SUBJECT: Audit Report 2008-11 - Wage Payroll and Timekeeping (CM09013) (City Wide)

RECOMMENDATION:

(a) That Report CM09013 respecting Audit Report 2008-11, Wage Payroll and Timekeeping, be received; and

(b) That the management action plans as detailed in Appendix “A” of Report CM09013 be approved and the Acting General Manager of Public Works and the General Manager of Community Services direct the appropriate staff to have the plans implemented as identified.

EXECUTIVE SUMMARY:

The 2008 Internal Audit work plan approved by Council included the audit of wage payroll and timekeeping. A review to assess whether adequate systems and procedures exist to record and approve timekeeping and subsequently pay wage employees was conducted.

The results of the audit are presented in a formal audit report containing observations, recommendations and management action plans as well as an Addendum item, all attached as Appendix “A” of Report CM09013.
BACKGROUND:
The City of Hamilton’s wage workforce totals more than 5,900 employees with a payroll of over $90 million. As such, it represents a major component of the City’s annual operating budget.

The timekeeping methods associated with this workforce are quite varied. Three formal electronic timekeeping systems exist: KRONOS for the wage employees of the two Homes for the Aged; Trapeze used for HSR operators; and Hansen for employees in the Operations and Maintenance Division of Public Works. As well, sections in the Culture and Recreation Division use manual sign in/out sheets or schedules as a basis of tracking employees’ work time. Each of the above methods was sample tested. The PeopleSoft HR system, utilized for processing the City’s payroll (wage and salary), was also reviewed.

The audit fieldwork was carried out throughout the late summer and early fall of 2008, being finalized in February, 2009. The results of the review are attached as Appendix “A” of Report CM09013.

The Audit and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

ANALYSIS/RATIONALE:
This audit focused on the systems and procedures used to record and approve timekeeping and process payroll for wage employees. In order to assess the adequacy of controls associated with timekeeping and wage payroll processing, the four main timekeeping systems utilized in the City – KRONOS (Homes for the Aged), Trapeze (HSR operators), Hansen (Operations and Maintenance in Public Works) and sign in/out schedules and sheets (Culture and Recreation) were reviewed and documented. Wages paid to employees were validated to the appropriate timekeeping records and through compliance with the terms of the corresponding collective agreements.

A formal audit report containing observations, recommendations and resulting management action plans was issued and is attached as Appendix “A” of Report CM09013. Where appropriate, the associated corporate risk is identified in the observation.

The main recommendations noted in the audit report include:

- Access to Hansen (computerized costing application which includes timekeeping records) should be reviewed regularly and restricted to levels required by individual staff to carry out the related duties.
- Original records used to track hours worked by Culture and Recreation Divisions’ staff should be approved in writing by the appropriate supervisors.
- Daily Activity Sheets used to support the timekeeping records for employees in the Operations and Maintenance Division of Public Works should include starting and ending work times and be properly approved in writing by foremen/supervisors before processing in Hansen.

Management and staff have agreed to or have already taken actions to implement all of the recommendations. Specific action plans can be found in the attached audit report.
ALTHERNATIVES FOR CONSIDERATION:
Not applicable.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:
None.

Policies Affecting Proposal:
Collective agreements with CUPE 5167, ATU 107 and ONA 50.

Relevant Consultation:
The attached audit report includes management action plans which reflect the responses of 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.

City Strategic Commitment:
By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. □ Yes  ✔ No

Environmental Well-Being is enhanced. □ Yes  ✔ No

 Economic Well-Being is enhanced. □ Yes  ✔ No

City Council's strategic commitment to "Best Practices - Best Value" under "A City That Spends Wisely and Invests Strategically" is addressed through audits and reviews and their subsequent follow up to ensure controls are in place to protect the assets of the City and promote efficient, effective and economic services and programs.

Does the option you are recommending create value across all three bottom lines? □ Yes  ✔ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? □ Yes  ✔ No

ap:dt
Attachment – Appendix “A”
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<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
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<td>1.</td>
<td><strong>Hansen</strong>&lt;br&gt;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.&lt;br&gt;&lt;br&gt;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.&lt;br&gt;&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 a process be implemented to regularly review staff access to Hansen and to revoke such access for all staff that no longer require it.&lt;br&gt;&lt;br&gt;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. 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).&lt;br&gt;&lt;br&gt;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>
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## 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.

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<td>2</td>
<td>Timekeeping Activities</td>
<td>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.</td>
<td>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. 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.</td>
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### WAGE PAYROLL AND TIMEKEEPING

#### FEBRUARY 2009

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<td><strong>Timekeeping Activities</strong></td>
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<td>b) Operations and Maintenance Division</td>
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<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>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>
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<td>Agreed. Daily activity sheets will be authorized/signed by supervisory staff prior to data entry (target completion date – Q1 2009).</td>
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<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>
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<td>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.</td>
<td>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.</td>
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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.*