



## **OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER**

<b>TO:</b>	Council	
<b>DATE:</b>	June 22, 2021	<b>DIVISION:</b> All
<b>FILE:</b>	N/A	<b>APPLICATION:</b> N/A
<b>SUBJECT:</b>	Vacation Time Management	

### **EXECUTIVE SUMMARY:**

On May 11, 2021, Council directed Administration to report back to Council on the policies associated with the management of accrued employee vacation. In addition to this information, and in an effort to monitor and enforce vacation time, Administration is also providing information on measures that have or will be implemented to address the internal control deficiency observation noted in the 2020 year end audit report.

### **ADMINISTRATION RECOMMENDATION:**

Administration recommends that the report be received for information in accordance with Option #1.

### **BACKGROUND:**

Current policy encourages employees to use vacation time in the year that it is earned, but it does include language that allows an employee to carry over up to two weeks of vacation time. The policy also includes language that allows an Executive Director the ability to approve carry over time beyond two weeks depending on the circumstances; the circumstances are generally related to workloads, staffing levels, and employee requests. Finally, the current policy does allow for the payout of vacation time if warranted to manage the vacation banks. Although provided for in policy, this option is used in very limited situations.

Accrued vacation time is recorded as a liability at year end, as the time is owed to employees. If not managed properly, this liability can grow, and the County could potentially have to pay the employee for it if they leave the organization. To date in 2021, the County has paid out approximately \$170,000 in vacation time. This includes payments to departing employees and payments to eligible employees through a one-time payment intended to manage accrued vacation banks as a result of COVID-19 related challenges.

As part of the 2020 year end audit, the County's Auditors identified a weakness related to management of accrued vacation time, and a departure from policy. The audit point specifically identified a number of employees with vacation carry over amounts in excess of the allowable two weeks. The point went on to outline some of the potential risks associated with this issue.

### Management Response

As set out in the audit report, the recommendation suggests that vacation time should be "monitored and enforced". In 2021, Administration has or will implement the following measures in an effort to address the deficiency:

- **Education/Reporting** – Payroll will provide managers with more frequent reporting on vacation bank balances for employees.
- **Carry Over** – A consistent message has been delivered to managers that exceptions to the two week carry over will receive increased scrutiny.

### **Administration Resources**

Kent Robinson, Acting Chief Administrative Officer



- **Vacation Plans** – Employees with high vacation bank balances will be required to develop vacation plans that will identify how the balances will be utilized.
- **Vacation Policy/Enforcement** – A review of the current policy related to vacation management, including internal controls, will be undertaken.

Administration believes the implementation of the above measures along with stronger enforcement will assist in managing this issue moving forward. It is important to note that this problem didn't occur over night, so it will take some time to resolve; this has been discussed with the auditors, and further dialogue related to this matter will occur during the 2021 year end audit to ensure Administration is making progress in reducing the liability.

#### **BUDGET IMPLICATIONS:**

Administration is recommending measures that will address the management of vacation time. It is important to note that a vacation payout, outside what is allowed for in policy, was not a measure that was identified at this point. As such, no budget adjustment is required.

#### **OPTIONS:**

- Option #1:                    THAT the report on Vacation Time Management be received for information.
- Option #2:                    THAT alternative direction be provided.

Respectfully submitted,

"Kent Robinson"

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Acting Chief Administrative Officer

KR/rp