2000-711 Final Report - Internet Version

**Audit of the Delivery
Of a Compensation Product (Pay)**

2001-06-27

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Executive Summary

Authority for the Project

An audit of a compensation product is undertaken annually at the request of the Assistant Deputy Minister (ADM), Government Operational Service (GOS). This audit was approved by the Audit and Review Committee on February 1, 2000 as part of the 2000/2001 Audit and Review Plan.

Objective

To assess the adequacy of, and compliance with, managerial and operational controls which ensure timeliness, accuracy, completeness, and authenticity of payroll payments; the efficiency of regional service delivery, the achievement of meaningful performance results, and the effective management and mitigation of risks.

Scope

After a request by the ADM, GOS to expand the scope and a Preliminary Survey in the National Capital Area , the issues examined in Ontario, Pacific and Western Regional Pay Offices (RPOs) were the Effectiveness of Regional Pay Operations Service Delivery [Pay Equity (PE), Advisory and Training Services]; and Adequacy of Performance Measures (including client satisfaction). RPOs selected resulted from discussions with Headquarters Compensation Sector (HQ CS) senior management. The audit was conducted from April to September 2000.

Background

Public Service Compensation, GOS, administers federal government pay and pension processes, provides advisory services, training, and develops and maintains national computer systems via a RPO infrastructure, enabling Departments to administer pay and benefits. The payroll component has approximately 230,000 accounts and 11,430,000 transactions are generated annually. PWGSC RPOs processed supplementary payment and adjustment interventions totalling approximately 565,000 during the 1999-2000 fiscal year.

A key Public Service Compensation Business Line (PSCBL) long term strategy is to achieve readiness for the technology challenges of Web enablement, while maximizing timely and cost-effective service delivery in parallel with implementing Treasury Board (TB) and Separate Employers' compensation initiatives.

A significant additional workload for RPOs, both currently and over the past year, has been to process timely and accurately Pay Equity (PE) supplementary payment and adjustment

interventions for federal pay and pension accounts. At the time of the audit, RPOs had substantively completed the pay workload aspect of PE, including updating Salary Service History on all accounts. RPOs are currently facing a significant superannuation workload related to PE for Active and Struck Off Strength accounts

Within this environment, and through the appropriate HQ Compensation Services functional direction, RPOs are delivering the key business line activities and pursuing the national performance results, while striving for efficiency and identifying opportunities for improvement.

Key Findings

Effectiveness of Regional Pay Operations

RPOs were in compliance with the rules for processing supplementary payment and adjustment interventions.

Western RPO, through its sound management controls, was overall effective in processing supplementary payments and adjustment interventions, providing advisory services to clients, and training services to RPO Pay and Pension Agents (P&PAs) and clients. Key clients interviewed indicated being very satisfied with all services provided.

The other two RPOs were overall ineffective due to weak management controls over operations. The following key findings and issues were identified:

- Monthly processing production levels of 45% to 58 % lower than found in Western RPO ;
- Ineffective processing of adjustment interventions (timeliness and accuracy);
- Since mid April 2000 there has been a significant unreported and unresolved superannuation deficiency backlog of 21,452 Advice Notices, resulting from Pay Equity (PE); and
- Ineffective Advisory Services Units, and a backlog in 1 RPO of 471 client inquiries.

With reference to the superannuation deficiency backlog noted above, in April 2000, RPOs had a significant superannuation deficiency workload resulting from PE. HQ Compensation Sector (CS) Management set December 31, 2000 as the deadline to complete this work, requesting RPOs to report monthly on the work's status. In September 2000 there were further significant increases in Advice Notices, which, as in April 2000, were from high volumes of PE payments covering 15 years of retro activity. In two RPOs, this full workload had not been reported monthly to HQ GOS. However, since the audit fieldwork the two RPOs have recently reported this PE workload has been processed.

Performance Measurement

Nationally, PSCBL key payroll results indicators and information reported in the annual report "Performance Management Framework in GOS", were found to be adequate. At the RPO level,

timeliness of services is reported monthly to HQ. However, indicators to support PSCBL key results reporting by RPOs on "cost-effective pay processing" and "knowledgeable compensation specialists" are not in place.

Monthly performance results reported to HQ by the three RPOs for processing interventions and providing advice on client inquiries was consistently inaccurate and unreliable. The nature, status, and quality of advice provided by RPO Advisory Services Officers on client inquiries is not being consistently recorded and assessed.

Consequently, senior management decisions are at risk as they do not have consistent, reliable and complete information from the RPOs.

Conclusions

There remain important issues to be resolved in the Pacific and Ontario RPOs to improve service delivery and achieve cost-effectiveness. These issues include weak management controls over operations, low productivity and accuracy levels of P&PAs, heavy backlogs of Advice Notices, and overall ineffective Advisory Services. Senior management has insufficient information to assess whether RPOs are achieving PSCBL performance results. Controls are inadequate to ensure data integrity for information reported monthly by RPOs to the HQ Compensation Sector (CS) on processing interventions and on Advisory Services workload.

Recommendations

It is recommended that:

1. *The ADM, GOS, in concert with the ADM, RPS, undertake the following measures:*

    *   *Address the key management and operational issues to improve service delivery and performance results; and*

    *   *Implement a comprehensive learning program to achieve .full integration and competence of P&PAs, based on the Western RPO initiatives.*

2. *The ADM, GOS enhance RPOs' reporting of PSCBL performance results by developing and implementing indicators for "cost-effective pay processing" and "knowledgeable compensation specialists".*

3. *The ADM, GOS enhance RPOs' performance results reporting by issuing direction for preparing the Pay Office Intervention and Advisory Services Reports.*

4. *The ADM, GOS, in concert with the ADM, RPS, implement a common comprehensive system in the RPOs for recording, tracking, and reporting on client inquiries, based on the Pacific RPO initiative.*

1 Introduction

1.1 Authority for the Project

An audit of a compensation product is undertaken annually at the request of the Assistant Deputy Minister (ADM), Government Operational Service (GOS). This audit was approved by the Audit and Review Committee on February 1, 2000 as part of the 2000/2001 Audit and Review Plan.

1.2 Objectives

To assess the adequacy of, and compliance with, managerial and operational controls which ensure timeliness, accuracy, completeness, and authenticity of payroll payments; the efficiency of regional service delivery, the achievement of meaningful performance results, and the effective management and mitigation of risks.

1.3 Scope

The audit was conducted at three Regional Pay Offices (RPOs): Pacific, Western, and Ontario, after a request by the ADM, GOS to expand the scope, and after a Preliminary Survey in the National Capital Area. The audit consisted of interviews, review of systems, file documentation, and management information. RPOs were selected after discussions with HQ Compensation Sector (CS) management. The audit was conducted from April to September 2000.

1.4 Background

Public Service Compensation, GOS administers government pay and pension processes, provides advisory services, training, and develops and maintains national computer systems via a RPO infrastructure enabling clients to administer pay and benefits as per collective agreements, Treasury Board (TB), and Separate Employers' policies. The HQ Compensation Sector provides functional direction to the RPOs. The payroll component has approximately 230,000 accounts and 11,430,000 transactions are generated annually. In 1999/2000 the RPOs processed an approximate total of 565,000 supplementary payment and adjustment interventions.

A key five year Public Service Compensation Business Line (PSCBL) strategy is to achieve readiness for the technology challenges of Web enablement, by creating a sustainable system architecture to maximize timely and cost-effective service delivery in parallel with implementing TB and Separate Employers' compensation initiatives.

Over the past two years, a significant workload for RPOs has been to process, timely and accurately, large volumes of supplementary pay and adjustment interventions related to Pay Equity (PE) for federal pay and pension accounts. At the time of the audit RPOs had substantively completed the pay workload aspect of PE, including updating Salary Service History information on all accounts.

2 Issues Examined

The NCA Preliminary Survey identified two key issues: *Effectiveness of Regional Pay Operations* and *Performance Measurement* . These issues were reviewed in the three RPOs.

2.1 Issue # 1 - Effectiveness of Regional Pay Operations

This issue is crucial to ensure proper processing of pay interventions, utilization of resources, and client satisfaction. The ADM GOS requested we examine the efficiency of Regional Pay Delivery.

2.1.1 Effectiveness of Processing Interventions

Pay and Pension Agents' (P&PAs) input, processing, and outputs were examined. A sample of interventions was selected and tested to assess the following: compliance, timeliness, and completeness at the input stage; the effectiveness of processing interventions; and the effective analysis and use of systems reports. Interviews with three major clients in each RPO provided a client satisfaction perspective of service delivery (See Appendix A).

The national Pay Equity Program imposed a heavy workload on client departments and RPO P&PAs. The key impacts have been a heavy volume of interventions in all RPOs and challenges to meet the national service standards for timeliness while ensuring accurate processing of interventions for pay and pension accounts Through interviews and workload tests, we assessed the adequacy of planning, execution and evaluation controls and the impacts upon RPOs in delivering service.

2.1.2 Effectiveness of Advisory Services

Advisory Services is important to ensuring timely, relevant, and quality advice/direction are provided to clients. Interviews and tests conducted assessed these elements.

2.1.3 Effectiveness of Training

Core course training assists in ensuring effective processing by clients and by RPO P&PAs. The adequacy of training, course content, learning, quality of trainers, and client satisfaction was assessed through interviews and analysis of performance reports.

2.2 Issue # 2 - Performance Measurement

To assess efficient RPO delivery, adequate performance measures are required. HQ CS requires RPOs to report monthly on specific performance results. We reviewed key performance information to assess its timeliness, reliability, integrity, and completeness. Initiatives to improve performance reporting were also reviewed.

3   Findings, Conclusions and Recommendations

The detailed report outlines the consolidated findings, conclusions and recommendations for the key issues of *Effectiveness of Regional Pay Operations* and *Performance Measurement*. A separate Summary of Findings, containing the findings and conclusions of a local nature was provided to each regional office audited.

3.1   Effectiveness of Regional Pay Operations

Western RPO was overall effective in processing supplementary payments and adjustment interventions, providing advisory services to clients, and training services to RPO Pay and Pension Agents (P&PAs) and clients. Western Region key clients interviewed indicated being very satisfied with all services provided. However, the other 2 RPOs have several significant management and operational issues to be addressed in order to improve service delivery.

3.1.1   Effectiveness of Processing Interventions

RPOs were in compliance with the rules in processing supplementary payment and adjustment interventions.

All RPOs were overall effective in processing supplementary payments. However, two of three RPOs experienced difficulties in processing adjustment interventions accurately and timely. Despite a similar number of P&PAs in the three RPOs, the monthly average processing productivity levels in two RPOs per P&PA were 45 % and 58 % lower than Western RPO's average monthly productivity of 524 interventions per P&PA. Key causes of low productivity levels were as follows: level of competence of P&PAs; ineffective monitoring and review by the auditor function and supervisors; inadequate training programs; and unstaffed senior P&PA positions.

3.1.1.1 Processing Pay Equity Interventions

Over the past two years, implementation of the Pay Equity Program in the PSCBL has been a major challenge, and has had, and continues to have, major impacts upon RPO resources, workload, and achieving timely and accurate supplementary compensation payments and adjustment interventions for clients' Active and "Struck off Strength" accounts. RPOs have been overall effective in processing revisions and updates to Salary Service History information databases for client accounts on a timely basis.

However, in two RPOs, since mid April 2000 there had been a significant superannuation deficiency backlog resulting from Pay Equity (PE) totalling 21, 452 Advice Notice error messages. HQ CS had set December 31, 2000 as the completion date and requested RPOs to report monthly on the work's status.

In September 2000 there were further significant increases in the volume of Advice Notices, which, as in the Advice Notices generated in April 2000, resulted from high volumes of PE Payments covering 15 years of retro activity.

At the time of the audit fieldwork, in two RPOs, this full workload had not been analyzed and reported, and HQ CS had not been effective in monitoring the reporting of this workload. In both RPOs, action plans had not been developed, and there was some risk that the December 31, 2000 timeline would not be met, given the level of competence and current productivity levels of the P&PAs. However, since the audit fieldwork, the two RPOs have recently reported to HQ CS that this PE workload has been processed.

3.1.2   Effectiveness of Advisory Services

Aside from the Western RPO, there were indicators that the other Advisory Services Units are ineffective primarily due to their overall inexperience. In both RPOs key clients interviewed indicated their reluctance to deal directly with some Advisory Officers as they were not confident in the quality and reliability of advice being provided. In one RPO, as of August 31, 2000, there was a significant backlog, over several months, of 471 unresolved client inquiries. .

3.1.3   Effectiveness of Training

The effectiveness of pay training provided by RPOs to clients and P&PAs was assessed.

3.1.3.1 Client Training

Generally, core pay courses were being provided by RPOs to clients on a timely basis. Key clients interviewed indicated core pay courses needed to be updated particularly by developing comprehensive examples and case studies. Clients who had their own compensation system, rather than the Regional Pay System, indicated a requirement for customized pay training. The audit team does not consider these issues to be significant as regional clients had an accuracy rate of between 98 % and 99 % for processing compensation transactions

3.1.3.2 P&PA Training

In Western RPO there was a comprehensive training and development program in place for all P&PAs consisting of the following key components:

--   P&PAs are generally recruited at one level lower than their substantive CR-4 position, and are provided with compensation core courses training;
--   A senior P&PA is assigned to coach and mentor each trainee, providing regular reviews and feedback on the timeliness and accuracy of their work;

--   A three phase training module, of between 6 to 8 weeks per phase, is used for P&PA trainees with specific assessment criteria for each phase. A mini-appraisal is prepared for each P&PA upon completion of each phase;

--   Comprehensive learning tools such as Desk Procedures provide step by step direction on successfully inputting RPS Pay Action Codes. .

In the other two RPOs, comprehensive and timely pay training is not being provided to P&PAs. Until recently, RPO management had not placed a high priority upon pay training for its staff. A more comprehensive approach to learning for P&PAs, similar to the Western RPO approach, could provide assistance in improving efficiency and productivity.

Conclusion

There remain important issues to be resolved in the Pacific and Ontario RPOs to improve service delivery and achieve cost effectiveness. These issues include weak management controls over operations, low productivity and accuracy levels by P&PAs, significant backlogs of Advice Notices associated with PE, and overall ineffective Advisory Services.

Recommendations

It is recommended that:

1.   *The ADM, GOS, in concert with the ADM, RPS, undertake the following measures:*

    ◆ *Address the key management and operational issues to improve service delivery and performance results; and*

    ◆ *Implement a comprehensive learning program to achieve full integration and competence of P&PAs, based on the Western RPO initiatives.*

3.2   Performance Measurement

Section 3.2.1 below presents the findings of the audit in terms of performance results reporting for the PSCBL both at the national level and for each RPO. Section 3.2.2 contains the findings for current performance reporting by the RPOs to HQ CS.

3.2.1 PSCBL Performance Results

Nationally, PSCBL key payroll results indicators and information are adequate as reported in the annual report entitled "Performance Management Framework in GOS" for fiscal year 1999/2000, presented to PWGSC Business Board on June 6, 2000. However, at the RPO level, although timeliness of services is reported monthly as required by HQ CS, indicators to support PSCBL key results of "cost-effective pay processing" and "knowledgeable compensation specialists" are not in place.

The CS, GOS had neither identified nor were the RPOs measuring, PSCBL performance results for: "cost-effective pay processing" and "knowledgeable compensation specialists"

CS, GOS, in consultation with the RPOs, need to identify the following key performance results areas for the RPOs to report monthly such as the following: benchmarks for average productivity; sample client assessments of the quality of advice provided on completed inquiries; and consolidate regional results from evaluations by participants of the quality of the core courses and trainers. The development of these, and other key core measures, should assist in determining the extent each RPO is achieving the PSCBL performance results for cost-effective pay processing and knowledgeable compensation specialists.

Conclusion

Without relevant measures in place to assess the PSCBL performance results for "cost-effective pay processing" and "knowledgeable compensation specialists", it is difficult to assess the overall performance of each RPO and whether the PSCBL objective is being achieved.

Recommendation

It is recommended that:

2.   *The ADM, GOS enhance RPOs reporting of PSCBL performance results by developing and implementing measures for "cost-effective pay processing" and "knowledgeable compensation specialists".*

3.2.2 RPO Performance Reporting

Monthly performance results reported to CS, GOS by the three RPOs for processing interventions and providing advice on client inquiries was consistently inaccurate and unreliable. RPO staff responsible for compiling the monthly Pay Office Intervention and

Advisory Services Reports did not have a common understanding of the information required. Inadequate instructions were provided by the CS, GOS to the RPOs on the detailed preparation of each of these reports. In addition, monitoring of the information provided by the RPOs to CS, GOS has been inadequate.

Pay Office Intervention Report

P&PAs did not have a common understanding of the appropriate columns to record information for the monthly Pay Office Intervention Report primarily due to insufficient direction from HQ CS.

At the conclusion of the audit fieldwork (end of August 2000) the auditors identified a significant workload in 2 RPOs totalling 21, 452 Advice Notices, associated with PE, and prevalent since mid-April 2000, that was not being reported by these RPOs, as required by CS, GOS. Finally, one RPO, which regularly reported meeting their timeliness service levels for interventions, (other than for "contrib rejects"), had, in reality, a significant backlog of interventions not meeting the timeliness service levels

Advisory Services Report

The total number of notifications received, and the number meeting the service levels, reported monthly in the Advisory Services Report, was reliable. However, the reporting of the total inquiries received was significantly unreliable in two RPOs and the number meeting the service levels was significantly overstated in the three RPOs. Two RPOs were not strictly counting incoming inquiries received by Advisory Services.

In Advisory Services, the nature, status, and quality of advice provided by RPO Advisory Services Officers on client inquiries was not being consistently recorded and assessed.

The RPOs were not using a consistent approach for capturing meaningful data on compensation inquiries from clients. RPOs were not using a common comprehensive system to record compensation inquiries received from clients. RPOs placed more emphasis on responsiveness and insufficient relevance was being placed on recording comprehensive inquiry information

Pacific Region's Compensation Client Information System (CCIS) to record client inquiries for Advisory Services has the potential of being a useful tool to manage client inquiries for the following reasons:

- Clients are accountable for recording their inquiries;
- Clients and RPO Managers can monitor the status of each inquiry;
- The system records whether each inquiry has met the service timeline standard;
- Comprehensive reports are available for management decision making; and
- The system tracks inquiry backlog.

Without the use of a common national system for Advisory Services in each RPO to record client inquiries, the status of each inquiry and the quality of information provided by Advisory Services Officers to clients is difficult to assess. Common client issues are also more difficult to determine and assess without a consistent approach to recording inquiry information

Conclusion

Controls are inadequate to ensure data integrity of the information reported monthly by RPOs to the HQ CS on processing interventions and on Advisory Services workload. Consequently, it is difficult to assess whether service standards are being met, without timely and reliable reporting of information by the RPOs to HQ CS. . Management is unable to respond proactively and effectively to increased demands upon its regional resources, including the impacts on service delivery and client satisfaction.

Recommendations

It is recommended that:

3. *The ADM, GOS enhance RPOs' performance results reporting by issuing direction for preparing the Pay Office Intervention and Advisory Services Reports.*

4. *The ADM, GOS, in concert with the ADM, RPS, implement a common comprehensive system in the RPOs for recording, tracking, and reporting on client inquiries, based on the Pacific RPO initiative:*

Appendix A

The table below lists the clients interviewed in each region for the audit.

Regional Client Interviews :

Ontario	Western	Pacific
Manager, Compensation and Processing Division, Canada Customs and Revenue Agency	Supervisor, Compensation, Prince Albert Penitentiary, Correctional Service of Canada	Four Compensation Supervisors, Canada Customs and Revenue Agency
Compensation Specialist, Department of National Defence	Manager, Compensation, Department of National Defence (Prairie Region)	Manager, Compensation Fisheries and Oceans
A/Manager, Compensation and Processing Division Human Resources Development Canada	Manager, Compensation Human Resources Development Canada (Alberta,/NWT Region)	Regional Manager, Human Resources, Human Resources Development Canada