Audit of Electronic Recruitment Project Expenditures

Final Report
November 4, 2004

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Executive Summary

The Internal Audit and Evaluation Directorate of the Corporate Management Branch of the Public Service Commission of Canada (PSC) undertook an audit of the expenditures related to the Electronic Recruitment Project for the financial years 2001-2002 to 2003-2004. This audit took place during the period April to June of 2004.

The Resourcing Services Directorate (RSD), which reports to the Recruitment and Assessment Services Branch (RASB) of the PSC, is responsible for managing the e-Recruitment Project.

As of November 30, 2003, the project expenditures were estimated at $9.3 million and Treasury Board Secretariat was provided with a breakdown of the expenditures. This was revised to $9.6 million for the three years ending in March 2004.

Objectives

The audit was carried out to assess whether reported expenditures related to the e-Recruitment Project for the financial years 2001-02 to 2003-04 are:
- accurate (recorded at the correct amount in the financial system), and
- complete (all expenditures under the project have been taken into consideration).

Conclusion

The audit found that the e-Recruitment expenditures totalling $9.6 million were accurately recorded in the PSC financial system.

However, regarding the completeness of the expenditures related to the project, the audit concluded that there are opportunities for improvement in the following areas.

- Additional direct costs of $574,000 related to the e-Recruitment Project were identified by the audit. A revised total cost of $10.2 million should be used in future official documents.

- The coding of project expenditures was inconsistent and made it difficult to identify financial transactions related to the project. In collaboration with the Corporate Management Branch, RASB should secure financial expertise to facilitate the recording, monitoring and reporting of financial data related to project expenditures.

- Many branches were involved in this project and expenditures of some were not included in the project costs. Mechanisms should be implemented to clarify the roles

and responsibilities of each party involved and to ensure that project costs are planned and monitored more thoroughly.

Management has accepted the audit recommendations, and has developed an action plan to address them.

1 INTRODUCTION

1.1 Background

Developing and implementing an electronic recruitment, or e-Recruitment, strategy is a key to meeting the challenge of providing all Canadians with equal access to federal job opportunities. The Public Service Commission's (PSC) e-Recruitment Project, in keeping with the Government On-Line initiative, supports the development of e-Recruitment tools, allows for the use of national areas of selection[1], and enables the Public Service to compete with the private sector for high-quality candidates.

The PSC has spent the past few years investing in the development of an e-Recruitment system. This has been supported by the PSC Executive Management Committee and the e-Business Steering Committee, who have been updated on a regular basis and kept abreast of developments. In September 2003, Lucienne Robillard, former President of the Treasury Board, expressed her support for the project before the Standing Senate Committee on National Finance.

There have been many sources of funding for this project: the base budget, reallocations within the directorate responsible for the project, reallocations between the directorates and the central reserve, and funding received from the Treasury Board.

As of November 30, 2003, the projected cost of the project to March 2004 was estimated at $9.3 million.

In late February 2004, the PSC made a TB submission for preliminary project approval to obtain an additional $40 million. At that time TB was provided with a breakdown of the expenditures that constituted the $9.3 million estimate.

According to the reports produced at the end of May 2004, the PSC had recorded actual expenditures of $9.6 million on the initiative.

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[1] A national area of selection means that all persons residing in Canada and Canadian citizens living abroad are eligible to apply. (from the Treasury Board submission for interim funding for e-Recruitment - November 2003).

The Resourcing Services Directorate (RSD), which reports to the Recruitment and Assessment Services Branch (RASB), is responsible for managing the e-Recruitment Project.

1.2   Objectives, criteria, scope and procedures

1.2.1   Objectives

The audit was carried out to assess whether reported expenditures related to the e-Recruitment Project for the financial years 2001-02 to 2003-04 are:

- accurate (recorded at the correct amount in the financial system), and
- complete (all expenditures under the project have been taken into consideration).

1.2.2   Criteria

The audit was based on the following criteria:

- e-Recruitment expenditures are accurately recorded in the financial system; and
- all expenditures related to the e-Recruitment Project are included in the total cost.

1.2.3   Audit scope and period

The audit dealt with the accuracy and completeness of expenditures attributed to the e-Recruitment Project for the fiscal years 2001-2002, 2002-2003 and 2003-2004. The reported expenditures for the three (3) fiscal years amounted to $9.6 million. A breakdown of expenditures by fiscal year is included in Appendix 1.

The audit did not examine the estimated $40 million needed for current and future funding of the e-Recruitment Project, assess the effectiveness and efficiency of methods implemented to ensure progress of the Project, or carry out a cost-benefit analysis of the e-Recruitment Project.

1.2.4   Auditing procedures

The following audit procedures were used to gather evidence needed to achieve the audit objectives:

- review of supporting documentation concerning total expenditures under the e-Recruitment Project and tracing to financial reports;

- audit of a sample of expenditures transactions and examination of journal entries; and
- interviews with employees and managers of RASB, the Finance and Administration Directorate (FAD) and any other directorates if deemed appropriate.

2 FINDINGS

2.0 Overall findings

We found that while $9.6 million in expenditures were officially attributed to the e-Recruitment Project, as a result of our audit work we estimate the direct costs of the e-Recruitment Project for the three years ending in March 2004 at $10.2 million. This does not include overhead and costs related to the shared used of computer servers. A detailed explanation of this discrepancy is presented in Appendix 2.

Recommendation 1

We recommend that the Vice-Presidents, RASB and Corporate Management Branch (CMB) ensure that the revised cost estimate be used in future official documents.

The following sections cover specific observations concerning the two audit criteria that were used.

2.1 Criterion - Accuracy

e-Recruitment expenditures are accurately recorded in the financial system.

Observations

To ensure the accuracy of expenditures reported under the e-Recruitment Project, we randomly selected a sample of Project expenditures. Salary expenditures were traced to reports in the Salary Management System (SMS) for the corresponding period. We also examined discrepancies between SMS data and financial reports generated by the Finance and Administration Integrated System (FAIS).

The sample of non-salary expenditures was selected based on risk; for example, contracts and computer equipment acquisition. We traced these expenses to invoices and FAIS financial reports.

Our sample covered expenditures made during all three fiscal years under audit. The calculations were verified through invoice sampling. We audited $5.9 million in both salary and non-salary expenditures, representing a 61% audit coverage rate. Minor differences were found between salary amounts traced in the SMS report and those traced in the FAIS. According to explanations we were given, this occurred when adjustments recorded in the FAIS, may not have been recorded in the SMS.

Conclusion

Overall, actual expenditures were accurately recorded in the PSC financial system, FAIS.

2.2 Criterion - Completeness

All expenditures related to the e-Recruitment Project are included in the total cost.

2.2.1 Project start date

Observations

To determine whether the cost related to a specific project includes all expenditures, a project start date must be ascertained. In most cases, this is easy to determine. However, in the case of e-Recruitment, the situation is more complex. This Project is only one element in a series of electronic tools under development and it has the dual purpose of making it easier for people to get a job in the Public Service and speeding up the recruitment process.

The *Recruitment Action Plan - Year One - Looking Back, Looking Ahead* reports that "the PSC has been working towards e-Recruitment for a number of years." We discussed this with a number of (RSD) employees and managers. Projects aimed at modernizing recruitment were implemented prior to 2001–2002, including the Matching People With Work and Post-Secondary Recruitment initiatives, which were funded from the PSC's core budget. A consensus emerged among directorate heads that modernizing recruitment and focussing on national areas of selection constituted a

good starting point for the e-Recruitment Project. In addition, after the Recruitment Action Plan was submitted, the Commission's base budget was increased.

According to RSD, the e-Recruitment Project began in the 2001–2002 fiscal year, when pilot projects involving the use of national areas of selection for certain positions were carried out, and the impact on the volume of applicants and on the processing time involved in screening candidates was assessed. Also in 2001–2002, an EX-1 employee was assigned full-time to the project to explore what already existed in terms of e-recruitment.

Conclusion

We can therefore conclude that establishing a start date of April 1, 2001 for the e-Recruitment Project is reasonable.

2.2.2   Inconsistent coding of project expenditures

Observations

The e-Recruitment Project changed over time. A project of this magnitude and complexity requires thorough financial management so as to produce reliable, timely financial information throughout its duration. The number of both sub-cost centres (SCCs) and sub-projects increased over the years. The summary project cost tables we were given include a number of SCCs and sub-projects every fiscal year. The tables were prepared by an FAD employee and revised by an RSD employee.

For auditing purposes, we expected to be able to retrieve all project costs from the financial system by selecting all related sub-projects.

We found that financial coding for the Project failed to identify what should be included. Nevertheless, the description of the SCCs was generally explicit enough to give us an understanding of the nature of the work. The number of e-Recruitment sub-projects increased from two in 2001-2002 to seven the following year and fell back to two in 2003-2004 (one of these two projects did not exist in 2002-2003). These numerous changes increase the risk of errors and make it more difficult to monitor financial transactions.

In addition, some e-Recruitment sub-projects in the first year were no longer related to e-Recruitment in the next two fiscal periods, except for one SCC sub-project. It

therefore became difficult to determine what should and should not be included; however, discussions with RSD staff were helpful in this regard.

Several interviewees said that there had been substantial turnover of RSD staff who were responsible for managing e-Recruitment Project resources and funds. This made it more difficult to monitor funds, given that the various people in charge had different working methods, including methods of coding expenditures related to a project. In addition, the lack of a stable pool of financial expertise in RASB caused difficulty with respect to formally planning and monitoring funds for such a project.

It was found that some expenses included in the $9.6 million were not allocated to the Project's sub-projects. For example, there were discrepancies between the salary report (SMS) for 2002-2003 and the cumulative salary costs for seven e-Recruitment employees. Their salaries were not allocated to a sub-project, but were allocated to Post-Secondary Recruitment, which was not part of the project under audit, or were allocated, to a lesser extent, to e-Recruitment. Although further audit procedures gave us assurances concerning the amount of salary expenditures included in the $9.6 million, having some salary expenditures related to the project not appropriately recorded made it difficult to identify them as part of the total costs of the e-Recruitment Project.

The auditors were told that changes were made to sub-project definition for 2004-2005. Now there is only one sub-project code, which is derived from the number attributed to the branch that is responsible for the project. This will simplify financial coding, on the condition that the code remains the same as the project progresses. Any transfers made between old and new sub-projects should include all budgets and costs.

Conclusion

Expenditure coding has been inconsistent for this project. The numerous changes in sub-projects and SCCs involved in e-Recruitment made it difficult to calculate total expenditures. Moreover, there is a risk that some costs related to the Project are untraceable, skewing reporting of the Project's financial situation and increasing the difficulty of making comparisons with the budget. The lack of financial expertise in RASB contributes to difficulty in ensuring that expenditures under this project are recorded in a thorough manner.

Recommendation 2

We recommend that the Vice-Presidents, RASB and CMB:

(a) jointly determine needs in terms of financial expertise for the management of major RASB projects;

(b) implement a mechanism for the delivery of financial expertise services between their branches; and

(c) ensure that financial expertise is developed and maintained for future requests for funding of RASB projects.

This expertise would help develop a mechanism that ensures thorough recording and monitoring of financial information related to all RASB projects, ensure more sound financial management and improve reporting.

2.2.3   e-Recruitment Project expenditures

Observations

Verifying the completeness of expenditures posed a major auditing challenge. In fact, it was difficult to audit project amounts that were not coded to the project. To be able to determine whether some costs were not included in the e-Recruitment Project, first we set out to achieve a clear understanding of the subject by reviewing the various project documents (Recruitment Action Plan, draft Treasury Board submissions, preliminary Project approval, notes for appearances before committees, business case, report to Parliament). We then met with staff from many directorates: RSD, FAD, Information Technology Services Directorate (ITSD), Communications and Outreach (C&O), and Strategic Policy, Planning and Co-ordination Directorate (SPPCD).

2.2.3.1 Expenditures not coded under the project

According to one individual interviewed, the auditors should have met with project heads individually to determine whether expenditures were properly allocated. This comment raised concerns that looking for expenditures on the basis of financial coding would not give the assurance that all amounts disbursed were included in the total cost of the Project.

- It was found that six ITSD employees worked on the e-Recruitment Project in 2003-2004, but their salaries were not added to the total Project cost initially estimated in November 2003. In fact, RSD had insufficient funds to cover these expenditures, which totalled $344,500. This amount is now included in the actual Project cost determined in late May 2004.

- Expenditures by one of the regional offices as part of the e-Recruitment Project in 2003-2004 also were not included in the total Project cost estimated in November 2003. Although the amounts were accurately coded in the appropriate sub-project, they were coded in an SCC that was not among those identified as being an integral part of the Project. After the matter was discussed with the RASB, this expenditure was included in the total actual cost of the Project in late May 2004.

- To reduce the salary deficit of an SCC involved in the e-Recruitment Project, a portion of this SCC's expenses were allocated to another SCC in 2003-2004. As a result, $284,406 in expenses was not included in the total Project cost, as the SCC that received the allocation was not identified as being involved in e-Recruitment. This amount is listed in Appendix 2.

2.2.3.2 Expenditures not included in the project

The interviews with PSC staff helped identify expenditures that should have been included in the Project cost. These expenditures are listed in Appendix 2. The amounts are mainly salaries of certain RSD employees and managers, salaries of employees of other previously mentioned directorates and overhead costs that should have been allocated to the Project. The various items identified as project costs are listed in Appendix 2 and add up to $289,450.

The list indicates that, given the complexity of the e-Recruitment Project, a fair number of PSC branches were or are still involved. These include ITSD, FAD, C&O, Legal Services, and SPPCD.

We did not find any formal agreements between the directorates for this project, to help identify their roles and responsibilities, funding and recording mechanisms, and a method for reporting to the directorate overseeing the Project.

Part of the expenditures that were not included were related to Project development, whereas other expenditures concerned other aspects of the Project, such as preparing the Treasury Board submission, which took significantly more time than expected.

We were told that, for the 2004-2005 fiscal year, part of the salaries of some RSD employees responsible for managing the project would be allocated to e-Recruitment expenditures.

Conclusion

Not all the direct expenditures related to the e-Recruitment Project were identified or coded under the project, under-estimating total reported cost. As well, certain expenditures incurred in RASB were correctly identified as belonging to the project but were not allocated to it in preparation of reports. Since a project of this magnitude has involved many PSC branches, the risk of deficient identification and recording of related project costs was higher than what could be observed in a more simple project. The establishment of a project management team made up of representatives of all the directorates involved would have allowed for a more thorough analysis and identification of all costs related to the project.

Recommendation 3

We recommend that the Vice-President, RASB:

- implement, with other directorates involved in projects for which he is responsible, mechanisms that clarify the roles and responsibilities of each party involved and ensure that project costs are planned out and monitored more thoroughly. This would provide a comprehensive overview of a project's financial situation within a reasonable time frame.

3 ACTION PLAN

Recommendations	*Responsibility*	*Responses from directorates and action plan*
1- We recommend that the Vice-Presidents, RASB and CMB ensure that the revised cost estimate be used in future official documents.	**RASB VP** (Director General, RSD) and **CMB VP** (Director General, FAD)	The Vice-Presidents of RASB and CMB support the recommendation. For the historical data on the Project, the findings of the audit will be used to adjust historical costs appropriately so that they fully cover the direct costs. When these historical costs are reported in future, it will be noted that they do not fully capture the corporate services costs which were not tracked. For the subsequent phases of the Project, a full costing approach will be adopted to ensure that all costs are properly tracked. These remedial actions will be taken during the Effective Project Approval (EPA) phase, so that they can be reported on in the next Treasury Board submission.

Recommendations	*Responsibility*	*Responses from directorates and action plan*
2- We recommend that the Vice-Presidents, RASB and CMB: (a) jointly determine needs in terms of financial expertise for the management of major RASB projects; (b) implement a mechanism for the delivery of financial expertise services between their branches; and (c) ensure that financial expertise is developed and maintained for future requests for funding of RASB projects. This expertise would help develop a mechanism that ensures the thorough recording and monitoring of financial information related to all RASB projects, ensure more sound financial management and improve reporting.	**RASB VP** (Director General, RSD) and **CMB VP** (Director General, FAD)	The Vice-Presidents of RASB and CMB are in agreement with the recommendations of the audit. As of September 2004 an FI-3 has been assigned on a full-time basis to the Project Management Office (PMO). Once the Project is fully funded, it is likely that more full-time financial expertise may be needed to manage the complexities of the interdepartmental funding that will be a key part of the Project's governance structure. Every effort will be made to ensure that effective tracking of costs of EPA work, as well as ongoing maintenance and development of Public Service Resourcing System (PSRS), will be done without duplication.

Recommendations	*Responsibility*	*Responses from directorates and action plan*
3- We recommend that the Vice-President, RASB: implement, with other directorates involved in projects for which he is responsible, mechanisms that clarify the roles and responsibilities of each party and ensure that project costs are planned out and monitored more thoroughly. This would provide a comprehensive overview of a project's financial situation within a reasonable time frame.	**RASB VP** (Director General, RSD)	As the Project has moved into two separate streams (maintenance and development of the PSRS prototype, and project definition for EPA), two separate organizations have been established. A new senior advisor, e-Resourcing, has been hired to establish the PMO that will be responsible for EPA. The new senior advisor, e-Resourcing will determine the final organization structure of the PMO and the various roles of the stakeholders for EPA, and workloads will be adjusted accordingly. Target date, mid- November, 2004. Ongoing maintenance and development responsibilities for this year are being shared among RSD, ITSD and the two pilot regions. Costing is being tracked accordingly, from September, 2004 on, separate from the PMO budget.

Appendix 1

Reported expenditures for e-Recruitment Project

Fiscal year	Salary	Non-salary	TOTAL
2001-2002	$385,944	$206,928	$592,872
2002-2003	$1,357,502	$2,495,778	$3,853,280
2003-2004	$3,286,202	$1,846,655	$5,132,857
TOTAL	$5,029,648	$4,549,361	**$9,579,009**

Appendix 2

Audit discrepancies

Description	Amount	TOTAL
Confirmed errors		
<u>2003-2004</u>: Part of the salary expenses of one SCC (Electronic Resourcing - Skills) were allocated to another SCC and were not included in the total Project cost.	Underestimate: $284,406	**Underestimate: $284,406 (A)**
Estimates		
<u>2002-2003 and 2003-2004</u>: Some of the expenses of the Personnel Psychology Centre (PPC) were under-allocated. These expenses were estimated at a daily rate of $383, whereas agreements between RSD and the PPC indicate a daily rate of $645.	Underestimate: $32,250	
<u>2003-2004</u>: Four months' salary for an ITSD manager was allocated to the Project, whereas the manager's participation lasted seven months.	Underestimate: $42,000	
<u>2001-2002 to 2003-2004</u>: Portions of salaries of an RSD employee, RSD managers and an ITSD manager that should have been allocated to the Project	Underestimate: $100,200	
<u>2002-2003 and 2003-2004</u>: Portions of salaries of two Resourcing Policy and Legislation Directorate employees for advice on respecting merit.	Underestimate: $24,000	
<u>2001-2002 to 2003-2004</u>: Salary of a Communications and Outreach employee over three years for communications plans and assistance.	Underestimate: $67,000	
<u>2003-2004</u>: Portions of salaries of two FAD employees for their assistance in preparing TBS submissions	Underestimate: $24,000	
		Underestimate: $289,450 (B)

Description	Amount	TOTAL
Error and underestimate total (A + B)		$573,856
Actual expenditures for e-Recruitment Project (according to Appendix 1)		$9,579,009
Total project expenditures		$10,152,865

Description	Amount	TOTAL
Overhead		
Some overhead costs should have been allocated to the Project. For example, Human Resources was involved in hiring new staff for the Project. The rate to be used should be analysed to ensure its accuracy.	N/A	
Use of computer equipment: Two pieces of equipment, a database server and a data storage network, were purchased for the Project in 2002–2003. This equipment is being used in part (about 50%) by another directorate. The computer system being used for e-Recruitment, the PSRS, operates on a production server that was purchased by another directorate in 2002–2003 and uses about 50% of server resources. The sharing of equipment could be financially represented in an agreement. However, directorates which share computer equipment should not be compromised in their vital operations, especially in peak periods.	N/A	