ACTION PLAN IMPLEMENTATION STATUS UPDATE
REPORT TO THE AUDIT COMMITTEE - AS OF MARCH 31, 2012

Human Resources and Workplace Services, Chief Financial Officer

AUDIT OF PAYROLL
APPROVAL DATE: 19/11/10

PROJECT RECOMMENDATIONS	ACTION PLAN	EXPECTED COMPLETION DATE	PROGRAM RESPONSE

1. AANDC's Chief Financial Officer (CFO) and Director General (DG) of Human Resources and Workplace Services Branch (HRWSB) should implement a consistent pay administration process across the Department and establish documented agreements, outlining roles, responsibilities and applicable payment terms with each separate organization involved in the Department's payroll process.	An Account Verification Framework for Salaries is currently underway. The objective of the framework is to address the Section 33 process of the pay administration process.
	
	The Internal Control Unit under the CFO sector has documented the department's payroll process, identified control gaps and is currently developing a remediation plan.
	
	The Director General (DG) of Human Resources and Workplace Services Branch (HRWSB) will ensure that appropriate service agreements or MOU are in place when AANDC is involved with other organizations.
		Implementation of AVF for salaries is April 1, 2011.
		
		The documentation and assessment of design effectiveness is complete. The remediation plan is scheduled to be completed by March 31, 2011.
		
		Q4 – 2010/2011
			HRWSB Update
			
			Status:
			  o **IOGC: Request to close**
			  o **CANNOR: Request to close**
			
			Update/Rationale:
			As of 31/03/2012:
			
			  o IOGC: We already had a signed agreement between IOGC and Alberta compensation
			  o CANNOR: An MOU between AANDC and Cannor is now in place. In addition, all of CANNOR is being transferred to Miramichi for May 2012.
			
			CFO Update:
			
			Status: Request to Close-completed
			
			1a) Effective April 1, 2011, the Account Verification Framework is fully implemented to include the verification of salary transactions. The first report was presented to the Financial Management Committee on October 21, 2011.
			
			1b) Payroll operational effectiveness testing is complete. During this exercise, the remediation plan relating to the control gaps identified during the design effectiveness has been reviewed and the gaps have been addressed.

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			AES: Implemented. The recommendation will be closed. **Note: Due to the Shared Services Initiative and the move of payroll to Miramichi this recommendation is now closed.**
2. AANDC's CFO should implement controls to enforce appropriate salary reporting for separate operating agencies and validate that financial statements exclude CanNor from the Department's salaries and benefits expense. AANDC should formalize service agreements with separate operating agencies and should reconcile actual transactions against salary figures reported in all regions to prevent similar discrepancies.	1) The Account Verification Framework will address these issues. 2) There is a formal MOU with CanNor which will be renewed for 10-11. In the meantime, the previous MOU remains in effect.	1) April 1, 2011 2) April 1, 2011	**Status: Item 2-1 Request to Close** **Update/Rationale:** **As of 30/09/2011:** **CFO:** 1. Effective April 1, 2011, the Account Verification Framework is fully implemented to include the verification of salary transactions. The first report was presented to the Financial Management Committee Oct 21/11. Separate coding is also used to record expenditures related to CanNor. Payroll transactions that are sent to PWGSC are reconciled to the Department's GL to ensure accuracy. 2. Fiscal Year 2010-2011 was the second year of the MOU. It was updated and adjusted accordingly as to the level of services provided and their associated costs. The MOU currently incorporates specific services to be provided by each of the

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			corporate functional areas (including HR within the NCR and in each territory.) Services provided include Compensation and Benefits services EX (all regions) and non-EX (NCR) to input all pay, overtime and benefit transactions as well as performing a reconciliation of actual transactions against salary figures reports (need to confirm with HR.) It is understood that the MOU will be reviewed annually to include a costed review of the level of services delivered. The MOU will deal with the level of shared services provided by AANDC to CanNor. **HRWSB: N/A** **AES:** Fully implemented. The recommendation will be closed.
3. In conjunction with Recommendation 1, AANDC's CFO and DG of HRWSB should work together to address payroll control gaps by conducting and retaining evidence of the following: • Performing reconciliation between actual transactions and salaries reported for all regions	1) The Corporate Accounting and Reporting Directorate currently performs reconciliations between the payroll expenditures processed in RPS and the salary and benefits reported in OSMS and OASIS. *2) A complete list of RPS users is*	1) Ongoing	**1) CFO Update:** **Status: Request to Close- completed Update/Rationale:** **As of 31/03/2012:** Payroll transactions that are sent to PWGSC are reconciled to the Department's GL to ensure accuracy. **HRWSB: N/A**

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• Establishing a complete list of RPS users and formalizing a process for regularly reviewing and approving RPS access privileges • Enforcing segregation of duties between *FAA* s.33 and s.34 execution and maintain s.33 and s.34 evidence in all regions	*provided by PWGSC on demand by AANDC (at least every quarter). The list is reviewed and appropriate actions are taken to ensure we meet security access controls set by PWGSC. We also ensure that we include the Office of the Auditor General past recommendations.* *An internal formal process document on RPS and GCPI access privileges will be developed and communicated.* 3) The Account Verification Framework for salaries will address the Section 33 process and clarify responsibilities of financial officers. *4) Corporate compensation has been involved as the subject matter expert to assist CFO in the development of procedures for the authorization function and will continue to provide support as requested. This CFO Project may loose its relevance when pay will be centralized.* *HRWSB created a Monitoring and Quality Assurance Unit. A compensation monitoring framework will be developed*	*2) Q4-2010/2011* 3) April 1, 2011 *Upon CFO completion*	**2) CFO Update:** **Status: Request to close** **Update/Rationale:** **As of 31/03/2012:** This item relates to procedures for RPS and GCPI access rights for which HRWSB is the lead. CARD has no involvement. This has been acknowledged by AES and will remain open until the transition towards Miramichi is complete. **HRWSB Update** **Status:** Request to close (completed) **Update/Rationale:** **As of 31/03/2012:** Corporate compensation is the Security Access Control Officers (SACO) for all regions also for setup and granting access to RPS/GCPI for compensation and Finance. A list of all users is requested every 6 months for review from PWGSC. Another list is provided from the PeopleSoft team of all the GCPI users for comparison. The last verification executes was in October 2011 and next verification will be executed in April 2012. Corporate Compensation has also developed an RPS/ GCPI access rights procedures in October

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• Identifying and addressing root causes of high payroll exception rates, particularly with respect to special employee groups, such as students and Casuals	*and implemented.*	*Q4 – 2010/2011*	2011. The formal process will be provided to any employee who is appointed SACO. When all of compensation will be provided by Miramichi, granting access and setup for compensation advisor will be executed by Miramichi. A person from Finance will need to be a Security Access Control Officer (SACO) to grant access to authorizers in the department once pay will be in Miramichi.
			
			   3) **CFO Update:**
			   Status: Request to Close- complete
			
			Update/Rationale:
			As of 31/03/2012:
			
			Every three months the list of active users in OSMS is sent to each to all regions asking them to review and confirm, by email, that this list is correct or advise of any changes. A form is requested to activate a new account, for any changes (name, phone number, data access list, responsibility profile etc.) and to deactivate an existing account. Information requested on a form are: Name, phone number, PRI, computer asset number, effective date, data access list, user privileges, responsibility profile, approval (all signatures), regional training giver by & when. The access privileges are managed using the form itself and are limited to a very small user group i.e., to approve JV (limited), permission to see protected data (very limited) and access to scenario (Minister's office only).

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			HRWSB Update **Status:** Request to close (completed) **Update/Rationale:** Authorization is now done within Finance in all 11 regions 4) **HRWSB Update:** **Status: No Action** **Update/Rationale:** The Quality Assurance group will not undertake to develop monitoring procedures at this point given the Pay Consolidation transition towards Miramichi, NB, which will begin in May 2012 for Wave 1 Departments. **CFO: N/A** **AES:** The recommendation will be closed based on the actions taken by HRWSB and CFO, and the pending transition of pay operations to Miramichi in May 2012. **Note: Due to the Shared Services Initiative and the move of payroll to Miramichi this recommendation is now closed.**

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4. AANDC's DG of HRWSB should work with the CFO to investigate current compensation practices for extra duty in each region and enforce applicable policies. Particular focus should be placed on employees on compressed work schedules. As well, extra duty hours (not just extra duty expenditure dollars) should be tracked to allow AANDC management to effectively monitor overtime.	*Corporate compensation read the general description of the testing results. Most observations seemed to be related to the non-compliance to the collective agreements, the Financial Administration Act (FAA), etc...These observed non-compliance were mostly surrounding overtime/stand-by and compress work week.* *Recently, HRWSB created a Monitoring and Quality Assurance Directorate. A compensation monitoring framework will be developed and implemented to ensure compliance.* *Corporate Compensation will ensure the concerns raised in the testing results will be addressed on a priority basis.* *Corporate Compensation is of the opinion that in a lot of cases, compensation is not directly responsible for these non-compliance but must play a role of guardian with it's stakeholders to remind them of their own responsibilities.*	*Q4-2010/2011* *Q4-2010/2011*	**HRWSB Update** **Status:** Pending implementation from PWGSC **Update/Rationale:** **As of 31/03/2012:** PWGSC has developed a new tool on overtime for all Departments in order to submit paid overtime through CWA. PWGSC would like to implement this tool in May 2012 for all Wave 1 departments. However, AANDC is looking at the possibility to implement on a later date. Employees will send their extra duty pay request to a recommender or manager. Once approved, it will be sent to the Compensation advisor for the final approval. This new tool contains 40,000 rules taken from collective agreements and other applicable legislation which will reduce the error rate to a minimum. This tool will standardize extra duty pay procedures for all Departments. The tool also includes summaries of dollars spent by employee/sector which facilitate budget management.

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	For example: One observation was: *No evidence of appropriate distribution of stand-by work across available resources...* *Although we believe this is a management responsibility, Corporate compensation should ensure that Managers refer to the pertaining collective agreement when making these decisions* *The HRWSB developed a policy on overtime and compensatory leave. Questions and Answers were developed and shared with all the regions.* *Therefore, this policy will be redistributed to all the regions and will be discussed with the HR community through conference calls.* *Also, the hours of work policy is being revised and a new document is being created which will address the question of overtime of employees on compressed work week.* *After a review of the error rate description, Corporate Compensation believes that the rate is reasonably low*		A compressed Work Week guide for employees and Managers was developed in June 2011 by Corporate Labour Relations and was distributed to Regional Directors of HR. It is available under HR Online. **CFO: N/A** **AES:** Implementation pending roll-out of CWA overtime module by PWGSC. **Note: Due to the Shared Services Initiative and the move of payroll to Miramichi this recommendation is now closed.**

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	but we are unable to compare it with other Department as this is information is not available.		
5. AANDC's DG of HRWSB should work with the CFO to conduct the following sequence of actions in advance of introducing GCPI: • Address root causes of PeopleSoft data errors and implement controls to prevent new data errors and; • Engage all GCPI stakeholders to establish change management and communication protocols. • Document the post-GCPI end-to-end payroll process and associated controls. Implement access controls to prevent transactions from being entered directly to RPS through the On-Line Pay System once GCPI is implemented.	*GCPI is currently being implemented in regions, according to the action plan, with great success,* *The HR community has been meeting monthly for the past few months to discuss Data integrity issues. Data integrity reports are provided to all regions with explanations on how to do clean ups.* *Corporate compensation in its monthly conference calls addresses any GCPI data integrity issues that may arise.* *The Director of the HRWSB Business Improvement in conjunction with the GCPI team has introduced a GCPI log issue document. Every week compensation advisors are logging their GCPI issues and Corporate compensation and the GCPI team addresses them.* *The PeopleSoft team has travelled across the country to provide training to the HR community on PeopleSoft. As the GCPI roll-out is done, training on GCPI is provided.*	Q4-2010/2011 *On-going* *On-going* *On-going* *Completed*	**CFO Update** **Status: Request to close- complete** **Update/Rationale:** **As of 31/03/2012:** CARD- Payroll operations effectiveness testing is completed. During this exercise, the remediation plan relating to the control gaps identified during the design effectiveness has been reviewed and the gaps have been addressed. **HRWSB Update** **Status: Request to close- complete** **Update/Rationale:** **As of 31/03/2012:** Since GCPI implementation, data discrepancy reports are still being provided to the compensation community on a monthly basis. Compensation advisors now have the ability to produce their own report once advised by corporate compensation that it is available. The PeopleSoft team does monitoring in order to inform corporate compensation if compensation

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	The GCPI team and Corporate Compensation developed and updated the online help tool (UPK) to assist users in their data entries. *End to end payroll process will be documented to ensure all stakeholders know their GCPI roles and responsibilities.*	*On-going* *Q4-2010/2011*	advisors are using RPS. No activity has been reported. However, in some particular cases, RPS must be used to enter transactions. In this case, corporate compensation is advised and determines if there is no alternative of using RPS. If no other option is possible, corporate compensation grants the possibility to use RPS and asked the compensation advisors to inform Finance. **AES:** Implemented. The recommendation will be closed. **Note: Due to the Shared Services Initiative and the move of payroll to Miramichi this recommendation is now closed.**