payroll and operational processes (i.e., cut off dates) however payroll checks and balances are in place to both catch the errors and recover overpayments if errors are found after the initial payment is made. These corrections would then be actioned as part of the overpayment/recovery process which is a normal occurrence in any payroll business operation. Management feels that the auditor’s comment with respect to a general lack of attention by those involved in the payroll process is unfounded. Generally management agrees with the process improvement recommendations, however as indicated in Recommendation 25, the auditor’s assessment that there is a lack of attention to
Audit of Payroll

...detail due to high personal Internet usage is incorrect as substantiated by IT professionals. The payroll process is very complex and involves significant input from hundreds of individuals across a very diverse organization. Since 2007, many improvements as noted above, have been made in the overall payroll process and management continues with these efforts.

Conclusion

Based on our general audit work and sampling, we found that there is, in our opinion, an abnormally high error rate in the payroll processes. On a sample of 100 pay entries we found 56 errors. Some of the errors were very serious, particularly errors in the pension calculation for some Transit Services employees. We found that the City was non-compliant with OMERS requirements. The error has been ongoing for the past 10 years and has resulted in pension contributions and contributory earnings being understated. Management has estimated that the under remitted employee and employer pension contributions are approximately $2.6 million. This also results in past, present and future pensioners receiving less than their full pension entitlement. Payroll processes, if operating appropriately, should have previously found and corrected these errors prior to the audit. Payroll Division does not provide an oversight role to decentralized areas, which process payroll entries for approximately 40% of City staff or for the additional approximately 15% where Payroll Division enters the time which is prepared decentrally. Operational managers are also not fulfilling an oversight role contrary to the City’s decentralized philosophy, which is to let managers manage with minimal intervention from corporate units. In this case the operational managers did not fulfill their responsibility. Therefore, it is our opinion that there should be a central oversight role by Payroll Division. Management needs to determine whose job it is to manage Payroll. Management doesn’t agree with our error rate. There has not been a proper use of the control features in the payroll system, which can be an important tool in managing and controlling payroll. Within the payroll system we found actual times worked have not been properly reflected, interfaces from subsystems have not been completed, reports have been setup incorrectly and transaction codes have not been adequately setup and /or used.

There has been a general lack of attention to detail by staff and supervisors involved in the Payroll. This may be due to the high personal use of Internet and email that we found. The City should evaluate the staffing requirements in the Payroll Division to determine if all existing staff is required.

The annual payroll compensation and benefits cost of over $900 million is the single largest expense at the City and based on the errors we found, it is our opinion that the Finance Department needs to implement better controls in the payroll function, especially in the decentralized payroll processes.
Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
RÉSUMÉ

Introduction

Contexte
La Ville d’Ottawa compte quelque 17 000 employés, en incluant le Service de police d’Ottawa (SPO), la Bibliothèque publique d’Ottawa (BPO), les élus et leur personnel. L’administration de la paie a précisé qu’elle utilise un chiffre plus élevé dans les données descriptives du système, car elle doit gérer des dossiers relatifs aux congés et verser des indemnités d’avantages sociaux à des tiers; toutefois, on dénombre 14 500 employés actifs (en excluant la police, la bibliothèque, les élus et leur personnel). En 2007, cela représentait 11 500 équivalents temps plein totalisant 900 millions de dollars en rémunération et avantages sociaux. La paie représente la plus grande dépense de la Ville. Douze conventions collectives couvrent environ 90 % des titulaires de postes, de même que deux Conditions d’emploi. Depuis avril 2004, l’Administration de la paie globale de la Ville est traitée à l’aide du système comptable municipal – SAP qui a fait l’objet d’une mise à niveau en novembre 2007. La mise en place du système SAP des RH et ses améliorations a coûté quelque 22 millions de dollars.


La Division de l’administration de la paie qui en 2007 relevait des Services aux employés doit assurer le dépôt en temps opportun du salaire exact des employés, surveiller les activités de fin d’exercice de la paie, émettre les T4 et T4A et assurer la conformité de l’administration de la paie aux exigences contractuelles et établies par la loi.

La direction de l’Administration de la paie a indiqué qu’en 2007, il y avait 48 postes prévus à l’Administration de la paie, de même que 17 postes temporaires. Ces derniers comprenaient le financement non renouvelable de neuf postes temporaires et les huit autres postes temporaires concernent le remplacement de congés de maladie et d’invalidité de longue durée, ou des postes à court terme comme les emplois d’été pour étudiants. En 2007, l’Administration de la paie comptait en moyenne 58 employés actifs par mois, incluant 12 postes centralisés de commis à l’entrée des heures (9 ETP et 3 employés temporaires). En 2008, le décompte des ETP de l’Administration de la paie a augmenté d’une personne, pour un total de 49.
postes prévus. Cependant, le BVG a noté que les organigrammes officiels ne relevaient pas cette information. Ce chiffre n’inclut pas les employés d’autres secteurs des services aux employés qui participent au traitement de la paie, ni les employés des services, estimés par la direction à 23 équivalents temps plein, qui participent au traitement décentralisé de la paie. À la Ville, nous avons constaté que les données relatives au temps qui servent au paiement des salaires sont saisies de façon centralisée par la Division de l’administration de la paie (c’est le cas pour environ 60 % du personnel), ou de façon décentralisée par divers groupes (environ 40 % des employés). L’examen de la fonction, des systèmes et de la structure de l’Administration de la paie de la Ville figure dans la section détaillée du rapport.

**Portée**

La portée de la vérification était restreinte à l’examen et à l’analyse du processus de la paie de la Ville pour 2007, en excluant le SPO et la BPO.

**Limitation de la portée**

Au début du travail sur le terrain, le greffier municipal, en tant que responsable de la *Loi sur l’accès à l’information municipale et la protection de la vie privée* (LAIMPVP) pour l’organisation, a limité l’accès du Bureau du vérificateur général à l’échantillon des dossiers du personnel conservés par les Ressources humaines, ce qui a eu comme conséquence de restreindre la portée de la vérification, avec une incidence sur la capacité du Bureau du vérificateur général à satisfaire les objectifs de la vérification. La vérification s’est poursuivie, car le travail qui a pu être effectué a permis de dégager suffisamment de constats. Le responsable de la LAIMPVP pour l’organisation a par la suite découvert que le personnel de l’Administration de la paie avait bénéficié d’un accès indu à ces dossiers. Trois mois plus tard, le responsable de la LAIMPVP pour l’organisation a déterminé que le Bureau du vérificateur général devrait avoir accès aux dossiers. Ces dossiers n’ont pas été examinés, car ils n’étaient plus considérés comme représentatifs.

**Approche**

La vérification comprenait l’examen d’un échantillon de 100 paies sur une période de salaire pour chacun des 100 employés (52 salariés et 48 employés à salaire horaire). La valeur brute annuelle indiquée sur le T4 des 100 employés pour 2007 était de 4 985 935 $. La valeur totale des 100 paies passées en revue était de 199 341 $. Nous avons interviewé le personnel principal et réuni, étudié et analysé la documentation afin de cerner le processus de la paie. Les résultats sont présentés dans ce rapport.

L’analyse des données relatives à la totalité de la population concernée par la paie a permis de déceler les problèmes possibles nécessitant une analyse et un suivi plus approfondis. Les problèmes résultant de l’analyse de données sont précisés dans ce rapport.
En nous fondant sur des problèmes découlant d’une sélection aléatoire, le travail de vérification a porté en particulier sur le système de la paie de la Ville et le traitement décentralisé. Les résultats de ce travail de vérification figurent dans ce rapport. Les secteurs décentralisés qui ont été passés en revue comprenaient notamment :

- Direction de la circulation et du stationnement
- Services de transport en commun - système de gestion du travail d’OC Transpo
- Direction du service paramédic d’Ottawa
- Direction des soins de longue durée
- Direction du service des incendies
- Loisirs et Culture
- Direction des opérations de surface
- Direction de la gestion des biens immobiliers (GBI)
- Pompiers volontaires
- Le théâtre et la scène

**Objectifs**

Évaluer l’exactitude globale du traitement de la paie en 2007, y compris :

- le versement exact et à temps de la paie aux employés;
- la conformité de l’administration de la paie aux exigences contractuelles et établies par la loi; et
- le maintien et la mise à jour des registres de congés.

**Principales constatations**

**Traitement décentralisé et centralisé**

Nous avons constaté qu’il y avait environ 23 équivalents temps plein dans des endroits décentralisés affectés au traitement des heures d’environ 40 % des employés municipaux. La Division de l’administration de la paie compte 12 employés affectés au traitement des heures travaillées par 60 % des employés environ. De ces 60 %, la Division de l’administration de la paie, dans quelque 15 % des cas, saisissait uniquement de manière centralisée des données préparées dans le cadre d’un processus décentralisé.

La Division de l’administration de la paie n’a pas les documents sources et la preuve de la vérification effectuée sur les fiches de présence traitées à l’extérieur ou de façon décentralisée. Si elle est généralement au courant des processus suivis par ces groupes décentralisés pour saisir les données relatives au temps, la Division de l’administration de la paie n’effectue aucun examen ou test pour s’assurer que les

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1 Une attention particulière à d’autres travaux résultant de risques déjà identifiés à partir de signalements à la ligne directe de fraude et d’abus.
systèmes ou procédures en place sont adéquats pour assurer que les entrées sont approuvées et exactes. De plus, nous avons noté que les supérieurs immédiats dans les secteurs des services ne passent pas en revue les processus de la paie. Toutefois, la Division de l’administration de la paie compte sur la surveillance de la direction dans les secteurs décentralisés.

Pour le traitement centralisé, la Division de l’administration de la paie compte sur le fait que les documents sont codés correctement à la source. Les mesures de contrôle en place dans la Division de l’administration de la paie pour détecter et prévenir les erreurs sont manuelles et dépendent de signalements ponctuels d’écarts dans les rapports.

La Division de l’administration de la paie produit manuellement une série de rapports à chaque période de paie, qu’elle télécharge sous format de feuille de calcul Excel et vérifie à la main. Ces rapports sont basés sur des écarts dans les rapports (rapports ponctuels) créés par le personnel de la Division de l’administration de la paie. Nous avons trouvé des exemples de rapports incomplets, qui ont entraîné des lacunes dans la vérification du traitement, ce qui s’est traduit par l’absence de vérification de certaines entrées de temps et ainsi que de salaires nets de 3 000 $ à 4 999 $.

**Accès et disponibilité des dossiers témoins**

Le personnel de la Division de l’administration de la paie est autorisé à avoir accès aux dossiers du personnel (dossiers administratifs des ressources humaines) qui contiennent des dossiers dont le responsable de la LAIMPVP pour l’organisation a établi qu’ils contiennent des renseignements à caractère sensible ne concernant pas la paie. Nous avons déterminé que sur notre échantillon de 100 dossiers, il en manquait six. Le BVG a été informé trois mois plus tard que deux des dossiers ont été retrouvés.

**Examen de l’échantillon de dossiers**

Nous avons décelé une erreur d’interprétation qui a entraîné 15 erreurs, ainsi que 7 erreurs de calcul et 34 erreurs de documentation dans l’échantillon de 100. Le taux d’erreur résultant de 56 % est plus élevé que nous ne l’avions prévu.

Vous trouverez ci-dessous le détail des erreurs que nous avons trouvées :
## Répartition des erreurs

<table>
<thead>
<tr>
<th>Type d’erreur</th>
<th>Échantillon provenant du secteur de traitement centralisé</th>
<th>Échantillon provenant d’un secteur de traitement décentralisé</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% d’erreurs dans l’échantillon centralisé total</td>
<td>% d’erreurs dans l’échantillon décentralisé total</td>
<td>% d’erreurs dans l’échantillon total</td>
</tr>
<tr>
<td><strong>Interprétation incorrecte</strong></td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>Sous-cotisation au régime de retraite OMERS</td>
<td>15</td>
<td>96 $</td>
<td>23 %</td>
</tr>
<tr>
<td><strong>Calcul</strong></td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>Sous-cotisation au régime de retraite OMERS (2 cas); Cotisation à OMERS non déduite; Paiement en trop d’un jour férié auquel l’employé n’avait pas droit; Paiement en trop résultant d’une erreur de date d’augmentation; Paiement en trop d’avantages sociaux; Paiement de congé annuel en moins à la sucession d’un employé décédé.</td>
<td>3</td>
<td>1 412 $</td>
<td>9 %</td>
</tr>
<tr>
<td><strong>Feuilles de temps</strong></td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>Signature manquante de l’employé (17 cas); Signature manquante du superviseur (7 cas).</td>
<td>0</td>
<td>0</td>
<td>0 %</td>
</tr>
<tr>
<td><strong>Absence de pièces justificatives</strong></td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>Absence de feuilles de déclaration de temps ou de demande de congé (3 cas); Aucun dossier à l’Administration de la paie; Absence de formulaire de changement de coordonnées bancaires; Aucun dossier concernant une DMA; Dossier du personnel vide; Lettre d’offre non signée.</td>
<td>0</td>
<td>0</td>
<td>0 %</td>
</tr>
<tr>
<td><em><em>DMA</em> du personnel</em>*</td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>Approbation électronique acheminée par l’adjoint administratif (2 cas).</td>
<td>0</td>
<td>0</td>
<td>0 %</td>
</tr>
<tr>
<td><strong>Nombre d’erreurs total</strong></td>
<td>Nombre</td>
<td>Valeur</td>
<td>Nombre</td>
</tr>
<tr>
<td>3</td>
<td>1 412 $</td>
<td>9 %</td>
<td>53</td>
</tr>
</tbody>
</table>
D’après une erreur d’interprétation, pour les employés du transport en commun (Syndicat uni du transport - SUT 279 et Syndicat canadien de la fonction publique - SCFP 5500), le calcul de la cotisation de retraite ne comprenait pas tous les gains cotisables selon la définition du Régime de retraite des employés municipaux de l’Ontario (OMERS). Nous avons passé en revue trois types de revenus témoins pour les 18 employés du transport en commun contenu dans l’échantillon de 100. Pour douze de ces employés du transport en commun, nous avons soulevé 15 erreurs représentant une sous-évaluation totale de 96 $, soit une incidence annuelle estimée à 1 384 $.

La Ville ne disposait d’aucune pièce justificative faisant état de l’autorisation ou de l’accord avec OMERS pour l’utilisation de 40 heures par semaine seulement, par opposition aux inclusions des gains cotisables additionnels d’OMERS. La définition des gains cotisables d’OMERS figure à l’annexe B du rapport détaillé. Le gestionnaire de programme, Régimes de retraite et Avantages sociaux, a effectué un suivi de cette question auprès d’OMERS. OMERS a répondu à la Ville qu’à compter du 1er janvier 2009, la Ville doit avoir inclus tous les gains cotisables et le service crédité selon les critères d’OMERS et que tous les gains cotisables devraient être administrés sur une base rétroactive; le gestionnaire a précisé que la date utilisée serait le 1er janvier 1999.

Étant donné qu’il y aurait eu un congé de cotisation de quatre ans de 1999 à 2002 et un taux de cotisation réduit en 2003, pour les trois types de revenus témoins, il en résulterait une sous-remise des cotisations de retraite estimée à quelque 1,2 million de dollars. Le montant correspondant de gains cotisables exclus par erreur aurait été de quelque 11,4 millions de dollars. Veuillez vous reporter au tableau à la section 3.2.16.

En fonction de ce problème décelé par les vérificateurs au cours de la vérification, la direction a plus tard précisé qu’un examen de tous les gains cotisables a été effectué. On estime le coût des cotisations sous-remises à 2,6 millions de dollars, ce qui correspond à environ 21,2 millions de dollars en gains cotisables estimés.
En raison de ces erreurs dans le calcul des cotisations au régime de retraite, des prestations inférieures à celles dues ont été, sont ou seront versées à d’anciens retraités, des retraités actuels ou futurs.

**Sept erreurs de calcul**

1. L’employé a reçu un trop-payé 1 405 $, car la cotisation de retraite n’a pas été déduite et le montant n’a pas été recouvré par la Ville;

2. Un trop-payé de 938 $ en avantages sociaux non recouvré rétroactivement et le montant n’a pas été recouvré par la Ville; seule la partie de 78 $ concernant l’échantillon de salaire figure dans le tableau;

3. Un moins-payé de 992 $ en paiement des congés annuels accumulés à la succession d’un employé décédé; la Division de l’administration de la paie prévoit rembourser la succession de l’employé décédé;

4. L’employé a reçu un trop-payé de 341 $ pour un jour férié;

5. Un paiement en trop de 17 $ à un employé;

6. et 7. Dans deux cas, les erreurs de calcul de la contribution au Régime de retraite des employés municipaux de l’Ontario (OMERS) totalisaient 6 $ payés en moins à OMERS, soit une incidence annuelle estimée à 69 $.

**Trente-quatre erreurs concernant l’absence de pièces justificatives et de formulaires dûment signés ou autorisés**

- Dans le cas où on exige des feuilles de temps, aucune signature de l’employé dans 17 cas pour confirmer que ces heures ont bien été travaillées;

- Dans le cas où on exige des feuilles de temps, aucune signature d’un superviseur dans sept cas pour autoriser les heures, le travail et le taux horaire;

- La direction a indiqué que l’absence de signature à l’appui ne signifie pas que le salaire versé aux employés était erroné et qu’il s’agit de simples problèmes de conformité qui n’entraînent pas d’erreur dans le versement de la paie. Le BVG soutient que des signatures devraient être exigées comme preuve que ces heures ont été travaillées et dûment autorisées.

- La liste d’autorisation ne comprend pas de signatures ni d’initiales;

- Les Demandes de mesure d’administration du personnel (DMA) n’ont pas été dûment autorisées dans deux cas;

- Aucun dossier de paie n’existait à l’égard d’un employé;

- Dans le cas d’un employé, il y avait un dossier, mais aucune information;

- Aucune feuille de temps pour autoriser 17 heures supplémentaires qui n’auraient pas dû être payées, pour une somme de 685 $;
- Il n’y avait aucune demande de congé concernant le paiement de 40 heures de congé annuel, pour une somme de 941 $ qui a été appliquée au programme de protection du revenu pour congé de maladie à la période de paie suivante;
- Aucune documentation n’a été fournie à l’appui d’écarts de 93 $ entre la fiche de programmation et le salaire réel;
- Aucune documentation n’était disponible à l’appui d’un changement à l’information relative au compte bancaire et aucune demande de mesure d’administration du personnel ne se trouvait dans le dossier;
- Une lettre d’offre dûment autorisée était absente pour un emploi d’été.

La direction n’est pas d’accord avec notre taux d’erreur. La direction avait précisé qu’à son avis, le nombre d’erreurs serait de 6 sur 100 (6 %) pour une valeur totale de 2 761 $ sur 199 341 $ (1,4 %).

**Mesures de contrôle du traitement décentralisé de la paie**

Comme nous l’avons fait remarquer, d’après le taux d’erreur élevé dans le secteur décentralisé, le travail de vérification a porté en particulier sur le traitement décentralisé. Les résultats de ce travail de vérification sont présentés ci-dessous.

La Division de l’administration de la paie n’a pas les documents sources ni de preuve de vérification des feuilles de temps qui sont traitées hors site ou de manière décentralisée. La Division de l’administration de la paie semble compter sur des systèmes externes d’administration de la paie, sans être familiarisée avec ces systèmes ni en avoir validé les mesures de contrôle. Par conséquent, il incombe aux gestionnaires des opérations d’assumer une plus grande responsabilité du traitement adéquat de l’administration de la paie. Il nous semble inhabituel qu’une Division de l’administration de la paie ne s’occupe pas davantage des mesures de contrôle décentralisées. Nous sommes d’avis que la Division de l’administration de la paie doit se familiariser avec ces mesures de contrôle décentralisées, et les passer en revue, les surveiller et les approuver périodiquement.

Une observation générale qui s’applique à la plupart des secteurs décentralisés est que lors de la saisie des heures supplémentaires dans SAP, le temps de l’horloge saisi dans le système n’est pas fiable et ne devrait pas être utilisé pour d’autres fins, comme le calcul des primes de quart ou l’analyse des tendances. Malgré les tentatives du personnel pour assurer l’exactitude des heures supplémentaires, les données relatives au temps sont souvent forcées ou présumées.

Le Service paramédic envoie par courriel à la Division de l’administration de la paie une feuille de calcul montrant les heures applicables à chaque employé pour chaque période de paie. Il s’agit d’un extrait de son système d’établissement des horaires que la Division de l’administration de la paie saisit dans SAP. Il y a également des feuilles de calcul Manuelles envoyées à la Division de l’administration de la paie
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avec les heures supplémentaires qui arrivent trop tard pour le délai de préparation de la paie. Il y a un risque d’erreur ou de changement non autorisé dans les feuilles de calcul avant leur envoi à la Division de l’administration de la paie.

Les feuilles de temps des Loisirs et de la Culture n’ont pas toujours été documentées avec une signature d’approbation autorisant le temps travaillé et le taux payé.

Le système de gestion des dossiers (SGD) utilisé pour payer les pompiers volontaires a une fonctionnalité de paie limitée et les feuilles de calcul produites sont manipulées manuellement avant leur saisie dans SAP. Les mesures de contrôle de compensation utilisées pour la révision des rapports avant de les acheminer pour paiement semblent insuffisantes.

L’ensemble du processus de paiement des employés du transport en commun de la section locale 279 du SUT est soumis à l’intervention manuelle; il y a peu de mesures de contrôle du système et il n’y a aucun autre examen pour s’assurer que les entrées sont exemptes d’erreur. Il n’y a aucune documentation des processus employés par les administrateurs de l’horaire. C’est un secteur très complexe qui repose sur un personnel expérimenté pour fonctionner. Le personnel sert de mesures de contrôle pour assurer la conformité à une convention collective complexe. Si une erreur était faite en faveur de l’employé, elle ne serait probablement pas détectée à moins que l’employé ne la signale.

Pour la Direction de la circulation et du stationnement, on a mis un accent particulier sur le surcroît de travail résultant des risques précédemment cernés par des signalements à la ligne directe de fraude et d’abus. Nous avons examiné en détail des fiches d’activité décentralisées pour 2007 pour un employé précis et nous avons trouvé :

1. Sept pour cent des feuilles d’heures supplémentaires, pour un total de 1 086 $, n’ont pas été autorisées;
2. Lorsque plus d’une personne figurait sur une fiche d’activité, ce n’était pas l’employé qui signait la fiche, mais le chef d’équipe;
3. L’employé a été payé pour deux tâches différentes à deux taux différents. Il était le chef d’équipe en ce qui concerne 26 fiches d’activité sur 94. Dans 14 cas, il n’avait pas d’équipe et il n’aurait donc pas dû être chef d’équipe; et dans trois cas, lui-même et une autre personne ont tous les deux ont été inscrits comme chef d’équipe.
4. Quinze heures pour une journée où ont été déclarées cinq heures de congé de maladie et cinq heures supplémentaires le même jour;
5. Trois signatures de fiches de présence en 2007 et 2008 où les signatures d’approbation étaient illisibles. Le gestionnaire de programme a dit qu’il ne savait pas de qui il s’agissait;

7. Dans un autre ordre d’idées, un permis de construction n’avait pas été obtenu pour un hangar de 24 sur 35 pi construit par le personnel de la Direction de la circulation et du stationnement ou d’autres rénovations effectuées par le personnel de la Direction au 175, avenue Loretta; et

8. La construction du hangar n’a pas suivi un processus de GBI adéquat.

**Autres constatations de la vérification**

**Trop-perçus et recouvrement**

En plus de l’échantillon, ci-dessous se trouvent quelques exemples de paiements en trop :

- le paiement en trop de 736 $ concernant trois jours qui devaient être des suspensions sans solde, mais qui ont été payés. Cette erreur a été décelée dans le cadre de cette vérification en effectuant un examen des suspensions connues du BVG d’après des signalements à la ligne directe de fraude et d’abus. La direction a indiqué que le recouvrement est en cours;
- le paiement en trop de 1 500 $ en paie en décembre 2005 qui n’avait pas été recouvré au moment de la vérification; la direction a indiqué que la somme a maintenant été recouvrée au complet;
- le paiement en trop de 1 300 $ en paie qui n’a pas été recouvré;
- le paiement en trop de 5 000 $ en paie en 2007 où l’employé a continué à recevoir son salaire normal alors qu’il était en congé sans solde. Cette question a d’abord été soulevée à la suite d’un signalement à la ligne directe de fraude et d’abus. Le montant n’avait pas été recouvré au complet au moment de la vérification. L’employé a par la suite quitté l’administration municipale et le recouvrement de la somme a été confié aux Services juridiques.

Un paiement en trop ne pourrait pas être décelé dans le système tant qu’une feuille de temps, une demande de congé ou une demande de mesure d’administration du personnel codée correctement n’a pas été traitée. Il y a risque que des paiements en trop ne soient pas décelés et donc non recouvrés. Dans deux des cas ci-dessus, les
paiements en trop n’ont été décelés que grâce aux questions du BVG.

La feuille de calcul de novembre 2008 de la Division de l’administration de la paie montrait un paiement en trop cumulatif de 350 000 $. En nous fondant sur des cas qui n’avaient pas été décelés auparavant et l’absence de rapports complets, nous ne pouvons pas être sûrs que l’ensemble des paiements en trop a été détecté et rectifié correctement.

**Classification de postes**

Une convention des pompiers volontaires ou d’autres documents confirmant les échelons et les taux salariaux des pompiers volontaires n’étaient pas disponibles par l’entremise de la Division de l’administration de la paie pour lui permettre de vérifier l’adéquation des échelons ou des taux salariaux; par conséquent, personne ne passe en revue les taux payés.

**Formulaires de demande de mesure d’administration du personnel**

Le formulaire électronique de demande de mesure d’administration du personnel est le principal document qui autorise et documente les demandes relatives à l’administration du personnel (embauche, mutation, congédiement).

La direction a indiqué que les dates de fin d’assignation temporaire sont consignées dans SAP; toutefois, il s’agit d’une mesure de contrôle souple seulement. Il incombe aux conseillers en ressources humaines (CRH) de produire ces rapports et d’informer les gestionnaires de l’expiration des assignations qui requièrent leur intervention. Le défaut d’effectuer cet examen et d’assurer le suivi nécessaire entraîne un risque de paiement en trop. Nous avons décelé deux affectations temporaires sans date d’expiration. Notre suivi a entraîné l’émission de formulaires de demande de mesure d’administration du personnel.

Le processus de demande d’administration du personnel qui apparaît sur Ozone comme référence utile pour la direction ou pour le personnel n’était pas à jour pendant l’année 2008 et la direction a indiqué que la demande d’administration du personnel a été remodelée et comporte maintenant un hyperlien d’aide qui a été mis à jour à la suite de la vérification.

**Traitement de chèque hors cycle (sur demande) et mesures de contrôle interne SAP**

Le processus concernant les chèques hors cycle (chèques sur demande), des chèques produits en dehors des états de paie normaux, ne contenait pas de mesures de contrôle suffisantes pour s’assurer que la version vérifiée correspondait à la version traitée, ce qui a entraîné des erreurs de moins-payé d’indemnité de congé annuel de 992 $, qui n’ont pas été détectées avant la présente vérification et qui ont été déterminées dans le cadre de notre échantillon.

Pour la paie de vacances, le traitement hors cycle devrait être relié aux heures ainsi
qu’aux montants en dollars et les banques de congés devraient être réduites. Dans ce cas-ci, la banque de congés de l’employé n’a pas été convenablement réduite.

**Rémunération des jours fériés pour les pompiers**
La convention collective des pompiers inclut une clause leur donnant droit au paiement des jours fériés ou à des heures compensatoires.

Dans notre échantillon, nous avons constaté l’absence de documents à l’appui pour le calcul de la rémunération des jours fériés, y compris la signature de l’analyste principal et l’absence de documents à l’appui des exceptions manuelles. Dans ce cas-ci, la Division de l’administration de la paie n’avait pas de copie du courriel qu’elle a indiqué avoir été envoyé par le Service des incendies pour justifier l’ajustement de 8,75 heures effectué par la Division de l’administration de la paie. La Division de l’administration de la paie a par la suite obtenu copie du courriel que nous avons passé en revue. Nous avons déterminé qu’ils avaient en fait procédé à l’ajustement deux fois. Nous avons confirmé auprès de l’Administration de la paie que cette erreur a entraîné un trop-paiement de 341 $ à un ancien employé.

Dans le cas d’un autre employé de l’échantillon, ce dernier a été payé d’avance pour les 25 et 26 décembre sur la première paie de décembre. Ce n’est pas conforme à la convention collective qui prévoit que les jours fériés sont seulement payables après la date des jours fériés ou des fêtes déclarées. On a indiqué que le paiement des 25 et 26 décembre sur la première paie de décembre était un usage. Cet usage doit cesser.

**Programmes d’avantages sociaux**
Les coûts liés au trop-perçu d’avantages sociaux qui se produisent pendant une période donnée ne sont pas recouvrés auprès du fournisseur d’avantages sociaux. Par conséquent, il importe de s’assurer que la Ville passe en revue la couverture d’avantages sociaux lorsqu’un employé change de poste et lui rappelle d’aviser les Services aux employés s’il n’a pas besoin de couverture. D’après le taux des avantages sociaux de 2007 fourni par l’agent des finances de l’Administration de la paie, il y aurait un écart mensuel prévu de 146 à 169 $ (de 1 752 $ à 2 028 $ par an par employé) entre la couverture familiale et celle d’une personne célibataire.

**Rapprochement des cotisations au régime de retraite d’OMERS**
Dans le cadre de l’examen de l’échantillon de la paie, nous avons établi qu’il y avait 18 cas sur 100 où la cotisation au régime de retraite n’a pas été calculée correctement. Certaines erreurs étaient plutôt graves, notamment dans le calcul de la cotisation au régime de retraite de quelques employés du transport en commun. Nous avons constaté que la Ville ne respectait pas les exigences d’OMERS. Les erreurs se sont poursuivies pendant les 10 dernières années et n’ont pas été détectées avant la présente vérification, ce qui a eu comme conséquence une sous-
évaluation des cotisations au régime de retraite estimée par la direction à 2,6 millions de dollars pour ce qui est des cotisations des employés et de l’employeur, pour une sous-évaluation correspondante des gains cotisables estimée à 21,2 millions de dollars. De plus, des prestations inférieures à celles dues ont été, sont ou seront versées à d’anciens retraités, à des retraités actuels et futurs.

Malgré ces erreurs, la direction a indiqué qu’il n’y a aucune raison de vérifier les cotisations, sauf lors de leur mise en place ou de leurs modifications qui ont lieu au moins une fois par an. À notre avis, une vérification périodique et complète aurait pu déte...
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admissibles à une augmentation de salaire tant qu’ils ne reprennent pas le travail à plein temps. On nous a expliqué qu’il s’agissait de pratiques de longue date. Ces dernières devraient être passées en revue et, s’il y a lieu, être documentées sous forme de politique.

**Fichiers électroniques de la paie**

Il a été long et ardu d’obtenir les fichiers de préparation des rapports informatiques de la paie de la Division de l’administration de la paie. Le BVG a constaté qu’il manquait 3 813 employés dans la version électronique du fichier initial des employés qui avait été fournie par la Division de l’administration/TI pour la sélection de l’échantillon et l’analyse des données.

Au cours des discussions avec l’Administration de la paie, il est apparu que bien qu’il y ait un processus de rapprochement pour chaque période de production de la paie, ce dernier ne comprend pas le rapprochement du salaire brut du journal de la paie et du salaire brut dans le grand livre. On semble compter sur le fait que d’autres processus aux Finances ou à la Division de l’administration de la paie déceleront les erreurs. Le BVG recommande l’examen et la modification de ce processus selon les besoins pour faciliter le rapprochement du salaire brut. Un rapport type de salaire pour SAP précisant les numéros de compte correspondants des éléments de coût du GL à utiliser pour le rapprochement du GL de SAP reflétait les types de salaire et les éléments de coût courants et non les types de salaire et les éléments de coût au fur et à mesure de leur apparition, car il n’était pas possible de les consigner tels quels. La conciliation de fin d’année par rapport au salaire brut du T4 fourni n’est pas rapprochée du GL, ce qui serait une mesure de contrôle importante permettant de détecter des erreurs ou problèmes de traitement ou de système.

**Employé occupant deux postes simultanés**

En raison de l’analyse des données effectuée par le BVG dans le cadre de cette vérification, nous avons établi qu’un employé occupait deux postes simultanés à la Ville, un poste de pompier et un poste de technicien des systèmes de bâtiments à la GBI, et qu’il a été payé 103 356 $ en tout. Cette situation a enfreint la politique de la Ville concernant le deuxième emploi, qui permet à un employé d’occuper un seul poste à la Ville au même moment. Ce total n’était pas inclus dans la liste de divulgation du salaire de secteur public, ce qui constituait aussi une infraction à la *Loi sur la divulgation des traitements dans le secteur public de l’Ontario*, laquelle prévoit que les municipalités divulguent le nom des employés dont la rémunération est supérieure à 100 000 $ par an.

Il existait des protocoles d’entente (PE) concernant le deuxième emploi pour cet employé pour 2004 et 2007. Aucun PE n’avait été conclu pour 2005 et 2006. Dans le cadre de cette vérification, un examen a été fait et il a été déterminé que l’employé contreviendrait au protocole d’entente de 2007. La direction de l’Administration de la
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La direction a indiqué que les données contenues dans le système faisaient état de 17 cas en 2007 où l’employé était en violation de la clause concernant le fait de ne pas programmer ou accepter de quart de travail 24 heures avant ou après son quart de travail régulier à plein temps. Cette situation aurait dû être détectée dans le cadre de la surveillance exigée par la Division de l’administration de la paie et le conseiller en ressources humaines dans le cadre de la surveillance de la politique sur le deuxième emploi. Les Services juridiques auraient dû être informés de la situation et empêcher l’employé d’occuper ces deux emplois.

La direction a indiqué que le suivi subséquent de la part des Relations de travail a constaté qu’il n’y avait aucune infraction à la LNE (Loi sur les normes d’emploi), car la plupart du temps, l’employé avait changé son quart au Service des incendies pour accepter un quart à temps partiel à la GBI. Son horaire de travail original montrait peut-être 10 heures au Service des incendies, suivies de six heures à la GBI, mais il a en fait changé de quart avec quelqu’un d’autre. Les décisions doivent être fondées sur l’information consignée dans le système, qui doit refléter des transactions correctement autorisées par la direction et non des rumeurs ou des représentations verbales.

La direction a indiqué que les rapports de SAP utilisés pour la production de rapports sur les salaires de plus de 100 000 $ pour 2007 n’étaient pas structurés correctement et ne pouvaient donc pas sélectionner cet employé.

La politique sur le deuxième emploi ne fait pas état d’une clause de droits acquis et on n’a pas pu trouver de document officiel évoquant un précédent en matière de deuxième emploi.

Il semble, aux fins de la divulgation des traitements dans le secteur public, que le salaire des pompiers volontaires qui apparaît sur un T4 doit être inclus. Pour 2007, il y a eu deux employés municipaux dont le salaire aurait dépassé 100 000 $ pour 2007 si leur salaire de pompier volontaire avait été inclus.

Conformément aux exigences provinciales, la divulgation des traitements dans le secteur public n’inclut pas les montants indiqués sur les T4A, qui incluent les indemnités de départ.

La justification des décisions prises par la Ville concernant la divulgation des traitements dans le secteur public n’est pas documentée pour ce qui est de la personne responsable et de la personne qui devrait être chargée de la surveillance.

**Autres pièces justificatives manquantes et erreurs**

Trois cas d’absence de documentation :

- Un employé percevant des indemnités de la Commission de la sécurité professionnelle et de l’assurance contre les accidents du travail (CSPAAT) pour lequel des renseignements relatifs à la paie manquaient au dossier.
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- Deux employés n’ont pas d’adresse dans le système de la paie, ce qui a maintenant été confirmé et corrigé.

**Numéro d’assurance sociale (NAS)**

Dans le cadre de l’analyse de données exécutée pour les besoins de la présente vérification, il y avait un cas où un NAS et un permis de travail provisoires avaient expiré. Deux demandes de mesure d’administration du personnel subséquentes ont prolongé le poste, mais les dossiers ne renfermaient aucun NAS ou permis de travail valide. En mai 2008, une lettre a été envoyée à la personne concernée demandant un NAS mis à jour et les documents ont été fournis par la suite.

La direction a indiqué qu’une procédure de suivi pour les NAS provisoires a été lancée à l’automne 2007, mais le rapport de SAP ne reflétait pas le bon champ et par conséquent certains employés n’étaient pas inclus. Huit employés actifs dans le système avaient un NAS périmé. Ces employés auraient dû être éliminés par le système, car leur dernier jour de travail avait eu lieu entre 2005 et 2008. Les formulaires de demande de mesure d’administration du personnel n’avaient pas été remplis à ce moment-là pour mettre fin à leur emploi.

**Évaluation de l’usage personnel du courrier électronique et du service Internet par les employés**

La direction a fait valoir que le personnel de la Division de l’administration de la paie avait un emploi du temps chargé. Notre examen des comptes de courriel et du service Internet des dix plus fréquents utilisateurs de chaque catégorie de la Division de l’administration de la paie sur une période de trois mois (août, septembre et octobre 2008) a montré que :

- L’usage personnel du courrier électronique est généralement très élevé, en moyenne 25 % pour cette catégorie d’employés.
- Nous avons constaté que les employés ont des communications personnelles avec d’autres membres du groupe, des amis de l’ensemble de l’administration municipale, des membres de leur famille, etc. Quelques employés utilisent le système de courrier électronique municipal comme service de « texto » et échangent de courts messages tout au long de la journée; et,
- L’usage personnel du service Internet est très élevé, à plus de 83 % de visites de sites allant du domaine de la santé aux finances personnelles/opérations bancaires, recherche d’emploi, vente de cosmétiques et divertissement (p. ex. diffusion audio/vidéo, voyages, etc.).

D’après notre examen des 10 principaux usagers du système de courrier électronique et du service Internet de la Division de l’administration de la paie,

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2 Permis de travail : document autorisant un non-Canadien à travailler au Canada pendant une période provisoire.
Nous avons constaté que contrairement à l’argument de la direction, les employés de la Division de l’administration de la paie ne sont pas très occupés. Une fois que ce constat a été partagé avec la Division, pendant la vérification, le gestionnaire de la Division a pris certaines mesures proactives afin de remédier à la situation.

**Adjoint aux transactions de temps de la Division de l’administration de la paie qui entrait le temps d’un parent (frère)**

Un des adjoints aux transactions de temps de la Division de l’administration de la paie a saisi l’heure d’arrivée et de départ de son frère pour une période de huit mois et demi, de janvier à la mi-septembre 2008. Bien qu’on procède à un examen de la paie au cours duquel un pair produit un rapport de saisie des heures et vérifie les entrées, nous avons noté que dans deux cas, il a produit des rapports de vérification de l’entrée des heures comprenant le temps qu’il a lui-même saisi pour son frère, ce qui crée un risque de manipulation de l’écart ou des paramètres utilisés pour les rapports de manière à inclure ou à exclure certains éléments.

**Formation des employés temporaires de Division de l’administration de la paie**

Neuf employés temporaires de la Division de l’administration de la paie ont reçu en tout 18 cours de formation interne, ce qui enfreint les politiques municipales sur la formation. Dix des cours n’étaient pas liés à un poste précis. La formation ne devait pas être offerte aux employés temporaires. Si ces employés avaient le temps d’assister à des formations non pertinentes, ils pourraient ne pas être nécessaires pour accomplir leurs tâches.

**Recommandations et réponses de la direction**

**Recommandation 1**

Que la Ville s’assure que la Division de l’administration de la paie est responsable de la mise en œuvre et de la surveillance des mesures de contrôle du processus de la paie, centralisé et décentralisé, à l’intérieur du budget actuel.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

La Division de l’administration de la paie (service de la paie) a toujours été responsable de tous les aspects de l’administration centralisée de la paie.

La direction croit qu’il serait avantageux pour l’Administration de la paie de procéder à des examens détaillés dans les secteurs décentralisés pour mettre en œuvre et assurer la surveillance des mesures de contrôle et pour formuler des recommandations au cas par cas, à savoir si l’entrée des heures travaillées doit s’effectuer de façon centralisée ou décentralisée. En fait, à la suite de la vérification de l’Administration de la paie, ce service a travaillé avec deux
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secteurs décentralisés à la revue de leurs modèles et de leurs méthodes d’entrée de temps, ce qui a fait en sorte que l’Administration de la paie a eu comme responsabilité directe l’entrée du temps pour 15 centres communautaires et pour le groupe de la réglementation du transport en commun. Toutefois, l’Administration de la paie n’a pas les ressources nécessaires pour entreprendre d’autres travaux ou pour appuyer ce changement de modèle auprès d’autres groupes décentralisés, que ce soit en révisant continuellement leur travail pour en assurer l’uniformité et la conformité, en offrant de la formation ou en participant à la mise à niveau de leurs politiques et procédures. Pour ce faire, des ressources qui existent dans d’autres services déjà dotés de processus décentralisés d’administration de la paie devront être identifiées et réassignées. Ces travaux commenceront au cours du troisième trimestre de 2010 et se poursuivront jusqu’au premier trimestre de 2012.

**Recommandation 2**
Que la Ville corrige toutes les erreurs décelées dans le présent rapport.

**Réponse de la direction**
La direction est d’accord avec cette recommandation dans la mesure où il est possible et rentable de corriger les erreurs. Le rapport de vérification recense 56 erreurs dans la paie. La direction a passé en revue les « erreurs » mentionnées dans le rapport et n’est pas d’accord avec le vérificateur pour qualifier tous ces points d’erreurs.

Parmi les 56 erreurs répertoriées, la direction a établi que seulement six erreurs de calcul ont eu une incidence sur le versement de la paie aux employés, pour une valeur de 2 761 $. Les 50 erreurs restantes n’avaient pas trait aux calculs et n’ont donc pas eu de répercussion sur les sommes versées aux employés.

**Interprétation (erreurs non liées aux calculs)**
Un problème touchant 15 employés des transports en commun avait trait à l’interprétation d’un calcul des pensions. La direction était informée des calculs utilisés pour les pensions et il était entendu que cette façon de faire était une pratique administrative reconnue par OMERS. Du strict point de vue de l’administration de la paie, les primes adéquates avaient été déduites et remises à OMERS en fonction de cette interprétation. De plus, il existe, dans les dossiers, de la correspondance datant de 2002 entre la Ville et le syndicat qui vient appuyer cette façon de faire pour les rapports. La direction est consciente que durant le processus de vérification, le vérificateur s’est rendu compte du fait qu’aucune entente officielle n’était intervenue entre OMERS et la Ville, et elle convient que la Ville devrait mettre en place un processus dans le cadre duquel l’interprétation des règles administratives propres à OMERS devrait faire l’objet d’examens réguliers.
Calculs

La direction est d’accord avec le vérificateur pour les six erreurs de calcul suivantes.

Une erreur, qui représente 52 % de l’erreur de calcul totale de 2 761 $, est survenue en raison de l’incapacité de la Ville à recouvrer un montant de 1 405 $ en arrérages d’OMERS auprès d’un employé en raison du refus de cet employé de rembourser la somme et du fait qu’il a pris sa retraite par la suite. Cette situation était exceptionnelle et ne survient que très rarement. Dans les années à venir, l’Unité des régimes de retraite et des avantages sociaux ne traitera pas les documents finaux de retraite avec OMERS tant et aussi longtemps que tous les trop-payés n’auront pas été remboursés par l’employé. Si les sommes dues n’ont pas été payées, le dossier, comme c’est le cas dans ce genre de situation habituellement, sera transféré aux comptes débiteurs à des fins de recouvrement. Ce processus sera entièrement documenté.

Dans le cas de deux employés, une erreur de configuration de système a fait en sorte que les contributions d’OMERS ont été moindres de 5,72 $ au total, ce qui a été corrigé dans les années qui ont suivi.

Dans trois cas, il s’agissait d’erreurs de paiement : un moins-payé de 992 $ pour une indemnité de congé lors d’une cessation d’emploi, somme qui a été versée par la suite; un trop-payé de 341 $ pour jour férié qui n’a pas été récupéré parce que l’employé concerné ne travaillait plus pour la Ville depuis plus de deux ans et que le délai de prescription en matière de recouvrement était déjà passé; et un trop-payé de 16,92 $ causé par une erreur dans la date d’entrée en vigueur d’une augmentation de salaire découverte par l’Administration de la paie, puis recouverte par la suite.

Toutefois, la direction est en désaccord avec l’une des erreurs signalées par le vérificateur et considérée par ce dernier comme une erreur de calcul. Pour un employé, la prime pour avantages sociaux versée par l’employeur n’avait pas été prévue en vertu du bon régime; par conséquent, l’employeur a payé 78 $ de plus que nécessaire à l’émetteur. Lorsque l’Administration de la paie s’en est rendu compte, on a rapidement transféré l’employé concerné dans le régime approprié. Dans des cas comme ceux-là, la Ville a décidé, après que SAP a été déployé dans l’ensemble de l’Administration en 2004, de ne pas calculer la rétroactivité des primes d’avantages sociaux. Les consultants externes en avantages sociaux de la Ville procèdent plutôt à un rapprochement annuel au moment de préparer les états financiers annuels du régime d’avantages sociaux. S’il y avait eu moins-payé ou trop-payé en raison du déplacement d’un employé d’un syndicat à un autre, comme ce fut le cas dans la situation relevée par le vérificateur, le tout serait consigné dans le rapprochement de fin d’année et tout montant de primes payé en trop ou manquant serait appliqué aux prochains taux des primes, et ce,
sans répercussions financières réelles pour la Ville. Par conséquent, il ne s’agit pas là d’une erreur de calcul.

Feuilles de temps (erreurs non liées aux calculs)

Le vérificateur signale 24 erreurs dans les feuilles de temps, pour une valeur de 11 164 $. Dans de nombreux secteurs décentralisés, la méthode de consignation du temps travaillé fait en sorte que l’employé ne signe pas de feuille de temps : un superviseur ou un responsable des horaires enregistre le temps travaillé au nom de l’employé. C’est ainsi que l’on a procédé dans 20 des 24 cas relevés par le vérificateur. Il est également très important de noter que les gestionnaires opérationnels ont confirmé que tous les paiements liés à ces 24 cas étaient exacts et justifiés compte tenu du temps travaillé, ce qui n’a occasionné aucune erreur de paiement aux employés, ni aucune dette pour la Ville.

Manque de documents justificatifs (erreurs non liées aux calculs)

Pour huit erreurs relevées dans le rapport, il était question de l’absence de documents justificatifs. La direction s’est penchée sur l’information contenue dans le rapport et a constaté qu’il n’y avait en tout que cinq cas où des documents manquaient : il s’agissait d’entrée de temps décentralisée dans deux cas, d’un dossier de paie de 1995 manquant, d’une lettre d’offre sans signature du gestionnaire et d’un document de demande de changement de compte d’un employé datant de 2003 qui n’a pu être retracé.

De plus, on a signalé que deux formulaires de demande de mesure d’administration du personnel n’étaient pas adéquatement autorisés. La direction a analysé un de ces formulaires et a estimé qu’il était adéquat. L’autre erreur signalée a trait à une mutation saisonnière qui se produit chaque année. En 2007, il ne s’agissait pas d’un processus de demande de mesure d’administration du personnel ; la direction est donc en désaccord avec le fait qu’il s’agit là d’une erreur.

Aucun de ces cas n’a conduit à un paiement inexact versé aux employés ou n’a engendré de responsabilité de la part de la Ville. Toutefois, la direction est d’accord avec le fait que la documentation doit être remplie comme il se doit et est consciente de l’importance de cette obligation afin de réduire les erreurs de calcul.

Des six erreurs de calcul relevées, la plus importante somme en cause pour un employé se chiffre à 1 405 $ en arrérages d’OMERS. La direction était informée de cette situation avant la vérification, y compris du refus de l’employé de rembourser cette somme, et du fait que cet employé a pris sa retraite par la suite. Il s’agissait là d’une situation exceptionnelle, qui ne survient que très rarement. En conséquence, il paraît insensé d’extrapoler cette erreur à l’ensemble de la paie. La direction était également informée avant la vérification du trop-payé de 17 $ causé par une erreur de date d’entrée en vigueur d’une augmentation de salaire,
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laquelle avait été signalée lors d’un examen des dates d’entrée en vigueur des augmentations. Le commentaire du vérificateur ne tient pas compte du fait que l’Administration de la paie est dotée d’un processus continu de recouvrement et de paiement qui, normalement, repère les anomalies dans la gestion de la paie. À la recommandation 15, la direction dit avoir réagi au processus de recouvrement des trop-payés et indique que 95 % des trop-payés non remboursés, qui totalisaient 351 000 $ en novembre 2008, avaient été pris en charge en janvier 2010 et que le travail de recouvrement se poursuit en continu.

De l’avis de la direction, il faudrait privilégier les « erreurs » dans l’administration de la paie qui ont entraîné des paiements inexacts à des employés. Selon ces critères, il y aurait seulement six erreurs dans l’Administration de la paie, comme nous l’avons vu ci-dessus.

D’après l’analyse ci-dessus, la direction est d’avis que la conclusion du vérificateur est trompeuse.

Le rapport suggère que le calcul de la retraite aurait dû être décelé et corrigé avant la vérification. La direction était tout à fait au courant du calcul, et des vérifications supplémentaires du calcul de la prime n’auraient rien changé, puisque les montants déduits puis versés concordent avec l’interprétation du régime de pension par la direction.

La conclusion affirme également que la direction doit déterminer à qui il incombe de gérer l’Administration de la paie. L’usage de longue date est le suivant : l’Administration de la paie administre les processus de calcul du montant brut au net de la paie, et la partie de la saisie des heures qui est centralisée dans l’Administration de la paie. Les gestionnaires opérationnels administrent les processus de saisie des heures décentralisés. Par le passé, à la fois à l’ancienne Région et à l’ancienne Ville d’Ottawa, les deux principaux employeurs avant la fusion, l’usage était que les gestionnaires opérationnels qui avaient leurs propres commis à la saisie des heures étaient responsables de la mise en œuvre et du suivi des mesures de contrôle. De récentes discussions avec quatre partenaires municipaux sur six (Toronto, Hamilton, Thunder Bay, Halton) confirment que cet usage est aussi suivi dans leurs organisations. Bien que l’Administration de la paie exerce un rôle de surveillance afin d’évaluer et de surveiller les processus décentralisés de saisie des heures, la direction opérationnelle conserve la principale responsabilité de ces processus axés sur les opérations.

La conclusion affirme également que le recours aux mesures de contrôle dans le système d’administration de la paie était inadéquat. Le rapport suggère un problème dans la mesure où tous les temps d’horloge n’ont pas été refletés dans SAP. Dans de nombreuses organisations, on estime que la meilleure pratique organisationnelle consiste à utiliser des horaires de travail génériques. Comme le précise la réponse de la direction à la recommandation 11, il ne serait pas
réalisable sur le plan économique ou administratif de gérer les modifications dans ces domaines, et cela n’ajouterait pas de valeur au processus de la paie ou de l’administration. La Ville a mis en place des horaires de travail précis dans de nombreux secteurs, quand c’était possible, et a plus de 3 600 horaires de travail précis intégrés au SAP.

En ce qui concerne les interfaces, ces projets requièrent une somme de travail substantielle et d’importantes ressources de l’Administration de la paie, de clients commerciaux et des TI et sont effectués selon un ordre prioritaire. L’interface Telestaff a été mise en place au début de 2009 pour le Service paramédic d’Ottawa, suivie peu après par les Soins de longue durée. L’interface des pompiers volontaires est entrée en service en octobre 2009 et aura donc une incidence sur les paiements versés aux employés en 2010.

Enfin, la direction est d’avis que les commentaires selon lesquels il y a « un manque général d’attention au détail de la part du personnel et des superviseurs concernés par la paie » ne sont pas fondés.

**Recommandation 3**
Que la Ville limite l’accès aux dossiers des ressources humaines conformément aux lois sur la protection des renseignements personnels.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

L’accès aux dossiers des RH a été passé en revue et les changements suivants ont été effectués : leur accès est contrôlé par les conseillers en ressources humaines (CRH) et les adjoints aux ressources humaines (ARH). Les CRH ne divulgueront que des renseignements pertinents pour la demande, et uniquement aux demandeurs autorisés.

L’Administration de la paie aura accès aux renseignements contenus dans le dossier personnel de l’employé et dont elle peut avoir besoin par l’entremise du conseiller en ressources humaines.

**Recommandation 4**
Que la Ville :

a) Conserve les rapports de vérification de l’administration de la paie; et

b) Passe en revue les délais de conservation des documents pour toutes les pièces justificatives, y compris les rapports de vérification interne de l’administration de la paie.

**Réponse de la direction**

a) La direction est d’accord avec cette recommandation.

L’Administration de la paie produit et conserve actuellement des copies
imprimées d’une série de rapports de vérification de l’administration de la paie pour chaque période de salaire. L’Administration de la paie reconnaît qu’il serait utile d’avoir un accès plus facile aux rapports sur le salaire net, qui sont actuellement conservés sous forme électronique, et améliorera le processus de manière à inclure la production de copies imprimées et la signature de la direction de l’Administration de la paie. Le tout a été complété durant le quatrième trimestre de 2009.

b) La direction est d’accord avec cette recommandation.

L’Administration de la paie a également passé en revue les délais de conservation des documents pour les pièces justificatives et a prolongé le délai de conservation des rapports de vérification des écarts supérieurs et inférieurs d’un à sept ans, pour coïncider avec la période de conservation des formulaires de demande de congé et de déclaration du temps. Ce point a été complété.

**Recommandation 5**

Que la Ville :

a) Évalue la faisabilité d’automatiser la production des rapports de vérification de la paie dans le processus de la paie ou de mettre en place un meilleur processus de vérification manuelle documenté; et

b) S’assure que le gestionnaire de l’Administration de la paie confirme l’échantillon des vérifications internes de la paie.

**Réponse de la direction**

a) La direction est d’accord avec cette recommandation. La direction collabore actuellement avec le Centre de soutien des TI afin d’évaluer la faisabilité d’automatiser la production des rapports de vérification de la paie. Si ce n’est pas faisable, l’Administration de la paie passera en revue le processus actuel pour déterminer s’il est nécessaire d’améliorer le processus manuel documenté. On prévoit que le tout sera complété d’ici la fin du premier trimestre de 2011.

b) La direction est d’accord avec cette recommandation. De plus, le gestionnaire de l’Administration de la paie collaboré actuellement avec les TI pour mettre au point un rapport produit par le système qui permettrait à la direction de l’Administration de la paie de confirmer que les vérifications internes de la paie sont effectuées et documentées. Si de tels rapports ne sont pas faisables, l’Administration de la paie revoirra le processus actuel afin de déterminer s’il y a lieu de renforcer le processus manuel de documentation. On prévoit que le tout sera complété d’ici la fin du premier trimestre de 2011.

**Recommandation 6**

Que la Ville compare et valide les listes d’employés de l’Administration de la paie et de la Sécurité municipale et justifie tous les écarts.
Réponse de la direction
La direction est d’accord avec cette recommandation.

Les données permanentes relatives aux employés sont déjà envoyées aux TI pour la mise à jour des systèmes comme le courrier électronique et les coordonnées contenues dans le Répertoire des employés. La direction des TI passera en revue ce processus d’ici la fin du premier trimestre de 2011 pour déterminer si le même dossier peut servir à comparer les données permanentes relatives aux employés aux listes de la Sécurité municipale, afin de s’assurer qu’elles correspondent. Les TI mèneront des examens semestriels pour expliquer et résoudre tout écart.

Recommandation 7
Que la Division de l’administration de la paie mette en place et surveille des mesures de contrôle pour faire en sorte :

a) qu’avant la saisie, les feuilles de déclaration du temps (ou tout autre document approprié) existent pour documenter et autoriser les heures travaillées, y compris l’autorisation adéquate de l’employé et du superviseur;

b) que la liste d’autorisation contienne les signatures et les initiales; et,

c) que les superviseurs soient au courant des divers taux de salaire liés aux codes d’emploi.

Réponse de la direction

a) La direction est d’accord avec cette recommandation.

Pour le processus centralisé, l’Administration de la paie s’assure à l’heure actuelle que les feuilles de déclaration du temps sont signées par le superviseur/gestionnaire compétent en vérifiant une liste manuelle d’autorisation gérée par le superviseur des transactions de temps, en collaboration avec les gestionnaires de niveau 4 et 5 au sein de l’organisation cliente.

Pour le processus décentralisé, la capacité de l’Administration de la paie de mettre en place et de surveiller de telles mesures de contrôle exige que soient définies puis réassignées les ressources existantes présentement chargées de ce processus. Le tout débutera au troisième trimestre de 2010 et se poursuivra jusqu’au premier trimestre de 2012.

b) La direction est d’accord avec cette recommandation.

Le groupe du Système d’information pour la gestion du parc automobile est en train de mettre au point une base de données qui renfermera des spécimens de signatures et d’initiales. L’Administration de la paie utilisera à l’avenir cet outil pour passer en revue les spécimens de signatures pour la production de rapports manuels sur la déclaration du temps et les demandes de congés. On prévoit que le tout sera achevé d’ici la fin du quatrième trimestre de 2010.
En ce qui concerne les autorisations électroniques, on a récemment délégué à des gestionnaires/superviseurs le pouvoir de signature adéquat dans le système de SAP pour une série de mesures automatisées de gestion des ressources humaines, y compris l’approbation des heures et des congés. Depuis juillet 2009, la solution automatisée de remboursement du kilométrage et des frais de stationnement emploie cette approche et on a recours à la même méthode pour la solution automatisée de déclaration du temps et de demande de congés déployée en novembre 2009 sur une période de trois mois auprès de quelque 4 800 employés. Les processus automatisés élimineront le dédoublement dans la saisie des données et la nécessité du maintien d’un système manuel d’autorisation.

c) La direction est d’accord avec cette recommandation.

La direction convient que les superviseurs doivent s’assurer que le code exact de l’emploi est consigné sur la feuille de déclaration du temps. Les taux de salaire minimum et maximum liés aux codes de l’emploi se trouvent dans toutes les conventions collectives, qui sont publiées sur OZONE. Les taux de salaire ne doivent pas être consignés sur la feuille de déclaration du temps. Beaucoup de postes alternatifs ont plus d’un taux de salaire et le système a été créé pour déterminer le taux normal exact pour chaque période de paie, lorsqu’on utilise un taux de salaire alternatif conformément aux règles des conventions collectives. Le système SAP renferme la mesure de contrôle la plus appropriée pour le paiement des taux alternatifs.

La capacité de l’Administration de la paie de mettre en place et de surveiller des mesures de contrôle pour s’assurer que les superviseurs sont informés des différents taux liés aux codes d’emploi exige l’identification et la réaffectation de ressources existantes travaillant présentement à la saisie décentralisée des données de la paie. Ces travaux commenceront au cours du troisième trimestre de 2010 et se termineront durant le premier trimestre de 2012.

**Recommandation 8**

Que la GBI suive une méthode cohérente pour l’acheminement des feuilles de déclaration du temps à l’Administration de la paie.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

Il importe cependant de noter que pendant la mise en place initiale du suivi quotidien des activités pour le personnel des Immeubles en 2002, on estimait que l’envoi par télécopieur à un lieu central était le moyen le plus efficace de traiter des fiches d’activité aux fins de la paie, car les employés étaient dispersés un peu partout dans la Ville. Sur les 300 fiches d’activité reçues chaque jour pour être traitées par les commis à la saisie de données, la plupart sont acheminées par
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télécopieur, la présentation d’originaux par les superviseurs étant l’exception. Pour éviter les dédoublements et les oubli s dans la saisie des heures, on a clarifié le processus d’envoi quotidien des fiches d’activités par télécopieur qui a été communiqué aux superviseurs des Immeubles.

Recommandation 9
Que la Ville obtienne un permis de construction pour le travail effectué à la Direction de la circulation et du stationnement, s’il y a lieu.

Réponse de la direction
La direction est d’accord avec cette recommandation.

En consultation avec la Direction des services du code du bâ timent, la direction a confirmé qu’un permis de construction n’était pas nécessaire pour rénover une cuisine; toutefois, un permis de construction est requis pour l’entrepôt. Après un examen plus approfondi, on a déterminé qu’un entrepôt n’est plus nécessaire à l’avenue Loretta. La structure a donc été enlevée le 8 octobre 2009.

Recommandation 10
Que la Ville étudie quels horaires de travail exig eront la saisie des heures « précises » et que la Ville s’assure que les temps d’horloge exacts sont saisis dans le système, qu’on ne conjecture pas de l’exactitude des heures erronées et qu’on n’en force pas la saisie dans le système.

Réponse de la direction
La direction est en désaccord avec cette recommandation.

En 2004, lorsque la Ville a procédé à la transition de l’ensemble du personnel vers SAP, la Ville a réalisé une étude et déterminé quels secteurs opérationnels nécessitaient des horaires de travail « précis ». Il a été décidé de mettre en place trois types d’horaires de travail dans SAP, c’est-à-dire : « précis », « générique » et « off by seven » (par exemple, les employés occasionnels n’ayant aucun quart de travail prévu).

Les horaires précis fixent l’heure exacte de début et de fin, plus la durée du déjeuner pour chaque jour de l’horaire de travail, qui peut couvrir plusieurs semaines. Ces horaires ont été mis en place dans les secteurs où il y a des périodes de travail variables, comme un fonctionnement de 24 heures par jour, 7 jours par semaine, et des quarts de travail en rotation. Tous les horaires précis reflètent les temps d’horloge précis dans le système. Les horaires précis offrent l’avantage de permettre le paiement de primes, comme les primes de quart et le paiement des congés fériés, ce qui évite d’avoir à entrer manuellement les heures comme l’exigeaient les anciens systèmes d’administration de la paie. Plus de 3 600 horaires précis sont utilisés.
Les horaires de travail génériques sont assignés aux employés qui travaillent du lundi au vendredi, qui ont congé la fin de semaine et les jours fériés et auxquels il n’y a pas lieu de verser des primes en fonction du nombre d’heures travaillées. Le plus important syndicat à la Ville, SCFP 503 I/E, permet les horaires flexibles (article 5) pour les employés qui travaillent 7 ou 8 heures par jour du lundi au vendredi, entre 7 h et 17 h. Il ne serait ni rentable ni pratique sur le plan administratif de créer des horaires de travail qui tiennent compte de l’horaire flexible de chaque employé. Plus important encore, la gestion de ces changements relèverait du cauchemar administratif. Les horaires de travail génériques sont considérés comme une pratique optimale et de nombreuses organisations les utilisent. L’utilisation de temps d’horloge exacts dans le système n’offre pas d’avantages aux employés qui ont des horaires de travail génériques.

L’horaire dit « off by seven » sert surtout pour les employés occasionnels, car ce groupe n’a pas d’heures de travail prédéterminées. Les heures doivent être entrées pour que ce groupe puisse être payé. Comme aucune prime n’est associée à l’horaire « off by seven », on ne se sert pas des temps d’horloge.

**Recommandation 11**
Que la Ville complète la transition de l’interface Telestaff à SAP, qui devait être terminée pour février 2009, de sorte que le processus ne se fonde pas sur des feuilles de calcul qui sont par essence susceptibles de manipulation.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La transition de l’interface de Telestaff à SAP a été complétée en 2009; par conséquent, toutes les heures/données relatives à la paie sont transférées directement à SAP par téléchargement hebdomadaire. Par la suite, en 2009, l’interface des Soins de longue durée a également été mise en place.

**Recommandation 12**
Que la Ville :
a) remplace le SGD utilisé pour la paie des pompiers volontaires par un système plus fonctionnel doté de meilleures mesures de contrôle; et,
b) vérifie que les taux et les niveaux de salaire payés sont précisés dans un accord.

**Réponse de la direction**
a) La direction est d’accord avec cette recommandation.

Par le passé, les données relatives à la paie des pompiers volontaires, y compris les taux de salaire et les heures travaillées, n’étaient pas répertoriées dans le système de paie SAP, mais dans le SGD utilisé par les pompiers. Les pompiers
calculaient les heures travaillées et le taux de salaire dans leur système et acheminaient les données brutes à l’Administration de la paie afin qu’elle les entre dans SAP pour calculer le salaire net.

Depuis novembre 2008, l’Administration de la paie dirige un projet en collaboration avec le Service des incendies visant à utiliser le système de RH/de paie de SAP plutôt que le SGD pour suivre les données relatives à la paie aux fins du calcul de la paie. Les grilles de salaire officielles seront intégrées au système SAP et toutes les données relatives à la paie seront suivies dans ce système; cette façon de faire a été adoptée en octobre 2009. Un fichier du SGD sera téléchargé directement dans SAP, incluant les dates, l’activité et le nombre d’heures travaillées par chaque pompier volontaire. SAP utilisera ces données, déterminera le taux salarial de chaque activité et calculera la paie brute et nette pour toutes les heures travaillées depuis le 1er octobre 2009.

b) La direction est d’accord avec cette recommandation.


**Recommandation 13**

Que la Division de l’administration de la paie collabore avec le Service de transport en commun pour :

a) documenter les processus employés par les administrateurs de présence des Services de transport en commun;

b) implanter une mesure de contrôle par laquelle le superviseur, Assignation du Transport en commun, choisit au hasard une journée par semaine, ou par période de paie, et demande à un administrateur de présence différent de celui qui a effectué les entrées originales de vérifier les entrées. Documenter l’ordonnancement et les résultats de la mesure de contrôle;

c) implanter une mesure de contrôle par laquelle les entrées d’heures effectuées par le superviseur, Assignation du transport en commun, sont passées en revue par le gestionnaire de programme.

**Réponse de la direction**

La direction est d’accord avec cette recommandation, cependant, l’Administration de la paie n’a pas les ressources nécessaires pour entreprendre ce travail.
Jusqu’ici, l’Administration de la paie a collaboré étroitement avec les Services d’application des règlements sur le transport en commun pour passer en revue leur modèle d’entreprise et leurs processus. Le tout a amené l’Administration de la paie à assumer la responsabilité directe de la saisie des heures de ce groupe. Comme nous l’avons précisé dans la réponse de la direction à la recommandation 1, la mise en œuvre de cette recommandation rendrait nécessaire l’identification et la réaffectation de ressources existantes travaillant présentement à la saisie décentralisée des données de la paie. Ces travaux commenceront au cours du troisième trimestre de 2010 et se termineront durant le premier trimestre de 2012.

**Recommandation 14**
Que l’Administration de la paie s’assure qu’il existe des codes pour toutes les mesures d’administration du personnel dans le système.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

L’Administration de la paie met au point des codes pour les mesures d’administration du personnel demandées par les Relations de travail ou les Ressources humaines ayant trait à la gestion des ressources humaines. En 2007, l’Administration de la paie était en train de créer le code de « suspension sans solde » à la demande des Relations de travail; cependant, comme le code n’avait pas été créé au moment voulu, le groupe de saisie des heures décentralisé a utilisé le code générique de « congé sans solde ». Le code de suspension sans solde a été mis en place à la mi-2007.

**Recommandation 15**
Que la Ville dépiste et recouvre promptement tous les arriérés de paiements en trop.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

Avant et après la vérification, l’Administration de la paie avait en place un processus du suivi des paiements en trop au fur et à mesure. Le rapport de vérification de l’Administration de la paie a décelé une valeur cumulative de paiement en trop de 351 000 $ jusqu’en novembre 2008, ce qui équivaut à 0,1 % de la paie nette d’une année. Cependant, il n’a pas été précisé que de ce montant, la somme de 236 000 $, ou 68 %, avait déjà été recouvré à ce moment. En janvier 2010, un solde de 23 000 $ restait encore à percevoir. À l’heure actuelle, 93 % de la valeur du trop-payé de 351 000 $ a été recouvré et l’Administration de la paie poursuit ses efforts de recouvrement.
Recommandation 16
Que la Ville remplisse des demandes de mesure d’administration du personnel au besoin, en s’assurant notamment que les augmentations d’échelon sont payées correctement, et mette à jour le processus de demandes de mesure d’administration du personnel dans Ozone.

Réponse de la direction
La direction est d’accord avec cette recommandation. Les gestionnaires doivent remplir une demande de mesure d’administration du personnel pour lancer une transaction relative à un employé.


Pour plus de commodité, le formulaire de demande de mesure d’administration du personnel a été mis à jour en juillet 2009 afin d’en accroître la fonctionnalité grâce à des menus déroulants et au remplissage préalable de champs contenant les données relatives à l’employé et au poste provenant de SAP, ce qui en a amélioré la précision.

Les Ressources humaines et l’Administration de la paie passeront en revue le processus de demande de mesure d’administration du personnel dans Ozone. On prévoit que cet examen sera complété d’ici la fin du deuxième trimestre 2010.

Recommandation 17
Que la Ville :

a) Passe en revue son processus actuel en ce qui concerne la rémunération d’intérim pour s’assurer que la documentation et les entrées système reflètent correctement les mesures prises;

b) Passe en revue la fonctionnalité et la documentation du système de rémunération d’intérim de sorte que cette dernière soit administrée, commencée et interrompue à temps et que la fonctionnalité du système soit pleinement utilisée.

Réponse de la direction

a) La direction est d’accord avec cette recommandation.

La date de fin de la rémunération d’intérim à long terme est établie dans le système SAP. Cependant, le système n’a pas été conçu pour ajuster automatiquement le salaire. Les RH produisent le rapport « Fin de rémunération
d’intérim » et collaborent avec le client pour déterminer si la rémunération d’intérim doit être prolongée ou si le mandat devrait se terminer. La direction passera en revue le processus actuel d’ici la fin du troisième trimestre de 2010.

b) La direction est en désaccord avec cette recommandation.

Pour diverses raisons, la direction n’est pas d’accord pour dire qu’une mesure de contrôle rigide est nécessaire. Une évaluation a été entreprise avec les partenaires de la Ville chez IBM lors de l’implantation de SAP dans l’ensemble de l’organisation, et la recommandation résultante a été d’utiliser la fonctionnalité standard de SAP. L’attribution automatique d’une date future de fin d’assignation dans SAP n’a pas été recommandée, car elle ne serait ni économique ni efficace au plan administratif. Par exemple, la plupart des assignations temporaires et intérimaires sont prolongées au-delà de la période initiale et, par conséquent, on risque d’interrompre le versement du salaire des employés si on met en place une mesure de contrôle rigide. De plus, des changements peuvent se produire dans le statut des employés sous forme de prolongations continues, qui ont une incidence sur les droits des employés à des prestations et l’attribution d’une date future de fin d’assignation au moment de l’embauche, sur le salaire et les congés.

**Recommandation 18**

Que la Ville traite la paie de congé de manière à traiter les heures de congé et pas seulement des sommes en dollars et que les banques de congé soient réduites en conséquence.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

Lors du traitement de la paie de congé, on traite les heures de congé plutôt que des sommes en dollars et on réduit correctement les banques de congé. La seule exception se produit lorsqu’un employé demande qu’une partie ou l’ensemble des congés accumulés soit transféré dans un REER. Le système actuel ne peut pas être adapté au traitement des congés en heures dans un tel cas.

L’Administration de la paie étudiera la faisabilité d’améliorer le système SAP afin d’acquiescer à cette demande d’ici la fin du quatrième trimestre de 2010.

**Recommandation 19**

Que la Ville cesse la pratique du paiement par anticipation aux pompiers des congés fériés du 25 et du 26 décembre à la première paie de décembre.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

Comme il s’agit d’un usage, le Service des incendies d’Ottawa doit aviser
l’Association professionnelle des pompiers d’Ottawa avant la mise en œuvre de cette recommandation. Une discussion avec l’Association a eu lieu à l’automne 2009, et la mise en place est prévue pour le quatrième trimestre de 2010.

**Recommandation 20**

Que la Ville passe en revue périodiquement les avantages sociaux et envoie des rappels aux employés afin de confirmer que leur couverture est suffisante.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.


**Recommandation 21**

Que la Ville assure :

a) La conformité à toutes les règles et à toutes les mesures législatives d’OMERS;

b) Le rapprochement d’un échantillon des gains admissibles à OMERS pour le personnel;

c) Si nécessaire, la correction de la documentation des procédures de fin d’exercice pour OMERS; et

d) L’ouverture de dossiers de retraite dans le cas où le personnel est admissible à des indemnités de retraite, afin d’en assurer le suivi.

**Réponse de la direction**

a) La direction est d’accord avec cette recommandation.

Les gains admissibles rapportés à OMERS depuis le 1er janvier 1999 étaient considérés comme exacts. Il était entendu qu’il s’agissait de la pratique commerciale admise convenue avec OMERS. Bien qu’on n’ait pas pu mettre la main sur un accord signé entre OMERS et la Ville, la correspondance entre la Ville d’Ottawa et le syndicat versée au dossier corroboré cette méthode de préparation de rapports. Par conséquent, la vérification périodique des gains admissibles n’aurait pas permis de détecter ou de signaler cette difficulté.

Tous les gains admissibles selon la section 3.1.1 du manuel d’administration d’OMERS pour le groupe du Transport en commun seront rapportés d’ici la fin de 2010, y compris la rétroactivité, afin d’assurer la conformité aux règles d’OMERS. Le signalement rétroactif de gains admissibles supplémentaires
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prendra fin en 2010. La déduction des contributions au régime de retraite pour les gains supplémentaires admissibles a débuté à la paie du 4 février 2010.

Le coût estimatif total s’élève à quelque 2,6 millions de dollars, sans tenir compte des intérêts. Cette somme représente les cotisations des employés et de l’employeur. L’Unité du régime de retraite et des avantages sociaux a confirmé auprès d’OMERS que les cotisations et intérêts ne seront pas perçus pendant le congé de cotisation.

b) La direction est d’accord avec cette recommandation.

On procédera à des vérifications aléatoires trimestrielles concernant des employés choisis sur une base d’échantillonnage afin de s’assurer que tous les gains admissibles sont inclus dans le cadre des exigences d’OMERS et que les cotisations pertinentes sont rapportées à OMERS. Ces vérifications débuteront durant le premier trimestre de 2010 et porteront sur 1 % des employés dans chaque affiliation syndicale cotisant au régime de retraite d’OMERS (équivalent à quelque 500 employés par an). Cette initiative s’ajoutera au processus de rapprochement de fin d’exercice entre les cotisations salariales déduites pour chaque employé et les cotisations exigées par OMERS.

c) La direction est d’accord avec cette recommandation.

La documentation des procédures de fin d’exercice a été corrigée.

d) La direction est d’accord avec cette recommandation.

Depuis 2008, les dossiers de retraite ont été ouverts pour les personnes employées en vertu d’un régime de travail autre qu’à temps plein continu qui ont choisi de participer au régime de retraite. Dans le cas des employés admissibles qui ont refusé de participer au régime de retraite ou ceux qui n’ont pas encore répondu, on a classé la correspondance dans le dossier officiel de la paie de l’employé.

Durant le quatrième trimestre de 2009, on a ouvert des dossiers officiels de retraite pour toutes les offres d’inscription envoyées aux employés en vertu d’un régime de travail autre qu’à temps plein continu.

Recommandation 22
Que la Ville passe en revue les processus liés à la pratique de longue date, établisse et documente les politiques qui s’imposent et s’assure que toutes les autres politiques sont respectées.

Réponse de la direction
La direction est d’accord avec cette recommandation.

La direction a déjà en place une ligne directrice concernant l’administration des salaires, où des pratiques de longue date, autres que celles exigées par les entités
décisionnelles, ont été documentées. En ce qui concerne les taux payés pour la formation des chauffeurs d’autobus ou les barèmes de salaires pour des fonctions modifiées, tel que précisé dans le rapport de vérification, l’Administration de la paie a demandé que les Services de transport en commun et le groupe de la Rémunération générale incluent ces pratiques dans leurs lignes directrices au besoin. Le tout sera complété au cours du premier trimestre de 2010. L’Administration de la paie veillera, si elle se rend compte que d’autres pratiques ne sont pas actuellement documentées, à les déterminer afin qu’elles soient inclues dans une politique ou des lignes directrices.

Recommandation 23
Que la Division de l’administration de la paie s’assure que :

a) Des rapports informatiques précis et complets relatifs à la paie, y compris les données du fichier permanent et des transactions de données rapprochées avec le grand livre de SAP et les relevés T4 pour l’ensemble de la paie sont disponibles en permanence pour une analyse continue;

b) Que la procédure soit examinée et modifiée au besoin, pour assurer le rapprochement général continu de la paie avec le grand livre, y compris le salaire brut.

Réponse de la direction
a) La direction est d’accord avec cette recommandation.

Toutes les données concernant le fichier permanent contenues dans la recommandation ci-dessus étaient disponibles au moment de la vérification. Cependant, comme il est décrit dans le rapport, il y avait des cas où l’Administration de la paie a dû fournir des renseignements demandés plus d’une fois en raison de l’ambiguïté de la demande du vérificateur. Une fois la demande clarifiée, l’Administration de la paie a été en mesure de fournir les renseignements à des fins d’analyse. Depuis 2008, les T4 sont rapprochés avec les données sommaires relatives aux transactions salariales contenues dans le rapport du journal de la paie, qui est maintenu en permanence. Les T4 ne peuvent pas être rapprochés avec le GL.

b) La direction est d’accord avec cette recommandation.

L’Administration de la paie a toujours effectué un examen hebdomadaire approfondi du salaire brut par rapport au salaire net et aux coûts connexes de la paie correspondants versés par l’employeur, à l’aide des données relatives aux transactions par type de salaire, qui sont recensées, par rapport à un élément de coût du GL. Par conséquent, on s’assure chaque semaine de façon définitive que toutes les transactions pécuriaires de l’administration de la paie sont justifiées. De plus, tous les comptes débiteurs des cotisations de l’employeur et des employés sont rapprochés une fois par mois. Cependant, les transactions non
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pécuniaires, y compris des éléments comme le cumul de vacances et les banques d’heures supplémentaires et de congés fériés ne sont pas rapprochés aussi souvent.

L’Administration de la paie étendra le processus actuel de rapprochement de la paie avec le grand livre, de manière à inclure toutes les dépenses de la paie (pécuniaires ou non) qui découlent du processus d’administration de la paie, et ce, chaque semaine. Le tout a été complété durant le quatrième trimestre de 2009.

**Recommandation 24**
Que la Ville empêche les employés d’occuper deux emplois et divulgue adéquatement les traitements dans le secteur public.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

L’exemple donné par le vérificateur concernait un employé couvert par un droit acquis lors de la fusion. Cet employé travaillait pour la Ville d’Ottawa (à plein temps) et la Municipalité régionale d’Ottawa-Carleton (à temps partiel) avant 2001. La reconnaissance de droits acquis, au cas par cas, n’était pas rare au moment de la fusion afin de composer avec des situations uniques en leur genre qui sont apparues au cours de cette période.

Le Comité de la haute direction de la Ville d’Ottawa a approuvé la politique sur le deuxième emploi le 5 décembre 2003. Le but de cette politique est de s’assurer que les employés n’occupent pas plusieurs postes en même temps. Les seules exceptions sont les employés ayant des droits acquis et certains membres du personnel des Parcs et Loisirs à qui la Convention collective des employés à temps partiel des Loisirs et de la Culture appartenant à la section locale 503 du SCFP permet aux employés d’occuper plus d’un poste à temps partiel dans les paramètres de la convention.

On a révisé certains rapports afin de refléter les deux emplois concurrents qui font l’objet d’un droit acquis et on les a utilisés pour préparer la soumission, en 2009, de la divulgation des traitements dans le secteur public de 2008.

**Recommandation 25**
Étant donné l’usage personnel élevé du service Internet et du courrier électronique, que la Ville procède à un examen des besoins en personnel au sein de la Division de l’administration de la paie afin de déterminer si tout le personnel en place est vraiment nécessaire.

**Réponse de la direction**
La direction est en désaccord avec cette recommandation.

La direction de l’Administration de la paie s’est penchée sur l’information réunie
par le vérificateur. En ce qui concerne les courriels personnels, nous avons constaté que pour six des dix plus gros usagers, l’usage personnel était de moins de huit courriels par jour par employé, y compris les courriels entrants et sortants. La direction estime qu’il y a une faille dans le calcul du vérificateur du fait qu’on a recensé les courriels entrants, que l’employé ne peut pas toujours contrôler. Pour les quatre autres employés, l’usage s’est avéré supérieur à la norme et des mesures appropriées ont été prises. Voir la réponse de la direction à la recommandation no 26.

La direction de l’Administration de la paie a également demandé que les Relations de travail et les TI procèdent à un examen indépendant de l’usage du service Internet et du courrier électronique dans l’Administration de la paie. Les résultats de l’examen de l’usage du service Internet n’indiquent aucun usage excessif par des employés de l’Administration de la paie. Le personnel de l’Administration de la paie utilise OZONE tous les jours pour en extraire les formulaires de demande de mesure d’administration du personnel afin d’assurer le traitement du registre de paie. L’information est envoyée quotidiennement à la banque par Internet pour que soient effectués les dépôts directs hebdomadaires et quotidiens des salaires. Ces activités contribuent à générer des « requêtes » dans Internet. Bien que le rapport indique que l’usage personnel d’Internet est très élevé, il se fonde sur la notion de requêtes. Une requête désigne la recherche d’un article quelconque à partir d’un serveur Internet, et ne veut pas nécessairement dire que l’employé visite divers sites Internet de façon délibérée. Par exemple, écouter la radio locale à l’aide d’un casque est une pratique permise à l’Administration de la paie en raison de la grande proximité des employés dans un environnement décloisonné et très occupé. L’écoute de la radio locale peut produire un volume très élevé de requêtes, alors que l’employé travaille de manière productive. Un simple test a montré que l’écoute de la radio par Internet peut générer plus de 1 600 visites en une seule journée.

Une note d’information fournie par le gestionnaire, Architecture et Sécurité de la GI/TI à la demande du directeur municipal indique que les registres d’accès Internet ne devraient pas servir à mesurer le temps ou la présence ni les exigences en ETP d’unités de travail précises parce que les nouveaux fils automatisés ou requêtes se mettent continuellement à jour tant que le navigateur est ouvert, même si l’utilisateur ne visite activement aucun site Internet. De plus, Websense, le fournisseur de sécurité Internet de la Ville, a livré un avis quant à l’utilisation des journaux de Websense pour mesurer le temps passé dans Internet par les employés et, par conséquent, pour mesurer aussi leur productivité. Cet avis rejoint celui du gestionnaire de la GI/TI voulant qu’il n’y ait pas de moyen précis d’interpréter les journaux de Websense pour mesurer combien de temps un employé passe à naviguer dans Internet. Par conséquent, le tableau contenu dans le rapport concernant l’utilisation d’Internet en segments d’une heure ne constitue pas un moyen exact de conclure que des activités non
liées au travail avaient lieu durant chaque segment horaire. De plus, il importe de noter sur le tableau que 49 % de l’utilisation d’Internet a lieu entre 11 h et 14 h. Comme le personnel de l’Administration de la paie est autorisé à prendre son heure de dîner entre ces heures, il serait normal d’observer une utilisation d’Internet plus importante dans ces périodes, ce qui remet encore davantage en question les conclusions du vérificateur en ce qui a trait à la productivité des employés. À cet effet, on devrait consulter l’Annexe C, intitulée **Comprendre les registres d’accès à Internet** et la lettre envoyée par Websense, pour obtenir de plus de détails sur l’utilisation d’Internet.

Selon les renseignements présentés ci-dessus au sujet de l’usage personnel d’Internet et du courrier électronique, la direction est d’avis que le tout n’a aucune incidence sur la détermination des niveaux de dotation en personnel. De plus, l’équipe de direction de l’Administration de la paie évalue les exigences organisationnelles et liées à la dotation en personnel sur une base continue d’après des critères comme l’expérience antérieure, les volumes de production et les exigences relatives à la charge de travail pour des projets spéciaux (comme l’intégration de Telestaff, le remboursement automatisé du kilométrage et du stationnement, et l’automatisation des formulaires de déclaration du temps et de demande de congé).

**Recommandation 26**

Que la Ville prenne les mesures disciplinaires qui s’imposent à l’égard des employés de la Division de l’administration de la paie étudiés et identifiés dans le présent rapport, et veille au respect de la clause sur « l’utilisation à des fins personnelles occasionnelles » du courrier électronique et des ressources Internet de la Politique sur l’utilisation responsable des ordinateurs.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

Dans le cas des quatre employés où on a constaté un usage démesuré du courriel par rapport à la norme, des mesures adéquates ont été prises. De plus, la Division de l’administration de la paie a pris plusieurs mesures pour s’assurer que le personnel connaît et comprend la Politique sur l’utilisation responsable des ordinateurs, en particulier en ce qui a trait à l’utilisation à des fins personnelles, ce qui comprend l’examen de la politique et des discussions aux réunions de l’ensemble du personnel et des rencontres individuelles avec certains membres du personnel. On a donné au personnel la directive de ne plus écouter la radio par Internet.

**Recommandation 27**

Que la Ville s’assure que les adjoints aux transactions de temps de la Division de l’administration de la paie ne traitent pas les heures ou les congés de personnes...
qui leur sont apparentées.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

Récemment, l’Administration de la paie a institué une mesure de contrôle concernant l’ensemble de la Division de l’administration de la paie. On a créé un formulaire de divulgation de concert avec les Relations de travail et la LAIMPVP, qui sera utilisé par tout le personnel de l’Administration de la paie (et non limité aux adjoints aux transactions de temps) pour déceler tout conflit d’intérêts concernant des personnes apparentées et leur fonction. Les employés ont rempli le formulaire et ont été priés de le mettre à jour au besoin. Un rappel officiel à cet effet sera envoyé une fois par an. La direction de l’Administration de la paie se servira de ces renseignements pour régler tout conflit évolutuel.

Bien que la direction convienne que le traitement par les employés de l’Administration de la paie des heures ou des congés de personnes qui leur sont apparentées ne constitue pas la pratique optimale, l’Administration de la paie est souvent à court de personnel et nous faisons le nécessaire pour accomplir le travail. Dans une telle éventualité, il y a en place une mesure de contrôle de la rémunération sous forme d’examen par les pairs qui assure que toutes les entrées sont vérifiées par rapport à des documents sources, de sorte que le risque lié à cette activité est faible.

**Recommandation 28**
Que la Ville s’assure que le personnel respecte les politiques municipales en matière de formation.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La direction respectait l’application de la politique sur la formation en permettant aux employés d’avoir accès à la formation. À cet égard, la politique sur « l’apprentissage continu » de la Ville autorise les employés temporaires à recevoir de la formation. Comme le précise la politique :

« La présente politique s’applique à tous les employés de la Ville ainsi qu’aux étudiants occupant un emploi d’été et aux bénéficiaires de placement coopératif qui doivent suivre une formation en vertu des exigences législatives (par ex. la Loi sur la sécurité et la santé au travail). »

La politique ne fait pas de distinction entre les employés à temps plein et temporaires. Toutefois, on accorde la priorité aux employés à temps plein; les employés temporaires peuvent s’inscrire s’il y a des places disponibles.

Un des objectifs de la politique est :
« encourager les employés à acquérir, à maintenir et à améliorer leurs compétences et leurs connaissances au moyen d’études ayant trait à leurs fonctions actuelles ou permettant d’améliorer leurs perspectives futures et leur contribution à la Ville ».

**CONCLUSION DE LA DIRECTION**

Les constatations de la vérification présentées dans le rapport concernent surtout les opérations en 2007. Depuis ce temps, on a procédé à des améliorations continues, notamment par la mise en place de l’automatisation du temps et des congés, de mesures de contrôle accrues dans les systèmes ou manuellement et de procédures bonifiées. À l’heure actuelle, près de 5 000 employés saisissent maintenant leurs heures et leurs congés directement dans le système, ce qui élimine le dédoublement de la saisie des données et permet d’assurer l’obtention des signatures appropriées, car on a délégué aux gestionnaires/superviseurs le pouvoir de signature dans SAP. De plus, un examen de deux unités opérationnelles a amené l’Administration de la paie à assumer la responsabilité directe de la saisie des heures pour ces unités.

Tous les gestionnaires de services qui participent à la saisie décentralisée des données de la paie ont passé en revue l’enregistrement et la saisie des données de la paie afin d’en assurer l’amélioration au plan de l’exactitude, de l’exhaustivité et de l’autorisation. De plus, on a intégré à l’outil d’établissement des horaires Telestaff utilisé par le Service paramédic d’Ottawa et les Soins de longue durée des interfaces qui éliminent la nécessité du dédoublement de l’entrée des données, ce qui réduit le risque d’erreur global. Les données relatives à la paie des pompiers volontaires sont maintenant hébergées dans le système SAP aux fins du calcul du montant brut au net de la paie, une autre mesure de réduction des risques.

Avant la vérification de l’Administration de la paie, la direction était informée du non-recouvrement d’un montant de 1 405 $ en arrérages dans le régime de pensions, ce qui constituait une situation particulière et inusitée, et du trop-payé de 17 $ résultant d’une erreur dans la date d’entrée en vigueur d’une augmentation salariale. Malheureusement, il s’agit là de situations où des erreurs dans la gestion de la paie peuvent survenir en raison de différences dans le calendrier de la gestion de la paie et dans celui des processus opérationnels (p. ex. pour ce qui est des dates d’arrêt). Toutefois, des vérifications et des opérations de balance dans la gestion de la paie sont réalisées pour repérer les erreurs et recouvrer les trop-payés si des erreurs sont constatées une fois le paiement initial versé. Ces correctifs seraient ensuite traités dans le cadre du processus qui s’applique habituellement dans les cas de trop-payé ou de recouvrement, ce qui constitue une pratique normale dans toute activité d’administration de la paie. La direction estime que le commentaire du vérificateur concernant l’inattention généralisée des personnes qui participent à la gestion de la paie est non fondé. De façon générale, la direction est d’accord
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avec les recommandations qui visent à améliorer les méthodes de travail. Toutefois, comme elle le précise à la recommandation 25, l’affirmation du vérificateur relative au manque d’attention accordée aux détails par le personnel en raison d’un usage immoderé d’Internet à des fins personnelles est incorrecte, comme en témoignent des professionnels des TI.

Le processus d’administration de la paie est très complexe et met à contribution des centaines de personnes à travers une administration hautement diversifiée. Depuis 2007, de nombreuses améliorations ont été apportées au processus global et à la gestion de la paie, comme mentionné ci-dessus, et la direction entend poursuivre ses efforts en ce sens.

**Conclusion**

En nous fondant sur l’ensemble de notre vérification et de notre échantillonnage, nous avons constaté qu’il y a, à notre avis, un taux d’erreur anormalement élevé dans les processus de la paie. Sur un échantillon de 100 entrées de salaire, nous avons décelé 56 erreurs. Certaines de ces erreurs étaient très graves, en particulier dans le calcul des cotisations de retraite pour quelques employés des Services de transport en commun. Nous avons constaté que la Ville ne respectait pas les exigences d’OMERS. L’erreur dure depuis 10 ans et a eu comme conséquence une sous-déclaration des cotisations au régime de retraite et des gains cotisables. La direction a estimé à 2,6 millions de dollars le moins-payé des cotisations de l’employé et de l’employeur au régime de retraite. Une autre conséquence est qu’une indemnité de retraite inférieure à celle due a été, est ou sera versée à d’anciens retraités, à des retraités actuels ou futurs. Les processus de l’Administration de la paie, s’ils fonctionnaient convenablement, auraient déjà dû permettre de déceler et de corriger ces erreurs avant la vérification.

La Division de l’administration de la paie n’exerce pas de rôle de surveillance dans les secteurs décentralisés qui traitent les entrées de la paie d’environ 40 % du personnel municipal ou des quelque 15 % de plus pour lesquels la Division de l’Administration de la paie saisit les heures traitées de façon décentralisée. Les gestionnaires opérationnels n’exercent pas non plus de rôle de surveillance, contrairement à l’approche décentralisée de la Ville qui consiste à laisser agir les gestionnaires avec une intervention minimale de la part des unités centrales. Dans ce cas-ci, les gestionnaires opérationnels n’ont pas assumé leur responsabilité. Par conséquent, nous sommes d’avis que la Division de l’administration de la paie doit exercer un rôle de surveillance globale. La direction doit déterminer à qui il incombe de gérer l’administration de la paie. La direction n’est pas d’accord avec notre taux d’erreur. Les dispositifs de contrôle au sein du système de la paie n’ont pas été utilisés correctement, alors qu’ils pourraient être un outil très utile pour la gestion et le contrôle de la paie. Nous avons décelé dans le système de la paie des périodes réelles travaillées qui n’étaient pas rapportées correctement, des interfaces de sous-systèmes non remplies, des rapports élaborés de façon incorrecte et des
codes de transaction qui n’ont pas été installés ou utilisés correctement.

Nous avons constaté un manque général d’attention au détail de la part du personnel et des superviseurs concernés par la paie, ce qui pourrait être dû à l’utilisation personnelle élevée du service Internet et du courrier électronique que nous avons constatée. La Ville doit évaluer les exigences opérationnelles au sein de la Division de l’administration de la paie afin de déterminer si tout le personnel en poste est vraiment nécessaire.

À plus de 900 millions de dollars, les coûts de rémunération et des avantages sociaux annuels sont à eux seuls le plus important poste de dépenses de la Ville et d’après les erreurs que nous avons trouvées, nous sommes d’avis que le Service des finances doit mettre en place de meilleures mesures de contrôle dans la fonction de l’administration de la paie, surtout dans les processus de traitement de la paie décentralisés.

Remerciements

Nous tenons à remercier la direction pour l’aide et la collaboration qu’elle a apportées à l’équipe de vérification.
1 BACKGROUND

The City of Ottawa employs approximately 17,000 staff including the Ottawa Police Service (OPS), Ottawa Public Library (OPL) and Elected Officials (EO) and their staff. Payroll has indicated that they use a higher number in system description information as Payroll is responsible for managing leave records and paying third parties for insured benefits, however active employees number 14,500 (excluding Police, Library and Elected Officials and staff). For 2007, this represented 11,500 full-time equivalents totalling $900 million for compensation and benefits. Payroll is the single largest expense at the City. There are 12 collective agreements covering approximately 90% of position holders and two Terms and Conditions of Employment. Since April 2004, the overall City payroll has been processed using the corporate accounting system - SAP and there was a system upgrade in November 2007. The SAP HR system implementation and enhancements have cost approximately $22 million.

For 2007, the City issued 21,063 T4 and T4A forms (Canada Revenue Agency Statements of Remuneration Paid and Statements of Other Income) and 154 revised T4s representing a dollar value of $850 million.

The Payroll Division that reported to Employee Services Branch in 2007 is responsible to ensure the deposit of accurate and timely pay for employees; to oversee the payroll year-end activities; to issue the T4s and T4As; and, to ensure payroll compliance with contractual and legislated requirements.

Payroll Management has indicated that in 2007 there were 48 planned Payroll positions plus 17 temporary positions. These included one time funding for nine temporary positions and the remaining eight temporary positions are for replacements for long term sick/LTD or short term assignments such as summer students. On average in 2007, Payroll had 58 active individuals per month. This included 12 centralized time entry positions (9 FTEs and 3 temps). In 2008 the Payroll FTE count increased by one for a total of 49 planned positions. However, the OAG noted that the official organization charts did not contain this information. This does not include employees from other areas of Employee Services that would be involved with payroll processing, nor does this include departmental employees, estimated by Management as 23 full-time equivalents, that are involved in the decentralized processing of payroll. Within the City, we found the time information used to pay employees is either entered centrally by the Payroll Division for approximately 60% of employees or in a decentralized fashion by various groups for approximately 40% of employees. Of this 60%, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process.

Management indicated that the information reflected in SAP and the City’s official organization charts did not properly reflect the payroll organization.
The Payroll Division includes the following positions:

<table>
<thead>
<tr>
<th>Position</th>
<th>Payroll Manager</th>
<th>Payroll Transaction Unit</th>
<th>Payroll Processing - Group 1 Unit</th>
<th>Payroll Processing - Group 2 Unit</th>
<th>Finance Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Manager/Program Manager/Time Transaction Supervisor</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Business Analyst</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Senior Payroll Analyst</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Payroll Analyst</td>
<td></td>
<td></td>
<td>5</td>
<td>8</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Time Transaction Assistants</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Employee Transaction Assistants</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>25</td>
<td>17</td>
<td>16</td>
<td>4</td>
<td>65</td>
</tr>
</tbody>
</table>

The Payroll Transaction and Payroll Processing Units are responsible for the payroll processing for specific assigned collective bargaining units within the City. The Finance Unit duties include ensuring that amounts deducted from employees pay and employer payroll liabilities are appropriately remitted.
2 AUDIT OBJECTIVES, CRITERIA AND APPROACH

To assess the overall accuracy of payroll processed in 2007 including:

1. Accuracy and timeliness of pay to employees;
2. Payroll compliance with contractual and legislated requirements; and,
3. Leave records maintained and updated.

2.1 Audit Objective #1: Assessing accuracy and timeliness of pay to employees

2.1.1 Criteria

- Existence of employees sampled.
- Propriety of job classification with the job description.
- Rate of pay authorized by appropriate authority and in accordance with applicable agreement and appropriateness of shift time and premium.
- Hours paid authorized by appropriate authority and in accordance with applicable agreement.
- Check the computation of gross to net pay and the appropriateness of deductions.
- Deductions are authorized by employee.
- Bank payment report information agrees to payee information in payroll register.
- Benefits authorized and in accordance with applicable agreement.
- Payroll appropriately reflected in the accounting records.

2.2 Audit Objective #2: Assessing payroll compliance with contractual and legislated requirements

2.2.1 Criteria

- Payments to employees in accordance with contractual agreements and legislated requirements.
- Statutory deductions from employee’s pay in accordance with legislative requirements.
- Statutory deductions appropriately recorded in the accounting records.
- Statutory deductions appropriately remitted.
- Payroll records stored securely.
2.3 **Audit Objective #3: Assessing leave records maintained and updated**

2.3.1 **Criteria**
- Leave banks appropriately reduced.
- Absences supported by appropriately authorized departmental or timekeeping records.

2.4 **Scope**
The scope of the audit was limited to the review and analysis of the City payroll process for 2007 excluding OPS and OPL.

2.5 **Scope Limitation**
The City’s intranet identifies that the file management structure for Human Resources employee records includes records of the employment relationship between the municipality and its employees.

**H02-01** These employee files contain administrative records such as the initial curriculum vitae/resumes and applications, original hiring records, RPAs, change of name and/or address forms, discipline records, training and development, performance evaluations, terminations, correspondence with the employee for full-time employees (unionized and non-unionized), seasonal contracts, summer student, co-op students, etc.

**H02-02** These employee files contain financial records such as recovery of overpayments, payment for bonds and charitable donations, credit union deductions, copies of RPAs, change of name forms, termination forms, direct deposit forms, garnishment of wages, etc.

**H13** These employee files relate to grievances.

**H14-02** These files relate to benefits and include brochures, correspondence and explanatory documents regarding benefits offered to employees, such as group insurance, dental plans and Canada Savings Bonds.

At the beginning of the fieldwork for this audit, a scope limitation was imposed relating to access and accessibility of records, which impacted the ability of the Office of the Auditor General to meet the objectives of this audit. The audit continued as there were sufficient findings, which resulted from the work that could be completed. The Office of the Auditor General was initially provided physical access to the personnel files (Human Resource Administrative Records) for the sample. There was a scope limitation imposed by the City Clerk acting as Head of Institution for MFIPPA as later that day access to files was restricted based on the fact that these files may contain sensitive information not related to payroll. The Head of Institution for MFIPPA...
subsequently discovered that Payroll Division staff inappropriately had access to these files.

Three months later it was determined that the OAG could be granted access to these files, however these files were not reviewed as they were no longer considered representative.

### 2.6 Approach

1. Overview of the payroll process.
2. Assessment based on random selection of 100 pays relating to one pay period for each of 100 individuals (52 salaried employees and 48 hourly employees).
3. Based on issues arising from random selection, further analysis was conducted specifically with respect to the City’s payroll system and decentralized processing. The decentralized areas that were reviewed included the following:
   - Traffic and Parking Operations Branch
   - Transit Services Department - OC Transpo Work Management System
   - Ottawa Paramedic Service Branch
   - Long Term Care Branch
   - Fire Services Branch
   - Recreation and Culture
   - Surface Operations Branch
   - Real Property and Asset Management Branch
   - Volunteer Firefighters
   - Theatre and Stage
4. Interviews with key personnel including system walkthrough to determine overview of process.
5. Documentation gathering, review and analysis.
6. Tracing of the payroll accounting for two sample pay periods.
7. Verification of withholdings for two pay period remittances of statutory deductions.
8. Data analysis of payroll records to identify the following and conduct further analysis as appropriate:
   - Duplicate names;
   - Duplicate addresses;

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1 Specific emphasis on more work as a result of previously identified risks from Fraud and Waste Hotline Reports.
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- Duplicate Social Insurance Numbers;
- That employees receiving pay are active;
- Addresses with only PO Box numbers; and,
- Payroll records with few deductions.

3 OBSERVATIONS AND RECOMMENDATIONS

3.1 The City’s Payroll System

3.1.1 Payroll Systems
The nature of payroll systems is that they are sensitive to errors and need attention throughout the process. They are complicated by the various pay rules in place, particularly for the City, which has multiple collective agreements, business lines and categories of employees. They are sensitive to errors as they carry on paying most employees the same amount that they received the previous period, unless changes are made. As a result, a mistaken change to the “master data” used in pay calculations, such as salary rates, will not only impact on the current pay period, but also can carry-on if undetected until the employee leaves the City.

Payroll systems also need to reflect time information. Employees take leave, work overtime and earn special allowances and deductions. When it comes to reporting time, most salaried employees only need to report the “exceptions” to their regular work hours. Most “wage” employees however have to report all the time that they work each period. Input of this information must be both timely and accurate. Mistakes to time information tend to have a shorter impact than master data problems in that they generally do not repeat. However, a mistake made here may never be detected, particularly if it is in the employee’s favour.

Lastly, payroll systems have to properly process recalculations based on errors or retroactive agreements. The net results of these corrections often have to be paid or recovered in the current period and the impact on related benefits reversed.

3.1.2 SAP Payroll
The City has been exclusively using its SAP system for Payroll since April 2004. There are three pay runs that occur every two weeks:

C1 Employees are paid up to date. This group consists mainly of salary employees that have a pre-determined work schedule. The bi-weekly period runs from Friday to Thursday. Time entry is on an exception basis for non-productive leave and premiums, such as overtime, on-call, etc. Shift premiums are automated and do not require additional time entries.

C8 Employees are paid 15 days in arrears. The pay period covers a two-week period from Thursday to Wednesday. Employees in this group are mainly wage
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employees, some of whom have pre-determined work schedules. All casual employees belong in this group and are only paid when time/leave reporting forms are completed. Shift premiums are automated for those on pre-determined work schedules.

02 Employees are paid 19 days in arrears. The pay period covers a bi-weekly pay period from a Sunday to Saturday. Employees paid in this pay cycle are ATU local 279 and the majority of ATU 279 Para Transpo employees.

The calculation and processing of these pays is done using a number of different SAP modules that work together. The Payroll module calculates the actual payment amounts during the pay runs. However, it relies on the time information that is in the HR (Human Resources) module, where it is stored by employee (Infotypes). The HR module receives this information from timekeeper employees who either enter it directly into the HR module or from the CATS (Cross Application Time Sheet) module. The source information for most employees is entered into CATS by timekeepers.

The Payroll module uses pay and deduction information in addition to time information in the calculation of pay. Changes to pay rates, levels, deductions and other master data are all controlled by authorization controls in SAP. Only certain “roles” are permitted by the system to make changes and the City’s internal procedures set out which individuals can be assigned to these roles. SAP access controls are a crucial part of the City’s system of internal controls. These controls were addressed in the 2006 Audit of the Financial Control Environment (see section 4.4) and as such they were not reviewed again as part of this audit. A further management led review of authorizations is planned for 2009.

In addition to access controls, accuracy of master data is supported by after-the-fact reviews of all changes made to key fields. There is also an audit trail within the system that tracks the time and user ID related to any changes.

In addition to controls over master data, there are also controls over the time information that is entered. Manual controls ensure the time has been properly approved before it is entered. Similarly, the system has controls over which users can enter time information and there are after-the-fact reports and audit trails.

3.1.3 Master Data System Controls

Beyond access controls that limit which users can enter master data changes into SAP, the Payroll Division runs a series of reports each pay period. These reports list all of the changes to specific master data items. The reports are manually reviewed. Examples are described below:
1. IT 8 Peer audits\(^2\)\(^3\) – Each Payroll Analyst runs a report that identifies all the changes to basic pay by another Payroll Analyst during a specific period. To ensure that all changes are included in a report, the schedule is maintained for each pay period that identifies for each Payroll Analyst, the peer Payroll Analyst that will run the report and verify the transactions back to source documents. The schedule is signed off as the tests are completed.

2. ZIT Peer audits\(^2\)\(^3\) – Each Payroll Analyst runs a report each pay period that identifies all the changes to specific items including recurring payments, one-time payments and quota adjustments that were made by another Payroll Analyst during a specific period. To ensure that all changes are included in a report, the schedule is maintained for each pay period that identifies for each Payroll Analyst, the peer Payroll Analyst that will run the report and verify the transactions back to source documents. The schedule is signed off as the tests are completed.

3. Birth date – Payroll Research Officer runs a report each month that lists all employees with a calculated age less than 18 and greater than 70 years old. The control is to identify data errors as well as to ensure that the Canada Pension Plan treatment is correct.

### 3.1.4 Time Capture System Controls

With the large number of collective agreements and business lines, there are a wide variety of time capture practices at the City. Generally, however, this is a paper input process where signed forms are approved by managers and forwarded to Data Entry Clerks. This is the case for most employees, even though the data entry may be done in the Payroll Division, or decentralized. See Payroll Time Capture below.

To ensure that the time captured in the system is accurate, staff run and review “over/under” reports to ensure that employees have accounted for all of their scheduled time. If they have accounted for more than their scheduled time, the reviewers check for proper coding (i.e., overtime).

In addition to these decentralized controls, the Payroll Division carries out procedures each pay period to check the resulting pay, before it is actually paid out. The Payroll Analyst and Senior Payroll Analyst carry out these procedures, as described below:

- Payroll Analyst Pay Close – There is a checklist of reports, with detailed instructions, that are run each pay period. Most of the reports are exported to spreadsheets and the results of the Payroll Analysts’ reviews are typed into the

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\(^2\) The term “Audit” is used frequently in the Payroll area. In this context it refers to internal controls and reviews that are completed within the Payroll area. The term should not be confused with the work of the Office of Auditor General.

\(^3\) Management indicated peer audits for IT 14-Recurring Payments, IT 15-Additional Deductions have been in place since September 2006. In February 2007 Payroll commenced to do IT 8-Basic Pay peer audit which was previously not a peer audit. Other peer reviews were put in place in 2008 and were not being done in 2007 the year from which the audit sample was taken.
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spreadsheets. Examples of transactions that are reviewed include retroactive payments > $1,000, statutory holiday pay in pay periods with no statutory holidays, net pay less than $10 and net pay greater than $3,000.

- Senior Payroll Analyst Pay Close – Similar to the Payroll Analysts, the Senior Payroll Analysts have a series of procedures to carry out each day, week, pay period and month.

To run these reports, the individual Payroll Analyst or Senior Payroll Analyst enters the report criteria into SAP and generates the report. The risk associated with this approach is that if a report is not run or if the criteria are not entered correctly, transactions will not be reviewed. Our testing found examples where control reports were run, but the report parameters that were entered did not include the group that we were testing. This resulted in time entry processing not being checked and net pay amounts between $3,000 and $4,999 not being checked.

Another approach to running these reports is to automate them so that they are generated as part of the process each time that payroll is run. The existing report parameters can be reviewed and if no changes are required, they can be used. In our opinion the City should look at the feasibility of this change. Note that because this audit did not include detailed testing of all pay transactions, the system controls were not completely tested to ensure that they were functioning as described to us during the entire period under audit.

We considered recommending that a number of these controls be automating using statistical sampling. With statistical sampling, once the sampling variables were established, the system could automatically select the transactions for testing and forward them to another Payroll Analyst. This Payroll Analyst would review the source documents and ensure that the time was correctly authorized and entered. The results of this review would be entered back into the system to allow for statistical analysis and identification of individuals / areas requiring corrective action, such as training. However, building a control system such as this into SAP would require a significant amount of custom coding at significant cost. Another method to help ensure that employees’ time transactions are properly approved, is to forward them to the appropriate manager electronically for electronic approval. This reduces the chance for data entry errors and for unauthorized transactions to be processed. No recommendation is made in this area as the City currently has plans to implement this functionality via “Employee Self-service”. This will ensure that time transactions are authorized as they will be automatically forwarded to a supervisor for approval and they cannot be processed until approved. However, this new functionality will only apply to approximately 8,000 City employees, those with access to computers. The remaining City employees will continue to rely on paper timesheets and time entry.
3.1.5 Payroll Division Time Capture

The specific time information that is captured from each employee to determine their pay generally depends on if they are wage or salaried. For salaried employees, they are paid for the same amount of time each pay period, so only exceptions such as sick leave, vacation, acting pay and overtime are captured. For wage employees, information on all of their time is captured.

Within the City, the time information used to pay employees is either captured centrally by the Payroll Division or in a decentralized fashion by various groups. For roughly 60% of employees, their time information is captured, usually on paper forms, approved by their supervisor / manager and forwarded to the Payroll Division. The Payroll Division then enters the information into SAP. Of this 60%, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process.

Time information for the other 40% of the City’s employees is captured in a decentralized manner within their organizations. While the Payroll Division is aware of the general processes that these groups use to enter time information, they do not perform any reviews or tests to assure them that the procedures are adequate to ensure all entries are approved and accurate. Also, we noted that the direct managers in the departmental areas are not reviewing the payroll processes. Payroll Division is however, reliant on oversight by management in decentralized areas. The figure below presents a visual overview of the various groups capturing time for payroll purposes in the City.
Figure 2: Overview Diagram - Notes

- Information is as of December 2008.
- The numbers of employees are approximate figures provided by the Manager, Payroll. The number of employees is not the same as the number of full-time equivalents, primarily due to part-time employees.
- The Centralized Time Entry group is part of the Payroll Division.
- The diagram is meant to provide a high-level overview of the different processes used by various groups within the City to capture the time information that is used to pay its employees. It is not meant to describe the detailed processes and controls applicable to each stream of processing.
- Other non-City groups consist of OCRI and the Police Services Board.
- As with the other figures, the number of employees that submit their time information to Payroll for data capture is an approximate figure. It includes Pineview Golf Course (50) and Nepean Campsite (10) employees that are not always classified as City employees. It also includes the small number of summer students that are hired as office workers.
- The number of employees with decentralized time capture does not include 800 incremental summer students that work primarily in Surface Operations and RPAM. The approximate number of employees with decentralized time capture would increase by 800 if they were included.
- Health and Wellness staff also make adjustments to sick leave on behalf of ATU 279 employees.
• An interface is being built to link the Telestaff Scheduling system to SAP. This will replace the current process of generating an Excel spreadsheet in Telestaff and submitting it to Payroll for manual data entry. Management expected to implement in January or February 2009.
• SAP CATS refers to the SAP Cross-Application Time Sheet module that the City has implemented. When time information is captured in this module, it can be coded such that the hours are costed and transferred to other modules within SAP, beyond SAP HR (which in turn feeds SAP Payroll). For example, time spent by City employees installing Traffic Signals is captured in CATS with detailed coding to enable the costs of the employee’s time to be billed and recovered from third parties where applicable.

3.2 Errors and Issues Arising from the Sample Review

The Audit of Payroll included the review of a sample of 100 pays relating to one pay period for each of 100 employees (52 salaried employees and 48 hourly employees). The gross annual T4 value for the 100 employees for 2007 was $4,985,935. The total value of the 100 pays reviewed was $199,341.

3.2.1 Personnel Files – Scope Limitation

Personnel files (Human Resources Administrative Records) and payroll files (Human Resources Financial Records) requested for this audit were provided to the auditor at the start of fieldwork on April 30, 2008. During the day the personnel files were removed from the auditor and stored in a locked cabinet accessible by Payroll Division staff as the City Clerk acting as Head of Institution for MFIPPA indicated that these files contained records that staff from the Office of the Auditor General should not see.

The Office of the Auditor General had advised the Payroll Division that there would be a scope limitation if the files were not provided. We were unable to assess the completeness of documents in the personnel files as we were not permitted to review them at the time of our audit fieldwork.

It was noted that the OAG should have the same access to these files as the Payroll Manager. If there are documents not accessible to the OAG then they should also not be accessible to the Payroll Division staff. It was determined in consultation between the Auditor General and the Head of Institution for MFIPPA that the files contained records that the Payroll Manager and Payroll Division staff should not have been seeing. Therefore, all personnel files not just the sample files needed to be severed in order to permit appropriate access for payroll processing purposes.

On August 8, 2008, the OAG was advised by Employee Services that they would provide access to the personnel files; this was confirmed to the OAG by the City Clerk on August 12. They did not carry out their original plan from early May to sever all files. Therefore, the delay in providing access to the files does not appear to have been justified. The personnel files were in the possession of Payroll Division since April 30 and provided ample time for documents to be added or removed from the file. Therefore, these files would not have been representative of all payroll files.
In the same correspondence, Payroll Division advised that Employee Services would be changing the current practise relating to access whereby Payroll Division staff will no longer have access to the personnel files. If Payroll Division staff require information, which is not in the payroll file, they will request that Staffing and Client Relations’ staff review the file for any relevant payroll data and provide it to Payroll Division for the Payroll file. Payroll Division staff will commence to receive signed copies of offer letters to be placed in the payroll file. Management has subsequently indicated that they have changed their planned procedure and this statement is no longer accurate due to work effort and duplication of effort required in placing letters of offer in two files. Letters of offer are part of the HR file as identified in the file management guidelines.

For future audits and the follow-up audit, the files will be sent directly to MFIPPA in order that they may review the files and sever them as appropriate. They would then be provided to the OAG for audit review.

Throughout the audit, as detailed in the sample review results in this report, it has been noted that there were documents not contained in the Payroll Division files such as RPAs, letters of offer, results of grievance settlements, etc., which were required in order to meet the objectives and criteria of the payroll audit. For the sample, a minimum of 19 files were directly affected by the scope limitation where documents were missing from the payroll file. This impacted the Office of the Auditor General’s ability to confirm the existence of employees, their job classifications, their rate of pay, and disciplinary actions impacting their pay. Although these documents had been provided when they were requested, there is a risk that if there were other documents (other versions of RPAs or documents referenced in RPAs) that were not placed on the payroll file that were not actioned and should have been that the OAG would not know to ask for them. There is also a risk that source documents could be created or modified prior to being provided to the Auditor. These issues created a scope limitation for this audit.

**Recommendation 1**

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

**Management Response**

Management agrees with this recommendation.

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

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

### 3.2.2 Pension and Benefits Files

Files relating to pension and benefits (Human Resources Benefits) were not initially provided even though the April 17, 2008 request was for all supporting documentation for the specific pays processed for the sample. When the files were specifically requested on May 13, 2008 and then outstanding items followed up on May 16, 2008, all pension/benefits files were still not provided. Some files are located at Transit Services, which were separately requested. It was also noted that pension/benefits files did not exist for casual or part-time employees that were eligible and had been offered a pension. After two additional requests for five outstanding files, three files were available. They were unable to locate two files for employees where it would have been expected there should have been files. We were advised on August 13 and August 16, 2008 respectively that the two outstanding files had been located. At that time the OAG did not review these files, as they may no longer have been representative.

Files had not been created for Other Than Continuous Full Time (OTCFT) employees that were eligible to have been offered a pension. Files were only created where there were pension contributions taken. Evidence that the pension offer was made, that the pension offer was declined, or follow-up was not contained in the file as required by OMERS, Guideline 2.2.4 contained in the administrative manual from OMERS. Pension files should be created where staff becomes eligible in order to track follow-up.

### 3.2.3 Missing Files

At the beginning of the audit, the Payroll Manager indicated that there were four personnel files that were missing. As we were not permitted to review the personnel files at the time of our audit fieldwork, we are unable to confirm that there were only four missing files. The number of missing files may have in fact been significantly higher. Due to our audit, a payroll file had to be created in one case based on information in the personnel file and in SAP.

Transit indicated that they kept their payroll and personnel information together in one file and that at amalgamation the file was split between payroll, which went to Records,
and personnel, which stayed at OC Transpo. They found some payroll files were missing commonly for those personnel on LTD or WSIB at the time of amalgamation. Payroll reviewed the personnel file for one case and found very little Payroll information but did find the RPA.

As six files were missing and one had to be created which was created for the audit, this also created a scope limitation.

3.2.4 Errors from Sample Files Review
There was an interpretation error, resulting in 15 errors, as well as 7 calculation and 34 documentation errors in the sample of 100. The resultant error rate of 56% would be considered too high. This was a higher error rate than we would have expected.

<table>
<thead>
<tr>
<th>Error Type</th>
<th>Count</th>
<th>Value</th>
<th>% Error</th>
<th>Count</th>
<th>Value</th>
<th>% Error</th>
<th>Count</th>
<th>Value</th>
<th>% Error</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incorrect Interpretation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under remittance of OMERS pension</td>
<td>15</td>
<td>$96</td>
<td>23%</td>
<td>15</td>
<td>$96</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Calculation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under remittance of OMERS pension (2 occurrences); OMERS pension not deducted; Overpayment for statutory holiday where not entitled; Overpayment for incorrect increment date; Overpayment of benefits; and, Underpayment to the estate of a deceased employee for vacation payout.</td>
<td>3</td>
<td>$1,412</td>
<td>9%</td>
<td>4</td>
<td>$1,429</td>
<td>6%</td>
<td>7</td>
<td>$2,841</td>
<td>7%</td>
</tr>
<tr>
<td>Timesheets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing employee signatures (17 occurrences); Missing supervisor signatures (7 occurrences).</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>24</td>
<td>$11,164</td>
<td>37%</td>
<td>24</td>
<td>$11,164</td>
<td>24%</td>
</tr>
<tr>
<td>Lack of Supporting Documentation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing time or leave forms (3 occurrences); No Payroll file; No banking information change form; No personnel action record; Nothing in personnel file; Letter of offer missing signature.</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>8</td>
<td>$1,718</td>
<td>12%</td>
<td>8</td>
<td>$1,718</td>
<td>8%</td>
</tr>
</tbody>
</table>
### Request for Personnel Actions

<table>
<thead>
<tr>
<th>Request for Personnel Actions</th>
<th>Sample from Centralized Areas</th>
<th>Sample from Decentralized Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic approval was sent by the Administrative Assistant (2 occurrences).</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total Error Count</td>
<td>3</td>
<td>$1,412</td>
<td>9%</td>
</tr>
<tr>
<td>Total Sample Count</td>
<td>35</td>
<td>$84,801</td>
<td>100%</td>
</tr>
</tbody>
</table>

The dollar value provided is to the extent that the error could be quantified (for 51 out of 56 errors).

This does not include errors relating to missing files (estimated at six files) or where systemic issues relating to policies or practices for supporting documentation would be considered deficient. These are detailed in subsequent sections.

#### 3.2.4.1 Within the sample of 100 files there were 15 errors resulting from an incorrect interpretation of OMERS

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

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

Considering there would have been a four-year contribution holiday from 1999 to 2002 and a reduced rate in 2003 during this period, for the three sample earnings types, this would result in an estimated remittance of pension contributions in the amount of $1.2 million for the period from January 1, 1999 to December 31, 2008 for three of the wage types for Transit employees. The corresponding amount of contributory earnings excluded in error would have been approximately $11.4 million. Refer to the table in section 3.2.16.
Based on this issue, which was identified by the auditors during the course of this audit, Management has subsequently advised that a review of all contributory earnings has been completed. The result of the cost of under remitted contributions is estimated to be $2.6 million corresponding to approximately $21.2 million of estimated contributory earnings.

This error results in past, present and future pensioners receiving less than their full pension entitlement.

3.2.4.2 Within the sample of 100 files there were 7 calculation errors

1. An employee enrolled and received credit for time but never actually contributed to the pension plan. The total amount of pension arrears owed was $1,405. The amount was not recovered from the employee. Refer to OMERS section 3.2.16.

2. Benefits continued in error for an employee that changed from one employment group to another for a period of almost 13 months at a monthly cost of $78.20 (12*78.20=$938) but benefits errors are not recovered retroactively. Refer to Benefits section 3.2.15.

3. An off-cycle cheque issued for vacation payout was underpaid by $992 as statutory deductions were taken twice. The calculation was signed and checked but the version (which was a simulation) that was verified was not entered in the system as the off-cycle cheque. This related to the payment for a deceased employee and details of the calculation and deductions had not been sent with the pay advice. The error was discovered when looking for the file for this audit. Only the net amount was entered and hours and a rate were not entered in the system. The entry for off-cycle checks was not double-checked by a second person. The error went undetected and was not discovered until this audit. The 2006 Audit of Financial Control Environment recommended that Employee Services ensure that SAP access to Off-Cycle Activities be restricted in all test and Quality Assurance instances of the Corporate Financial Management environment. The process for cheques should be reviewed to ensure that adequate controls are in place to ensure that hours are entered and that entries made are verified. Payroll Division planned to reimburse the deceased employee’s estate.

4. Supporting documentation was not initially available in Payroll Division for an adjustment they made relating to pay in lieu of a statutory holiday for 8.75 hours totalling $341. The Payroll Division subsequently obtained a copy of the e-mail which we reviewed and determined that the adjustment had in fact been made twice. We have confirmed with Payroll that this has resulted in an overpayment of $341 to a former employee. Refer to Fire Statutory Pay Section 3.2.14.

5. In pay period 13 of 2008 an error relating to incorrect rates paid in 2005 and 2006 was discovered and was corrected for an amount of $17. Subsequent increments to this Recreation and Culture employee do not appear to have considered the 15-month increment date from the collective agreement or breaks in service for the
summer student position. Payroll Management has indicated that the summer student portion was not carved out due to system limitations; the high cost of administering this manually, and the fact that this was included in the past and could constitute a right and privilege. This would result in the City paying increments that they don’t need to pay. Refer to RPA section 3.2.10.

6. An example of a retroactive calculation relating to a prior pay period where the system did not include the taxable benefit life insurance in the pension calculation for a CUPE employee for an impact of $3 on the current pay and an annual impact of $35. Refer to OMERS section 3.2.16.

7. Taxable benefit life for an employee was not included in the pension calculation for a CUPE employee for an impact of $3 on the current pay and an annual impact of $34. Refer to OMERS section 3.2.16.

3.2.4.3 Within the sample there were 34 errors relating to supporting documentation and properly signed or authorized forms (excluding the impact of missing files)

1. Where timesheets were required, no evidence of employee signature in 17 cases to confirm that they had worked the time.

2. Where timesheets were required, no evidence of supervisory signature in 7 cases to authorize hours, work and rate.

3. Management has indicated that although unsupported by authorized signatures, it does not mean that the pay to employees was in error and that these are non-compliance issues that don’t lead to incorrect pay. OAG maintains that signatures would be required as evidence that the time was worked and was authorized.

4. Request for Personnel Actions (RPA and transfer spreadsheet) were not properly authorized in two cases, where electronic copies were sent by the Administrative Assistant. Copies of properly authorized letters of offer were not available for these examples. Also, refer to RPA section 3.2.10.

5. A payroll file was created for an employee for purposes of this audit based on information in the personnel file and in SAP.

6. No documentation in the HR Personnel file for an individual. The specific 2007 pay was a retroactive adjustment for $6, however the person had been paid $213 in 2007.

7. Inadequate supporting documentation for 17 hours of overtime that had been paid for $685. Explanations had been provided but there is no supporting documentation including the authorized signature of the former supervisor for these 17 hours. The employee had changed position and branch and their work schedule had changed. The Supervisor in the new position authorized payment of hours relating to the employee’s prior position. Hours could not be entered as regular hours as they exceeded system limits so they were entered as overtime hours for dates in a prior period. Therefore, based on the lack of properly authorized supporting documents these hours should not have been paid at all. At a minimum, Payroll Division
should have ensured that the hours were authorized by the supervisor in the prior position.

8. There was no supporting documentation for 40 hours vacation for $941, which was reversed to Income Protection Plan for sick leave the next pay.

9. Documentation not provided for differences between the booking sheet and the actual pay for $92.79.

10. Documentation was not available to support a change to bank account information and there was no personnel action record/RPA on file; also refer to RPA section 3.2.10.

11. In one case the properly authorized letter of offer for a summer student was missing. Also refer to RPA section 3.2.10.

Discussions and recommendations are detailed in a subsequent section as noted.

Payroll Division is reliant on documents to be coded properly at the source. The controls that are in place in Payroll Division to detect and prevent errors are manual in nature and reliant upon custom reporting of report variants and oversight by management in decentralized areas.

For one specific error supporting documentation to evidence the checking of the time entry audit reports had been shredded the day of our request therefore we were unable to confirm whether or not the checking was performed. For two other additional examples of time entry audit reports, processing was not picked up by the audit variant.

For an additional 16 example pays relating to MPE and Transit, in 11 out of 16 cases checking of net pay over $3,000 by the Payroll Analyst and over $5,000 by the Senior Payroll Analyst was not effective as in seven cases the reasons for this level of net pay were not provided and in four cases source documents were not provided to Payroll by Transit in support of this level of net pay. Then, without the source documents how would the Payroll and Senior Payroll Analysts have been able to do the verification.

There was an example pay where a Payroll Analyst made an error in the report variant resulting in amounts from $3,000 to $4,999 not being checked.

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

Recommendation 2
That the City correct all the errors identified in this report.
**Management Response**

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

Of the 56 errors identified, Management has determined that there were only six calculation errors that impacted payroll payments to employees valued at $2,761. The remaining fifty were non-calculation errors that did not impact payments to employees.

**Interpretation (Non Calculation)**

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

**Calculation**

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

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

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

Three errors were payment errors: one underpayment of vacation upon termination of $992 which was later paid, one overpayment of statutory holiday of $341 which has not been recovered as the employee has been terminated for over two years and the statute of limitations with respect to recovery has been surpassed, and a third error relating to an overpayment of $16.92 due to an increment date error, which was discovered by Payroll and subsequently recovered.
However, management does not agree with one error identified by the auditor as a calculation error. The employer paid benefit premium was not set up for one employee under the proper plan, therefore the employer paid $78 more to the carrier than necessary. When Payroll uncovered this, they moved the employee to the proper plan on a go forward basis. In cases such as this one, the City made a business decision not to calculate retroactivity on benefit premiums when SAP was implemented City-wide in 2004. Instead, there is an annual reconciliation completed by the City’s external benefit consultants, when preparing the annual benefit plan financial statements. If there has been an overpayment or underpayment of premiums based on employee movement from one union to another, as was the situation identified by the auditor, this would be accounted for in the reconciliation at year-end and any overpayment/underpayment of premiums would be applied to future premium rates with no net financial impact to the City. Therefore, this is not a calculation error.

**Timesheets (Non Calculation)**

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

**Lack of Supporting Documentation (Non Calculation)**

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

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

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

Of the six calculation errors, the largest dollar value calculation error for one employee was $1,405 relating to OMERS pension arrears. Management was aware of this situation prior to the audit, including the employee’s refusal to repay and
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subsequent retirement. This was a very unique situation, which rarely occurs; therefore it does not make sense to extrapolate this error to the entire payroll. Management was also aware of the $17 overpayment due to an increment date error prior to the audit, which was highlighted when a review of increment dates occurred. The auditor’s comment does not acknowledge the fact that Payroll has an ongoing recovery/payment process that takes place based on payroll checks and balances that normally detect payroll anomalies. In Recommendation 15, management has responded to the collection process for overpayments, and has identified that 95% of the outstanding overpayments of $351,000 at November 2008, had been dealt with at January 2010 with ongoing recovery continuing.

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

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

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

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

The conclusion also states that there has not been a proper use of controls in the payroll system. The report suggests that there is a problem in that not all clock times have been reflected in SAP. It is regarded as best business practice within many organizations to use generic work schedules. As per management’s response to Recommendation 11, it would not be cost-effective or administratively feasible to manage changes in these areas, and would add no value to the payroll or management process. The City has implemented precise work schedules in many areas where applicable, and has over 3,600 precise work schedules set up in SAP.
With respect to interfaces, these projects involve significant work effort and resources from Payroll, business clients and IT and are completed on a prioritized basis. The Telestaff interface was implemented in early 2009 for Ottawa Paramedic Service with Long Term Care following suit shortly thereafter, and the Volunteer Firefighter interface went live in October 2009, which will impact payments to employees in 2010.

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

**Recommendation 3**
That the City limit access to Human Resource records in compliance with privacy legislation.

**Management Response**
Management agrees with this recommendation.

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

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

**Recommendation 4**
That the City:

a) Retain payroll audit reports; and,

b) Review documentation retention timelines for all supporting documents including payroll internal audit reports.

**Management Response**
a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

**Recommendation 5**

That the City:

a) Assess the feasibility of automating the running of payroll audit reports into the payroll process or implementing a better manual documented audit process; and,

b) Ensure that the Payroll Manager confirm the sample of the internal payroll audits.

**Management Response**

a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

**3.2.5 Existence Check**

From the sample selected, we confirmed the existence of employees based upon their name and position appearing on the organization chart. There were 15 employees’ names that did not appear on the organization chart at the time of the audit. These were confirmed based on other documents from the personnel, payroll or benefits files. There is a risk that some of these documents may have been created from scratch as there was no physical evidence. The inability to view the personnel files is considered a scope limitation, which impacts this work.

As a result of a comparison of these names to the Corporate Security Listing, it was found that the Corporate Security Listing did not contain 28 names. In addition to the above 15 names, there were 13 names on the organization chart at the time of the fieldwork and 12 of them were also active on SAP that did not appear on the Corporate Security Listing.

At the time of the audit fieldwork, there have been a couple of operational changes. The organization charts do not appear on the intranet and pay stubs are no longer distributed. This creates the risk that someone could continue to be paid when they are not supposed to be and the overpayment could go undetected. It is not possible to go back in SAP and print information such as the organizations charts as they were at a
point in time, only as they are currently. This creates the risk that someone could have been temporarily placed in an area and paid. Management has indicated that the organization charts are not intended for use to confirm employees instead they represent the structure of the organization and are also used as a contact tool. The OAG maintains that this is an important control as organization charts are tied to the Payroll system.

**Recommendation 6**
That the City compare and validate the Payroll and Corporate Security employee lists and explain any variances.

**Management Response**
Management agrees with this recommendation.

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

### 3.2.6 Controls Over Processing of Decentralized Pay

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

Audits performed in 2003 by the former Audit and Consulting Services Branch illustrate risks of poor controls on off-site payroll processing whereby two employees were significantly overpaid through Payroll Division. Also, in 2005 as part of the Audit of Overtime, we found an employee was approving their own overtime. In our opinion the controls have not improved.

Audit work has been performed on decentralized processing and the process and control issues related to decentralized processing appears in section 3.4 of this report.

#### 3.2.6.1 Long Term Care (LTC)

The spreadsheet provided to Payroll Division for data entry purposes is not signed. It is provided as an email attachment by either the Administrative Assistant or the Staffing Coordinator who has delegated authority. For purposes of the audit, additional documents were provided from Long Term Care that included signed leave forms and their working schedule which shows the various scheduled positions as well
as changes arising due to absences and replacements which result in overtime or regular unscheduled pay. The leave forms and working schedule are not normally provided to Payroll Division and are consequently not checked by Payroll Division.

For a sample employee, there was an example where they were paid 22.5 hours regular not scheduled and 7.5 hours overtime, which had been added by hand to the scheduling sheet.

For another one of the samples, an incorrect work schedule was initially provided and the correct work schedule was subsequently provided.

In both cases, the work schedule is not clear, not signed by the employee or the supervisor and although it was indicated that this was checked, there is no evidence that the work schedule or the documents that were sent with the email were checked.

3.2.6.2 Ottawa Paramedic Service (OPS)

The OPS provide a daily printout to Payroll Division, which is downloaded into Excel from their Telestaff scheduling system, which they have described as including controls based on authority levels. Although the spreadsheet contains a “created” and “approved” by column which contains the names of Team Leaders, Coordinators, and Schedulers, given that the printout is downloaded from the system to an Excel spreadsheet, there is risk that the spreadsheet could be modified. Refer to section 3.4.1 where the auditor noted that employees and supervisors are electronically signing off.

There was an example where the daily printout (Excel spreadsheet) from their Telstaff system which is provided by Ottawa Paramedic Service to Payroll Division for data entry was provided as support for a vacation day. For one example out of five, additional information requested at the time of the audit had not been provided with respect to date and time created and approved by.

There was an example in the errors section where there was inadequate supporting documentation for 17 hours of overtime that had been paid. The employee had changed position and branch and their work schedule had changed. The Supervisor in the new position authorized payment of hours relating to the prior position. Hours could not be entered as regular hours as they exceeded system limits so they were entered as overtime hours for dates in a prior period.

Our understanding of the situation based on the information we have collected:

1. An employee changed positions mid-way through the pay period (transfer from Bylaw Dispatch officer to Communications officer on April 2, 2007).
2. As a consequence, their work schedule changed as well, from an 8-hour workday to a 12-hour workday.
3. For the pay period of March 30, 2007 – April 12, 2007, the employee was paid 17 hours of overtime. The reason provided was that the employee had “worked the
Audit of Payroll

17 hours in their previous position”, and there was no choice but to pay them for the hours they worked.

<table>
<thead>
<tr>
<th>Date</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 30 – Apr. 1, 2007</td>
<td>Dispatch Officer</td>
</tr>
<tr>
<td>April 2 – 12, 2007</td>
<td>Communications Officer</td>
</tr>
</tbody>
</table>

4. The 17 hours in question were identified as regular hours, but subsequently changed to overtime hours.

5. A screen shot from SAP provided to us indicates that the employee was off on March 30, 31, and April 1, 2007. The Payroll Manager provided additional screen shots and explained that Payroll staff had to change the work schedule to show days actually worked as days off. This action had not been properly documented or authorized and resulted in the system and reporting not reflecting actual dates worked.

6. According to SAP, two manual entries were subsequently made on April 4, 2007 in order to pay the 17 hours as overtime.

<table>
<thead>
<tr>
<th>Date</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 28</td>
<td>8</td>
</tr>
<tr>
<td>March 29</td>
<td>9</td>
</tr>
</tbody>
</table>

It still appears to us that there is no supporting documentation for the entries in SAP including the authorized signature of the former supervisor for these 17 hours for $685. Therefore, these hours should not have been paid at all. At a minimum, Payroll Division should have ensured that any changes impacting the hours in the work schedule for the prior position were authorized by the supervisor of the prior position.

3.2.6.3 Recreation and Culture

In one case, an explanation was provided that in an Instructor job, employees sign themselves in on a timesheet or the Supervisor of the shift signs employees in on evening shifts. In a supervisory job, employees sign themselves in; however if the shift was for a staff meeting or training, then the Supervisor signs all the employees in who were at the meeting or training. Payroll Division indicated that there was overall approval back in June 2007 that the Full Time Program Assistant would input the timesheets and then would bring any issues forward to the Supervisor who approved the issues. However, there was no signature. Management have indicated that currently after the Program Assistant enters the time, a print out is provided to the Supervisor to approve. There is no evidence of such a report. Refer to 3.2.7.

3.2.6.4 Real Property and Asset Management (RPAM)

There were two examples where there was a combination of original and faxed timesheets for Real Property and Asset Management (RPAM) employees for the same employees for the same time period. The original timesheets remain with the employee who faxes them to the Manager who faxes them to the timekeeper unless the
employees’ supervisor happens to be traveling to Constellation in which case he would bring original timesheets with him. RPAM employees are located all over the city and they are concerned that if they put all the originals in internal mail they would not get to the timekeeper by cut off. Following more than one approach potentially increases the amount of time and effort. Timesheets may be duplicated or missed creating the risk of error, which takes additional time and effort to prevent, detect and correct.

There was an example where the timesheets contained different job codes for a specific employee, which relate to different rates. The numeric job code appears on the timesheet but there are no textual descriptions. The rates do not appear on the timesheet, which assumes that the Supervisor would be aware of the different job rates. One job was salary and one was wage resulting in the accrual of vacation and payment of vacation at a percentage. In this example the employee’s job is Ice Resurfacerr, however they also work as a Facility Operator. Most of the hours worked were paid at the higher rated job code. Refer to section 3.2.7.

3.2.6.5 Surface Operations
There was an example where a timesheet was changed. An explanation was provided that the change made to the timesheet was authorized by the Zone Supervisor that approved the timesheet. The names were not written next to signatures or initials to evidence the approval. The authorization list does not contain signatures and initials. Refer to 3.2.7.

3.2.6.6 Transit – Bus Operators
The bus schedule is created as a result of a booking process where bus operators can select their routes based on seniority. The results of this process would be inputted into the Work Management System (WMS) work schedule and transferred to a working document and copied to the employee and the dispatcher. This schedule forms the basis for the operators pay. The dispatcher would know who is scheduled for each route. There is no sign in and out. Dispatchers fill in a timesheet if there is a no show and they send a spare out to the job. The dispatchers would be responsible to record the exceptions (leave and overtime not scheduled). Operators are responsible to provide leave forms (and medical certificates where appropriate). Additional detail appears in section 3.4.9.

There were examples in the sample where:

- An explanation was provided but the documentation was not provided for differences between the booking sheet and the actual pay for the unpaid absence December 1, for other work non-platform December 3, and for 6 hours instead of 8 hours for November 25 and December 8.
- An explanation and work exchange document provided in support of non-platform work was signed by employees only but not by a supervisor and the source of the file was not identified.
A timesheet was completed by the Supervisor and not signed by the employee.

An email was provided indicating an employee would be driving a bus for the food bank but does not specify the number of hours.

There also have been concerns that there are shifts loaded for inactive periods resulting in the need to figure out whether the employee should be paid or not. Payroll Division makes the assumption that transactions processed by Transit are based on authorized documentation.

3.2.6.7 Traffic and Parking Operations (TPO)

Activity sheets would be prepared by each crew for each activity that they perform on a daily basis. There may be more than one timesheet per day. In general, the timesheets are signed and submitted by the crew leader and then subsequently signed by a supervisor.

Activity sheets are entered into SAP and then filed in the operational area. Payroll Division would not see this information. They would not review this information and would review anomalies only.

For Traffic and Parking Operations there was specific emphasis on more work resulting from previously identified risks from Fraud and Waste Hotline reports. In one case, an employee works for both the City and for Parham Engineering, an outside engineering firm. This employee’s Manager at the City is also the owner of Parham Engineering. Therefore, this employee is reporting to the same person at the City and Parham Engineering. This matter is further developed in the separate report on the 2008 Audit of Moonlighting. The detailed review of decentralized activity sheets for 2007 for this employee at TPO revealed that:

- 7% of the employee’s overtime activity sheets for a dollar value of $1,086 were not authorized;
- Where there was more than one employee on the timesheet, all employees were not signing the timesheet only the crew leader;
- The employee was paid at two different jobs and two different rates. The employee was crew leader for 26 out of 94 activity sheets. There were 14 occasions the employee did not have a crew and therefore should not have been a leader and 3 occasions when he and another person were both recorded as crew leader;
- There were 15 hours recorded for September 13, 2007 where there were 5 hours regular, 5 hours of overtime and 5 hours of Income Protection Plan (IPP) sick leave;
- There were three activity sheets with signatures in 2007 and 2008 where the signatures were not recognizable for an activity identified as snow plowing. The Program Manager indicated they did not know whose signature it was and that they did not have a list of signatories and their signatures. Refer to section 3.2.7;
• Activity sheets containing descriptions of work such as snow plowing and other “handyman” duties including renovations, painting, and building the frame for a shed totalled 369 hours for $14,228 including regular time and overtime hours. These duties were not part of the job description for the employee whose regular duties were as “Traffic Signal Plant Inspector”. The employee had overtime for 2007 of $21,854.

Recommendation 7
That Payroll Division implement and monitor controls to ensure that:
a) Prior to entry, timesheets (or other appropriate documentation) exist to document and authorize time including appropriate employee and supervisory authorization;
b) The authorization list contains signatures and initials; and,
c) Supervisors are aware of the different rates tied to job codes;

Management Response
a) Management agrees with this recommendation.

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

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

b) Management agrees with this recommendation.

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

With respect to electronic authorizations, recently managers/supervisors have been delegated the appropriate signing authority within the SAP system for a variety of automated human resource management actions, including approval of time and leave. Since July 2009, the automated mileage and parking solution uses this approach and the same methodology is in use for the automated time/leave solution that was launched in November 2009 over a 3-month period, for approximately 4,800 employees. The automated processes eliminate the requirement for dual data entry and the maintenance of a manual authorization system.

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

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

**Recommendation 8**
That RPAM follow a consistent method for processing timesheets to Payroll.

**Management Response**
Management agrees with this recommendation.

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

**3.2.6.8 Appropriateness and Authority for Building**
Further to the review of activity sheets for Traffic and Parking Operations (section 3.1.6.7), there was no formal agreement between RPAM and TPO for activities at 175 Loretta including renovations, snow clearing, and the 24 X 35 foot shed.

The Director responded that in general where departmental resources have time available they would do cleaning, painting and minor maintenance. In this case the individual did not have time available as he worked overtime in order to complete this work, which was outside his regular duties. The Director indicated that although there are agreements with many clients, they are not put in writing. There is no date regarding when the verbal agreements were put in place. The Director indicated that whether or not there was an agreement in place would be left to whether or not the Facility Supervisor sees an opportunity. The Director indicated that the client must respect the RPAM mandate and that the Facility Supervisor would challenge the client.
The Facility Supervisor indicated that the shed was purchased and erected by the client without RPAM involvement. He said he saw the structure after it was erected. He thinks it was for Corporate Stores and was used to store copper wire. They only looked into this matter as a result of this audit. He said he only became aware when they approached him a couple of months ago when they tried to get a building permit. He indicated that if a permit was required and they didn’t get one that they’d have to tear down the structure. As at September 24, 2008, there was no building permit and the structure was in place.

The Director indicated that a Building Permit would be required. We have reviewed and agree that a building permit should be required for this structure. In addition to the building permit issue, the Director has expressed concerns with the structure and potential health and safety issues with how the items were stored in the shed as well as security provisions if there were chemicals.

The Facility Supervisor indicated that for snow clearing, RPAM has a contractor hired to do the sidewalk. He also indicated that staff at Loretta have been doing all other snow clearing for security reasons. He didn’t make this agreement and wasn’t sure but thinks that it was made at amalgamation (2001).

With respect to kitchen renovations, the Facility Supervisor indicated that he wasn’t aware they were renovating the kitchen until they asked him to have the floor stripped. He saw the countertop and sink and that came out of their budget and they did the work on a weekend. He didn’t think anything of it. He looked at it as a bonus.

With respect to painting in the stairwell, the Facility Supervisor indicated that he had his contractors strip the floors and the walls were supposed to be washed. He said the branch had started the painting and had not finished. RPAM was not involved. Management indicated that, “The Department has bodies looking to do work and RPAM don’t say much”.

The Facility Supervisor said that RPAM is responsible for the building interior and that he was told that he was not responsible for much outside. He said that it used to be a regional building and that the Region always had their own staff do all their own work. He thinks Loretta did a lot of their own “stuff” and figures that when they have downtime then work would be taken-on by their staff.

Building permits were not obtained for the 24 ft x 35 ft shed constructed by TPO staff or for renovation work also performed by TPO staff at 175 Loretta including the kitchen and office renovations. The building of the shed did not follow an appropriate RPAM process.

RPAM did not question or challenge any of the work performed by the client branch to ensure that City by-laws, policies and procedures or legislative requirements were followed.
Recommendation 9
That the City obtain a Building Permit for work conducted at Traffic and Parking Operations, as appropriate.

Management Response
Management agrees with this recommendation.

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

Recommendation 10
That the City review which work schedules will require “precise” time entry and that the City ensure accurate clock times are entered into the system, and that inaccurate times are not assumed or forced into the system.

Management Response
Management disagrees with this recommendation.

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

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

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

**Recommendation 11**

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

**Management Response**

Management agrees with this recommendation.

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

**Recommendation 12**

That the City:

a) Replace the RMS system used for payroll purposes for Volunteer Firefighters with a more functional system with better controls; and,

b) Check that rates and levels paid are available in an agreement.

**Management Response**

a) Management agrees with this recommendation.

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

Since November 2008, Payroll has been leading a project with Fire Services to utilize the SAP HR/Payroll system rather than RMS to track payroll information for the purposes of calculating pay. The official salary schedules will be built in the SAP system and all payroll information will be tracked in that system. Implementation occurred in October 2009. A file from the RMS system will be uploaded directly into SAP identifying dates, activity and the number of hours worked for each volunteer. SAP will use that information, determine the rate of pay for each activity and calculate gross to net pay for all hours worked from October 1, 2009 onwards.

b) Management agrees with this recommendation.

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

**Recommendation 13**

That Payroll Division work with the Transit Services Department to:

a) Document the processes used by Time Administrators at Transit Services;

b) Implement a control whereby the Supervisor, Transit Booking randomly selects one day per week, or pay period, and has a different time administrator than the one that did the original entries verify the entries. Document both the scheduling and results of the control; and,

c) Implement a control whereby time entries made by the Supervisor, Transit Booking are reviewed by the Program Manager.

**Management Response**

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

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

**3.2.7 Timesheets/Exception Leave Request Forms**

Numerous forms are used for time reporting including timesheets/exception leave request forms, activity sheets, daily printouts and daily spreadsheets.

There are two ways that time reporting is processed: exception time reporting and positive time reporting.

Exception time reporting is used primarily for employees with a fixed work schedule (e.g., salaried employees). The system automatically calculates pay for these employees based upon a predetermined work schedule. Exception time such as leave, overtime, on call or unscheduled regular hours would be recorded on timesheets/exception leave request forms or activity sheets and then entered into SAP.

Positive time reporting is used primarily for wage employees. They must submit a timesheet to identify when they have worked in order that their time is entered in SAP in order that they are paid. This is referred to as positive time reporting where employees record all of their time and submit a timesheet in order to be paid. This applies to casual employees, CUPE 503 Recreation and Culture employees, and all employees who do not have a fixed schedule.
The employee signature is their confirmation that they worked the shift. The supervisor’s signature acknowledges that they were authorized to perform this work. In some cases when the supervisor signs off they are signing for the numeric job code, which is tied to a rate, however the rate does not appear on the timesheet or activity sheet.

Where salaried and wage employees are entitled to shift premiums these would be determined prior to entry into SAP and are usually linked to the attendance code. SAP would not contain accurate time information to permit an analysis to determine that the coding of shift premiums was appropriate.

Within the sample of 100 where timesheets would have been required for 65 of the samples, we have found 17 cases where timesheets and activity sheets did not include employee signatures to confirm that they worked the time and 7 cases, which did not include supervisory sign-off to acknowledge that the work and rate were authorized. The authorization list of signatories did not contain signatures and initials.

### 3.2.8 Overpayments and Recovery

Within the sample, there was an example where the Payroll Division file was not complete with respect to actions taken relating to an overpayment recovery. This related to a $1,500 payroll overpayment in December 2005 for leave without pay and due to a transfer from part-time to casual. An explanation was provided that this went from Payroll Division to AR Overpayment Recovery and then returned to Payroll Division. Recovery was $40 per pay and the pay reviewed in 2007 included arrears for two pays. At the time of the audit this was not fully paid which Management has indicated has now been fully recovered.

In addition to the sample, there was an example from 2005 where an employee was paid LTD by the insurance carrier and paid by the City at the same time. The employee also received full IPP (sick leave pay) when he should have received pay at 2/3 of his regular salary. This resulted in an overpayment of $1,300, which was not addressed until December 2008 when the Payroll Manager was following up authority for write-off from the Department, which Management has indicated has now been approved.

As explained in the RPA section, in addition to the sample, during 2007, there was a matter that was initially identified as a result of a report to the Fraud and Waste Hotline. The example related to an employee that continued to be paid their regular salary when they were on a leave of absence. The Manager in Utility Services had not provided an RPA resulting in the employee being overpaid $5,000. This amount had not been fully recovered prior to the termination of the employee. At the time of the audit the employee had repaid only $450. The matter is now with Legal Services to collect.

The identification of an overpayment and subsequent claim recovery is only triggered if transactions are coded properly in SAP. An overpayment would not be known until a properly coded time or leave sheet or RPA is completed. Once the paperwork is
processed the system would automatically create the claim. In some cases, the system will automatically recover the amount in the next pay depending upon the nature of the overpayment and the availability of funds in the pay. The risk exists that there are overpayments that are not identified and therefore not recovered. In two of the above cases, the overpayments were only identified from questions through the OAG.

The Payroll Division overpayment guideline considers processing delays normal. Management has indicated that there are no delays in processing. The fact is that the City pays approximately 10,000 City employees up-to-date. Pay must be sent to the bank four days prior to payday, therefore pay is finalized before payday. It is not possible to know prior to pay closing all events that impact an employee's pay, such as leave taken which may create an overpayment. For this group of employees, there is no other choice but to process additional payments one pay behind. The exception is pre-planned vacation leave or long-term sick leave that is posted into the future.

The overpayment recovery report, which was an Excel spreadsheet, was only available from the Payroll Manager for 2008 and not for prior years. This report excluded write-offs, recoveries paid back automatically through the system and amounts sent to Accounts Receivable previously and did not reconcile to the General Ledger (GL). The total of the items on the November 2008 report of cumulative overpayments was $351,000. The GL continuously changes as data is entered in the payroll system to create an overpayment situation, which may or may not be recovered immediately. Payroll Division has worked with IT to develop an SAP report, which they are testing. Based on the cases that had not previously been identified and lack of complete reporting, we cannot be sure that the complete population of overpayments has been identified and properly actioned.

The reason codes used in the payroll system are not always reflective of the personnel or payroll actions taken.

As an example, time off as a result of discipline known as a “suspension without pay” has been recorded as leave without pay or investigatory leave and demotion has been used when a part-time employee is going to a lower paying full-time position.

Time off as a result of discipline (suspensions without pay) did not have a specific code in the payroll system. It had been recorded using codes such as leave without pay or investigatory leave. Based on suspensions that were known to the OAG, the lack of a code for suspensions without pay resulted in at least one suspension being coded as paid investigatory leave resulting in an overpayment of $736 for three days. This was not previously identified until the OAG identified this item as part of this audit. Labour Relations and management have indicated that the recovery of this amount from the employee is in progress.

We noted an example of an employee that was in a term position that was successful in a competition for a full-time position where the system referred to this action as a demotion. The Payroll Manager has explained that in SAP when an employee moves
from a higher pay grade to a lower one, the action used is demotion. This means that the position is paid less at the maximum of the new position compared to the old.

Payroll Division should ensure there are codes for all labour actions in the system. If Council wanted to know who was suspended and for how many days, the City would not be able to perform this analysis. There is no mechanism to track this information.

**Recommendation 14**
**That Payroll ensure that there are codes for all labour actions in the system.**

**Management Response**
Management agrees with this recommendation.

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

**Recommendation 15**
**That the City follow up and recover any outstanding overpayments on a timely basis.**

**Management Response**
Management agrees with this recommendation.

Prior to and post this audit, Payroll has had in place a process to follow up on overpayments as they occur. The Payroll audit report identified a cumulative overpayment value of $351,000 at November 2008, which equates to one tenth of 1% of net payroll for one year. However, it was not mentioned that of this amount, $236,000 or 68% had already been collected at that time. At January 2010 there remains a balance of $23,000. Currently 93% of the overpayment value of $351,000 identified has been dealt with and Payroll continues to work on the collection of the remaining amount owing.

### 3.2.9 Job classification

Payroll Division was unable to provide a copy of a volunteer fire agreement or other documents to confirm levels and rates paid to volunteer firefighters and their terms and conditions.

This would be an important control to ensure that they are being paid appropriately.

### 3.2.10 Request for Personnel Action (RPA) Forms – Approval Authority

The RPA form is an electronic form and the primary document that authorizes and documents personnel actions such as the hiring, transfers and dismissals. The 2006
Audit of the Financial Control Environment recommended that the Employee Services Branch requires that a supervisor sign and approve all RPAs before any action is undertaken. Management responded that the RPA was an electronic form that must be sent from the Program Manager or Supervisor’s desktop and that the electronic release of the form from the supervisor’s/manager’s desktop was considered the authority to action. Therefore, the hard coded desktop computer name should appear on the RPA in order that proper approval is readily verifiable. For the sample, we identified six cases where the RPA sender differed from the authorizing Manager/Supervisor. Payroll Division management responded that the Manager would close the loop by signing the letter of offer. For three cases in Long Term Care and one case in the Public Health, the RPA sender differed from the authorizing Manager/Supervisor but the letter of offer was signed by the Program Manager. There was one case for a summer student where a properly authorized letter of offer was not available for the initial hiring and in Transit, there was a letter of offer signed for the Program Manager where the signature was not legible and there was no printed name. The issue of Signed Employment Offer Letters was also identified in the Audit of the Financial Control Environment. Therefore, for two out of six cases the resultant personnel actions (hires) were not properly authorized and documented.

There was an example where an RPA in 2007 contained the incorrect rate. In pay period 13 of 2008 an error relating to incorrect rates paid in 2005 and 2006 was discovered and was corrected for an amount of $17. Subsequent increments do not appear to have considered the 15-month increment date from the collective agreement or breaks in service for the summer student position. Payroll management has indicated that the summer student portion was not carved out due to system limitations; the high cost of administering this manually; and, the fact that this was included in the past and could constitute a right and privilege. This would result in the City paying increments that they don’t need to pay.

For the example noted above (and in the errors section) where a properly authorized letter of offer was not available for the initial hiring, the employee was subsequently transferred from the Parks and Recreation group to the summer student group. Management has indicated that this is an administrative process that occurs each year for over 1,000 individuals and letters of offer are not required as these are not competitions but mandatory requirements in accordance with Article 19 of the Parks and Recreation Collective Agreement. The Recreational and Cultural staff move to summer students each year then move back each September under the Recreation and Culture agreement. This movement only affects certain existing staff within the Recreation and Culture organization. In addition to the letter of offer not being available for the initial hiring, the transfer was done using a seasonal transfer spreadsheet, which was not signed. The documentation to evidence the existence, the authorization for the hiring and the acceptance of the offer letter were not available. Managers are not fulfilling their responsibilities as nobody is monitoring the situation.
For hires prior to amalgamation, although not called an RPA, former municipalities usually had a comparable document. As part of the sample, it was found that there were two cases where there was a comparable form that has now been placed in the Payroll Division file. As noted in the errors section, there was also a case for Transit where the personnel action record was not on the personnel or payroll file. For the sample, RPA documents not available for transactions prior to amalgamation were not considered as errors for the purpose of this audit.

RPAs were not used consistently to document personnel actions. An RPA was not always created for rank progression. As part of the sample there was an example where copies of listings of rank progression were subsequently provided by Employee Services.

RPAs were not used for two cases of red-circled employees. In one case a copy of the Job Evaluation Appeal Advice that was kept in personnel file has been provided. A RPA was not used when part-time staff meet hours requirement in order to receive an increment.

In addition to the sample, as noted in the overpayment section 3.1.8, during 2007, there was an example of an employee that continued to be paid their regular salary when they were on a leave of absence. The Manager in Utility Services had not provided an RPA resulting in the employee being overpaid by $5,000. Payroll Division was originally not able to collect the money owing so they sent the overpayment to Accounts Receivable for collection. They were able to collect $450 from the employee prior to their termination date in October 2008. The employee had agreed to provide post dated cheques of $300 per month until such time as the balance and interest was paid in full but cheques have not been provided and they have not responded to calls. The matter is now with Legal Services to collect.

On two prior occasions, the employee had previously received a letter of instruction and a written reprimand. Management has indicated that no actions were taken with the Manager, however their employment with the City has since ended. Management has also indicated that managers have been reminded about the need to complete the RPA form when any staffing action is initiated. In addition, a program manager at the location has been assigned responsibility for attendance management for the branch.

**Recommendation 16**

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

**Management Response**

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

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

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

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

3.2.11 Acting Pay

There are three areas to consider with respect to acting pay: the manager’s responsibility to initiate the actions to start and stop acting pay; Employee Services responsibility to ensure that the action meets the collective agreement or other policies or legislation; and, Employee Services responsibility to ensure the action is setup in SAP to start and stop acting pay at the appropriate time.

There are two main types of acting pay. The first type would be where the collective agreements require acting pay over a certain number of days for vacation cover-off. This is typically one-time and would be actioned by an RPA with a start and end date. The second type of acting pay would be longer term, for example maternity leave, and would result in employee B taking on all the attributes of the employee A’s position. In the former system, the end date for the RPA was entered in the system. This approach to future date the end date is not considered workable in SAP so the RPA end date is no longer recorded in SAP. Payroll Division management explained that the RPA may have an end date for a temporary appointment which can be put into task monitoring and that these temporary appointment end dates would appear in the position incumbent report. However, for the examples checked, end dates did not appear on the position incumbent report. Management indicated that in SAP the end date for long-term acting is identified in the SAP system. However it does not drive pay for employees, like the former system did. HR is responsible for running the End of Acting report and working with clients to determine if the acting should be extended or if the term should be ended. Failure to perform this review and follow-up creates the risk of overpayment. The 2006 Audit of the Financial Control Environment recommended that Employee Services Branch require that supervisors ensure there is a position incumbent report for all their staff that directly report to them and that they review them for any errors or incorrect or unauthorized employees or changes to employees pay or grade level. Management did not agree with this requirement, which would be an important control to identify errors on a timely basis.

For other acting assignments such as for truck drivers, paramedics or firefighters, any time worked at a higher pay doing alternate jobs would be handled on an activity sheet. With respect to Acting Pay, LTD and LTWSIB, Payroll Division Management indicated that there was now good documentation in the Payroll Handbook, as managers had not
been doing RPAs properly. However, documentation provided from the Payroll Handbook does not address end dates.

Within the sample of 100, there were four examples where employees received acting pay and all were firefighters. They were all processed on timesheets, which were signed by the supervisor.

In addition to the sample, there was an example where an employee had been on LTD and upon their return they were temporarily placed in a position for an employee that was on a secondment. The organization chart shows the position as acting, however the SAP master file shows the employee as returning from leave but does not show the position that they are in as acting and does not show an end date. Information in SAP does not match the explanation provided by management. Without an end date there is a risk of overpayment.

**Recommendation 17**

That the City:

a) Review their current process with respect to acting pay to ensure that documentation and system entries properly reflect the actions taken; and,

b) Review system functionality and documentation for acting pay to ensure that acting pay is properly controlled, started and stopped appropriately and that system functionality is fully utilized.

**Management Response**

a) Management agrees with this recommendation.

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

b) Management disagrees with this recommendation.

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

The RPA process documented on the City’s intranet at the time of this audit indicated that the RPA process was under review. As requested by the OAG as part of the audit, Payroll Division Management reviewed the document and noted that there were some changes required to the process document to show that the flow of the RPA should be from HRC (Human Resources Consultant) to ETA (Employee Transaction Assistant – in Payroll Division) to the Payroll Analyst to the Records Management file. Box 6 should say ETA in Payroll Division that enters into the Payroll system instead of the HRA (Human Resources Assistant) in Employee Services Staffing and Client Relations and boxes 7b and 7c should say HRC instead of HRA.

As this is not up-to-date during 2008, it would not be a useful reference for management or staff. Management has indicated that the RPA has been redesigned with a help link that was updated subsequent to the audit.

3.2.13 Off-cycle (On-Demand) Cheque Processing and SAP Internal Control

One of the errors within the errors section 3.1.4 related to the processing of an off-cycle (on-demand) cheque in SAP by Payroll Division. The off-cycle cheque processing of a vacation payout did not show the detailed hours and requires a separate adjustment to hours. A sample off-cycle cheque had been prepared by the Payroll Analyst and signed-off by the Senior Payroll Analyst. The version that was processed in the system by the Payroll Analyst differed resulting in a payment error. The hours had been adjusted separately.

The process for off-cycle cheques did not contain sufficient controls to ensure that the version that was verified matched the version that was processed resulting in an error, which went undetected until this audit. This creates the risk that employees could be overpaid for vacation payouts. For vacation payout the off-cycle processing should be tied to hours and the reduction of leave banks as well as rates of pay.

**Recommendation 18**

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

**Management Response**

Management agrees with this recommendation.

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

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

Firefighters receive pay or time off in lieu for statutory holidays that they work. On the first pay of December, firefighters would be paid for statutory days that they have not already been paid for or have not already taken off or scheduled to take off. Fire keeps manual track of leave outside of the SAP system and these details (leave forms signed by employees) would not be provided to Payroll Division. They also send emails for adjustments for example for time not taken. Fire sends a spreadsheet to Payroll Division in order to process the annual payment.

This is an example where Payroll Division appears to be placing reliance on summarized information as their source documents as opposed to original leave forms signed off by employees and supervisors.

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

For another of the sample employees, the employee was paid for December 25 and 26 on the first pay of December. This would have been non-compliant with the collective agreement that states that statutory holidays are only eligible for payment after the statutory or declared holiday has passed. It was indicated that the payment of December 25 and 26 on the first pay of December was a past practise. This practise should be stopped.

**Recommendation 19**
That the City stops the practise for payment of Fire statutory days of December 25 and 26 on the first pay of December.

**Management Response**
Management agrees with this recommendation.

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

3.2.15 Benefit Plan

The City currently pays for 100% of the Extended Health coverage and 80% of the Dental coverage for eligible employees.
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For the sample, where there was benefits coverage, there were 18 employees with single coverage and 52 employees with family coverage. Some forms date back to 1975 without any subsequent changes. There is evidence of changes having been made to change dependent coverage but usually to add coverage. Based on the information on file, it would be difficult to determine the extent that it may be an issue where the City is continuing to pay family coverage where the coverage should be single. As example, for a single parent with children that are no longer eligible for coverage, the parent would be unable to make any claims for family members even though family coverage continues to be paid. Based on 2007 benefit rates provided by the Finance Officer, Payroll, there would be an estimated difference of $146 to $169 monthly or $1,752 to $2,028 annually per employee depending upon their collective agreement. If benefits are overpaid for a period of time there is no opportunity to recover the overpayment. The files should be reviewed periodically to ensure that benefits information is up-to-date. Consider a reminder to staff to review their coverage requirements.

Management has indicated that employees must provide details on their enrolment forms of their eligible dependent children and/or eligible spouse, which are updated in SAP and Manulife systems. Employees are also able to change coverage, using a change form, which is sent to the City’s Benefits Unit.

Management has indicated that in the first quarter of 2009, Benefits are undertaking a benefits confirmation project to request that employees confirm their coverage, update beneficiary and dependant information, etc. Their consultants advised this usually occurs every three or four years and that the last initiative was in the first quarter of 2005.

As part of the sample, benefits continued in error for an employee that changed from one employment group to another for a period of almost 13 months. As benefits overpaid are not recovered retroactively, at a monthly cost of $78.20, for 12 months this would have cost the City $938. The files and system should be reviewed periodically to confirm that coverage is appropriate particularly as the practise has been not to recover overpayments retroactively.

Recommendation 20
That the City periodically review benefits and send reminders to staff to confirm that coverage is appropriate.

Management Response
Management agrees with this recommendation.

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

As part of the review of the payroll sample it was determined that there were 18 cases out of 100 where pension contributions were not calculated correctly. In some cases the errors could relate to other employees that were not reflected in the sample. The errors were quite serious, particularly an error in the pension calculation for some Transit Services employees. We found that the City was non-compliant with OMERS requirements. The error, which was not detected until this audit had been on-going for the past ten years and has resulted in the pension contributions and contributory earnings being understated. Management has estimated that the under remitted employee and employer pension contributions is approximately $2.6 million. This also resulted in past, present and future pensioners receiving less than their full entitlement.

The estimated impact for three example earning types for Transit Services employees where OMERS was under-remitted appears in the table below.

Table 2: Estimated Impact of Potential Errors in Transit Pension Calculation

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Premiums for Life Insurance (Note 2)</td>
<td>7</td>
<td>$13</td>
<td>$69</td>
<td>$66,253</td>
<td>$345,066</td>
<td>$338,165</td>
<td>$3,450,663</td>
</tr>
<tr>
<td>Shift Premiums (Note 3)</td>
<td>4</td>
<td>67</td>
<td>349</td>
<td>121,175</td>
<td>631,118</td>
<td>$605,318</td>
<td>$5,898,069</td>
</tr>
<tr>
<td>On call (Note 4)</td>
<td>4</td>
<td>16</td>
<td>84</td>
<td>41,931</td>
<td>218,390</td>
<td>$211,951</td>
<td>$2,055,913</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>$96</td>
<td>$502</td>
<td>$229,359</td>
<td>$1,194,574</td>
<td>$1,155,434</td>
<td>$11,402,645</td>
</tr>
</tbody>
</table>

Note 1: Estimated contributions under remitted are based on estimated Contributory Earnings and include both employee and employer portions and consider the contribution holiday in effect during the 10-year period from 1999 to 2003 and the rates in effect for each year. No impact relating to interest has been reflected here.

Note 2: Contributory earnings were estimated based upon actual taxable life insurance premiums for 2007 for ATU 279 and CUPE 5500 for a member from the sample for each of these groups multiplied by the total membership for these groups. This number is net of any amount of employee payments for Life Insurance.

Note 3: Contributory earnings were estimated based upon actual shift premiums charged to Bus Operations for 2007 and 2008 and estimates which were 2% less for each of the prior years.

Note 4: Contributory earnings were estimated based upon actual on call charged to Bus Operations for 2007 and 2008 and estimates, which were 2% less for each of the prior years.
For Transit employees (ATU 279 and CUPE 5500) the pension calculation did not include all contributory earnings as defined by OMERS and is only based on 40 hours per week, which is non-compliant with OMERS requirements. There was no supporting documentation available at the City to show the authorization or agreement with OMERS for using the 40 hours per week as opposed to the OMERS Contributory Earnings inclusions. Appendix B of this report outlines the OMERS definition of contributory earnings. The Program Manager, Pension and Benefits followed up this matter with OMERS. OMERS responded to the City that effective January 1, 2009 that the City is to have included all contributory earnings and credited service in accordance with OMERS requirements and that all contributory earnings should be administered on a retroactive basis which the Manager indicated would be back to January 1, 1999.

Considering there would have been a four-year contribution holiday from 1999 to 2002 and a reduced rate in 2003 during this period, for the three sample earnings types, this would result in an estimated under remittance of $1.2 million for the period from January 1, 1999 to December 31, 2008 for three of the earnings types for Transit employees. This error results in past, present and future pensioners receiving less than their full pension entitlement.

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

Despite this error, Management has indicated that there is no reason to check the contributions other than when they are initially setup or changed which would be at a minimum annually. In our opinion, regular and complete checking may have detected or flagged this issue, which was not identified until this audit. The delay in detecting this issue will result in the 10-year impact being recorded in the current year and in the possibility that OMERS may charge interest and premiums for the period where the City would have previously realized a contribution holiday. The OAG is concerned about the use of a 5% tolerance rate, because as illustrated, errors that fall within this threshold can have a significant cumulative impact and can go undetected for significant periods of time.

Within the payroll sample selected for this audit, the errors section includes the example of an employee that was enrolled in OMERS and receiving credit for time but that never actually contributed to the pension plan. The employee had been enrolled in OMERS since 1998. Upon amalgamation he was never entered into the payroll system as on Pension and therefore had not been contributing. He was enrolled in OMERS and receiving credit for the time but never contributed to the plan. As contributions only came back into effect in 2003, he owed arrears of $1,405 for the period from 2003 to 2006. The error had been discovered in 2006. The amount was not recovered from the employee as he retired in early 2007. There was also no pension deducted for this
employee for the sample pay in 2007, which is currently being investigated by Employee Services.

The errors section also included the following examples:

- An example of a retroactive calculation relating to a prior pay period where the system did not include the taxable benefit life insurance in the pension calculation for a CUPE employee.

- Another example where the taxable benefit life insurance for a CUPE employee was not included in the pension calculation. Management has indicated that this matter was investigated and a system error was found for some employees with a very unique situation and was corrected retroactively to January 2008. Management has also indicated this error was within the 5% tolerance rate allowed by OMERS rules. As previously noted, the OAG is concerned about the use of a 5% tolerance rate. We also do not have official documentation from OMERS where this 5% tolerance rate is a rule. The fact that these errors have been corrected retroactively to January 2008 indicates that this is not an OMERS rule.

- Of the sample, there were six employees with letters in their pension/benefits files dated 2006 relating to corrections to pension adjustments for 2004. Employees are reliant on pension adjustments when determining their RRSP contribution room. Undercontributions to an RRSP would result in lost earnings and over-contributions to an RRSP would result in penalties. Pension Adjustments are provided by the Pension and Benefits Unit to Payroll Division for entry and are not subsequently checked by Pension and Benefits Unit.

On an overall and ongoing basis, Payroll Division and Pension and Benefits staff indicated they are not checking that the amount of pension contributions were accurate.

The City shares the cost of OMERS with the employee equally. The total amount paid to OMERS for 2007 was $110 million. The payments made to OMERS are made on a lump sum basis and are not broken down by individual until the Pension and Benefits Unit performs the year-end individual process and pension adjustments.

Payroll confirms that the OMERS deducted is remitted. They also confirm that the amounts for the employee and employer match. When setting up new earnings types in conjunction with the Pension and Benefits Unit they would ensure that they setup the system to calculate (or not calculate) pension contributions and then they test to ensure that the system calculated the pension properly.

As part of the year-end process, the Pension and Benefits Unit calculate any required changes to pension adjustments for T4s and their annual reporting to OMERS. They indicated that they would review those employees with 12 months service where the pensionable earnings varied from annual salary by more than 5%. Documentation evidencing this review for 2007 was not available as it had not been retained. Therefore, it was not clear if this step had been fully done and if differences had been adequately
followed up. Even though the document was not there we question this variant threshold as too high. For example, for a salary of $100,000, a 5% difference would be $5,000 in contributory earnings. The OMERS contributions for the employee and employer on a $5,000 difference would be $960 using the 2007 rate.

The Program Manager confirmed that City documentation for the Year End Pension Adjustment Procedure erroneously showed 20% as the variant between annual salary to pensionable earnings to be used by staff when it should read 5% which is reflected in other documentation and is the variant rate used in practise. Therefore, errors could go undetected that either exceed their variant thresholds that they have not followed up or that fall within their variant thresholds.

In situations where the employee is setup on OMERS and not on the Payroll system, the Pension Officer would request that Payroll Division staff collect the arrears. The comparison and reconciliation of dollar values between OMERS and the Payroll system for 2007 was considered to be nearly complete in January 2009 but had not been compared to total monthly payments. There were considerable reconciling items where the disposition had not been identified. Although not complete, for 2007, there were two employees identified as not being setup in the SAP Payroll system where arrears were being collected in 2008.

Where there are amounts to recover that relate to a prior year, the Pension and Benefits Unit would advise OMERS that the arrears were paid even though the employee has not submitted the payment. A manual adjustment would be required. The T4 would reflect the correct amount of RPP contributions in the year the contributions were paid. Amounts not recovered from the employee would be a cost to the Corporation. There would be a risk where an employee has left the Corporation.

The Pension and Benefits Unit has identified an issue with the way that SAP calculates credited service. SAP calculates based on calendar days and OMERS calculates on full months. For Other Than Full Time Continuous employees SAP can calculate credited service by hours and when full time is less than 12 months they have to recalculate credited service. Changes required are provided to Payroll Division, and the Pension and Benefits Unit do not review what Payroll Division has done.

There is no ongoing reconciliation to confirm that the pension contributions deducted were accurate. This is important as errors in pension can be cumulative and can go undetected for several years, and in some cases may not be detected until the employee retires. An ongoing monthly reconciliation would detect errors on a timely basis in order that amounts over or under deducted are corrected on a timely basis and that the root causes for the incorrect deductions are also corrected on a timely basis.

**Recommendation 21**
That the City ensure:

a) Compliance with all OMERS rules/legislation;
b) OMERS earnings are reconciled for staff on a sample basis;

c) The documentation relating to year-end procedures for OMERS are corrected as appropriate; and,

d) Pension files are opened where staff are eligible to be offered a pension in order to track follow-up.

**Management Response**

a) Management agrees with this recommendation.

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

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

b) Management agrees with this recommendation.

Random audits for employees on a sample basis will take place on a quarterly basis to verify that all pensionable earnings are included as part of OMERS requirements and that the appropriate contributions are reported to OMERS. These audits will commence in Q1 2010 and will represent 1% of employees within each union affiliation contributing to the OMERS Pension Plan (equating to approximately 500 employees per year). This will be in addition to the year-end reconciliation process, which reconciles payroll contributions deducted for each employee, to contributions required by OMERS.

c) Management agrees with this recommendation.

The documentation of year-end procedures has been corrected.

d) Management agrees with this recommendation.

Commencing in 2008, pension files were opened for those eligible Other-Than-Continuous Full-Time (OTCFT) employees who elected to join the pension plan. For those eligible employees who declined to join the pension plan or those that have yet to respond, correspondence was filed in the employee’s official payroll file.
In Q4 2009, official pension files were opened for all Other-Than-Continuous Full-Time (OTCFT) enrolment offers sent to employees.

### 3.2.17 Transit Training

Within the payroll sample, a Transit employee was on training and received payment at a rate of 50% of their usual rate. There was no backup document available for the employee for the time when they were on training or for the rate that they were paid. An explanation was provided that this has been a long-standing practice at the City. This practice should be reviewed and if it is considered appropriate should be documented as a policy.

### 3.2.18 Modified Duties

Within the payroll sample, there was an example where the rate paid to an employee on modified duties does not match the pay schedule as they do not qualify for an economic increase until they returned to work full-time. An explanation was provided that this is a long-standing rule that the modified duties rate equals the pre-injury rate. This long-standing rule should be reviewed and if it is considered appropriate should be documented as a policy.

**Recommendation 22**

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

**Management Response**

Management agrees with this recommendation.

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

### 3.3 Errors and Issues Arising from Data Analysis

This section relates to errors and issues that arose from the data analysis of the overall payroll file that were not reported in an earlier section.

#### 3.3.1 Electronic Data Files

Electronic payroll reports from SAP were difficult and time consuming for Payroll Division working with IT to provide. Payroll Division provided an electronic file of all final T4s issued in 2007 and an electronic file of all employees. When the OAG
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compared the two files it was discovered that there was a difference of 3,813 employees. When the OAG advised Payroll Division of this difference they checked and generated a new file. The new employee file differed by 252 which related to employees that were either terminated prior to 2007 but paid in 2007 or were terminated and adjustments were recorded in SAP for a previous year.

The final 2007 electronic T4 file provided for data analysis purposes contained 22,015 personnel records including 1,446 where there were blank records. The total dollar value for the electronic file was reconciled to the T4/T4A Summary total of $850 million.

For data analysis purposes the OAG created an electronic file to link the employee file and the T4 file.

Table 3: Master List for Data Analysis (2007 data)

| Records common to both Employee Data and T4 List (A) | 21,588 |
| Personnel Numbers NOT on T4 List (B) | 159 |
| Duplicate Personnel Numbers (C) | 16 |
| Records per Payroll provided Employee Data List (D) | 21,763 |
| Records on T4 List | 22,015 |
| Personnel Numbers NOT on Employee Data List (E) | 427 |
| Records for Master List (D-C+E) | 22,174 |

There were almost 19,000 personnel records for 2007 excluding OPS, OPL and EO for a total of $700 million. This would include Volunteer Firefighters and employees that were terminated during 2007 or terminated prior to 2007 and received a payment in 2007 and excludes employees where the gross pay was $0.

The totals would be broken down as follows:

Table 4: 2007 Personnel Records by Union Affiliation

<table>
<thead>
<tr>
<th>Personnel Area (Union)</th>
<th>Count</th>
<th>Percent of Count</th>
<th>Percent of Gross</th>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUPE 503 Inside/Outside</td>
<td>6,736</td>
<td>35.59%</td>
<td>42.65%</td>
<td>$290,986,315</td>
</tr>
<tr>
<td>ATU 279</td>
<td>2,331</td>
<td>12.31%</td>
<td>16.55%</td>
<td>112,921,747</td>
</tr>
<tr>
<td>CIPP</td>
<td>1,692</td>
<td>8.94%</td>
<td>14.31%</td>
<td>97,618,477</td>
</tr>
<tr>
<td>OPFFA (Fire)</td>
<td>962</td>
<td>5.08%</td>
<td>9.76%</td>
<td>66,587,175</td>
</tr>
<tr>
<td>MPE</td>
<td>654</td>
<td>3.46%</td>
<td>8.27%</td>
<td>56,445,802</td>
</tr>
<tr>
<td>CUPE 503 PT Rec &amp; Cult</td>
<td>3,893</td>
<td>20.57%</td>
<td>2.58%</td>
<td>17,584,618</td>
</tr>
<tr>
<td>Non Union/Non MPE</td>
<td>1,382</td>
<td>7.30%</td>
<td>2.59%</td>
<td>17,648,379</td>
</tr>
<tr>
<td>CUPE 5500</td>
<td>152</td>
<td>0.80%</td>
<td>1.43%</td>
<td>9,763,640</td>
</tr>
<tr>
<td>ATU 1760</td>
<td>228</td>
<td>1.20%</td>
<td>1.36%</td>
<td>9,310,267</td>
</tr>
<tr>
<td>Non City</td>
<td>785</td>
<td>4.15%</td>
<td>0.48%</td>
<td>3,248,074</td>
</tr>
<tr>
<td>IATSE</td>
<td>114</td>
<td>0.60%</td>
<td>0.02%</td>
<td>140,864</td>
</tr>
<tr>
<td>Total Excl. OPL, OPS, EO</td>
<td>18,929</td>
<td>100.00%</td>
<td>100.00%</td>
<td>$682,255,358</td>
</tr>
</tbody>
</table>
3.3.2 SAP Payroll (T4) to General Ledger Reconciliation

Payroll transactions are reflected in the accounting records via postings to General Ledger (GL) accounts.

It took two weeks for Payroll Division to obtain a wage type report for SAP which identified the corresponding GL cost element account numbers to use to balance to the SAP GL. These reflected the current wage types and cost elements and not the wage types and cost elements as they appeared, as it was not possible to report them as they were. The year-end balancing to T4 gross total that was provided does not reconcile to the GL.

Payroll Management has indicated that it is normal practice to reconcile the T4s to gross pay and taxable benefits and not to the GL. As explained to the auditor, the balancing to the gross GL figures are nearly impossible to do, due to the fact that the GL includes many other transactions such as vacation accrual, stat accruals, overtime banking which do not apply to T4s. Secondly the FSUs (Financial Support Unit) and Finance Department process other financial transactions against cost elements which would complicate any balancing. The Payroll Manager indicated that it is difficult if not impossible to reconcile Payroll to the GL accounts. Payroll Division advised it is difficult to reconcile wage types to the GL as other unpaid wage types can also map to the GL. For example, banked overtime maps to the GL but it is not paid. On the list of wage types provided by Payroll Division, the amounts for the wage types did not match the amounts in the GL as the Payroll amounts were often buried within larger numbers in 2007 GL. There was also an example where a GL account provided for a wage type was the current GL cost element number and not the GL cost element number that had been used in 2007. An ongoing reconciliation of gross pay from the Payroll Journal to the GL is not maintained. In discussions with Payroll although there is a reconciliation process for each pay run, it does not include the reconciliation of gross pay from the Payroll Journal to gross pay in the General Ledger. There appears to be a reliance that other processes in Finance or Payroll Division will detect errors. The OAG would recommend that the procedure be reviewed and changed as necessary to facilitate balancing the gross pay. This would be an important control to detect errors or system and processing issues.

**Recommendation 23**

That Payroll Division ensure that:

a) Complete and accurate electronic payroll reports including masterfile and transaction data that reconcile to SAP GL and T4s for the overall payroll be available for ongoing analysis; and,

b) The procedure be reviewed and changed as necessary to ensure there is an ongoing overall reconciliation of Payroll to the General Ledger including gross pay.
Management Response

a) Management agrees with this recommendation.

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

b) Management agrees with this recommendation.

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

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

3.3.3 Employee with Two Concurrent Positions

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

3.3.3.1 Concurrent Employment Policy

The Concurrent Employment Policy states that, “Employees may hold only one position with the City of Ottawa.” The Policy does not refer to a grandfather clause and official documentation cannot be found to support cases when concurrent employment was grandfathered for two City employees who have two positions. (This excludes City employees who also work for OPS, OPL, and Pineview as they are considered separate employers, and City employees that are also Volunteer Firefighters as volunteer firefighters are considered volunteers.)
The Concurrent Employment Policy includes a section on responsibilities and monitoring and requires that Payroll Division generate reports to ensure that the terms and conditions of the Policy are being adhered to. (Refer to Appendix A for a complete copy of the Policy.) Payroll Division did identify this individual had concurrent employment.

3.3.3.2 Appropriateness of Memorandum of Agreement (MOA)

A Memorandum of Agreement was signed in January 2004 effective to December 31, 2004 even though the individual was employed prior to this date. Both management and the Union representatives signatures were not legible and the names were not printed on the agreement. Management explained that the 2004 MOA was signed by the Portfolio Manager in RPAM at a time when there was no clear delegation of authority for HR matters, however in keeping with past practice, managers had authorization to sign on behalf of the organization. No MOA exist for 2005 and 2006 as management explained that this “fell through the cracks”. Management explained that the MOA for 2007 was signed by the Senior Labour Relation Consultant who was delegated this authority by the Manager, Labour Relations. The 2007 agreement does not have a specific end date and instead shall remain in force and effect until one of the parties wishes to end the agreement upon 60 days notice.

Management has responded that the clause in the MOA that states that overtime provisions do not apply to the hours worked in RPAM relates to the fact that firefighters are exempt under Employment Standards Act for Hours of Work and Overtime Pay.

The MOA appears to be in violation of the Concurrent Employment Policy.

3.3.3.3 Employee in Violation of Memorandum of Agreement

Management has indicated that the employee was in non-compliance with the 2007 Memorandum of Agreement. The employee was in violation of the clause relating to not scheduling or accepting shifts 24 hours prior to his full-time regular shift or 24 hours immediately following his full-time regular shift. This violation occurred 17 times in 2007. This was determined during the course of the audit and should have been detected as part of monitoring required by Payroll Division and HRC as part of the Concurrent Employment Policy monitoring. Management indicated that subsequent follow-up by Labour Relations found that there was no violation of ESA (Employment Standards Act) as most of the time the employee had traded shifts off in Fire Services so that he could take a part-time shift in RPAM. His original work schedule may have shown ten hours in Fire, followed by six hours working in RPAM, but he actually traded his shift off. Decisions should be based on information found in the system, which should reflect transactions properly authorized by Management and, not on hearsay or verbal representations.
3.3.3.4 Public Sector Salary Disclosure – Specific
The Public Sector Salary Disclosure Act requires that the City report employees that received salary greater than $100,000. For this employee, the Public Sector Disclosure was not done. Management explained that this resulted from reports not structured to identify such situations and therefore this employee went unnoticed. Management should be validating their SAP reports and should be using data analysis tools to identify anomalies.

3.3.3.5 Public Sector Salary Disclosure - General
The basis for the decisions made by the City relating to the Public Sector Salary Disclosure are not documented including who is responsible and who should be monitoring the disclosure. In consultation with the City Clerk/Head of Institution for MFIPPA and Legal Services these decisions as well as the responsibilities for the disclosure and monitoring of the disclosure should be documented.

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

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

**Recommendation 24**
That the City stop employees from working two jobs and properly make the Public Sector Salary Disclosure.

**Management Response**
Management agrees with this recommendation.

The example given by the Auditor was of an employee who was grandfathered at the time of amalgamation. The employee was working for both the City of Ottawa (full-time) and RMOC (part-time) prior to 2001. Grandfathering, on a case-by-case basis, was not uncommon at the time of amalgamation to deal with unique situations that arose during this period.

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

Reports have been revised to account for grandfathered concurrent employment and were utilized to prepare the 2008 Public Sector Salary Disclosure submission in 2009.
3.3.4 Address Errors
Two employees did not have an address setup in the payroll system; these have now been confirmed and corrected.

3.3.5 Other Missing Supporting Documentation Errors
In addition, we also observed the following:
- A summer student with no RPA; and,
- An employee on WSIB where files missing payroll information.

The system now permits employees through Employee Self Serve to update permanent information such as home address and telephone number. This makes it possible for employees on leave to change their address in order that they receive a T4. However, the other payroll documents should be on file in Payroll Division.

3.3.6 Social Insurance Numbers (SIN)
As part of the data analysis, there was an example where an employee’s temporary SIN and work permit expired October 10, 2007 and the RPA identified an end date of October 10, 2007 for this position. There were two subsequent RPAs to extend the employee but no evidence on file of a valid SIN or work permit. In May 2008 a letter was sent to the individual requesting an updated SIN. Copies of the documents were subsequently provided.

Management indicated that a follow-up process for employees with temporary SINs was initiated in the fall of 2007. Unfortunately, earlier this year management indicated it became apparent that the SAP report was not picking up the correct field and as a result employees were not reflected on the report properly. This issue has not been resolved.

A review of employees with temporary SINs, as part of this audit, revealed that there are eight additional employees with temporary SINs that appear to have expired and where the HRC is investigating or a letter has been sent to the employee. It was indicated that of this total, five employees are terminated and the RPAs had not been done. Of these five, two employees had a last day worked in 2007 and the remaining three were in 2005, 2006, and 2008. These employees were active on the Payroll system with an expired SIN and should have been terminated on the system as their last day of work had been in 2005 to 2008. The RPA forms had not been done at that time to terminate their employment.

HRC needs to ensure that there are valid SINs (and work permits) and that a follow-up process is in place. Managers need to ensure that proper paperwork (e.g., RPAs) is initiated to terminate employees on the Payroll system on a timely basis to prevent unauthorized payments.
3.4 Decentralized Payroll Time Capture Processes

As noted, based on the high error rate in the decentralized area, audit work was conducted specifically with respect to decentralized processing. Roughly 60% of the City’s employees included in the scope of this audit submit their time information to the Payroll Division for centralized data capture. These employees record their time, either accounting for all of their time or just the exceptions, depending on the nature of their arrangement. Time capture for these employees can be partially decentralized. Of this 60%, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process. The other 40% of the City’s employees do not submit all of their time information directly to the Payroll Division.

Below is a description of the processes used in each decentralized area. These processes were described to us by managers and confirmed, where possible, by observation of data entry. This was meant to obtain an understanding of the processes in place, allow for a general assessment of the controls and identify possible control issues. The processes however were not tested and therefore there is no assurance that they functioned as described during the period of audit.

One general observation that applies to most decentralized areas is that when entering overtime in SAP, the clock time entered into the system is not reliable, as staff are not entering the correct clock times. Staff attempt to ensure that the correct number of hours of overtime is entered and the clock times are often forced or assumed. The overtime is usually entered on the assumption that it began when the regular shift ended, even if the time was actually worked at the beginning of the shift or if the employee took a break at the end of their regular shift before working it. The data entry focus is on ensuring that the employee will be paid for the correct number of overtime hours. As a result, the clock times captured in SAP are not reliable and should not be used for other purposes such as trend analysis. This is particularly true in the case of Theatre and Stage employees (see description below). The way the system is currently configured, entering the actual times worked would result in the employee being paid inaccurately.

In some cases the reason that data entry was decentralized was due to the amount of coding being done. For example RPAM records time to work orders and Traffic and Parking to the specific intersection, often for cost recovery purposes. Note these differences apply only to the time capture portion of the payroll process. The other processes that impact on payroll such as entering promotions, wage and salary changes, benefits and remittances remain centralized for all employees.

3.4.1 Paramedic and Long Term Care

The Paramedic Service uses Telstaff, a commercial-off-the-shelf (COTS) system, to schedule working time for paramedics. The scheduled time is updated with the actual time worked and leave taken and the resulting hours are used by SAP Payroll.
Telestaff is a specialty scheduling system designed for 24/7 operations. The procedures described below are for the Paramedic Service, although the Long Term Care Branch is in the process of moving to a separate copy of the same system. When a scheduling requirement arises, such as when a person is sick or training is required, this information is entered in Telestaff. Telestaff has a telephone functionality that calls the appropriate paramedic (starting with part-time employee that have worked few hours, ending with full-time employees that have the most overtime) based on the rules entered on the system. The person has 15 minutes to key in “yes” before the system calls the next person. Actual shifts worked are also captured in the system.

All paramedics have to log in to the call system when they arrive at the station, be that at the main station or at a remote site. Telestaff is available over the phone and via the web. Paramedics book off sick directly in the system. Controls are built into the system so that if there is no available sick leave balance, sick time claimed will go to “unpaid” unless a medical certificate is provided. The paramedic will get a notification of this the next time that they log into Telestaff.

Staff also request vacations via Telestaff, but the requests have to be approved by a scheduler. The schedulers may not approve the request if not enough vehicles will be on the road that day.

When a paramedic unit is unable to get back to the station on time at the end of the shift, the paramedics claim overtime. The overtime is written on forms, together with the number of the call that the unit was on that prevented them from being back at the station on time. The supervisor checks the details, signs the form and gives the approved form to the shift-schedulers to enter into Telestaff. In order to verify that the overtime claims are legitimate, the supervisor does random audits of claims. They check via the dispatch system where the team was supposed to be at the time (e.g., going from a residence to a hospital and then back to the base). They then check the information for that vehicle in the GPS tracking system to confirm the claim.

A custom script has been put onto selected workstations that can generate the payroll extract. This script uses Telestaff access security. The payroll extract is run with the applicable hours for each pay period, including overtime, for each employee. The extract is a spreadsheet which is then emailed to the Payroll Division where it is re-entered into SAP.

Paramedic managers compare the SAP payroll results to Telestaff for sick leave and overtime. If a person’s overtime form is too late for the payroll cut-off, the scheduler still enters it into Telestaff, but they also put it on a manual spreadsheet that gets sent to Payroll Division. This happens mainly with the rural sites.

Management indicated there are plans to replace the spreadsheet process with an electronic interface from Telestaff to SAP in February 2009. Telestaff uses a SQL server database. One server is located at the Paramedic Service Headquarters on Don Reid and
another is located at Constellation for Long Term Care. The system maintains an audit trail of all transactions.

The City is expanding the use of Telestaff to the Long Term Care Branch. One facility is on stream now. The same individual (paramedic) supports the system for Long Term Care as well.

There is a risk of errors or unauthorized changes being made to the spreadsheet that is sent to Payroll Division. If the planned interface is implemented as described, it should address this situation.

### 3.4.2 Fire Services

Fire Services does the Payroll time capture for the overtime incurred by the City’s 930 professional firefighters (estimated at $1.2 million/year). Capture of regular time, including leave for professional firefighters is processed by the Payroll Division. In the past, firefighters’ overtime was also entered by the Payroll Division. However, the collective agreement requires that overtime be paid within 60 days and due to processing delays this requirement was not being met. As a result, a decision was taken to have Fire Services enter these transactions directly. Management has indicated that effective mid 2009, Payroll is now doing all time entry processing for Fire Services including overtime.

When a firefighter works overtime, they complete a paper “Overtime / Call Back” form, sign it and submit it to their on-site Captain. The Captain signs the form and forwards it to the Platoon Chief. The Platoon Chief signs the form and submits it to the Shift Scheduler at Fire Services headquarters. The Shift Scheduler checks that there is no duplicate claim and submits the claim to the Deputy Fire Chief. The reason that the forms require this additional level of review is that the Platoon Chiefs are union members. After the Deputy Chief signs the form, it is returned to the Shift Scheduler for data entry into SAP.

Most overtime is driven by minimum shift levels set out in the collective agreement. When a level is going to be too low, the Platoon Chief will call the Shift Scheduler notifying them that they require a person at a certain level for a specified shift. There are very complex rules that the Shift Scheduler must follow in calling staff and asking them if they would like to work the shift. There are plans to move to a new rostering system this year to support this function. This issue was previously identified by our office as part of the 2006 Audit of Fire Services. At the time we conducted this audit the implementation was still not completed.

Sick leave is also tracked outside of SAP on a spreadsheet as Management would prefer to ensure up-front that a sick-leave request is not going to create a recoverable situation. Management has indicated that time is captured for Fire one pay period in arrears due to the fact that employees are paid up to date and payroll’s deadline for time entry is one week prior to pay date. Absence data can only be collected as it happens and there is a time lag between when the absence occurs, the time it takes for the data to be
compiled by Fire and sent to payroll and the time it takes to input and audit the data. It is hoped that the new rostering system will replace the spreadsheet. Data entry into SAP is done directly into SAP HR via transaction PA61 as opposed to the CAT2 transaction used in their areas. This is because the overtime transaction details are only needed in Payroll and not in other SAP modules such as Real Estate or Plant Maintenance. The clock times entered into the system are usually accurate, but not always. For example, if the person worked from 2:00 to 4:00 those times would be entered. However, if the person worked from 8:00 to 12:00 and then from 13:00 to 16:00, they may just enter 8:00 to 15:00 to get the right number of hours into the system. Once the time has been entered into the system, the Shift Scheduler stamps the form. The next day, the Shift Scheduler runs the Time Entry Audit Report ZRXHR413 and verifies that all of the forms were entered properly.

The Shift Scheduler cannot enter their own overtime transactions into the system.

### 3.4.3 Recreation and Culture

Time worked by part-time Recreation and Culture employees is entered by the program staff while full-time employees have their time transactions entered by the Payroll Division. The part-time staff usually work between 2 and 24 hours per week at 70 different facilities (e.g., community centres, pools, and parks) across the City. Full-time employees use the regular centralized payroll processes.

Full-time program coordinators establish the schedules for part-time staff based on program needs. Many part-time staff work at more than one facility and therefore the part-time staff need to monitor their schedules to ensure that they do not overlap.

Staff enter their time worked on a timesheet and initial it. Their supervisor initials the sheet. The sheet is either entered into SAP by a program coordinator or a clerk, depending on the facility. For the most part, entry is done at each site although a few sites enter on behalf of other smaller sites.

Decentralized time entry for part-time staff was originally seen as an efficiency measure that reduced the number of payroll positions. There was no evidence of why this was required in the first place. We were unable to identify efficiencies from this process change while this change resulted in weakening the controls. From the program’s perspective, it has created training challenges for both new employees and for existing employees when the system changes. Licence management has also become an issue as only a certain number of licences have been allocated to Recreation & Culture employees. The Payroll Division is now in the process of re-centralizing data entry for certain Recreation & Culture facilities. Management has indicated that since late 2008 Payroll has assumed responsibility for 10 community centres.

At the re-centralized facilities, managers will fax the signed timesheets into the Payroll Division for data entry. One risk associated with this approach is that it is easier to alter a faxed document than an original paper document. The time capture processes were
observed at a large site with a data entry clerk and at a smaller site where the Program Manager does the data entry.

3.4.3.1 Large Site – Walter Baker Sports Centre

The Administrative Clerk prepares payroll sheets each week and put them into a binder. Each part-time employee (75 to 100 at any given time, including the three seasonal outdoor pools for which he also does data entry) is listed with a row for each job they do. Many employees do more than one job (e.g. Attending, Life Guarding, and Instructing) and each job can have a different pay rate.

The Supervisors (part-time) write in the time for each employee, including themselves. They find the correct employee, job and day and write in the start time, hours and initial the entry. Each week the sheets are reviewed by the Program Coordinators (full-time) who verify the hours and job code to the schedule. They sign the sheet.

Once per week, usually on Monday, the Administrative Clerk does payroll input. He uses CAT2 with a single employee data entry profile (0500) and a variant that displays only the columns that he enters. He doesn’t use the multiple employee profile because that locks out all other users at other pools from entering time for these employees. He enters the hours, but only the clock time if overtime hours are being entered – as required by the system.

If an employee has already had time input from another pool (many employees work at multiple pools), it shows on the CAT2 timesheet, but with a different cost centre. As he enters the time, he initials beside each row.

Once data entry is complete, he prints a “Time Verification Report” that shows all the time entries. The report is reviewed and signed by the Pool Supervisor.

3.4.3.2 Mid Sized Site - Hintonburg Community Centre

The Recreation Program Manager currently does payroll entry for all part-time staff at the centre, including the Special Needs program. There are 45 part-time employees at the Centre in the Recreation Program and 20 in the Special Needs Program, although some staff work for both programs. He has the only license at the Centre to enter time, so working around his holidays has been an issue in the past. Entry into SAP is soon being centralized back to the Payroll Division for this Community Centre so he will fax in the timesheets once per week. One advantage to this is that if the Recreation Program Manager is off, another manager within the facility can fax in the timesheets.

Each week the Program Manager prints blank timesheets, with the employees’ names, and puts them in a binder. He uses a Recreation and Culture Excel template to prepare the timesheets. As they finish their work, employees go to the binder and find their name on the timesheet (roughly nine employees per page). If they work more than one activity, they write in their time in the correct row/day. They enter the time they started and the number of hours and they sign it.
Once a week, the Program Manager inputs payroll, highlighting the time on the paper timesheet as it is inputted. No one approves the Recreation timesheets with a signature. The Program Manager uses CAT2 with a multiple employee data entry profile (0501) and a variant that lists all of his staff. Another variant is used for Special Needs program staff.

At the end of each two-week pay period the Program Manager runs a time entry report (ZRXHR413) and reviews it. After this, the report is submitted to the Centre Director for review.

If an employee comes in late with their time (“I forgot to write in that I worked last Wednesday”), they can write it onto the timesheet and the Program Manager enters the time directly into SAP. After centralization, the Program Manager will complete a supplemental form and fax it to the Payroll Division.

The Program Manager’s approval of timesheets should be documented.

3.4.4 Surface Operations

There are roughly 700 employees working in crews in Surface Operations. At the end of the day, the Crew Leader or an employee completes a hand-written activity sheet. This is a three-copy form. One sheet is completed per crew per day. Activity sheet includes time, the activity being completed, the vehicles used, the material used, the activities performed including the location or beat, Purchase-Card purchases, hired equipment or contracted services and snow dump information.

Crew leaders verify the sheet and the zone supervisor approves them. There are 12 zones and the zone supervisors are on-site. The zone supervisors pass on the approved activity sheets to the Operations Clerks that are also on-site. Usually this is done each day by 3:00 p.m. The Operations Clerks report to the Program Manager, Administrative Services. The Operations Clerks enter the activity sheets into SAP – CATS, usually the following day. The Operations Clerks file one copy of the form locally and send the other two copies to Constellation. The Operations Clerk reports that centrally filing the activity sheets at Constellation saves time, as there is always only one place to find them.

Each pay period, the “Systems Control Administrator” runs the “Over/Under” report at the Branch level to ensure that 80 hours have been accounted for by each employee.

Fourteen Operations Clerks spend 40% of their time on activity sheets. The sheets have more than just time information on them. Management has indicated that payroll data entry is performed as part of an integrated work tracking process that also captures activity cost allocation, equipment utilization, material use, contracted services, work accomplishments and other operational data.

Processing was observed at one site – Maple Grove Road, Kanata. Before entering the activity sheets, the Operations Clerk verifies that they are all signed by the supervisor. Any other problems with the sheets are also highlighted and sent back to be corrected.
If an overtime reason code is missing, the Clerk will write it in if it is obvious, such as "weather related" on the night of a storm. If it isn’t obvious, the Operations Clerk sends it back.

The Clerk uses the CAT2 transaction with a variant so that the input screen matches the activity sheet. The Clerk enters the time information as well as any order, network, vehicle hours, tons of salt or contractor information. When the transaction is saved, the Clerk signs the activity sheet. Employees work overnight as many shifts start at 10:30 p.m. If a shift starts at 10:30 p.m. on the 14, the Clerk enters 15 as the date. When overtime is worked, the clock time as of the end of the regular shift and the hours worked is entered. The employee may have actually come in early and worked the time at the beginning of the shift, but the clock hours are not on the activity sheet.

If the employee submits for vacation time, when the Clerk enters the transaction in CAT2, the system will verify that the employee has sufficient quota. If they do not, it cannot be processed so the Clerk runs a quota report for the employee that shows all of their balances, and sends them back to the supervisor.

At the end of the pay period, the Clerk runs an “Over/Under” report to ensure all hours have been charged.

### 3.4.5 Traffic and Parking Operations

Wage staff in Traffic and Parking Operations work in four areas:

1. Signs;
2. Signals;
3. Pavement marking; and,
4. Parking.

The number of wage employees ranges from approximately 150 in the summer painting season to 112 in the winter. Each wage employee completes and signs at least one, and often more than one, activity sheet per day. This is because staff complete a separate activity sheet for each project that they work on as much of their time is recovered from others, as well as a separate sheet for every functional location for asset reporting. Management has indicated that activity sheets can record time as low as to the six-minute increment. Work done in new sub-divisions is often recovered from developers and repairs to signs and signals are often charged to errant drivers.

Activity sheets are approved by supervisors and submitted to Traffic Operations Support. While wage staff will get paid for their full day, based on their schedule, Traffic Operations Support ensures that an activity sheet has been submitted for every hour.

Within Traffic Operations Support, the Division Clerk performs an initial review of the activity sheets to ensure that they are complete and not duplicated. While this initial
review includes verifying that the activity sheet was properly approved, our testing found where unsigned activity sheets were processed (see section 3.1.6.7).

The activity sheets are logged by day on a spreadsheet and given to one of the data entry clerks. There are three data entry clerks and each one is responsible for a portfolio (Pavement and Signs, Parking and Signals). The data entry clerks are also responsible for entering 311 complaints into SAP in order to track performance on service standards.

When data entry clerks enter the activity sheet into SAP, they use the CAT2 transaction using data entry profile 1000 for individual employees. They enter the hours worked, and if there are overtime hours, the clock time when they started their overtime. If entering on-call time, they enter the hours to be paid and not the actual hours that the employee was on call\(^4\). They also enter the activity the employee was doing, the functional location (sign or signal), the project (cost recovery), the vehicle, any Purchase-Card purchases and statistics such as the number of signs installed. They check each item on the activity sheet as it is entered and sign the sheet when completed.

When the data entry clerks have finished the data entry for a given day of work, they initial on a control sheet the date on which it was entered. These control sheets are posted in the unit allowing the supervisor to monitor progress as payroll cut-off dates approach. Another control in place in Traffic Operations Support is random “audit” that is done every two weeks. The supervisor selects one day and two clerks. The two clerks exchange the activity sheets that they entered for that day and crosscheck each other’s work. They each sign off on the results and the supervisor sends the manager the results of the procedure. This control is evidenced by hardcopy documents that are checked and signed.

Lastly, they also run a report to check the data entry clerk, by portfolio. The report is reviewed to ensure that only the designated clerk has entered transactions for that portfolio. They estimate that 75% of their time is spent on data entry, 20% on validation and 5% on other administrative duties.

Each day the data entry clerks run an SAP Data Entry Report and compare the results to the division clerks spreadsheet to ensure all time was captured. Each pay period, the data entry clerks run an “Over/Under” report to ensure all time has been accounted for.

\(^4\) Management has indicated that On Call is a standard shift as per the CUPE 503 collective agreement section 6.2.1(b), the hours do not change. The period of On Call shall be construed as being from 5 p.m. to 7 a.m. the following morning. On Saturday the period of On Call shall be 7 a.m. Saturday to 7 a.m. Sunday, and on Sunday the period of On Call shall be from 7 a.m. Sunday to 7 a.m. Monday. In the case of a statutory holiday or declared holiday, the period of On Call shall be as on Sunday, that is from 7 a.m. on the morning of the holiday to 7 a.m. on the following day.
3.4.6 Real Property and Asset Management

Real Property and Asset Management (RPAM) needs to track the work that its employees do on City buildings. This is needed to ensure that legislated and other required work is done. As a result, RPAM employees at the level of Facility Supervisors and below, charge their time to work orders which track the work done on the City’s facilities in SAP. As such they enter employee time once and use the information for both their and Payroll’s purposes. When RPAM employees have problems with their pay, they contact the RPAM area, rather than the Payroll Division. RPAM head office staff located at Constellation have their payroll processed by the Payroll Division using the common processes.

Time entry is done both at the RPAM office (Constellation) and at two remote sites; the Nepean Sportsplex and OC Transpo. Except for those employees at the Sportsplex and OC Transpo, every RPAM employee completes an activity sheet, has it approved by their supervisor and faxes it to Constellation. Sheets faxed to Constellation are processed by one of four Data Entry Clerks. The Data Entry Clerks enter the information into SAP using the CAT2 transaction, then sign and file the sheets by employee. The activity sheets also include purchasing card charges and vehicle usage information. Data Entry Clerks enter these transactions as well. When they fall behind on filing, they bring in additional help.

When RPAM staff are on call, Data Entry Clerks enter the time that the employee is actually paid for (e.g., two hours), and not the entire time that they were on-call (e.g., ten hours).

The RPAM Facilities Portfolio Manager runs the Over/Under SAP report each pay period. She goes through it to identify cases where full-time employees have accounted for more or less than 80 hours in the two-week period. She passes discrepancies onto her staff that in turn follow up with the employee’s supervisor.

The RPAM Facilities Portfolio Manager also runs a detailed report on overtime and a Plant Maintenance report and reviews them to identify anomalies.

Processing was also observed at the Nepean Sportsplex. The Data Entry Clerk at the Sportsplex followed the same procedures as the Clerks at Constellation.

3.4.7 Volunteer Firefighters

Team leaders at each of the 16 rural stations record the time spent by the City’s 500 volunteer firefighters on activity sheets. The start time and number of hours for all the volunteer firefighters involved in each “activity” is initialled by the firefighters. The sheets are approved locally and forwarded over the next month or so to the Rural Sector Office. The Rural Sector Chief signs off on each sheet and forwards it to the Administrator for data entry.

The Administrator enters the time into the Records Management System (RMS), then signs and initials the sheets. All sheets are forwarded to Fire Headquarters where each
entry in RMS is checked back to the supporting sheet. If there is a problem, the sheet is returned to the Administrator to resolve.

RMS was not originally designed as a payroll system and as such it is not well suited to this function. While time can be entered by person and by activity, the pay rate is fixed. This means that the system can only store one of the four pay levels for any given employee. The Administrator has to remember which level each person is on and when to change it. When the rates change, a manual calculation has to be done as the system cannot calculate pay at the old rate up to a certain date, and then the new rate after that. Retroactive adjustments, such as cost of living adjustments cause a great deal of work, as the adjustment for each volunteer firefighter has to be manually calculated and entered.

Two times per year, the Administrator extracts the pay information from RMS into a spreadsheet. The sheet does not breakdown the hours worked or the rate. The Administrator adds into the spreadsheet the honorarium that each volunteer firefighter receives. The Rural Sector Chief reviews the spreadsheet to see that it generally makes sense, and submits it via email to the Deputy Chief, Administration. The Deputy Chief reviews, approves and send it to the Payroll Division for entry into SAP.

When volunteer firefighters are paid, their pay statement only shows their net pay and the income tax deducted. When they request supporting details, the Administrator is able to run a report in RMS to show their actual hours.

We were informed that one of the reasons that volunteer firefighters’ pay is not calculated in SAP is that it might give the incorrect impression that this group are employees and not volunteers.

The RMS system has limited payroll functionality and the spreadsheets that are generated are manually manipulated before they are entered into SAP. The manual compensating controls in reviewing the reports before sending them for payment would appear to be inadequate given how easy it would be for errors to be made.

3.4.8 Theatre and Stage
The Supervisor, Production Services enters time information for roughly 100 CUPE 503 employees and IATSE stage hands. There is one full-time and two part-time stagehands. However, when there are additional requirements that these three are not available to work, the shifts are faxed to an agent. The agent provides the stagehands using union “hiring-hall” methods. The City does not have a say to whom the work is assigned to and finds out who the individual is when they show up for work. If the person that shows up has not previously worked at the City, they must be hired as an employee before their time can be entered and the employee paid. This can cause long delays.

The rules for the amount of the time that an IATSE employee can charge are complex. An employee can have different rates depending on the job being done and they can be
paid under multiple contract provisions at the same time, sometimes at overtime rates. The employee completes the time sheet and the Supervisor verifies it and submits it to the Manager for approval. The Manager returns it to Supervisor for entry into SAP. SAP payroll does not allow for time to be worked and paid for twice (time collisions). Therefore, in order to get the contractually earned time into the system, the Supervisor enters the hours to be paid and the latest clock time. The system then calculates the “start time”. The result of this work-around is that clock times in the system are not accurate. If this time entry were to be centralized, the system would have to be fixed to handle this complex situation for a limited number of staff. We are not recommending changes in this area.

3.4.9 OCTranspo (ATU 279) Work Management System

The time that ATU 279 employees are paid for by the Payroll system first originates as pieces of work that are created in a scheduling system (Hastus). These requirements work their way through the three parts of the Work Management System (WMS1, WMS2 and WMS3) and then into SAP.

The work requirements from Hastus are fed into WMS3. WMS3 separates these requirements into blocks of roughly three months each. Before the period begins, booking clerks print out the “pieces of work” and put them up in a room. The shifts are for a two-week period that repeat throughout the three months. Operators then go into the room, in order of seniority, and notify the booking clerks of the “pieces of work” that they want. The booking clerk enters the applicable operator for each “piece of work” into WMS3. This is done for three layers: shifts, days off, and weeks off.

Once this process is complete, the shifts for the two-week periods as well as the other layers are transferred to WMS2. WMS2 takes the information and expands it to cover the full three-month period. As well, schedulers modify the information for items such as operators on long-term disability or sick leave, in cases where it is called in advance.

The day before the day of work, the information from WMS2 is transferred to WMS1. Dispatchers at the three OC Transpo garages print dockets and physically put them into “cubbies”. The operators pull these dockets as they arrive to work their shift. If the operators pull their docket and nothing else is reported it is assumed that they worked that shift. Dispatchers take the left over dockets to the “spare operators” that have come in. Operators can select to be a spare when they originally choose their “pieces of work”. Based on seniority, the “spares” select the shifts. If there are too many shifts for the number of spare operators that have come in, “scroungers” can work them. Scroungers are operators looking for extra work that have not been scheduled as a spare.

The Dispatchers enter the shifts not taken and the person who eventually worked the shift into WMS1. Dispatchers can only enter information into WMS1 for the current day, after which it is locked down for them and they cannot enter more data. At the end of the shift, the “spares” and “scroungers” write up their times sheets by hand and
put them into lock boxes located in each of the three garages. Time sheets are not signed by either the operator or the supervisor. The following day, messengers bring the time sheets from the lock boxes to the time administrators’ office at OC Transpo headquarters. The number of time sheets received varies each day, but it is not unusual for 300 to 400 time sheets to arrive for a day without major weather or traffic issues.

“Spares” and “scroungers” are not paid for their work unless they submit a time sheet. While they generally submit their time sheets each day to ensure that they are paid as soon as possible, there is no deadline. Time sheets can be submitted and paid well after the fact.

Each day, one of the three time administrators prints the WMS1 Activity Log for the previous day. They compare the information on the log to time sheets, apply the pay rules as per the collective agreement and enter the adjustments into WMS1. If they need to verify a claim for time at the end of a scheduled route, usually due to traffic or weather, they can check AVLC, a system that tracks when buses return to the garage.

Adjustments can be relatively simple, such as entering the applicable SAP time code. The time recording details however can also be quite complex as they are driven by the collective agreement. For example, operators are paid at different overtime rates based on the number of “Platform” hours that they work per week. “Platform” hours are those spent driving as opposed to waiting as a “spare” or attending a meeting. Another example of the complexity involved is the “spares” that meet their obligation by coming in as scheduled and driving a route over a certain length of time. Time administrators enter additional time into WMS so that the operator is paid for a full eight-hour shift as per the collective agreement, despite not having worked eight hours.

Adjustments come from other sources as well, including Work Exchange forms, used to document where operators trade “pieces of work”, and emails from supervisors, such as when they have requested an operator to attend a meeting.

These adjustments usually take a few days. While the specific procedures related to each adjustment are not documented, the time administrators are familiar with the process, having worked in the area for many years. Time administrators say that it usually takes two years for a new person to be fully “up to speed” in the position.

WMS only allows the time administrators and the Supervisor, Transit Booking to make time entries that effect payroll. The system also maintains a partial audit trail as it tracks the ID of the last user to update an operator’s record. However, there is no regular review of the detailed entries that have been made that might detect errors. The Payroll Division occasionally questions time administrators about large payments, but most of these are due to processing a group of late time sheets.

Approximately one week after the day or work, a time administrator executes a program in WMS1 that generates five SAP files for that day’s transactions. WMS1 does not allow the same day’s transactions to be written into SAP files more than once. These files are automatically loaded onto a server that SAP accesses.
Of the five files for SAP, four are relevant to payroll (i.e., Availability, Attendance, Absence and Substitution). One of the files has route information, which does not impact on Payroll.

The files are loaded in SAP HR. Errors and other adjustments are corrected in SAP by the OC Transpo time administrators. For example, if an operator is on a modified return to work schedule, the time worked is entered in WMS, but the other hours have to be entered into SAP.

WMS is an internally developed and maintained system. The application was built using Oracle Application Services and the data itself resides in Oracle databases. Access to WMS is controlled by database roles (e.g., Dispatcher, Time Keeper). The Information Technology Services Department adds, changes and deletes access to the system only when it is approved by the Supervisor, Transit Booking.

Para-Transpo uses separate versions of WMS1, 2 and 3 that have been modified for their purposes. The key differences relate to scheduling as Para-Transpo uses different scheduling rules than OC Transpo. Para-Transpo uses block booking so that operators choose a weekly group of shifts that management has complied, as opposed to the daily shift selection done at OC Transpo. The shifts originate in a different scheduling system, Trapeze, rather than Hastus, and are fed into WMS3. The processes are all basically the same although the operators book vehicles and not routes. As such no “Route” file is created for the SAP interface.

The City’s systems are mature and are supported with training materials. Training for new users is delivered by OC Transpo and Para-Transpo.

This is very complex area that relies on experienced staff to “make it work”. The staff act as the controls to ensure compliance with the complicated collective agreement. However, the entire process is subject to manual intervention and there are few system controls and no other reviews to ensure that the entries are made without error. If a mistake were made that is in an employees’ favour, unless the employee brings it forward, it would likely not be detected.

### 3.4.10 Resources Used in Decentralized Time Entry

As described above, processes to capture payroll time for roughly 40% of the City’s employees are decentralized. In addition, there would be approximately 15% where the Payroll Division would only enter the information centrally but where it is prepared as part of a decentralized process. Therefore, to understand the level of effort that is used by the City on this function it is necessary to include not only the resources in the Payroll Division, but also the resources in the decentralized areas. To determine the resources spent on decentralized payroll time capture, managers in these areas were asked to estimate the resources that are employed in capturing time for payroll. This is time that went beyond the usual management function of approving employee’s time and ensuring that it is accurate before it is entered.
### Table 5: Resources Used in Decentralized Payroll Time Capture

<table>
<thead>
<tr>
<th>Area</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telestaff (Paramedic Service)&lt;sup&gt;5&lt;/sup&gt;</td>
<td>0.0</td>
</tr>
<tr>
<td>Fire Services</td>
<td>0.25</td>
</tr>
<tr>
<td>Recreation &amp; Culture</td>
<td>4.5</td>
</tr>
<tr>
<td>Surface Operations&lt;sup&gt;6&lt;/sup&gt;</td>
<td>3.26</td>
</tr>
<tr>
<td>Traffic and Parking Operations&lt;sup&gt;7&lt;/sup&gt;</td>
<td>1.0</td>
</tr>
<tr>
<td>Real Property and Asset Management&lt;sup&gt;8&lt;/sup&gt;</td>
<td>6.5</td>
</tr>
<tr>
<td>Volunteer Firefighters</td>
<td>1.5</td>
</tr>
<tr>
<td>Theatre and Stage&lt;sup&gt;9&lt;/sup&gt;</td>
<td>0.01</td>
</tr>
<tr>
<td>OC Transpo (ATU 279)&lt;sup&gt;10&lt;/sup&gt;</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.02</strong></td>
</tr>
</tbody>
</table>

### 3.5 Other Issues

In addition to errors identified during the sample review of the 100 samples and the data analysis, there were other errors and issues identified.

#### 3.5.1 Payroll overrides

In the 2006 Audit of the Financial Control Environment, the OAG recommended that the Employee Services Branch require that supervisors should also review the changes to employee pay information and that all significant overrides be eliminated or as a minimum restricted to a limited number of users. Management did not agree with these recommendations as they felt the Payroll Division already had controls in place.

The 2006 Audit of the Financial Control Environment recommended that Employee Services Branch require that supervisors ensure there is a position incumbent report for all their staff that directly report to them and that they review them for any errors; incorrect information; unauthorized employees; and, changes to employees pay or grade level. The 2006 audit also recommended that Employee Services Branch require that supervisors review HR Cost Centre Reports. Management did not agree with these

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<sup>5</sup> There are no decentralized payroll staff at OPS as Telestaff provides the necessary payroll information. Staff enter overtime in Telestaff which feeds payroll. However, OPS requires this information in Telestaff for non-payroll purposes and the time spent is minimal.

<sup>6</sup> 1.76 FTE required for payroll related data entry and the balance of 1.5 FTE dedicated to payroll QA/QC, filing activity sheets, error correction, and other miscellaneous pay-related functions.

<sup>7</sup> Payroll data entry is part of an integrated work tracking process that also captures equipment utilization, asset location information, cost recovery, and other operational information. Effort for payroll processing is 1.0 FTE required for data entry, QA/QC and error correction.

<sup>8</sup> With the same entries that these employees make to provide payroll with its information, they are also providing cost recovery information for projects, fleet time, facility costing and activity tracking.

<sup>9</sup> Normally one hour every two weeks.

<sup>10</sup> Does not include the small portions of other employees’ time spent entering Payroll information. These employees are scattered in different OC Transpo groups.
recommendations which would be important controls to identify errors on a timely basis. Management has indicated that managers have access to the Position Incumbent Report, which outlines hourly rate and bi-weekly rates of pay. These reports are readily available on MSS (Manager Self Serve). In our opinion, in addition to having reports, Management needs to also regularly and formally ensure that managers are reviewing them and validating them for completeness and accuracy.

Based on other findings within this audit where changes were made and there was missing documentation and where the reports created were structured incorrectly, we continue to make these recommendations. This is in line with the City’s philosophy of the manager being responsible.

With respect to whether anything has changed since the Audit of Financial Control Environment regarding payroll overrides, Payroll Management continues to maintain the position that they require the overrides and that there are adequate controls already in place. They have indicated that they have improved their processes by enhancing reports to give more information and ensure accuracy, however they have not released the report to Supervisors as recommended in the Audit of Financial Control Environment.

We also have examples within this report (such as the temporary SIN report and the Public Sector Salary Disclosure Report) where it was noted that the SAP reports were not adequately tested and were inaccurate.

Payroll Division indicated they do a strict review of Payroll type 8 pay “rate changes” and review every time info type 8 (basic pay) changes. As per the management response, Payroll Management instituted a change to use the report to view changes to employee pay information as opposed to just changes where there was an RPA. The Payroll Analyst reviews HRC work (e.g., promotion formula) and sends it back to the HRC if it is incorrect. HRC calculates the rate for the RPA which the Manager signs and therefore should be fully aware.

Payroll Division also indicated it is necessary to have overrides for some groups such as MPE, ATU 1760 and CUPE. It is necessary to make the change manually and Payroll Division management believe there is a “small risk as only Payroll can do” these changes. Per Payroll Division Management there are 8 Employee Transaction Assistants, 17 Payroll Analysts and 11 Payroll Business Analyst that have access to make changes. This means there is a minimum of 36 people with access to make changes. They run an SAP report which they download to Excel and perform a line-by-line comparison to the RPA. They would check the changed on date.

The SAP report used is a custom report (variant), which could be created or generated incorrectly as noted in section 3.1.4. The use of Excel creates another point where the control could break down creating potential gaps in the Payroll Division’s checking process as it does not log activities and data can be modified. Refer to section 3.1.4 and
3.2.4 and recommendation 2, which recommends an enhancement to the reporting used by Payroll Division for checking purposes.

Within this audit there were examples where changes were made and there was missing documentation, where the reports created were structured incorrectly (such as SIN reports and Public Sector Disclosure), and where checking had not been effective in detecting errors. These findings continue to support the need to implement the recommendations from the 2006 Audit of the Financial Control Environment.

3.5.2 Assessment of Employee Personal E-mails and Internet Utilization

Management represented that Payroll Division staff were fully utilized. In order to assess the validity of this statement and/or other activities, the audit examined:

1. E-mail; and,
2. Internet accounts.

Of the ten highest Payroll Division employees for each category, the test classified the utilization of the corporate e-mail system and Internet for the three-month period, August, September and October 2008, for personal usages versus business needs.

It should be noted that the City of Ottawa’s Responsible Computing Policy states that: “incidental personal use is permitted, provided the privilege is not abused” and “usage is incidental and does not interfere with the individual’s work duties and responsibilities”.

3.5.2.1 E-mail Assessment

We determined that personal e-mail usage is generally very high averaging 25% for this group of employees. Employees were found to have personal communication with others from the group, friends from across the corporation, family members, etc.

E-mails were classified and summarized as follows:

- **Business**: e-mails dealing with the processing of payroll, United Way campaign material, City Briefs, mass e-mails sent to “# Network Users”, etc.
- **Personal**: e-mails with no discussion of payroll processing, including e-mails for job applications to internal job postings.
- **N/A**: System generated e-mails such as Read Notifications, Out of Office notifications, Recall notices.
TABLE 6: E-mail Utilisation of Top Ten Payroll Division Users

<table>
<thead>
<tr>
<th>Position</th>
<th>Business #</th>
<th>Business %</th>
<th>N/A #</th>
<th>N/A %</th>
<th>Personal #</th>
<th>Personal %</th>
<th>Total #</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Assistant</td>
<td>1,472</td>
<td>37%</td>
<td>1,227</td>
<td>31%</td>
<td>1,285</td>
<td>32%</td>
<td>3,984</td>
<td>100%</td>
</tr>
<tr>
<td>2 Assistant</td>
<td>1,247</td>
<td>40%</td>
<td>643</td>
<td>21%</td>
<td>1,213</td>
<td>39%</td>
<td>3,103</td>
<td>100%</td>
</tr>
<tr>
<td>3 Program Manager</td>
<td>2,559</td>
<td>83%</td>
<td>86</td>
<td>3%</td>
<td>451</td>
<td>15%</td>
<td>3,096</td>
<td>100%</td>
</tr>
<tr>
<td>4 Analyst</td>
<td>1,637</td>
<td>61%</td>
<td>401</td>
<td>15%</td>
<td>662</td>
<td>25%</td>
<td>2,700</td>
<td>100%</td>
</tr>
<tr>
<td>5 Program Manager</td>
<td>1,990</td>
<td>75%</td>
<td>440</td>
<td>17%</td>
<td>212</td>
<td>8%</td>
<td>2,642</td>
<td>100%</td>
</tr>
<tr>
<td>6 Assistant</td>
<td>1,207</td>
<td>51%</td>
<td>11</td>
<td>0%</td>
<td>1,163</td>
<td>49%</td>
<td>2,381</td>
<td>100%</td>
</tr>
<tr>
<td>7 Analyst</td>
<td>1,329</td>
<td>59%</td>
<td>547</td>
<td>24%</td>
<td>365</td>
<td>16%</td>
<td>2,241</td>
<td>100%</td>
</tr>
<tr>
<td>8 Assistant</td>
<td>941</td>
<td>57%</td>
<td>331</td>
<td>20%</td>
<td>367</td>
<td>22%</td>
<td>1,639</td>
<td>100%</td>
</tr>
<tr>
<td>9 Analyst</td>
<td>621</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>621</td>
<td>100%</td>
</tr>
<tr>
<td>10 Analyst</td>
<td>316</td>
<td>71%</td>
<td>58</td>
<td>13%</td>
<td>74</td>
<td>17%</td>
<td>448</td>
<td>100%</td>
</tr>
</tbody>
</table>

| Total          | 13,319     | 58%        | 3,744 | 16%   | 5,792      | 25%        | 22,855 | 100%   |

For the most part, we determined that the Payroll Division employees we reviewed were not strictly adhering to the City’s Responsible Computing Policy, provision of incidental personal use.

Some examples we found relate to:

1. A case of a staff member using both the corporate e-mail system as well as the Internet to sell cosmetics while the Policy clearly states that “IT services and assets shall not be used for non-business purposes, such as selling merchandise, providing non-City services, running a personal business or any activity that could result in personal gain”.

2. A case where the corporate e-mail system was being used to conduct an employee pool, which related to a television reality show (e.g., lottery at $5.00 entry fee). This pool was the second of its kind.

3. Some Time Transaction Assistants were found to utilize the corporate e-mail system as a “texting service”, as is done using cellular phone texting. For example, over a 2.5-day period, we found two employees texting excessively from the beginning to the end of their workday:
   - November 3, 2008: 49 e-mails
   - November 4, 2008: 59 e-mails
   - November 5, 2008: 27 e-mails (1/2 day)

On November 6, one of these employees worked ½ an hour of overtime. In total, the employee worked 26 hours of overtime during 2008. In our opinion, this continuous texting leaves little time to fulfill work requirements.

It is our opinion that permitting staff usage of e-mail as a “texting service” may also have a damaging effect on morale. Results from our testing revealed that in many cases, texting was used to vent against management as well as co-workers.
In our opinion, it is also difficult to justify employees working overtime when some employees take the time to use e-mail and Internet resources for personal use during work hours.

3.5.2.2 Internet Assessment

We determined that personal Internet usage is very high at over 83% of hits. Generally, the utilization of the top ten users of the Internet varied. The sites visited ranged from health to personal finances/banking, job searches, selling cosmetic products and entertainment (e.g., streaming audio/video, travel, etc.). Below are tables summarizing various Internet use.

Websites were classified as:

- **Business use** includes all payroll related sites such as Canadian Payroll Association (cpa.com), Royal Bank for Payroll Analyst and Senior Payroll Specialist only (as the City’s accounts are with this institution);

- **Non-Business use** includes all sites dealing with personal interests including travel, entertainment, health/wellness, etc., and sites classified as Productivity: Advertisements, or where the site cannot be viewed when entered into Internet Explorer; and,

- **Mixed use** is primarily Internet searches, telephone searches, etc.

### TABLE 7: Non-Business Internet Usage of Top Ten Payroll Division Users

<table>
<thead>
<tr>
<th>Position</th>
<th>Non-Business</th>
<th>Business</th>
<th>Mixed</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hits</td>
<td>%</td>
<td>Hits</td>
<td>%</td>
</tr>
<tr>
<td>1 Analyst</td>
<td>15,315</td>
<td>82%</td>
<td>949</td>
<td>5%</td>
</tr>
<tr>
<td>2 Assistant</td>
<td>15,007</td>
<td>83%</td>
<td>579</td>
<td>3%</td>
</tr>
<tr>
<td>3 Analyst</td>
<td>13,129</td>
<td>86%</td>
<td>1,038</td>
<td>7%</td>
</tr>
<tr>
<td>4 Analyst</td>
<td>7,506</td>
<td>79%</td>
<td>389</td>
<td>4%</td>
</tr>
<tr>
<td>5 Specialist</td>
<td>6,765</td>
<td>74%</td>
<td>1,272</td>
<td>14%</td>
</tr>
<tr>
<td>6 Analyst</td>
<td>6,420</td>
<td>69%</td>
<td>122</td>
<td>1%</td>
</tr>
<tr>
<td>7 Specialist</td>
<td>13,549</td>
<td>83%</td>
<td>973</td>
<td>6%</td>
</tr>
<tr>
<td>8 Assistant</td>
<td>20,374</td>
<td>93%</td>
<td>256</td>
<td>1%</td>
</tr>
<tr>
<td>9 Analyst</td>
<td>10,925</td>
<td>78%</td>
<td>995</td>
<td>7%</td>
</tr>
<tr>
<td>10 Assistant</td>
<td>9,763</td>
<td>86%</td>
<td>194</td>
<td>2%</td>
</tr>
</tbody>
</table>

For the 83% of hits that were non-business use identified above, we examined the traffic over a twenty-four hour period and concluded that Payroll Division’s surf the Internet more frequently throughout the morning.
TABLE 8: Time Periods of 83% Non-Business Internet Usage

<table>
<thead>
<tr>
<th>24-HOUR CLOCK</th>
<th>1- Analyst</th>
<th>2- Assistant</th>
<th>3- Analyst</th>
<th>4- Analyst</th>
<th>5- Specialist</th>
<th>6- Analyst</th>
<th>7- Specialist</th>
<th>8- Analyst</th>
<th>9- Assistant</th>
<th>10- Analyst</th>
<th>TOTAL Non-Business Use</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>12:00 to 5:00 AM</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2890</td>
<td>0%</td>
</tr>
<tr>
<td>6:00 AM</td>
<td>0</td>
<td>0</td>
<td>262</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1273</td>
<td>3</td>
<td>4720</td>
<td>1%</td>
</tr>
<tr>
<td>7:00 AM</td>
<td>0</td>
<td>1479</td>
<td>2378</td>
<td>221</td>
<td>1561</td>
<td>2</td>
<td>0</td>
<td>1066</td>
<td>2755</td>
<td>2130</td>
<td>11092</td>
<td>10%</td>
</tr>
<tr>
<td>8:00 AM</td>
<td>78</td>
<td>1917</td>
<td>683</td>
<td>627</td>
<td>789</td>
<td>1131</td>
<td>448</td>
<td>3573</td>
<td>761</td>
<td>1098</td>
<td>11106</td>
<td>9%</td>
</tr>
<tr>
<td>9:00 AM</td>
<td>1841</td>
<td>1590</td>
<td>875</td>
<td>575</td>
<td>436</td>
<td>1322</td>
<td>559</td>
<td>4349</td>
<td>746</td>
<td>1180</td>
<td>13453</td>
<td>11%</td>
</tr>
<tr>
<td>10:00 AM</td>
<td>1526</td>
<td>1791</td>
<td>1030</td>
<td>820</td>
<td>920</td>
<td>775</td>
<td>993</td>
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<td>1078</td>
<td>1208</td>
<td>12436</td>
<td>10%</td>
</tr>
<tr>
<td>11:00 AM</td>
<td>1385</td>
<td>1096</td>
<td>2783</td>
<td>966</td>
<td>570</td>
<td>687</td>
<td>856</td>
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<td>827</td>
<td>1040</td>
<td>13391</td>
<td>11%</td>
</tr>
<tr>
<td>12:00 PM</td>
<td>2981</td>
<td>2622</td>
<td>3597</td>
<td>1415</td>
<td>1207</td>
<td>438</td>
<td>3485</td>
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<td>1259</td>
<td>1115</td>
<td>18431</td>
<td>16%</td>
</tr>
<tr>
<td>1:00 PM</td>
<td>1334</td>
<td>2230</td>
<td>950</td>
<td>808</td>
<td>816</td>
<td>1233</td>
<td>3910</td>
<td>2616</td>
<td>580</td>
<td>1069</td>
<td>15546</td>
<td>13%</td>
</tr>
<tr>
<td>2:00 PM</td>
<td>1689</td>
<td>1860</td>
<td>566</td>
<td>618</td>
<td>351</td>
<td>432</td>
<td>1147</td>
<td>1780</td>
<td>1066</td>
<td>841</td>
<td>10350</td>
<td>9%</td>
</tr>
<tr>
<td>3:00 PM</td>
<td>3012</td>
<td>395</td>
<td>5</td>
<td>704</td>
<td>106</td>
<td>316</td>
<td>979</td>
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</tr>
<tr>
<td>4:00 PM</td>
<td>1466</td>
<td>10</td>
<td>0</td>
<td>467</td>
<td>0</td>
<td>81</td>
<td>1000</td>
<td>76</td>
<td>9</td>
<td>14</td>
<td>3123</td>
<td>3%</td>
</tr>
<tr>
<td>5:00 PM</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>238</td>
<td>2</td>
<td>2</td>
<td>104</td>
<td>16</td>
<td>0</td>
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<td>364</td>
<td>0%</td>
</tr>
<tr>
<td>6:00 PM</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>42</td>
<td>2</td>
<td>1</td>
<td>68</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>115</td>
<td>0%</td>
</tr>
<tr>
<td>7:00 to 11:00 PM</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td>0%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>15315</td>
<td>15007</td>
<td>13129</td>
<td>7506</td>
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<td>6420</td>
<td>13549</td>
<td>20374</td>
<td>10925</td>
<td>9763</td>
<td>118753</td>
<td>100%</td>
</tr>
</tbody>
</table>

Times presented, e.g., 12:00 PM, represents a one-hour period, from 12:00:00 to 12:59:59

Our testing also revealed that employees utilize the corporate e-mail system and Internet resources for personal use, regardless of position level. The City of Ottawa’s Responsible Computing Policy, allows employees to make personal e-mail messages, much like personal phone calls, albeit in moderation, i.e., for incidental use. The question is: would and should the City allow an employee to make 10, 20, 30 personal phone calls during one day?

Moreover, the City of Ottawa needs to determine and clarify the level of incidental personal use it deems appropriate. For instance, should the City permit its employees to do online shopping while at work? How about checking stock quotes, travel quotes? Should employees be allowed to check, send and answer personal e-mails? To what extent? How much of a strain is this on our IT corporate resources? On our public image? Even though Appendix B of the Responsible Computing Policy prohibits employees from sending jokes, this continues to occur. As a result of our assessment of staff productivity, it is our opinion that employees’ performance may decrease over time unless strict parameters for personal use are set and enforced. Management should perform a review of the FTE requirement.

These issues have been raised in previous audits and fraud and waste reports.

The 2005 Audit of Internet Usage and Controls recommended, “That Information Technology Services:

a) Monitor and control the use of the Internet and e-mail usage by City employees;
b) Develop appropriate recording tools that provide reliable reporting of e-mail usage;

c) Develop and implement a process to provide managers with reports of their staff’s Internet and e-mail usage so that management can evaluate if appropriate usage of e-mail and Internet is occurring; and,

d) Revise the Responsible Computing Policy to limit use of the Internet to mainly business purposes and limit personal usage to incidental or occasional only.”

Management did concur with this recommendation. However, we believe that additional efforts are necessary in this area. This will be reviewed in our 2009 Follow-up Audit of Internet.

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

Once this finding was shared with the Division, during the course of carrying out the audit, the Payroll Manager took some proactive action to address the situation. Specifically, for the employees highlighted in the audit, management asked Labour Relations to do an independent review and provide Payroll Division with their feedback on the OAG’s assessment of the problem. In addition, specific employees were to be met either on a one-to-one basis or in a group. Lastly, as a preventative measure, all divisional employees were reminded to read the Policy and asked to ensure they were in compliance with it on an ongoing basis.

**Recommendation 25**

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

**Management Response**

Management disagrees with this recommendation.

Payroll management reviewed the information provided by the Auditor. With respect to personal emails, we found that for six of the ten highest users, the personal usage was less than eight emails per day per employee, including incoming and outgoing emails. Management feels that there is a flaw in the Auditor’s calculation in that they counted incoming emails, which the employee cannot always control. For the remaining four employees, usage was found to be in excess of the norm and appropriate action has been taken. See management’s response to Recommendation 26.

Payroll management also had both Labour Relations and IT complete an independent review of Internet and email usage within Payroll. The results of the
Audit of Payroll

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

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

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

Based on the information presented above regarding personal use of Internet and email, management is of the opinion that this has no impact on determining staffing levels. In addition, the payroll management team assesses organizational and staffing requirements on an ongoing basis based on criteria such as past experience, production volumes and special project workload requirements (such as Telestaff integration, automated mileage and parking reimbursement, and time/leave automation).
Recommendation 26
That the City take appropriate disciplinary action for the Payroll Division employees reviewed and identified herein, and ensure that the Responsible Computing Policy provision for “incidental personal use” of the corporate e-mail system and Internet resources is adhered to.

Management Response
Management agrees with this recommendation.

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

3.5.3 Payroll Division Time Transaction Assistant Entered Time for Relative (Sibling)
We conducted an audit test to confirm if there were any Payroll Division Time Transaction Assistants (TTA) that were related to City employees where the TTA was entering the time or leave for the related employee. There were five employees that were related to a Payroll Division Time Transaction Assistant.

A review of the Time Entry Audit Reports showed that one of the Payroll Division Time Transaction Assistants entered the time and leave for his brother for an eight and a half month period from January to mid-September 2008. During this time he would have had full access to any changes made to the payroll entries for his brother. Although there is a payroll review whereby a peer would generate a time entry report and verify the entries, we noted that in two cases he generated the time entry audit reports. These reports included time the TTA entered for his brother creating the risk that the report variant or parameters used may be manipulated to include or exclude certain items.

Recommendation 27
That the City ensure that Payroll Division Time Transaction Assistants do not process time or leave for related parties.

Management Response
Management agrees with this recommendation.

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

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

3.5.4 Training for Temporary Payroll Division Employees
As a result of a report to the Fraud and Waste Hotline, it was identified that there were Payroll Division employees that received training in non-compliance with the City’s policies on training as follows:

- There were three temporary employees where the Program Manager had approved French Language training in non-compliance with the French Language training policy;
- There were four temporary employees that received a total of seven in-house training courses that were not job specific and did not qualify under the Continuous Learning Policy where the Program Manager indicated that the Learning Centre confirmed they could attend as the courses were not full; and,
- There were two temporary employees that received a total of eight in-house training courses that were job specific and employer initiated where the Program Manager indicated that the Learning Centre confirmed they could attend, as the courses were not full.

In response to our review, the Payroll Manager has indicated that the policies have been discussed with the Program Managers to ensure compliance in the future. If these employees were sent to inappropriate training these employees may not be needed to do their duties.

**Recommendation 28**
That the City ensure staff is compliant with the City’s training policies.

**Management Response**
Management agrees with this recommendation.

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

“*This Policy applies to all City employees and to summer students and co-op placements who are required to receive training as a result of legislative requirements (e.g., Occupational Safety and Health Act).*”
The Policy does not differentiate between full-time and temporary employees. However, priority is given to full-time employees and temporary employees can be registered if space is available.

One of the objectives of the policy is:

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

**MANAGEMENT CONCLUSION**

The audit findings in the report relate primarily to operations in 2007. Since that time, ongoing improvements have been made including the implementation of time/leave automation, increased system and manual controls and enhanced procedures. Currently close to 5,000 employees now enter their time and leave directly into the system, eliminating dual data entry and ensuring correct sign-off, as managers/supervisors have been delegated the appropriate signing authority within SAP. In addition, a review of two operational units has resulted in Payroll assuming direct responsibility for time entry for these units.

All departmental managers with decentralized payroll input have reviewed payroll recording and input to ensure improved accuracy, completeness and authorization. In addition interfaces have been built from the Telestaff scheduling tool utilized by Ottawa Paramedic Service and Long Term Care, which have eliminated the requirement for dual data entry, which reduces overall risk of error. The volunteer firefighters payroll information is now housed in the SAP system for the purpose of calculating gross to net pay, again reducing risk.

Prior to the Payroll Audit, management was aware of the non recovery of the $1,405 pension arrears which was a very unique and rare situation and the overpayment of $17 due to an incorrect increment date error. Unfortunately, there are situations where some payroll errors occur, due to differences in timing between payroll and operational processes (i.e., cut off dates) however payroll checks and balances are in place to both catch the errors and recover overpayments if errors are found after the initial payment is made. These corrections would then be actioned as part of the overpayment/recovery process which is a normal occurrence in any payroll business operation. Management feels that the auditor’s comment with respect to a general lack of attention by those involved in the payroll process is unfounded. Generally management agrees with the process improvement recommendations, however as indicated in Recommendation 25, the auditor’s assessment that there is a lack of attention to detail due to high personal Internet usage is incorrect as substantiated by IT professionals.

The payroll process is very complex and involves significant input from hundreds of individuals across a very diverse organization. Since 2007, many improvements as
noted above, have been made in the overall payroll process and management continues with these efforts.

4 CONCLUSION
Based on our general audit work and sampling, we found that there is, in our opinion, an abnormally high error rate in the payroll processes. On a sample of 100 pay entries we found 56 errors. Some of the errors were very serious, particularly errors in the pension calculation for some Transit Services employees. We found that the City was non-compliant with OMERS requirements. The error has been on-going for the past 10 years and has resulted in pension contributions and contributory earnings being understated. Management has estimated that the under remitted employee and employer pension contributions are approximately $2.6 million. This also results in past, present and future pensioners receiving less than their full pension entitlement. Payroll processes, if operating appropriately, should have previously found and corrected these errors prior to the audit. Payroll Division does not provide an oversight role to decentralized areas, which process payroll entries for approximately 40% of City staff or for the additional approximately 15% where Payroll Division enters the time which is prepared decentrally. Operational managers are also not fulfilling an oversight role contrary to the City’s decentralized philosophy, which is to let managers manage with minimal intervention from corporate units. In this case the operational managers did not fulfill their responsibility. Therefore, it is our opinion that there should be a central oversight role by Payroll Division. Management needs to determine whose job it is to manage Payroll. Management doesn’t agree with our error rate. There has not been a proper use of the control features in the payroll system, which can be an important tool in managing and controlling payroll. Within the payroll system we found actual times worked have not been properly reflected, interfaces from subsystems have not been completed, reports have been setup incorrectly and transaction codes have not been adequately setup and /or used.

There has been a general lack of attention to detail by staff and supervisors involved in the Payroll. This may be due to the high personal use of Internet and e-mail that we found. The City should evaluate the staffing requirements in Payroll Division to determine if all existing staff is required.

The annual payroll compensation and benefits cost of over $900 million is the single largest expense at the City and based on the errors we found, it is our opinion that the Finance Department needs to implement better controls in the payroll function, especially in the decentralized payroll processes.

5 ACKNOWLEDGEMENT
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
Appendix A – Concurrent Employment Policy Extracted from Intranet July 25, 2008

Concurrent Employment

Delegated Authority: Chief Corporate Services Officer
Effective date: December 5, 2003
Approved: Senior Management Team, December 5, 2003
Last Revision Date: July 19, 2004

Policy Statement

Employees may hold only one position with the City of Ottawa.

Purpose

The purpose of this policy is to ensure that employees do not hold multiple positions.

Application

The policy applies to all City employees.

Policy Requirements

City employees shall hold only one position.

Definitions

Position - for the purposes of this policy, the terms "job" and "position" are synonymous.

Responsibilities

Managers
Managers are responsible for ensuring that employees are not hired into more than one position.

**HR Consultants**

HR Consultants are responsible for assisting management staff in ensuring that individuals are not hired into more than one position.

**Payroll Division**

The Payroll Division is responsible for generating reports to ensure that the terms and conditions of the policy are adhered to.

**Monitoring**

Managers of departments and Client Relations and Staffing Division staff will monitor compliance with this policy.

**References**

Collective Agreements
Terms and Conditions of Employment

**Legislated & Administrative Authorities**

*Ontario Labour Standards Act*

**Key Word Search**

Multiple Positions

**Enquiries**

For more information on this policy, contact:

Staffing & Client Relations Division
Employee Service Branch
Corporate Services Department
Tel: (613) 580-2424 Ext. 13617

3.1.1 Contributory earnings defined—Primary Plan

Effective January 1, 2002, contributory earnings must include all regular recurring earnings for all plan members except council members. See Section 7 Council members. You must include the following:

- base wages or salary;
- regular vacation pay if there is corresponding service;
- normal vacation pay for other-than-continuous full-time members. Include vacation hours in credited service. See Section 6.3.3 Vacation pay and OTCFT members;
- retroactive pay (including any pay equity adjustment) that fits with OMERS definition of earnings for all members, including active, terminated, retired and disabled members;
- lump sum wage or salary benefits which may vary from year to year but which form a regular part of the compensation package and are expected normally to occur each year (for example, payment based on organizational performance, some types of variable pay, merit pay, commissions);

**IMPORTANT**

On an ongoing basis, some organizations pay a base salary plus an additional "bonus/incentive/performance" payment. Where such an additional payment is related to a previous year’s performance target, the payment must be treated as earnings of the previous year, much like “retroactive pay”.

The contribution rate is determined based on the year to which the earnings are assigned. The pension adjustment (PA) must be calculated and reported in the year the payment is made.

If the additional payment is related to measurements covering more than one calendar year or is paid more frequently than once per year, please contact OMERS. See Example 2.

- market value adjustments (for example, percentage paid in addition to a base wage as a result of market conditions, including retention bonuses if they are part of your ongoing pay strategy and not a temporary policy);
- ongoing special allowances (for example, flight allowance, canine allowance);
- pay for time off in lieu of overtime. See Example 1;
- pay in lieu of benefits (for example, when an employer has a flexible benefit program and the employee receives compensation in lieu of the benefit option);
- salary or wages for period of suspension where a member is reinstated with full pay and seniority (for example, a grievance settlement specifically reinstates a terminated employee with full pay and seniority);
- danger pay;
- acting pay (pay at a higher salary rate for acting in place of an absent person);
- shift premium (pay for shift work);
- ongoing long service pay (extra pay for completing a specified number of years of service);
• sick pay deemed to be regular wages or salary. See Section 11 Leave periods and Section 13, Disability;

• salary or wage extension for any reason, provided service is extended (the member must be kept whole for example, continuation of salary and benefits). If the member becomes employed in another position and begins contributing to another registered pension plan (except CPP), the balance of the extension period becomes unpurchasable service;

• stand-by pay/call-in pay (pay for being on call, not pay for hours worked when called in) where this pay is in relation to duties that are an extension of the member’s normal job;

• living accommodation premiums provided (if paid as a form of compensation and not as a direct expense reimbursement);

• ongoing taxable payments to pay for costs (for example, educational or car allowance);

• taxable premiums for life insurance;

• taxable value of provided vehicle or car allowance (for example, if an employer provides an allowance (that is, expenses that are not reimbursed) then the allowance is considered part of contributory earnings. If an employer reimburses mileage, this reimbursement represents payment for gasoline, maintenance, insurance, wear and tear on the vehicle and licence fees and should not be included as part of contributory earnings);

• payments for unused accumulated sick days or vacation time, only on retirement and only if credited service is extended. When you include lump-sum payments for unused sick days or vacation time as contributory earnings, you must also extend the retirement date and the credited service by the number of days covered by the payment. The member’s pension will begin on the first day of the month following the revised retirement date. See Section 5 Credited service.

Overtime pay, expense reimbursements, pay in lieu of time off, and the value of non-taxable benefits must be excluded from contributory earnings. Examples of excluded earnings follow:

• overtime pay (except pay for time off in lieu of overtime);

• retirement bonuses;

• severance pay;

• achievement or other one-time awards or bonuses;

• lump-sum payment in lieu of time off on the termination or death of a member;

• unused sick credits or vacation time where credited service cannot be extended. For example, credited service may not be extended beyond the date of death, and extension on a member’s termination may cause an overlap of credited service with the pension plan of a new employer;

• one-time long service awards (not ongoing pay);

• retention bonuses (for example, Information Technology bonuses during Y2K transition);

• any money paid over regular wages for working a statutory holiday, regardless of when the extra pay is received. Overtime pay, see Example 1;

• overtime meal allowances;

• call-back pay (pay for hours worked when called in);

• vacation pay in lieu of vacation leave (for example, if you pay an employee an amount for vacation not taken);

• one-time bonuses (for example, signing bonuses);

• court pay for police officers;
Audit of Payroll

- value of non-taxable benefits, including the Employer Health Tax;
- travel, or any other expense reimbursement;
- value of clothing paid for by the employer; and
- value of memberships, professional fees, or dues paid on behalf of employees.

Note that generally, it is the type of payment rather than the method of payment (for example, lump sum versus periodic) that determines whether a particular item is included or excluded.

**IMPORTANT**

The lists above reflect the more common types of compensation. They are not intended to be exhaustive since compensation practices vary widely from employer to employer. When you are determining whether an item should be included or excluded, use the following principles/guidelines:

- is the item a regular, ongoing part of the members compensation that is expected to normally occur each year? If so, that item should be included in contributory earnings. If not, the item should be excluded. For example, some taxable benefits are very short term in nature, such as computer loans, and are not expected to occur year after year. Therefore, they should not be included. On the other hand, some taxable benefits are expected to occur year after year and should be included in contributory earnings.

- premiums versus benefits if you have a taxable premium that is providing a regular, ongoing benefit, then the premium (and taxes if expressly included under Canada Revenue Agency rules) will form part of contributory earnings. Benefits paid as a result of this type of premium (that is, long-term disability payments) would be excluded.

- non-taxable benefits/premiums cannot be included in contributory earnings.
Appendix C re: Management Response to Recommendation 2)  

Understanding Internet Access Logs  
FINAL  
25 March 2010

At the request of the City Manager, the Manager, IM/IT Architecture and Security, provides this information note regarding the City’s current Internet filtering service. The note describes the purpose of this filtering service and describes the Internet access logs that are created by the service. The note then articulates a concern about the interpretation of the Internet access logs that is presently occurring which is inconsistent with the nature and purpose of these logs, and which may present an incorrect public perception of employee usage of the Internet in support of the business purposes of the City of Ottawa.

Summary

<table>
<thead>
<tr>
<th>The City’s Internet filtering service, Websense, is a tool designed first and foremost for security purposes to safeguard the City’s network from dangerous (malicious and compromised) Internet sites. It is also used to restrict access to web sites with inappropriate content, consistent with City policy and Management direction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Internet access logs generated by this tool can be easily misinterpreted and used in a manner that does not reflect their true content, given the purpose and design of the Internet filtering tool and the nature of today’s Internet web site technology &amp; Internet browsers.</td>
</tr>
<tr>
<td>These Internet access logs are currently being used and interpreted in a way and for purposes inconsistent with their actual content, and statements are being made based on this interpretation which are inaccurate or unsupportable.</td>
</tr>
<tr>
<td><strong>These Internet access logs should not be used for time-and-attendance measurement nor to measure the FTE requirements of specific work units.</strong> These Internet access logs should only be used with great caution as supporting evidence in employee behaviour investigations.</td>
</tr>
</tbody>
</table>

Decision Points:

| For Information |

Final Recommendation with justification:

- Internet access logs should not be used for time-and-attendance measurement
- Internet access logs should not be used to measure the FTE requirements of specific work units
- Internet access logs should only be used with great caution as supporting evidence in employee behaviour investigations
Background/History

Why do we have an Internet filter?

1. To block unintended access to malicious and compromised web sites that could endanger City information and technology assets, including sensitive citizen data. (Example: In late December 2009 / early January 2010, the personal web sites of two City Councillors were both compromised by an external attacker. The City’s Internet filtering service correctly and successfully blocked access to both sites during the period when they were compromised and redirecting visitors to a malicious web site.)

2. To block intentional and unintentional access to web sites hosting inappropriate content (offensive, illegal, etc.) that could harm the reputation of the City.

3. To restrict access to web sites that could negatively impact the availability of the City’s public and internal systems, through excessive consumption of network capacity. Examples include streaming video sites associated with major world and sporting events.

Key Issues and Risk Analysis:

The Purpose of the Internet Filter is not to Manage Employee Productivity / Effectiveness

- The Internet filter blocks access to dangerous web sites
- The Internet filter blocks access to inappropriate web sites
- The Internet filter blocks access to web sites deemed inappropriate by City Management, consistent with the Responsible Computing Policy

Internet Access Logs Cannot be Used to Measure Time-and-Attendance or Employee Activity

- Today’s web sites include a large amount of dynamic content, including audio and video “pop-ups” that are launched automatically outside of the user’s control (advertising, etc.)
- Simply having the Ozone (Intranet) home page open generates Internet traffic to the Weather Network
- Accessing internal job postings generates Internet traffic to Workopolis
- Accessing online Council webcasts generates Internet traffic
- The number of “hits” does not correspond to the number of mouse clicks, “visits”, or user actions
- Browsers left open on many web pages will “auto refresh”, generating new “hits” without user intervention (www.cbc.ca/news/?refresh)
- Streaming media, such as online training webinars, will generate 100’s of “hits” over a short period
- Automated news feeds (“RSS” feeds) continually update as long as a browser is open (even if there is no Internet site being actively visited by the user)
- Many email messages, including unsolicited email and online business subscriptions, generate Internet traffic without user intervention when previewed or read
- Analysis has shown that a significant percentage of Internet usage recorded is generated by advertisements and automated web statistic tracking, over which the user has no control
- Many Internet browsers have helpful and productivity-enhancing features to monitor web pages of interest (such as www.cfra.com), and these features generate a continuous stream of Internet traffic without user intervention (features such as those that automatically advise the user of updated web page content or store the web page content locally for later offline viewing)
- There is no way to take the Internet access logs and accurately transform that data into a picture of how long a particular employee was surfing the Internet or reading a web page or listening actively to a local news radio broadcast.
Audit of Payroll

Internet Access Logs can only Support Employee Behaviour Investigations, but are not Definitive

- Internet access logs record all of the Internet traffic generated from an employee’s workstation and under an employee’s network account.
- Internet access logs make no distinction between activity initiated by an employee (through clicking the mouse) and activity generated automatically by the Internet browser and/or the web site visited.
- The appropriateness of certain Internet activity cannot be established across the board for all employees in all departments, but must be reviewed in the context of a specific employee’s job duties:
  - “Sports” is a business-related category for Parks & Recreation;
  - “Sex Education” is a business-related category for Public Health;
  - “Entertainment” is a business-related category for Centrepointe Theatre staff; and,
  - “Weapons” is a business-related category for a Purchasing Officer supporting Ottawa Police Services.

Policy Implications

Unknown at this time.

General Implications / Dependencies

N/A

Consultation / Others Advised or Impacted

The City Clerk & Solicitor’s office, as well as the Litigation & Labour Relations Branch have been involved in these discussions. This briefing was reviewed by Office of the Auditor General with the Manager, IM/IT Architecture and Security on Wednesday, 20 Jan 2010.

Websense Inc., the manufacturer and provider of the Websense Security System has confirmed and supports the position of this briefing note. See attached letter from Websense Inc.

Key Messages

N/A

Next Steps/Future Objectives/Milestones:
March 3, 2010

Fraser Hirsch
Manager, IT Architecture and Security
City of Ottawa
100 Constellation Cres.
Ottawa, ON
K2G 6J8

Dear Mr. Hirsch,

This letter is in response to a recent question posed by your team, regarding the ability to measure employee time/productivity using your Websense Web Security subscription.

The Websense solution was designed to provide an approximation of activity surrounding employee time and productivity, not an exact measurement of time. Websense is only capable of identifying requests from a workstation/browser, and cannot differentiate whether those requests resulted from intentional user-generated activity (a click) or automated browser-initiated activity.

There is no accurate way to interpret Websense logs to state or measure how much time an employee spent using the Internet. Note this is a limitation of all Web Security products in the market due to the nature of the information available to be collected from the Web request.

Below is a description from our Product Management team, describing how the Websense browse time calculation works:

**How the browse time calculation works? Turning ‘Hits’ into ‘Browser Time’**

It is difficult to quantify how much time an individual spends reading a specific web page, however, we can approximate the amount of time by observing the patterns of a user’s HTTP/HTTPS network traffic. The Internet Browse Time (IBT) algorithm will approximate the time by applying some simple rules and time thresholds to determine if a user has switched to a new web page, or stopped to read a page.

The IBT model correlates the temporal occurrence of log records to an internet usage model that implies that the individual is spending the time between HTTP requests reading the information rendered in the browser. While a user is surfing the internet, a series of temporally close HTTP records should appear with each new page. Should there be a significant amount of time between log records, then the model
assumes that the user found something worth reading, and spends a fixed amount of time reading the page. When a user encounters a blocked web page, the time spent on the previous web page should be ended.

There are two important input variables to the IBT algorithm: the Read Time Threshold and the Last Read Time. The Read Time Threshold is the amount of time between log records that determines if a user is still surfing the internet (a session). The Last Read Time is the amount of time that the algorithm applies to the end of a session to model the amount of time the user is penalized for reading the page.

There are some basic rules for grouping log records into intervals and sessions:

- There can be many ibt intervals per session
- A blocked page cannot start an interval
- A blocked page terminates an interval
- A change in CATEGORY terminates an interval
- A change in URL terminates an interval
- End of data terminates an interval
- Session ends when record delta time is greater than the Read Time Threshold
- The Last Read Time is added to the last interval in a session if session does not end with a blocked page

The following diagram illustrates several scenarios where log records are examined and IBT values are calculated:
How Accurate are the browse times?

There are several reasons why the browse times should be considered as an approximation and considered only for trending purposes:

- The IBT algorithm cannot distinguish between a voluntary user initiated request, and an implicit/involutary request being generated by running software.
- Websites in recent times are very dynamic and have multiple embedded "pseudo active" objects as part of the html page. There are RSS feeds, AJAX based web objects that constantly update the content of the web page without user requesting this information. There are "Ticker" sites. Web pages that have a META-REFRESH tag, and web based applications that use HTTP to poll the internet will reflect very large internet Browse time values. Websense products estimate time based on "any" active data transfer on the http access. This could be the voluntary user...
http request or it could be the background web objects that are loading without user information. There is no way technically for any product to tell that difference.

- At the same time there are multiple browser tabs with all new internet browsers which enables several active http sessions simultaneously. Websense cannot distinguish between multiple browsers on the desktop. At the network layer, the Websense application can only see HTTP traffic for a user, so the algorithm mixes together all log records.

Please contact me if you have further questions regarding the reporting capabilities of the Websense solution.

Sincerely,

[Signature]

Patrick Murray
Director of Product Management
Websense, Inc.