



# **ASSURANCE AUDIT OF SALARY EXPENDITURES AND EMPLOYEE BENEFIT PLANS (EBP) COSTS**

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**Foreign Affairs Canada  
Office of the Inspector General  
Audit Division (ZIV)**

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## **EXECUTIVE SUMMARY**

This report presents the findings of the audit of Foreign Affairs Canada's (FAC) practices associated with the accounting for salary expenditures and employee benefit plans (EBP) costs. The objective of the audit was to determine whether the Department appropriately and consistently accounts for these expenditures in accordance with prescribed departmental and Central Agency accounting standards and relevant regulations. The scope of the audit focussed on the practices applied by missions abroad, the Locally Engaged Staff Services Bureau (HLD), the International and Domestic Financial Management and Contracting Services Division (SMF), the Planning, Program Analysis and Budgeting Division (SMP) and the Corporate Management Systems, Policy and Compensation Division (SMS).

The recording of Canada Based Staff (CBS) salary expenditures relies heavily on the interfaces between PWGSC's On-Line Pay System and the Department's Salary Management and Integrated Management Systems (IMS). The Audit Team identified and tested three key interface controls and found that they were operating effectively during the 2003/04 fiscal year. This provides assurance to senior management that the 2003/04 CBS gross salary expenditure information in IMS is accurate and complete.

With regard to Locally Engaged Staff (LES), our examination of a sample of 2003/04 gross salary expenditures indicates that they were incurred in accordance with HLD's authorized pay scales and accurately recorded in IMS. We did observe, however, a degree of inconsistency in the accounting procedure applied by missions to record LES salary expenditures in IMS. The variations create inefficiencies, both at missions and headquarters, and do reduce the usefulness of LES payroll information in IMS. In our opinion, there is a need to standardize the accounting procedures used to record LES salary information in IMS.

The Audit Team identified a number of administrative inefficiencies and control gaps in the LES human resource and payroll process due to duplicate work processes and the manual transcription of data into multiple systems. While the possibility of a corporate LES payroll system was explored by SMS in 2000, it was determined not to be feasible due to the diverse needs of local employment markets. The Audit Team believes that the Department should explore the possibility of creating system interfaces that will allow data export files from the mission payroll software to be imported into Peoplesoft and IMS, thereby removing inefficiencies and allowing for the creation of automated controls.

The amount of Employer Benefit Plans (EBP) costs included in the 2003/04 Main Estimates was based on the Department's total personnel costs<sup>1</sup>. The Treasury Board Secretariat (TBS) seeks payment from the department for its EBP costs by issuing an invoice on a monthly basis whose amount is determined by dividing the amount of EBP costs, included in the Main Estimates, by 12. Since LES are not part of the EBP, the amount invoiced by the TBS during the year was overstated by \$41.2M. The overpayment was corrected as a result of a TBS year-end adjustment process. To avoid future overstatement of EBP costs in IMS, LES salary costs should be excluded from the EBP costs for Main Estimates purposes.

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<sup>1</sup> Total personnel costs represents the sum of exempt staff salaries, foreign service allowances, LES salaries and CBS salaries and overtime charges less the Minister's salary and car allowance.

## 1.0 BACKGROUND

1.1 Foreign Affairs Canada and International Trade Canada's (FAC/ITCan) salary and employee benefit plans (EBP) costs exceeded \$600 million during the 2002/03 and 2003/04 fiscal years as detailed in the following table.

<b>Foreign Affairs Canada and International Trade Canada Analysis of Actual Salary Expenditures &amp; Employee Benefit Plans (EBP) Costs</b>		
	<b>2002/03</b>	<b>2003/04</b>
Canada Based Staff - Salaries & Wages	\$ 365,778,000	\$ 372,642,000
Locally Engaged Staff - Salaries & Wages	\$ 197,670,000	\$ 194,975,000
Employee Benefit Plans	\$ 52,874,000	\$ 66,536,000
<b>Total Salary &amp; EBP Expenditures</b>	<b>\$ 616,322,000</b>	<b>\$ 634,153,000</b>

Note: Amounts based on actual expenditure data per IMS commitment reports.

1.2 Canada Based Staff (CBS) Salary expenditures were included in the 2001/02 SIV audit of Compensation Services. The 2001/02 audit approach included, in part, comparing the information included in PWGSC's On-Line Pay System with the data contained in Compensation Services (SMSH) records. It found no major discrepancies. The interfaces between the PWGSC's On-Line Pay System and the Department's Salary Management and Information Management Systems were not part of that audit's scope and, therefore, not subject to examination.

## 2.0 AUDIT OBJECTIVE, SCOPE, APPROACH AND TIMING

### 2.1 Audit Objective

2.1.1 Our audit objective was to determine whether the Department accounts for its salary expenditures and EBP costs in an accurate and consistent manner in accordance with prescribed departmental and Central Agency accounting standards and relevant Regulations.

### 2.2 Audit Scope

2.2.1 FAC/ITCan's 2003/04 salary expenditures and EBP costs, as reflected in the following table, formed the scope of the audit. These expenditures were incurred over a period where FAC and ITCan operated as the Department of Foreign Affairs and International Trade (DFAIT).

FAC/ITCan's Salary Expenditures and EBP Costs <sup>1</sup> 2003/04		
CBS - Salaries and Wages	LES - Salaries and Wages	EBP Costs
\$ 372,642,000	\$ 194,975,000	\$ 66,536,000

**Note**

1. Amounts based on actual expenditure data per IMS commitment reports.

2.2.2 The proper recording of CBS salary expenditures relies heavily on interfaces<sup>2</sup> between PWGSC's On-Line Pay System and the Salary Management and Integrated Management Systems (IMS). The responsibility for monitoring the effectiveness of these interfaces is divided between the Corporate Management Systems, Policy and Compensation (SMS) and the Planning, Program Analysis and Budgeting (SMP) divisions. The scope of our audit for CBS salaries focussed on the system interfaces and the monitoring practices applied by SMS and SMP.

2.2.3 As a result of positive findings from the Audit of Compensation Services in September 2002, the audit did not include a review of the accuracy of the salary information in PWGSC's On-Line Pay System. The Audit Team also excluded the process whereby files are exported from IMS and imported into the Salary Management System as it will be examined as part of the Audit of the Salary Management Devolution Initiative.

2.2.4 FAC/ITCan's locally engaged staff (LES) salary expenditures are administered by missions abroad with guidance provided by HLD and SMF. The scope of the audit of LES salaries focussed on the practices of missions and their adherence to established procedures, LES Employment Regulations and Terms and Conditions Regulations.

2.2.5 The amount of the EBP costs is established by SMP and recorded in IMS by SMF. Accordingly, the scope of our audit of EBP costs focussed on the practices applied by those divisions.

**2.3 Audit Approach and Timing**

2.3.1 The internal audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing. The examination took place during the period of January 2004 to July 2004.

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<sup>2</sup> Interface between PeopleSoft and the Salary Management System is excluded from the scope of the audit. A separate audit of PeopleSoft HRMS will examine the effectiveness of selected PeopleSoft support processes with one of the objectives being to improve data integrity.

2.3.2 The Audit Team selected a judgmental sample of CBS salaries and tested the effectiveness of the system interfaces. It also selected a judgmental sample of LES salary expenditures recorded in IMS during the 2003/04 fiscal year. The audit work associated with the LES sample items included a review of documentation provided by missions abroad and interviews with key stakeholders (i.e. HLD, SMS, and SMF).

2.3.3 Interviews were held with SMP and SMF representatives to determine the basis for calculating the amount of EBP costs. Entries posted in IMS during 2003/04 to record EBP costs were examined for completeness and accuracy.

### **3.0 OBSERVATIONS AND RECOMMENDATIONS**

#### **3.1 CBS Salaries - System Interfaces**

3.1.1 The recording of CBS salary expenditures relies heavily on interfaces between PWGSC's On-Line Pay System and the Salary Management System and IMS. The effectiveness of these interfaces is critical for ensuring the accuracy and completeness of CBS salary expenditure information recorded in IMS. There are three key controls to provide assurance that the interfaces are operating effectively. The Audit Team tested the effectiveness of these controls.

3.1.2 Prior to importing the PWGSC On-Line Pay System data into the Salary Management System in full, SMSF runs a system edit control on the export file to identify any data errors. The Salary Management System accepts the PWGSC CBS pay data only after these errors (if any) are resolved by SMSF and then exports an updated file containing the most recent financial coding for input into IMS.

3.1.3 SMSF also carries out a month end reconciliation between the PWGSC control file and the total amount imported and posted to IMS. This process ensures that the salary expense in IMS is complete and that all funds paid out by PWGSC's online system have been recorded.

3.1.4 On a yearly basis, the Financial Analysis Division (SMPF) reconciles the CBS salary expenditure data in the Salary Management System with that in IMS. SMPF has prepared a business process document that describes the reconciliation process for corporate memory purposes. The Audit Team examined the application of the reconciliation process for the year ended March 31, 2004 and found that the difference in the total CBS salary expenditures recorded in IMS and the Salary Management System was not material (i.e. \$8K on \$300M of expenditures), reconciling items were properly explained and an adequate audit trail of the reconciliation process existed.

3.1.5 Salary accrual entries are made in IMS by SMSF by importing a Salary Management System export file. These entries represent salary liabilities and must be manually reversed by SMSF the following month. A review of general ledger (GL)

account 27501, Accrued Liability - Salaries, determined that salary accruals were reversed in a timely manner during the 2003/04 fiscal year.

3.1.6 In summary, our test results indicate that each of the above controls was operating effectively during the 2003/04 fiscal year. The audit team can provide assurance to FAC/ITCan senior management that the 2003/04 CBS gross salary expenditure information in IMS is accurate and complete.

## 3.2 EBP Costs

3.2.1 SMP includes an amount in FAC/ITCan's Main Estimates representing the employer's contribution to the various EBP<sup>3</sup> available to civilian employees. The amount included in the Main Estimates is determined by applying a percentage, as specified by the Treasury Board Secretariat (TBS), to the amount of estimated personnel costs<sup>4</sup>. The TBS seeks payment from FAC/ITCan for its EBP costs by issuing an invoice on a monthly basis. The amount of the invoice is calculated by dividing the amount of the EBP costs, included in the Main Estimates, by 12. At year-end, the TBS determines whether an amount is owing to or from FAC/ITCan, based on the actual salary costs incurred for the fiscal year.

3.2.2 SMP based the amount of the EBP costs included in the 2003/04 Main Estimates on FAC/ITCan's total estimated personnel costs. The amount of LES salaries should be excluded when estimating the value of EBP costs as these apply to CBS only. As a result, the total value invoiced by the TBS during periods 1 to 12 of the 2003/04 fiscal year was overstated by approximately \$41.2M<sup>5</sup>. In turn, a corresponding overstatement of EBP expenditures was recorded in IMS over the same period.

3.2.3 The correct amount of EBP costs for the 2003/04 fiscal year was recorded in IMS as a result of a TBS year-end adjustment process. To avoid future overstatement of EBP costs in IMS, LES salary costs should be excluded from the EBP costs for Main Estimates purposes. SMP is aware of the above issue and intends to take appropriate corrective action when preparing the 2005/06 Main Estimates.

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<sup>3</sup> EBP include the Public Service Superannuation Account, the Supplementary Retirement Benefits Account, the Canada Pension Plan Account, the Quebec Pension Plan, the Public Service Death Benefit Account and the Employment Insurance Account.

<sup>4</sup> Total personnel costs represents the sum of exempt staff salaries, foreign service allowances, LES salaries and CBS salaries and overtime charges less the Minister's salary and car allowance.

<sup>5</sup> Amount of overstatement is calculated by applying the TBS EBP percentage of 20% to the LES salary costs included in the 2003/04 Main Estimates, i.e.  $20\% \times \$206,148,500 = \$41,229,700$



## **Recommendation for SMP**

- 3.2.4 Exclude estimated LES salary costs when establishing the amount of EBP costs.**

### **SMP Action and Time frame**

- 3.2.4 The recommendation was implemented during the preparation of the 2005-06 Main Estimates. As a result, the contributions to EBP in the 2005-06 Main Estimates have been reduced by \$46.9M compared to the EBP of \$106.3M in 2004-05. The reduction consists of \$40M related to LES (as EBP costs apply to CBS only) and \$6.9M due to the percentage change from 21.5% to 20%. There is also a footnote to the contributions to employee benefit plans on the Ministry Summary (2005-06 Main Estimates) which reads: "As of 2005-06, the amount calculated for contributions to employee benefit plans is based on the personnel costs included in Department of Foreign Affairs and International Trade (Foreign Affairs) Vote 1 for public service employees only, since the cost of pension, benefit and insurance plans for employees of the Department of Foreign Affairs engaged locally outside Canada is provided for within Treasury Board Secretariat Vote 20 - Public Service Insurance".**

## **3.3 LES Salary Expenditures**

### **Accuracy of IMS LES Salary Expenditure Data**

**3.3.1** The gross salary expenditures associated with our sample of LES were in accordance with the HLD approved pay scales and accurately captured in IMS. Missions, however, apply different accounting procedures when recording the gross salary expenditures in IMS. The variations create inefficiencies at missions and headquarters and do reduce the usefulness of LES payroll information in IMS. The noted inconsistencies are as follows:

### **Bulk vs Individual Entries**

**3.3.2** The majority (i.e. 31) of the missions in our sample post the net salary payable for all employees as a bulk entry against the bank vendor account, whereas the remaining missions (i.e. 14) post the payable to individual employee vendor accounts. The latter approach is extremely time consuming, but maintains a detailed expenditure record by employee in IMS.

	Missions <sup>6</sup>	# of Sample Transactions
<b>Bulk</b>	31	131
<b>Individual</b>	14	47

## Document Types

3.3.3 From our sample of 178 transactions, 67% were recorded as a KR (vendor invoice document), while 24% were accounted for by processing an SA (journal voucher) followed by a KR. The remaining 9% were recorded by using only an SA to account for the salary expense.

Document Type	Posting of Salary Expense - Process Description	# of Sample Transactions
<b>KR</b>	Vendor invoice doc (KR) used to post salary expense to GL 40000 (LES Regular Salary).	119 (67%)
<b>SA and KR</b>	Journal voucher (SA) used to post salary expense to GL 24020 (Mission Suspense). A vendor invoice doc (KR) is then processed removing the salary expense from GL 24020 and posting it to GL 40000 (LES Regular Salary).	43 (24%)
<b>SA</b>	Journal voucher (SA) used to post salary expense to GL 40000 (LES Regular Salary).	16 (9%)

## Use of Deduction Liability GL Accounts

3.3.4 The Audit Team found that salary deductions for 16 (9%) out of the 178 sample transactions examined were not recorded as a liability when the payroll costs were initially recorded in IMS. Rather, the deductions were inappropriately recorded as a reduction in the salary expense associated with the pay period by way of posting a credit entry to GL 40000 (LES Reg. Sal Exp.). Missions did, however, subsequently record the salary expense related to the deductions when they processed the payment to a third party. This process results in a short-term understatement of FAC/ITCan's gross salary expenditures and liabilities for deductions. More importantly, since the deduction liability accounts are not used, it is difficult to reconcile the amounts deducted from LES to the amounts remitted to a third party on their behalf. In addition, any gain/loss on exchange will likely be included in the gross salary expense and not separately recorded in IMS.

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<sup>6</sup> The audit team examined LES salaries associated with 45 sample missions. From those missions, a judgmental sample of 178 LES salary expenditure transactions were selected with each transaction representing an individual on a pay list.

3.3.5 The above finding prompted a separate review of credit postings made by vendor invoice document (KR) to GL 40000 (LES Reg. Sal Exp). It found that 40 missions posted \$890K<sup>7</sup> worth of credit entries to GL 40000 during the 2003/04 fiscal year. A judgmental sample of the five highest dollar value missions was selected and, in all cases, the credit entries were being used to inappropriately account for LES salary deductions to be remitted to a third party.

3.3.6 In summary, our sample of 2003/04 LES gross salary expenditures indicated that they were incurred in accordance with HLD's authorized pay scales and accurately recorded in IMS. Our observations indicate, however, a degree of inconsistency in the accounting procedure applied by missions to record LES salary expenditures in IMS. The variations create inefficiencies, both at missions and headquarters, and do reduce the usefulness of LES payroll information in IMS. In the opinion of the Audit Team, there is a need to standardize the accounting procedures that missions use to record LES salary information in IMS.

### **Recommendation for SMF**

**3.3.7 Develop and communicate to missions an accounting procedure to record LES salary expenditures, allowances, benefits and deductions in IMS.**

### **SMF Action and Time frame**

**3.3.7 The software program available to missions for LES pay has recently been upgraded as a result of the SIGNET upgrade. While a longer term solution is being pursued, it would be advantageous to have an automated download of LES pay information to IMS to ensure a consistent level of detail in IMS. This will be discussed with our IMS team and procedures will then be developed and communicated to Missions. (Fall 2005)**

### **Adherence to Financial Signing Authorities**

3.3.8 The Audit Team found that LES salary expenditures are not always approved in accordance with FAC/ITCan's delegated financial authorities.

3.3.9 In our sample of 178 transactions, Section 34 was not properly exercised in 65 cases (37%), whereas Section 33 was not properly exercised in 16 cases (9%).

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<sup>7</sup> The amount recorded by some missions against GL 40000 was, at times, net of the amount due to third parties for source deductions. In these instances, there is no separate credit posting against GL 40000 as the amount is netted against GL 40000. The \$890K would not, therefore, represent the full value of those instances where third party source deductions are netted against GL 40000.

Details as to the breakdown in the Section 33 and 34 financial controls are provided in the table below.

IMS Input Doc / IMS Section 34/33 Report	Section 34	Section 33
Not signed <sup>8</sup>	21	12
Signed - without delegated authority	7	4
Signed - exceeded delegated authority <sup>9</sup>	37	0
<b>Total</b>	<b>65 (37%)</b>	<b>16 (9%)</b>

### Recommendation for SMF

**3.3.10 Include, in the procedures recommended in 3.3.1.c, direction on the application and documentation of Sections 34 and 33 of the Financial Administration Act (FAA) as it pertains to LES salary expenditures.**

### SMF Action and Time frame

**3.3.10 This will be included in our communication noted in response to recommendation 3.3.1.c.**

### Adherence to LES Employment and Terms and Conditions Regulations

3.3.11 The amount of the annual pay, as per the mission pay list, agreed to the amount per the pay scales established by HLD for 169 of the 178 sample transactions reviewed. The remaining nine sample transactions were contract employees, and thus the HLD pay scales were not applicable. However, it is unclear as to why contract employees were appearing on mission pay lists, suggesting the possible existence of an employer/employee relationship.

3.3.12 In 15 cases (9%), the Audit Team was not able to trace the annual or base pay amount on the mission pay list to Ext. 208 documentation at HQ (HLD and archives). In eight instances, the annual pay amount per the Ext. 208 contained in the HQ file did not agree to the amount on the mission pay list. There were an additional seven instances where no Ext. 208 could be found in the HQ file. The missing Ext.

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<sup>8</sup> When missions paid LES salaries via bank transfers, payment documents were not always signed under Section 34/33. In those cases, the mission signed the "instruction" letter to the bank and considered this sufficient.

<sup>9</sup> All instances where an individual exceeded their authority for Section 34 resulted from the posting of the LES salary expense as a bulk transaction. By processing an IMS document for all LES, rather than one for each individual, the amount of the document often exceeds the signing officer's delegated authority under Section 34.

208s will cause difficulties when calculating severance payments due to LES upon their departure.

3.3.13 In all instances (sample of 30 LES covering 28 missions), an employee's initial salary did not exceed the mid-step of the pay scale when being taken on strength (TOS) as per the LES Terms and Conditions Regulations, section 4.1.3(ii).

3.3.14 The Audit Team found four instances (sample of 28 LES covering 15 missions) where employees struck off strength (SOS) appeared in the subsequent two mission pay lists. It was determined that this was due to employees returning to the Mission for emergency employment or an overtime cash out in the month following being SOS.

3.3.15 The Audit Team acknowledges that accountability for LES pay administration lies with the Head of Mission (HOM). It also recognizes that HLD has a monitoring program in place which provides assurance that the salary amount appearing on the Ext. 208s agrees with the applicable pay scale authorized by the Bureau and relevant sections of LES regulations. The Audit Team noted, however, that there is no corporate oversight function in place, in either SMD or HLD, to provide assurance that the amounts actually paid to LES are in accordance with the pay scales authorized by HLD.

3.3.16 The Audit Team believes that the need for a corporate oversight function is supported by the fact that payroll expenditures are typically higher risk payments and are material (i.e. \$194M). In addition, the oversight function would provide FAC/ITCan with the ability to identify the potential for employer/employee relationships with respect to contractors who appear on the mission pay list. It would also identify, on an on-going basis, any discrepancies between the Ext. 208 data and amounts actually paid to LES. This will improve the efficiency of HLD's pension and severance pay calculation processes which have experienced difficulties in the past due to inaccurate Ext. 208 information.

3.3.17 The Audit Team further believes that the corporate oversight role is best placed within HLD, given that it maintains all the necessary information to discharge the function and it has a vested interest in FAC/ITCan achieving a high level of compliance with departmental LES pay scales.

## **Recommendation for HLD**

**3.3.18 Assume a corporate oversight role by augmenting existing monitoring processes to include the periodic drawing of a sample of LES from mission pay lists to verify that the payroll data agrees with the Ext. 208 in HLD.**

## **HLD Action and Time frame**

- 3.3.18 HLD will notify missions, before the end of March 2005, that they are required to send their LES payroll to the bureau so that it can exercise an oversight function beginning with the 2005/06 fiscal year.**

## **Integration of LES Salary Expenditure Accounting and Human Resource Processes**

3.3.19 Missions discharge their LES payroll responsibility using a variety of methods including the LE\$PAY spreadsheet developed by FAC/ITCan, commercial payroll applications and outsourcing the function to a local company.

3.3.20 The LE\$PAY spreadsheet was developed in 1995 to ensure that the Department could accurately calculate income tax deductions for Canadian LES, remit the correct amounts to Revenue Canada and produce T4s for the calendar year. According to the LE\$Pay website, this was to be an interim solution for two years, at which time it would be replaced by a Corporate Pay System. The possibility of a corporate LES payroll system was explored by SMS in 2000, but was determined to be unfeasible due to the diverse needs of local employment markets. In the view of the Audit Team, the lack of a corporate pay system for LES has created inefficiencies and control gaps in the LES human resource and payroll processes.

3.3.21 The administrative inefficiencies and control gaps are derived from process duplication and the manual transcription of data.

## **Process Duplication**

3.3.22 Each change to an LES' pay profile requires triple data entry, whereby missions must process the change in LE\$PAY, complete an Ext. 208 and send it to HLD for input into PeopleSoft. While the Audit Team did not quantify the impact of the inefficiency, it believes that it would likely be significant, considering that the Department completes a minimum of 30,000<sup>10</sup> data inputs per year with respect to LES.

## **Manual Transcription of Data**

3.3.23 After the mission payroll has been completed, the mission manually inputs the salary expense into IMS. This manual intervention increases the risk for error and inconsistency in the way the expenses are input, as evidenced in section 3.3.1 above (Accuracy of IMS Salary Expenditure Data).

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<sup>10</sup> Approximately 5,000 LES receive a minimum of two salary updates per year (salary revision and annual increment). Salary updates translate into 10,000 data inputs (i.e. 5,000 x 2) into each of LE\$PAY, Ext. 208s and PeopleSoft systems, for a total of 30,000 inputs on an annual basis.

3.3.24 When the LES payroll is processed at missions using LE\$PAY, an export file is automatically sent to SMST which downloads the information into a data base. However, the information contained in SMST's data base is not complete because not all missions use LE\$PAY. In addition, missions must complete the CAD exchange rate for Canadian LES for income tax purposes, but do not always enter the exchange rate for the other LES. This adversely impacts the accuracy of the information included in SMST's data base as it reflects a mix of Canadian and foreign funds. The significance of the noted data integrity concerns is limited due to the current use being made of the data (i.e. production of T4 slips), but would increase if the use of the information was broadened in response to future policy or business process changes.

3.3.25 Currently, there is no reconciliation of LE\$PAY and IMS data completed by either mission or headquarters personnel. The lack of an interface between LE\$PAY and local payroll systems (where applicable) used by missions with IMS, increases the complexity of the reconciliation process and explains, in part, why one is not performed.

3.3.26 Through discussions with the Technical Support and Development Division (SMST), the Audit Team believes that the incorporation of system interfaces would be the most advantageous scenario for improving the LES payroll process. The interfaces would allow missions to use the payroll software of their choice, provided it could produce an export file containing all data required for input into IMS and PeopleSoft. The export file would be received by HQ and imported into the respective systems and allow for the creation of automated controls. In addition to removing current inefficiencies, this process would provide FAC/ITCan with the information required to monitor and reconcile LES salary expenditures of approximately \$194M incurred on an annual basis .

### **Recommendation for SMF**

**3.3.27 Prepare, in consultation with HLD and SMS, a business case assessing the feasibility of developing system interfaces that receive export files from the missions' payroll software for input into PeopleSoft and IMS.**

### **SMF Action and Time frame**

**3.3.27 SMF in consultation with HLD and SMS will be reviewing strategies for the delivery of LES pay in the future with an emphasis on the use of technology to reduce duplication and enhance consistency in application and accounting treatment. Options will be studied in the spring/summer of 2005 leading to the development of a business case by the end of the year.**