



Industry  
Canada

Industrie  
Canada

**PAY AND BENEFITS AUDIT  
FINAL REPORT**

**Audit and Evaluation Branch**

**March 31, 2003**

**PAY AND BENEFITS AUDIT**  
**Table of Contents**

1.	Introduction	3
2.	Audit Scope and Objectives	3
3.	Risk Profile	4
4.	Summary of Findings and Recommendations	5
5.	Concluding Comments	8
6.	Detailed Audit Findings and Recommendations	9

ANNEXE A - Management Response

## **1. INTRODUCTION**

In accordance with the Department's Audit and Evaluation Plan for 2002-03, an audit of the following two Pay and Compensation units of Industry Canada was completed in October-November, 2002:

- ◆ Compensation, Training and Management Services unit in the National Capital Region (NCR); and
- ◆ Human Resources Branch of the Ontario Regional Office.

The Compensation, Training and Management Services unit of Industry Canada is responsible for administration of compensation for the NCR, while the Human Resources Branch of the Ontario Regional Office is responsible for administration of compensation for the Ontario region. Both units are responsible for ensuring individuals receive remuneration (including benefits) in accordance with appropriate collective agreements, regulations and Treasury Board requirements.

In addition, compensation advisors are commissioned to provide their clients (i.e. Industry Canada staff in their respective regions) with accurate and timely information concerning pay, benefits and entitlements. Finally, each unit has a responsibility to ensure those entitled to compensation from the "Pay Equity Settlement" receive or have received the correct payout. While the units are responsible for making all the calculations related to the payouts, Public Works and Government Services Canada (PWGSC) is responsible for issuing cheques based on those calculations.

This Internal Audit report includes an outline of the audit scope and objectives, a risk profile of each of these units including an overview of the role of management in managing risks, an analysis of the significant audit findings and suggested recommendations and our overall conclusions.

## **2. AUDIT SCOPE AND OBJECTIVES**

The objective of the audit was to test pay transactions in each major activity of the Compensation, Training and Management Services unit in the National Capital Region (NCR) and Human Resources Branch of the Ontario Regional Office in order to determine whether the transactions have been processed accurately, in a timely fashion, and in accordance with relevant agreements, guidelines and policies. Audit testing included discussions with management and specific compensation advisors involved in the processing of transactions, review of information, and detailed examination of pay files.

The scope of this detailed phase included processes and transactions in the NCR and in the Ontario Region. Fieldwork began on October 21, 2002 and was completed by November 12, 2002. Audit testing covered transactions, activities and events from the period January 1, 2002 to September 30, 2002. Major activities/elements covered included:

- Pay and benefits
  - Basic pay and benefits
  - Acting pay
  - Extra duty pay

INDUSTRY CANADA – PAY AND BENEFITS AUDIT  
Final Report

Leave

- Leave without pay
- Terminations
- Sick leave management
- Provision of information
- Pay equity
- Compensation Management

**3. RISK PROFILE**

Managers of these processes are responsible for implementing controls that mitigate the following significant risks present in the function and processes:

Operational risk due to:

- Unauthorized transactions
- Authorized transactions processed incorrectly
- Management decision making impacted by incorrect financial data and management reports
- Inefficient processing
- Processing delays

Corporate risk due to:

- Inadequate security over sensitive information
- Dissemination of incorrect, incomplete, misleading or otherwise inappropriate information to their clients
- Non compliance with regulatory and contractual requirements

Managers in these units are responsible for designing internal controls to mitigate the inherent risk noted above and to meet the following objectives:

- Reliability of financial and management information;
- Compliance with collective agreements, government policies, regulatory policies and laws;
- Safeguarding of assets; and
- Efficiency and effectiveness of operations.

Further, managers are responsible for ensuring that those internal controls operate effectively and continuously.

#### **4. SUMMARY OF FINDINGS AND RECOMMENDATIONS**

*Note:*

*Detailed audit findings, along with associated risks and recommendations are provided in Section 6.*

##### **1. Pay and Benefits**

Although there was evidence that an independent verification and certification of pay input transactions was being performed in the National Capital Region, the effectiveness of this process is uncertain. Three of the twenty transactions examined contained incorrect calculations, resulting in over or under payments of extra duty pay. Also, for two of the twenty acting pay transactions reviewed, no evidence of approval could be found.

In the Ontario Region, there was no independent verification and certification of pay input transactions. The audit team examined twenty extra duty pay and twenty acting duty pay transactions and found three examples of incorrect calculations, which resulted in overpayments of extra duty pay (2) and acting duty pay (1). Further, two examples of unapproved extra duty pay were found.

In all cases, the audit team informed management of the above transactions.

In both the National Capital and the Ontario regions, pay files generally did not contain templates for making calculations nor are there any documented procedures for making these calculations. Several files did not contain any documentation on how calculations had been made, or contained hand-made notes of calculations in the margins of documents.

*Recommendation*

*We recommend the implementation of automated calculation templates and improved file documentation standards in order to strengthen control over accuracy and propriety of the pay and benefits function.*

##### **2. Leave**

In the National Capital Region, the audit team examined six leave without pay (LWOP) transactions and found one where there had been an underpayment of the Employment Insurance (EI) top up, due to an error in the manual calculation. In two cases, sick leave credits were automatically accrued when employees were ineligible, resulting in an overstatement of the employees' leave balances.

In the Ontario Region, LWOP was often not processed on a timely basis. One overpayment remained uncollected for eleven months. Evidence of approval for sick leave was often missing from reports and files. Sick leave credits were also automatically accrued when employees were ineligible, resulting in an overstatement of the employees leave balances.

*Recommendations*

*We recommend that management clarify requirements for granting sick leave benefits and ensure that these are satisfied prior to processing these benefits. Management should investigate the*

*costs/benefits of modifying the leave management system to restrict accrual of sick leave benefits during LWOP or when employees have been stricken off strength (SOS).*

### **3. Provision of Information**

In the National Capital Region, information provided to the clients seemed to be accurate and the audit team did not encounter any transactions where significant delays were incurred in providing information to clients.

In the Ontario Region, four files were reviewed and significant delays were noted –up to 6 months– in pension recipients receiving documentation (i.e. letters, severance payments, annuities and vacation pay). This appeared to be restricted to clients of a former Compensation Advisor. The Manager of Compensation is monitoring this situation to ensure such delays do not recur.

#### *Recommendation*

*We recommend the implementation of a logging and/or review process to ensure delays in providing information are reasonable.*

### **4. Pay Equity**

Upon examination of payout files in both regions, the auditors found that documentation on file frequently did not support the accuracy and completeness of pay equity payouts.

In the National Capital Region, reconciliations of amounts generated by the PWGSC pay system and the information kept on-hand at Industry Canada were incomplete and showed some unresolved discrepancies. However, upon further investigation, the auditors found that, in all cases, the amount generated by the pay system was correct and payments were accurate.

At the time of audit in the Ontario Region, approximately 10% of pay equity payments had not yet been processed. This is well behind the schedule that had originally been set by Treasury Board. Management is aware of the situation and is working to rectify it by devoting 20% of the compensation advisors' time exclusively to processing the remaining payments.

In addition, calculations were not subjected to a second review prior to cheques being mailed to recipients. While there is a risk of undetected calculation errors for payments already made, management feels amounts are unlikely to be material and does not intend to review payouts again, unless a claim is made. For files currently being processed, the Manager of Compensation is closely supervising the work of pay advisors and is reviewing more complex payouts to ensure calculations on a go-forward basis are accurate and complete.

#### *Recommendation*

*Management should continue to ensure that the remaining pay equity payments are processed as soon as possible. Pay equity files should also be reviewed to ensure that they fully support payments made.*

## **5. Compensation Management**

During the course of the audit, pay transactions we tested to determine whether the transactions were in accordance with the requirements of sections 33 and 34 of the *Financial Administration Act*. All transactions tested were found to be in accordance with the FAA.

Furthermore, given that the errors noted by the audit team were relatively small and seemed to be isolated, the audit team concluded that the management framework for compensation management generally meets the needs of the organization and is generally effective, efficient and economic.

## **5. CONCLUDING COMMENTS**

We thank the management team and their staff of these two units for the co-operation and support extended to us during this audit. Most of our audit findings reflect the staffing and management structure in place from January to September, 2002. We believe that the recent hiring of a Compensation Manager in the Ontario Region should provide an opportunity for strengthening of existing controls, and for more efficient and effective operations in the future.



## **6. DETAILED AUDIT FINDINGS AND RECOMMENDATIONS**

### **6.1 PAY AND BENEFITS**

#### **6.1.1 Basic Pay and Benefits**

We noted the following in our review of a sample of pay files:

- In the National Capital Region:
  - ⇒ Advisor calculations were subject to a second (peer) review before processing, however the effectiveness of this control is questioned as some transactions which were reviewed were found to be inaccurate (see section 1.3 – Extra Duty Pay).
  - ⇒ Approximately one quarter of files reviewed did not contain signed documentation of the employee's choice of PSHCP coverage. However, in general, the individuals had been employed for more than 15 years and it is reasonable to assume that the employees have been enrolled at the correct level.
  
- In the Ontario Region:
  - ⇒ Advisor calculations were not subject to a second (peer) review.
  - ⇒ No templates or procedures exist for performing calculations pertaining to pay actions; calculations were frequently hand-written in the margins of documents.
  - ⇒ In a small number of files, the auditors were unable to reconcile actual pension withholdings to published pension formulas and we did not receive adequate explanations for the small discrepancies that were noted.
  - ⇒ Files were generally disorganized.

**Risks:** The major risk of the above findings would be over or underpayments to employees. While these are unlikely to be material, and underpayments would often be noted by the employee, the time spent by advisors on follow up and correction is not an effective use of resources. The need for additional time is a result of disorganized files that, in some cases, do not include required documentation.

**Recommendations:** *We recommend that the Director, Compensation, Training and Management Services implement more standardized operating procedures. Templates or worksheets may encourage consistent application of required calculations. This would provide a requisite audit trail of how payouts are determined, in addition to preventing incorrect calculations. Further, the completeness of documentation filed would be improved with an attached file checklist of required documents. Headquarters should enhance their advisory role and ensure that these standardized operating procedures are applied consistently across all Regions.*

### 6.1.2 Acting Pay

- In the National Capital Region:
  - ⇒ With the exception of two transactions, appropriate approval was documented in employee files.
    - For one transaction, the auditors did not find evidence of the approval for an extension of acting pay.
    - For the other transaction, the request to revert back to the employee’s substantive position was made by the employee rather than by the supervisor. This exception is considered to be minimal risk as the employee was requesting to be put back at a lower rate of pay.
  - ⇒ Frequently, there was no documentation on how acting pay was calculated.
- In the Ontario Region,
  - ⇒ The audit team found one transaction where acting pay had not been computed accurately.
  - ⇒ Frequently, there was no documentation on how acting pay was calculated.

**Risks:** There is a minor risk that the above noted findings could result in an over or underpayment to employees. While these are unlikely to be material, and significant underpayments would often be noted by the employee, the time spent by advisors on follow up and correction is not an effective use of resources.

**Recommendations:** *The Director, Compensation, Training and Management should ensure that employee files contain support for acting pay calculations and authorizations for acting pay transactions.*

### 6.1.3 Extra Duty Pay

Overtime request forms can be prepared by the employees either manually or using an electronic template. The forms are then approved by the supervisor. Over 50% of the overtime request forms we reviewed were found to be incorrectly filled out and required manual corrections on the part of the pay advisor, thus increasing the likelihood of errors.

- In the National Capital Region:
  - ⇒ Two transactions where corrections made by the pay advisor were incorrect, resulting in an underpayment to the employees.
  - ⇒ There was one instance where one overtime request form submitted was not recorded, also resulting in an underpayment to the employee.
  - ⇒ All three transactions described in the two points above had been through the peer review process, which failed to identify the errors and correct the transactions.
  - ⇒ In all cases reviewed in the National Capital Region, overtime authorization was appropriately documented.
- In the Ontario Region:
  - ⇒ Two incorrect calculations of remuneration for extra duty pay were found, both resulting in underpayments.
  - ⇒ Three extra duty reports were submitted and processed without supervisory or management authorization.

**Risks:** The risk is that the above would result in over or underpayment to employees. While these are unlikely to be material, underpayments would not necessarily be noticed by the employee, as there seems to be much misunderstanding of the rules concerning overtime payment. Often times, the employee will provide only the hours and days worked and rely on the pay advisor to accurately convert the hours worked into hours paid.

**Recommendations:** *The Director, Compensation, Training and Management Services should develop and implement overtime request forms which minimize the amount of manual calculations. The Director should also encourage the application of these tools in all regions. In addition, the Director, Compensation, Training and Management Services and the regional directors of human resources should reiterate to the pay advisors the importance of performing a thorough peer review, especially in the case of overtime transactions.*

## 6.2. LEAVE

### 6.2.1 Leave without pay (LWOP)

- In the National Capital Region:
  - ⇒ In two of the six LWOP transactions examined, the auditors found that sick leave was accrued for the employees even though they were not entitled to it. The problem stems from the fact that the PeopleSoft system automatically accrues sick leave and that manual adjustments to sick leave banks are required after the employees return from LWOP. Since a manual intervention is required, the likelihood of error is increased.
  - ⇒ One the individual remained on payroll for two pay periods after taking LWOP. This was due to the fact that the employee’s supervisor was slow to inform the pay advisor of the situation. Once the pay advisor was informed, the situation was corrected promptly and the overpayment was subsequently recovered.
  - ⇒ One EI top up was underpaid due to an error in the manual calculation.
- In the Ontario Region:
  - ⇒ Auditors found poor supporting documentation, particularly for complicated LWOP situations
  - ⇒ LWOP was generally not tracked in a timely and efficient manner.
  - ⇒ Frequently, enquires were made after the fact, and “overpayments” were “clawed back”. Subsequently, in one instance, nearly a year had passed and “overpayments” had still not been “zeroed out.”
  - ⇒ Audit procedures indicated that despite employees being on LWOP, sick leave credits were still being accrued in the system.

**Risks:** The risk is that there could be over or underpayment to employees. The risk of overpayment is greater as pay advisors rely on supervisors to inform them of when an employee leaves on LWOP. If a significant amount of time passes between the employee leaving and the employee being taken off payroll, a large overpayment may result and the Department runs the risk of not being able to recover these amounts. Furthermore, the time spent by advisors on follow up and correction is not an effective use of resources.

Another risk is that employees may benefit from sick leave to which they are not entitled.

**Recommendations:** *The Director, Compensation, Training and Management Services should investigate the cost-effectiveness of making changes to the PeopleSoft system so that it does not accrue sick leave benefits while a person is on LWOP. The Director, Compensation, Training and Management Services and the regional directors of Human Resources should also reiterate to supervisors the importance of prompt notification of the pay advisor when an employee is taking LWOP. LWOP transactions involving complex calculations, such as EI top up, should be reviewed by a Manager to ensure they are accurate.*

### 6.2.2 Terminations

- In the National Capital Region:
  - ⇒ Auditors found the documentation to be generally complete and timely.
  - ⇒ One file was missing a copy of the Record of Employment (ROE).
- In the Ontario Region
  - ⇒ Copies of Record of Employment (ROE) documents were often not found in employee files.
  - ⇒ Audit procedures indicated that despite employees being struck off strength (SOS), sick leave credits were still being accrued in the system.

**Risks:** Overpayments which remain undetected are the major risk. While individual errors are unlikely to be material, and underpayments are likely to be queried, without further investigation, the cumulative effect cannot be estimated.

***Recommendations:** We recommend that the Director, Compensation, Training and Management Services implement, where necessary, a review process along with the use of templates and checklists. Doing so would better substantiate and support employer calculations and documentation. In addition to improved accuracy and completeness, the efficiency and effectiveness of operations would be improved. File documentation checklists should include important documents such as ROE's. The Director should also encourage the consistent application of these tools in all regions.*

*We also recommend that the Director, Compensation, Training and Management Services implement a review of the automated calculation of sick leave benefits to ensure they are only accrued when earned. If an erroneous formula is discovered, adjustment of employee balances should be considered.*

### 6.2.3 Sick Leave Management

Over thirty percent of leave statement confirmations in the employee files were not signed by employees. This is due to the fact that the employees never returned their signed confirmation to the pay and compensation unit.

- In the National Capital Region:
  - ⇒ Responsibility for retaining the medical certificates rests with the employee’s supervisor. The auditors enquired of the supervisors and were unable to locate the medical certificates for over one quarter of the certified sick leave transactions examined.
- In the Ontario Region:
  - ⇒ For eighty percent of our sample, “certified” sick leave (as per PeopleSoft) was unsupported.

**Risks:** Since the collective agreements no longer differentiate between certified and uncertified sick leave and that management has discretionary power over when to ask for medical certificates, the risk related to certified sick leave is limited. However, when certified sick leave is booked, the certification should be retained on file, and, in the audit team’s opinion, the medical certificates should be retained in the employee compensation file.

In the case of obtaining signed leave statements, the risk exists that an employee that does not confirm their leave annually might challenge their leave balance at a later date. However, since the Department can demonstrate that they have provided the employee with the opportunity to review their leave balance annually; this risk is also very limited.

**Recommendation:** *We recommend the implementation of controls to ensure that “approving officers” forward supporting documentation to those responsible for maintaining employee records. Unnecessary delays must be followed up, and persistent non-compliance must be addressed in a proactive manner.*

### 6.3. PROVISION OF INFORMATION

- In the National Capital Region:  
⇒ We generally found the information provided to clients to be timely, complete and accurate.
- In the Ontario Region:  
⇒ In sample audit tests we noted delays of up to six months “post retirement” in the delivery of pension letter documentation – together with related annuities, and severance payments.

**Risks:** Industry Canada may be criticized for not meeting expected service levels for advisors. Such delays may cause inconvenience or harm to staff. In particular, employee decisions could be made without full and complete information.

**Recommendations:** *We recommend that the Director, Compensation, Training and Management Services and the regional directors of Human Resources consider the implementation of a logging and/or review process to ensure such delays do not take place in the future.*

#### 6.4. PAY EQUITY

- In the National Capital Region:
  - ⇒ Pay equity payments were made based on the calculations performed by PWGSC
  - ⇒ Reconciliations between the information on-hand at Industry Canada and the PWGSC amount were performed by Industry Canada personnel
  - ⇒ The majority of files examined did not contain adequate documentation to support the pay equity payout. The reconciliations between the PWGSC amount and the Industry Canada information were incomplete and showed some unresolved discrepancies, and in one case, were missing altogether. However, upon further investigation by the audit team, it was determined that all amounts paid by PWGSC were correct.
  - ⇒ All payments examined were made in a timely manner.
  
- In the Ontario Region:
  - ⇒ As at the date of the audit, approximately 10% of pay equity payments had not been processed, which is well behind the schedule that had originally been set for such payments by Treasury Board
  - ⇒ File documentation frequently did not support Qualifying Retroactive Lump Sum Payment (QRSLP) amounts or subsequent payments. Poor documentation precluded testing of the accuracy and completeness of equity payouts. Management has asserted that the accuracy and completeness of payouts is extremely difficult to determine after the fact.
  - ⇒ Also, disbursement calculations were not reviewed and approved prior to the mailing of cheques to equity recipients.
  - ⇒ Client discussions have indicated that problems with regard to Pay Equity are well known. A lack of continuity in both staffing and procedural calculations has exacerbated the progression of the pay equity program. Recently, steps have been taken to facilitate the preparation and completion of outstanding claims. Pay advisors are now required to spend one day a week (20% of their time) exclusively on pay equity files. Nevertheless, we did find completed files lacking evidence to support amounts paid out.

**Risks:** Pay equity recipients may challenge payments if they feel they received an incorrect (likely too low) amount. Work required by advisors to substantiate their calculations will create a further drain on the Department’s resources. Inaccurate pay equity calculations, unlikely to be individually material, may remain undetected; thus employees will not receive the amounts to which they are entitled (It should be noted that the collective materiality is indeterminable based on our testing)

**Recommendations:** *We recommend that the Director, Compensation, Training and Management Services institute a program to review completed Pay Equity files to ensure that they contain adequate support for the pay equity payouts and that any incomplete reconciliation be investigated and completed. The Director, Human Resources, Ontario Region, should continue to ensure that the remaining pay equity files be processed on a priority basis; and should implement a review process ensuring that “detail tie in” of calculations from one document to another, and that calculations are accurate and complete. This review should be indicated in some manner to “authorize” the completion of the file and its subsequent mailing.*



# **ANNEXE A**

## **Management Response for the Audit of Pay and Benefits**

### ***Basic Pay and Benefits***

***Recommendations:*** We recommend that the Director, Compensation, Training and Management Services implement more standardized operating procedures. Templates or worksheets may encourage consistent application of required calculations. This would provide a requisite audit trail of how payouts are determined, in addition to preventing incorrect calculations. Further, the completeness of documentation filed would be improved with an attached file checklist of required documents. Headquarters should enhance their advisory role and ensure that these standardized operating procedures are applied consistently across all Regions.

### **Management Response**

The Human Resources Branch will develop file documentation standards and this element is included within its new IC Compensation Monitoring Program to be launched in Fall 2003. Ontario Region has developed some manual templates in the interim that are currently in use.

We support the implementation of automated calculation templates; given the unavailability of funds for internal development we will gather and promote the use of existing IC templates and will be consulting with TBS, PWGSC or other departments to obtain other existing templates.

### ***Acting pay***

***Recommendations:*** The Director, Compensation, Training and Management should ensure that employee files contain support for acting pay calculations and authorizations for acting pay transactions.

### ***Management Response***

The issue of file documentation for all types of transactions is a key component of our new IC Compensation Monitoring Program (Fall 2003). Guidelines and procedures will be published as required based on our findings.

### ***Extra Duty Pay***

***Recommendations:*** The Director, Compensation, Training and Management Services should develop and implement overtime request forms which minimize the amount of manual calculations. The Director should also encourage the application of these tools in all regions. In addition, the Director, Compensation, Training and Management Services and the regional directors of human resources should reiterate to the pay advisors the importance of performing a thorough peer review, especially in the case of overtime transactions.

### ***Management Response***

We support the implementation of automated calculation templates; given the unavailability of funds for internal development we will gather and promote the use of existing IC templates and will be consulting with TBS, PWGSC or other departments to obtain other existing templates. The performance of peer review has, for years, been a mandatory requirement; verification of adherence to this process is included in the new IC Compensation Monitoring Program (Fall 2003).

### ***Leave without pay (LWOP)***

***Recommendations:*** *The Director, Compensation, Training and Management Services should investigate the cost-effectiveness of making changes to the PeopleSoft system so that it does not accrue sick leave benefits while a person is on LWOP. The Director, Compensation, Training and Management Services and the regional directors of Human Resources should also reiterate to supervisors the importance of prompt notification of the pay advisor when an employee is taking LWOP. LWOP transactions involving complex calculations, such as EI top up, should be reviewed by a Manager to ensure they are accurate.*

### ***Management Response***

Responsibility for approving sick leave rests with the employee's manager; terms and conditions are clearly outlined in all collective agreements which are posted on the HRB intranet site. Approximately 85-90% of "paid" leave transactions are now processed via the Leave Self-service functionality and as such, there are no paper documents on employee files. As "leave without pay" transactions may not be processed on-line, a signed Leave Application form is placed on the employee file. While the "Leave Year-end Process" is now fully automated, a copy of the statement is placed on individual employee files.

At the time of the audit, IC was utilizing HRMS version 7.13 and there was in fact a "bug" associated with leave accruals; IC has been utilizing HRMS version 7.5 since December 2, 2002 and this has resolved the accrual issue. A Leave Enhancement project currently being managed by the Government of Canada (GC) HRMS Shared System Cluster will further strengthen the delivered version 8 functionality and, IC's target date for upgrading to version 8 is April 2004. Notwithstanding, the IC-HRMS team monitors data integrity and provides HR Advisors and Compensation Advisors with exception reports on an ongoing basis.

The Director, Compensation, Training and Management Services, the Manager Compensation and Benefits Division, Regional directors of Human Resources and Compensation Advisors continue to make every effort to inform supervisors and employees of the importance of prompt notification when an employee is taking LWOP. LWOP transactions involving complex calculations, such as EI top up, undergo a first level of review through peer verification; questions and issues of concerns are raised with the Compensation supervisor/manager.

### ***Terminations***

***Recommendations:*** *We recommend that the Director, Compensation, Training and Management Services implement, where necessary, a review process along with the use of templates and checklists. Doing so would better substantiate and support employer calculations and documentation. In addition to improved accuracy and completeness, the efficiency and effectiveness of operations would be improved. File documentation checklists should include important documents such as ROE's. The Director should also encourage the consistent application of these tools in all regions.*

*We also recommend that the Director, Compensation, Training and Management Services implement a review of the automated calculation of sick leave benefits to ensure they are only accrued when earned. If an erroneous formula is discovered, adjustment of employee balances should be considered.*

### ***Management Response***

The implementation of the new IC Compensation Monitoring Program (Fall 2003) will address issues of consistent use of existing and new templates and checklists.

As noted above, the issue of leave accruals has been rectified through the implementation of HRMS version 7.5 and, the IC-HRMS team monitors data integrity and provides HR Advisors and Compensation Advisors with exception reports on an ongoing basis.

### ***Sick Leave Management***

***Recommendation:*** We recommend the implementation of controls to ensure that “approving officers” forward supporting documentation to those responsible for maintaining employee records. Unnecessary delays must be followed up, and persistent non-compliance must be addressed in a proactive manner.

### ***Management Response***

Receipt of documentation/approvals by the appropriate “authorizing officer” prior to the conduct of a compensation transaction is an established requirement. The IC Compensation Monitoring Program will review file documentation and pursue corrective action where necessary.

### ***Provision of Information***

***Recommendations:*** We recommend that the Director, Compensation, Training and Management Services and the regional directors of Human Resources consider the implementation of a logging and/or review process to ensure such delays do not take place in the future.

### ***Management Response***

Timeliness has always been one of the principal service standard elements in the management of a compensation function across IC. The Ontario Region did face some challenges; corrective action has been taken by the new Director HR to stabilize the organization and its delivery of services. The new IC Compensation Monitoring Program will be the formal review process for all compensation service delivery organizations across the department.

### ***Pay Equity***

***Recommendations:*** We recommend that the Director, Compensation, Training and Management Services institute a program to review completed Pay Equity files to ensure that they contain adequate support for the pay equity payouts and that any incomplete reconciliation be investigated and completed. The Director, Human Resources, Ontario Region, should continue to ensure that the remaining pay equity files be processed on a priority basis; and should implement a review process ensuring that a “detail tie in” of calculations from one document to another, and that calculations are accurate and complete. This review should be indicated in some manner to “authorize” the completion of the file and its subsequent mailing.

### ***Management Response***

The Director HR for the Ontario Region has confirmed that all pay equity payments have been completed. As part of that process, several complex files were reviewed to ensure their

INDUSTRY CANADA – PAY AND BENEFITS AUDIT  
Final Report

adherence to procedures and corrections made, if required. The archiving of these files is now underway.