

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2014-03
 COMMUNITY & EMERGENCY SERVICES – RECREATION DIVISION – SCHEDULING & PAYROLL**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Manual Payroll & Scheduling - Inefficiencies and Risks</u></p> <p>A review of scheduling and payroll processes identified manual processes that contribute to the following inefficiencies and risks for the City:</p> <p><i>Inefficiencies:</i></p> <ul style="list-style-type: none"> • Staff may have multiple jobs within the City at various facilities. A review of ten employees identified staff working at up to eight different locations, under up to six separate Supervisors during a single two week pay period. This results in the same employee information being input and checked to Wage Listings on multiple timesheets and reviewed by numerous Supervisors; and • Duplication of efforts and additional resources to take information manually input on schedules and re-input it on the corresponding timesheet as these two documents are not automatically linked. <p><i>Risks:</i></p> <ul style="list-style-type: none"> • Supervisors are not aware of staff shifts scheduled under other Supervisors. It is the responsibility of employees to monitor their hours to ensure they are not taking shifts that will result in overtime and inform the Supervisor accordingly. This should be a management and not a staff responsibility. When staff are responsible to monitor their hours, this increases the risk of unknown overtime occurring. 	<p>That management implement a scheduling and payroll computer application that will track hours scheduled and link to the payroll system for Recreation wage staff. Such an application needs to have programmable constraints (i.e. Collective Agreement, employment classification, Employment Standards Act) to provide consistency across the Division.</p>	<p>Agreed. Staff are in the process of developing a business case for the purchase of a scheduling and payroll application for the Division.</p> <p>A submission will be made during the 2015 Capital Budget Process in Q3, 2014.</p>

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	<p><u>Manual Payroll & Scheduling - Inefficiencies and Risks (Cont'd.)</u></p> <p>Significant amounts of overtime were not noted throughout the testing but it was occurring on occasion;</p> <ul style="list-style-type: none"> • Other staff (non-supervisory) on-site are responsible for informing the Supervisor if staff are late. If the unpunctuality goes undetected or unreported staff may be paid for time not worked; • Errors from manual input can result in employees not being appropriately scheduled and paid for time worked. This was observed throughout the audit testing; • Collective Agreement violations result from manual processes with no built-in constraints. Minor violations were observed throughout the audit testing; • Timesheet information did not match the Wage Listing, creating errors and requiring additional time and follow up by the Financial Assistants, as observed throughout the audit testing; • A lack of documentation and evidence of approval for schedule changes was noted; and • Inconsistent processes were evident as there is no centralized scheduling and payroll system. <p>The manual system in place is causing inefficiencies and errors that may result in excess costs, employees not being appropriately paid for time worked and additional Finance and Supervisory time being required for processing, resulting in lost productivity.</p>		

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2.	<p><u>Schedule Changes</u> The Part-Time Availability Procedure for matching staff availability with specific programs in a particular session has not been updated since 2011 and is not being followed by staff. The following violations of the Part-Time Availability Procedure were noted:</p> <ul style="list-style-type: none"> • Shift Change Forms are not consistently utilized. Changes are executed and recorded using varied methods across the facilities. • Eight of nine facilities reviewed did not provide evidence of consistent shift change approval by the Supervisor. Inconsistent evidence of approval, no evidence of approval or evidence of inappropriate staff approval (other than the Supervisor) was observed. • In the case of last minute changes (e.g. illness), staff were not making voice contact with their Supervisor at seven of nine facilities reviewed. Facility staff other than the Supervisor were contacted. Often, staff found replacements and informed the Supervisor afterwards. The On-Call Supervisor was not utilized either. <p>When the Supervisor is not approving all schedule changes or is not even contacted directly by staff when changes occur, the risks of inappropriate staff covering shifts and payroll errors is increased as the Supervisor approving timesheets may not be aware of all schedule changes.</p>	<p>That management review the Part-Time Availability Procedure. A consistent practice for dealing with shift changes should be developed and implemented to ensure supporting documentation for hours paid and appropriate evidence of approval. The procedures should be reviewed annually by management, updated as required and bear evidence of such review (sign-off).</p>	<p>Agreed. Management will review the part-time availability procedure and develop a consistent practice to be used in all areas across the division. Management staff will develop and implement a procedure for dealing with shift changes and ensure proper documentation is retained.</p> <p>Management will review and update the procedure on an annual basis. This will be completed in Q4, 2014.</p>

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	<p><u>Schedule Changes (Cont'd)</u> Further, when full-time staff make changes to the schedule without Supervisory approval, this violates the Collective Agreement. Full-time (non-supervisory) and part-time staff are primarily members of The Canadian Union of Public Employees, Local 5167 (CUPE 5167) and CUPE 5167 staff cannot schedule other CUPE 5167 staff. Such violations could increase payroll-related grievances.</p>	<p>See recommendation #2 above.</p>	

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3.	<p><u>Staff Availability</u></p> <p>Supervisors are only aware of the availability of staff working at the facilities they oversee, making it difficult to optimize staff across the City and fill shifts when required. There is no centralized tracking of staff by job position and current availability. During audit testing, the following observations resulted from availability limitations:</p> <ul style="list-style-type: none"> • An Assistant Operator at a higher rate of pay covered a Receptionist's shift to collect money for a Public Skate; • Staff at one arena indicated that if an employee was are not available to cover the Receptionist's shift when required, patrons were allowed to attend the Public Skate free of charge; • Operators were positioned on the boards during the Public Skate when the maximum ratio of skaters per Skate Patrol/Skate Monitor was exceeded. This did not provide the required on-ice supervision per the Ontario Recreation Facilities Association Public Skate Guidelines; • The inappropriate level of staff covered programming (e.g. a Program & Facility Monitor scheduled when a Skilled Instructor was required) at a gym program; • Last minute calls-ins resulted in shifts not being covered and the facility operating with less staff than needed or cancelling programming; and • Shifts were covered at overtime rates. 	<p>That staff availability records be maintained and regularly updated for each program session in a centralized database available to all Supervisors for utilization in scheduling and filling shifts as required. This could be the same application that was included in recommendation #1.</p>	<p>Agreed. Supervisors across the Division will update part time staff availability for each program session (4 times per year) and store the information in a centralized database on the N: drive.</p> <p>Through our investigation of the scheduling and payroll computer application (see #1), an update of part time availability will be included as part of the application. To be completed in Q3, 2014.</p>

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	<p><u>Staff Availability (Cont'd)</u> The inability to optimize staff levels across the City facilities increases the risk of having inappropriate levels of staff on-site which affects the quality of programming and increases the risk of health and safety concerns. In addition, higher wage costs result when shifts are filled at overtime rates and potential revenues are lost when shifts cannot be filled by staff.</p>		
4.	<p><u>Inadequate Records</u> Adequate records to support hours worked are not consistently retained. Thirty nine instances of changes from the original schedule to hours actually paid with no supporting documentation were observed. Even when changes to hours worked were manually noted on the schedule, it could not be determined who made the modifications and if they were appropriately approved. In addition, schedule changes at two facilities could not be reviewed as the original schedules were overwritten to only show the staff who worked the shifts.</p> <p>When adequate records to support time worked and schedule changes are not retained, it cannot be confirmed that employees were accurately paid for time worked.</p>	<p>That management develop a template to be used by Supervisors to document and approve all changes from the initial schedule. This should be provided to the Timesheet Distributor to ensure changes are appropriately reflected on the Timesheet. This could also be a functionality that is developed as part of a payroll and scheduling application that is part of recommendation #1.</p>	<p>Agreed. Management will develop a template which will be used by the supervisors to document and approve all shift changes. The completed template will be provided to the timesheet distributor to input the approved changes.</p> <p>Template to be developed and implemented in Q3, 2014.</p>

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5.	<p><u>Payroll Adjustments - Approval</u> Prior period payroll adjustments are required to be approved by a Manager before being processed. Sixteen instances of adjustments from three facilities that were incorrectly processed as part of a subsequent timesheet (not as a separate adjustment with Manager approval) were noted.</p> <p>When adjustments are included as part of subsequent timesheets, hours paid will not match those worked for the indicated date. Manager approvals are by-passed as the timesheets require only Supervisors' approvals.</p> <p>The process of submitting adjustments is not documented in a formal procedure. When formal procedures are lacking, employees use personal understanding and judgement to carry out processes which could result in incorrect, incomplete or inconsistent application as indicated above.</p>	<p>That formal payroll adjustment procedures be developed, approved by management and implemented. The procedures should be reviewed annually by management, updated as required, and bear evidence of such review (sign-off).</p>	<p>Agreed. A formal payroll procedure will be developed and implemented.</p> <p>All payroll adjustments will be reviewed by Managers.</p> <p>With the introduction of a template (in #4), the number of changes to the payroll timesheet should be reduced. This will be completed in Q4, 2014.</p>

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6.	<p><u>Payroll Adjustments - Frequency</u></p> <p>A significant number of payroll adjustments are being submitted to financial staff for processing. Timesheets must be submitted by the Timesheet Distributor biweekly, on the Friday before the pay period ends (Sunday) and approval received from the Supervisor by 9:00 a.m. the following Monday. Often Supervisors pre-approve the pay early (i.e. Friday) and are to inform the Financial Assistant of any changes to weekend time submitted by 9:00 a.m. Monday.</p> <p>A review of payroll adjustments relating to one pay period identified 32 shifts being incorrectly paid (not including those adjusted improperly as indicated in observation #5). Twenty two of these shifts related to changes occurring after the payroll was approved (from the weekend).</p> <p>Even though the overall net amount dollar value of the adjustments is not material, significant numbers of payroll adjustments create increased processing time requirements for financial and payroll staff and a delay in employees being paid for time worked which may negatively affect staff morale.</p> <p>The effectiveness of the Supervisor's review of the timesheet may be limited if frequent adjustments to staff pay are required.</p>	<p>That Managers monitor the frequency of payroll adjustments being submitted by Supervisors and follow up as required, to ensure appropriate corrections are made and submitted by the 9:00 a.m. Monday deadline for the particular pay period.</p>	<p>Agreed. The Recreation Directors will be receiving bi-weekly reports indicating all payroll adjustments and will follow up with the appropriate manager to ensure corrections have been made and payroll deadlines are met. This will be completed in July 2014.</p>

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7.	<p><u>Wage Cost Allocations</u> Employee hours worked are being entered on the incorrect facility's timesheet or the location code (Dept. ID) is not being properly overridden on the timesheet, resulting in wage costs being charged to the wrong facility. When the Dept. ID override field is not completed, wage costs are charged to the employee's default Dept. ID which may differ from the facility where the hours were actually worked.</p> <p>Seven instances of incorrect wage cost allocations were noted at four facilities tested. At one of these facilities, it was indicated by staff that wages may be deliberately entered and charged to another Dept. ID to balance the budgeted wage costs across the entire District.</p> <p>As a result, wage costs for individual facilities may not be presented fairly and could result in erroneous operating decisions due to their inaccuracy.</p>	<p>That all hours worked are recorded on the timesheet under the correct facility and that the Dept. ID override field on the timesheet be completed accurately for all employees, where required.</p>	<p>Agreed. All hours worked will be recorded under the correct facility and the correct ID will be completed on the timesheet.</p> <p>This will be completed in July 2014.</p>

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8.	<p><u>Scheduling – Gyms & Clubs</u></p> <p>Supervisors use their judgement to determine the number of staff and scheduled hours required to deliver programming at each facility. A review of the scheduling for gym and club wage staff at three facilities identified the following:</p> <ul style="list-style-type: none"> • One facility is scheduling and paying instructors for non-teaching time before and after each class and for time between classes not running consecutively. This is inconsistent with the other reviewed facilities. Non-teaching time accumulated to 30 hours for a one week period; and • The scheduling of Program and Facility Monitors (PFMs) varies by facility. At one facility, a PFM is scheduled only to individually lead a specific program. At another location, the PFM can work for the whole evening to lead programs and assist with instructor-led classes and at the third facility, multiple PFMs are scheduled per day as either two PFMs or a PFM and instructor are assigned to each program. <p>When staff are allowed to use judgement to determine staffing levels for programming across facilities, an inconsistent level of service or quality of programming may result. In addition, the risk of incurring excess wage costs in facilities that may be overstaffed or inappropriately paying excess preparation time is increased.</p>	<p>That management set and document expected staffing levels and paid preparation times per program and facility. Any variation from these standards needs to be approved by senior management with explanations documented.</p>	<p>Agreed. Managers will develop and document expected staffing levels for gym and programs areas and will not exceed the budget hours for each recreation facility.</p> <p>Managers will develop a procedure documenting levels of preparation time for staff leading gym and club programs.</p> <p>Variations from this procedure will require the approval of the Divisional Director. To be completed in Q4, 2014.</p>

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9.	<p><u>Scheduling – Pools</u></p> <p>Staff at pools often perform more than one job and may work multiple jobs within the same shift. At two of three pools reviewed, schedules were not prepared in a way that clearly identified the hours to be worked at each job code so it could not be determined if the time worked was allocated and paid under the correct job code. This increases the risk of incorrect paid wages due to the difficulty of reviewing timesheets for accuracy against schedules when shifts are not identified by job code.</p> <p>In addition, staff may be scheduled to work as Duty Guards for all or a portion of their shift. A Duty Guard is the staff responsible in case of an emergency in the building. The effectiveness of an emergency response at a facility, which directly impacts public safety, can be affected when the Duty Guard appointment is not clearly indicated on the schedule and the staff person may be unaware that he/she is the person responsible in an emergency situation.</p>	<p>That staff schedules for the pools be prepared in such a manner to clearly identify scheduled hours by job code.</p>	<p>Agreed. Staff will develop a standardized schedule to be used across the Division that will identify hours per job code for each lifeguard per shift. This will be completed in Q4, 2014.</p>

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10.	<p><u>Scheduling – Arenas</u> A review of the scheduling of arena staff at two facilities identified inconsistencies in the approach. One arena has set schedules for part-time staff based on regular operating hours while the other facility schedules staffing based on the amount of facility bookings which results in a number of last minute staffing changes.</p> <p>When scheduling is based on bookings, the amount of time spent scheduling is increased. There is also the potential for increased costs if staff are required to cover last minute bookings at overtime rates. However, when scheduling is based on facility hours, the risk of the facility being overstaffed if it is not fully booked increases and needless costs may be incurred.</p> <p>Without a clearly defined scheduling process, service delivery goals and budgetary targets may not be met.</p>	<p>That management determine how arena staff are to be scheduled. These scheduling expectations should be set and documented with any variations to be approved by senior management with explanations documented.</p>	<p>Disagreed. Management has determined that scheduling options for the arena facilities is required. Busy facilities are best to be scheduled by the facility hours and facilities with limited programs are best to be scheduled according to the programs. Currently, there is a decline in scheduled ice usage and part time staff are only required during the times when the ice is in use. This is an operational savings for the department.</p>

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11.	<p><u>Overtime - Arenas</u> At one of two arenas reviewed, overtime lieu bank hours were being tracked internally on a board in the arena and not through the PeopleSoft system. In addition, this arena did not maintain documentation to support overtime hours worked or evidence of approval. Overtime is verbally approved and any changes are not noted on the schedule.</p> <p>When overtime hours are not appropriately documented, inaccurate pay amounts may be paid or employees may take time off in lieu in excess of their entitlement.</p>	<p>That all overtime lieu bank hours are recorded on the timesheet and tracked through the PeopleSoft system.</p> <p>That management document and sign-off on overtime hours as evidence of approval. The reason for the overtime should be clearly indicated.</p>	<p>Agreed. All overtime lieu bank hours will be recorded on the timesheet and tracked through PeopleSoft. This will be completed in July 2014.</p> <p>Agreed. Supervisors will document and sign-off on all overtime hours and clearly indicate the reason for the overtime. This will be completed in Q3, 2014.</p>