



OFFICE OF THE
City Auditor

Edmonton Police Service Payroll Audit

April 4, 2012

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Edmonton Police Service Payroll Audit

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Executive Summary

The objectives of this audit were to determine if the internal controls over the Edmonton Police Service's (EPS) payroll process are effective and if staff are complying with payroll policies. We did not assess the efficiency of the payroll process as the EPS is in the process of implementing an automated time submission process. The new automated system is expected to increase the efficiency of the EPS's time submission and approval process.

We found that there are some areas where the EPS could improve controls in order to ensure they accurately record and properly authorize all payroll information. As well, we found that there are some payroll-related policies that EPS staff are not fully complying with.

As a result we made four recommendations to enhance the effectiveness of the EPS's payroll process.

Regular and overtime pay

We made two recommendations to improve controls over the authorization of regular pay and overtime. We found that 17 percent of employee's timesheets (not including overtime and court time) are not approved by their supervisor prior to the Payroll Area entering them into the payroll system. If timesheets are not approved by supervisors there is a risk that the EPS may be paying the employee and adjusting their leave balances based on potentially incorrect information. We also found that 24 percent of overtime claim forms are being authorized by a supervisor who did not originally approve the overtime to be worked. This increases the risk that an overtime claim will be approved, even if the overtime was not authorized or worked. We also found that due to the current manual system of approving overtime on paper forms there is the potential for supervisors to authorize duplicate amounts of overtime.

Court attendance pay

We made one recommendation to improve the accuracy of court attendance claims relating to attending internal hearings as the accused. We found that the EPS does not have a policy on how or if employees who attend internal hearings as the accused, when they are off-duty, should be compensated.

Access to information

We made one recommendation for the EPS to regularly review who has add, delete, or modify access to all payroll information and ensure employees have the appropriate access given their positions within the EPS, and to limit access to add, delete, or modify all payroll information to only those employees who require this type of access to perform their job. We found that there are nine employees with access to add, delete, and modify all payroll information that should not have it based on their position within the EPS. Allowing staff to have this type of access increases the risk that they modify another employee's pay information.

Edmonton Police Service Payroll Audit

1. Introduction

The Edmonton Police Service’s (EPS) 2011 budgeted operating expenditures of \$305 million account for approximately 17 percent of the City’s total 2011 budgeted operating expenditures. Of this \$305 million, 80 percent is related to personnel costs (\$243 million).

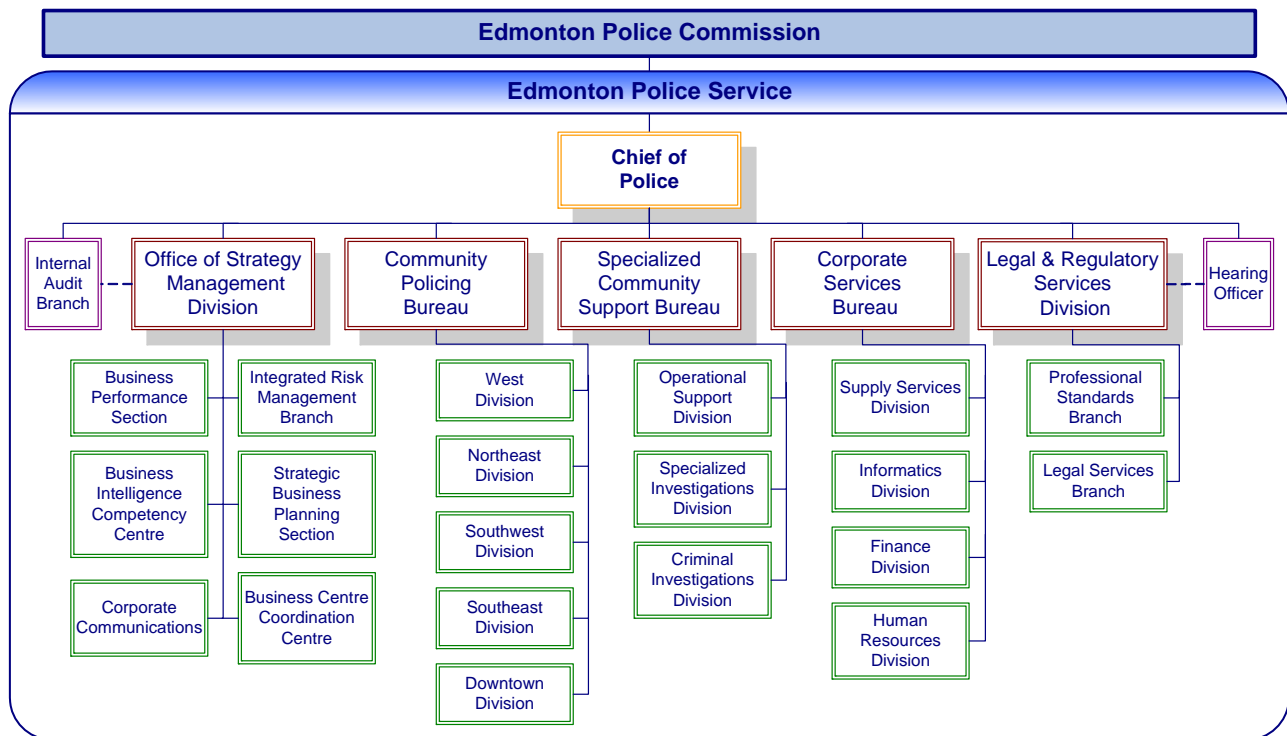
The Office of the City Auditor (OCA) included an audit of the EPS in its *2011 Annual Work Plan*. In May 2011, the Edmonton Police Commission (the Commission) passed a motion for the OCA to conduct an EPS payroll audit.

2. Background

2.1. EPS Overview and Structure

Figure 1 provides a high-level overview of the organizational structure of the EPS and its relationship with the Commission.

Figure 1 – Organizational Structure



The Commission oversees the police service. It is comprised of nine commissioners, including two City of Edmonton Councillors. The Commission is also responsible for responding to citizen concerns on policing matters, helping to develop the annual policing plan and budget, and building positive relationships with community partners.

The EPS consists of the Chief of Police, police officers, and civilian staff. Reporting to the Chief of Police are the Office of Strategy Management Division, the Legal and Regulatory Services Division, the Hearing Officer, the Internal Audit Branch, and the following three bureaus:

The Community Policing Bureau – This Bureau is divided into five divisions, each with four districts. Police officers are assigned to each district to work with community members to maintain peace and good order, protect lives and property, and prevent and detect crime.

The Specialized Community Support Bureau – This Bureau includes three specialized divisions that provide skills, expertise, and back-up support at any given time, in any given location. The Divisions are:

- The Criminal Investigations Division which is comprised of the Major Crimes Branch and the Serious Crimes Branch;
- The Operational Support Division which is comprised of the Field Response Branch and the Policing Support Branch; and
- The Specialized Investigations Division which is comprised of the Intelligence Branch, the Investigative Support Branch, and the Organized Crime Branch.

The Corporate Services Bureau – This Bureau provides administrative and technical expertise for the operations of the EPS. It is comprised of four divisions including:

- The Finance Division which is comprised of the Finance Management Branch;
- The Informatics Division which is comprised of the Information Management Branch, the Information Technology Branch, the Project Portfolio Management Branch, and the Security Management Branch;
- The Supply Services Division which is comprised of the Exhibit Management Branch, the Facilities Management Branch, the Materials Management Branch, and the Fleet Management Section; and
- The Human Resources Division which is comprised of the Employee Services Branch, the Employee Relations Branch, the Wellness Branch, and the Training Branch. This Division is responsible for payroll, benefits, and reporting for all EPS employees.

2.2. EPS Resources

Table 1, on the following page shows the changes in the EPS actual operating revenues and expenditures from 2007 to 2010 and the 2011 budgeted financial information.

Table 1 – EPS Financial Information
(in thousands of dollars)

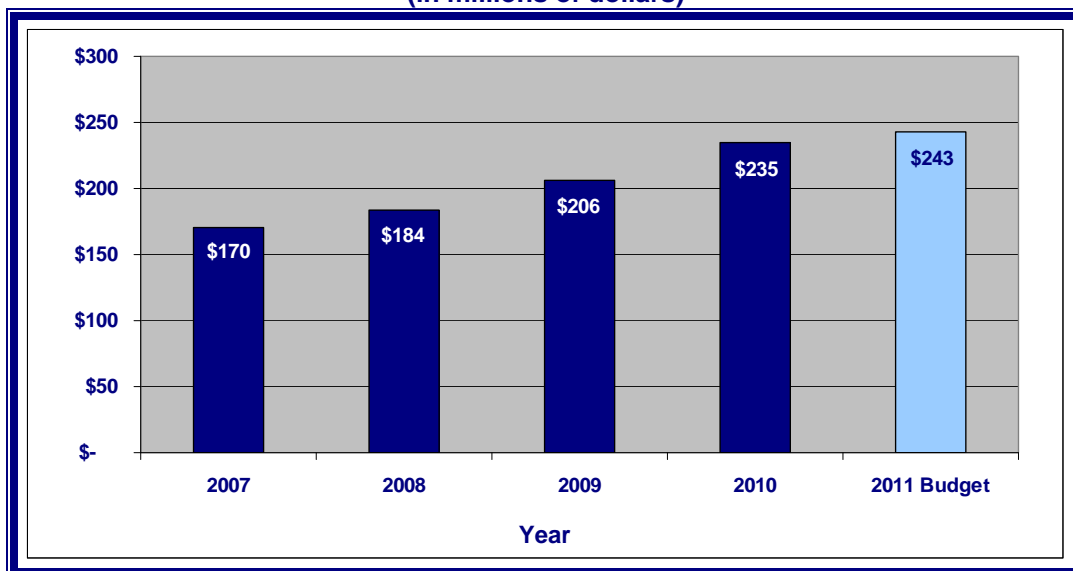
	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Budget
Total Revenues	50,353	54,073	43,581	59,983	62,219
Expenditures					
Salary and benefits	(162,732)	(176,200)	(198,317)	(225,060)	(234,428)
EPS overtime	(7,298)	(7,545)	(7,831)	(8,629)	(8,691)
External overtime*	-	-	-	(1,067)	(299)
Total Personnel Expenses	(170,030)	(183,745)	(206,148)	(234,756)	(243,418)
Furniture, equipment, IT, materials and supplies	(10,259)	(12,664)	(10,812)	(10,447)	(11,077)
Contracts and services	(15,312)	(19,540)	(15,526)	(15,189)	(20,216)
Vehicles	(7,739)	(8,543)	(4,490)	(6,618)	(7,063)
Facilities	(9,774)	(11,835)	(11,756)	(12,979)	(13,980)
Legal fees/settlements	(2,892)	(2,152)	(1,736)	(2,602)	-
Other	(2,519)	(4,499)	(1,706)	(2,103)	(8,757)**
Total Non-Personnel Expenses	(48,495)	(59,233)	(46,026)	(49,938)	(61,093)
Total Expenditures	(218,525)	(242,978)	(252,174)	(284,694)	(304,511)
Tax Levy	(168,172)	(188,905)	(208,593)	(224,711)	(242,292)

*Costs associated with conferences and projects that are recovered by additional revenues (i.e., G8/G20 and ALERT)

**The 2011 Budget for Other Expenses includes \$5.91 million for the tangible capital assets budget adjustment, which is not included in the actual results for the previous years.

Personnel expenses represent the majority of costs for the EPS. Figure 2 shows the change in personnel expense from the actual 2007 expense to the budgeted 2011 expense.

Figure 2 – Personnel Expenses (2007 to 2011)
(in millions of dollars)



From 2007 to 2011, the EPS's personnel expenses increased by 43 percent (\$73 million). Overtime costs increased by 23 percent and salaries and benefits costs increased by 44 percent. A portion of the increase in costs was attributable to a change in the accounting treatment of seconded staff.

The number of full-time equivalent (FTE) positions in the EPS has increased by 17 percent (307 positions) between 2007 and 2011. Table 2 shows the increase in FTEs from 2007 to 2011.

Table 2 – EPS Full-Time Equivalent Positions

	2007	2008	2009	2010	2011
Budgeted Number of FTEs	1,859	1,879	1,981	2,127	2,166
% Increase from Prior Year	4%	1%	5%	7%	2%
% Increase from 2007		1%	7%	14%	17%

3. Audit Objectives, Scope, and Methodology

Audit objectives

The objectives of this audit were to determine if the internal controls over the EPS's payroll process are effective and if staff are complying with payroll policies.

Audit scope

The scope of this audit included the EPS's payroll activity from July 1, 2010 through June 30, 2011 and the EPS's payroll policies in place during this time. We focused on the payroll activities performed by EPS staff such as time entry, terminations, new hires, and manual pay overrides.

Our audit did not include reviewing the efficiency of the payroll process as the EPS is in the process of implementing an automated time submission process. The current process is a very labour intensive manual system; therefore, the new automated system is expected to increase the efficiency of the EPS's time submission and approval processes.

The EPS's payroll system is maintained by City of Edmonton staff. We did not review the payroll activities or system controls performed by City staff. This includes the transfer of data from the payroll system to the City's financial system.

Audit methodology

To determine if the internal controls over the EPS's payroll process are effective we performed the following:

- Determined the number of samples we needed to test to have statistically valid results. Statistically valid results allow us to extrapolate our findings over the entire population. Our statistically valid sample sizes ranged from 149 to 156 samples.

- Performed statistically valid testing of payroll information to determine if it is properly authorized and accurately recorded. We focused on the payroll information related to regular pay, overtime pay, court attendance pay¹, temporary acting pay, allowances, and special duty pay².
- Validation of a sample of overtime and court time claims for the 30 members who worked the highest number of overtime and court time hours.
- For the 10 members who worked the most amounts of overtime, court time, and special duty time in one pay period, we assessed the reasonableness of the hours worked in that pay period.
- Tested a sample of 10 new hires and 10 terminations to determine if they were properly authorized and accurately recorded in the payroll system.
- Using a statistically valid sample of 149 employees, we determined if all employees being paid actually exist.
- Held discussions with management to determine if they have access to the appropriate reporting to manage payroll expenses.
- Held discussions with payroll management to determine if there is adequate segregation of incompatible payroll tasks and if access to payroll data and records are secure.

To determine if EPS staff are complying with payroll policies we tested compliance with payroll policies relating to regular pay, overtime, and court attendance time using a statistically valid number of samples.

4. Observations and Analysis

4.1. Compliance with Policies, Accurate Recording, and Proper Authorization

We found that there are some areas where the EPS could improve controls in order to ensure they accurately record and properly authorize all payroll information. As well, we found that there are payroll-related policies that EPS staff are not complying with.

The following sections discuss our observations relating to regular pay, overtime, court attendance, temporary acting pay, allowances, and special duty pay. We also reviewed new hire and termination payroll information. We found they were properly authorized and accurately recorded and therefore have not included any additional discussion on them in this report.

¹ A member receives court attendance pay if they are required to attend court when they are off-duty.

² Special duty pay is also known as special events pay. Officers receive this pay when they work at an event as an EPS Officer outside of their regular duties (e.g., during parades and hockey games). The pay is covered by revenue collected from the organization requesting the service.

4.1.1. Regular pay

The Payroll Attendance Record (PAR) is used to record regular hours worked, as well as any leave taken during the week (e.g., vacation, sick time, etc.). It does not include any overtime the employee worked. The PAR is a paper form that the employee's first line supervisor completes and authorizes prior to submitting it to the Payroll Area on a weekly basis. A PAR can contain more than one employee's time worked. The Payroll Area manually transfers any exception time (e.g., vacation, sick time, medical appointment, etc.) from the PAR into the EPS's payroll system. In 2010 the EPS paid \$179.8 million in regular pay.

The EPS has policies relating to the authorization and submission of PARs to the Payroll Area. The EPS also has controls to ensure the accuracy of the information entered into their payroll system.

We found that there are EPS staff who are not complying with all of the EPS's policies relating to the authorization of PARs. Specifically, we found that EPS staff are not complying with the following policy requirements:

- **Employee authorization** – Every PAR contains a space for the employee's signature and the employee should review and sign their PAR at the end of each week.
 - We found that 23 percent (34 out of 151) of PARs did not have a space to accommodate an employee's signature and that employees are not signing 83 percent (125 out of 151) of the PARs. Without the employee's signature on the PAR we do not know if they reviewed the information on the PAR prior to it being submitted to Payroll. There is a risk that the information on the PAR does not accurately reflect the actual times worked as the employee has not reviewed it for accuracy.
- **Supervisor authorization** – The employee's first line supervisor will authorize each PAR by signing and dating the PAR in the space provided.
 - We found that 17 percent (25 out of 151) of PARs do not have the supervisor's signature on them. The supervisor's signature on the PAR is acknowledgment that he or she has reviewed the information on the PAR and determined that it accurately reflects the time worked and leave taken by the employee. If supervisors are not authorizing employees' PARs prior to payment there is a risk that the PARs are not accurate.
 - As well, 56 percent (84 out of 151) of supervisors are self-approving their own PARs (i.e., the supervisors are authorizing their time as a supervisor when their own time entries are listed along with their staff on the same PAR).

Some of the policies appear to contradict each other, which may be leading to the inconsistent applications of them. For example, one part of the policy states that employees will sign their PAR at the end of each week (if available), but in another part of the policy it states that employees must be given the opportunity to review the PAR, make any changes, and then sign it. This makes it unclear to supervisors if employees are required to sign the PAR or not.

These policies are in place to ensure each PAR is properly authorized and accurate prior to payment. By not complying with them, there is the risk that Payroll is paying employees and adjusting their leave balances based on unauthorized and potentially incorrect information.

Recommendation 1 – Authorization for regular pay

The OCA recommends that the Chief of Police in collaboration with the Executive Director of the Human Resources Division develops and implements improved controls to ensure regular pay and leave taken are properly authorized before entry into the payroll system.

Management Response

Accepted

Responsible Party: Human Resources Information Management (HRIM) Project Lead/Superintendent of Human Resources

Planned Implementation: December 31, 2012

Currently, Managers monitor each employee's absences on a daily basis and they are also provided with regular leave absence reports from Payroll to review. Although we agree it is ideal to have employees and supervisors review and sign timesheets, operationally it has not been feasible to obtain 100% compliance using the current manual payroll process. Members are often required to attend emergent and priority calls and they may experience shift changes, overtime requirements, and subpoenas to attend court. These situations have affected the ability of the Members and Supervisors to sign the departmental timesheets prior to payroll time entry deadlines. In response to this, the EPS HRIM Team has created a number of initiatives outlined below that will mitigate the risks:

An application called CARM (Computer Aided Resource Management) has been purchased and will be implemented in late 2012. The new CARM application will automate the timesheet (PAR) submission process such that the Manager and employee will have the ability to view the employee's ongoing PAR 24 hours/day. Any deviation from the employee's standard hours of work will be managed through an online request process where the employee will be required to submit requests for leave which will automatically be routed to the appropriate Supervisor for on-line approval. The Supervisor will also have the ability to make adjustments to time entries on their employees' behalf (E.g., when the employee calls in sick). The new CARM system will treat supervisor online PAR changes as 'implied' consent and CARM will record the time and username of the supervisor who has made the change. For changes which involve pay adjustments the supervisor username will be available to Payroll staff for review prior to sending the data export to the PeopleSoft application for processing.

In addition, PeopleSoft "Self Service" was implemented in November 2010. This allows every employee 24 hour access to monitor their own payroll information which includes information on time entries, vacation/leave balances, and deductions. Employees are

still provided a paystub every two weeks by the City of Edmonton which details time entries and leave balances. In the event of an error, the employee has the opportunity to contact Payroll and their Supervisor to obtain an adjustment.

In August 2011, PeopleSoft “Manager Self Service” was implemented which allows Managers 24 hour access to review and monitor their employee’s time entries, overtime, and leave balances. In the event of a discrepancy, Payroll can be contacted to make an adjustment.

Until the automated process (CARM) is fully implemented, EPS will communicate to its staff and supervisors the importance of signing timesheets. In addition, Payroll will monitor the PAR submissions and liaise with the affected supervisors to ensure that PAR’s are authorized where appropriate.

4.1.2. Overtime pay

Employees require authorization from a supervisor to work overtime. Following the overtime the employee must complete a Composite Application Form, Extra Pay/Overtime C11 Form (C11 Form). The C11 Form includes the information required for the supervisor to approve the overtime, including who authorized the overtime, the reason for the overtime, and when it was worked. The Payroll Area manually transfers the information from the C11 Form into the EPS’s payroll system to generate the overtime payment for the employees. The amount of overtime paid to the employee is based on the stipulations within their Collective Agreement. For example, members of the Edmonton Police Association Collective Agreement receive two times their regular rate of pay when they work overtime. In 2010 the EPS paid its employees \$9.7 million for overtime.

Compliance with policies

We found that EPS staff are not complying with all of the EPS’s policies relating to the authorization, approval, submission, and justification of C11 Forms. Specifically, we found that some EPS staff are not complying with the following policy requirements:

- **Authorizing overtime vs. approving the C11 Form** – The member who authorizes the overtime, at the time the member worked it, shall be the same member who signs off on the C11 Form.
 - We found that 24 percent (38 out of 156) of overtime worked is initially authorized by a different individual than the one signing the C11 Form. As well, 44 percent (69 out of 156) of C11 Forms do not indicate who authorized the overtime being claimed. As per policy, the supervisor who authorizes the overtime should be the same one who approves the C11 Form to ensure the information on the C11 Form matches what they authorized. If this is not the case, there is a risk that the approving supervisor could potentially sign off on an overtime claim that was not authorized.
- **Submission of C11 Forms** – The C11 Form must reach Payroll within seven calendar days of the actual time worked.

- We found that the Payroll Area did not receive 15 percent (24 out of 156) of C11 Forms within seven days of the overtime occurrence. Late submissions of C11 Forms might be an indication that the supervisor received the form late or that the supervisor did not approve the form in a timely manner. Timely review and submission of C11 Forms mitigates the risk of delayed payroll payments and potential inaccuracies caused from memory loss due to extended time lapses.
- For eight percent (12 out of 156) of the forms we were unable to determine if they were received within seven calendar days because there was no date-stamp on the copy of the C11 Form retained by Payroll.
- **Justification of overtime** – A short summary of why the overtime was required must be provided in the appropriate space on the C11 Form, including the related police file number, if applicable.
 - We found one percent (1 out of 156) of C11 Forms did not include a description of why the overtime was worked. Employees must provide this information so the person approving the overtime can appropriately validate it. Without this information there is a risk that the supervisor could potentially approve an overtime claim that may not have been required or authorized.

Proper authorization

As indicated above, EPS supervisors do not always properly approve the overtime paid to EPS members. This is because some supervisors are approving the payment of overtime by signing the C11 Forms, even when they did not originally authorize the employee to work the overtime.

We also feel that due to the current manual system of approving overtime on a paper form there is a potential for supervisors to authorize duplicate amounts of overtime. We identified the following example during our assessment of the reasonableness of the hours worked by employees with the highest amounts of overtime, court time, and special duty time.

- **Duplicate payments** – We found one example where an employee claimed overtime for the same one hour time period twice. The employee submitted two C11 Forms to two different supervisors for two different overtime shifts, but there was a one hour overlap in the overtime claimed. The supervisors approving the C11 Forms were not aware of the other claim for the same time period. The Payroll Area has since recovered this particular overpayment.

Recommendation 2 – Authorization of overtime

The OCA recommends that the Chief of Police in collaboration with the Executive Director of Human Resources develops and implements improved controls to ensure overtime is properly authorized before entry into the payroll system.

Management Response

Accepted

Responsible Party: HRIM Project Lead/Superintendent of Human Resources

Planned Implementation: December 31, 2012

The current policy states that the approval of overtime is currently the responsibility of the supervisor who initially verbally authorized the overtime. In some instances, Members and Supervisors experience emergent/priority calls, shift changes, and subpoenas to Court that will affect the ability for the Member to obtain a prompt signature from the same supervisor that initially authorized the overtime. There are also some emergent situations where overtime cannot be pre-authorized or avoided. In these situations it has been acceptable practice to have the Supervisor with signing authority for the division incurring the expense approve the overtime form. The supervisor authorizing the overtime claim has the responsibility to research the claim to ensure its validity.

An application called CARM (Computer Aided Resource Management) has been purchased and will be implemented in late 2012. The new CARM application will automate the submission and approval of overtime. The application will require the Member to input the details of the Manager who initially authorized the overtime, once completed, the submission of the overtime claim will automatically be routed to the appropriate Manager for approval. In addition, all shifts will be viewable within CARM and controls within the application will prevent duplicate and/or overlapping overtime and court time claims.

4.1.3. Court attendance pay

If an employee is required to attend court while on-duty, the EPS considers this part of their normal work and the employee does not receive any additional compensation above their regular pay. Court attendance pay is only paid if the employee attends court as a witness when they are off-duty. When this occurs, employees complete a Court Attendance Claim Form. The Court Attendance Claim Form is a quadruplicate form. Once the employee attends court while off-duty, they are required to complete the Court Attendance Claim Form, attach supporting documentation, such as a date and time-stamped subpoena to the form and have it approved by a supervisor. The Payroll Area uses the form to determine how many hours of court time the employee should be paid for.

The minimum amount of court time paid to the employee is based on their Collective Agreement, not the actual amount of time spent in court. For example, members of the Edmonton Police Association Collective Agreement are entitled to be paid for four, five, or eight hours, depending on when they attend court (i.e., before or after a shift or on an off-duty day). These amounts double if the member is required to attend court in the morning and afternoon while off-duty. This would occur when a member is required at two different hearings (one in the morning and one in the afternoon) or if the hearing they are attending in the morning does not end until after 12:30 pm. In 2010 the EPS paid employees \$2.8 million for attending court while off-duty.

Compliance with policies

We found that there are some EPS staff who are not complying with all of the EPS's policies relating to the authorization and retention of Court Attendance Claim Forms. Specifically we found that some EPS staff are not complying with the following policy requirements:

- **Support for court attendance** – The subpoena, court attendance notice, or an explanatory memo must be attached to the Court Services Section copy of the Court Attendance Claim Form and forwarded to the Court Services Section.
 - We found that employees do not attach their date-stamped subpoena or explanatory memo to the Court Services Section copy of their form 19 percent (29 out of 150) of the time. For these forms, we could not determine if there was evidence to support the supervisor's approval of the court time. Therefore there is a risk that some of the Court Attendance Claim Forms were not justified. During the audit, the EPS introduced a new control to ensure court time can be validated by payroll staff. They have implemented a new policy that requires staff to send their date and time-stamped subpoena to the Payroll Area along with their approved Court Attendance Claim Form. The Payroll Area will not input the court time into the payroll system to be paid unless they receive the subpoena.
- **Justification for double entitlements** – Subpoenas or court attendance notices received for court appearances in the morning and afternoon must be date and time-stamped prior to each appearance.
 - We found that 73 percent (11 out of 15) of double entitlement claims did not have subpoenas that were date and time-stamped prior to each appearance attached to them. Therefore, there is a risk that double entitlement claims were not justified. The new policy implemented by the EPS will help ensure the proper support for double entitlement claims is attached to each claim form prior to the employee being paid for the court time.
- **Retention of claim forms** – The division/section copy of the Court Attendance Claim Form should be retained by the area.
 - We found that 45 percent (70 out of 156) of Court Attendance Claim Forms are not retained by the division/sections. Retention of the forms allows the Professional Standards Branch and/or payroll personnel to refer back to source documents. As all of the forms were not kept by the divisions/sections we were not able to determine that the information submitted to payroll reconciled to the divisional copy. By not retaining a copy of the approved claim forms to compare to the Payroll copy, there is a risk that an employee could have altered their form after their supervisor approved it and prior to submitting it to Payroll. The new policy implemented by the EPS will help ensure that the Court Attendance Claim Forms employees submit to the Payroll Area are based on the same information the supervisors use to approve the claim.
- **Submission of claim forms** – The Court Attendance Claim Form must be approved within seven days of the actual court attendance.
 - We found that four percent (6 out of 153) of Court Attendance Claim Forms are not approved within seven days of the actual court appearance. Late submissions of Court Attendance Claim Forms might be an indication that the supervisor received the form late or that the supervisor did not approve the form

in a timely manner. It is important to submit and approve claim forms in a timely manner as the risk of not finding inaccuracies increases with the passage of time. As well, a delay in approving the claim forms could lead to a delay in payment to the employee.

- **Eligibility requirements** – Court time is paid when a member is on a day off without pay.
 - During our assessment of the reasonableness of the hours worked by employees with the highest amounts of overtime, court time, and special duty time, we found one case where a member was working an overtime shift and was also paid for court time attended during the shift. As the policy specifically states that the employee is only eligible for court time pay if they are working on an off-duty day without pay, we feel the supervisor should not have approved the court time pay since the employee was already being paid for overtime. This is another example where different individuals approved the C11 Form and the Court Attendance Claim Form. The Payroll Area has since recovered this particular overpayment.

Proper authorization

The results of our statistical testing show that court time is properly authorized in that all the Court Attendance Claim Forms we looked at were signed off by supervisors.

Accurate recording

The results of our testing also showed that the Payroll Area accurately recorded the information on the Court Attendance Claim Forms into the payroll system.

However, we found one area where the EPS could improve controls to ensure supervisors are able to ensure that the court time employees are claiming is accurate.

- **Internal hearings** – According to the Edmonton Police Association Collective Agreement, a member is entitled to court time pay if they attend court, including internal hearings, as a witness when they are not on duty.

In one of our samples a member attended an internal hearing as the accused, on days off, and was paid for 16 hours of court time. The member was found to have contravened certain sections of the Service's policies. As there is no provision listed within the Collective Agreement or EPS policies that outline compensation guidelines for members who attend internal hearings as the accused, the authorizing officer and the Payroll area appropriately treated this claim as if it was for a witness.

Without a clear policy on how to deal with this type of situation, there is a risk that supervisors and the Payroll Area will not treat members consistently.

Recommendation 3 – Internal hearing payment

The OCA recommends that the Chief of Police in collaboration with the Executive Director of Human Resources develop and implement a policy that ensures there is a consistent and fair approach for compensating members who attend internal hearings as the accused.

Management Response**Accepted**

Responsible Party: Superintendant of Human Resources/Director of Labour Relations

Planned Implementation: December 31, 2012

Members can be required to attend hearings as the accused or as a witness and these hearings can be held internally through Professional Standards Branch or externally through the Law Enforcement Review Board. Over the past 3 years, EPS has not experienced more than 25 internal hearings annually. Currently, the decision to compensate the Members for attendance at these hearings is based on a “gentlemen’s agreement” with no formal policy or stipulation within the Collective Agreement. The issue of compensation for attendance at internal and external hearings is required to be addressed within the bargaining process and should form part of the Collective Agreement. In the interim, we will continue to honor court time claims for Members that are required to attend hearings on a scheduled day off.

4.1.4. Temporary acting pay

A member receives temporary acting pay when they are officially acting in a capacity that is senior to their regular position. In order for an employee to receive acting pay, their supervisor must provide the Payroll Area with a signed and dated memo indicating when the employee will be in the acting position and who they will be acting for. Payroll staff manually calculate the additional amount of pay the employee receives when they are acting based on the member’s Collective Agreement or other agreements. In 2010 the EPS paid employees \$1.4 million in acting pay.

We found that temporary acting pay is properly authorized 99 percent (154 out of 156) of the time and accurately recorded 97 percent (152 out of 156) of the time. The two improper authorizations we found were due to a supervisor not authorizing the temporary acting memo and another where one member authorized his or her own acting pay. The four inaccuracies were due to errors in the manual calculation of the temporary acting pay premium. These payments have since been reversed and corrected by Payroll. Additionally, we also found one sample where a member was receiving temporary acting pay, but the senior position member had already resumed his role. Payroll has since recovered the temporary acting pay from this member.

The EPS has controls in place to ensure Payroll does not pay members acting pay when the person they are acting for does not require someone to act for them. Therefore, because the errors we discovered during our testing were not significant, we feel additional controls over the payment of temporary acting pay are not warranted.

4.1.5. Allowances

Sworn members of the EPS receive allowances for boots, clothing, and dog handling based on their position within the organization. The boot and clothing allowances are

automatically generated and paid at the beginning of the year by the payroll system to all eligible members. There are some positions that are exceptions to the normal allowance rules. For these members, the Payroll Area makes manual adjustments to ensure they receive the appropriate allowances. As well, Payroll staff manually input the Dog Handlers Allowance for eligible members twice a year. In 2010 the EPS paid its employees \$2.7 million in allowances.

We found that allowances are accurately recorded 99 percent (155 out of 156) of the time. The one case where the EPS had not accurately recorded the amount involved a member who received an allowance at the beginning of the year and then changed to a position later in the year that was not eligible to receive the allowance. Normally, when a member changes positions, Payroll prorates the allowance amount based on the number of days the member actually worked in the position eligible for the allowance and recovers or tops up the difference. In this case, the Payroll Area did not receive the appropriate notification of the member's change in position from the Human Resources Department. Therefore, they did not recover the allowance amount the member was no longer entitled to. The Payroll Area has since recovered this overpayment.

As we only found one instance where an allowance was not accurately paid, we feel that additional controls over allowance payments are not warranted.

4.1.6. Special duty pay

Off-duty officers can sign-up to work special duty or special events for a set hourly rate. The hourly rate plus an administrative fee is paid to the EPS by the organization who requested the EPS presence at the event (e.g., hockey games and parades). The Payroll Area receives a copy of the approved invoice for each event. They manually transfer the information on the invoice into the payroll system to generate a payment to the member. In 2010, the EPS paid its employees \$5.2 million for working at special events.

We found that special duty pay is based on information on an authorized invoice 98 percent (152 out of 155) of the time. For those invoices that did not include a record of approval, it was because the approval was on the second page of the invoice and the Payroll Area did not receive that page. The Payroll Area has since received the pages with the proper approval of the invoices on them. However, the Payroll Area should ensure they have evidence of approval prior to paying the employees. Without evidence of proper approval there is a risk that they will pay employees for special duty that they did not work.

We also found two instances out of 155 (1 percent) where the payment date for the special duty worked did not match the date the special duty was actually worked. These instances were due to typing errors made when the information on the invoice was being transferred to the payroll system. By manually transferring information from one system to another, there is a risk that payment information will be incorrect.

Overall, we feel that the errors we discovered during our testing of special duty pay are not significant enough to warrant any additional controls over this area of pay.

4.2. Appropriate Reports

We focused our review on the reports management uses to manage regular pay, overtime, court time, and leave balances. We found that the reports used by management to manage regular pay and leave balances are appropriate. The report used to manage regular pay is at a high-level and includes a comparison to the budget. Since regular pay is steady throughout the year, this is an appropriate way to manage the expense. Reporting on leave balances is appropriate because it is on an individual level. The Payroll Area provides managers with leave balance reports for people with excessive vacation time and banked time. The rest of the leave balances are managed by the payroll system and managers are notified if staff are trying to use unavailable leave.

Some of the managers we spoke to use the high-level monthly report that includes a comparison of actual costs to budgeted costs to help manage overtime and court time costs. We were also provided with sample reports from EPS's payroll system and financial system, which allow managers to review overtime and court time for individuals within their area of responsibility.

4.3. Access to Information

We reviewed the physical and electronic access to payroll information to ensure it is secure and that there is appropriate segregation of incompatible payroll tasks within the payroll system. We found that the physical access to payroll information is secure. The Payroll Area where the physical files are kept is appropriately restricted and monitored to ensure only people who require access receive it.

We found that there are 19 people with access to add, delete, or modify all payroll information within the payroll system³. Of these 19 people, we confirmed that 8 work in the Payroll Area and 2 are payroll system administrators; therefore, they require this type of access to perform their jobs. The other 9 people work in Human Resources, but do not appear to hold positions that would require them to have this type of access. Our discussions with the management of Human Resources and the Payroll Area determined that they were not aware that these 9 people had this type of unrestricted access.

One of the reasons why some of these nine people have this type of access to the system is that security roles do not exist within the system to limit their access to add, delete or modify only specific information.

Management of Human Resources and the Payroll Area were not aware that these people had this type of access because they do not review the access rights to the payroll system of their employees on a regular basis. However, a payroll system analyst

³ There is a system control in place to ensure these people do not change their own payroll information.

does perform regular high level reviews of access rights. The analyst determines whether to keep or remove roles based on knowledge of the employee and the areas they work for and consultations with employee supervisors. For example, if there are major changes to the system the analyst will make the necessary changes or deletions. The analyst will also contact the areas if she has a question regarding an employee's access.

Management should be reviewing who has access to add, delete, or modify all payroll information on a regular basis so they can determine if that person requires the access. Only people who require this access to perform their job should have it.

Allowing staff to have this type of access increases the risk that they modify another employee's pay information. As well, allowing non-payroll staff access to add and modify pay information increases the risk that an employee could create and pay a fictitious employee leading to overpayments of payroll expenses.

We did perform a test to determine if the EPS is paying any fictitious employees. For a statistically valid sample of employees we ensured each sample is an actual person employed by the EPS. We did not find any fictitious employees.

Recommendation 4 – Security of electronic access to payroll information

The OCA recommends that the Executive Director of Human Resources and the Manager of the Payroll Area:

1. Regularly review who has add, delete, or modify access to all payroll information and ensure employees have the appropriate access given their positions within the EPS.
2. Limit access to add, delete, or modify all payroll information to only those employees who require this type of access to perform their job.

Management Response

Accepted

Responsible Party: HRIM Project Lead/ Superintendent of Human Resources

Planned Implementation: December 31, 2012

Access and roles to the PeopleSoft application are administered by the City of Edmonton upon receipt of a completed and authorized corporate systems access form. The access form requires 3 signatures; the employee, their immediate supervisor, and the EPS PeopleSoft system administrator. The Supervisor and the EPS PeopleSoft Administrator scrutinizes each access request. Once satisfied that the request is valid, the access form is forwarded to the City of Edmonton PeopleSoft Administrators for final review and implementation. A review of the access forms for the 9 Users noted within this report indicated that the access to the System was appropriately authorized by Payroll and/or Human Resources Management and that these 9 Users work within the Human Resources Division. The PeopleSoft roles assigned that enabled the 9 Users

noted within the report were initially granted based upon the best information available. Any additions, deletions, and modifications made to Payroll data by all Users were captured in the PeopleSoft Audit Logs and reported within the "Job Audit View Report" which was reviewed daily by Payroll Management.

A review of User's access rights to the system is conducted periodically by the EPS PeopleSoft System Administrator based on changes to the organizational structure and the staff movement between Divisions. As a result of the Audit, the roles and capabilities of the system Users identified within the report have been reviewed and the appropriate adjustments to their access rights have been requested through the City of Edmonton. In addition, a PeopleSoft "Security Roles Guideline" will be developed in 2012 to ensure that all relevant personnel understand and assign appropriate security roles. This guideline will be provided to Human Resources and Payroll Management to ensure they can conduct a periodic review of access rights in collaboration with the EPS PeopleSoft Administrator.

5. Conclusion

The objectives of this audit were to determine if the internal controls over the EPS's payroll process are effective and if staff are complying with payroll policies.

We found that the internal controls over EPS's payroll process are generally effective; however, there are some payroll-related policies that EPS's staff are not following. As a result, we made four recommendations to enhance the effectiveness of the payroll process.

We recommended that the Chief of Police in collaboration with the Executive Director of the Human Resources Division:

- Develops and implements improved controls to ensure regular pay and leave taken are properly authorized before entry into the payroll system.
- Develops and implements improved controls to ensure overtime is properly authorized before entry into the payroll system.
- Develop and implement a policy that ensures there is a consistent and fair approach for compensating members who attend internal hearings as the accused.

We also recommended that the Executive Director of Human Resources and the Manager of Payroll regularly review who has add, delete, or modify access to all payroll information and ensure employees have the appropriate access given their positions within the EPS. As well we recommended that they limit access to add, delete, or modify all payroll information to only those employees who require this type of access to perform their job.

The OCA thanks the management and staff of the EPS for their cooperation and assistance during this audit.