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Chief Review Services Chef - Service d'examen

CRS ❖ CS Ex

Audit of Civilian Leave Administration

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Acronyms and Abbreviations

ADM(HR-Civ)	Assistant Deputy Minister (Human Resources – Civilian)
ADM(IM)	Assistant Deputy Minister (Information Management)
COS	Chief of Staff
CRS	Chief Review Services
DGCHRMO	Director General Civilian Human Resources Management Operations
DGLRC	Director General Labour Relations and Compensation
DND	Department of National Defence
DWAN	Defence Wide Area Network
FY	Fiscal Year
GoC	Government of Canada
HRMS	Human Resource Management System
HRSC	Human Resource Service Centres
LAG	Leave Administration Guide
LSS	Leave Self-Serve
OPI	Office of Primary Interest
PWGSC	Public Works and Government Services Canada
RCHRPCC	Regional Civilian Human Resources Planning and Coordination Committee
RPS	Regional Pay System
TB	Treasury Board

Synopsis

Leave is an integral part of an employee's work-life balance and an employer's obligation to accommodate situations that require staff members to be away from the workplace. Consequently, an efficient and effective process to request, approve, record and monitor leave is necessary to support this human resources function.

This audit was completed to assess the adequacy and effectiveness of the management control framework related to the administration of civilian leave at the Department of National Defence (DND). This report examines the sufficiency of policies and training, the effectiveness of internal controls, and the adequacy of monitoring associated with these leave transactions.

Overall, the audit noted that the introduction of leave self-serve (LSS) in fiscal year (FY) 2008/09 has resulted in improved controls and a more efficient administration process. In addition, the Department has developed internal policies and training materials that are consistent with Central Agency documents. While the framework is in place for effective leave administration, an increased awareness of training and internal policies and the improvement of LSS system controls and monitoring practices within the Department would further improve the process.

Chief Review Services (CRS) is satisfied that the action plan provided by management will address the recommendations presented in this report. Follow-up to ensure effective implementation of the action plan will be completed as required.

Results in Brief

This audit was completed to assess the adequacy and effectiveness of the management control framework related to the administration of civilian leave. During FY 2008/09, approximately 690,000 civilian leave transactions for 29,370 civilian employees were approved and recorded in the Department's Human Resource Management System (HRMS). The audit examined the sufficiency of policies and training, the effectiveness of internal controls, and the adequacy of monitoring associated with these leave transactions.

There is a high degree of compliance with leave policies, and introduction of the HRMS LSS module has increased controls and resulted in more efficient processes. Increased awareness of training and guidance materials, enhanced controls in some areas, and additional monitoring could result in further improvement.

> **Overall Assessment**
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> - The introduction of the HRMS LSS module has resulted in more efficient processes and improved controls.
> - Further improvement can be made through increased awareness of training and guidance materials, enhanced controls in some areas, and additional monitoring.

Leave Policy and Training Materials

The Department has developed internal policies and training materials and provides expert guidance to assist compensation advisors, managers and supervisors in effectively managing leave and handling leave administration issues. Training materials have been revised periodically to reflect new developments in leave administration, and to provide clarity to leave policies and procedures. However, many managers and supervisors are unaware of the resources available to them. To maximize the benefit of these resources, their existence should be better communicated to managers and supervisors.

It is recommended that additional awareness be created with regards to training and guidance available to managers and supervisors concerning leave administration.

Delegated authorities with respect to civilian leave are documented in the Department's Instrument of Delegation of Labour Relations Authorities. Not all managers and supervisors were aware of this document, nor were they confident that they fully understood their delegated authorities with respect to leave. In addition, while the delegation document sets out specific delegation requirements, including mandatory training at some levels, the Department does not currently have a mechanism in place to confirm that these requirements are met.

It is recommended that the Department ensure leave is approved in accordance with the requirements outlined in the Instrument of Delegation of Labour Relations Authorities.

Internal Controls

The LSS module of HRMS has greatly improved the efficiency of leave administration processes. It includes many built-in controls to ensure the legitimacy of requested leave. At the same time, controls could be improved to ensure full compliance with leave policy and the integrity of leave data for monitoring purposes. Assistant Deputy Minister (Human Resources – Civilian) (ADM(HR-Civ)) has documented many of the control-related issues. While a few can be resolved within the Department, many are more challenging to fix as they require a level of customization that would potentially complicate future government-wide upgrades to the HRMS system. In some cases, it may be more feasible to introduce additional monitoring rather than additional input controls.

The Department is aware of the identified system weaknesses; it is recommended that mitigating strategies and a resolution timeframe be developed for addressing the system issues.

Monitoring

A comparative analysis shows that the average number of leave days taken by DND employees for various types of leave is consistent with other federal government departments and agencies. This is not surprising given the commonality in collective agreements. It should be noted that this analysis is based only on leave recorded in the HRMS system. While a high proportion of managers indicated that most leave taken within their group is formally recorded, it is difficult to assess the overall accuracy of the recorded data, in particular for some leave types. Accurate, complete leave data is essential to ensure leave policies are fully respected and to provide a reliable database for meaningful trend and exception monitoring.

Currently, leave monitoring is conducted by various organizations within the Department for a variety of purposes. There is no formal assignment of roles and responsibilities amongst the various organizations, and monitoring efforts are not necessarily coordinated based on a common risk profile for leave-related issues across all regions.

It is recommended that the Department review its policy for compliance monitoring at various levels within the organization.

Note: For a more detailed list of CRS recommendations and management response, please refer to Annex A—Management Action Plan.

Introduction

Background

Leave is defined as an authorized absence from duty. The collective agreements and Terms and Conditions of Employment Policy set out employees' paid and unpaid leave entitlements. Leave is recorded in HRMS. For the most part, paid leave is entered and approved via the LSS module of HRMS. Alternatively, Leave Without Pay─which requires entries in both HRMS and the Regional Pay System (RPS)─and leave requests for employees who do not have access to LSS are initiated using a paper-based form which is approved by the supervisor prior to entering in HRMS. At the time of the audit, 13 percent of departmental employees did not have access to the LSS module.

As of 31 March 2009, there were 29,370 civilian DND employees occupying positions in 66 occupational groups. These employees were represented by Treasury Board's (TB) Terms and Conditions of Employment and 19 collective agreements. For FY 2008/09, there were 687,344 leave transactions recorded in HRMS approved by 10,711 individuals.

ADM(HR-Civ) manages the departmental civilian compensation program, including leave. This responsibility includes policy development, interpretation and coordination; delivery of training and reference material; as well as the operations associated with leave administration.

Assistant Deputy Minister (Information Management) (ADM(IM)) is responsible for the development and the maintenance of HRMS.

Objective

The objective of the audit was to assess the adequacy and effectiveness of the management control framework related to the administration of leave. The criteria used to assess the objective can be found in Annex B.

Scope

The audit was national in scope and included all civilian employees with an active HRMS account during FY 2008/09.

Methodology

To complete the audit, the audit team:

- Interviewed key stakeholders at Director General Labour Relations and Compensation (DGLRC), Director General Civilian Human Resources Management Operations (DGCHRMO) (five service centres) and Director Human Resource Information Management;
- Forwarded a web questionnaire to 200 randomly selected employees who had approved leave during FY 2008/09 and received a response rate of 40 percent;

- Reviewed policies, collective agreements, directives, instructions, transactional data;
- Analyzed leave transactions and balances from HRMS and identified exceptions;
- Assessed consistency of data between HRMS and RPS;
- Reviewed 49 manually processed transactions for completeness; and
- Followed up on an additional 49 transactions to confirm findings.

Findings and Recommendations

Leave Policy and Training Materials

> The Department has developed internal policies and training materials that are consistent with Central Agency documents. The Department could benefit by making supervisors and managers more aware of these resources.

Consistency Between Departmental and Central Agency Reference Materials

Departmentally issued directives and guidance must be consistent with the terms stated in collective agreements and authoritative sources issued by central agencies in order to avoid grievances and improperly authorized leave.

The Department has issued a Leave Administration Guide (LAG) aimed to provide managers and supervisors with additional guidance related to leave administration. Based on our review, we found this guide to be consistent with central agency reference material, including TB policies on leave, terms and conditions of employment and the 19 collective agreements that govern leave administration in the Department.

Training and Guidance Provided to Stakeholders

The key players involved in the leave administration process include compensation advisors, managers and supervisors. Various resources are available to these individuals, such as the departmental LAG and an online training course on LSS and HRMS called User Productivity Kit. These resources provide clarification and guidance on leave matters. There is a need, however, to increase awareness of these tools, as only 65 percent of questionnaire respondents were aware of the existence of the LAG.

Employee Awareness about Leave

- 65 percent of respondents were aware of the existence of the departmental LAG.

- 54 percent of respondents were not entirely confident they fully understood their delegated authorities with respect to leave.

- There is no mechanism to ensure mandatory training is completed, and delegations to approve leave are not centrally documented.

The Department's Instrument of Delegation of Labour Relations Authorities provides a clear picture of accountabilities and roles and responsibilities relating to leave administration. It documents the level of delegated authority required for approval of each leave type. This document is referenced within the LAG. However, 54 percent of respondents were not entirely confident they fully understood their delegated authorities with respect to leave. This suggests that increased awareness of the delegation document is warranted.

The Instrument of Delegation of Labour Relations Authorities states that "Level 6 & 7[1] managers and supervisors may exercise the authorities delegated to them, after completing the training for delegated managers and provided that their Level 3[2] manager has authorized them to do so, in writing." The Department requires level 6 & 7 managers/supervisors to enrol in the "Delegation of Authorities: Labour Relations" course prior to approving leave. However, there is currently no mechanism to confirm this requirement is met. Moreover, there are no central or regional records of managers and supervisors with delegated authority to approve leave. This makes it difficult to ensure all leave transactions are approved by a properly authorized individual.

Recommendation

ADM(HR-Civ) should create additional awareness of the training and guidance resources currently available to managers and supervisors and of the delegation requirements with respect to leave.
OPI: ADM(HR-Civ)/DGLRC and DGCHRMO

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[1] Level 6: Sub-section heads; Level 7: Senior Supervisors.
[2] Level 3: Directors, Base/Wing Commanders, Senior Civilian Managers, Comanders/Commanding Officers of Brigades, Area Support Groups and Lodger/Integral Units.

Internal Controls

> The introduction of LSS has improved leave-related controls; however, areas for improvement remain. ADM(HR-Civ) had previously documented many of the control issues and is working toward resolving these deficiencies.

HRMS is a common system used by 14 departments within the Government of Canada (GoC). Employees who have access to a Defence Wide Area Network (DWAN) account enter requests for paid leave via the LSS module of HRMS. Their supervisor approves (or denies) the leave, also using LSS, and the transaction and resulting leave balance are recorded in HRMS. Employees who do not have a DWAN account or who would like to request unpaid leave are required to submit a leave request using a paper form. Once the requests are approved, the regional Human Resource Service Center (HRSC) staff enter these paper-based transactions into HRMS.

> **Leave Entitlements and Approval**
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> - Leave entitlements can be exceeded as LSS is not customized according to the collective agreement of each individual.
> - There are no mechanisms to ensure leave is approved by delegated individuals.

LSS Controls

Based on the results of the web questionnaire, 87 percent of respondents agreed that implementation of LSS during FY 2008/09 has improved the overall leave administration and approval process.

The LSS module includes many edit checks. These include controls to ensure:

- All mandatory fields are completed;
- Leave is not for the prior fiscal year; and
- Requests for vacation or one-time leave do not exceed the employee's available balance or entitlement.

In addition, the LSS module provides a warning to both the employee and the authorizing supervisor if a request for Family-Related, Volunteer, Personal or Sick Leave exceeds the employee's entitlement or leave balance.

LSS provides employees and their supervisors with real-time access to leave balances for monitoring purposes. Prior to LSS, employees or supervisors had to keep independent records of leave taken to ensure annual entitlements and overall balances were not exceeded.

Areas for Improvement: HRMS System Controls

While the introduction of LSS has improved controls associated with leave, certain enhancements could be made. Prior to the audit, ADM(HR-Civ) staff had identified and prioritized 41 known issues and potential improvements to HRMS. Based on audit sampling, CRS concurs with the identified issues and noted that some of the documented issues can lead to inappropriately authorized leave and erroneous leave balances. For example:

- LSS is not customized by collective agreement. Individuals can select a leave type which is not part of their collective agreement (for example, marriage leave);
- Users have the option to bypass LSS warnings and exceed entitlements for some types of leave including volunteer and personal leave; however, supervisors also receive a system warning when approving leave requests that exceed entitlements;
- LSS does not ensure the hours of leave taken are consistent with the "From" and "To" dates and does not include statutory holidays or days of rest;
- Any employee can be selected as the authorizing supervisor in LSS. Therefore, individuals can send their leave request to any person in the Department regardless of whether the person has the appropriate leave approving authority. ....
- .... and
- For some leave types, including Injury on Duty, Family-Related Marriage and Personal Marriage, HRMS allows more than one leave transaction for the same time period. This impacts employee leave entitlements, statistical reports and monitoring of trends.

The Department is aware of the identified system weaknesses; however, a resolution time or mitigating strategies have yet to be developed. The Department's ability to make changes to LSS and HRMS is limited, given that the system is used by 14 departments and customization will potentially impact implementation of future system upgrades. In some cases, it may be more feasible to develop monitoring strategies to detect the occurrence of these exceptions rather than develop additional input controls through customization.

Paper-Based Leave Request Process

At the time of the audit, approximately 13 percent of departmental employees did not have access to a DWAN account for various reasons, such as employees being on secondment or long-term leave, or in a work environment without computer access. Paper forms are used to process leave requests in these situations. In addition, employees who wish to apply for unpaid leave must submit a paper-based request to their supervisor for approval. The approved leave form must be forwarded and entered in HRMS at the regional HRSC.

Forty-nine such paper-based transactions from various HRSCs were selected for examination to ensure the transactions were recorded in a timely, complete and accurate fashion. Based on this sample:

- Sufficient supporting documentation had been retained for all selected transactions;
- The appropriate pay action was taken for all approved Leave Without Pay requests;
- 95 percent of leave forms were approved prior to leave being taken;

- 80 percent of requests for Leave Without Pay and Leave with Pay for Other Reasons contained the appropriate reference or explanation in the comment box; and
- All paper-based leave forms contained leave start and end dates and 95 percent included the leave submission and approval dates.

Areas for Improvement: Paper-based Process

In general, the paper-based leave process places more administrative burden on the HRSCs. Employees are required to complete a generic GoC leave form (GC-178), obtain approval from their supervisor or manager and submit it to the HRSC for entry into HRMS. There is a greater possibility of error because of the manual data entry process. In addition, timeliness and completeness of HRMS data can be affected.

Approving supervisors are not required to print their name on the leave form. Illegible signatures and the absence of a file with specimen signatures for individuals having specific delegated authority makes it difficult to confirm that the leave form has been approved by the appropriate individual.

Recommendations

Better mechanisms should be developed to ensure both LSS and paper-based leave requests are approved in accordance with the Instrument of Delegation of Labour Relations Authorities.
OPI: ADM(HR-Civ)/DGLRC, DGCHRMO and COS

Strategies, including service-level standards and resolution times, should be developed for resolving the identified HRMS control issues.
OPI: ADM(HR-Civ)/DGLRC, DGCHRMO and COS

Monitoring

> HRMS includes reporting tools that are useful for monitoring and for identifying and mitigating area of risks. Groups could benefit by using these tools in a more consistent, timely and efficient manner. In addition, for monitoring to be effective, all authorized leave must be completely and accurately recorded in HRMS.

Leave Approval and Recording

The leave provisions of the collective agreements are generally being respected. Certain collective agreements allow managers to grant leave with or without pay for purposes other than those specified in the agreements. Based on responses to the web questionnaire administered as part of this audit, when this occurred, it was primarily to enhance work-life balance or to reward performance.

Annually, the Department provides the Treasury Board Secretariat with a summary of leave records for comparative purposes and for analyzing trends. Based on FY 2008/09 data, DND employees take on average the same amount of leave as employees in the 73 departments and agencies that form part of the Core Public Administration. However, for this type of analysis to be meaningful and reliable, it is important that all types of leave be accurately documented in HRMS.

> **Monitoring Leave**
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> - Questionnaire results indicate that certain types of leave are not formally recorded; this reduces the accuracy of trend and exception reporting.
> - Some monitoring of leave is completed, but a consistent, risk-based strategy for monitoring has not been developed.

It is currently difficult to assess the completeness of leave data in HRMS as some situations exist where leave is not formally recorded. Based on web questionnaire responses, respondents indicated that:

- 75 percent of alternate work arrangements (such as compressed work week, working from home, etc.) are documented. For the remaining 25 percent, additional documentation should be maintained for the Department to support whether absences from the workplace are leave or are part of an informal arrangement with the manager.
- Leaves with a limited annual entitlement and/or a carry-forward balance (such as Vacation Leave, Sick Leave, Family-Related Leave, etc.) are for the most part recorded in HRMS.
- Leave that is not limited within collective agreements (such as Examination Leave, Personnel Selection Leave) is often not recorded.

An accurate, complete record of leave taken is critical to the success of any monitoring program.

Departmental Leave Monitoring Processes

An appropriate monitoring process is important to ensure leave is approved and recorded consistently and processed appropriately. Leave monitoring can also be a valuable tool in monitoring the health and well-being of the workforce. Leave is currently monitored at various levels within the Department, for various purposes.

All HRSCs complete year-end monitoring to ensure Pending Leave Transactions, Leave Payouts and Leave Carryovers are appropriately actioned and reported. As well, HRSCs complete some monitoring of exceptions and trends. However, the extent of such monitoring is left to the discretion of the HRSCs and the focus varies by region depending on the perceived areas of risk. For example, at the time of the audit some regions were monitoring usage of Leave Code 699 (Leave with Pay – Other) or Sick Leave and determining trends with respect to the number of leave forms manually entered by leave administrators as opposed to those entered by LSS users.

At the unit level, managers and supervisors can monitor the individual leave records of employees using LSS, but they do not currently have the ability to produce real-time consolidated leave reports for their staff using this system. Their requests for standard or customized reports must be forwarded through the regional HRSC.

The Department could benefit from a more consistent approach to trend and exception monitoring. Such an approach should increase efficiency and effectiveness by assigning roles and responsibilities, not only for monitoring but also for follow-up when issues arise. For example, as part of the audit, HRSCs were forwarded details of some situations where individuals had taken leave which was not consistent with their collective agreement. In discussion, some HRSCs indicated that they were not sure of their role in clarifying or rectifying these situations.

Based on the audit questionnaire, 73 percent of respondents felt additional monitoring of leave is warranted to:

- Ensure equitable application of collective agreements and/or terms and conditions of employment;
- Gauge the continuing morale/health of the workforce; or
- Reduce the risk of abuse.

Interviewees also felt that current monitoring processes could be improved by:

- Increasing the availability of standard or periodic reports, and making the requesting process more user-friendly;
- Developing additional options to consolidate information by employee classification or work unit; and
- Improving turnaround times for custom reports.

Completing an annual risk assessment relating to leave administration, and developing appropriate supporting policies and processes for monitoring and oversight, would give an appropriate focus to improving the administration of leave.

Recommendation

The policy and processes for monitoring compliance with leave administration requirements should be reviewed and strengthened.
OPI: ADM(HR-Civ)/DGLRC and COS

Annex A—Management Action Plan

Leave Policy and Training Materials

CRS Recommendation

1. ADM(HR-Civ) should create additional awareness of the training and guidance resources currently available to managers and supervisors and of the delegation requirements with respect to leave.

Management Action

The course on Labour Relations for Managers and Supervisors is presently being reviewed and updated by DGLRC. This course will clearly delineate the manager's accountability vis-à-vis leave administration.

Through the Regional Civilian Human Resources Planning and Coordination Committees (RCHRPCC), the Learning and Career Centre course calendar and intranet sites the training on "Labour Relations for Managers and Supervisor" will continue to be actively promoted and is a requirement for delegation. This course already provides the supervisor/manager with the required education for the delegation of authority matrix with respect to the interpretation and application of collective agreements, including leave administration. Emphasis is placed on the manager's authority for granting leave.

Additional support to managers will be provided through the Leave Administration Guide as well as the Managers' Guide on Leave which is under development and will be published this fiscal year.

OPI: ADM(HR-Civ)/DGLRC and DGCHRMO
Target Date: Revision to the Labour Relations for Managers and Supervisors course and publication of the guide will be completed by fiscal year end. Promotion of the course is ongoing and a pre-requisite to delegation for new managers. At the 18 May 2010 RCHRPCC meeting in the National Capital Region, members were asked to actively promote the course. This will also be done for other regions by 30 September 2010.

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Internal Controls

CRS Recommendation

2. Better mechanisms should be developed to ensure both LSS and paper-based leave requests are approved in accordance with the Instrument of Delegation of Labour Relations Authorities.

Management Action

At this time, the GoC HRMS Peoplesoft 8.9 has no capacity to track whether leave requests are approved in accordance with the Instrument of Delegation. We are looking at including certification status in HRMS and will need to identify the system requirements. Discussion with the Program Centre responsible for the GoC HRMS Peoplesoft at Public Works and Government Services Canada (PWGSC) will be undertaken to explore a government and Peoplesoft solution as opposed to a DND customization. It should be noted that delegation tracking, including tracking for leave, is on the Program Centre's list of priorities for HRMS changes.

Managers are required to take the Labour Relations for Managers and Supervisors course prior to receiving delegation. ADM(HR-Civ) will ensure that managers of incoming supervisors/managers are aware of their responsibilities to refer new personnel for training and will ensure that they receive appropriate and adequate training to exercise their role and responsibilities.

OPI: ADM(HR-Civ)/DGLRC DGCHRMO and COS
Target Date: A Leave Audit Working Group will be established by the fall 2010 to develop recommendations on how to address the issues identified in the audit with respect to Leave Self-Service. Consultation on a listing of recommendations with respect to leave self-service will be addressed by the end of December with the Program Centre (PWGSC) on interdepartmental issues identified in the audit. An update on recommendations will be provided to CRS by 31 March 2011.

CRS Recommendation

3. Strategies, including service-level standards and resolution times, should be developed for resolving the identified HRMS control issues.

Management Action

There are minimal control functions in LSS to validate the appropriateness of selections. This is well known and strategies and service-level standards are not yet in place but will be once the change requests are actioned in collaboration with the GC HRMS Program Center.

OPI: ADM(HR-Civ)/DGLRC DGCHRMO and COS
Target Date: ADM(HR-Civ) will be working with ADM(IM) to develop service-level standards and resolution times by the end of FY 2010/11.

Monitoring

CRS Recommendation

4. The policy and processes for monitoring compliance with leave administration requirements should be reviewed and strengthened.

Management Action

A "Monitoring Framework for Compensation" is currently in draft format and will be finalized this fiscal year. The framework provides in part for the monitoring of leave requests against the provisions of the respective collective agreements.

In the last year, Director Corporate Compensation Program has completed the monitoring of certain key activities as it relates to the administration of compensation in five of its six regions. One of the activities was the "Extended Leave Without Pay" category. All files that were verified had the requisite supporting documentation.

The monitoring should continue to occur every year to support the Deputy Minister's accountability. However, in light of competing priorities there is no capacity or elasticity within the small corporate team to tackle the function on a regular basis. It has been estimated that DGLRC would require a full-time equivalent for quality assurance monitoring, training and communication to users. While additional funding is being sought and internal reallocation considered, this requirement is addressed in the context of other ADM(HR-Civ) priorities.

As indicated in the report, HRMS has a limited monitoring and control capability, thus limiting the ability of DGLRC and managers across the organization to conduct reviews of appropriate leave utilization by staff. Reports can be generated on an ad hoc basis, but are currently very limited. However, the introduction of a new reporting capability later this fiscal year will help human resources monitoring and facilitate management review of the utilization of leave.

OPI: ADM(HR-Civ)/DGLRC and COS
Target Date: ADM(HR-Civ) will be developing additional reporting capability in HRMS 8.9 to support leave monitoring. The Leave Audit Working Group will identify additional reporting and monitoring requirement. ADM(HR-Civ) will be identifying collective agreement table values in HRMS 8.9 that need to be corrected as well as increased functionality. This information will be brought to the attention of the Program Centre (PWGSC) before the end of the fiscal year. Availability of resources might be an issue.

Annex B—Audit Criteria

Objective

The objective of the audit was to assess the adequacy and effectiveness of the management control framework related to the administration of leave.

Criteria

- **Leave Policy.** A governance structure is in place to ensure leave administration is in compliance with legislative requirements, regulations, collective agreements and policies.
- **Internal Controls.** Control activities are effective in providing timely, complete and accurate leave information.
- **Monitoring.** Processes and reporting tools are in place to monitor leave administration so that areas of risk can be identified and mitigated.