**CITY OF HAMILTON**

**CITY MANAGER’S OFFICE**

*Audit Services Division*

| TO: | Chair and Members  
Audit, Finance and Administration Committee |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WARD(S) AFFECTED:</td>
<td>CITY WIDE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMITTEE DATE:</th>
<th>June 22, 2011</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SUBJECT/REPORT NO:</th>
<th>Follow Up of Audit 2008-11 - Wage Payroll and Timekeeping (AUD11019) (City Wide)</th>
</tr>
</thead>
</table>

| SUBMITTED BY: | Ann Pekaruk  
Director, Audit Services  
City Manager's Office |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PREPARED BY:</td>
<td>Ann Pekaruk 905-546-2424 x4469</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SIGNATURE:</th>
<th></th>
</tr>
</thead>
</table>

**RECOMMENDATION**

That Report AUD11019 respecting the follow up of Audit Report 2008-11, Wage Payroll and Timekeeping, be received.

**EXECUTIVE SUMMARY**

Audit Report 2008-11, Wage Payroll and Timekeeping, was originally issued May, 2009 and management action plans with implementation timelines were outlined in the Report. In April, 2011, Internal Audit conducted a follow up exercise to determine that appropriate and timely actions had been taken. Of the seven (7) recommendations made in the original Report and Addendum, four (4) have been completed and three (3) are in progress.

_Summary - Alternatives for Consideration – Not Applicable_
FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: None.
Staffing: None.
Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2008-11, Wage Payroll and Timekeeping, was originally issued in May, 2009. The Report and Addendum provided seven (7) recommendations identifying areas for improvement with respect to the systems and procedures used to record and approve timekeeping and process payroll for wage employees.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS

Collective agreements with CUPE 5167, ATU 107 and ONA 50.

RELEVANT CONSULTATION

The results of the follow up were provided to the management and staff responsible for timekeeping and wage pay processing in the Operations and Maintenance Division and HSR of the Public Works Department and the Homes for the Aged and Culture and Recreation Divisions of the Community Services Department.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The report attached as Appendix “A” to Report AUD11019 contains the first three columns as originally reported in Report 2008-11 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work. One (1) item in the Addendum has also been followed up with the appropriate detail provided.
Four (4) of the seven (7) recommendations have been fully implemented. These are: employees’ actual starting and ending work times are recorded on the Daily Activity Sheets; supervisory staff sign the Daily Activity Sheets; employees are paid for the actual hours worked; and payroll spreadsheets in the Recreation Division are authorized prior to further payroll processing.

Three (3) recommendations are in progress as follows: regular review of access to Hansen (computerized costing application which includes timekeeping records) and revocation of such access for staff that no longer require it; review of employees’ security access levels to Hansen and sufficient backup documentation; and effective review of employee timesheets in the Culture Division.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Financial Sustainability**

• Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner

**APPENDICES / SCHEDULES**

Appendix “A” to Report AUD11019: Audit Report 2008-11

ap: tk/dt
### Observation of Existing System

Hansen is a computerized application that tracks job costing information for all work completed in Operations and Maintenance Division. It also includes the timekeeping records for wage employees in these divisions.

As part of their job functions, some staff have the ability to change or update the hours worked by wage employees in Hansen. A review of access rights indicated several individuals who are no longer employees of the City. A strong internal control revokes access rights of employees no longer requiring such access to carry out their duties due to a change in position or termination of employment.

### Recommendation for Strengthening System

That a process be implemented to regularly review staff access to Hansen and to revoke such access for all staff that no longer require it.

### Management Action Plan

Agreed. In addition to adding the termination of access to the internal procedure when staff no longer work in the Division (target completion date – Q2 2009), a process will be implemented to review users and permission levels on an annual basis (target completion date – Q4 2009).

### Follow Up

In Progress. Hansen access is revoked for staff who no longer require it and a checklist has been created to document staff who no longer work in the Division. However, copies of the checklist have not been retained by management and were not available for review.

Documentation from an access level review was provided to Internal Audit, but it did not indicate who performed the review, when it was performed and the review findings.

<table>
<thead>
<tr>
<th>#</th>
<th>Observation of Existing System</th>
<th>Recommendation for Strengthening System</th>
<th>Management Action Plan</th>
<th>Follow Up (April 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Hansen</td>
<td>That a process be implemented to regularly review staff access to Hansen and to revoke such access for all staff that no longer require it.</td>
<td>Agreed. In addition to adding the termination of access to the internal procedure when staff no longer work in the Division (target completion date – Q2 2009), a process will be implemented to review users and permission levels on an annual basis (target completion date – Q4 2009).</td>
<td>In Progress. Hansen access is revoked for staff who no longer require it and a checklist has been created to document staff who no longer work in the Division. However, copies of the checklist have not been retained by management and were not available for review. Documentation from an access level review was provided to Internal Audit, but it did not indicate who performed the review, when it was performed and the review findings.</td>
</tr>
</tbody>
</table>
## WAGE PAYROLL AND TIMEKEEPING FOLLOW UP - APRIL 2011

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
<th>FOLLOW UP (April 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Hansen (Continued)</strong>&lt;br&gt;It was also noted that a certain staff member was able to override his access level by being permitted to use the access provided to a higher level of authority.</td>
<td>That staff refrain from using any other employee's access level other than their own. Such levels should also be reviewed regularly to ensure access remains compatible with the duties of individual staff members.</td>
<td>Agreed. Staff will be advised to refrain from using other employees' access. An access level review, based on duties of staff members, will be undertaken as issues arise and as part of the regular review noted above (target completion date – Q2 2009).&lt;br&gt;In addition, we have a generic user ID for administrator access. This will be changed as part of the review to update access privileges to what is required (target completion date – Q3 2009).</td>
<td>In Progress. Based on discussions with the Manager of Business and Support Services, not using other employees' access has been communicated to staff and there were no generic user ID's that were being used. However, there was not a sufficient level of documentation provided for an access level review.</td>
</tr>
</tbody>
</table>
2. Timekeeping Activities
   Aside from specific timekeeping applications (Hansen, Trapeze, KRONOS) used by divisions within the City, wage employee timekeeping is tracked using a variety of timesheets.
   
a) Culture and Recreation Divisions
   The Culture and Recreation divisions track the wage employees work time by using documents such as master work schedules and sign in sheets. The work hours reported on these schedules is then entered into a spreadsheet which is uploaded into PeopleSoft HR to generate the payroll. A sample of these documents was reviewed and no evidence of the approval of the work hours by a supervisor was evident. Such signatures would authenticate the completeness and accuracy of the hours worked by employees.
   
   That any original documents used to track hours worked by wage employees should be properly approved in writing by the appropriate supervisor prior to further processing.
   
   Culture - Agreed. Culture division sites with wage employees have been directed to add a signature line to the sign-in sheets. Supervisors have been directed to sign off on the sheets before processing.

   In Progress. Timesheets were signed to indicate they had been approved. However, there were some exceptions noted with regard to approving sign-in sheets that had not been correctly filled out and the sign-in sheet detail did not match the PeopleSoft payroll.
### Timekeeping Activities (Continued)

#### a) Culture and Recreation Divisions

The Culture and Recreation divisions track the wage employees work time by using documents such as master work schedules and sign in sheets. The work hours reported on these schedules is then entered into a spreadsheet which is uploaded into PeopleSoft HR to generate the payroll. A sample of these documents was reviewed and no evidence of the approval of the work hours by a supervisor was evident. Such signatures would authenticate the completeness and accuracy of the hours worked by employees.

That any original documents used to track hours worked by wage employees should be properly approved in writing by the appropriate supervisor prior to further processing.

Recreation – Agreed. A procedure in the Recreation division is now in place that requires the supervisor/manager to authorize the payroll spreadsheet hours before they can be processed. This is done through an electronic email to the Finance and Administration staff authorizing the payroll spreadsheet. Once this is completed, the information is uploaded to PeopleSoft HR to generate the payroll.

Completed. A sample of payroll spreadsheets were tested to determine if they had been authorized prior to payroll processing. No testing exceptions were noted.
# OBTAINING OF EXISTING SYSTEM

## RECOMMENDATION FOR STRENGTHENING SYSTEM

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
<th>FOLLOW UP (April 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td><strong>Timekeeping Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>b) Operations and Maintenance Division</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The job costing information in Hansen is supported by handwritten documents known as the Daily Activity Sheets which indicate the work done, the identity of the employees performing the work and any equipment used. The foreman also notes the time taken by each of the wage employees to perform the work and any overtime, shift premiums or meal allowances warranted. Thus, these Daily Activity Sheets serve to authenticate the wage employees worked hours in Hansen.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unlike the documentation used to support the other timekeeping systems used across the City, the Daily Activity Sheets do not detail the actual time the employees started and ended the work activity. As such, it is not possible to verify whether an employee is owed shift premiums, whether the overtime has been calculated correctly or if an employee is owed a meal allowance for working overtime.</td>
<td>That the Daily Activity Sheets used to support the timekeeping records for wage employees in Hansen include the employees' starting and ending work times.</td>
<td>Agreed. A column will be added to the daily activity sheet to identify start and end times for shift workers and overtime. This will support the entering of accurate shift premiums and meal allowance data (target completion date – Q2 2009).</td>
<td>Completed. A column used by the majority of employees was added to the daily activity sheet for start and end times for shift workers.</td>
</tr>
</tbody>
</table>
### Appendix “A” to Report AUD11019  
**FOLLOW UP - APRIL 2011**

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
<th>FOLLOW UP (April 2011)</th>
</tr>
</thead>
</table>
| 2. | **b) Operations and Maintenance Division**  
   During the course of sampling timekeeping transactions in Hansen, it was noted that not all Daily Activity Sheets were signed by the foreman. The foreman’s/supervisor’s signature is a written acknowledgment of the completeness and accuracy of the information contained on the Daily Activity Sheets. | That the Operations Service Representatives, responsible for keying information on the Daily Activity Sheets, ensure that all the Daily Activity Sheets have been properly signed before processing timekeeping information into Hansen. | Agreed. Daily activity sheets will be authorized/signed by supervisory staff prior to data entry (target completion date – Q1 2009). | Completed. Daily Activity Sheets were consistently signed by supervisory staff prior to being submitted for data entry. |
ADDENDUM

The following item was noted during the course of the audit. Although it does not present an internal control deficiency, it is indicated in this Addendum so management is aware of the issue and can address it appropriately.

1. **Timesheets used by the Culture Division**

   In one of the cases sampled, it was noted that the work hours reported on the sign-in document (i.e. original source document) were less than the hours for which the employee was paid. The employee’s supervisor indicated that due to the nature of this particular employee’s job, he was required to work varying hours per day, sometimes more and sometimes less than the standard, but overall, the expected standard hours per week were met and no overtime was expected. For ease of administration, the timesheet simply indicated the standard daily hours, contrary to the actual hours worked per the sign-in sheet.

   Although this was an isolated case, it is a poor practice which may unreasonably question the credibility of the hours worked.

   **It is recommended:**
   
   *That the employee referred to above be paid in accordance with the collective agreement for the actual hours worked.*

   **Management Response:**
   
   *Agreed. The employee in question is a full-time employee who works, as a general rule, a standard shift. In fact, other employees in the same job class within the section are paid as salaried workers completing timesheets (as opposed to sign-in sheets) to reflect shift premium hours only. For full-time employees, the sign-in sheet is not intended to be used by supervisors to calculate hours worked but as a security and health and safety measure to identify who was on site during an emergency. However, for the purposes of consistency, the employee is now scheduled to work standard 7.75 hour shifts.*

   **Follow Up Comment:**
   
   *Completed. The employee is working a standard 7.75 hour shift.*