



# INTERNAL AUDIT TEAM

Toronto and Area Region

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## **Payroll / Human Resources Follow-up Audit, December 2019**

### Toronto Catholic District School Board

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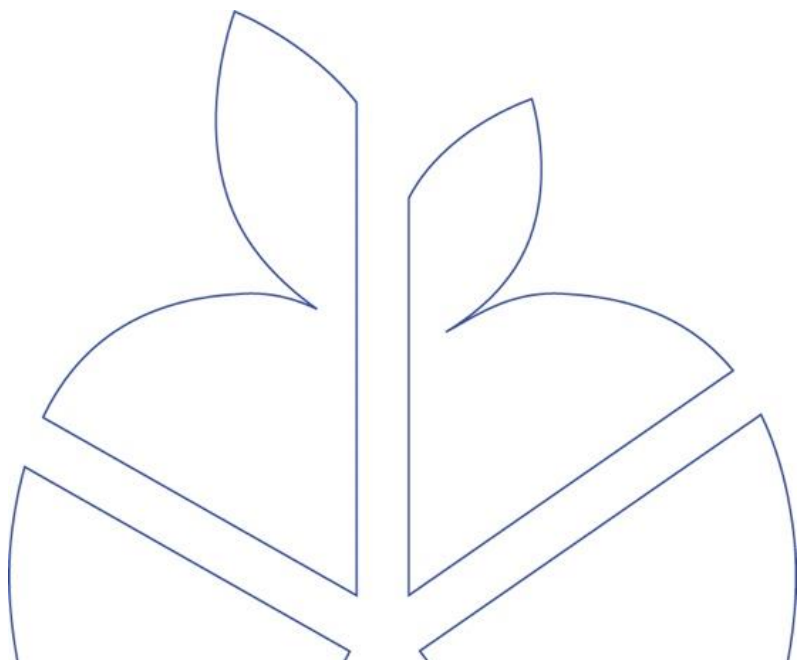
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## Introduction

An internal audit of Human Resources (HR) and Payroll processes and controls at the Toronto Catholic District School Board (“TCDSB” or “Board”) was conducted by the Regional Internal Audit Team (RIAT) in fiscal year 2015/16. The final report with recommendations was issued in July 2016 (“initial audit report”). The RIAT has conducted a follow-up engagement to assess the status of Management’s action plans to address the initial audit report findings and recommendations.

We would like to thank management and staff for their support and assistance during this engagement.

## Audit Objective and Scope

The objective of this engagement was to assess whether adequate and effective processes and controls were implemented to mitigate the risks associated with the initial findings. The scope of this follow-up engagement was limited to findings identified in the initial audit report. There were two findings related to the HR area.

## Conclusion

Refer to the chart below for the RIAT’s assessment of the current status (as at December 2019) of Management’s action plans to address the initial audit report findings. Based on the follow-up procedures, further recommendations have been provided.

Finding Title	Current Status
Changes to employee master file records review process	Complete with additional observations
Greater awareness and usage of the Employee Self Service (ESS) Module	Complete with additional observations

## Limitations on use of Internal Audit Report

This report is intended primarily for the information and use of the individuals on the distribution list and should not be provided to any other party without the consent of the Senior Manager, Regional Internal Audit Team, Toronto & Area.

## Audit Observations

Based on the follow-up procedures performed, please see below for the RIAT's assessment of the current status of Management's action plans to address the findings from the initial audit report. Some additional opportunities to improve processes and strengthen management controls were identified and are presented for consideration.

Original Finding, Recommendation & Management Action Plan (July 2016)	Current Status, Findings and Recommendations (December 2019)
<p><b>Finding #1: Changes to employee master file records review process</b></p> <p>We noted some areas in the process where, although controls were implemented, the reviewer's signature on the input form or supporting document as evidence of review was missing in the Academic area, as noted in the instances below:</p> <ul style="list-style-type: none"> <li>- 15 of 18 new hires</li> <li>- 9 of 19 staff changes</li> <li>- 3 of 30 end of assignments</li> </ul> <p>The risk of inaccurate entry is not considered high given the overall control environment and processes in place. For example, the input of employee data is enabled through SAP and supported by detailed procedural documents to minimize the risk of error. The HR secretaries making the entries are</p>	<p><b>Complete with Additional Observations</b></p> <p>A process document titled "Human Resources Management Best Practices for Audit of Employee Master File Records" ("process document") was completed in October 2019. An "Online Authorization tool" for employee master file changes is also used by both the Academic and Support Services departments. This tool was implemented by Support Services in June 2016 and by the Academic Services department in October 2019. Management has identified the online authorization tool as a key control to support the review of employee master file entries. Inputs into SAP (i.e. the setup of new hires) are made by the HR Secretaries in each department and reviewed by their respective Supervisors. The online authorization tool aggregates the various data inputs for an employee action into one screen and the HR Supervisor checks off certain boxes on screen and stamps/signs the corresponding data input form to evidence their review. The process document is followed and judgement is used by the HR Supervisors so that only key inputs (classified as high priority) are 100% reviewed while others are only reviewed if time permits based on priorities in the process document. Our testing validated the use of the online authorization tool and process document by both departments</p>

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<p>supported by experienced HR Supervisors and Management. In addition, all samples selected were entered accurately based on supporting documentation on file.</p> <p><b>Impact</b></p> <p>Although the risk is not considered high, there is an increased chance of error or unauthorized changes if reviews are not taking place consistently. HR staff time is not utilized effectively if 100% review is taking place for inputs where either the risk of error is low or other more efficient controls can be implemented.</p> <p><b>Recommendation</b></p> <p><b>Evaluate the current review process for changes to employee master file records</b></p> <p>HR should assess the current review process for employee master file inputs in relation to the risks identified for each type of change. Management should determine the most appropriate level of review that helps support accurate and authorized changes. Efficient use of HR</p>	<p>without any exceptions. Some additional observations were noted:</p> <ul style="list-style-type: none"> <li>• The purpose of the online authorization tool is to evidence review of data entry by the HR Secretaries. It does not “authorize” entries for input.</li> <li>• HR Supervisors in the Academic Services department noted that they also physically stamp the data input forms after the entries are reviewed in SAP. It takes additional staff time to complete these electronic sign-offs.</li> <li>• HR Supervisors in both departments mentioned there is extraneous information on screen that should be removed from the online authorization tool.</li> <li>• Based on discussions with management, staff and our review of the process document, it documents the current process for the review of employee master file records but there has not been any change to streamline current processes (i.e. reduce the number of manual entries and reviews) as per the original recommendation.</li> </ul> <p><u>Additional Recommendations:</u></p> <ul style="list-style-type: none"> <li>• As noted in the original recommendation, the efficient use of staff time should be considered as there are many manual entries being input and reviewed. Although the process document is a positive step forward, Management should continue reviewing HR workflows and exploring additional process improvements to reduce the amount of staff time</li> </ul>

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<p>staff resources should also be considered. For example, a 100% review of all changes may not be necessary if the risk of inaccurate or invalid entry is mitigated through other controls. These could include spot audits, review and sign-offs of master file change logs, electronic authorizations, independent review by Payroll of key employee actions etc.</p> <p><b>Management Response and Action Plan</b></p> <p>Human Resources (HR) staff has implemented an on-line authorization tool effective May 2016 in order to assist management staff in the review and audit process of HR data entry tasks. This tool which summarizes multiple screens of data into one summary screen also date-stamps the authorized date entry including the user-id of the person authorizing the data entry, and enables report generation for annual review by auditors.</p> <p><u>Management Responsibility:</u> Superintendent of Human Resources</p>	<p>spent on manual data entry and review.</p> <ul style="list-style-type: none"> <li>• HR should continue work to remove the extraneous information in the online authorization tool.</li> </ul> <p><u>Management Response and Action Plan:</u></p> <ul style="list-style-type: none"> <li>• Management will continue to review workflows.</li> <li>• The Human Resources department will continue to revise the online authorization tool in order to remove extraneous information.</li> <li>• In the coming fiscal years, management will focus on the implementation of the e-recruitment software that will reduce extraneous information through streamlining business workflow processes that will remove duplication of effort in many areas of the employee life cycle processes.</li> </ul> <p>Process Owner: The Superintendent of Human Resources.</p> <p>Due Date: Ongoing.</p>

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<p><u>Target Date of Completion:</u> December 2016</p>	
<p><b>Finding #2: Employee Self Service Module</b></p> <p>Changes to the Employee Self Service (ESS) module were made in 2014 to allow employees to make their own banking and address changes. Management has indicated that the functionality in ESS is not as user friendly as they would like it to be and a user guide has not yet been developed. Therefore, a formal rollout and communication to employees and their unions has not officially occurred.</p> <p>HR staff resources are used to both enter and review routine banking and address changes. These changes can be made directly by employees using ESS. Based on data provided by management, transactions between September 1, 2015 and April 26, 2016 were as follows:</p> <ul style="list-style-type: none"> <li>- 1,391 out of 1,629 total address changes (85%) were input by HR.</li> <li>- 817 out of 832 total banking changes (98%) were input by HR.</li> </ul>	<p><b>Complete with Additional Observations</b></p> <p>See below for HR Management's update regarding the status of additional efforts to encourage greater employee usage of ESS:</p> <ol style="list-style-type: none"> <li>1. <i>An Employee Self Service - ESS User Guide document is available in each employee's ESS account. This user guide advises employees to initiate their own address changes, telephone number changes, bank changes and emergency contact changes. (Released March 2019)</i></li> <li>2. <i>Employee Change Forms and Bank Change Forms also refer employees to facilitate their own demographic changes as noted above via their ESS account. (Released March 2019)</i></li> <li>3. <i>New Hire Orientations and Welcome emails encourage new hires to use ESS to facilitate their own demographic changes. As well, ESS User Guide information is included in their hire packages.</i></li> <li>4. <i>Director's Bulletin Notices: Human Resources will place notices in the Director's Bulletin quarterly to remind employees that they may make their own demographic changes through their personal ESS account.</i></li> <li>5. <i>Human Resources Management prioritizes staff input as per the established best practices for audit. Employee bank changes are flagged as high priority. Other employee demographic changes are low priority for authorization. SAP does not have a tracking report on ESS usage. As the count of these demographic entries are</i></li> </ol>

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<p>Management indicated that secondary reviews of these changes are also being performed by HR Supervisors or HR Management. We do not consider the secondary review of all address and banking changes as necessary since these changes are routine, low risk and occupy unnecessary staff resources.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"><li>• Delays in developing user guides and communication of ESS enhancement to employees and union groups results in HR staff time being allocated towards processing such changes.</li><li>• HR staff time is not being efficiently utilized if all address and banking changes input by HR Secretaries are also subject to a secondary review.</li></ul> <p><b>Recommendation</b></p> <p><b>Enable more frequent employee usage of ESS enhancements</b></p>	<p><i>insignificant to the larger volume of the various other HR input activity, Human Resources management staff have concentrated on employee awareness of their Employee Self Service Account.</i></p> <p>RIAT verified the above items were implemented by HR. Statistics were obtained for the FY2018/19 period to assess whether employees are increasing their usage of ESS based on HR’s efforts to increase awareness. See below for statistics regarding changes to address, banking and emergency contact information:</p> <table><tr><td>Employee initiated changes</td><td>959</td><td>25%</td></tr><tr><td>HR Changes</td><td>2,858</td><td>75%</td></tr><tr><td>Total</td><td>3,817</td><td>100%</td></tr></table> <p>Based on the above, HR made approximately 75% of all changes. This compares to 85% of address changes and 98% of banking changes made by HR in FY2015/16 (Sept. 1, 2015 – Apr. 26, 2016).</p> <p><u>Additional Recommendations:</u></p> <ul style="list-style-type: none"><li>• Since the ESS User Guide and Employee Change Forms were only released/revised in March 2019, more time is needed to assess whether increased communication efforts have resulted in increased usage of ESS by employees (and resulting savings in HR staff time by not having to make these inputs). HR Management should monitor ESS usage for FY2019/20.</li></ul>	Employee initiated changes	959	25%	HR Changes	2,858	75%	Total	3,817	100%
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<p>Human Resources should develop policy and guidance documentation and formally communicate the banking and address change functionality in ESS to key stakeholders to enable greater use by employees. A target date should be established for the development of a user guide.</p> <p><b>Management Response and Action Plan</b></p> <p>In October 2016, Human Resources staff will communicate the implementation of a new feature in the Employee Self Service module to enable TCDSB staff to input their respective demographic changes, i.e. Address, Phone Numbers, Emergency Contacts and Bank changes. A User Guide will be made available to support this initiative in order to create Human Resource staff data input efficiencies.</p> <p><u>Management Responsibility:</u> Superintendent of Human Resources</p> <p><u>Target Date of Completion:</u> December 2016</p>	<p><u>Management Response and Action Plan:</u></p> <ul style="list-style-type: none"> <li>• Management will continue to advertise the scope of opportunities available via Employee Self Service on a more regular basis and will request various union partners to also communicate to their members through their various forms of communication.</li> <li>• Management will prepare quarterly statistics on employee ESS usage rates</li> </ul> <p>Process Owner: Superintendent of Human Resources</p> <p>Due Date: On-going</p>