Correctional Service Canada

Service correctionnel Canada

SAFETY, RESPECT AND DIGNITY for All

LA SÉCURITÉ, LA DIGNITÉ ET LE RESPECT POUR TOUS

Audit of Overtime

Internal Audit Sector

October 22, 2014

Canada

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Executive Summary

The Audit of Overtime at Correctional Service Canada (CSC) was conducted as part of the 2013-2016 Risk-Based Audit Plan. The audit links to CSC priorities of "efficient and effective management practices that reflect values-based leadership" and the "safety and security of staff and offenders in our institutions and in the community". The use of overtime also relates to CSC's *Human Resource Strategic Plan* and CSC's ability to plan and manage staff levels across the organization.

Background

CSC's overtime is significant in terms of cost and complexity of management and presents areas of risk to CSC. First, overtime expenditures are material; in 2013-14 they totalled $50,600,000. This amount meets the standard accounting threshold[1] of materiality so that a significant error in CSC's overtime expenditure could result in a material misstatement of CSC's annual financial statements. Second, the management of overtime at CSC is closely linked to corporate priorities and transformation agenda, and thereby key for CSC's success in meeting its mandate. Next, CSC must ensure that it meets legislative, policy and collective agreement requirements. Fourth, the internal controls over the overtime process are part of an extensive and complex payroll procedure, where different financial systems are involved and data are transferred both electronically and manually from one system to another. Finally, part of the overtime payment process is under transition because compensation advisors, who currently review all pay transactions including overtime before processing them, are being transferred to Public Works and Government Services Canada.

The overall objective of this audit was to determine the adequacy of CSC's systems and controls for the management of overtime/compensatory time-off to ensure overtime pay transactions are free of material misstatement and to identify means for improving the efficiency and effectiveness of these systems.

The audit was national in scope and included visits to National Headquarters and the regions. It included an analysis of the overtime management framework, interviews with key employees involved in the process and an examination and testing of key controls for all overtime processes. All types of financial allowances relating to overtime were tested. Testing was not conducted on regular pay controls identified in the process, but for the key controls related to each of the four overtime pay process controls (**Annex C**). A fraud risk assessment was also completed as part of the audit planning process as is the case for all audits. The auditors selected the sample for testing based on unusual transactions such as duplicate payments, high volume transactions per employee, repeated dates or other types of errors. As a result, the rate of errors was expected to be higher in comparison to the general population of transactions. The purpose of this was to test whether controls would or could detect those anomalies.

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[1] The threshold is set at 0.5% of the total expenditures and CSC's overtime expenditures equated to 1.7% of the overall expenditures.

Conclusion

The audit found that considerable progress has been made since the last audits of overtime were conducted by the Office of the Auditor General in 2008 and by CSC's Internal Audit Sector in 2006.

First, it was recognized that management at all levels is placing increased attention on the management of overtime. In addition, the auditors found that effective internal controls are in place related to the management of overtime pay transactions. Detailed testing of 2,792 overtime transactions was performed, and with the exception of five transactions that were double payments, all transactions were pre-authorized, recorded in the financial system in a timely manner and represented events that actually occurred during the audited period. The transactions were also accurate and complete. Based on the audit work, there was no evidence of material misstatement for the period of the audit. It should be noted that the auditors did not test whether the reason for which the overtime incurred was justified.

In spite of the significant progress, opportunities exist to strengthen the management control framework for overtime. First, to assist in optimizing the use of resources in institutions, where most of the overtime occurs, a key position, the Correctional Manager, Scheduling and Deployment, which is responsible for the scheduling of correctional officers, needs to be re-examined. The position's roles and responsibilities are not laid out on a national basis, training is not consistent, turnover is significant and the position is funded at the institutional level through salary and overtime budgets. As well, the national overtime budget was lower than actual expenditures, as it is not set with current cost drivers but is based on a pre-set overtime budget from 2005. Adjustments are made each year to accommodate for events that may impact on overtime levels such as collective agreements renewals, implementation of legislation, the Deficit Reduction Action Plan and the strategic review allocation. Second, there were circumstances identified where some CSC employees worked significant amounts of overtime. The occurrences have been shared with management for consideration and action if required. Finally, within the Scheduling and Deployment System for correctional officers, issues related to the controls surrounding certain balances could leave CSC at risk of accumulating significant hours owed to CSC and contribute to additional overtime expenditures. However, management is aware and has instituted a process to address the issue.

With regard to CSC's work towards fulfilling its commitments on past recommendations for internal and external audits on overtime, CSC has met these requirements.

In conclusion, with regard to the current audit, recommendations have been issued to support CSC's on-going work on overtime and to address the issues outlined in the report.

Management Response

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by April 1, 2015.

Acronyms & Abbreviations

Acronym	Term
CSC	Correctional Service Canada
RBAP	Risk Based Audit Plan
NHQ	National Headquarters
TB	Treasury Board
CD	Commissioner's Directive
SDS	Scheduling and Deployment System
CX	Correctional Officer
PWGSC	Public Works and Government Services Canada
IAS	Internal Audit Sector
OAG	Office of the Auditor General
MAF	Management Accountability Framework
ITGC	Internal Technology General Controls
IFCT	Internal Financial Control Team
RHQ	Regional Headquarters
CMSD	Correctional Manager Scheduling and Deployment
RCT	Roll Call Transfer
PSC	Personal Schedule Calculator
DPH	Designated Paid Holiday
EXCOM	Executive Committee
RMT	Resource Management Tool
SDS	Scheduling and Deployment System

Classification	Term
AR	Architecture and Town Planning
AS	Administrative Services
CS	Computer Systems
CR	Clerical and Regulatory
CX	Correctional Officers
DD	Drafting and Illustration
EC	Economics and Social Sciences
ED	Education Services
EG	Engineering and Scientific Support
EL	Electronics
EN	Engineering
FI	Financial Management
GL	General Labour and Trades
GS	General Services
HP	Heating, Power and Stationary
HS	Hospital Services
IS	Information Services

Classification	Term
MD	Medicine
NU	Nursing
OP	Occupational and Physical Therapy
PC	Physical Sciences
PE	Personnel Administration
PG	Purchasing and Supply
PH	Pharmacy
PM	Programme Administration
PR	Printing Services
PS	Psychology
SW	Social Work
WP	Welfare Programmes

1.0 Introduction

1.1 Background

The Audit of Overtime at Correctional Service Canada (CSC) was conducted as part of the 2013-2016 Risk-Based Audit Plan. The audit links to CSC priorities of "efficient and effective management practices that reflect values-based leadership" and the "safety and security of staff and offenders in our institutions and in the community". Overtime also links to CSC's *Human Resource Strategic Plan* and CSC's ability to plan and manage staff levels across the organization.

A major part of CSC's mission to "contribute to public safety by actively encouraging and assisting offenders to become law-abiding citizens, while exercising reasonable safe, secure and humane control", is influenced by the complex non-stop environment of operating institutions 24 hours a day, seven days a week, 365 days a year. This continuous operating environment requires that staff be available to respond to security incidents, operational requirements, and to post vacancies at all times. In order to manage this risk, CSC uses overtime as one means to deal with resource requirements within the institution when the need arises. Overtime is also used in other areas of CSC as a means of addressing pressing business needs.

1.2 Legislative and Policy Framework

Overtime is governed by several federal government policy documents, directives and guidelines. The Treasury Board (TB*) Policy on Terms and Conditions of Employment* (the Policy) derives its authority from the *Financial Administration Act*. The TB *Directive on Terms and Conditions of Employment*, which is attached to the Policy, defines overtime as "authorized time worked by a person in excess of the standard daily or weekly hours of work and for which the person may be entitled to compensation pursuant to the provisions of the relevant collective agreement or terms and conditions of employment"[2]. CSC has many different classifications of employees and must manage overtime in accordance with each classification's collective agreement.

The TB *Directive on Terms and Conditions of Employment* sets out three basic requirements for overtime to be incurred by the employee:

- the person with delegated authority has required the person to work overtime;
- the person does not control the duration of the period that he or she works overtime; and
- the person with the delegated authority has certified the duration of the overtime worked and has authorized compensation[3].

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[2] http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15772&section=text, Terms and Conditions of Employment, Treasury Board of Canada, Part 1 - Definitions

[3] http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15772&section=text, Terms and Conditions of Employment, Treasury Board of Canada, Part 2 - Section 9

To complement Government of Canada legislation and policy and to assist in the management of overtime use, CSC developed two guiding documents: Overtime Management – Roles and Responsibilities (2006) and National Direction and the Policy on the Management of Overtime for Correctional Officers (updated November 2013). The documents outline the principles of overtime, defining it as an option to be used only when managers have "exhausted all other operational options"[4], and set out the standard operating procedures for employing overtime and identify the roles and responsibilities of the parties involved in overtime transactions.

A third document is the Commissioner's Directive, National Standards for the Deployment of Correctional Officers (CD 004) which was implemented in 2009 to rationalize and standardize CSC management practices related to the deployment of Correctional Officer staff.

1.3 The Management of Overtime at CSC

CSC, as an agency within the Department of Public Safety, has a large cadre of staff that support CSC's mandate. Many of these employees have more administrative roles, and consequently work mostly standard 37.5 hour weeks from Monday to Friday. However, CSC's institutions operate continuously, requiring certain staff to be present at all times. Overtime is one of several tools CSC uses to manage some of the more challenging staffing requirements ensuring that appropriate and sufficient numbers of employees are available so that the institutions function as they are intended.

The overtime process is further complicated by the requirements of nine different types of entitlements, seven collective agreements of CSC staff and the management of over 109,000 transactions in an average year[5].

Despite substantial inroads in recent years, CSC's overtime levels remain significant in terms of cost and complexity of management. As well, overtime presents areas of risk to CSC. First, the management of overtime at CSC is closely linked to the corporate priorities and transformation agenda. Since staff must be present in appropriate number at all times, overtime is one method used to ensure that this requirement is met. Given this close relationship to key organizational objectives, if not appropriately managed, the overtime process can have a direct impact on the organization's ability to meet its objectives.

Second, the internal controls over the overtime process are part of an extensive and complex payroll procedure, where different systems are involved and data are transferred (electronically and manually) from one system to another. This complexity and multiple use increases the risk that transactions may not be accurately or completely recorded thereby making the monitoring, reporting and overall management of overtime that much more difficult.

Third, compensation advisors, who currently review all pay transactions (including overtime) before processing the transactions, are being transferred to Public Works and Government

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[4] National Direction – Policy on the Management of Overtime for Correctional Officers, Correctional Service Canada, February 2012

[5] Amount extracted from RPS FY 2013/14 based on data for 7 months. Total was extrapolated to a full year.

Services Canada. The risk of errors during this time of transition may increase. As a result, it is critical that the controls function as intended before this move has fully occurred.

Next, CSC has developed several guiding documents, and an internal information system in addition to the TB policy and directives which are key to the administration of the overtime process. Given a complex relationship of documents and systems, there is a risk of non-congruence between the policy, directives, guidelines and systems.

Finally, the overtime expenditures are material; in 2013-2014 it totalled $50,600,000. This amount meets the standard accounting threshold of materiality so that a significant error in CSC's salary expenditure could result in a material misstatement of CSC's annual financial statements.[6] Therefore, there is a risk that the organization's financial statements could be materially misstated if errors in overtime compensation payments were to occur. **Table A** shows overtime expenditures for the last six fiscal years.
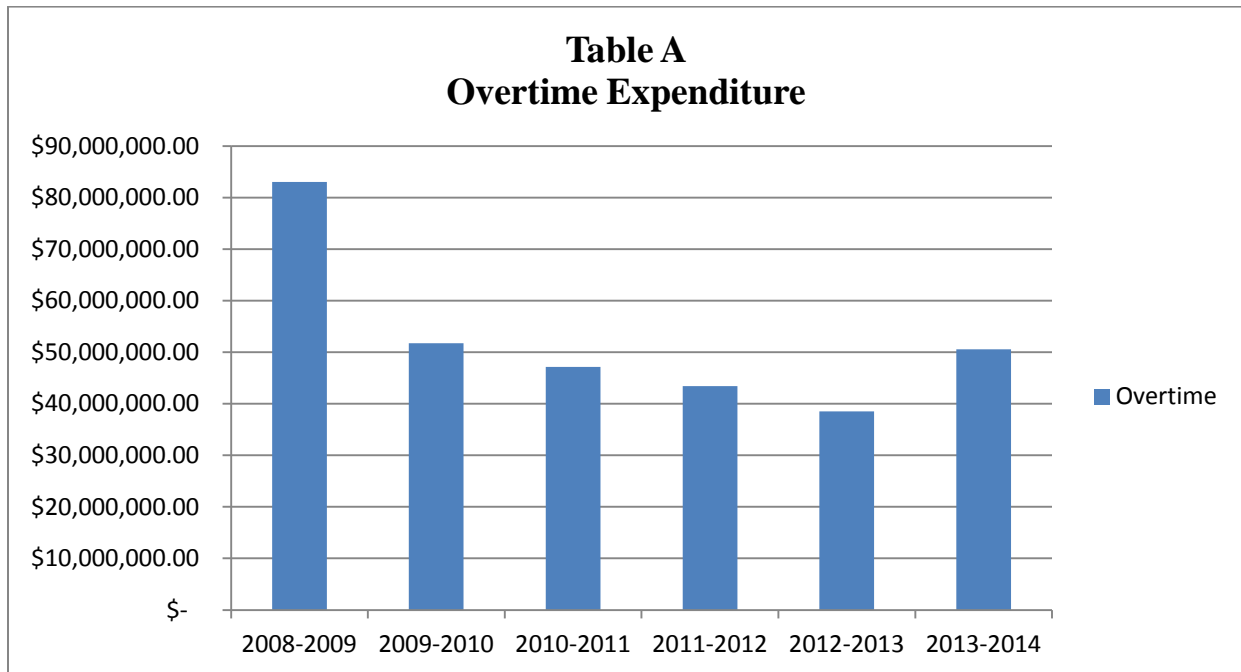
Source: RMT (Resource Management Tool) as of April 25, 2014, not audited

This figure is a bar graph that depicts CSC's overtime expenditures for the last 6 fiscal years; from 2008-2009, to 2013-2014. The Y axis (vertical) depicts amounts in Canadian dollars, and increases in increments of $10 million, starting at $10 million and ending at $90 million. The X axis (horizontal) depicts the fiscal years, starting at fiscal year 2008-2009, and ending at fiscal year 2013-2014. The overtime expenditures associated with each fiscal year are as follows:

- 2008-2009 – $83,022,535

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[6] The threshold is set at 0.5% of the total expenditures and CSC's overtime expenditures equated to 1.7% of the overall expenditures.

- 2009-2010 – $51,740,507
- 2010-2011 – $47,143,332
- 2011-2012 – $43,418,636
- 2012-2013 – $38,495,257
- 2013-2014 – $50,593,330

As shown in the chart above, overtime costs decreased from $83 million in fiscal year 2008-2009 to $50.6 million in fiscal year 2013-2014. CSC made significant efforts to reduce overtime during the last six years, including measures such as:

- implementation of National Standards for the deployment of correctional officers in 2009 to rationalize and standardize CSC management practices related to the deployment of correctional officer staff;
- the implementation of an electronic scheduling and deployment system (SDS) in 2009, which supports rostering of correctional officers; and
- increased attention paid to overtime at institutional, regional and national levels of management.

These steps contributed to the reduction of overtime by $32.4M from 2008-2009 to 2012-2013.

The increase of approximately $12.2M in fiscal year 2013-2014 when compared to fiscal year 2012-2013, was explained by management in part as a result of the closure of some institutions and an increase in the taking of sick leave. The closures generated overtime, for example, due to the need to escort offenders being transferred to other institutions.

Overtime usage by classification

CSC's expenditures on overtime can be further broken down by groups of employees. Within CSC, there are 29 classifications of employee (refer to **Acronyms and Abbreviations** for details). **Table B** sets out overtime expenditure by classification.

Table B
Overtime by Classification, Fiscal Year 2013-2014
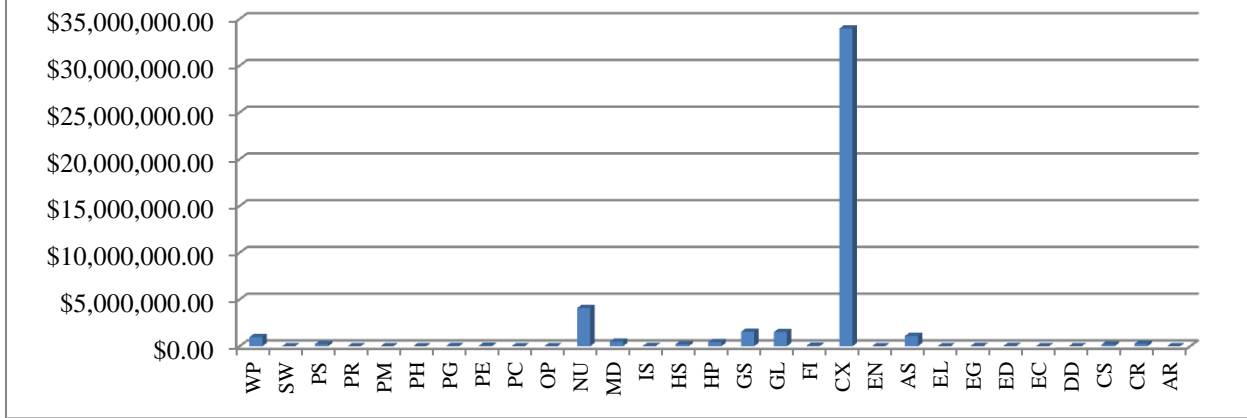
Source: RMT as of April 25, 2014, not audited

This figure is a bar graph that depicts CSC's overtime expenditures by classification group for fiscal year 2013-2014. The Y axis (vertical) depicts amounts in Canadian dollars, and increases in increments of $5 million, starting at $0 and ending at $35 million. The X axis (horizontal) depicts the employee classification groups, for which there are 29 in total. The overtime expenditures associated with each classification group for fiscal year 2013-2014 are as follows:

| Classification Group	Overtime Expenditure	Classification Group	Overtime Expenditure
WP	$979,580	GS	$1,539,987
SW	$5,380	GL	$1,546,597
PS	$227,000	FI	$59,347
PR	$1,564	CX	$33,969,737
PM	$751	EN	$6,828
PH	$3,147	AS	$1,102,359
PG	$16,968	EL	$808
PE	$50,762	EG	$16,371
PC	$85	ED	$19,185
OP	$3,584	EC	$1,648
NU	$4,090,833	DD	$1,039
MD	$499,321	CS	$184,069
IS	$19,745	CR	$256,907
HS	$216,248	AR	$3,212
HP	$429,106		

The classification of employees with the most significant amount of overtime at CSC is the Correctional Officer (CX) category for which the expenditure represents 80% of the total amount.

Cost drivers for Correctional Officers Overtime

Overtime for CXs, who work in a 24/7 environment, is reported to be frequently incurred as a result of several reasons, with the main causes being: security incidents that arise within the institution, employees not reporting for duty due to injury, illness or other leave requests, and other operational requirements such as inmate escorts that increase requirements for staff. **Table C** shows the overtime usage by reason for CX as identified in the Scheduling and Deployment System for the fiscal year 2013-2014. The audit did not examine the validity and accuracy of the data.

**Table C
CX Overtime Reasons, Fiscal Year 2013-2014**
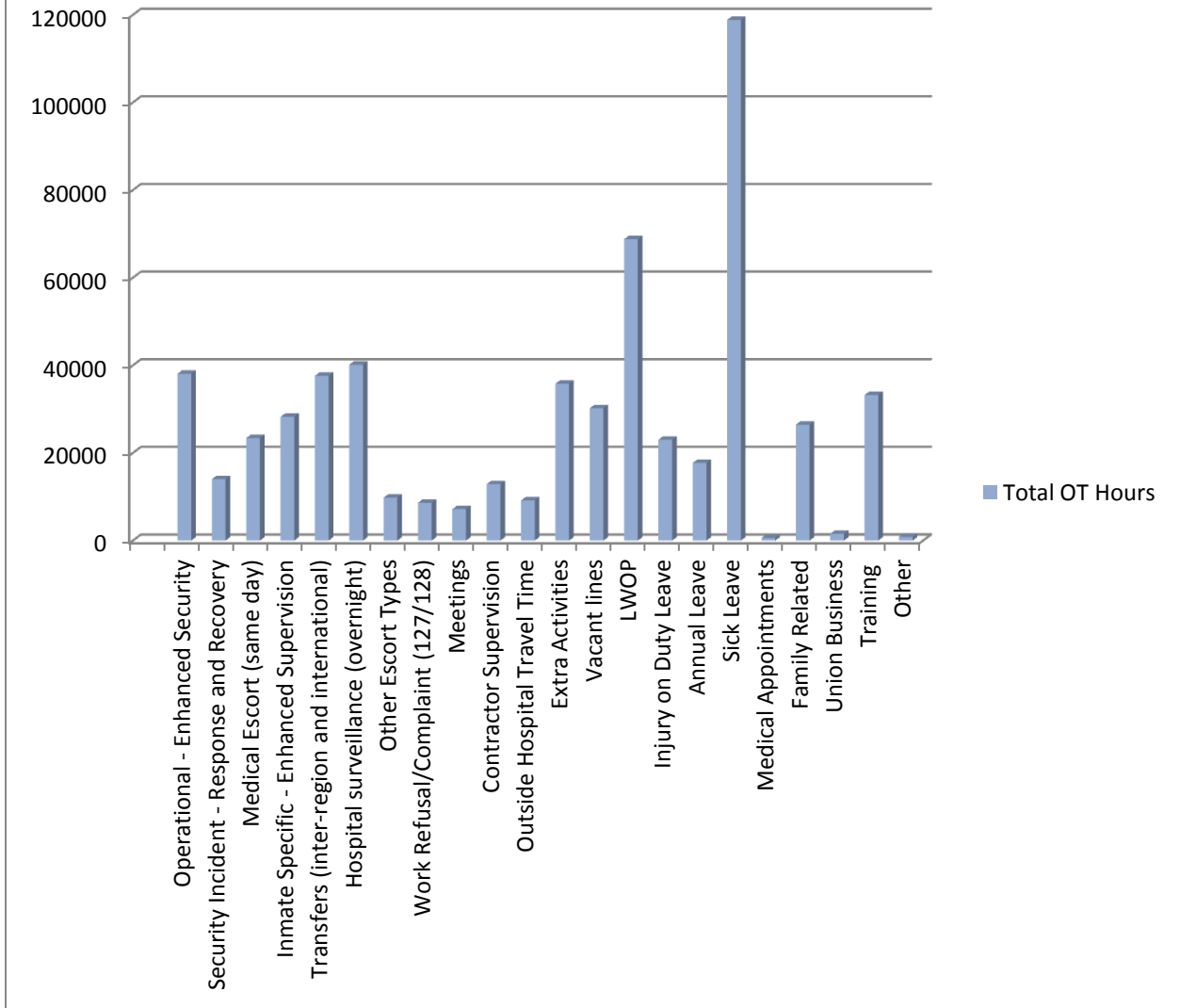
Source: SDS

This figure is a bar graph that depicts reasons for overtime for the CX classification group for fiscal year 2013-2014. The Y axis (vertical) depicts hours of overtime utilized (shown in OT hours), and increases in increments of 20,000 hours, starting at 0 and ending at 120,000. The X axis (horizontal) depicts the reason for overtime, for which there are 22 in total. The overtime hours associated with each reason for overtime for fiscal year 2013-2014 are as follows:

Reason for Overtime	Total OT Hours
Operational – Enhanced Security	38,097
Security Incident – Response and recovery	14,014
Medical escort (same day)	23,404
Inmate specific – Enhanced supervision	28,257

Reason for Overtime	Total OT Hours
Transfers (inter-region and international)	37,615
Hospital surveillance (overnight)	40,159
Other escort types	9,802
Work refusal/ complaint (127/128)	8,626
Meetings	7,181
Contractor supervision	12,881
Outside hospital travel time	9,170
Extra activities	35,799
Vacant lines	30,206
Leave Without Pay	68,786
Injury-on-duty leave	23,019
Annual leave	17,740
Sick leave	118,855
Medical appointments	576
Family related	26,456
Union business	1,559
Training	33,232
Other	855

The Hiring Process for Overtime at CSC

The hiring process for overtime differs for CX and non-CX staff. For CXs, the hiring process is automated by CSC`s Scheduling and Deployment System (SDS). CX employees enter their names into SDS to indicate their desire to work overtime. SDS then generates a priority list of CXs available for overtime. When a need for overtime arises, the Correctional Manager hires the CX, based on the priority list. The CX works the shift, and then the Correctional Manager recommends the overtime for payment. Each month, all the recommended overtime worked is reviewed by the Warden, approved as per Section 34, and then forwarded to compensation for payment. Compensation reviews the report and processes the overtime payment.

For those employees other than the CX cadre, the process is different as the hiring is on an ad-hoc basis, similar to other departments in the Government of Canada. The manager must pre-authorize the overtime either in written form or verbally before overtime is incurred. There is no electronic system to manage overtime similar to SDS; the process is manual. Once the overtime is worked, the employee completes a paper form, submits it for recommendation and Section 34 approval. The form is then sent to compensation where the information is entered into the Human Resources Management System if claimed in time or processed for payment if claimed in cash.

Recently, the Government of Canada decided to centralize the pay administration under the department of Public Works and Government Services Canada (PWGSC). At the time of the audit report, the pay process, including payment of overtime, was being moved to PWGSC.

1.4 Risk Assessment

The audit team conducted a thorough risk assessment during the planning phase of the audit. Key areas of risk identified included:

1. CSC priorities: management of staff scheduling and potential impacts on CSC's realization of its priorities.
2. Financial management: extraordinary or unbudgeted costs for overtime.
3. Compliance: potential breach of rules.
4. Administrative: complexity of the process, especially with the ongoing division of services between CSC and PWGSC.

A fraud risk assessment was also completed as part of the audit planning process; no specific additional risks were identified through this exercise in relation to overtime.

The results of both risk assessments were taken into consideration in the creation of the audit program.

2.0 Objectives and Scope

2.1 Audit Objectives

The overall objective of this audit, as outlined in the 2013-2016 Risk-Based Audit Plan, was to determine the adequacy of CSC's systems and controls for the management of overtime/compensatory time-off to ensure overtime pay transactions processed are free of material misstatement and to identify means for improving the efficiency and effectiveness of these systems. This audit aimed to determine if the controls in place were able to detect and correct errors and prevent the risk of fraud. The three audit objectives were to:

1. Assess the adequacy of CSC's management framework with regards to overtime;
2. Assess the adequacy and effectiveness of internal controls related to overtime; and
3. Ensure that management action plans in response to internal and external audit recommendations related to overtime were implemented as intended.

Specific criteria related to each of the objectives are included in *Annex A.* In addition, the overall assessment of the auditors on whether a criterion has been met is provided in the Annex.

2.2 Audit Scope

The audit was national in scope and included visits to NHQ and the regions. It included an analysis of the overtime management framework, interviews with key employees involved in the process and an examination and testing of key controls for all overtime processes. All financial allowances relating to overtime were tested.

Testing was not conducted on regular pay controls identified in the process, but only on key controls related to each overtime pay process. Information Technology General Controls (ITGC) were excluded from this audit, as they are in the process of being documented by the Corporate Services sector at CSC and their design effectiveness has not yet been evaluated and tested.

3.0 Audit Findings and Recommendations

Overall, the audit team found that a framework was in place to manage overtime, including compliance with policy. In general, roles and responsibilities were laid out and understood, training was in place and there is ongoing monitoring and reporting.

However, areas for improvement and areas of risk were identified. First, a key position in the management of overtime needs clarification. Next, monitoring and reporting practices are inconsistent and need strengthening in some areas; and finally on a more technical front, better management of CX overtime balances within the deployment system required ongoing attention. Details are set out below.

3.1 Objective One - Management Framework for Overtime

3.1.1 Policy Framework

We expected to find that CSC has a process in place to manage overtime that is consistent with Acts, legislation, TB policies, collective agreements and CSC policy.

CSC has a process in place to manage overtime that is consistent with Acts, legislation, TB policies and relevant collective agreements.

The audit found that CSC had a suite of financial directives, guides, manuals, instructions and bulletins that are consistent with TB policies and directives. These documents are available to staff on CSC's Infonet. Any changes are communicated by NHQ to RHQ and institutions by electronic means.

3.1.2 Roles and Responsibilities for Overtime

We expected to find that roles and responsibilities with regard to overtime are defined, documented and communicated.

Roles and responsibilities for staff involved in overtime were defined and documented and this information is available on the Infonet; however, there is room for improvement.

The audit team reviewed documentation related to CSC personnel involved in the management of overtime. The audit team also conducted 83 interviews with managers and employees with various levels of responsibility for overtime management at 14 sites, to determine if roles and responsibilities are defined, documented and communicated to staff.

The audit found that roles and responsibilities were defined and documented and information is available to all staff on the Infonet. In most cases, the employee's responsibilities with regards to their involvement in overtime were documented in their job description or in performance agreements. Responsibilities were also communicated to employees by their supervisor or the former employee occupying the position.

However, based on the results of the interviews, the audit team found that the Correctional Manager of Scheduling and Deployment position (CMSD), which is a key position in assessing and scheduling overtime, is not well defined. In particular:

- roles and responsibilities of the CMSD vary amongst institutions;
- in many cases, additional duties are assigned to the position on an ad-hoc basis;
- the position is reported to have a high turnover rate; and
- the funding of this position is not included in the institutional resource indicators, but it is expected to be covered by salary and overtime budgets.

The CMSD plays a critical role in managing overtime within the institution, as it is this position that is responsible for scheduling and deploying the CXs. It is the duty of CMSD to ensure that CX employees work the required hours as per their collective agreement and to minimize and optimize the use of overtime.

The efficient use of SDS by an expert CMSD can contribute to more efficient management of overtime and to a reduction of the balances of hours as it is the CMSD who is responsible for entries into SDS and the hiring of CX staff for overtime duty. As such, this position is a key tool available to institutional management to support them in the cost-effective use of resources.

3.1.3 Training for Overtime Management

We expected to find that CSC provides employees with the necessary training to manage overtime and the tools, and resources to support the discharge of their responsibilities with regard to the management of overtime.

CSC provides its employees with the necessary training, tools and resources to discharge their day to day duties.

The audit team found that training was provided to the employees in various formats. The most common form was on-the-job training or mentoring by the supervisors and in some cases a formal training program was provided to employees.

3.1.4 Reporting and Monitoring

3.1.4.1 Reporting

We expected to find that responsible managers periodically review overtime reports and related information and that corrective measures are taken and reported to senior management when required.

Trend analysis was limited.

For the CX cadre, overtime reports were prepared and reviewed periodically by budget managers at the sites. Monthly and quarterly reports were forwarded to RHQ for review, and corrective actions were taken when required. However, discussion and corrective actions taken related

mostly to only two overtime issues. They were either specific to cases of operational deployment of individuals working overtime or they addressed institutions' budgeting challenges. None of the different types of reports reviewed considered systemic, region-wide overtime usage and patterns and thereby, the underlying causes of overtime.

The audit team found that budget managers regularly review the overtime reports prepared by the Chief of Finance. Monthly and quarterly reports were forwarded to the RHQs for review. At the senior management level, the executive committee reviews the salary and overtime budgets against expenditures regularly. A presentation deck on the overtime utilization is prepared by corporate services and presented to senior management for discussion periodically.

Although reports on the reasons for overtime are available in SDS, this information was not reported to be used to determine ways to reduce the overtime. In addition, there was no monitoring of situations where employees appeared to be working excessive or unusually long hours repeatedly.

When required, corrective action was taken to balance either the institutional or the regional budgets. The audit team looked at the last three fiscal years and noted that the annual budgeting of overtime expenditures (see **Table D**), as per RMT [7], was lower than the actual expenditures. The budget managers and Chiefs of Finance that were interviewed indicated that, in their view, the initial overtime budget allocation prepared at NHQ does not take into consideration the unique overtime history of the institutions or their specific operational requirements. Interviews at NHQ confirmed that the overtime budget is not set with current cost drivers but is based on a pre-set level of overtime budget since 2005, with adjustments made to accommodate events such as collective agreements renewals, implementation of legislation, the Deficit Reduction Action Plan and the strategic review allocation.

Further, interviews with all 23 managers at institutions and regional headquarters revealed that it is the practice at the institutional level to compensate for deficits in the overtime budget through a variety of actions including transfer of funds from the salary budget or from other programs' budgets.

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[7] Resource Management Tool: RMT is CSC's financial reporting and forecasting tool

Table D
Overtime Budget Versus Actual

Overtime	2011-2012 $ (000)	2012-2013 $ (000)	2013-2014 $ (000)
Revised budget	33,423	28,228	33,845
Actual	43,418	38,495	50,593
Variance	-9,994	-10,266	-16,748

Source: RMT as of June 16, 2014, not audited

This figure is a table that depicts CSC's overtime budget versus the actual overtime expenditures (expressed in thousands of dollars) for fiscal years 2011-2012, 2012-2013, and 2013-2014. For fiscal year 2011-2012, the actual budget for overtime expenditures was $43,418,637, the revised budget was $33,423,780, which gives a variance of negative $9,994,856. For fiscal year 2012-2013, the actual budget for overtime expenditures was $38,495,258, the revised budget was $28,228,624, which gives a variance of negative $10,266,634. For fiscal year 2013-2014, the actual budget for overtime expenditures was $50,593,331, the revised budget was $33,845,284, which gives you a variance of negative $16,748,047.

Table E
Salaries and Overtime Budget vs. Actual Expenditure

Overtime	2011-2012 $ (000)		2012-2013 $ (000)		2013-2014 $ (000)	
	Salaries	Overtime	Salaries	Overtime	Salaries	Overtime
Revised budget	1,581,633	33,423	1,546,658	28,228	1,520,040	33,845
Actual	1,436,744	43,418	1,387,054	38,495	1,510,078	50,593
Variance	144,889	-9,994	159,603	-10,266	10,461	-16,748

Source: RMT as of June 16, 2014, not audited

This figure is a table that depicts CSC's salaries and overtime budget versus the actual overtime expenditures (expressed in thousands of dollars) for fiscal years 2011-2012, 2012-2013, and 2013-2014. For fiscal year 2011-2012, the actual budget for salaries expenditures was $1,436,744,293, the revised budget was $1,581,633,638, which resulted in a positive variance of $144,889,344. For fiscal year 2011-2012, the actual budget for overtime expenditures was $43,418,637, the revised budget was $33,423,780, which resulted in a variance of negative $9,994,856. For fiscal year 2012-2013, the actual budget for salaries expenditures was $1,387,054,542, the revised budget was $1,546,658,445, which resulted in a positive variance of $159,603,903. For fiscal year 2012-2013, the actual budget for overtime expenditures was $38,495,258, the revised budget was $28,228,624, which resulted in a variance of negative $10,266,634. For fiscal year 2013-2014, the actual budget for salaries expenditures was

$1,510,078,698, the revised budget was $1,520,540,535, which resulted in a variance of negative $10,461,836. For fiscal year 2013-2014 overtime expenditures were $50,593,331, the revised budget was $33,845,284, which resulted in a variance of negative $16,748,047.

As per **Table E** above, an analysis of the correlation between salaries and overtime expenditures for fiscal years 2011-2012 and 2012-2013 indicates that the overtime deficit was absorbed by a budgetary surplus from salaries expenditures. However, for the fiscal year 2013-2014 the deficit for overtime expenditure was compensated in part only by the salary surplus. In effect, the salaries expenses resulted in a surplus of $10.5M while the overtime deficit was $16.75M, resulting in an overall deficit of $6.25M.

Moreover, even when the funds are transferred within the regular salary envelope, this may mean that funds that were to be used for salary dollars dedicated to providing correctional interventions are now used to cover overtime. When probing further to obtain a better understanding of the source of the funds used to cover overtime deficits, short of reviewing every transfer made at each site and between cost centers, there was no systematic and straightforward mechanism available to the auditors to allow for a clear analysis. This was confirmed by the Corporate Services Sector.

A budget based on robust financial data is a key management tool. Without an accurate and realistic budget, it is difficult for managers to plan, monitor and control their expenditures without affecting other services.

3.1.4.2 Monitoring

We expected to find that overtime is monitored at the institutional, regional and national level and that processes are in place to monitor and investigate the excessive use of overtime and unusual overtime trends.

The overall overtime expenditure is closely monitored at the institutional level by managers and further again at the regional and national level. Overtime expenses are presented and discussed at senior management meetings (EXCOM); however, there is currently no formal and comprehensive analysis of the root causes of overtime in order to find CSC-wide solutions on how to reduce the expense.

The audit team found that for CXs overtime is closely monitored at all levels. At the institutional level, the CX overtime is discussed during morning briefings and reasons for incurring overtime are reviewed and questioned by the correctional managers, the CMSD and Wardens. It was confirmed by all 23 managers interviewed that overtime spending is closely monitored by senior management.

The audit team also found that reports were produced and reviewed by the managers either on a daily or monthly basis. Monthly reports are sent to RHQ and quarterly reports are sent to NHQ for review. The reports are mostly focused on cost-related matters.

Good Practice
It was observed that overtime expenditures are being reviewed on a daily basis at all morning briefings attended by the audit team at the institutions visited.

At the national level, attention is paid to overtime at the highest level. On a regular basis, EXCOM reviews reports that address overtime as well as contributing factors such as injury on duty, sick leave, negative sick leave balances and better administration and scheduling of required training.

As already mentioned, an analysis of overtime usage identified that the CX overtime expenditure represents 80% of the CSC's total overtime. Detailed reports on the usage of overtime were available within SDS. Using these reports, we found that for the fiscal years between 2011 and 2014, the two principal causes for overtime usage were: security at 42% and various classes of personal leave, such as sick, annual, family related and leave without pay, which represented 40%. **Table F** shows the usage of overtime by activity and **Table G** shows the usage by reason.
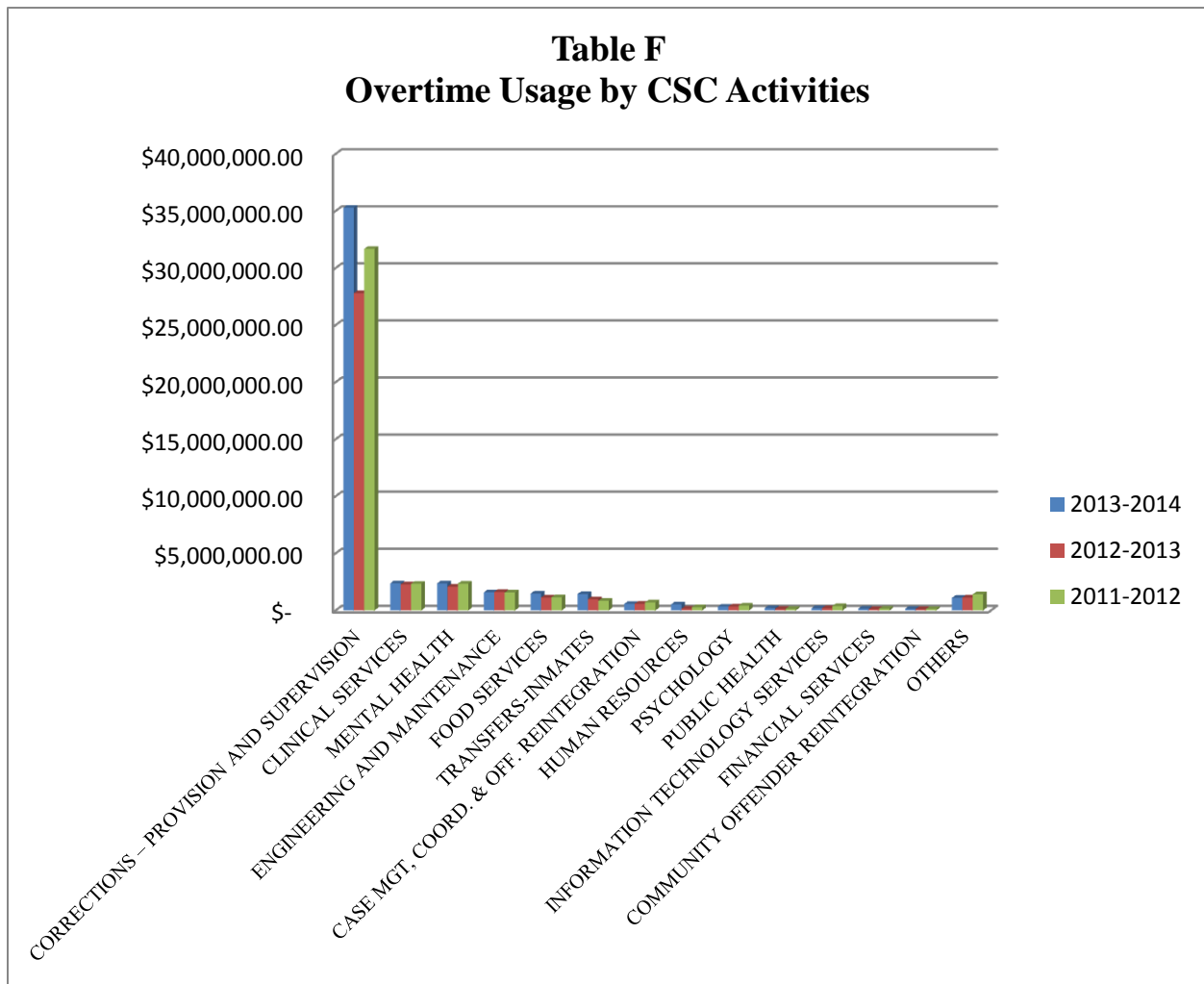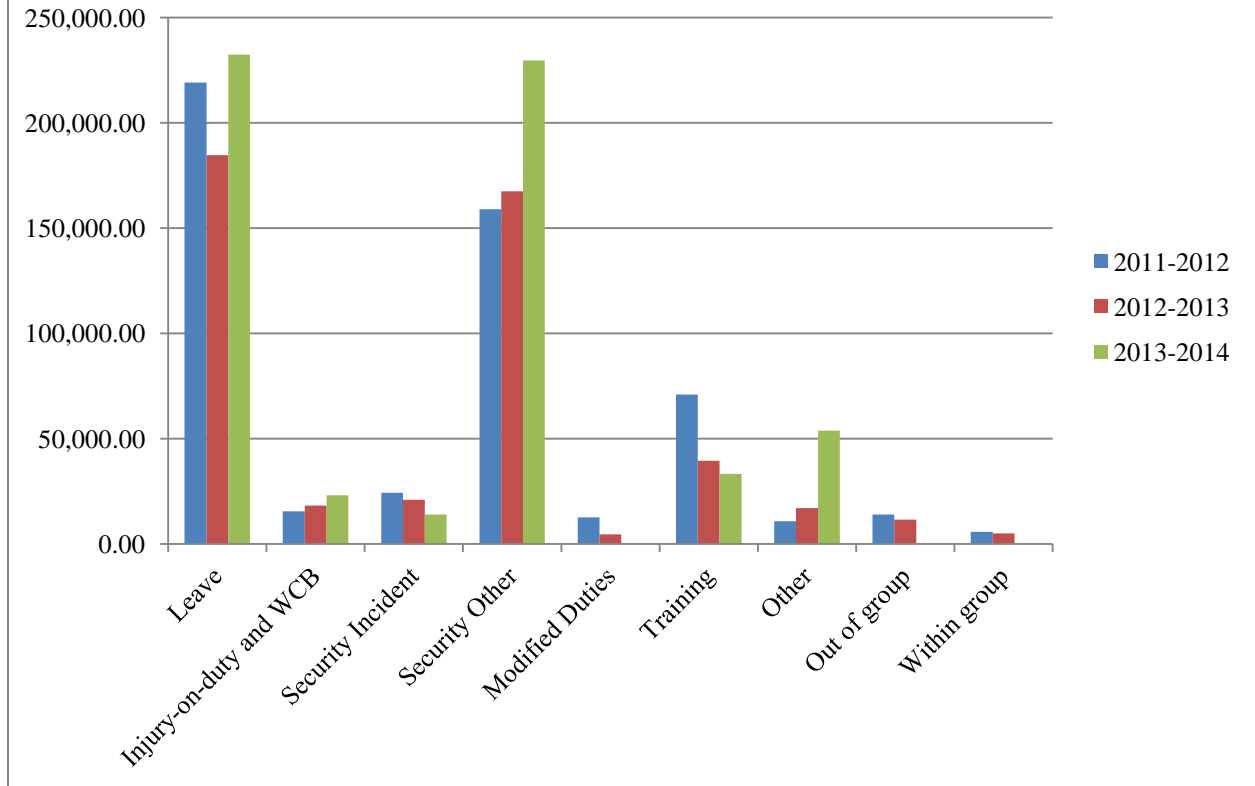
Table F
Overtime Usage by CSC Activities

Source: SDS (not audited)

This figure is a bar graph that depicts CSC's overtime expenditures by CSC activity for fiscal years 2011-2012, 2012-2013, and 2013-2014. The Y axis (vertical) depicts amounts in Canadian dollars, and increases in increments of $5 million, starting at $0 and ending at $40 million. The X axis (horizontal) depicts the CSC activity, for which there are 14 in total. The overtime expenditures associated with each CSC activity for each of the 2011-2012, 2012-2013, and 2013-2014 fiscal years are as follows:

CSC Activity	FY 2011-2012	FY 2012-2013	FY 2013-2014
Corrections – provision and supervision	$31,674,861.00	$27,794,259.00	$35,280,976.00
Clinical services	$2,331,828.00	$2,275,326.00	$2,373,464.00
Mental health	$2,346,234.00	$2,083,938.00	$2,364,247.00
Engineering and maintenance	$1,570,259.00	$1,613,062.00	$1,580,561.00
Food services	$1,148,636.00	$1,127,335.00	$1,476,364.00
Transfers-inmates	$840,476.00	$978,894.00	$1,426,500.00
Case management, coordination, and offender reintegration	$701,865.00	$582,430.00	$570,534.00
Human resources	$274,771.00	$149,015.00	$526,617.00
Psychology	$418,010.00	$332,344.00	$328,703.00
Public health	$134,778.00	$129,261.00	$201,974.00
Information technology services	$377,481.00	$194,257.00	$189,860.00
Financial services	$159,686.00	$118,874.00	$156,504.00
Community offender reintegration	$125,034.00	$116,581.00	$140,026.00
others	$1,406,253.00	$1,128,637.00	$1,101,619.00

Table G
Overtime Usage by Reasons – in Hours
Fiscal years 2011-2012, 2012-2013, 2013-2014

Source: SDS (not audited)

This figure is a bar graph that depicts CSC's overtime expenditures by reason for overtime for fiscal years 2011-2012, 2012-2013, and 2013-2014. The Y axis (vertical) depicts amounts in hours of overtime by reason, and increases in increments of 50,000 hours, starting at 0 and ending at 250,000 hours. The X axis (horizontal) depicts the reason for overtime, for which there are 9 in total. The overtime expenditures associated with each reason for overtime, for each of the 2011-2012, 2012-2013, and 2013-2014 fiscal years are as follows:

Reason for Overtime	FY 2011-2012	FY 2012-2013	FY 2013-2014
Leave	219,156	179,909	233,977
Injury-on-duty and Workers Compensation Board	14,730	21,374	23,019
Security incident	31,763	20,924	14,014
Security other	151,380	173,077	229,595
Modified duties		4,597	-

Reason for Overtime	FY 2011-2012	FY 2012-2013	FY 2013-2014
	12,597		
Training	70,895	39,494	33,232.25
Other	11,526	13,148	52,458.25
Out of group	13,888	11,498	-
Within group	5,800	5,021	-

'Leave', as a reason for overtime, appears to be relatively constant over the years, so that this information can be used to budget overtime accordingly. As noted in section 4.2.1 of the 2012 IAS Audit of the Implementation of the Deployment Standards, the standard deployment system allows for substitute relief positions within the schedule that exist to cover for CXs on scheduled leave, unscheduled leave and training without use of overtime. Anecdotally though institutional management and staff told the auditors that leave is often used as a code for overtime even though a pre-existing need for overtime due to other reasons might well have been a more accurate reflection of the cause leading to it. For example, a CX employee may call in sick. Consequently, the substitute is deployed to the position on sick leave. Meanwhile, a need for an escort is identified in the institution. As the substitute has been already deployed, another CX is called in on overtime. In the SDS system the cause of overtime could be coded as sick leave while in fact, the cause should have been escort duty.

At a national level there is little analysis of the root causes of overtime. Efforts have been made by EXCOM to review leave, in particular injury on duty, but despite attention to the levels of leave, overtime usage increased last year. Recommendation 3 addresses this concern. As well, an audit of leave is planned which will further examine how the organization analyses root causes of leave and its subsequent management.

Individual Employees' Use of Overtime

The audit found that there are limited formal mechanisms and controls in place to monitor excessive use of overtime on a case-by-case basis. During the audit period, some employees regularly worked long periods of time and this overtime included first and second days of rest. In addition to the risk of abuse of overtime, excessive working hours could lead to health problems and labour relations issues if the overtime is in contravention of the collective agreements or other legislation. The auditors provided senior management with a list of staff whose hours of overtime appeared to be significant and asked that each file be examined for accuracy and appropriateness. Subsequently senior management has agreed to take action on thoses cases of inappropriate payment, if any are identified.

The Scheduling and Deployment System for Correctional Officers

In addition to the scheduling capacity, SDS can perform data analysis and reporting. During the examination phase of the audit, the audit team reviewed two additional tools and reports available within SDS, namely the Roll Call Transaction (RCT) and Personal Schedule Calculator (PSC).

RCT is used to capture roll call or shift level changes that create make up time (e.g. designated paid holiday, shift exchanges, or being late for work.). Make-up time arises in situations where an employee has not worked sufficient hours within his or her variable work schedule toward the 40 hour average pay commitment. Normally, 12 to 16 hours of make-up time may be carried until reconciled by the end of the quarter (worked, leave without pay, annual leave); if an employee fails to reconcile this difference, the variances are carried forward as time owed if no pay action is taken.

PSC, on the other hand, captures schedule level changes that create variances (plus or minus) as a result of the schedule changes within an employee's normal cycle of work (i.e. weeks with more or less than 40 hours scheduled). Within the cycle of the various shift schedules, an employee could have a variance of 12 to 60 hours depending on the schedule worked.

The audit team found that SDS tracked both RCT and PSC balances since September 2009. As of December 31, 2013 there were 117,422 hours owed to CSC in PSC hours and as of February 28, 2014 there were 126,942 hours owed to CSC in RCT hours. In summary, since September 28, 2009, an annual average of 54,303 hours was owed to CSC by CX employees.

At the time of this report, the Human Resource Management Sector had begun an audit of the outstanding amounts and had put an action plan in place to reconcile and recover the outstanding hours, providing several options to employees to reimburse CSC for time owed. Employees can work extra hours, use annual leave, use Leave Without Pay or pay CSC for the time in money. A one-time overtime expense reduction can be achieved if CSC recovers the balance either in time made up or through use of employees' existing leave balances. During interviews, CSC staff indicated that it is the intention of CSC to put measures in place so that CX employees will not be able to accept a new schedule if they have outstanding balances. It is also expected that these balances will be monitored at the regional level to avoid the reoccurrence of this situation. NHQ has issued a Bulletin providing direction concerning the management of overtime.

The lack of timely and effective controls can leave CSC at risk of accumulating significant balances, which can contribute to overtime expenses and a liability for CX employees to CSC. By improving the management of schedules within SDS, CSC can reduce overtime expenditures, more specifically by maintaining the RCT and PSC balances close to zero which can provide CSC with a potential reduction of overtime expenses by applying the excess hours to overtime expenses.

We encourage the Human Resources Management Sector to proceed with their action plan to address this issue.

Conclusion

For the management framework for overtime, the audit found that a framework is in place but there are improvements that could be made.

First, to assist in optimizing the use of resources in institutions, where most of the overtime occurs, a key position, the CMSD which is responsible for correctional officers scheduling, needs to be re-examined. The position's roles and responsibilities are not laid out on a national basis, training is not consistent, turnover is significant and the position is funded at the institutional level through salary and overtime budgets.

As well, the national overtime budget was lower than actual expenditures, and is not set with current cost drivers but is based on a pre-set overtime budget from 2005. Adjustments are made each year to accommodate for events that may impact on overtime levels such as collective agreements renewals, implementation of legislation, the Deficit Reduction Action Plan and the strategic review allocation. Second, there were circumstances identified where some CSC employees worked significant amounts of overtime. The occurrences have been shared with management for consideration and action if required. Finally, within SDS for correctional officers, issues related to the controls surrounding certain balances could leave CSC at risk of accumulating significant leave balances and contribute to additional overtime expenditures. However, management is aware and has instituted a process to address the issue.

In conclusion, with regard to the current audit, recommendations have been issued to support CSC's on-going work on overtime and to address the issues outlined in the report.

Recommendation 1
The Assistant Commissioner Human Resource Management, in collaboration with the Assistant Commissioner, Correctional Operations and Programs, should work to solidify the position of the Correctional Manager Scheduling and Deployment by ensuring that roles, responsibilities, duties and training are defined and consistent between institutions and regions.

Management Response
Management agrees with the recommendation. Implementation of the new management structure in September 2007 and the Correctional Officer Deployment standards in April 2009 and the Scheduling and Deployment System (SDS) in September 2009 introduced the position of the Correctional Manager Scheduling and Deployment (CMSD) with mandatory training on the Management of the Correctional Officer Workforce and the Scheduling and Deployment System (SDS). By March 31, 2015, the ACHRM will: *1. Review the Mandatory Training (NTS) on the Scheduling and Deployment System (SDS);*

2. *Review the Mandatory Training (NTS) on the Management of the Correctional Officer Workforce;*

3. *Review the National Generic Work Description of the Correctional Manager – Scheduling and Deployment position; and*

4. *Review the National Direction – Policy on the Management of Overtime for Correctional Officers vis-à-vis the roles and responsibilities of the CMSD.*

Recommendation 2

The Assistant Commissioner Corporate Services should, with the assistance of the Regional Deputy Commissioners, review the allocation for the salary and overtime budget to ensure appropriate funding is allocated.

Consideration should be given to the impact on the delivery of CSC's mandate by the use of funds other than overtime and salary dollars to cover unfunded overtime.

Management Response

Management agrees and a review will be undertaken and as needed adjustments will be made to the Salary and Overtime Budget for the 2015-16 Budget Allocation. Full implementation by February 28, 2015.

Recommendation 3

The Assistant Commissioner Corporate Services should, in collaboration with the Assistant Commissioner Human Resources Management and with the Regional Deputy Commissioners, enhance the analysis of overtime expenditures and related causes at the national, regional and site levels and identify improvements required to reduce overtime.

Management Response

Management agrees and improvements will be made to the reporting and monitoring mechanisms at the senior management level by November 2014.

Recommendation 4

The Assistant Commissioner Human Resources Management, with the assistance of the Regional Deputy Commissioners, should have mechanisms in place to identify and review high overtime balances for employees. This should include regular monitoring with means to identify and correct inappropriate usage at the earliest practicable time.

Management Response

Management agrees with the recommendation. Although identifying and reviewing high overtime balances for employees may address health and safety considerations (e.g. risks associated with working excessive hours), it may not necessarily result in a reduction of overall overtime attributions as some overtime cannot be avoided. For Correctional Officers (CX), overtime hiring decisions should be based on the National Direction – Policy on the Management of Overtime for Correctional Officers, where the Correctional Manager hiring the overtime considers staff health and safety in the decision making process as one of many factors when hiring overtime. It should be noted that the Scheduling and Deployment System (SDS) now has the ability to report on high overtime balances for CX. By March 31, 2015, the ACHRM will:

1. *For CX, establish a regular reporting and monitoring mechanism; and*
2. *For other employees, develop and establish a monitoring process.*

Recommendation 5

The Assistant Commissioner Human Resources Management should establish a national framework, controls and reporting system for the Regional Deputy Commissioners to implement, monitor and maintain PSC and RCT balances within the SDS at a minimum in order to reduce both overtime expenses and hours owed to CSC.

Management Response

Management agrees with the recommendation. This national framework was communicated to the RDCs in Feb and March 2014 including the national framework and communication and action plan to reconcile hours owed by employees under their PSC and RCT balances to further reduce and efficiently manage overtime. Those employees who owe more than 100 hours have up to 2 years to reconcile their hours and those employees who owe 100 hours or less have up to 1 year to reconcile their hours. By December 31, 2014, the ACHRM will:

    1. Ensure that the national framework is applied across Canada.

3.2 Objective Two - Adequacy and effectiveness of internal controls related to overtime

We expected to find that key internal controls were in place and working as intended to ensure that: overtime transactions were pre-authorized, recorded in the financial system in a timely manner and represent events that actually occurred during the audited period; all overtime transactions were recorded accurately; and, all transactions which occurred during the audited period were pre-authorized, authorized, and recorded.

Overall, it is the opinion of the audit team that considerable improvements have been made with regard to the effectiveness of internal controls; the overall error rate of the transactions tested by the team was 0.2%. The error rate in the 2012 IAS audit was 12.5% and although the population of samples was not the same between the two audits, such a dramatic decrease in the rate of errors basically points to significant improvements in controls.

The audit team performed detailed testing of 2,792 overtime transactions processed between April 1, 2013 and November 30, 2013. The objective of the testing was to identify whether or not financial and compensation controls are working as intended. The auditors selected the entire sample for testing based on unusual transactions such as duplicated payments, high volume transactions per employee, repeated dates or other anomaly types. As a result, the rate of errors was expected to be higher in comparison to the general population of transactions. The purpose of this was to test whether controls would or could detect those anomalies. The following sections highlight areas where management attention is required.

We tested the 4 key controls (see **Annex C**) surrounding three financial assertions; results of our examination are as follows:

Assertion	Result	Details
Occurrence	The internal controls in place are effective in	The audit team tested 2,792 overtime transactions and found that all of the transactions tested were pre-authorized where they ought to have been. CX

	ensuring that overtime transactions were pre-authorized, recorded in the financial system in a timely manner, and represent events that actually occurred during the audited period.	overtime must be pre-authorized in SDS prior to the shift being worked and SDS is the sole approval mechanism for payment. For other classifications of staff, the overtime must be pre authorized by the finance manager prior to occurrence. All except five transactions (4 for CX and 1 for others) were recorded in the financial system in a timely manner and represented events that actually occurred. Of the five, three were double payments and were inappropriately processed, one was an overpayment and one was not appropriately approved. Once these transactions were identified in the region, they were reported to the appropriate level of management and actions were taken to correct and recover the overpayment; the audit team considered these erroneous transactions as isolated cases.
Accuracy	Internal controls are in place to ensure overtime transactions are accurately recorded.	Detailed testing confirmed that transactions tested were mathematically accurate and properly coded with the exception of the 5 overpayments identified in the section above.
Completeness	The internal controls in place were effective in ensuring that the overtime transactions which occurred during the audited period were pre-authorized, authorized, and recorded.	Testing found three overtime transactions were processed and paid twice without being detected and corrected by the internal controls in place. Once these transactions were identified, they were reported to the appropriate level of management for recovery action, and actions were taken to correct and recover the overpayment. The audit team considered those transactions as isolated cases. One non-CX transaction was identified where the timesheet was not signed as per Section 34 of the FAA, but was processed and paid. This was addressed by management and again considered by the audit team as an isolated incident.

Conclusion

Overall, it is the opinion of the audit team that considerable improvements have been made with regards to the effectiveness of internal controls. In spite of the anomalous nature of the transactions selected, the overall error rate of the transactions tested by the team was 0.2%. Tests of accuracy, occurrence and completeness all had positive outcomes; few errors were found.

Based on the audit work, there was no evidence of material misstatement for the period of the audit.

3.3 Objective Three - Implementation of management action plans in response to previous audits

We expected to find that management action plans for previous audits relating to overtime at CSC were completed.

All actions as laid out in the management action plans were completed.

The audit team performed a scan of audits, both internal and external, that were conducted in relation to overtime at CSC and identified two such major audits. The audit team reviewed the management action plans of the 2008 OAG audit and the 2012 CSC Audit of Salaries, and collected evidence to determine whether the actions had been implemented. Details of this work is set out in section 6.2 of this report.

CSC agreed to take 16 actions as a result of the audits' recommendations. The audit team deemed 12 of the 16 actions still relevant in the current operating environment and collected evidence to determine whether they were implemented. Of those 12 actions, all had been implemented. Through interview, and based on our own observations during this audit, the auditors determined that five of the actions had been implemented relating to increased monitoring and training. In addition, another seven actions were deemed implemented based on the creation of CD 004 National Standards for the Deployment of Correctional Officers, the development of SDS, and the creation of the National Directive on the Management of Overtime.

Conclusion

The audit team concluded that all past and still relevant recommendations that implicated overtime have been completed.

4.0 Conclusion

The audit found that considerable progress has been made since the last audits of overtime were conducted by the Office of the Auditor General in 2008 and CSC's Internal Audit Sector in 2006.

First, it was recognized that management at all levels is placing increased attention on the management of overtime. In addition, the auditors found that effective internal controls are in place related to the management of overtime pay transactions. Detailed testing of 2,792 overtime transactions was performed, and with the exception of five transactions that were double payments, all transactions were pre-authorized, recorded in the financial system in a timely manner and represented events that actually occurred during the audited period. The transactions were also accurate and complete. Based on the audit work, there was no evidence of material misstatement for the period of the audit. It should be noted that the auditors did not look at whether the reason for which the overtime incurred was justified.

In spite of the significant progress, opportunities exist to strengthen the management control framework for overtime. First, to assist in optimizing the use of resources in institutions, where most of the overtime occurs, a key position, the Correctional Manager, Scheduling and Deployment, which is responsible for correctional officers scheduling, needs to be re-examined. The position's roles and responsibilities are not laid out on a national basis, training is not consistent, turnover is significant and the position is funded at the institutional level through salary and overtime budgets. As well, the national overtime budget was lower than actual expenditures, and is not set with current cost drivers but is based on a pre-set overtime budget from 2005. Adjustments are made each year to accommodate for events that may impact on overtime levels such as collective agreements renewals, implementation of legislation, the Deficit Reduction Action Plan and the strategic review allocation. Second, there were circumstances identified where some CSC employees were working significant amounts of overtime. The occurrences have been shared with management for consideration and action if required. Finally, within the Scheduling and Deployment System for correctional officers, issues related to the controls surrounding certain balances could leave CSC at risk of accumulating significant leave balances and contribute to additional overtime expenditures. However, management is aware and has instituted a process to address the issue.

With regard to CSC's work towards fulfilling its commitments on past recommendations for internal and external audits on overtime, CSC has met these requirements.

In conclusion and with regard to the current audit, recommendations have been issued to support CSC's on-going work on overtime and to address the issues outlined in the report.

5.0 Management Response

> *Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by April 1, 2015.*

6.0 About the Audit

6.1 Approach and Methodology

Audit evidence was gathered through a number of methods such as: review of documentation; detailed testing and interviews with staff at NHQ and in the regions.

- **Interviews:** Interviews were conducted with the Comptrollers, Chiefs of Finance, Financial Advisors, Compensation Advisors, Internal Control Financial Team members involved in the management and administration of the non-regular pay transactions process (which includes overtime) in the regions as well as other staff involved in the overtime process at NHQ, RHQ and the institutions.

- **Review of documentation**: Relevant documentation, such as legislation, CDs, and corporate documents, such as process maps, reports, and planning exercises, was reviewed.

- **Testing:** Test plans (including tests, methodology and procedures) and tools were developed based on the non-regular pay process described in the Internal Financial Control Manual in order to examine the non-regular pay files selected.

  The audit team used computer based statistical technology to perform preliminary analytical procedures to understand possible exception scenarios, to identify unusual transactions and to establish samples.

6.2 Previous Audit Work

Risk, frequency, materiality and complexity are factors that have lead to overtime being analyzed by several review bodies, both external and internal, over the previous decade.

In 2006, the CSC Internal Audit Sector completed the Audit of Management of Leave and Overtime. The audit noted weaknesses within CSC's internal control structure surrounding authorization, verification, and other financial controls in regard to the overtime process. This audit was followed up by the IAS Audit of Leave in 2009 and the Audit of Salaries in 2012.

In 2008, the Office of the Auditor General (OAG) in their review of the *Economy and Efficiency of Services at CSC* found that overtime costs rose continually year over year, significantly exceeded budgets, and lacked an overall strategy or policy designed to control the amount of overtime. In addition the OAG noted a lack of analysis on the impact of overtime on salary levels and whether hiring more staff may be more efficient.[8] The OAG's Public Accounts Committee issued a report in 2009 to that effect as well.

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[8]http://www.oag-bvg.gc.ca/internet/English/parl_oag_200812_07_e_31831.html, Chapter 7 – Economy and Efficiency of Services – Correctional Service Canada, Office of the Auditor General, 2008

As well, the 2009-2010 (Round VII) Management Accountability Framework assessment[9], re-confirmed these findings by identifying integrated human resources and business planning (workload and overtime) as an area for improvement.[10]

For all audits that CSC's IAS completed as well as for relevant OAG audits, recommendations were developed and action plans were created to address the recommendations.

6.3 Statement of Conformance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria. The opinion is applicable only to the area examined.

The audit conforms to the Internal Auditing Standards for Government of Canada, as supported by the results of the quality assurance and improvement program. The evidence gathered was sufficient to provide senior management with proof of the opinion derived from the internal audit.

Date:

_____   _____
Sylvie Soucy, CIA
Chief Audit Executive

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[9] MAF is the annual assessment of the 10 elements that the Treasury Board of Canada sets out as their expectations of public servant managers to ensure effective public service management,
[10]http://static.tbs-sct.gc.ca/maf-crg/assessments-evaluations/2009/pen/pen-eng.asp, Correctional Service Canada MAF Assessment 2009-2010, Treasury Board, 2010

Annex A: Audit Criteria

The audit criteria were sourced from the Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011) published by the Treasury Board Secretariat's Internal Audit Sector, Office of the Comptroller General.

Objectives	Criteria	Met/Not met
1. Assess the adequacy of CSC's management framework with regards to overtime.	1.1 Policy Framework CSC has a process in place to manage overtime that is consistent with internal CSC guidelines and directives and is in accordance with TB policies, acts, legislation and collective agreements.	Met
	1.2 Roles & Responsibilities For all staff involved with overtime, roles and responsibilities with regard to the management of overtime are defined, documented and communicated.	Partially met
	1.3 Training CSC provides staff with the necessary training, tools and resources to support the discharge of their responsibilities with regard to the management of overtime.	Met
	1.4 Reporting and Monitoring Overtime reports are produced periodically in order to allow CSC to manage and monitor overtime expenditures. Responsible managers review overtime reports and information periodically. Corrective measures are taken and reported to senior management when required.	Partially Met
2. Assess the adequacy and effectiveness of internal controls related to overtime.	2.1 Occurrence Overtime transactions are pre-authorized, recorded in the financial system in a timely manner and represent events that actually occurred during the audited period.	Met

Objectives	Criteria	Met/Not met
	2.2 Accuracy All overtime transactions are recorded accurately.	Met
	2.3 Completeness All transactions which occurred during the audited period are pre-authorized, authorized, and recorded.	Met
3. Ensure that management action plans in response to internal and external audit recommendations related to overtime are implemented as intended.	3.1 Implementation Action plans to address the recommendations were implemented. Deliverables to demonstrate the completion of the actions are obtained.	Met

Annex B: Location of Site Examinations and Video Conferences

Region	Sites
National Headquarters	• Scheduling and Deployment • Finance
Atlantic	• Dorchester • Nova • RHQ
Québec	• Drummond • Federal Training Centre • RHQ • Port Cartier • La Macaza • Ste-Anne-des-Plaines
Ontario	• Bath • Pittsburgh • RHQ • Beaver Creek • Collins Bay
Prairies	• Grierson • RHQ
Pacific	• Kent • Fraser Valley • RHQ • Kwikwexwelhp • Ferndale

Annex C: Overtime Pay Process Key Controls

Control Description	Risk	Control Objective
The manager assigns/pre-authorizes overtime in SDS (when applicable) under expenditure initiation authority and FAA section 32.	Insufficient funds to make the payment.	Ensure that there are funds available to pay for overtime.
The delegated manager ensures that the overtime hours claimed correspond to actual hours worked and authorizes the form under section 34 of the FAA.	Hours are not authorized or are incorrect.	Calculate and record pay in an accurate and complete manner for all services rendered and appproved and only for these services.
The pay verifier has limited access in RPS to allow him/her to complete the first part of the account verification under section 34 of the FAA. Payments cannot be processed without first being verified. To verify the payments, the pay verifier completes the following steps and signs the verification checklist:	Rates of pay not properly authorized or incorrect.	Calculate and record pay in an accurate and complete manner for all services rendered and appproved and only for these services.
The financial officer approves the payment under section 33 of the FAA in RPS using the appropriate verification checklist. The financial Officer provides the information to enable the task owner to update SMS. Perform quality assurance: Certify and ensure that there is auditable evidence demonstrating that account verification has taken place and has been certified by an individual with delegated financial signing authority pursuant to section 34 of the FAA. When exercising payment authority all high-risk transactions are subjected to a full review of the transaction, a sample of medium and low risk transactions are selected based on a	Payment is not issued to the right recipient. in the correct amount, and that the services were not rendered.	The overtime form has been approved under section 34 of the FAA by a signatory with the appropriate delegated financial authorities and services have been received in accordance with the employment contract and other TB legislation and policies.

Control Description	Risk	Control Objective
sample selection methodology and are subjected to a review of the most important aspects of each selected transaction. Corrective action is taken when critical errors are identified during the quality assurance process for payment authority.		