

Chapter 8

Public Service Commission – MIDAS HR/Payroll

1.0 MAIN POINTS

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by government ministries. PSC is responsible for administering the human resources and payroll information system – MIDAS HR/Payroll. This system contains confidential personnel and payroll information of staff employed primarily in Government ministries.

In 2013, PSC had effective central controls to manage and secure MIDAS HR/Payroll and its data with two exceptions. First, PSC staff did not always perform the review of key payroll reports in a timely manner. This increases the risk of incorrect payroll amounts. Second, PSC did not remove unnecessary privileged user access on a timely basis. This increases the risk of inappropriate access and unauthorized changes to MIDAS HR/Payroll and its data.

2.0 INTRODUCTION

Under *The Public Service Act, 1998*, the Public Service Commission (PSC) is the central human resources agency for about 12,000 staff employed primarily by government ministries.¹ PSC provides leadership and policy direction for the development of a professional public service. It delivers human resource services including staffing, classification of positions, compensation and labour relations.

Since March 2006, PSC has been responsible for the Multi-Informational Database Application System – human resources and payroll (i.e., MIDAS HR/Payroll). Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre (ESC) has been responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC, ministries, and other government agencies manage employee information (i.e., benefits, salary, job assignment, and training) and processes payroll transactions. In the past year, MIDAS HR/Payroll recorded over \$1.08 billion in payroll expenses for about 12,000 employees.²

Given PSC's overall responsibility for MIDAS HR/Payroll, it must have effective central controls to manage and secure MIDAS HR/Payroll and its information.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether PSC had effective central controls to manage and secure MIDAS HR/Payroll and its data for the twelve-month period ended December 31, 2013. This audit did not assess the adequacy of controls at user agencies

¹ Public Service Commission, *2012-13 Annual Report*.

² Ministry of Finance, *Public Accounts 2012-13 Volume 2*.



(e.g., ministries). Rather, it focused on the central controls to manage and secure MIDAS HR/Payroll and its data at PSC.

User agencies rely on PSC, as a service provider, to have effective central controls and carry them out properly.

We conduct this audit annually to support our audits of ministries and other government agencies that are PSC's clients. We used audit criteria based upon the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. Our criteria, set out in **Figure 1**, describe the key processes that we expect PSC to have. PSC agreed with the criteria.

Throughout our audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. We based our findings on our examination of PSC's agreements, plans, reports, policies, and processes. We also interviewed PSC staff and examined PSC's controls to secure MIDAS HR/Payroll.

Figure 1—Audit Criteria

Effective central controls to manage and secure MIDAS HR/Payroll and its data should include control processes that:
1. Monitor the system and data centrally
1.1 Responsibilities to manage and secure the system and data are clearly defined
1.2 Management has approved policies and procedures
1.3 Management monitors security and system operating as planned
2. Protect the system and data from unauthorized access
2.1 User access controls protect the system and data from unauthorized access
2.2 Physical security controls protect the system and data from unauthorized access
3. Make the system and data available for operation
3.1 System and data backups occur and are tested
3.2 Disaster recovery plans are in place and tested
4. Maintain the integrity of the system and data
4.1 Processes to manage the system and data exist and are followed
4.2 Change management processes exist and are followed

We concluded that, for the twelve-month period ended December 31, 2013, the Public Service Commission had effective central controls to manage and secure MIDAS HR/Payroll and its data except for the following two areas. PSC needs to:

- › **Promptly remove privileged user access when individuals leave the employ of PSC**
- › **Follow its processes for documenting the timely review of key payroll reports**

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1**.

4.1 Prompt Removal of Unnecessary Privileged User Access Needed

PSC is responsible for ensuring that only authorized people have privileged access to MIDAS HR/Payroll data, specifically Human Resource Payroll Administrator (HRPA) access. HRPA access provides users with access to sensitive and confidential information required to complete payroll processing at PSC.

During the twelve-month period ended December 31, 2013, we noted two instances where PSC did not request removal of unneeded HRPA access on a timely basis. For one individual, PSC did not remove the individual's HRPA access until 30 days after the last day of employment with PSC.

Not removing access of individuals who no longer work for PSC increases the risk of inappropriate access and unauthorized changes to the system and data.

1. We recommend that the Public Service Commission follow its established procedures requiring prompt removal of unnecessary privileged user access to MIDAS HR/Payroll data.

4.2 Need Timely Review of Payroll Reports

We recommended that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. (2010 Report – Volume 1; Public Accounts Committee agreement – June 7, 2011)

Status – Partially Implemented

Payroll procedures implemented at PSC require staff to regularly generate and review payroll reports prior to payroll being paid.

Although PSC has significantly improved its review of payroll reports from prior years, we identified one instance in our testing where a report used to formally review and approve³ payroll prior to payment was not reviewed until after the pay date.

Review of payroll reports helps identify specific risks associated with the payroll process. These risks include incorrect input of payroll information (e.g., number of hours from timesheets, salary changes, coding of hours worked), and thus incorrect pay being made to an employee. Timely review of the payroll reports is required to take corrective action prior to payroll being paid.

³ In accordance with *The Financial Administration Act, 1993*.



In 2014, PSC plans to implement an automated quality control process to coordinate and distribute reports, which will also identify payroll reports that have not been reviewed prior to payroll being paid.

4.3 Key Payroll Activities Formalized

We recommended that the Public Service Commission amend its service level agreement (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences). (2010 Report - Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

During 2013, PSC satisfactorily implemented client service agreements (CSAs) with its user agencies (e.g., ministries). Provisions of each CSA clarified key payroll responsibilities for key payroll activities between PSC and its user agencies.

5.0 SELECTED REFERENCES

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust Services Principles, Criteria, and Illustrations*. Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information Technology – Code of Practice for Information Security Management; 2nd Edition*. Geneva: Author.

The Information Systems Audit and Control Association. (2012). *COBIT 5*. Rolling Meadows, IL: Author.