

FINAL

NATIONAL ENERGY BOARD

**Testing of
Time Reporting Interim Procedures (TRIP)
for
2001 - 02**

Albert Fung
Manager
Audit & Evaluation

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EXECUTIVE SUMMARY

By letter dated May 5, 2003 the Office of the Auditor General (OAG) requested the assistance of Audit & Evaluation (A&E) staff to audit the Board's Time Reporting Interim Procedures (TRIP) for 2001-02. TRIP was a series of Excel spreadsheets used by the NEB to accumulate and analyze employee time. The objective of this audit was:

To obtain sufficient appropriate evidence that hours charged in 2001-02 to the three commodities and to indirect time codes were reasonable and complete, as supported by approved time records (authorized, recorded, accumulated properly, proper amount, proper period).

Appended to OAG's May 5, 2003 letter were specific audit procedures. These procedures were designed to test for the recording in weekly timesheets of proper authorization and proper time amount, time type and commodity code. The requested procedures were also designed to test that authorized hours were properly captured in TRIP.

When the evidence gathered from executing these requested procedures indicated that certain authorized hours might not be captured in TRIP and that certain hours might not be properly allocated to commodity codes, OAG staff was consulted. We decided to extend our audit procedures. These entail the testing of a large sample of individual timesheets stratified by team, covering each month of the year, for proper coding of authorized hours and proper capture in TRIP. As well, "macro" analysis would be conducted to test the reasonableness of NEB-wide time values for 2001-02 and of the percentages of hours allocated to the commodities.

The results of testing a stratified sample of 105 timesheets and "macro" analysis indicated that, in 2001-02, a significant number of authorized hours were not recorded in TRIP. Nevertheless, it appeared that these omissions occurred in a haphazard fashion. As a result, the omissions did not result in significant distortions in the percentage of hours attributable to the gas, oil and electricity commodities.

Based on these audit results, we concluded that, while a number of authorized hours were omitted from TRIP for 2001-02, the percentages derived from TRIP of hours attributable to gas, oil and electricity as well as commodity pipelines were reasonable for cost recovery purposes. In our opinion, having conducted the audit procedures requested by the OAG and the extended audit procedures, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the conclusion reached.

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I. INTRODUCTION

Pursuant to *National Energy Board Cost Recovery Regulations*, companies regulated by the NEB pay cost recovery charges to the Board. Recoverable expenditures incurred by the Board are reported on a calendar year basis in the Board's Statement of Expenditures and Receipts (Statement). The Office of the Auditor General (OAG) audits the Statement annually. As part of this annual audit, OAG requests the assistance of the Audit & Evaluation (A&E) unit in examining the time records of the Board. By letter dated May 5, 2003, OAG requested A&E staff to examine the records in NEB's Time Reporting Interim Procedures (TRIP) for 2001-02, a description of which is appended herein. The result of this examination is to be incorporated in OAG's audit of the Statement for the year ended December 31, 2003.

II. AUDIT OBJECTIVE

In its May 5, 2003 letter, the OAG identified as objective for this examination of TRIP for 2001-02 the following:

To obtain sufficient appropriate evidence that hours charged in 2001-02 to the three commodities and to indirect time codes were reasonable and complete, as supported by approved time records (authorized, recorded, accumulated properly, proper amount, proper period).

III. AUDIT PROCEDURES

A. Requested Procedures

To meet the audit objectives, OAG requested in its May 5, 2003 letter that A&E staff conduct the following audit procedures:

1. For the 2001-02 period, determine whether the procedures and controls that were in place for TRIP were the same as those in place for 2000-01. Document any changes from the system description attached to the May 5, 2003 letter.
2. Select at random one timesheet for each month in the 2001-02 fiscal period and perform the following:
 - a) ensure employee and supervisor signed the timesheet (authorized);
 - b) ensure regular hours recorded on timesheet do not exceed the standard amount of 7.5 hours (proper amount); and
 - c) ensure hours on timesheets were coded to correct commodity codes (proper amount accumulated properly).
3. Select at random, one week for one team in the 2001-02 fiscal year and agree the total weekly hours to individual timesheets (to ensure that all hours reported in the TRIP summary are supported by approved timesheets).
4. Select at random, four internal transfers of employees between teams during the year and review coding of their hours after the transfers.
5. Document the cut-off analysis / tests ensuring hours on timesheets for 2001-02 were input to TRIP, and no timesheets include hours worked in fiscal 2000-01 and 2002-03 (recorded, proper period).

B. Extended Procedures

As described in Section IV, the results from executing the audit procedures requested by the OAG raised questions about the completeness of TRIP records and the accuracy of time allocation to commodity codes. In consultation with OAG staff, it was decided that additional tests should be performed. The objective was:

To assess the extent to which (i) authorized hours were not properly charged to commodity, frontier and other codes; and (ii) authorized hours were not captured in TRIP.

Specifically, we performed the following procedures:

- 1) Select a team on a statistical random basis for each of the months in 2001-02;
- 2) For each employee of the selected team, choose a timesheet, sequentially by week within the chosen month and perform the following:
 - a) ensure employee and team leader signed the timesheet (proper authorization);
 - b) ensure time recorded in the approved timesheet is captured in TRIP (proper recording);
 - c) for one of the tasks performed, e.g. records services or TransCanada PipeLines toll hearing, ensure that the hours on the timesheet are coded to the correct commodity or other codes (proper time allocation); and
 - d) ensure that the hours on the timesheet for that task agree with the hours recorded in TRIP and are summed up correctly in TRIP (proper time accumulation).

C. Further Analysis

In light of the results of conducting the requested procedures, it was determined also that “macro” reasonableness analysis of the total hours, the hours directly charged to commodities, overhead, frontier and other codes should be performed. The purpose of this analysis is to determine (i) whether the NEB-wide time values for 2001-02, and (ii) whether the percentages derived from TRIP for hours attributable to gas, oil and electricity as well as commodity pipelines were reasonable.

IV. RESULTS

The Requested Procedures were performed in October 2003 while the Extended Procedures and Further Analysis were carried out in November and December 2003. The results are summarized in this section.

A. Requested Procedures

i) Continuity of TRIP

Based on the results of conducting the audit procedures described above, review of TRIP-related documents and discussion with NEB staff, it was determined that, while minor changes were implemented in 2001-02, the procedures and controls for TRIP were the same in all material respects as those in place for the previous fiscal year.

ii) Proper authorization, proper time amount and type and commodity code

As per audit procedure III.A.2, 11 individual timesheets were selected on a judgmental random basis from the files of individual timesheets kept in binders in a secured file storage area of the NEB. At the time of

the audit in October 2003, the binders of three teams were not found in the stacks. The TRIP spreadsheets for these three teams were scanned and one time sheet was selected at random. These 12 items were tested for proper authorization, proper time amount and type, and proper commodity coding. The following exceptions were observed:

Observation	Number of Timesheets having the Observed Condition (out of the 12 examined)	Number of Occurrence Of Observed Condition
Recorded regular hours greater than required hours of work (7 ½ hrs)	2	2
Authorization not verified initially	1	1
Late authorization ¹	1	1

In one of the two cases where regular hours recorded were greater than the required hours of work, the proximate time sheets of that employee were scanned. It was observed that an informal procedure was in place whereby the employee would work more than the required number of hours for certain days and subsequently took an equivalent amount of time off. In this particular case, for the fiscal year as a whole, this informal procedure did not result in any incorrect number of regular hours being recorded in TRIP. As well, it appears that this is a special situation. The other case was a simple recording error. On the face of it, the hours were charged to the proper commodity code and therefore did not result in an error per se.

As for the case where authorization could not be verified initially, the timesheet binders of all three teams were located subsequently, allowing verification of proper authorization of the item.

iii) Reconciliation of hours recorded in timesheets to hours in TRIP Summary Reports

Pursuant to audit procedure III.A.3, a team in Operations Business Unit was selected at random. For the week of Oct 22, 2001, the hours in the individual timesheets of this team were traced to TRIP summary reports. The following exceptions were observed:

Observation	Number of Timesheets with the Observed Condition (out of the 9 examined)	Total Number of Occurrence	Total Hours in Question
Hours recorded as “oil” in paper timesheet but as “unassigned” in TRIP	1	4	30
Hours recorded as “frontier” in timesheet but as “unassigned” in TRIP	1	4	17

Upon investigation, it became apparent that in these two cases the intention was to charge these hours to “oil” and “frontier” respectively. However, in the case of the two employees in question, the intention was hand-written, resulting in the observed errors in TRIP.

¹ Signature of team leader, indicating authorization, was dated more than two months after the hours worked.

iv) Hours of employees transferred between teams

As per audit procedure III.A.4, four employees who were transferred between teams during 2001-02 were selected on a judgmental random basis. Their approved time sheets around the time that the transfer took place were reviewed and traced to the TRIP Excel spreadsheets.

In three of the four cases, the employee's hours were properly recorded in TRIP. There were no duplications or omissions. In the fourth case, while there were authorized time sheets on file for the four months leading up to the transfer, the employee's time was not recorded in TRIP.

v) 2001-02 time reports do not contain hours from previous and subsequent fiscal years

In accordance with audit procedure III.A.5, for the weeks of April 2, 2001 and March 25, 2002, the individual time sheets for a team in the Commodities Business Unit were analyzed and traced into the TRIP spreadsheets. It was determined that proper cut-off procedures were in place. Consequently, all of the hours charged in the first and last weeks of FY 2001-02 were properly reported as 2001-02 hours and that no timesheets for those two weeks included hours worked in the previous or subsequent fiscal years.

B. Extended Procedures

i) Observations

Using the method described in section III.B a sample of 105 individual timesheets from 12 teams was selected. These items covered each of the months of 2001-02. They were tested for proper authorization, proper recording in TRIP, proper coding and proper accumulation in TRIP. The following variances from norm were observed.

Observation	Number of Timesheets with the Observed Condition (out of 105 examined)	Remark
Proper authorization and coding shown on paper timesheets but hours were not recorded in TRIP	9	- Observed condition found in three teams. Two of these teams were in "line" business units while the third was from support services area. - Examination of proximate timesheets shown that the hours for the two or three weeks before or after the selected timesheets were usually not captured in TRIP also
Paper timesheet missing but hours recorded in TRIP	3	- Authorization cannot be verified
Gas hours charged to overhead	1	- Hours related to a gas pipeline hearing

ii) Analysis of observations

Regarding hours that should have been charged to a commodity but were recorded as overhead (one out of 105 cases), we note that the situation was much improved in 2001-02. In the prior fiscal year, we had estimated that approximately six % of the timesheet contained such errors.

With respect to cases where the paper timesheets were missing but the hours were properly recorded in TRIP, a scan of proximate timesheets suggested that proper authorizations had been made but the original documents were lost. In A&E staff’s estimate, this situation did not give rise to a material misstatement of the hours in recorded TRIP.

Of greater concern are the nine out of 105 cases where proper authorization and coding were shown on paper timesheets but the hours were not recorded in TRIP. Furthermore, an examination of proximate timesheets shown that in most of these cases the hours for the two or three weeks before or after the selected timesheets were usually not captured in TRIP also. In our opinion, the results of examining this stratified sample and the sample of internal transfers (see section IV.A.iv) indicate that a significant number of authorized hours were not captured in TRIP. We note that the posting of hours from the individual Excel timesheets to the Excel TRIP summary was performed mainly by one individual. With no feedback mechanism to help this individual establish the completeness of reported hours, it appeared that errors were often made. Nevertheless, it appeared that these omissions occurred haphazardly because these omissions were not concentrated in any particular areas of the NEB.

C. Further Analysis

The recorded hours and human resources employed for the three fiscal years commencing April 1, 1999 were as follows:

Fiscal Year	Total Hours	FTE*	Hours/FTE/week	Remarks
2001-02	552,458	286	37.15	TRIP in place for the whole year
2000-01	566,540	289	37.70	TRIP in place for the whole year
1999-00	566,145	286	38.07	TRS for 9 months & TRIP for 3 months

* Full time equivalent (FTE) as reported in NEB’s Report on Plans and Priorities for the subsequent fiscal year.

At the NEB some employees report overtime and non-compensatory hours. One would therefore expect “hours per FTE per week” of over 37 ½ hours. For 2001-02, the calculated figure is 37.15. This is consistent with our observation that a significant number of authorized hours were not recorded in TRIP.

To determine the potential impact of this observation on the efficacy of TRIP for 2001-02 as the management system for cost recovery purposes, the hours directly reported in TRIP were tabulated and compared to those reported 2000-01. They are as follows:

Time Category	2001-02		2000-01	
	Hours	%	Hours	%
Gas	174,356	32	174,045	31
Oil	66,379	12	74,830	13
Electricity	30,240	5	27,717	5
Frontier	27,047	5	29,643	5
Overhead **	250,499	45	257,796	46
Miscellaneous ***	3,937	1	2,508	<1
Total	552,458	100	566,540	100

** Overhead hours are paid leaves and hours not specifically allocated to a commodity code.

*** Miscellaneous hours include commodity pipeline, NPA and Yukon hours.

Regarding frontier hours, a category that is not recoverable under *NEB Cost Recovery Regulations*, it is worth noting that in 2001-02 the reported hours represented the regular hours of 13.9 FTE employees. With the 12 members of the Exploration and Production Team charging most of their hours to frontier activities, the hours equivalent to two FTE that were charged to frontier activities by staff outside this team appeared reasonable. Even though the number of frontier hours reported in 2001-02 is about 8.8% lower than those reported in the previous year, frontier hours as a percentage of total hours remained the same (5%). We are of the opinion that, in percentage terms, there were no material under-reporting of hours that were not cost recoverable.

The hours directly charged to overhead continued to decline in absolute and percentage terms in 2001-02, continuing a trend of recent years. Nevertheless, our test results suggested that even more overhead hours should have been charged directly to commodity codes.

Overall, for 2001-02, the percentages of hours charged to the various time categories were very similar to those of the previous fiscal years. We are of the opinion that the percentages were within a zone of reasonableness that is acceptable for cost recovery purposes.

V. CONCLUSION

In view of the foregoing, we concluded that, while a number of authorized hours were omitted from TRIP for 2001-02, the percentages derived from TRIP of hours attributable to gas, oil and electricity as well as commodity pipelines were reasonable for cost recovery purposes. In our opinion, having conducted the audit procedures requested by the OAG and the extended audit procedures and analysis, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the conclusion reached.

APPENDIX:
Time Reporting Interim Procedures (TRIP)

A. A Temporary Replacement for TRS

For years, the Board used a database program called the Time Reporting System (TRS) to capture the hours worked by employees and then allocated these hours to specific commodities for cost recovery purposes. Towards the end of the nineties, recognizing that TRS is not Y2K compliant, Board staff began to examine alternatives.

When it became clear that a new software program would not be implemented before 2000 began, Board staff developed a series of Excel spreadsheets to capture employee time. This interim measure, referred to as Time Reporting Interim Procedures (TRIP) was to be used for the first six months of 2000.

However, replacing TRS took much longer than anticipated. First, NEB management decided to cancel a contract awarded for the development of a new "time" system because the software to be used would not be compliant with the Integrated Systems Architecture (ISA) then being implemented. Second, the "time" project was delayed in order to integrate it with the Information Systems Methodology (ISM) initiative. TRIP ended up being the management information system for time reporting for the years 2000 and 2001, and the first half of 2002.

Being a series of spreadsheets, TRIP does not contain any of the systems controls one expects to find in a database program. For example, TRIP does not establish control totals to ensure that a full-time employee charges only 37.5 hours of regular hours in a week. TRIP does not have the capability to reject obvious incongruities. Thus, it would accept hours charged to a TransCanada PipeLines Limited toll hearing as "oil" hours. As well, these Excel spreadsheets were developed and maintained by NEB staff within the same team. The efficacy of TRIP as a management information system is therefore dependent on the awareness, attention and training of NEB staff responsible for recording, entering, analyzing and reporting time.

B. TRIP Procedures

On the first working day after the completion of a week, NEB employees are required to record in a form their hours by time type, amount, commodity and task ID. Most employees used the old TRS template. The team's administrative assistant then enters the hours into TRIP. Passwords and menu masks were used to allow only authorized personnel to access the system. The Administrative Assistant then prints out a copy of the timesheet and gives it to the employee for signature. Signed timesheets are provided to the Team Leader for review and approval.

To promote timely reporting, the then Planning and Reporting team issues "Missing Timesheet Report" generally on the second Monday of each month, allowing Administrative Assistants to take follow-up action with the employee and the team leader. At the end of the fiscal year, the Administrative Assistant performs quality checks on the timesheet files and forwards them in binders to Information Resources and Distribution team for retention.

For management information purposes, Planning and Reporting produces summary reports on a monthly and quarterly basis.

C. Distribution of Hours

For reporting purposes, hours captured in TRIP are rolled up into nine categories: gas, oil, electricity, commodity [pipelines], frontier, multi-client (tasks associated with many regulated companies), overhead (leaves and non-specified hours), NPA and Yukon. Multi-client and overhead hours are distributed as follows:

1. Multi-client hours (not already specifically assigned to a commodity) are distributed on a pro-rata basis to gas, oil, electricity, commodity pipelines and frontier, i.e., all categories except overhead, NPA and Yukon; and
2. Overhead hours (net of the hours recoverable from the Environmental Studies Research Funds) are distributed to on a pro-rata basis to the other eight categories.

The resulting hours attributable the three principal commodities (gas, oil and electricity) and commodity [pipelines] are used to calculate ratios for cost recovery purposes pursuant to *NEB Cost Recovery Regulation*.