

To: Chair & Committee Members, Audit Committee

Date: May 10, 2019

Areas Responsible: Derek Coffey, DCM – Finance & Administration
Sarah Hayward – Director, Human Resources

The table below summarizes the pending issues from the Internal Audit of Salary Administration # 12-01.

| Recommendation | Status Update | Date |
|--|---|--|
| 3.9 Management should add a section to the Policy regarding how car allowance payments will be handled during an employee's absence from work. Consideration should be given to discontinuing the payment of car allowances during Long-Term Disability and any unpaid leaves of absence extending beyond 30 calendar days. | Part of this recommendation has been implemented through the Mileage Reimbursement Policy. Section 1.2.2.2 states: "The vehicle allowance will be discontinued during Long Term Disability and any Leave Without Pay extending beyond 20 working days. (This will be confirmed based on a separate policy note approval)" Discontinued during LTD is implemented. Discontinue for unpaid leave – requires policy note approval, further discussion with SEC and the development and approval of an unpaid leave policy. | Dec 2022 <u>Previous Date(s):</u> Dec 2018 Dec 2016 Mar 2016 Feb 2015 |

The following table summarizes the status of all issues identified in the Internal Audit of Salary Administration # 12-01.

| Total Recommendations | Closed | Pending |
|-----------------------|----------|---------|
| 18 | 17 (94%) | 1 (6%) |

Recommendation:

This is the fifth follow-up of the Salary Administration report dated February 11, 2013. Due to the limited resources available to the Office of the City Internal Auditor and the fact that the report is now over five years old it is recommended to remove it from Internal Audit's follow-up list as per standard procedure.

The Table below summarizes the closed issues from the Internal Audit of Salary Administration # 12-01.

| Recommendation | Status Update | Date |
|--|--|----------------------------------|
| <p>1.1 Management should develop an overall Compensation Policy. Municipal compensation policies across Canada vary widely in composition; however, many contain the following elements:</p> <ul style="list-style-type: none">• a purpose or objective statement• a scope paragraph outlining to whom the policy applies• definitions of terms used throughout the policy• a salary system or pay determination section• a position review and re-evaluation section• a pay administration section, | <p>The City has developed and implemented a comprehensive management pay policy which can be found on the internet. The effective date was January 14th, 2014. As a result, the former management overtime policy was rescinded. With the implementation of our new management pay system, we have grand fathered all existing employees and incorporated their management overtime allowances into salary. New management employees hired after the implementation date of the policy do not receive any monetary overtime allowance. The new policy has provisions which deal with extraordinary circumstances in which compensation may be approved. These items should be considered complete.</p> | <p>Implemented</p> <p>Closed</p> |

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| <p>1.2 Management should develop a procedure requiring regular, systematic comparisons of the remuneration paid for jobs at the City with similar positions in the market. The procedure should be included in the overall compensation policy and outline the timelines for performing the reviews, including a requirement for formal documentation and retention of the reviews.</p> | <p>The new comprehensive policy contains an external survey provision. The first survey was completed in September of 2014 however the response rate was extremely poor, and the number of comparable positions was low. The value of the survey was negligible. Perhaps it was a bad time to be requesting this type of information as our consultant indicated he had never experienced such a poor response rate. We will continue to perform these surveys bi-annually. This item should be considered complete.</p> | <p>Implemented Closed</p> |
| <p>2.1 Management should perform a full review of the rationalization for management car allowances to help ensure that the policy is fair and equitable to both the City and the employees...</p> | <p>The review of the vehicle allowance and mileage policies by the City's external auditors is complete. The report includes a comparison of the City's Management Car Allowance policy to relevant policies adopted by similar public-sector entities and to current best practice. City staff conducted additional research to compare the City's policy against those of like municipalities.</p> | <p>Implemented Closed</p> |
| <p>2.2 Management should review the rates that the City pays for all management car allowances with the intention of developing a rate that is fair to the City and also appropriately reimburses City employees for the costs incurred in operating their personal vehicles on City business.</p> | <p>A review of the current rates paid and the mechanism for determining those rates has been conducted. The annual cost of paying car allowances as compared to providing and maintaining City owned or leased vehicles has also been considered.</p> | <p>Implemented Closed</p> |

| Recommendation | Status Update | Date |
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| <p>2.3 Management should devise a new method for adjusting the amounts of the management car allowance and the maximum reimbursement amount for business use insurance that will result in a fair and reasonable adjustment for the City and its' employees.</p> | <p>The Travel and Mileage Reimbursement Policy dealing with these items was approved by Council on September 12, 2016 and is now implemented.</p> | <p>Implemented Closed</p> |
| <p>2.4 Management should review all City policies related to car allowances and ensure that the information contained in them is accurate and up to date. Then management should combine them into one comprehensive policy to provide management and employees with an accurate, single source of information.</p> | <p>The Travel and Mileage Reimbursement Policy, approved by Council on September 12, 2016, combines a number of the current City policies. However, it was felt that the policy on suspension of licence (policy # 03-10-10) should remain separate.</p> | <p>Implemented Closed</p> |
| <p>3.1 The term frequent basis should be defined in the Management Car Allowances Policy to ensure that all Department Heads are using the same standards when determining if their employees qualify for a car allowance.</p> | <p>A list of positions requiring a 4-wheel drive vehicle was finalized by the DCM of Public Works in consultation with Human Resources. Changes to the vehicle allowances were implemented effective January 1, 2018</p> | <p>Not Applicable Closed</p> |
| <p>3.2 In an effort to ensure consistent application of the Management Car Allowances Policy, management should develop guidelines for determining which classifications require the use of a personal vehicle and include them in the Policy and/or have the City Manager approve the determination prior to processing of the request by the Department of Human Resources.</p> | <p>A list of positions requiring a 4-wheel drive vehicle was finalized by the DCM of Public Works in consultation with Human Resources. Changes to the vehicle allowances were implemented effective January 1, 2018</p> | <p>Partially Implemented Closed</p> |

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| <p>3.3 Guidance should be provided in the Policy on the method to be used by Department Heads when estimating the annual mileage driven by their employees to help ensure that the determination of the amount of the car allowance is consistent among all Department Heads.</p> | <p>A list of positions requiring a 4-wheel drive vehicle was finalized by the DCM of Public Works in consultation with Human Resources. Changes to the vehicle allowances were implemented effective January 1, 2018</p> | <p>Partially Implemented Closed</p> |
| <p>3.4 Management should develop a standardized form to be used by the Department Heads for the justification of employee car allowances. The form should be forwarded to the Department of Human Resources for inclusion in the employee's personal file with a copy retained in the originating department.</p> | <p>A list of positions requiring a 4-wheel drive vehicle was finalized by the DCM of Public Works in consultation with Human Resources. Changes to the vehicle allowances were implemented effective January 1, 2018</p> | <p>Partially Implemented Closed</p> |
| <p>3.5 If management decides to develop a comprehensive vehicle policy, then a separate section related to mileage claims should be created. If a comprehensive policy is not implemented, then a new policy related to mileage claims should be developed. (See report for examples of items to be included in the policy.</p> | <p>The Travel and Mileage Reimbursement Policy, approved by Council on September 12, 2016, addresses all items noted in the recommendation.</p> | <p>Implemented Closed</p> |

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| <p>3.6 Management should revise Section II of the Management Car Allowances Policy by: i) presenting the mileage brackets for cars and trucks/4X4's in a more user friendly format, such as in a table, and ii) referring employees to a location, such as the City's Intranet site, where the current rates for each mileage bracket would be documented and updated.</p> | <p>The Travel and Mileage Reimbursement Policy, approved by Council on September 12, 2016, addresses all items noted in the recommendation.</p> | <p>Implemented Closed</p> |
| <p>3.7 If management decides to develop a comprehensive vehicle policy, then a separate section related to the reimbursement for business use insurance should be created. If a comprehensive policy is not implemented, then the section on the reimbursement for business use insurance should be added to Policy 03-10-03 Proof of Valid Driver's Licence and/or Business Use Insurance. The section should refer employees to a location, such as the City's Intranet site, where the current maximum amount for reimbursement for business use insurance would be documented and updated, and refer to the Transportation component of the CPI for Newfoundland and Labrador instead of St. John's.</p> | <p>The Travel and Mileage Reimbursement Policy, approved by Council on September 12, 2016, includes the requested information in appendix 1 which is available in the policy section of the intranet.</p> | <p>Implemented Closed</p> |

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| <p>3.8 Management should determine if it is still appropriate for the City to assist in the disposal of an unwanted vehicle for an employee who was receiving a management car allowance and was laid off, terminated for cause, or displaced by another employee. Consideration should be given to phasing out the incentive by not providing it to employees who are new to positions requiring the use of a personal vehicle including employees who are hired into such positions on a casual, temporary or seasonal basis.</p> | <p>This practice will be removed from the policy.</p> | <p>Implemented Closed</p> |
| <p>4.1 Management should rescind Policy: 03-03-10, Compensation in Lieu of Overtime for Management Staff, and add the overtime provisions to the overall compensation policy recommended in Issue 1.1. Management should also review the other sections of the Policy and add them to other related City policies if appropriate. The overtime provisions should be expanded to include:</p> <ul style="list-style-type: none"> i. a definition of compensatory overtime; ii. the forms and approvals required to account for overtime worked; iii. the justification requirements (i.e., criteria) and approval process for obtaining an overtime allowance; and iv. how to determine the dollar amount and/or extra annual leave of overtime allowances. | <p>The City has developed and implemented a comprehensive management pay policy which can be found on the internet. The effective date was January 14th, 2014. As a result the former management overtime policy was rescinded. With the implementation of our new management pay system, we have grand fathered all existing employees and incorporated their management overtime allowances into salary. New management employees hired after the implementation date of the policy do not receive any monetary overtime allowance. The new policy has provisions which deal with extraordinary circumstances in which compensation may be approved. These items should be considered complete.</p> | <p>Implemented Closed</p> |

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| <p>4.1 (Cont'd) The provisions should also include a requirement for a regular review of overtime worked by each individual receiving an overtime allowance to help ensure that the allowance remains reasonable. This would include a mandatory review whenever an individual's work situation changes (e.g., new shift(s) added, new position(s) added, change of job, etc.). All reviews should be documented and kept on file.</p> | | |
| <p>4.2 A formal, documented review of management overtime allowances should be conducted after the overtime policy is revised as recommended in Issue 4.1. The review should examine the number of overtime hours being worked by each employee and determine if the overtime is necessary or compensable as per the revised policy. For example, does the overtime appear to fall under the definition of "assignment responsibility" which does not normally attract overtime payments or is the overtime a result of attending meetings after hours where a flexible work schedule may alleviate the requirement for overtime.</p> <p>Using the guidance provided in the revised policy, management should next calculate the individual overtime allowance recommendations which should be submitted to Council for approval. Once approval has been obtained, management</p> | <p>The City has developed and implemented a comprehensive management pay policy which can be found on the internet. The effective date was January 14th, 2014. As a result the former management overtime policy was rescinded. With the implementation of our new management pay system, we have grand fathered all existing employees and incorporated their management overtime allowances into salary. New management employees hired after the implementation date of the policy do not receive any monetary overtime allowance. The new policy has provisions which deal with extraordinary circumstances in which compensation may be approved. These items should be considered complete.</p> | <p>Implemented Closed</p> |

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| 4.2 (Cont'd) should update the appendix to the policy to ensure it is accurate and make sure that all necessary documentation, as required by the revised policy (e.g., justification forms, approval forms, etc.), is on file. This review should be conducted on a regular basis as stated in the revised policy. | | |
| 4.3 When revising the policy as recommended in Issue 4.1, management should add a section regarding how overtime allowance payments will be handled during an employee's absence from work, including annual leave, sick leave, unpaid leaves of absence, Long-Term Disability, etc. | The City has developed and implemented a comprehensive management pay policy which can be found on the internet. The effective date was January 14th, 2014. As a result the former management overtime policy was rescinded. With the implementation of our new management pay system, we have grand fathered all existing employees and incorporated their management overtime allowances into salary. New management employees hired after the implementation date of the policy do not receive any monetary overtime allowance. The new policy has provisions which deal with extraordinary circumstances in which compensation may be approved. These items should be considered complete. | Implemented Closed |