



The Honourable Kevin Sorenson, P.C., M.P.  
Chair  
Standing Committee on Public Accounts  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6  
Canada

Dear Mr. Sorenson,

On behalf of the Government of Canada, we would like to thank the Standing Committee on Public Accounts for its report entitled “Report 1, Phoenix Pay Problems, of the Fall 2017 Reports of the Auditor General of Canada – Part 1.” We are pleased to provide this letter in response to the report.

### **Response to Recommendation 1**

We assure the Committee that there is no greater priority than fixing Phoenix. It is completely unacceptable that our hard-working public servants are not being paid properly. As stated previously before the Committee, the Government’s goal is to stabilize the pay system and ensure pay is being provided accurately and on time. Currently, work is underway to implement a suite of measures focused on this goal. These measures were developed with employees, departments and agencies as well as unions and they build on previous actions. The measures to stabilize the pay system were published in Fall 2017.

Public Services and Procurement Canada (PSPC) continues to respond in agile and innovative ways to address pay challenges. This has included seeking public and private sector ideas on how to address the queue and accelerate the resolution of pay challenges. This advice was considered during the development of new and updated measures for 2018-19 to continue work to stabilize pay administration. The aim is to eliminate the backlog of late transactions and to implement system and process enhancements so that new transactions can be processed as quickly as possible to minimize employee wait times. Several of the measures published in Fall 2017 have been completed and the new 2018-19 fiscal year provides an opportunity to review progress and define priorities for the next phase of measures, informed by the root cause analysis, the recommendations of the Auditor General and third-party advice (e.g. report on Lessons Learned from the Transformation of Pay Administration by Goss Gilroy Inc.). Continuing the commitment to transparency, the root cause analysis will be shared with the Committee in the coming weeks, and PSPC published a summary of new priorities for the

Integrated Plan on the PSPC website on May 31, 2018.

We assure the Committee that progress on implementing the measures has been made in the past year. For example:

**Accountable and informed decision-making:**

- An integrated HR-to-Pay governance structure and a project management office is in place. The working group of Ministers and the committees at various levels (e.g. Deputy Heads, Assistant Deputy Ministers and Directors General) meet regularly to provide oversight and strategic direction on resolving pay issues.
- To better understand the underlying issues impacting pay administration, a root cause analysis study was undertaken by an inter-departmental committee to provide recommendations and inform future stabilization efforts, including the new and updated measures for 2018-19.

**Partnerships and engagement:**

- Stakeholder forums were held (October 2017 and March 2018) that brought together vendors, unions, departments and agencies to collaborate, discuss issues and provide strategic advice to support the Government of Canada and Ministers in their collective effort to stabilize pay administration.
- Unions are regularly consulted for feedback on Phoenix-related issues and are helping to identify solutions. The Government of Canada will continue to work closely with unions to share information and seek guidance.
- The Government continues to proactively share information and provide updates to employees, departments and the public on pay stabilization. A revised monthly dashboard was launched in summer 2017 and monthly Pay Bulletins were introduced in fall 2017 to provide information that is specific, timely and relevant to employees. Weekly emails are sent to departments with updates, procedures and information on Phoenix changes.
- Online mandatory Phoenix training was provided to employees and managers to equip them with the knowledge and skills to navigate the Phoenix pay system accurately and effectively. To further support this, the Treasury Board of Canada Secretariat (TBS) developed additional mandatory training to help employees better understand the pay cycle, their pay stub and how their specific human resources system interacts with Phoenix, with a take-up rate of 84% as of May 1, 2018.

### **Improved process and technology:**

- In order to relieve and mitigate the financial stress and hardships of employees experiencing overpayments in Phoenix, changes were made to the Directive on the Terms and Conditions of Employment to provide significantly more flexibility for the recovery of overpayments, emergency salary advances and priority payments. In effect, unless employees choose an earlier repayment, recovery will only begin once all monies owed to employees have been paid, they have received a correct gross pay for three consecutive pay periods, and a recovery agreement has been established with the employee.
- PSPC piloted an employee-centric delivery model (“pod pilot”) with three departments from December 2017 to March 2018. Following a successful pilot project, Pay Pods are being introduced at the Miramichi Pay Centre to better support employees by processing pay transactions. Pay Pods, a concept developed by Pay Centre employees, group together compensation advisors assigned to a specific department or agency. These groups will work with client departments to address all outstanding transactions in an employee’s pay file, in contrast to the current approach of addressing pay issues by transaction type. This new approach avoids building more backlog and will result in more efficient and comprehensive resolution of pay issues.
- A phased roll-out of Pay Pods to all departments and agencies serviced by the Pay Centre began. The partnership between the Pay Centre and participating departments and agencies is the hallmark of this initiative. Ongoing communication and collaboration is not only improving human resources and pay processes, it reflects the whole-of-government approach needed to resolve pay issues and ultimately ensures that public servants are paid accurately and on time.

### **Increased capacity and service:**

- PSPC has increased capacity and there are over 1500 employees working in pay operations in the Pay Centre, satellite and remote offices (as of March 28, 2018). Originally there were approximately 550 employees at the Pay Centre. In addition, to respond to employee’s pay concerns, PSPC operates a Client Contact Centre with more than 200 staff.
- On the IBM contract, PSPC is transitioning towards a fixed price outcomes-based model, thereby shifting efforts of employees to more value-added activities, while protecting public service jobs. In addition, IBM is providing support and innovation, particularly in analytics, to help tackle the queue of pay transactions and is working with PSPC to explore opportunities for enhanced automation. IBM continues to be held to account to fulfill their obligations.

### Response to Recommendation 3

As outlined in the TBS Management Action Plan response to the OAG recommendations, TBS is committed to completing the necessary work to establish standardized timelines for existing HR transactions leading to pay actions, and to working concurrently to establish and implement standardized HR-to-Pay business processes going forward.

To date, TBS has identified approximately 45 existing HR transactions leading to pay actions. These transactions were not previously fully identified and/or documented as part of the implementation of Phoenix. TBS is consulting with external stakeholders to identify industry best practices vis-à-vis these transactions. By June 30, 2018, TBS will have completed consultations and identified service standards and performance measures per industry best practices, for each. Implementation will be coordinated with PSPC in consultation with the HR-to-Pay integrated team, and will include an implementation strategy along with communications to departments and agencies. Implementation is anticipated by September 2018.

The existing HR-to-Pay transactions leading to pay actions are also known as business processes. These existing business processes must all be reviewed and re-designed in order to be considered standardized. This work was initially identified as a requirement under the transformation of pay initiative, but was later de-scoped. TBS has opted to begin with the re-design of the business processes for the four most problematic areas, as identified in the PSPC-TBS integrated teams' work plan to stabilize the pay system. This includes: Transfers-out, Transfers-in, Terminations, and Actings. These four areas constitute the largest portion of outstanding transactions in the PSPC pay centre queue waiting to be processed.

The following is a summary of progress to date:

- **Transfer-out and Transfer-in:** Consultations with all departments and agencies have been completed; re-design was examined by a Data Reporting and Analysis Working Group; options and recommendations have been finalized and are ready to proceed through HR-to-Pay stabilization governance for final approval.
- **Termination:** Process mapping and re-design was completed through both a working group and a process re-engineering design team; stakeholder consultations will be completed in May; to be examined by a Data Reporting and Analysis Working Group; and options and recommendations will be finalized in June 2018.
- **Acting:** Examined the configuration of actings in existing systems, including: Phoenix, departmental HR systems, and other public sector PeopleSoft systems (Ontario and British Columbia). It is anticipated that the re-designed process may require significant systems changes. This will be followed by the establishment of an interdepartmental working group, consultations with stakeholders, and then examination by a Data Reporting and Analysis Working Group. Due to system implications, it is anticipated that development of options may demand more time than initially planned. It is expected that options and recommendations will be finalized by the end of August 2018.

TBS will have completed the process re-design work for three of the four processes by June, as initially envisaged, however due to the complexity and system implications of the fourth process (i.e., Actings), completion of the final process re-design may be slightly delayed. Final options and recommendations for all four processes will proceed through the governance for challenge and review, collectively at once. It is expected that this will be completed in fall 2018. Once approved by the governance, TBS in consultation with PSPC and the HR-to-Pay Integrated Team, will develop an implementation strategy, along with communications to departments and agencies. Implementation is anticipated in fall 2018.

#### **Response to Recommendation 4**

PSPC and TBS regularly report on progress and are committed to ensuring ongoing transparency and accountability in sharing information on pay stabilization. All parliamentarians, employees and the public have access to reporting on outstanding pay requests through the monthly dashboard and Pay Bulletin. This information will be provided to the Committee on an ongoing basis, when it is made available.

As it pertains to the Committee's recommendation related to amounts owing (i.e. underpayments), Phoenix is only able to capture information on amounts owing to the federal government (i.e. overpayments) as information on amounts owing to employees (i.e. underpayments) is estimated from departmental financial systems. TBS initiated a quarterly data collection exercise, beginning in 2016-17, to gather over and underpayment information directly from government departments and agencies. The results offer insight into where to focus efforts to address employee pay issues. This information was included as part of the OAG performance audit on Pay (as of June 2017). On a quarterly basis and going forward, the over and underpayment information will be integrated in TBS departmental dashboards.

#### **Response to Recommendations 2 and 5**

You will recall Budget 2018 includes investments of \$431 million over six years to continue making progress on Phoenix issues, including increasing capacity, improving technology and providing greater support to employees. Also, an additional \$16 million in new funding will be invested to enable TBS to work with experts, federal public sector unions and technology providers on a way forward for a new pay system. Details on investments made to date to stabilize the pay system have been published on the PSPC website, a copy of which is attached.

With respect to the Committee's recommendation regarding the costs of resolving the Phoenix pay problems, we note that the TBS Management Response to the Auditor General's Pay 1 Audit commits TBS, with the support of PSPC, and in partnership with departments and agencies, to establish a cost estimate for the Government of Canada for the Phoenix pay system, and to the design and implementation of a framework to track costs for resolving pay

problems and implementing a sustainable solution. The report will be provided to the Committee and posted publicly on [canada.ca](http://canada.ca) when it is finalized.

Sincerely,

A handwritten signature in blue ink that reads "Scott Brison". The signature is fluid and cursive, with the first name "Scott" and last name "Brison" clearly legible.

Hon. Scott Brison, P.C., M.P.  
President of the Treasury Board

A handwritten signature in blue ink that reads "Carla Qualtrough". The signature is fluid and cursive, with the first name "Carla" and last name "Qualtrough" clearly legible.

Hon. Carla Qualtrough, P.C., M.P.  
Minister of Public Services and Procurement

# INVESTMENTS IN PHOENIX

