TORONTO PUBLIC LIBRARY
Payroll Processing Review – Report to Audit Committee
Summary of Findings

Auditor General's Recommendation:
Documentation supporting the initial recording of payroll information (such as time sheets) is reviewed and approved in writing by supervisory staff.

TPL's Response:
The procedure:

a) Each Branch/Department has a prior approved work schedule for their employees. Approval of the work schedule is by Manager/Supervisor in writing.
b) Timekeeper prepares timesheet based on the schedule with adjustments for any non-attendance or last minute changes.
c) Branch/Department Managers or designate approves the timesheets.
d) Timesheets are then submitted to Payroll where they are checked off against a checklist to ensure no duplication.
e) All unapproved timesheets are returned by Payroll to the Branches/Department for signature.
f) Designated Human Resources staff approves action forms for changes to the pay rate of employees, position, new hires, termination pay etc. submitted to Payroll for processing.
g) Payroll reviews the reasonableness of the rates and information. Any rates quoted not in compliance with collective agreement will be returned to Human Resources for verification

With the implementation of a Time and Attendance System (TAS), the same controls will be in place but the process will be automated. Schedules and work records will be done on-line, and a manager or designate will be required to finalize the records through an on-line approval process.

Auditor General's Recommendation:
Payroll data input is reviewed and approved in writing or on-line by supervisory staff.

TPL's Response:
All payroll data input and changes are reviewed and verified by staff who did not perform the input.

With the implementation of TAS, work records will be retrieved by Payroll from TAS on due dates. With TAS providing the source data electronically, it will be reviewed both on-line and in writing by payroll staff.

Auditor General's Recommendation:
Payroll expenditures for all pay periods are reviewed, compared and approved in writing by supervisory staff.

TPL's Response:
Payroll staff not directly managing day-to-day payroll processing function:

a) reviews and reconciles payroll expenses provided by Ceridian (external payroll service provider); and
b) prepares biweekly and year-to-date cost summary and expenditure reports.

Payroll manager reviews expenditure reports and reconciliations, and approves overall payroll expenditures.

Auditor General's Recommendation:
Unusual payroll amounts are investigated, reviewed in detail and approved in writing by supervisory staff.

TPL's Response:
Payment such as sick credit and final vacation payments have to be authorized in writing by a Human Resources Manager. Payroll staff calculates the total payout, and the Payroll Manager approves amount for payment.

Unusual Transactions Warning Reports:
Every pay run, employees with hours paid over 70 and amounts paid in a pay period in excess of the highest salary on the scale will be identified on an exception report. Payroll staff will investigate and note reason. Payroll manager reviews and approves in writing.

Auditor General's Recommendation:
Review on-line system controls currently available

TPL's Response:
The Library is using Ceridian, an external payroll service provider. Within the Ceridian system, there are a number of controls in place.

Batch Total:
For each batch of timesheets, the total hours is used as a control total. On input, payroll staff match the batch totals to the input to verify accuracy.

Instant Watch:
The system has an instant watch that automatically brings in employee information, including pay rate, so information can be visually agreed to the timesheet on input.

Field Control:
The system is presently set not to accept automatically any hourly rate above $99.99. Rates above that have to be done through a manual process.

Long-term Leave:
Payroll staff initiates two controls in the payroll system on receipt of long-term leave notification from Human Resources. The first is to activate the stop pay code for the employee and the second is to remove the employee's pay rate from the processing field in the payroll system to further ensure that the employee will not get paid.

Preview:
The system allows a preview run of the pay statement to be issued. This process is performed when there is any special or unusual transaction that needs independent output verification and also the process is performed prior to payroll transmission as a means of review and identifying any unusual transactions.

Auditor General's Recommendation:
Staff independent of payroll input process, review and verify the accuracy and completeness of payroll transactions.

TPL's Response:
Payroll staff, who did not do the input, check the work of the input clerks. They:

a) Verify batch totals against timesheets;
b) Run audit trail and edit reports to further check data to ensure input is reasonable, accurate and complete;

c) Trace exceptional transactions to original approved documents; and
d) Run preview or on-line view of the final product where appropriate

Auditor General's Recommendation:
Ensure employee payroll information is accurate and in agreement with authorized payroll forms. All relevant payroll information such as authorized payroll forms should be properly maintained in employee personnel files. Review reasons for the delay in preparation of termination notices and ensures that such notices are forwarded to Payroll Department on a timely basis.

TPL's Response:
Documentation of Approvals:
A review of 300 approved change documents from Human Resources has been conducted. It was found that rate changes have been processed as approved. Payments are all supported by approved documents and filed in order in the employee's personal files in the Payroll Department.

Rate Verification and Control:
For verification, after each pay, a file is created from the Payroll System to Human Resources showing latest pay rate processed for each employee. Discrepancies are investigated.

Terminated Employees:
Delay in submitting termination notice is mostly on hourly employees. Short or no notice from staff is one of the reasons. There is usually no overpayment involved since hourly employees will not be paid unless there are hours worked. Branches and Human Resources have been working together to ensure terminated notices are sent to Payroll within the required period.

Processing Terminations:
As soon as a termination date in entered in the system, the employee record is deactivated. To further ensure that no erroneous payment will be made to the staff subsequently, the pay rate in the processing field is removed. Final payments such as sick credit and vacation balance will be made only on receipt of authorization from Human Resources. Payroll Manager approves the pay-out amount.

Auditor General's Recommendation:
Review edit and exception reports available.

TPL's Response:
The following are the reports available and they are in use by management and staff:
a) Overtime summary and detail report. These are a quarterly reports use by directors and managers.
b) Actual salaries paid to individual with comparisons to budget. This is a monthly budget variance report and is being used by Managers for managing their budget
c) Detail of staff cost is also available to Managers on an as requested basis
d) Employee sick and vacation usage report. This is a quarterly report to employees showing the credits and usage of sick, vacation, lieu and other paid leaves.

Auditor General's Recommendation:
Review the accuracy of vacation, lieu time and sick leave bank balance information in the system. Take appropriate action to correct bank balances as required and discontinue the use of manual records.

TPL's Response:
With the implementation of TAS, most manual records will discontinue. Employee sick, vacation, lieu time and other paid leave entitlements will be tracked according to the collective agreement automatically through formulas built into the system. Credit used will be picked up by the system from on-line time sheets and individual balances updated automatically. With the to view accumulated entitlements on-line,

timekeepers can verify balances instantly. With less manual processes, errors will be minimized and internal controls strengthened.

Auditor General's Recommendation to City:
Review the controls with regard to employee alternate rate assignments.

TPL's Response:
All alternate rates presently being processed by Payroll have to be approved by designated Human Resources staff prior to processing. Short-term assignments such as superior duties are approved by supervising Manager and counter-approved by Human Resource staff. Payroll checks rates to ensure they are in compliance with the collective agreement.

With the implementation of TAS, there the assignment of the rates will be come more consistent and accurate. TAS will be electronically updated with the pay rates from the HRIS, so that pay rates for each employee position is automatically updated.

Auditor General's Recommendation to City:
Review the use of temporary alternate rate assignments to ensure compliance with Corporate policy. Long-term acting assignments be recorded in system as continuous rates with a one-year expiry date and monitored

TPL's Response:
All long-term assignments and superior duties have to be approved by Human Resources.

With the implementation of TAS, long-term acting assignments will be entered into the system with the end date of the assignment. The system will automatically revert the employee back to their home position rate on the end date, which will result in much tighter control.

Auditor General's Recommendation to City:
Investigate reasons for all payroll overpayments and take steps to prevent or minimize overpayments in the future.

TPL's Response:
The main cause of the overpayment is late notification of staff movements, exacerbated by the present manual systems in use.

It is expected that overpayments will be much reduced when TAS is up and running. TAS will be updated daily with staff movements and pay rates. Temporary assignments and superior duties will be in the system with end dates. Staff pay rate will be reverted automatically to that of their home position rate when assignment end date hits. Vacation and sick balances are updated instantly and available on-line to ensure entitlements are not exceeded.

Auditor General's Recommendation to City:
Actions taken to recover payroll overpayments.

TPL's Response:
Review of overpayments for the last three years shows that all known overpayments have been recovered.

Auditor General's Recommendation to City:
Reduce risk of payroll overpayments to part time staff and minimize the number of manual cheques.

TPL's Response:
Total number of manual cheques issued in 2004 for salaries to staff was106, representing less than 0.1% of pay cheques deposited during the year. Of the total, 51 were issued to part time and 55 to full time. The main reasons for manual cheques issued were:

a) Hours not reported correctly on timesheet.
b) Employee's bank account closed without notifying Payroll.
c) Notice of return to work received late or notice with incorrect date.

With the implementation of TAS, work records will be more accurate as there will be less chance of incorrect reporting or late notification for both full time and hourly employees. Thus, less manual cheques will need to be issued.

Auditor General's Recommendation to City:
Implement control self-assessment to ensure the appropriate level of control exists, such controls are constantly monitored and evaluated and there is compliance with such controls.

TPL's Response:
The implementation of TAS will allow the Library to strengthen internal controls around payroll processing and tracking employee entitlements. Internal controls are constantly monitored and adjusted as necessary.

Auditor General's Recommendation to City:
Assess training needs of users. Such training to include information on payroll and human resources policies and collective agreements

TPL's Response:
As each collective agreement is reached, staff, especially in Human Resources and Payroll, is trained on the details.

Training is being provided for all user of the new TAS. Specialized training is provided to Human Resources and Payroll.

Auditor General's Recommendation to City:
Integration with Other Business System.

TPL's Response:
TAS will integrate information from HRIS to Payroll. It eliminates duplicate and manual input functions between departments, thus, ensures consistency of data between HRIS and Payroll system.

Auditor General's Recommendation to City:
All reconciling items on payroll bank reconciliation are investigated and cleared on a timely basis

TPL's Response:
Presently, senior payroll staff analyses and clears outstanding items in the Payroll Clearing and Payroll Bank account on a quarterly basis. The target is to have this performed on a monthly basis.

Auditor General's Recommendation to City:
Confidential personnel and employee payroll information be restricted to those employees who require access to perform their specific job functions. Employees should not be provided complete access to sensitive and confidential data unless specific written approval is obtained from management.

TPL's Response:
Employee Records in Human Resources are restricted to HR staff.

Employee Payroll records are restricted to Payroll staff.

Employees do not have access to sensitive and confidential data without written approval from management.

Auditor General's Recommendation to City:
Social Insurance Number and Valid Work Permits

TPL's Response:
Presently, all employees working in the Library have valid Social Insurance Numbers which allow them to work in Canada.