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The Corporation of the City of London

Quarterly Report on Internal Audit Results

February 15, 2017

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Agenda

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Status of 2016 Risk Based Audit plan

Project	Status
<i>Corporate services – Finance & IT/ Environmental & Engineering Services: Construction and procurement of higher risk assets</i>	Complete
<i>Corporate Services – Human Resources: Succession planning follow-up review (deferred from 2015)</i>	Complete
<i>Engineering & Environmental Services: Review of allocation of administrative costs to Lake Huron & Elgin Areas Water Supply Boards</i>	Complete
<i>Development and Compliance Services: Building control</i>	Complete
<i>Engineering & Environmental Services: Fleet asset management follow-up review</i>	Complete
<i>Corporate Services: Review of inter-municipal agreements</i>	Ongoing
<i>London Municipal Housing Corporation: Phase 2 of shared services review</i>	Ongoing

Rating Scale – Opportunities for Improvement

- Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory



- Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement



- Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory



Engineering & Environmental Services: Fleet asset management follow up review

Summary of Risks & Scope

Engineering and Environmental Services: Fleet asset management follow up review

Scope

- Review status of outstanding findings from the internal audit report on fleet asset management issued February 1, 2012, to the extent that duplicate efforts aren't made with respect to a separate consultant report addressing "review and validation of fleet capital replacement strategies and charge-out rate practices." The 2012 report focused on three primary areas: reserve fund, utilization, and maintenance. The scope of this report removes reserve fund as a result of the consultant report listed above.
- Review the control implications of a possible implementation of a barcoding system within the fleet maintenance and purchasing divisions.
- Review the strategic initiatives relating to improving utilization on fleet assets for the City of London.

Potential Risks

- The current business model within Fleet Services for work order and inventory procurement relies on a high degree of manual processing and may not be maximizing efficient use of resources.
- Responsibility for improving utilization may not be appropriately apportioned to the various groups who could have the ability to identify improvements.
- Previous observations from the internal audit report issued February 1, 2012 were not fully implemented

Controls Operating Effectively

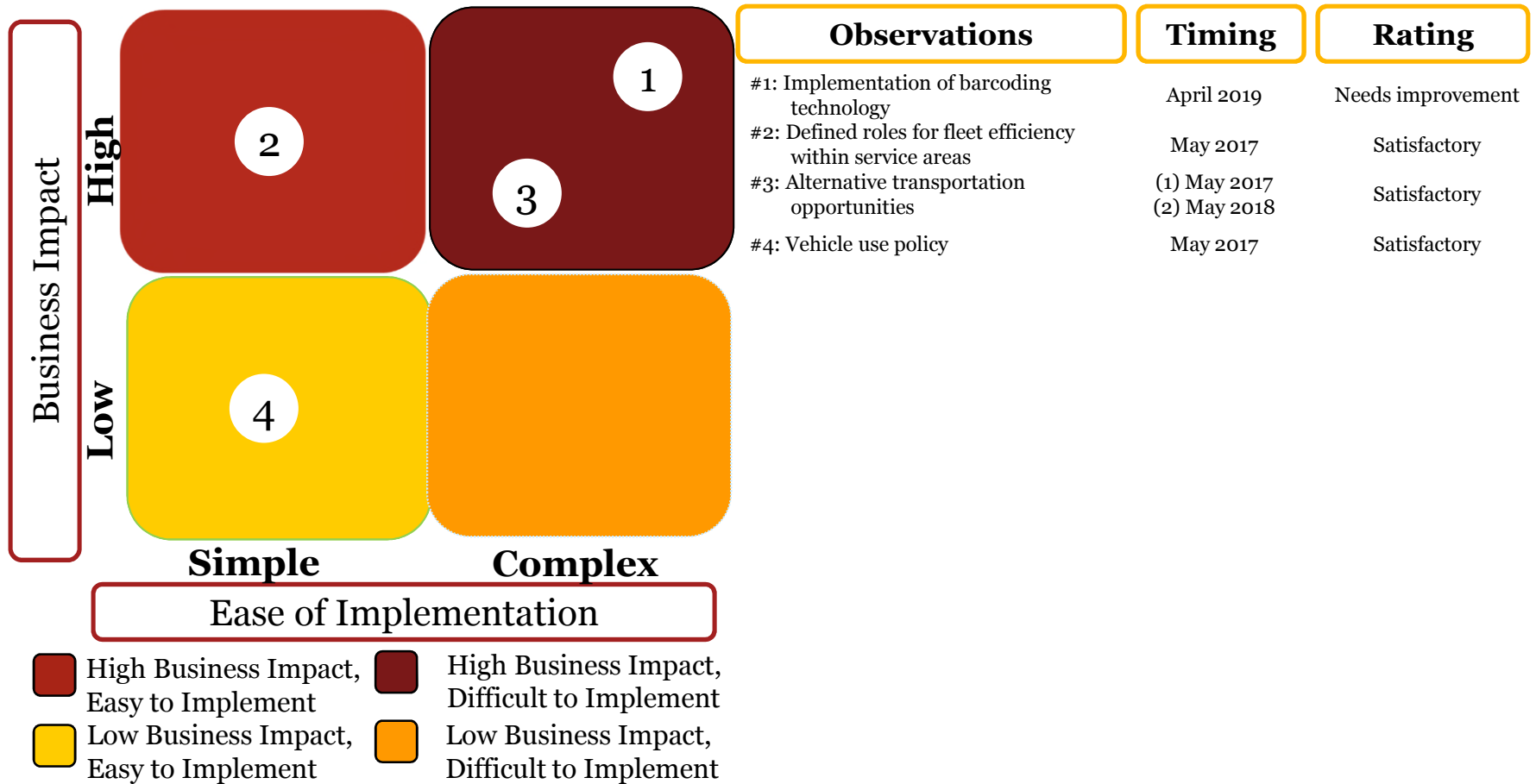
- Controls that are operating effectively and address observations from the February 1, 2012 report include, but are not limited to: (1) there is an effective process in place which accurately tracks the time incurred by technicians for each work order at a detailed level; (2) significant improvements have been made reducing on site stock levels through a close look at inventory usage; (3) ongoing efforts are being made to identify assets with low utilization; (4) work orders now include estimated labour hours for each assigned activity; (4) improved controls on the inventory receipt at the stores which is cross referenced to work order though JDE; and (5) Specific areas of outsourcing for specialized items where utilization was low has been identified.

Value-for-Money Considerations

- A new business model that is able to integrate the use of a barcoding technology into the various business processes within Fleet Services (including but not limited to payroll timesheets, inventory use tracking, documentation of repair code requirements on the work orders and inspections) could yield efficiencies and therefore create additional capacity among existing staff, avoid costs increases and/ or produce cost savings.
- Additional savings may be available through reduced fleet assets from alternative transportation opportunities.

Action Plan Summary

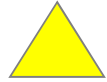
Engineering & Environmental Services: Fleet asset management follow up review



Observations & Action Plans -#1

Engineering & Environmental Services: Fleet asset management follow up review

Needs
Improvement



Observation

Implementation of barcoding technology

A significant amount of time is spent as part of manual processes in various business processes in Fleet Services. This includes payroll timesheets for the mechanics, allocation of mechanic times to work orders, inventory use tracking (as parts from the stores are used on work orders), documentation of repair code requirements on the work orders, and final inspection. The use of barcoding to automate these processes could have a significant impact on reducing the time incurred on these activities.

Business Impact

A technological update to barcoding could improve mechanic and supervisor time utilization by reducing their amount of time spent on non-value added activities. It would also increase the accuracy of both labour allocation to work orders and inventory re-orders. This would also allow for enhanced controls on the inventory count processes at each of the locations.

The business impact is discussed in greater detail on slide 12 from a controls perspective.

Action Plan

We encourage Fleet and Purchasing to meet with relevant functional departments to discuss the merits in further detail and determine if implementation for both maintenance and parts is feasible. Management should use some of the findings in this report to supplement their business case, particularly with respect to the primary control considerations that are further discussed on slide 12.

Action Plan Lead

Fleet Services Division Manager
Manager of Purchasing & Supply

Timing

April 2019

Observations & Action Plans -#2

Satisfactory



Engineering & Environmental Services: Fleet asset management follow up review

Observation

Defined roles for fleet efficiency within service areas

Currently, fleet assets are used by the various service area groups where no individual within those service areas are explicitly responsible for identifying opportunities for fleet efficiencies. Although Fleet Services has the available information to identify specific fleet assets that should be investigated for alternative transportation opportunities, a “fleet champion” role assigned an individual in each of the main fleet asset user groups (water, sewer, transportation, solid waste, and parks & recreation) could help facilitate creative solutions.

Business Impact

Fleet Services has the ultimate responsibility for managing overall fleet costs, but broader accountability, specifically within the specific service area user groups, may lead to creative solutions that could not be identified within the service area knowledge of how the various fleet assets are used on a daily basis.

Action Plan

An individual in each of the service areas that are the main users of fleet assets (shown above) should be assigned as the “fleet champion”. The primary responsibility for this would be to help identify potential alternative transportation opportunities in collaboration with Fleet Services.

Action Plan Lead

Fleet Services Division Manager

Timing

May 2017

Observations & Action Plans -#3

Satisfactory



Engineering & Environmental Services: Fleet asset management follow up review

Observation

Alternative transportation opportunities

There is an opportunity for the City to reduce overall fleet costs by using more alternative transportation opportunities, which include but are not limited to: internal and external car share models, employee use vehicles, leasing, public transportation, etc. These opportunities primarily exist within the certain classes of vehicles as identified by Fleet Services that would ordinarily have low km use (or high rental rate per km) and don't have specific features on the vehicles necessary for work purposes.

Business Impact

Identifying opportunities and implementing creative solutions can yield cost savings for the City. A critical part of this process is educating staff, or potentially the "fleet champions", on the alternative transportation methods that are available. Checklists should be performed on any fleet renewals to capture any potential opportunities for alternative methods as well.

Action Plan

Fleet services should (1) develop an education or training program to help facilitate a broader understanding of the alternative transportation opportunities for service area staff, particularly the "fleet champions"; and (2) once the opportunities are identified implement the alternative transportation method accordingly.

Action Plan Lead

Fleet Asset Division Manager

Timing

(1) May 2017 (2) May 2018

Observations & Action Plans -#4

Satisfactory



Engineering & Environmental Services: Fleet asset management follow up review

Observation

Vehicle use policy

Although a formal vehicle policy is currently in place, the policy is not sufficiently comprehensive to address circumstances such as take home policy, personal use, out of town use, sharing, utilization, etc.

Business Impact

An expanded vehicle use policy can help ensure the vehicles are used appropriately and in accordance to the written policies.

Action Plan

The vehicle use policy should be expanded to address these items.

Action Plan Lead

Fleet Asset Division Manager
Corporate Services Manager

Timing

March 2017

Control considerations for barcoding

Engineering & Environmental Services: Fleet asset management follow up review

PwC recommends the following key items be considered as part of evaluating whether an investment in barcoding can provide an appropriate level of return to the City and Fleet Services:

Control or process area	Risk & implication	Recommendation
Integration with JDE & Kronos	An important element of the barcoding is the ability to fully integrate with (i) Kronos, which allows for the elimination of manual work on payroll timesheet entry; and (ii) JDE, which would allow for labour allocation to be captured on work orders and enhanced details of on hand inventory.	As part of further investigations into specific barcoding tools, consideration should be given to whether there are integration opportunities with both Kronos and JDE.
Level of detail which repair codes are determined	Currently, the use of repair codes are fairly generic when the preventative maintenance work orders are created. In order to capitalize on the automated function that barcoding would allow for, it's important that more detailed repair code listing be developed.	Management should identify a pre-defined list of repair codes in sufficient detail that allows for evaluation of standard vs. actual times for jobs.

Control considerations for barcoding (cont'd)

Engineering & Environmental Services: Fleet asset management follow up review

The implementation of barcoding can enhance the control environment within Fleet Services in the following ways:

- ***Automation of labour hours.*** Barcoding system could automate the process of recording time details for staff if the appropriate integration with Kronos is enabled. This could achieve improvements in the accuracy of time reporting as well as the time spent recording hours. A secondary review of hours could then be performed to ensure the hours appear reasonable.
- ***Provides valuable insight into actual vs. budgeted labour hours.*** This would allow the actual time incurred for a specific repair code to be compared to a budgeted time, and could be used as a type of performance metric for Fleet Services mechanics.
- ***Isolates administrative time that is not related to work orders.*** During the ordinary course of a business day, there are administrative tasks that currently fall into a work order's time. The barcoding could allow staff to sign in and out of the system to ensure the administrative time is separately tracked and monitored.
- ***Real time inventory tracking.*** As a result of parts being identified within the system through the scanning technology, the Fleet Services sites would have a real time ability to monitor inventory levels. This could even lead to quicker turnaround on mid-day orders for critical shop parts if the procurement of those parts is integrated with the perpetual inventory system.
- ***Ability to use scanners for inventory count procedures.*** The scanners would allow for quicker and more accurate inventory counts since the inventory could be specifically identified and tied back to the perpetual inventory system.

Rating Scale – Status of Past Project Action Plans

Closed

All action plans have been addressed by the appointed Action Plan Lead.

On Track

All action plans targeted for completion have been addressed. Action Plan Leads are progressing well towards future action plan targets.

Some Delays

Some action plans targeted for completion have not been addressed. Action Plan Leads have revised some targets.

Not Addressed

Action plans targeted for completion have not been addressed by the appointed Action Plan Lead.

Status of Past Project Action Plans

Project	Status
Housing Access Centre Process Review - <i>Housing, Social Services & Dearness Home (2014)</i>	Some delays
By-law Enforcement & Licensing - <i>Development & Compliance Services (2014)</i>	Some delays
Facilities Design & Construction: <i>Construction of higher risk assets, including Normal School (2016)</i>	On track
Development & Compliance Services: <i>Building Cash Controls</i>	On track
Corporate Services: <i>Review of administrative cost allocations to the Lake Huron and Elgin Water Supply Boards (2016)</i>	On track

Delayed Action Plans: Housing Access Centre Process Review - Housing, Social Services and Dearness Home (2014)

#	Action Plan	Original Expected Target Date	Revised Expected Target Date	Reason(s) for Delay(s) and Management Action Plans for Completion
3	It is recommended that the City continue to support HCI. Furthermore, it is recommended that the Housing Division consider including the following features and functionalities in the new web-based system: (1) Staff access controls; (2) Ability for users to submit their applications and supporting documents online; (3) Blank field and character logic to mitigate against submission of incomplete/inaccurate forms; (4) Unit vacancy tracking capabilities; and (5) Flexibility to eventually support integration of choice-based letting programs.	June 30, 2016	December 2017	Management is well underway with this initiative and the project is in the middle of development with a projected full system implementation date by the end of 2017. In addition, 8 new service managers have agreed to license the system once fully developed through early adoption funding provided by the Province.

Delayed Action Plans: By-law Enforcement & Licensing - Development & Compliance Services (2014)

#	Action Plan	Original Expected Target Date	Revised Expected Target Date	Reason(s) for Delay(s) and Management Action Plans for Completion
3	The City is planning to use an automated conversion approach in dealing with data for business licensing and taxi records to reduce the risk of errors and system failure. Development & Compliance Services and ITS should continue to work together to finalize an approach to converting the business licensing and taxi licensing from Oracle to a more capable system such as Amanda.	December 2015	February 2017, revised to April 2017	This project is approved and expected to be implemented following adoption of bylaw.
8	Recommended that the City review and update the current Animal Control By-law and consider updating the associated fees to align with like municipalities. It is recommended that management consider reviewing the Business Licence By-law to include additional establishments that are common amongst peer municipalities that London does not currently enforce. It is also recommended that management consider updating the residential licensing and renewal fees to align with comparable municipalities, and consider changing the fee to be on a per unit, rather than per property, basis.	June 2015 for Business by-law December 2015 for fees	June 2017 June 2017	Public participation meetings beginning January 2017.

Delayed Action Plans: By-law Enforcement & Licensing - Development & Compliance Services (2014) ...continued

#	Action Plan	Original Expected Target Date	Revised Expected Target Date	Reason(s) for Delay(s) and Management Action Plans for Completion
10	It is recommended that the City investigate implementing the Administrative Monetary Penalties system for both parking and animal enforcement.	December 2015	May 2017	AMP software has been purchased and AMPs for parking is expected to be implemented in early 2017.
14	It is recommended that management consider removing fees and fines amount from individual by-laws and include them in the Various Fees and Charges By-law A-47 as this document is updated annually. Consideration should also be given to updating the Various Fees By-law to index the fees in line with the provincial CPI.	December 2015	May 2017	Portions of this action plan have been implemented with further items to be completed in the spring of 2017.

This report was prepared by PricewaterhouseCoopers at the request of the City of London and is intended solely for the information of the City of London management and the Audit and Finance Committee. The material in it reflects PricewaterhouseCoopers best judgement in light of the information available at the time of preparation. The work performed in preparing this report, and the report itself is governed by and in accordance with the terms and conditions of the internal audit services engagement letter between PricewaterhouseCoopers and the City of London. The existence of this report may not be disclosed nor its contents published in any way without PricewaterhouseCoopers written approval in each specific instance. PricewaterhouseCoopers does not accept any responsibility to any other party to whom it may be shown or into whose hands it may come.

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