



BLACKLINE
CONSULTING

A Higher Standard

Payroll Processing Review

Town of Tecumseh

20th January 2022

Contents

	Page
 Context	3
 Findings	6
 Recommendations	16



CONTEXT

Background

The Provincial Government has provided funding to support municipalities to review services and processes to identify changes that will increase their efficiency

Right now, the Town of Tecumseh (the Town) has between 100 and 200 employees and processes payroll weekly.

- ▶ The staff count at the Town is growing and it is becoming increasingly difficult to complete payroll activities in a timely manner.
- ▶ Overall, the process is highly manual, making it prone to errors and requiring multiple checks to ensure it is processed correctly.
- ▶ Using the Provincial funding, the Town is undertaking a project to review and improve the payroll process and has hired Blackline Consulting to assist them with the review.

This review applies Lean principles to the payroll processing systems and processes to identify opportunities for improvement

- ▶ In the course of the review, activities Blackline performed include:
 - Conducted interviews with senior leadership and staff
 - Agreed on process frameworks with the Town
 - Conducted job shadowing
 - Assessed processes and the payroll system
 - Recommended changes to processes and systems

This report contains the findings and recommendations from our work.

We used Lean principles as the basis of our assessment

Lean is an approach to process improvement that focuses on three areas - waste, flow and automation

Automation identifies tasks that computers could perform. Typically these are information processing tasks that do not require judgement and are governed by a set of clearly defined business rules.

- ▶ Flow is the smooth movement of a work product through a process. Times when work cannot flow, by design or process failures, will indicate opportunities to improve the process from the customer's perspective.
- ▶ Waste are activities that do not add value in the eyes of the customer. The chart below highlights the common types of waste that occur in a process.



Defects

Time spent doing something incorrectly, inspecting for errors or fixing error



Overproduction

Doing more than what is needed by the customer or doing it sooner than needed



Waiting

Waiting for the next process or work activity to occur



Unused Talent

Underutilizing staff talents, skills and knowledge



Transportation

Waste from unnecessary movement of the work product in a system



Inventory

Excess inventory cost through purchasing, storage, spoilage and wastage



Motion

Unnecessary movement of employees in the system



Excess Processing

Doing work that is not valued or helps in the process

FINDINGS



In scope for this review were the time and attendance, payroll, reporting and update processes

We met with representatives responsible for payroll processes across the Town

This consultation included interviews with senior managers, interviews and job shadowing with payroll clerk, and shadowing managers with responsibilities for payroll processes, most often involving time and attendance processes.

- ▶ Blackline used the process framework to the right as the basis for our review. This framework outlines the major activities and was used as the basis for job shadowing.
- ▶ The diagram to the right summarizes that framework.

Process	Time and Attendance	Payroll	Reporting	Maintenance
Subprocesses	<i>Time and Attendance</i> <ul style="list-style-type: none"> ▶ Setup ▶ Record ▶ Process ▶ Monitor 	<i>Calculate Pay</i> <ul style="list-style-type: none"> ▶ Calculate Normal Pay ▶ Process Adjustments (OT) ▶ Accrue Vacations ▶ Calculate One-time Payments 	<i>Annual reporting</i> <ul style="list-style-type: none"> ▶ Create T4 ▶ Other tax forms ▶ Omers/E119 ▶ EHT ▶ WSIB 	<i>Update system</i> <ul style="list-style-type: none"> ▶ Acquire tax tables ▶ Update tax tables and other deductions ▶ Update annual pay changes
	<i>Absences</i> <ul style="list-style-type: none"> ▶ Manage Leave ▶ Manage Absences 	<i>Calculate Deductions</i> <ul style="list-style-type: none"> ▶ Taxes ▶ EI ▶ CPP ▶ Other Source Deductions 	<i>Periodic reporting</i> <ul style="list-style-type: none"> ▶ Create record of employment ▶ Address ad hoc queries 	
	<i>Vacations</i> <ul style="list-style-type: none"> ▶ Setup Profiles ▶ Request Vacations ▶ Analyze Data 	<i>Distribute Pay</i> <ul style="list-style-type: none"> ▶ Direct Deposit ▶ Manual Cheque ▶ Create Payslip ▶ Distribute Payslip ▶ Record Transactions in GL 		

Payroll is currently a manual, high-touch process

At the Town, payroll and the associated time and attendance processes are performed weekly

Salaried staff, F/T Union Inside employees, Council members and PSB members do not submit timesheets to be paid. They only need to submit timesheets on an exception basis – i.e. when their time varied from their standard workweek, for example, due to vacation.

- ▶ For all other staff, F/T Union Outside employees, P/T Union Inside employees, and all other P/T employees (volunteer firefighters (monthly), students) and COA (semi-annually), time is collected using physical timesheets.
- ▶ Each timesheet is manually input into an Excel workbook and then the same data is manually input into the Town's financial system, Vadim.
- ▶ Reporting of payroll-related information such as vacations, sick leaves and overtime occurs via the Record of Leave (RoL) form, which is a paper form that is submitted along with the timesheet. RoL information is also tracked in an Excel workbook.
- ▶ The manual processes are largely due to both the limitations of Vadim and lack of purpose-specific software.
- ▶ At the start of the pandemic, timesheets and RoL forms began to be scanned and provided to the Payroll Clerk in a PDF format. Previously, both were recorded and provided on paper. Currently, timesheets are provided in both paper and electronic formats to the Payroll Clerk.

Lean Waste	Example
Defects	▶ Time spent trying to identify and fix errors
Overproduction	▶ Creating and keeping spreadsheets to track data from paper forms ▶ Performing pay process weekly
Motion	▶ Managers deliver timesheets to Payroll Clerk
Excess Processing	▶ Rekeying data from forms into spreadsheets and Vadim ▶ Managers redundantly tracking RoL

Most elements except payroll distribution involve paper

The table to the right highlights the points in the process where staff employ paper

From a Lean perspective, paper requires transportation, is prone to transcription errors and must be stored.

- ▶ Each week, the Payroll Clerk receives timesheets and RoLs from directors and managers. Hours are coded by work activity. The Payroll Clerk will check that relevant rules are applied correctly and contact the manager if a timesheet has errors.
- ▶ Currently, timesheets are received in both paper and scanned formats.
- ▶ Once data has been entered, the timesheets are scanned and saved into a network folder as a PDF.
- ▶ Where an approval is required, staff use physical signatures to indicate approval.

Timesheets	RoL forms	Direct deposit
<ul style="list-style-type: none">▶ Timesheets are printed and scanned multiple times▶ Paper copies are used throughout the time and attendance process	<ul style="list-style-type: none">▶ RoL forms are paper-based▶ Frequently, departmental managers scan signed RoL forms and save them in network folders as a record	<ul style="list-style-type: none">▶ Payroll distribution is effectively digitized▶ Employees receive direct deposit, which is processed effectively▶ Vadim creates payslips directly and is able to batch email them to employees

The Record of Leave form adds redundant information and complexity

The Town uses the paper RoL forms to report absences

The form is used because of the staff that do not submit timesheets, and overtime, vacations and other leave should be approved by managers.

- ▶ However, staff that fill in a timesheet must also fill in an RoL form despite this information appearing on their timesheets.
- ▶ Managers and directors are responsible for signing and approving leave through the RoL form.
- ▶ Each week, completed RoL forms are returned to the Payroll Clerk along with timesheets to minimize data entry errors. The Payroll Clerk confirms the codes used on the RoL are correct and match those used on timesheets.
- ▶ The forms are transcribed into the Record of Leave Excel workbook, which also contains employee entitlement information. This is done periodically, not weekly. Every staff member has a sheet in the workbook that carries their entitlements, rates of leave accrual and usage.

New employees present complexities

- ▶ To manage new employees, the Payroll Clerk receives and enters an information form for new employees with vacation entitlement.
- ▶ New employee information must be added into Vadim, the RoL workbook, and the timesheet workbook.

Payroll Data Sources

Vadim	▶	Stores timesheet data and processes pay
Timesheet Workbook	▶	Stores timesheet data and calculates payment amounts
RoL Workbook	▶	Stores RoL information and current leave entitlements

Individual departments have some differences when handling T&A

Departments that provide timesheets weekly use different processes

As payroll processes are performed weekly, all timesheets and records of leave must be provided to the Payroll Clerk each Monday.

- ▶ As the complexity of timesheets varies between departments, different departments report in different formats containing different levels of details, such as more detailed timecode information.
- ▶ In one department, staff fill out a paper timesheet that the manager enters into a spreadsheet. Once entered, the manager prints the spreadsheet and confirms the hours with staff before signing each timesheet. Once confirmed, the timesheets are scanned and emailed to the Payroll Clerk, and the original signed timesheets are sent to the Payroll Clerk by interoffice mail.
- ▶ Other departments have simpler procedures. In one department, staff enter their hours into spreadsheets on a shared computer, and each week the manager will review, print, sign and drive the paper timesheets to Town Hall to drop off to the Payroll Clerk.
- ▶ Departments with no hourly staff will only provide RoL forms to the Payroll Clerk each week as needed.

Departments do not consistently document Records of Leave

- ▶ Records of leave are a consistent form used throughout the Town. While a paper form, this does provide benefits for ease of data entry.
- ▶ In most cases, employees fill out the record of leave form and return it to their manager to approve. In interviews, some managers indicate that they only receive electronic copies if the employee is working from home, and that paper forms are the most common.
- ▶ Some departments keep a separate copy of RoLs to create a redundant record. There is no standard process for this. Some departments keep photocopies. Others use self-created spreadsheets, which are not consistent between departments.
- ▶ Managers are not aware of how this function is performed in other areas. As departments receive infrequent official updates of remaining leave, some departments rely on their spreadsheets to determine how much leave a staff member has remaining.

Journey maps show staff experiences of the payroll process

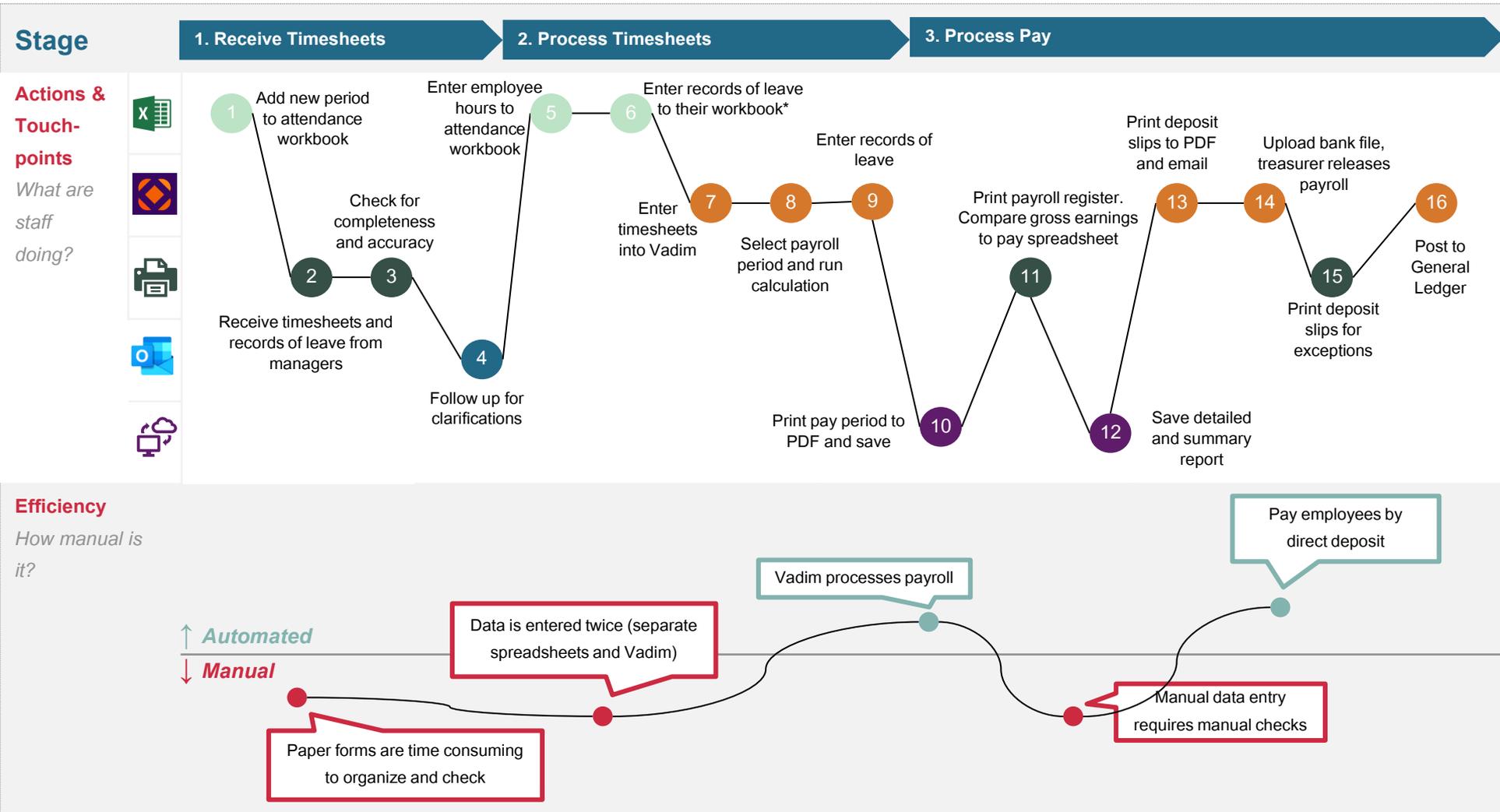
Journey maps can be thought of as the reflection of a process map

In process mapping, one aims to document the steps that staff have to follow in order to complete every permutation of a transaction or process.

- ▶ Similarly, journey mapping considers the steps a customer or user has to go through to complete a process. They differ from process maps in that they consider only one specific experience, not all the possible experiences.
- ▶ The second difference is that they take the point of view of the user and do not consider steps or activities that do not involve that user, even if they are integral parts of the overall process.
- ▶ Using information gathered during our job shadowing, we mapped the typical journey of a payroll processing clerk using the current process.

The objective of the journey mapping here is to make the user experience more of a focus when thinking about technology and processes

Weekly Payroll Processing Journey Map



* This activity is not done every week but batched and completed periodically

The reliance on manual data entry leads to lengthy checking processes to confirm the data is accurate

Payroll staff use spreadsheets to manually record information

As data is entered manually into the timesheet and the RoL transcribed into Excel workbooks and then entered into Vadim, there are many opportunities for errors to occur.

- ▶ In cases where staff duties are split between two or more departments, multiple entries of the same person need to be made in the attendance workbook. This lets the Payroll Clerk confirm that Vadim totals are correct through cross-referencing.
- ▶ The current process therefore makes significant use of cross-checks to minimize the possibility of errors in the final payroll processing.
- ▶ Totals in the attendance workbook are compared to Vadim and pay codes and occupation codes are validated. Occupation codes allow time to be linked to the activities staff completed.
- ▶ While Vadim correctly calculates OMERS contributions and pensionable earnings, if the correct codes are not used for timesheets non-pensionable earnings, such as meal allowances or overtime, may be included.
- ▶ Staff have created another workbook that calculates what OMERS contributions should be for each staff member, which is then compared to Vadim to confirm the correct coding of time.

The current Vadim setup does not calculate certain taxes and adjustments correctly

Non-regular pay and one-time payments have to be manually adjusted and are calculated in spreadsheets with reference to Provincial calculators.

- ▶ Remittances are verified outside of Vadim to reduce the risk of data entry errors. Each pay code in Vadim is setup to confirm which deductions are applicable.
- ▶ Vadim considers payouts, bonuses and retroactive payments as new rates of pay instead of bonus payouts, so taxes aren't calculated correctly. If this is not adjusted, the correct amount of tax is not withdrawn, leading to refunds after tax filing.
- ▶ To calculate the correct taxes to apply, the Payroll Clerk uses the Canada Revenue Agency website tax calculator to determine the correct amounts and makes manual adjustments within Vadim. Once payroll is distributed, the Payroll Clerk returns to the file and removes the manual adjustments for each employee to return taxation to their normal rate of pay for the next period.

We have included a list of the workbooks that we witnessed in Appendix A of this report

Recording information about banked time is difficult and presents barriers to extracting and sharing information



Reliance on spreadsheets and manual processes limits communication

- ▶ Information on staff's current vacation entitlements status is supposed to be distributed to staff quarterly but occurs only 2-3 times a year in practice due to the effort required to manually produce information from the RoL workbook.
- ▶ As with all spreadsheets, relying on them for data storage and calculations presents a risk of errors. Additionally, spreadsheets are not designed to keep histories making it difficult to keep a record of changes over time.



Vadim makes it difficult to accurately extract information

- ▶ It is difficult to extract accurate information from Vadim (e.g. which departments and positions are over or under budget), as some employees split their hours between multiple departments. The payroll analysis workbook is used to cross-check total pay against Vadim reports and extracts and ensure that wages are being split correctly, as staff working in multiple departments have separate entries for each department in the workbook.

RECOMMENDATIONS

A close-up photograph of a hand holding a dark cloth, erasing white chalk marks from a green chalkboard. The hand is positioned on the right side of the frame. The chalkboard has some faint, illegible white writing on it, including what appears to be the word 'Row' and some numbers. The background is a solid teal color.

1. Implement self-service time reporting for staff

Eliminate paper timesheets and provide all staff with the ability to record their time electronically

Not all staff have the same access to technology and so one single time entry solution may not be ideal.

- ▶ That said, many vendors of timekeeping software understand this and offer different methods to access their tools. The table to the right shows examples of the access methods that various categories of staff might use.
- ▶ The benefits of this approach are to remove the transportation of timesheets and the rekeying of timesheet data. For staff submitting timesheets, there will be little change in their effort.

For staff that have a regular set of hours, continue to have them only submit a timesheet by exception

This is becoming a common practice and reduces staff labour.

- ▶ As mentioned, seek to have absences pre-approved and populate the appropriate timesheet. With this approach, a pre-approved absence does not need to be considered an exception and will still not need to fill in a timesheet.

	 Computer	 Mobile	 Swipe-card
Office-based	Desktop App or Website	Mobile App	
Recreation Facility		Geolocation Clock-in	Building Entry
Emergency Services	Desktop App or Website		Building Entry
Outdoor Work Crews		Vehicle-Based Shared Tablet	

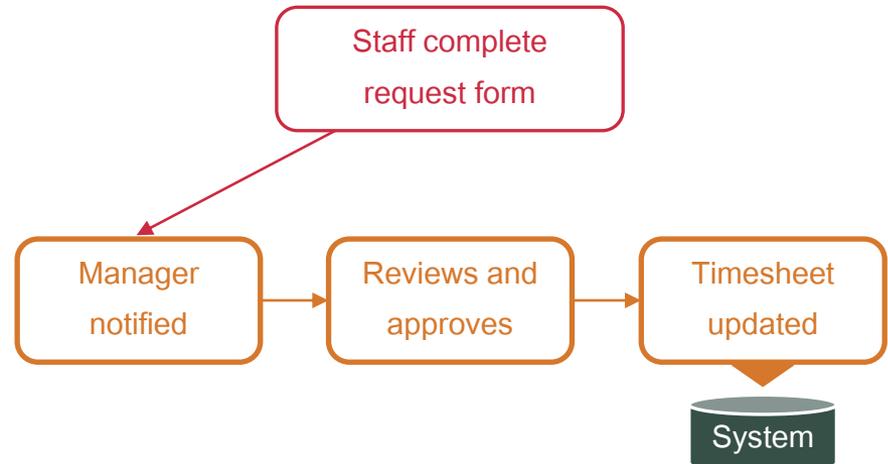
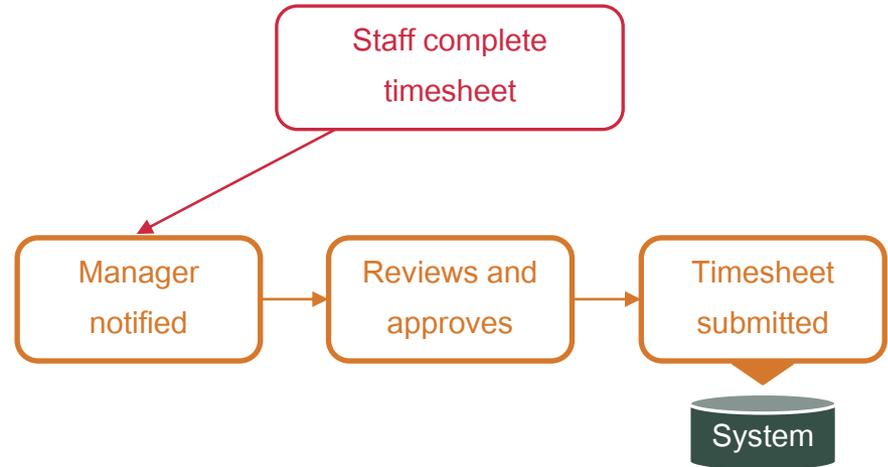
2. Improve workflow automation

Having time and attendance captured electronically at the source gives the opportunity to use workflow to secure reviews and approvals

The key processes that could be supported by workflow are:

- Approving timesheets
 - Requesting vacation
 - Requesting an absence
- ▶ Approvals workflows are more typically a notification that prompts the recipient that they have a task waiting. In the case of timesheet approval, it would prompt the manager to enter the time capture system and review the timesheets of their staff before approving or returning.
- ▶ Requests tend to be more form-based, with the notification or the form going to a predefined approver. In this context, requesting workflows would replace the Request for Leave form.
- ▶ Ideally, approved requests would be applied to the relevant timesheet. And, in the case of exception-only staff, this would not be considered an exception – since it was approved – and they would not have to manually submit a timesheet.

This approach places accountability for time and attendance information being accurate with the approving managers



3a. Acquire a suitable time capture solution

Both the time capture and workflow capabilities suggest the Town should acquire a dedicated time and attendance solution

Other clients have reported that certain versions of Vadim do have a timesheet portal that staff can use but also indicated it was not very usable.

- ▶ There are many providers of dedicated time capture software that likely can meet the needs of the Town.
- ▶ Any additional system should be integrated with the payroll system so that no manual rekeying of data is required. If the Town continues with Vadim, we understand it has limited integration capabilities and that data would need to be exported from the time reporting system and imported into Vadim.

There are many software products used by Ontario municipalities to capture time and attendance

The graphic to the right provides a snapshot of some of the many providers.



- ▶ Each of these solutions offer a different scope of functionality. If the Town retains Vadim, the vendors that offer pure time capture would be more suitable, such as Joe Software Penny, MPEX and Kronos.
- ▶ As mentioned, integrating any system with Vadim is a difficult procedure as Vadim has limited integration capabilities.
- ▶ If the Town replaces Vadim, the ERP solutions that include time capture are possibilities. In that situation, Microsoft Dynamics or TownSuites are more likely candidates.

3b. An employee portal should be a key requirement for a time capture solution

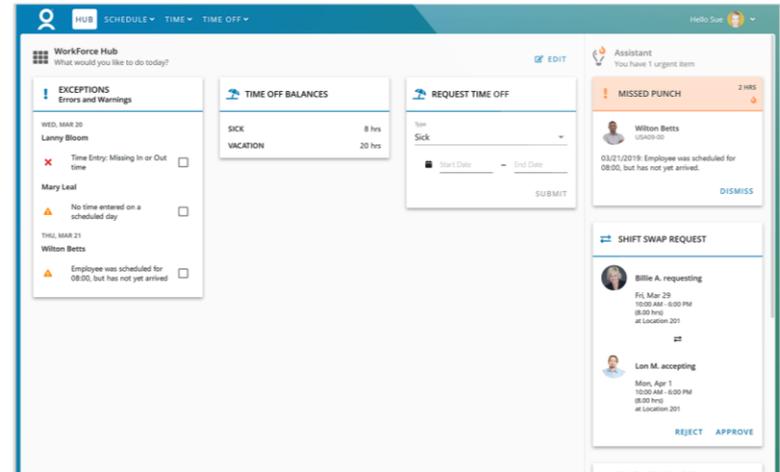
Self-service is the prevailing trend for HR services

We have talked about having staff enter their own time already, but commonly, alongside this is the ability to view related information so that staff do not need to make inquiries to HR staff.

- ▶ When thinking about time and attendance and payroll, access to real-time balances of vacation or banked time should be one of the requirements.
- ▶ Consideration should also be given to what information managers require related to entitlements and when they would wish to access this information. For example, do managers need to have visibility to vacation balances when approving vacation requests?
- ▶ The image to the right shows a generic example of an employee portal representing banks, balances and requests, among other things.

These capabilities will remove some of the manual activities done today.

- ▶ Specifically:
 - Overtime banks: will not need to be tracked for each staff member in Excel, nor will they need to be transcribed periodically into a report that is distributed to staff.
 - Entitlements: will not need to be tracked in Excel as they are used, nor reported periodically along with banks.



4. Investigate Vadim's capabilities

As noted in the findings, a range of payroll elements are calculated outside of Vadim

Of the manual work that is done today, we think that either Vadim has the capability to address some of these elements but may need to be configured differently to how it is today.

- ▶ **Income taxes:** in the current configuration, Vadim treats bonuses, and other one-time payments, as new salary and doesn't calculate the taxes correctly. Staff use the Provincial Payroll Deductions Online Calculator to validate and adjust deductions calculated in Vadim. As a core function of a payroll system, some aspect of the configuration is likely incorrect if adjustments are needed.
- ▶ **Statutory holiday pay:** another standard calculation that we would expect Vadim to handle as it is prescribed by the Province as the prior four weeks pay divided by 20.

Vadim not being capable of supporting these processes probably accelerates its replacement at the Town

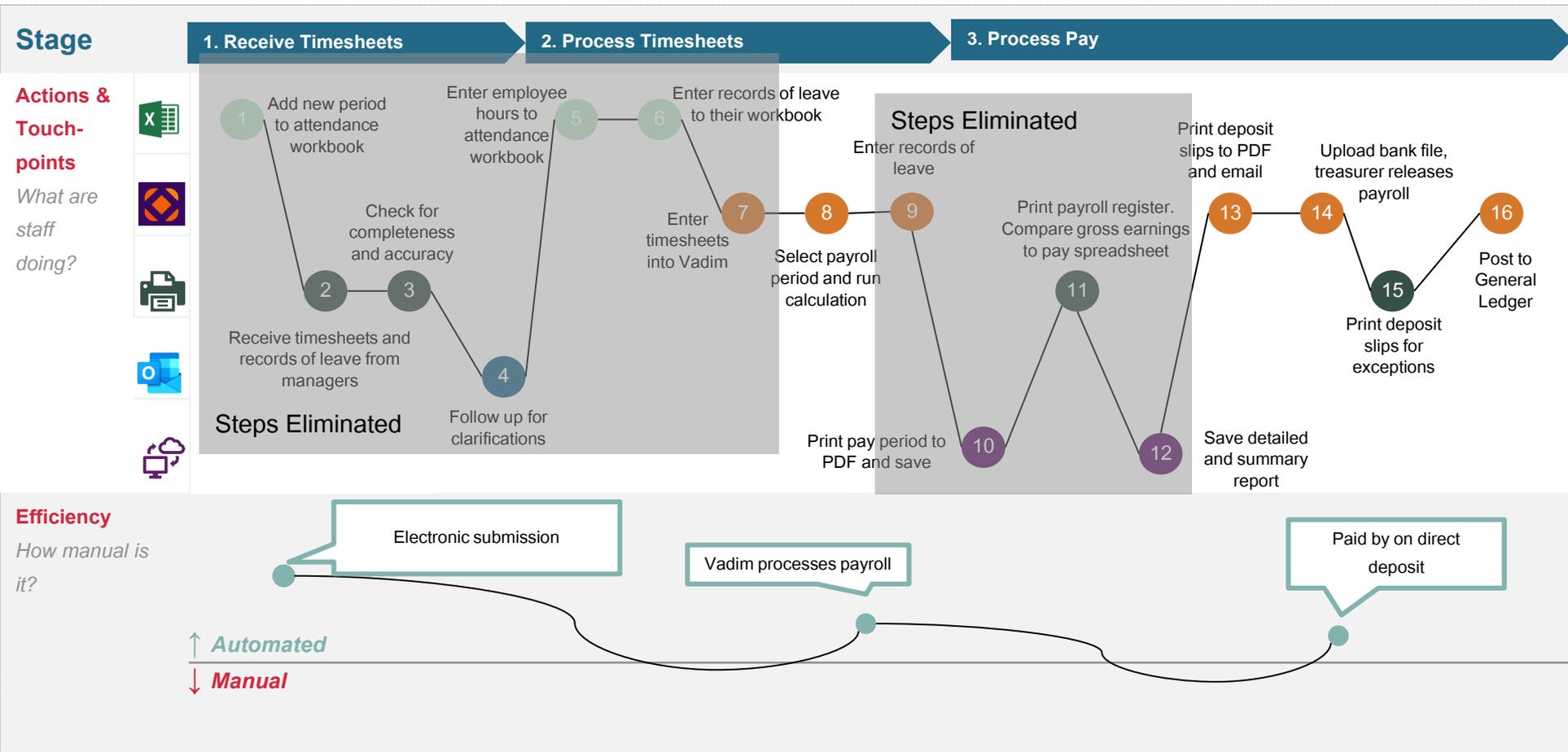
Vadim iCity is currently owned by Central Square who has publicly indicated that they wish users of the product, and of other products they have acquired, to move to their cloud platform.

- ▶ While they continue to support Vadim, there are no links to product pages on their website.
- ▶ If the features listed to the left are not available and the Town continues to face this uncertainty, it should likely accelerate plans to migrate off the platform.

Implementing these recommendations changes the journey

Using the current state journey map, we have highlighted the steps that would no longer be required in the current process

The steps beneath the grey boxes are the ones that would not be required.



Prioritizing the recommendations

The chart to the right maps the recommendation against the difficulty and size of the benefit

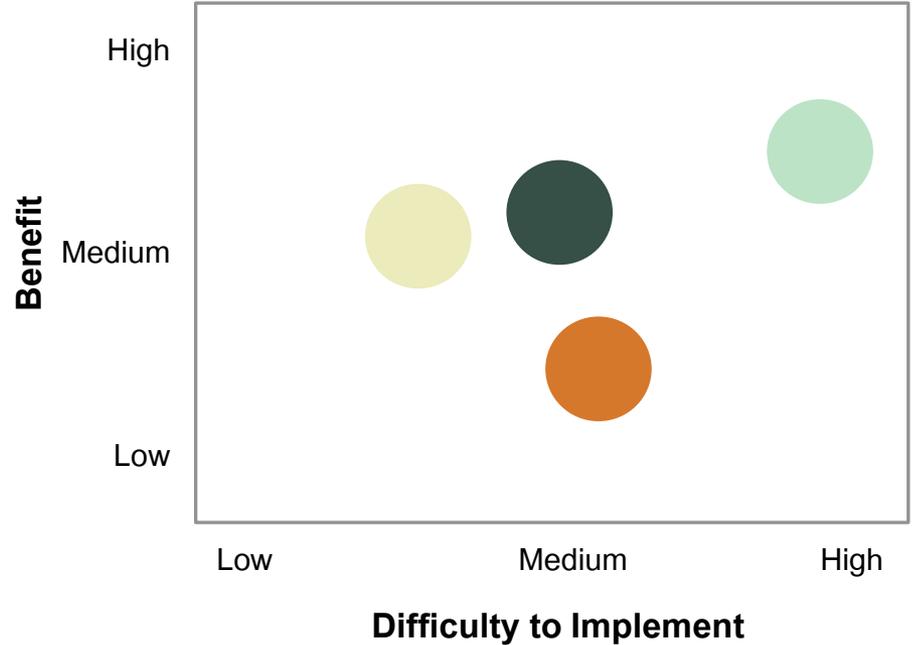
This type of view can help the Town to prioritize how it approaches the implementation of the recommendations.

- ▶ Benefit is an indication of the relative labour savings from the recommendation.
- ▶ Difficulty to implement considers the relative time to do it, along with whether factors exist that make it more complex.

Self-service and workflow are likely dependent upon a new time capture solution

Vadim or other systems the Town owns are unlikely to have the functionality available to enable those two recommendations.

- ▶ While implementing a new time capture is the most difficult of the recommendations – it enables some of the other recommendations.



- 1. Self Service
- 2. Workflow
- 3. Time Capture
- 4. Vadim

Two aspects of how payroll and benefits are structured at the Town are different from the common practice in other municipalities

Migrate to paying staff bi-weekly in arrears

As noted in the findings, salaried and full-time staff are paid weekly and for the current week.

- ▶ This is not a common practice in Canadian municipalities as it increases the complexity of payroll and leads to any discrepancies having to be adjusted in the following pay period.
- ▶ Overall, weekly current creates more work and rework than bi-weekly in arrears.
- ▶ The most common pay frequency in municipalities is bi-weekly, every two weeks.

Implementation Considerations

While it is easy to say on paper, we realize that making this change means staff would see a gap in pay of between two and three weeks between the last weekly current payroll and the first bi-weekly in arrears payroll.

- ▶ This delay could create financial hardships for some staff.
- ▶ The Town could mitigate this by providing financial support during the period. An example could be a bridging loan that was paid back over an extended period.

Additionally, the Town should conclude on how this change would affect overtime pay.

- ▶ Will the Town continue calculating overtime on a weekly basis or will it move to an averaging approach across the two-week pay period?

Separate responsibilities between Finance and HR

Today Finance is responsible for time reporting, attendance and entitlement tracking, benefits administration and payroll.

- ▶ It is more common for HR to take responsibility for time reporting attendance and benefits administration, while Finance looks after the payroll processing and reporting such as T4s.
- ▶ Having this split of work allows HR easier access to information that relates to the people and programs of the Town that they have accountability for. This would also facilitate the management of sensitive employee information by one unit within the organization.

Implementation Considerations

This observation relates to splitting workload between two department. Since the work is completed by one individual today, they cannot move with the workload.

- ▶ The Town will need to consider how to resource the additional work in HR and how to occupy the Finance staff member fully.

THE
COMPACT
ENCYCLOPEDIA

VOL. I
A - CAN

VOL. II
CAN - ENG

VOL. III
ENG - HOR

VOL. IV
HOR - NEW

VOL. V
NEW - SAL

VOL. VI
SAL - Z

APPENDICES

Appendix A

Inventory of support Excel workbooks

The table to the right contains an index of the Excel workbooks that are employed in the process today

- ▶ The RoL workbook is not updated weekly, but periodically.
- ▶ Similarly, the deduction adjustments are only completed a few times a year and not every pay period

Workbook	Purpose
Attendance	Copy of all staff timesheets and rates of pay to check to see if the data was correctly enter into Vadim
Record of Leave	Tracks staff entitlements and leaves
OMERS	Copy of staff OMERS and other contributions to compare to Vadim calculations to reduce likelihood of overpayments
Deduction Adjustments	Used to calculate the correct deductions when employees receive one-time payments
Monthly Deduction Remittances	Reconciles Vadim calculations for WSIB, EHT and union dues

