

National Energy
Board



Office national
de l'énergie

**Testing of
Time Information Management (TIME) system
for
2003 - 04**

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SUMMARY

The purpose of this audit report is to outline the results of testing Time Information Management (TIME) records for 2003-04. This audit was carried out in response to a request from the Office of the Auditor General for assistance in its audit of NEB's financial statements for the year ending December 31, 2005.

Based on the results of the audit procedures performed, we concluded that, the hours recorded in TIME for 2003-04 and charged to the gas, oil and electricity commodities and other codes were reasonable and complete for cost recovery purposes. In our opinion, having confirmed that the internal controls of TIME continued to be adequate, examined a statistical random sample of individual time records and conducted a reasonableness analysis of employee time, sufficient and appropriate audit procedures were conducted and evidence gathered to support the conclusion reached.

For 2003-04, tardiness on the part of many NEB staff in submitting and of certain leaders in approving timesheets continued to be an issue. Using the business rules for TIME as audit criteria, we determined that 20.5% of the timesheets were submitted late, although the vast majority of them were late by a week or less. We estimated that approximately 18% of the timesheets were approved late, most of which (12% of the total) were late by a week or less.

I. INTRODUCTION

Pursuant to *National Energy Board Cost Recovery Regulations*, regulated companies 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 Operations. The Office of the Auditor General (OAG) audits NEB's financial statements annually for cost recovery purposes. By letter dated August 12, 2005, the OAG requested the assistance of NEB Audit & Evaluation staff in examining the time records of the Board for 2003-04. The result of this examination is to be incorporated in OAG's audit of the Board's financial statements for the year ending December 31, 2005.

II. AUDIT OBJECTIVE

In its August 12, 2005 letter, the OAG identified as the objective for this examination of time records for 2003-04 the following:

To obtain sufficient appropriate evidence, that hours charged in 2003-04 to the commodities were reasonable and complete, as supported by approved time records (authorized, recorded, accumulated properly, proper amount, proper period).

III. AUDIT PROCEDURES

A. Adequacy of Internal Controls

2003-04 was the first full year of operation of Time Information Management (TIME), a time management information system that employed web browser technology and was built on the Microsoft .NET platform. In 2004, TIME was found to be an effective time management and reporting tool that contained adequate and reasonable processing controls¹. For the purposes of the current audit, we interviewed NEB staff and reviewed TIME system-related documents to confirm that internal controls continued to be effective.

B. Testing of a Statistical Random Sample of Time Records for 2003-04

TIME assigns sequentially a unique Document ID to each timesheet, allowing us to use a statistical random sample for test purposes. As the internal controls of TIME are adequate, we determined that a desired confidence level of 90% and a confidence interval of 10% would be appropriate. Using the NCS Pearson Sample Size and Confidence Interval Calculator, we calculated that, for the population of 15,932 individual time sheets in 2003-04, the appropriate sample size is 68.

A true random number generator posted at Random.org was then employed to generate a series of 100 random numbers. These random numbers were used sequentially to select a sample of 68 timesheets from a TIME file of individual time sheets arranged in ascending order by Document ID.

For each of the 68 selected timesheets, we performed the following:

- i) Ensure that employee and supervisor signed the timesheet (authorized) [The history of timesheet submission and supervisor approval was traced to the "Manage Timesheet" area of TIME. In

¹ In 2004, TRM Technologies Inc. (TRM) was retained to conduct a systems audit of TIME. TRM examined risk management processes and processing controls underlying TIME including those designed to provide continuous service, systems security, configuration management, problems and incidents management, data management and change management. Key internal controls for TIME are described in the TRM report, "Audit of the Time Information Management (TIME) System", October 15, 2004.

accordance with business rules, a submission was considered late if it was dated after the Tuesday following the week of the timesheet. Approval was considered late if the approval was dated after the second Tuesday following the week of the timesheet.]

- ii) Ensure that regular hours recorded did not exceed the standard amount of 7.5 hours (proper amount); and
- iii) Ensure that hours were coded to correct commodity codes (proper amount coded and accumulated properly).

C. Reasonableness Analysis of 2003-04 Hours

To ensure that the hours recorded in TIME were reasonable, we examined the Commodity and the Time Type Reports for the fiscal year. Total hours, hours directly charged to commodities, overhead, frontier and other codes were analyzed. The percentages derived from TIME for hours attributable to gas, oil and electricity as well as commodity pipelines were reviewed.

IV. RESULTS

This audit was conducted in August and October 2005. The results are summarized in this section.

A. Internal Controls

Based on the representations of NEB staff and a review of relevant documents, we determined that the procedures and controls for TIME in 2003-04 were the same in all material aspects as those in place for the previous fiscal year. The system of internal controls for TIME continued to be effective.

As was the case in 2002-03, TIME contained certain programming errors, including the counting of banked time and compensatory time twice. Corrections to these errors were made before the reasonableness analysis described in section III.C was performed.

B. Testing of Individual Time Records

- i) Proper authorization, proper time amount and type and commodity code

A statistical random sample of 68 timesheets was selected for testing. All 68 timesheets were properly authorized with the proper time amount and time type accumulated in proper commodity codes. No exceptions were found. In some cases, this desirable end result was achieved after the intervention of the Human Resources team which monitored time charged to leave and overtime closely.

Moreover, tardiness on the part of many NEB staff in submitting timesheets continued to be an issue. Using NEB's own business rules as audit criteria, 16 of the 68 timesheets tested (or 23.5%) were submitted late. Of these late timesheets examined, all but one of them were late by one week or less. This observation was inline with and validated by the figures in the "Late Timesheet Report", a TIME system-generated report, which showed that 20.5% of the timesheet for 2003-04 were submitted late.

Further, 18 of the 68 timesheets tested (18%) were approved late, most of which (12% of the total) were late by a week or less. The TIME program does not generate any reports on late approval.

ii) 2003-04 time reports do not contain hours from previous and subsequent fiscal years

By virtue of the systems controls built into TIME, all of the hours charged in the first and last weeks of FY 2003-04 were properly reported as 2003-04 hours and did not include any hours worked in the previous or subsequent fiscal years.

C. Reasonableness Analysis

The recorded hours and human resources employed for the four fiscal years commencing April 1, 2000 were as follows:

Fiscal Year	Total Hours	FTE*	Hours/FTE/week	Remarks
2003-04	597,109**	295.74	38.53	TIME in operation for full year
2002-03	586,920**	287.26	39.14	TIME implemented in June 2002
2001-02	552,458***	281.43	37.75	TRIP in place for the whole year
2000-01	566,540	277.8	39.21	TRIP in place for the whole year

* Actual Full time equivalent (FTE)

** From TIME Commodity Report adjusted for program errors

*** As reported in an internal audit report for 2001-02, a significant number of authorized hours were not recorded in TRIP, the time reporting system in use then

Except for 2001-02, hours/FTE/week has been in the narrow range of 38.5 to 39 hours. As many NEB employees reported overtime and non-compensatory hours and carried a “banked time” balance, the 2003-04 figure of 38.53 is reasonable.

To determine the reasonableness of the hours charged to the commodities, the hours directly reported in TIME were tabulated and compared to those reported in the previous fiscal year. They were as follows:

Time Type	2003-04		2002-03	
	Hours	%	Hours	%
Gas	167,301	28	180,263	31
Oil	75,011	13	62,125	11
Electricity	39,692	7	39,963	7
Frontier	30,300	5	24,669	4
Overhead **	281,651	47	276,672	47
Miscellaneous ***	3,154	1	3,229	<1
Total	597,109	100	586,920	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 2003-04 the reported hours represented the regular hours of 15.4 FTE employees. With 14.95 actual FTEs in the Exploration and Production Team, the members of which charged most of their hours to frontier activities, the hours equivalent to approximately half of an FTE that were charged to frontier activities by staff outside this team appeared reasonable. Frontier hours as a percentage of total hours stayed within the 4 to 5 percentage range and appeared reasonable. Based on the results of the

reasonableness analysis and of the tests on a statistical sample of timesheets, we are of the opinion that, there are no material under-reporting of hours that are not cost recoverable.

In 2003-04, the hours directly charged to Gas, Oil and Overhead were within the percentage point range recorded in recent years. Electricity hours have stayed at a “plateau” of close to forty thousand hours. These hours represent a degree of effort that is consistent with the increased efforts involved in dealing with the controversial proceedings before the Board in recent years.

Overall, for 2003-04, 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 are within a zone of reasonableness that is acceptable for cost recovery purposes.

V. CONCLUSION

In view of the foregoing, we concluded that, the hours recorded in TIME for 2003-04 and charged to the commodities were reasonable and complete for cost recovery purposes. In our opinion, having obtained NEB staff’s representation of the proper operation of the processing controls of TIME, conducted tests of a random sample of time records for 2003-04 and a reasonableness analysis of employee time recorded in 2003-04, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the conclusion reached.