DEPARTMENT OF THE
SOLICITOR GENERAL CANADA

FINAL REPORT FOR THE AUDIT OF
LEAVE AND OVERTIME

31 January 2002

PROBUS CONSULTING AND AUDIT SERVICES

Department of the Solicitor General Canada
Report for the Audit of Leave And Overtime
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Appendix B: Flow Chart of Leave and Overtime Procedures

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I   EXECUTIVE SUMMARY

The audit of leave and overtime was conducted from October through December 2001.

The audit found that the corporate framework for leave and overtime is generally sound and that there is good compliance to central agency and Departmental requirements.

The specific findings of the audit, including several areas in which improvement is indicated, are summarized below. The audit recommendations aimed at addressing these areas for improvement follow the findings.

Summary of Key Audit Findings

Leave

While the corporate framework for the leave function is generally sound, the audit found some inconsistency in the understanding of roles in the leave process between managers and Human Resources Division (HRD). In practice, this has not led to a problem with compliance because of controls in place and because managers discuss any non-routine leave requests with HRD prior to approval. The management control framework would be strengthened if the leave-related responsibilities of managers, employees, and HRD were clearly laid out in a Leave Policy or Guideline.

While Departmental senior management have been provided with some data on leave and overtime usage, the current Human Resources Information System (HRIS) of the Department has little functionality to produce high-level reports for senior management. The auditors were informed that the HRIS will be upgraded in coming months to a Web-based platform, and this should be used to provide improved reporting to senior management.

The section of the Departmental Instrument of Delegation for Human Resources Management covering leave was reviewed. While the delegated authorities appear to be appropriate, many position titles are outdated. The instrument needs to be updated, and would remain current longer if generic position titles were used.

The eight Responsibility Centre (RC) managers interviewed during the audit described the services provided to them by HRD to be good or very good, and all managers were satisfied with the information and support provided.

Leave procedures appear to be sound with adequate controls.

The RC managers interviewed reported that their planning mechanisms have allowed operational requirements to be met during peak leave periods of the year.

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A review of the Department's <u>Health of the Workplace Reports</u> from December 1998 through June 2001 showed that the amounts of sick and vacation leave taken were stable and at a moderate level.

<u>Overtime</u>

The eight RC managers interviewed during the audit described the services provided to them by HRD to be good or very good, and all managers were satisfied with the information and support provided.

Overtime procedures appear to be sound with adequate controls.

Overtime use was found to be moderate in the Department.

Our review of seven employees' overtime transactions revealed that in three cases it appeared that overtime had not been approved in advance by the manager. In one case, a casual employee had worked overtime at time and a half on the first day returning from vacation leave. A more cost-effective approach would have been to not authorize the full amount of vacation taken.

Recommendations:

1. *It is recommended that the leave responsibilities of managers, employees, and HRD be clearly laid out in a Policy or Guideline and posted on the Department's Intranet site.*

2. *It is recommended that HRD regularly provide to Departmental senior management overview reports on leave and overtime usage after the HRIS upgrade.*

3. *It is recommended that the Department update its Instrument of Delegation for Human Resources Management in a manner that allows it to more easily be kept current.*

4. *It is recommended that the Department's overtime policy be issued and widely promulgated.*

5. *It is recommended that managers be reminded to approve overtime in advance using the Extra Duty Pay Report as required by the Department's overtime policy.*

6. *It is recommended that managers be reminded that vacation leave may not be authorized if so doing will require overtime to be worked subsequently.*

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II   BACKGROUND

The Department of the Solicitor General (the Department) is a small policy-focused organization, comprised of approximately 220 full-time equivalents (FTEs).

The nature of the federal Public Service with its diverse occupational groups with over 80 collective agreements with differing compensation packages, creates a complex leave and overtime environment. Leave and overtime administration is governed by various acts, regulations, policies, collective agreements, directives and guidelines, such as the Public Service Terms and Conditions of Employment Regulations, Treasury Board Minutes and policies, and various Collective Agreements.

A key step in determining an employee's leave/overtime entitlements is first determining the status of an employee in relation to the system of collective bargaining. If the employee is in a bargaining unit, information concerning most of the employee's terms and conditions of employment are set out in the relevant collective agreement. It should be noted that the collective agreement, by law, has precedence over most other personnel policies where the collective agreement is specific. If the employee is not in a bargaining unit, the supervisor should refer to the relevant terms and conditions of employment covering the employees' occupational group and level.

Roles and Responsibilities

The Treasury Board Secretariat (TBS) has overall responsibility for pay and benefits administration, including responsibility for providing policies and regulations, interpreting such policies and regulations, and coordinating and monitoring the entire administration process.

Departments manage and are accountable for their internal leave and overtime administration. Operation of the departmental pay administration process is the responsibility of the departmental pay and benefits organization. Pay and benefits staff must work with leave and overtime decisions made by line managers, and thus require strong communication skills.

At the Department, senior level direction for all aspects of human resources management is provided by the Department's Human Resources Committee (HRC). The Department's Human Resources Division (HRD) drafts policies for and administers the leave and overtime functions. The Division also is responsible for functional advice and support for program management in the areas of leave and overtime. It is headed by the Director, HRD, who reports to the Director General, Corporate Services. Reporting to the Director are the Chiefs of HRD Development, Staffing, and Classification, and the Staff Relations Advisor and Head, Compensation.

Within HRD, the leave and overtime function is carried out by the Staff Relations Advisor and Head, Compensation, aided by the Compensation & Benefits Advisor.

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At the time of the audit HRD's work load regarding the leave function was quite high because new leave entitlements have been negotiated for most employees and these must be entered into the Human Resources Information System (HRIS), as the new Collective Agreements come into force.

III   OBJECTIVES AND SCOPE OF THE AUDIT

The primary purpose of the audit was to review and express an opinion on the state of the Department's Management of Leave and Overtime. Also, it was expected that the audit would provide recommendations to senior management on what changes, if any, need to be made for improvement purposes.

Management of Leave

The audit focused on vacation, sick, bereavement and maternity leave. In this context, the audit included:

- assessing whether leave is taken in compliance with collective agreements, other terms and conditions of employment and Central Agency and Departmental directives and policies related to leave;
- assessing the corporate framework for the management and administration of leave;
- assessing the means employed by managers and supervisors to control and monitor the leave of employees;
- examining the management and administration of leave by the Department's Pay and Benefits Unit;
- assessing the Department's leave reporting system.

Management of Overtime

The audit included an assessment of the following issues:

- compliance to Central Agency and Departmental policies and directives governing overtime;
- the practices, procedures, and systems in place to monitor, control, and administer overtime;
- the authorization, recording, verification and processing of overtime payments.

Scope

The scope of the audit covered all Departmental activities, controls, mechanisms and systems related to the management of leave and overtime covering the 2000-2001 fiscal year, and to the date of the audit.

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The audit focused on issues of compliance to collective agreements, central agency policies, regulations and guidelines, and Departmental policies related to leave and overtime.

IV   AUDIT METHODOLOGY

The audit was conducted from October through December, 2001 and included a planning phase, a fieldwork phase and a reporting phase. Key issues for the audit were identified in the Audit Planning Memorandum that was produced at the end of the planning phase.

The audit methodology was based on generally-accepted audit procedures for the public sector, and included steps aimed at determining the level of compliance with Treasury Board policies and with Departmental procedures.

Data was gathered by means of interviews with managers and staff in HRD, and the program and administrative directorates. (A list of the persons interviewed in the audit is provided at Appendix A). In addition, the leave and overtime procedures were reviewed and subjected to testing on a sample basis. (A flow chart of the leave and overtime procedures is included at Appendix B). File reviews were conducted to determine the level of compliance with documented procedures. A large number of documents were reviewed including Treasury Board's leave and overtime policies, the Department's overtime policy, Pay & Benefits work plans, the Department's Delegation of Authority for Human Resources Management, leave and overtime forms and reports, recent Departmental Reports on the Health of the Workplace, SAP Financial Reports, and the previous audit report on the leave function.

V   AUDIT FINDINGS AND RECOMMENDATIONS

LEAVE

A)   Clarity of Roles and Responsibilities in the Leave Function

While the leave function appears to be adequately organized, the audit found some inconsistency in the understanding of roles in the leave process between managers and HRD. Most managers stated that they don't pre-check leave requests to ensure adequate leave is available; they rely on the HRIS to flag any leave requests that would result in exceeding the employee's leave credits. In an interview the Staff Relations Advisor & Head, Compensation stated, while HRIS provides a warning message if an employee's leave balance becomes negative, she understood it was also the manager's responsibility to track employees' leave usages and ensure employees did not exceed their leave credits.

In practice, this has not led to a problem with compliance because of HRIS' warning of negative leave balances, and because managers discuss any non-routine leave requests with HRD prior to approval.

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However, the management control framework would be strengthened if the responsibilities of managers, employees, and HRD were clearly laid out in a Leave Policy or Guideline. This document should be posted on the Department's Intranet site where there are currently policies, procedures or guidelines for 16 other areas of human resources management.

This document could, in addition to ensuring a more consistent understanding of roles, reduce the number of enquiries HRD receives from managers and staff, and be useful in reinforcing key messages, such as that sick leave is not intended for occupational illnesses or injuries.

Recommendation:

1.   *It is recommended that the leave responsibilities of managers, employees, and HRD be clearly laid out in a Policy or Guideline and posted on the Department's Intranet site.*

B)   Adequacy of Reporting to Senior Management

It is good management practice, and a practice recommended by Treasury Board, that senior management of departments regularly review reports on leave and overtime usage. Departmental senior management have been provided with some data on leave and overtime usage. The current Departmental HRIS was reported to have little functionality to produce high-level reports for senior management on overall leave and overtime usage. The auditors were informed that the HRIS will be upgraded in coming months to a Web-based platform and improved management reporting capabilities are expected to be included.

Recommendation:

2.   *It is recommended that HRD regularly provide to Departmental senior management overview reports on leave and overtime usage after the HRIS upgrade.*

C)   Department's Instrument of Delegation for Human Resources Management

The section of the Department's Instrument of Delegation for Human Resources Management covering leave was reviewed. The delegated authorities appear to be appropriate. However, the instrument dates from April 1, 1997, and many position titles are outdated. The Instrument needs to be updated, and the use of specific position titles should be reconsidered so that it may be more easily kept current.

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Recommendation:

3.   It is recommended that the Department update its Instrument of Delegation for Human Resources Management in a manner that allows it to more easily be kept current.

D)   Quality and Timeliness of HRD's Leave Services

Service standards have been defined for HRD and are documented in the Service Guide for the Corporate Services Sector. All managers interviewed described the services provided to them by HRD to be good or very good, and all managers were satisfied with the information and support provided.

Recommendation:

None.

E)   Leave Procedures and Controls

The procedures in place for leave and overtime were flow-charted by the audit team. The flow chart is included at Appendix B for information purposes.

Procedures appear to be sound with adequate controls. There are a number of controls in place such as sign-offs by the employee and the manager, the use of standard forms, and the controls built into the HRIS to flag any transaction that would exceed the employee's leave credits. In addition, the managers interviewed stated that they would consult HRD on any non-routine leave request.

Managers felt there was little chance that leave could be taken but not recorded since the work units are small. Three of the eight interviewed managers noted they kept their own records of leave taken by employees in the month.

Recommendation:

None.

F)   Impact of Leave on Operational Requirements

Eight program or administrative managers were interviewed during the audit regarding the leave and overtime functions. One item discussed was if there is adequate planning to support operational requirements during peak periods of employee leave. Managers reported that they have procedures in place for the planning of leave during the peak periods of the year (mainly the December and summer periods) and that their planning mechanisms have allowed operational requirements to be met.

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Recommendation:

None.

G)   Review of A Sample of Employees' Leave Transactions

A sample of 30 employees' leave transactions was selected at random for audit of their leave transactions for two fiscal years (2000-2001 and 2001-Oct 1/01). The sample included a wide variety of Departmental organizations and occupational groups. The audit included an assessment of the degree of compliance of the leave entitlements, leave approvals, cash payouts in lieu of leave, the recording of leave taken, and the calculation of leave balances.

The following findings were made from the sample review:

-   the Application For Leave Forms (MS-258) were properly completed, signed by the responsible manager, and correctly recorded in HRIS with a few exceptions described below.

-   the audit found three cases with errors in the calculation of leave credits or usage:

    1. In one case the HRIS over-calculated an EX employee's vacation entitlement by a small amount for one year. Sick and vacation leave entitlements are calculated by the HRIS for each employee taking into account their anniversary date and their collective agreement. In all sampled cases except this one, employees' leave entitlements had been calculated correctly by the HRIS and credited to the employee. The non-compliant case concerned an EX vacation entitlement - the EX rules differ from those of most employees, i.e. from Program and Administrative Services (Table 1) employees, in that it is the month <u>after</u> the anniversary date that the employee begins to receive the higher entitlement.

        In this case the HRIS had credited the higher entitlement beginning in the anniversary month, rather than the next month. Thus the EX was credited a month early with the higher entitlement, resulting in a small over-calculation of the employee's vacation entitlement.

        As a result of this finding, HRD checked the vacation entitlements of several other EX employees, and found them to be accurate. HRD has referred the non-compliant case to the HRIS System Administrator for review and correction;

    2. in the second case 5.5 hours of compensatory leave were entered into the HRIS instead of the 2.5 hours approved on the leave form; this input error was not caught in the verification process

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that is undertaken in HRD (the verification is done by the same person who does the data entry);

3. in the third case the amount of leave approved on the Application For Leave Form did not agree with the leave recorded in the HRIS. The cause may have been data entry error or an amendment had been made but was missing from the file.

- the random sample included five instances of bereavement leave. The audit found all bereavement leave had been compliant and was properly recorded with the day of the funeral stated, as per the collective agreement.

- leave paid out in cash was properly recorded in the HRIS in all cases examined.

The three cases with errors were referred to HRD for follow-up at the end of the audit.

Recommendation:

None.

H)   Leave As An Indicator of Risk of Employee Burn-out

A review of the Department's Health of the Workplace Reports from December 1998 through June 2001 showed that the amounts of sick and vacation leave taken were stable and at a moderate level. There is no evidence of any problems with employee health or morale from these indicators. As well, in interviews managers stated that the incidence of leave and overtime in their units had not caused them to feel there was a significant risk of employee burnout.

Recommendation:

None.

OVERTIME

I)   Department's Overtime Policy

The Department's overtime policy was approved in April, 2001, but at the time of the audit it had not yet been distributed. Our review of the policy confirmed that it complies with the Treasury Board overtime policy. However, not all managers interviewed in the audit were aware of the policy. Some

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managers stated that they believed there has been some inconsistency in Departmental managers' attitudes toward compensating overtime. The new overtime policy would address this issue.

Recommendation:

4)   *It is recommended that the Department's overtime policy be issued and widely promulgated.*

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J)   Quality and Timeliness of HRD's Overtime Services

All eight managers interviewed were satisfied with the extent of support and guidance provided by HRD to the program managers regarding the overtime function. All managers interviewed described the services provided to them by HRD to be good or very good.

Recommendation:

None.

K)   Overtime Procedures and Controls

The procedures in place for leave and overtime were flow-charted by the audit team. As noted above, the flow chart is included at Appendix B for information purposes.

Procedures appear to be sound with adequate controls. There are a number of controls in place such as sign-offs by the employee and the manager, the use of standard forms, and regular review of overtime expenditures. In addition, the managers interviewed stated that they would consult HRD if they had any questions on overtime.

Recommendation:

None.

L)   Review of Overtime Sample

Of the 30 employees selected at random for the leave audit sample, five had incurred some overtime in the audit period (2000-2001 and 2001- Oct 1/01). These five employees, and an additional two employees with substantial overtime, were selected for an overtime sample of seven. Two of these employees had requested their overtime to be taken as Compensatory Leave.

Overtime use was found to be moderate in the Department. In the one case where overtime was high [representing over 50% of normal pay], the employee was working most evenings and weekends. This, however, is a special case as the employee is on call to the Minister at all hours.

Our review of the seven employees' overtime transactions revealed that:

- in three cases, it appeared that overtime had not been approved in advance by the manager because the Extra Duty Pay Report (MS-200) was not initialled by the manager in Part A which is to be completed prior to the overtime. Managers did sign the form and certify the total overtime after the fact;

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- in one case, a casual employee had worked overtime at time and a half on the first day returning from vacation leave. A more cost-effective approach would have been to not authorize the full amount of vacation taken. As stated in the collective agreements, vacation may not be authorized if so doing will require overtime to be worked subsequently. However, in this case it is possible that the need for overtime was not foreseeable at the time the employee started their vacation.

Recommendations:

5.   *It is recommended that managers be reminded to approve overtime in advance using the Extra Duty Pay Report as required by the Department's overtime policy.*

6.   *It is recommended that managers be reminded that vacation leave may not be authorized if so doing will require overtime to be worked subsequently.*

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APPENDIX A

Persons Interviewed
in the Audit

Director General, Corporate Services
Deputy Director General, Corrections Research
Senior Director, Operations, Aboriginal Policing
Director, Anti-Organized Crime
Director, Strategic Communications and Consultations
Director, Coordination and Liaison
Director, Finance
Director, Management Review
Director, Security Policy
Director, Systems
Director, Human Resources
Chief, HRD Development
Staff Relations Advisor & Head, Compensation
Financial Analyst

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APPENDIX B

Flow Chart of the

Leave and Overtime Functions