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Review of Work Force Adjustments

The Audit and Evaluation Branch

February 2014

Canada 

Key dates

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Prepared by the Audit and Evaluation Team

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EXECUTIVE SUMMARY

This review was included in the departmental 2012 Risk-Based Audit and Evaluation Plan as approved by the Deputy Minister, upon recommendation of the External Audit Advisory Committee.

The review was conducted by the Audit and Evaluation Branch (AEB) in close collaboration with the Human Resources Branch (HRB). The objectives were to provide assurance to support the implementation of some key elements of Work Force Adjustments (WFA) by ensuring that WFA selection strategies and rationales for decisions and evidence of the tools used were appropriately documented, and that positions abolished as a result of workforce reductions were not backfilled.

The review indicated that the work and guidance provided by HRB, in the context of 2012 Budget reductions related to WFAs, has had a positive impact in the practices surrounding the Selection for Retention or Lay-Off (SERLO) process. The review found that documentation pertaining to the selection of employees for retention or lay-off was adequate and that the positions abolished as a result of workforce reductions were not being filled by temporary agency personnel or any other non-indeterminate employees.

No recommendations are being made in the context of this review, as the few findings identified were resolved by HRB before completion of the review.

1. INTRODUCTION

This review was included in the departmental 2012 Risk-Based Audit and Evaluation Plan as approved by the Deputy Minister, upon recommendation of the External Audit Advisory Committee. The review was conducted by the Audit and Evaluation Branch (AEB) in close collaboration with the Human Resources Branch (HRB) and provided the required assurance to support the implementation of some of the key elements of the Workforce Adjustment process.

1.1 Background

The Department went through two waves of workforce adjustments. The first occurred in 2011–2012 as a result of budget reductions due mostly to sunseting programs, and the second in 2012–2013 in response to the 2012 Budget reductions. The areas of high risk identified were the Work Force Adjustments' (WFA) implications for the practices surrounding the Selection for Retention or Lay-off (SERLO) processes and the use of the priority clearance system for the referral of employees. More specifically, the degree of flexibility managers had in the selection of employees for retention or lay-off and the risk of backfilling the abolished positions with other types of staffing actions, or creating substantially similar new positions were some of the concerns raised by management.

In addition, results of the 2011 Public Service Commission (PSC) audit of Environment Canada's (EC's) appointment activities indicated that improvements to the overall appointment process were required. This finding contributed to the perception, by senior management, of the WFA as a risk area (as confirmed by the June 2012 Integrated Risk-Based Audit & Evaluation Plan).

At the outset of the WFA process, HRB developed a guidance document entitled Environment Canada Placement Strategy for Affected Employees and Guidelines on the Selection for Retention or Lay-off. The guidelines were developed to assist managers in determining effective, consistent and equitable strategies for workforce adjustment situations.

The Department also had a robust communication plan to ensure employees were well informed on how EC was managing the implementation of the Budget 2012 reductions. At the outset, notifications and consultations took place with key personnel. Program functions and individual operations were reviewed, redundant positions were identified, and affected¹ employees were notified. In addition, EC's alternation² process was successful in making some matches between opting³ employees and employees volunteering as alternates.

¹ "Affected employees" are indeterminate employees who were informed in writing that their services might no longer be required because of a WFA situation.

² "Alternation" occurs when an opting employee (not a surplus employee) who wishes to remain in the core public administration exchanges positions with a non-affected employee (the alternate) willing to leave the core public administration with a transition support measure or an education allowance.

³ An "opting employee" is an indeterminate employee whose services will no longer be required because of a Work Force Adjustment situation and who has not received a guarantee of a reasonable job offer from the deputy head and who has 120 days to consider one of the options under Section 6.3 of the *Work Force Adjustment Directive*.

1.2 Objectives and Scope

The objectives of this review were to provide assurance that:

1. WFA selection strategies and rationales for decisions and evidence of the tools used were appropriately documented; and
2. functions of positions abolished as a result of workforce reductions were not being performed by someone else hired through other types of staffing actions.

This review examined the second wave of WFAs and was therefore limited to the staffing processes conducted in the context of Work Force Adjustments activities for fiscal year 2012–2013. The fieldwork was conducted in two phases, between June 2012 and June 2013. In order to provide timely feedback, the results of the first phase were communicated to HRB in a management letter.

The review procedures related to the second objective were limited to the examination of casual, temporary, term appointments and newly created positions, but did not examine contracts. Accordingly, this review provides reasonable, but not complete, assurance that activities similar to or in replacement of abolished positions have not taken place.

Detailed methodology and criteria are further explained in Annex I.

1.3 Statement of Conformance

This review conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program, and as applied in the context of a review.

In our professional judgement, sufficient and appropriate procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the end of the fieldwork in June 2013.

2. FINDINGS

Documentation pertaining to the selection of employees for retention or lay-off is appropriate

HRB's guidance document Environment Canada Placement Strategy for Affected Employees and Guidelines on Selection for Retention or Lay-off stipulates that "... *the Department must ensure that indeterminate employees who are affected by workforce adjustment are treated in an open, fair and equitable manner.*" Consistent with this objective, the PSC guidance document on completing selection for retention or lay-off states that "...*all files pertaining to the selection of employees for retention or lay-off must be well documented and include the following:*"

- decisions related to determining the affected part of the organization and the employees in that part of the organization who will be included in the assessment;
- the merit criteria and selection criteria;
- communication to and from the employees involved; and
- all the specific details of the assessment and related decision that form the basis of the SERLO decision for each employee.

In response to the reductions attributable to the Budget 2012 decisions, the Department initiated 33 SERLO processes in April 2012. Of these processes, 19 were cancelled because the affected employees either withdrew from the selection process to become opting employees or accepted other offers.

The remaining 14 SERLO processes were all reviewed and tested to ensure that the workforce adjustment selection strategies and rationales for decisions were appropriately documented. The testing was based on 13 key criteria developed in collaboration with HRB. These criteria were also vetted by PSC, which recognized them as a best practice. The results of the test revealed that most files were well documented, with the exception of some missing information relating to the following 3 criteria:

- on-file documentation, supporting the identification of affected positions and employees, was not always clear;
- some rating guides were incomplete (e.g. lacking signatures and dates); and
- assessment results were not always clearly documented.

No recommendations were made as a result of these findings. A management letter was issued as an interim report and HRB managers have since added the required documentation to the files.

Positions abolished as a result of workforce reductions are not backfilled

In keeping with the spirit of the workforce adjustment exercise and the directive, departments or organizations should not hire staff either through temporary agencies, or any other type of non-indeterminate staffing action to perform the functions of a position that has been abolished (i.e. backfilling).

The second objective of the review involved examining a sample of positions to be abolished between April 1, 2012, and March 31, 2013, and verifying that

- the abolished positions were deleted from the Human Resource Information Management System (HRMIS) in a timely manner; and
- functions associated with the abolished positions were not performed by anyone else, either through temporary help, or casual or term employment, including the placement of employees in newly created positions.

Testing revealed that none of the functions of the abolished positions were being performed by anyone else, either on a permanent or a temporary basis. At the time of the review, there were seven WFA positions still showing in the HRMIS; these were either identified as vacant/active positions or unresolved cases, for reasons such as

employees opting for surplus status or employees being currently on leave without pay. There were also a few cases where HRB had not had the time to delete the positions from the HRMIS. The latter positions have since been removed from the system.

Recommendations:

There are no recommendations, as the findings identified were resolved by HRB before the completion of the review.

3. CONCLUSION

Overall, AEB concludes positively that both review objectives were well satisfied. As well, the results of the review indicated that the support and guidance provided by HRB, in the context of 2012 Budget reductions related to WFAs, has had a positive impact on the practices surrounding the Selection for Retention or Lay-off process.

The review was conclusive in determining that documentation pertaining to the selection of employees for retention or lay-off was on file and that the functions of positions abolished as a result of workforce reductions were not being backfilled or performed by temporary agency personnel or any other non-indeterminate employees.

Annex 1 - Audit Methodology and Criteria

Methodology

This review conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program, and as applied in the context of a review.

The auditors used the following methodologies:

- reviewing relevant documentation such as Treasury Board of Canada and EC policies, procedures and guidelines;
- interviewing HRB personnel;
- developing and testing tools based on
 - a checklist developed by HRB (later identified as a best practice) that included adding additional elements to ensure complete SERLO file coverage (13 key elements were tested, including those identified by PSC); and
 - data contained in various departmental human resource management and financial management systems to record and test activities relating to abolished positions;
- conducting data analysis of the PeopleSoft information, including the review and use of analysis from HRB; and
- obtaining data compiled from Human Resources Planning, Systems and Strategic Business Integration from the various modules of PeopleSoft to use for testing purposes.

Criteria

The criteria were developed using EC's guidance document Environment Canada Placement Strategy for Affected Employees and Guidelines on the Selection for Retention or Lay-off, effective April 2, 2012.

Objective 1

WFA selection strategies, rationales for decisions and evidence of the tools used are appropriately documented.

Criteria: The following 13 key elements were tested on the 14 remaining SERLO processes:

- WFA Relevant Information (list of affected employees)
- Confirmation from classification that this is not a new position
- Invitation email sent to all affected employees
- Statement of merit criteria, including linguistic requirements, education
- Selection criteria to apply right fit and communicated to the employees
- Confirmation from those who refused to participate, and those who accepted with their application (CV/cover letter)

- Rating guide and/or assessment plan (can include references)
- Tools and material from interview and/or exam and/or reference check for every candidate in the process
- Final Selection Board Report
- Proof of education and SLE results from the employee(s) to be retained
- Security clearance and other conditions of employment
- Signed results letters (by ADM) for employees selected for retention
- Signed letters (by ADM) to employees selected for lay-off, including the opportunity to complain to the Public Service Staffing Tribunal (PSST)

Objective 2

Positions deleted as a result of workforce reductions are not backfilled.

The following presents the basis of our sample:

- | | |
|---|------------------|
| • Total number of affected positions as of April 2012 | 191 ⁴ |
| • Number of affected positions included in our sampling population | 136 |
| • Number of affected positions included in our sampling for testing | 71 |

Criteria: Testing sheet developed to ensure positions were not backfilled, based on the following:

- Employee name
- Classification / position
- Branch (location)
- Discontinuance of function date
- Positions number
- Position deleted in PeopleSoft
- Reason for those positions not abolished in PeopleSoft
- Determine if a new position(s) was created under the same cost centre (DISCO HRMS)
- Compare new position with abolished position (job description, statement of criteria, procurement contract)
- Was position backfilled by Casual (HRMS)
- Was position backfilled by Term (HRMS)
- Was position backfilled by Temp (Discover)
- Scope of work is not the same as abolished position
- Interview Human Resource personal or program manager (if necessary to obtain rationale)

⁴ Number of affected positions from round 2.
Source: Human Resources Branch.