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<b>TO:</b>	<b>CHAIR AND MEMBERS AUDIT COMMITTEE MEETING ON June 28, 2012</b>
<b>FROM:</b>	<b>PwC INTERNAL AUDITORS</b>
<b>SUBJECT:</b>	<b>Quarterly Report on Internal Audit Results a) Community Services - Financial Management b) Planning, Environmental and Engineering Services - Contract and Tendering Administration</b>

<b>RECOMMENDATION</b>
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That on the recommendation of PwC, this report **BE RECEIVED** for information and the action plans identified in Appendices A and B **BE RECOMMENDED** for approval.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Risk Assessment and 3-Year Risk-Based Audit Plan from PricewaterhouseCoopers – Audit Committee March 31, 2011.

<b>BACKGROUND</b>
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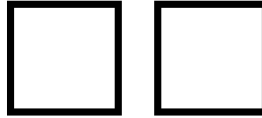
This report has been prepared in line with the reporting process defined within the Risk Assessment and 3-Year Risk-Based Audit Plan provided to the Audit Committee on March 31, 2011.

The purpose of this report is to communicate the results of internal audit projects completed to date, which include the following projects:

- Community Services - Financial Management
- Planning, Environmental and Engineering Services - Contract and Tendering Administration

PwC requests Audit Committee approval of the action plans developed in collaboration between PwC and City management. Please also refer to the formal presentation document attached in Appendix C.

<b>RECOMMENDED BY:</b>
<b>PwC INTERNAL AUDITORS</b>



## APPENDIX A – Community Services - Financial Management

### Summary of Risks & Scope

#### *Community Services - Financial Management*

##### **Scope**

- Accurate and timely preparation, review and approval of Ontario Works claims; including segregation of duties
- Submission of Ontario Works claims to the Ministry of Community and Social Services; including reconciliation of claim information to City of London financial records
- Physical access controls over printed and unprinted inventory Ontario Works cheques
- Accurate and timely preparation, review and approval of Homelessness Partnering Strategy (HPS), Homelessness and Child Care subsidy claims;
- Approval of accounts payable transactions

##### **Risks**

- Ontario Works claims may not be prepared accurately or timely, or may not be appropriately reviewed or approved prior to submission to the Ministry of Community and Social Services
- Ontario Works claims may not be appropriately submitted, or submitted claims may not agree to City of London information
- Physical access to Ontario Works cheques is not restricted
- HPS, Homelessness and Child Care subsidy claims may not be accurately prepared on a timely basis, and may not be appropriately reviewed and approved prior to submission
- Accounts payable transactions may not be appropriately approved and/or supported by source documents

##### **Controls Operating Effectively**

- Appropriate controls exist and are operating effectively over the approval, printing, processing and distribution of Ontario Works cheques.
- Accounts payable transactions are appropriately approved and supported by invoice/source documentation.
- HPS, Homelessness and Child Care claims are accurate and submitted in a timely manner; and appropriate monitoring of actual spending compared to budget is performed.

##### **Value-for-Money Considerations**

- By investigating the possible alternatives for the processing of monthly Ontario Works cheques, cost savings could be identified.
- By actively recommending / ensuring that upgrades are implemented to the Ontario Works provincial reporting system that facilitate data extraction and reporting, the Community Services Department can realize efficiencies and save costs.
- By actively recommending / ensuring that upgrades are implemented to the JD Edwards system (JDE) that facilitate data extraction and reporting, the Community Services Department can realize efficiencies and save costs.
- By negotiating a reasonable monthly management fee to be paid by Middlesex County to the City of London (the City) for all claims submitted to the federal and provincial governments by the City on Middlesex County's behalf, the City will be able to recover some of their costs of these services that are currently provided to Middlesex County free-of-charge

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**Observations & Action Plans**

**#1: Monthly Batch Reporting**

**Observation:**

The processing and distribution of the month-end Ontario Works (OW) cheque run is labour and time-intensive. Currently, the Data Processing Clerk extracts the monthly OW cheque run from the 'Payment Print Program' and sends a print request to the only cheque printer onsite. The Collections Payable Clerk enters the secured PIN into the cheque printer to release the batch for printing. The Data Processing clerk ensures all batches are processed by comparing the 'Payment Print Program' summary to the printed batch reports from the printer. OW cheques are then released to the Collections Payable Clerk for distribution.

**Business Impact:**

A potential risk exists that there are inefficiencies in the Community Services Department, as the six employees currently employed to prepare and process OW cheques are all required for the monthly OW cheque run process; however, on a day-to-day basis outside of the monthly cheque run, OW cheque processing requires only three individuals.

**Action Plan:**

It is recommended that the Community Services Department consider and investigate the opportunity for alternative month-end OW cheque run processes. This would involve preparing an Expression of Interest (EOI) for the OW cheque printing function.

It is recommended that the RFP requirements include the following: explicit controls surrounding the OW cheque printing process and distribution are in place; and an annual Canadian Institute of Chartered Accountant (CICA) 5970 report for the service organization's internal controls is provided by a reputable accounting firm.

**Action Plan Lead:**

Manager, Financial Operations

**Timing:**

December 31, 2012

**#2: Monitoring of Held Cheques**

**Observation:**

At the end of each business day, undistributed OW held cheques are obtained from the OW office. On the following business day, the Collections Payable Clerk updates the OW payment control system for held cheques that have been distributed by the front counter, and reconciliation between the payment control system and the held cheques is performed by the Collections Payable Clerk. Documentation of the daily held cheque reconciliation is not retained.

**Business Impact:**

A potential risk exists that the Collections Payable Clerk is unaware of missing OW held cheques, which could result in OW participants not receiving their cheques in a timely manner.

**Action Plan:**

It was recommended that the OW payment control system be updated and a reconciliation between the system and the undistributed held cheques be performed by the Collections Payable Clerk each night and retained on file. Updating the system and performing reconciliations on a more timely basis would allow the Community Services Department to identify any missing cheques and resolve any reconciling differences earlier.

Community Services Department management has considered this recommendation; however, the additional cost (namely, overtime pay, as the reconciliation would need to be prepared after normal business hours) was determined not to outweigh the benefit of a slightly earlier reconciliation at this time.

**Action Plan Lead:**

None - Closed

**Timing:**

N/A



### **#3: Final Cheque Reconciliation**

**Observation:**

A reconciliation is currently not performed to ensure that the number of cheques printed per the summary report from the Service Delivery Model Technology (the OW provincial system) agrees to the total number of cheques mailed and held by the OW office of the Community Services Department.

**Business Impact:**

A potential risk exists that participants may not receive their printed cheque (either through the mail or directly from the OW office).

**Action Plan:**

It is recommended that daily reconciliations are performed between the Service Delivery Model Technology summary report and the total number of cheques mailed and printed by the OW office.

Community Services Department management has considered this recommendation; however, they have concluded that the additional cost does not outweigh the benefit. Also, management considers the risk of missing cheques to be low and mitigated through other controls.

**Action Plan Lead:**

None - Closed

**Timing:**

N/A

### **#4: Processing of Ontario Works Cheques - Business Recovery Plan**

**Observation:**

Community Services Department management has implemented a Business Recovery Plan (BRP) which describes the measures to be taken when uncontrollable events disrupt the processing of OW cheques; however, a copy of the plan is not accessible by the staff. An informal agreement is in place with another municipality to share resources in the event an operating disruption affects the greater London area.

**Business Impact:**

A potential risk exists that without providing the appropriate staff with an overview of the BRP and formalizing the agreement with another municipality, inappropriate decisions and procedures could be followed. This could lead to limited or no operational functionality of the OW cheque processing, which would thereby cause delays in participants receiving their funds.

**Action Plan:**

It is recommended that the BRP be reviewed and updated by management annually. The following items should be considered when updating the BRP:

- Identify an external meeting place for key staff if building is inaccessible.
- Identify key roles and responsibilities of each staff member. Ensure that a backup person is identified in case the primary person is not available to perform their role.

It is also recommended that annual meetings are held with the appropriate staff to review the BRP and that a hard copy of the BRP is made accessible to all management. The Technology Service Department should also have a formal contingency plan in place to ensure that operations can continue in case of an emergency.

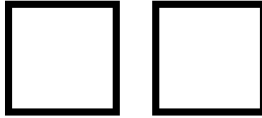
Finally, it is also recommended that the Community Services Department formalizes the agreement with another municipality to ensure that an alternate location is available to conduct business operations in the event an emergency arises.

**Action Plan Lead:**

TSD and Financial and Business Services

**Timing:**

December 31, 2012



**#5: Ontario Works Provincial Reporting System**

**Observation:**

The Ontario Ministry of Community and Social Services is in the midst of developing new software to replace the current OW software used by the Community Services Department to approve, process and distribute OW claims. The current software (SDMT) does not allow information to be extracted into a user friendly format such as Excel.

**Business Impact:**

Manipulating the data extracted from SDMT is time consuming for the Community Services Department. Therefore, increasing the efficiency of the process could result in cost savings for the City.

**Action Plan:**

It is recommended that the Community Service Department requests from the Ministry that the new OW software includes the ability to extract reports from the system in a user friendly format such as Excel.

**Action Plan Lead:**

Manager, Financial and Business Service

**Timing:**

June 2012 (Completed)

**#6: Maintenance: JD Edwards General Ledger information extraction**

**Observation:**

Currently, information obtained from JDE for Homelessness Partnering Strategy (HPS), Homelessness and Child Care subsidy (collectively, "subsidy") claim submissions are manually input into Excel spreadsheets. JDE does not allow for General Ledger (GL) information to be easily manipulated for subsidy claim reporting purposes.

**Business Impact:**

Manipulating the GL data extracted from JDE to be presented in an appropriate format for the subsidy claim process can be time consuming for the Community Services Department. Therefore, increasing the efficiency of the process could result in cost savings for the City.

**Action Plan:**

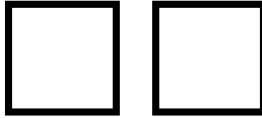
It is recommended that the Community Services Department considers and investigates, in conjunction with the City's JDE Upgrade Team, upgrading JDE's reporting and GL extraction capabilities as a part of the City's greater JDE upgrade plan to ensure that the information obtained from JDE is in a usable form for subsidy submissions.

**Action Plan Lead:**

Manager, Accounting and Reporting

**Timing:**

October 31, 2012



**#7: Middlesex County Claims**

**Observation:**

The City is required to incorporate Middlesex County subsidy claims into the City's claims for the HPS, Homelessness and Child Care subsidy programs. The expenditure information obtained from Middlesex County for subsidy claim submissions are manually input into Excel spreadsheets and amalgamated with the City's expenditures prior to submission to the federal and provincial governments.

**Business Impact:**

The inclusion of Middlesex County's expenditure information on the City's claim submission to the Ministry is time consuming. Also, the City provides staff and resources free of charge to complete Middlesex County's claim submissions.

**Action Plan:**

It is recommended that the Community Services Department negotiates a reasonable monthly management fee for all claims submitted to the federal and provincial governments by the City on Middlesex County's behalf. We understand that the "Purchase of Service" agreement with Middlesex County has now expired, therefore it is now an optimal time to negotiate this change.

**Action Plan Lead:**

City Treasurer and Chief Financial Officer

**Timing:**

December 31, 2012

**#8: Reporting Documentation**

**Observation:**

Minimal documentation exists to detail the procedures required and performed for subsidy claim reporting.

**Business Impact:**

A potential risk exists that without documentation of the process, key parts of the claims could be overlooked or the assessment process may not be followed properly. This could ultimately lead to uninformed and/or inconsistent claims reporting.

**Action Plan:**

It is recommended that the Community Services Department creates and requires completion of a checklist for each monthly subsidy claim. This documentation should be maintained by the Community Services Department.

The checklist should include such details as:

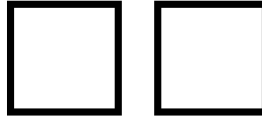
- 1) the supporting documentation required to complete the claims;
- 2) the reconciliations to be completed;
- 3) date the claim was completed;
- 4) the individual preparing the monthly claim;
- 5) the individual reviewing the monthly claim; and
- 6) the procedures to be completed by the reviewer

**Action Plan Lead:**

Manager, Accounting and Reporting

**Timing:**

May 2012 (Completed)



## APPENDIX B – Planning, Environmental & Engineering Services - Contract & Tendering Administration

### Summary of Risks & Scope

#### *Planning, Environmental & Engineering Services - Contract & Tendering Administration*

##### Scope

- Consistent development of contract/tendering documents for lifecycle renewal projects (contracts)
- Review and approval of contracts and contract change controls
- Timeliness of contract administration
- Consistent monitoring of project deficiencies under warranty
- Cost effectiveness of contract administration
- The following divisions were included in the scope of this project or assisted with our testing:
  - Construction Administration
  - Transportation, Planning & Design
  - Wastewater & Drainage Engineering
  - Water Engineering
  - Pollution Control Operations
  - Purchasing & Supply
  - Risk Management

##### Risks

- Contracts may not be consistently developed
- Changes to contracts may be made without sufficient review and approval
- Contracts may not be approved and administered in a timely manner
- Contracts may be developed without consistent warranty terms in place
- Contracts may not be administered in a cost effective manner with respect to both direct and indirect costs

##### Controls Operating Effectively

- Contracts were consistently developed based upon the City of London Standard Contract Documents.
- Contracts were reviewed and approved by all required parties, including the Mayor of the City of London and the legal department.
- The Construction Administration division performs in depth reviews of the division's performance based on their key performance indicators. This includes a satisfaction survey issued to residents and business owners. Average satisfaction ratings increased from 2005 to 2011, demonstrating the division's continual improvement.

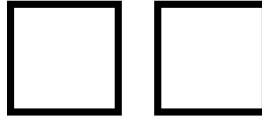
##### Value-for-Money Considerations

###### **Quantification of Controls Operating Effectively:**

- As a part of the Construction Administration division's self-assessment, an analysis of change order costs is performed. The cost of change orders as a percentage of total contract value remained within the acceptable range of 2-4% of contract value for fiscal 2011 and prior years. The division categorizes these costs and creates action points to improve going forward. The analysis is performed by project, by consultant and by contractor. Change orders are an effective way to define and balance contract risk resulting in overall savings to project owners.

###### **Quantification of Opportunities for Improvement:**

- The recommendation to explore a more streamlined project approval process has the potential to reduce management time by approximately 800 hours per year, which translates to approximately \$100,000 of annual staff costs which could be contributed towards other value-added tasks through reducing administrative workloads. This is based on an estimated 20 infrastructure projects per year. This would also result in time savings for Council meetings as well.
- Across the 2010 and 2011 years, an average of 87% and 90% of standard infrastructure replacement projects within the "right of way" are outsourced to consultants, based on the number of projects and contract value, respectively. In many cases outsourcing is the best solution due to specialist expertise requirements, seasonality of work, and the level of available resources internally. However, there may be an opportunity to perform a higher percentage of projects in-house, which is generally more cost effective. Based on current staffing capacity, an opportunity exists to reduce project costs by approximately \$400,000 based on two projects brought in-house in the next fiscal year. Additional resources could result in additional cost savings if more projects were brought in-house, where feasible (ie smaller, low-risk, routine projects).
- The recommendation to assess the potential for setting criteria within which construction bonds are not required has the potential to reduce tendered construction costs by approximately \$25,000 annually.



**Observations & Action Plans**

**#1: Efficiency & timeliness of project approval process**

**Observation:**

There is currently an approximate 8 week time span from the point of awarding a contract to the commencement of construction. An opportunity exists to reduce this by streamlining the Council approval process for projects which are within budget and involve no irregularities. This could be reduced to 2 weeks with modification to The “Procurement of Goods and Services Policy” (the Policy).

Surrounding municipalities have adopted the strategy of not requiring Council approval under stated criteria including a project dollar threshold:

- Burlington: Requires Council approval under specific criteria for projects over \$1,000,000
- Hamilton: Requires Council budgetary approval for projects over \$250,000. Under certain criteria, (including the tender being within budget), no additional Council approval is required
- Woodstock: Requires Council approval under specific criteria for projects over \$750,000

**Business Impact:**

The implications of the current process include:

- Approximately 800 hours of staff time annually spent on Council reporting, translating into \$100,000 of staff time;
- May result in work performed beyond the ideal time of the year (“off-spec” work), which is not covered under the 1 year warranty;
- Tender bid prices may increase due to late and uncertain project start dates. The contracting industry values early season projects to fill their workloads;
- Potential for additional charges if contractors are forced to perform work too far into the fall or winter (“winter heat charges”);
- Potential social impacts if projects carry-over to the following year;
- Substantial amount of Council time spent on reviewing and approving awarded contracts. Time would be more focused on higher risk or over-budget projects.

**Action Plan:**

It is recommended that the following suggestions be considered:

- The Policy could be amended to modify the approval threshold and/or extend approval authority to the City Engineer (or other appropriate authority) level for Request for Tenders (RFT) which are within the Council approved budget and contain no irregularities as defined by the Policy. Currently, the Policy does not require Council approval for RFTs less than \$100,000.
- “By-law A-1: Execution of Certain Documents” could also be amended to extend the conditions under which the Mayor and Clerk are authorized to execute an agreement on behalf of The Corporation of the City of London without individual Council approval. The Mayor and Clerk could be provided the ability to execute construction contracts which are within the Council approved budget and contain no irregularities as defined by the Policy.
- Investigation should be performed to determine how individual project budgets should be approved in order for no further Council approval to be required upon execution of the contract. This should include investigation into the processes and policies of surrounding municipalities.

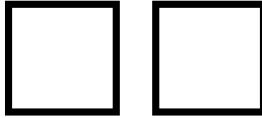
**Action Plan Lead:**

Construction Administration Division Manager,  
Manager of Purchasing and Supply, Director of Financial Planning & Policy  
and City Manager

**Timing:**

December 31, 2012





**#2: Use of engineering consultants**

**Observation:**

Approximately 90% of standard infrastructure replacement projects within the right of way are outsourced to third party engineering consultants. An opportunity exists by reassessing this strategy for cost effectiveness as it relates to routine, low-risk projects.

Surrounding municipalities and counties employ a strategy of performing engineering work in-house, including Middlesex County at 100% other than bridge work, the city of St. Thomas at 75%.

**Business Impact:**

Potential cost savings exist by retaining engineering roles in-house versus outsourcing. The nature of the project and the specialized skill set of various engineering consultants must be considered. For each project, there are potential cost savings of approximately \$200,000 by bringing the engineering work in-house. The City currently has the capacity and expertise to bring up to 2 additional projects in-house, equating to approximately \$400,000 in annual savings.

**Action Plan:**

It is recommended that the City fill current capacity by bringing the engineering component of up to 2 additional routine, low-risk projects in-house annually and consider and investigate the opportunity to increase the proportion of engineering work performed by in-house staff versus external consultants by increasing resources.

Note that engineering costs as a percentage of infrastructure life cycle costs are small and have been proven to create great value in the long-term. Consequently, any strategy moving forward should be careful not to reduce the total amount of engineering done per year.

**Action Plan Lead:**

City Engineer

**Timing:**

June 30, 2013

**#3: Bonding requirements on low risk projects**

**Observation:**

An opportunity to reduce tendered construction project costs exists by exploring the potential to develop criteria within which construction bonds are not required for contractors. Construction bonds represent a form of financial guarantee arranged by the contractors, which controls project costs for the City if the contractor has financial difficulties or is unable to complete the project.

**Business Impact:**

Potential cost savings exist by developing criteria which would clearly outline those construction projects which do not require surety. An opportunity exists to reduce construction costs by approximately \$25,000 annually based on small dollar, low risk projects occurring in 2011. The bond cost is passed on to the City as a part of the tendered cost presented by contractors and includes a mark-up. Establishing these criteria would mitigate this cost.

**Action Plan:**

It is recommended that the City explore the potential for developing criteria within which construction bonds would not be required for contractors. The indirect benefits of bonds must be considered in this analysis, including the leverage it provides the City to encourage on-time completion by contractors.

**Action Plan Lead:**

Manager of Risk Management

**Timing:**

December 31, 2012

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**#4: Consistency of deficiency monitoring and documentation**

**Observation:**

Tracking of unresolved construction deficiencies is not consistently documented and retained.

**Business Impact:**

A potential risk exists that a project deficiency will not be resolved or will be resolved outside of the contractual warranty period at a cost to the City.

**Action Plan:**

It is recommended that each Construction Administration project manager maintain a live list of project deficiencies, noting when the deficiencies were identified and resolved. A final list of all resolved deficiencies should be retained with the project files. This should be performed regardless of whether an engineering consultant is utilized for the project.

**Action Plan Lead:**

Construction Administration Division Manager

**Timing:**

Immediately

**#5: Monitoring of construction bond validity**

**Observation:**

Monitoring of the validity of construction bonds is not performed. Proof of the bond agreement is provided by the successful bidder upon award of the contract, however, follow up is not consistently performed to ensure that the contractor and project continue to be covered by the appropriate bonds.

**Business Impact:**

A potential risk exists that a contractor may lose their ability to be bonded subsequent to the initial bond contract date. It is particularly important that bonds for project running more than 12 months be monitored to ensure that they remain valid through the life of the project, including the warranty period. To maintain continued bond coverage, the contractor must continue to make premium payments. An invalid bond removes the City's leverage to ensure projects are completed.

**Action Plan:**

It is recommended that periodic follow-up is performed by the City to ensure that bonds remain valid. This could be performed by Risk Management Division who would seek evidence from the contractors of their bonding agreement renewal.

**Action Plan Lead:**

Management of Risk Management

**Timing:**

December 31, 2012

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**#6: Distribution of tender addenda and tender documents**

**Observation:**

Addenda and tender documents are occasionally issued to bidders by external consultants for infrastructure renewal projects without central review or control by Purchasing and Supply.

**Business Impact:**

A potential risk exists that addenda are not issued in line with the City's policy if they are not consistently distributed by the same division.

**Action Plan:**

It is recommended that the Procurement of Goods and Services Policy be amended to require Purchasing and Supply to issue all addenda and tender documents and investigate amending the policy for proposals as well. This change should be communicated to engineering consultants and City project managers to ensure this process is followed.

**Action Plan Lead:**

Manager of Purchasing and Supply

**Timing:**

December 31, 2012

**#7: Consistent use of Project Management Checklist**

**Observation:**

The Project Management Checklist developed in partnership by the environmental & engineering services design and construction groups is not consistently documented and retained for infrastructure renewal projects. This applies to both those projects which are completed in-house or outsourced to external engineering consultants.

**Business Impact:**

A potential risk exists that a task will not be completed during the engineering design, tendering, administration or project close-out phase. A potential risk exists that all required tasks are not performed or City policies are not followed by external engineering consultants.

**Action Plan:**

It is recommended that each project manager utilize, fully document and retain the Project Management Checklist. This should be completed whether an engineering consultant is utilized or not. The completion of the checklist should be transitioned from the engineering team to the construction administration team for those outsourced projects.

**Action Plan Lead:**

Construction Administration Division Manager

**Timing:**

Immediately

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**#8: Accessible shared information depository**

**Observation:**

Project information is currently maintained individually among design project managers, construction project managers, and engineering consultants. One accessible location for these documents does not exist.

**Business Impact:**

A potential risk exists that information cannot be shared among the parties involved in each construction project. Efficiencies may exist by developing a shared information depository which could house all contracts, change orders, drawings, deficiency listings, etc.

**Action Plan:**

It is recommended that the feasibility of an accessible shared information depository is reviewed. City electronic security restrictions may prevent external access. Access rights should be set according to each party's requirements and privileges.

**Action Plan Lead:**

Construction Administration Division Manager

**Timing:**

December 31, 2012

Appendix C - Quarterly Report on Internal Audit Results

[www.pwc.com/ca](http://www.pwc.com/ca)

# *The Corporation of the City of London*

## Quarterly Report on Internal Audit Results

- Community Services Financial Management
- Contract & Tendering Administration

June 28, 2012

**pwc**

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# ***Agenda***

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## ***Request for Approval of Modification to the Audit Schedule***

We wish to obtain approval for the following modification to the audit schedule:

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<b>Project</b>	<b>Per Approved Schedule</b>	<b>Proposal</b>
<b>Parks &amp; Recreation – Health &amp; Safety</b>	2013	2012
<b>Grant and loan program administration (multiple department project)</b>	2012	2013

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## ***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



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# ***Community Services – Financial Management***

# ***Summary of Risks & Scope***

## ***Community Services – Financial Management***

### **Scope**

- Accurate and timely preparation, review and approval of Ontario Works claims; including segregation of duties
- Submission of Ontario Works claims to the Ministry of Community and Social Services; including reconciliation of claim information to City of London financial records
- Physical access controls over printed and unprinted inventory Ontario Works cheques
- Accurate and timely preparation, review and approval of Homelessness Partnering Strategy (HPS), Homelessness and Child Care subsidy claims;
- Approval of accounts payable transactions

### **Risks**

- Ontario Works claims may not be prepared accurately or timely, or may not be appropriately reviewed or approved prior to submission to the Ministry of Community and Social Services
- Ontario Works claims may not be appropriately submitted, or submitted claims may not agree to City of London information
- Physical access to Ontario Works cheques is not restricted
- HPS, Homelessness and Child Care subsidy claims may not be accurately prepared on a timely basis, and may not be appropriately reviewed and approved prior to submission
- Accounts payable transactions may not be appropriately approved and/or supported by source documents

### **Controls Operating Effectively**

- Appropriate controls exist and are operating effectively over the approval, printing, processing and distribution of Ontario Works cheques.
- Accounts payable transactions are appropriately approved and supported by invoice/source documentation.
- HPS, Homelessness and Child Care claims are accurate and submitted in a timely manner; and appropriate monitoring of actual spending compared to budget is performed.

### **Value-for-Money Considerations**

- By investigating the possible alternatives for the processing of monthly Ontario Works cheques, cost savings could be identified.
- By actively recommending / ensuring that upgrades are implemented to the Ontario Works provincial reporting system that facilitate data extraction and reporting, the Community Services Department can realize efficiencies and save costs.
- By actively recommending / ensuring that upgrades are implemented to the JD Edwards system (JDE) that facilitate data extraction and reporting, the Community Services Department can realize efficiencies and save costs.
- By negotiating a reasonable monthly management fee to be paid by Middlesex County to the City of London (the City) for all claims submitted to the federal and provincial governments by the City on Middlesex County's behalf, the City will be able to recover some of their costs of these services that are currently provided to Middlesex County free-of-charge.

# **Observations & Action Plans -#1**

## **Community Services – Financial Management**

**Satisfactory**



### **Observation**

#### **Monthly Batch Processing**

The processing and distribution of the month-end Ontario Works (OW) cheque run is labour and time-intensive. Currently, the Data Processing Clerk extracts the monthly OW cheque run from the 'Payment Print Program' and sends a print request to the only cheque printer onsite. The Collections Payable Clerk enters the secured PIN into the cheque printer to release the batch for printing. The Data Processing clerk ensures all batches are processed by comparing the 'Payment Print Program' summary to the printed batch reports from the printer. OW cheques are then released to the Collections Payable Clerk for distribution.

### **Business Impact**

A potential risk exists that there are inefficiencies in the Community Services Department, as the six employees currently employed to prepare and process OW cheques are all required for the monthly OW cheque run process; however, on a day-to-day basis outside of the monthly cheque run, OW cheque processing requires only three individuals.

### **Action Plan**

It is recommended that the Community Services Department consider and investigate the opportunity for alternative month-end OW cheque run processes. This would involve preparing an Expression of Interest (EOI) for the OW cheque printing function.

It is recommended that the RFP requirements include the following: explicit controls surrounding the OW cheque printing process and distribution are in place; and an annual Canadian Institute of Chartered Accountant (CICA) 5970 report for the service organization's internal controls is provided by a reputable accounting firm.

### **Action Plan Lead**

Manager, Financial Operations

### **Timing**

December 31, 2012

# Observations & Action Plans -#2

## Community Services – Financial Management

Satisfactory



### Observation

#### Monitoring of Held Cheques

At the end of each business day, undistributed OW held cheques are obtained from the OW office. On the following business day, the Collections Payable Clerk updates the OW payment control system for held cheques that have been distributed by the front counter, and reconciliation between the payment control system and the held cheques is performed by the Collections Payable Clerk. Documentation of the daily held cheque reconciliation is not retained.

### Business Impact

A potential risk exists that the Collections Payable Clerk is unaware of missing OW held cheques, which could result in OW participants not receiving their cheques in a timely manner.

### Action Plan

It was recommended that the OW payment control system be updated and a reconciliation between the system and the undistributed held cheques be performed by the Collections Payable Clerk each night and retained on file. Updating the system and performing reconciliations on a more timely basis would allow the Community Services Department to identify any missing cheques and resolve any reconciling differences earlier.

Community Services Department management has considered this recommendation; however, the additional cost (namely, overtime pay, as the reconciliation would need to be prepared after normal business hours) was determined not to outweigh the benefit of a slightly earlier reconciliation at this time.

### Action Plan Lead

None - Closed

### Timing

N/A

# **Observations & Action Plans -#3**

## **Community Services – Financial Management**

**Satisfactory**



### **Observation**

#### **Final Cheque Reconciliation**

A reconciliation is currently not performed to ensure that the number of cheques printed per the summary report from the Service Delivery Model Technology (the OW provincial system) agrees to the total number of cheques mailed and held by the OW office of the Community Services Department.

### **Business Impact**

A potential risk exists that participants may not receive their printed cheque (either through the mail or directly from the OW office).

### **Action Plan**

It is recommended that daily reconciliations are performed between the Service Delivery Model Technology summary report and the total number of cheques mailed and printed by the OW office.

Community Services Department management has considered this recommendation; however, they have concluded that the additional cost does not outweigh the benefit. Also, management considers the risk of missing cheques to be low and mitigated through other controls.

### **Action Plan Lead**

None - Closed

### **Timing**

N/A

# Observations & Action Plans -#4

## Community Services – Financial Management

Satisfactory



### Observation

#### Processing of Ontario Works Cheques – Business Recovery Plan

Community Services Department management has implemented a Business Recovery Plan (BRP) which describes the measures to be taken when uncontrollable events disrupt the processing of OW cheques; however, a copy of the plan is not accessible by the staff. An informal agreement is in place with another municipality to share resources in the event an operating disruption affects the greater London area.

### Business Impact

A potential risk exists that without providing the appropriate staff with an overview of the BRP and formalizing the agreement with another municipality, inappropriate decisions and procedures could be followed. This could lead to limited or no operational functionality of the OW cheque processing, which would thereby cause delays in participants receiving their funds.

### Action Plan

It is recommended that the BRP be reviewed and updated by management annually. The following items should be considered when updating the BRP:

- Identify an external meeting place for key staff if building is inaccessible.
- Identify key roles and responsibilities of each staff member. Ensure that a backup person is identified in case the primary person is not available to perform their role.

It is also recommended that annual meetings are held with the appropriate staff to review the BRP and that a hard copy of the BRP is made accessible to all management. The Technology Service Department should also have a formal contingency plan in place to ensure that operations can continue in case of an emergency.

Finally, it is also recommended that the Community Services Department formalizes the agreement with another municipality to ensure that an alternate location is available to conduct business operations in the event an emergency arises.

### Action Plan Lead

TSD and Financial and Business Services

### Timing

December 31, 2012

# **Observations & Action Plans -#5**

## **Community Services – Financial Management**

**Satisfactory**



### **Observation**

#### **Ontario Works Provincial Reporting System**

The Ontario Ministry of Community and Social Services is in the midst of developing new software to replace the current OW software used by the Community Services Department to approve, process and distribute OW claims. The current software (SDMT) does not allow information to be extracted into a user friendly format such as Excel.

### **Business Impact**

Manipulating the data extracted from SDMT is time consuming for the Community Services Department. Therefore, increasing the efficiency of the process could result in cost savings for the City.

### **Action Plan**

It is recommended that the Community Service Department requests from the Ministry that the new OW software includes the ability to extract reports from the system in a user friendly format such as Excel.

### **Action Plan Lead**

Manager, Financial and Business Services

### **Timing**

June 2012 (Completed)



# **Observations & Action Plans -#6**

## **Community Services – Financial Management**

**Satisfactory**



### **Observation**

#### **JD Edwards General Ledger information extraction**

Currently, information obtained from JDE for Homelessness Partnering Strategy (HPS), Homelessness and Child Care subsidy (collectively, “subsidy”) claim submissions are manually input into Excel spreadsheets. JDE does not allow for General Ledger (GL) information to be easily manipulated for subsidy claim reporting purposes.

### **Business Impact**

Manipulating the GL data extracted from JDE to be presented in an appropriate format for the subsidy claim process can be time consuming for the Community Services Department. Therefore, increasing the efficiency of the process could result in cost savings for the City.

### **Action Plan**

It is recommended that the Community Services Department considers and investigates, in conjunction with the City’s JDE Upgrade Team, upgrading JDE’s reporting and GL extraction capabilities as a part of the City’s greater JDE upgrade plan to ensure that the information obtained from JDE is in a usable form for subsidy submissions.

### **Action Plan Lead**

Manager, Accounting and Reporting

### **Timing**

October 31, 2012

# ***Observations & Action Plans -#7***

## ***Community Services – Financial Management***

**Satisfactory**



### **Observation**

#### **Middlesex County Claims**

The City is required to incorporate Middlesex County subsidy claims into the City's claims for the HPS, Homelessness and Child Care subsidy programs. The expenditure information obtained from Middlesex County for subsidy claim submissions are manually input into Excel spreadsheets and amalgamated with the City's expenditures prior to submission to the federal and provincial governments.

### **Business Impact**

The inclusion of Middlesex County's expenditure information on the City's claim submission to the Ministry is time consuming. Also, the City provides staff and resources free of charge to complete Middlesex County's claim submissions.

### **Action Plan**

It is recommended that the Community Services Department negotiates a reasonable monthly management fee for all claims submitted to the federal and provincial governments by the City on Middlesex County's behalf. We understand that the "Purchase of Service" agreement with Middlesex County has now expired, therefore it is now an optimal time to negotiate this change.

### **Action Plan Lead**

City Treasurer and Chief Financial Officer

### **Timing**

December 31, 2012

# ***Observations & Action Plans -#8***

## ***Community Services – Financial Management***

**Satisfactory**



### **Observation**

#### **Reporting Documentation**

Minimal documentation exists to detail the procedures required and performed for subsidy claim reporting.

### **Business Impact**

A potential risk exists that without documentation of the process, key parts of the claims could be overlooked or the assessment process may not be followed properly. This could ultimately lead to uninformed and/or inconsistent claims reporting.

### **Action Plan**

It is recommended that the Community Services Department creates and requires completion of a checklist for each monthly subsidy claim. This documentation should be maintained by the Community Services Department.

The checklist should include such details as:

- 1) the supporting documentation required to complete the claims;
- 2) the reconciliations to be completed;
- 3) date the claim was completed;
- 4) the individual preparing the monthly claim;
- 5) the individual reviewing the monthly claim; and
- 6) the procedures to be completed by the reviewer.

### **Action Plan Lead**

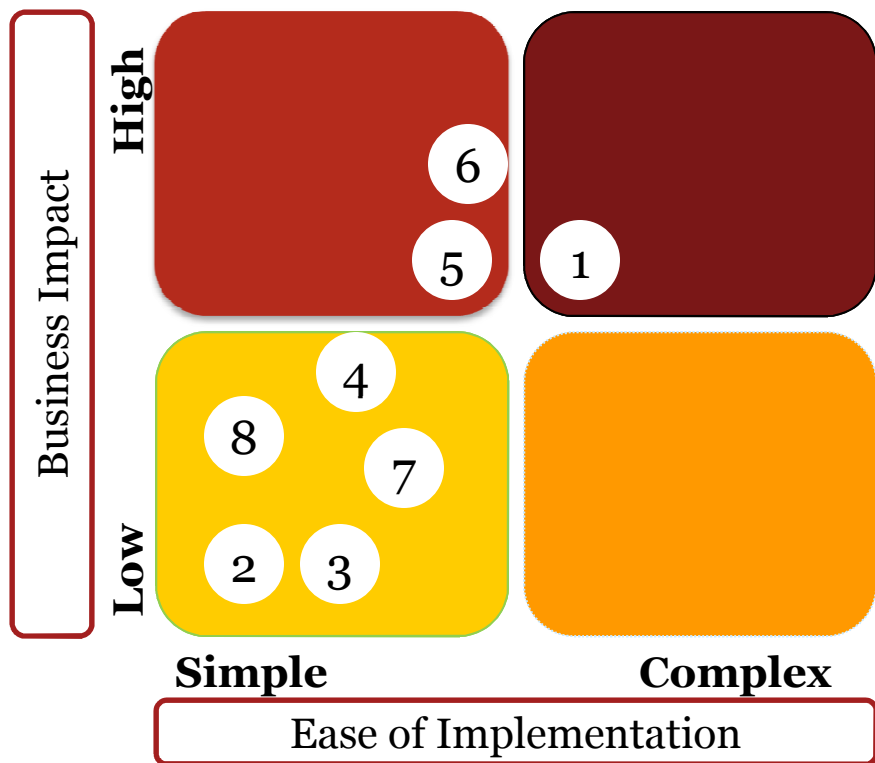
Manager, Accounting and Reporting

### **Timing**

May 2012 (Completed)

# Action Plan Summary

## Community Services – Financial Management



- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

Observations	Timing
#1: Monthly Batch Processing	December 31, 2012
#2: Monitoring of Held Cheques	N/A
#3: Final Cheque Reconciliation	N/A
#4: Business Recovery Plan	December 31, 2012
#5: Ontario Works Provincial Reporting System	June 2012 (Completed)
#6: JD Edwards General Ledger information extraction	October 31, 2012
#7: Middlesex County Claims	December 31, 2012
#8: Reporting Documentation	May 2012 (Completed)

**Action Plan Lead**  
 Various members of the Community Services Department

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***Planning, Environmental & Engineering Services  
– Contract & Tendering Administration***

# **Summary of Risks & Scope**

## **Planning, Environmental & Engineering Services – Contract & Tendering Administration**

### **Scope**

- Consistent development of contract/tendering documents for lifecycle renewal projects (contracts)
- Review and approval of contracts and contract change controls
- Timeliness of contract administration
- Consistent monitoring of project deficiencies under warranty
- Cost effectiveness of contract administration
- The following divisions were included in the scope of this project or assisted with our testing:
  - Construction Administration
  - Transportation, Planning & Design
  - Wastewater & Drainage Engineering
  - Water Engineering
  - Pollution Control Operations
  - Purchasing & Supply
  - Risk Management

### **Risks**

- Contracts may not be consistently developed
- Changes to contracts may be made without sufficient review and approval
- Contracts may not be approved and administered in a timely manner
- Contracts may be developed without consistent warranty terms in place
- Contracts may not be administered in a cost effective manner with respect to both direct and indirect costs

### **Controls Operating Effectively**

- Contracts were consistently developed based upon the City of London Standard Contract Documents.
- Contracts were reviewed and approved by all required parties, including the Mayor of the City of London and the legal department.
- The Construction Administration division performs in depth reviews of the division's performance based on their key performance indicators. This includes a satisfaction survey issued to residents and business owners. Average satisfaction ratings increased from 2005 to 2011, demonstrating the division's continual improvement.

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# ***Summary of Risks & Scope***

## ***Planning, Environmental & Engineering Services – Contract & Tendering Administration***

### **Value-for-Money Considerations**

#### ***Quantification of Controls Operating Effectively:***

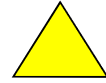
•As a part of the Construction Administration division’s self-assessment, an analysis of change order costs is performed. The cost of change orders as a percentage of total contract value remained within the acceptable range of 2-4% of contract value for fiscal 2011 and prior years. The division categorizes these costs and creates action points to improve going forward. The analysis is performed by project, by consultant and by contractor. Change orders are an effective way to define and balance contract risk resulting in overall savings to project owners.

#### ***Quantification of Opportunities for Improvement:***

- The recommendation to explore a more streamlined project approval process has the potential to reduce management time by approximately 800 hours per year, which translates to approximately \$100,000 of annual staff costs which could be contributed towards other value-added tasks through reducing administrative workloads. This is based on an estimated 20 infrastructure projects per year. This would also result in time savings for Council meetings as well.
- Across the 2010 and 2011 years, an average of 87% and 90% of standard infrastructure replacement projects within the “right of way” are outsourced to consultants, based on the number of projects and contract value, respectively. In many cases outsourcing is the best solution due to specialist expertise requirements, seasonality of work, and the level of available resources internally. However, there may be an opportunity to perform a higher percentage of projects in-house, which is generally more cost effective. Based on current staffing capacity, an opportunity exists to reduce project costs by approximately \$400,000 based on two projects brought in-house in the next fiscal year. Additional resources could result in additional cost savings if more projects were brought in-house, where feasible (ie smaller, low-risk, routine projects).
- The recommendation to assess the potential for setting criteria within which construction bonds are not required has the potential to reduce tendered construction costs by approximately \$25,000 annually.

# Observations & Action Plans - #1

Needs  
Improvement



Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

### Efficiency & timeliness of project approval process

There is currently an approximate 8 week time span from the point of awarding a contract to the commencement of construction. An opportunity exists to reduce this by streamlining the Council approval process for projects which are within budget and involve no irregularities. This could be reduced to 2 weeks with modification to The “Procurement of Goods and Services Policy” (the Policy).

Surrounding municipalities have adopted the strategy of not requiring Council approval under stated criteria including a project dollar threshold:

- Burlington: Requires Council approval under specific criteria for projects over \$1,000,000
- Hamilton: Requires Council budgetary approval for projects over \$250,000. Under certain criteria, (including the tender being within budget), no additional Council approval is required
- Woodstock: Requires Council approval under specific criteria for projects over \$750,000

## Business Impact

The implications of the current process include:

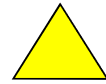
- Approximately 800 hours of staff time annually spent on Council reporting, translating into \$100,000 of staff time;
- May result in work performed beyond the ideal time of the year (“off-spec” work), which is not covered under the 1 year warranty;
- Tender bid prices may increase due to late and uncertain project start dates. The contracting industry values early season projects to fill their work loads;
- Potential for additional charges if contractors are forced to perform work too far into the fall or winter (“winter heat charges”);
- Potential social impacts if projects carry-over to the following year;
- Substantial amount of Council time spent on reviewing and approving awarded contracts. Time would be more focused on higher risk or over-budget projects.



# **Observations & Action Plans -#1**

*Planning, Environmental & Engineering Services – Contract & Tendering Administration*

**Needs  
Improvement**



## **Action Plan**

It is recommended that the following suggestions be considered:

- The Policy could be amended to modify the approval threshold and/or extend approval authority to the City Engineer (or other appropriate authority) level for Request for Tenders (RFT) which are within the Council approved budget and contain no irregularities as defined by the Policy. Currently, the Policy does not require Council approval for RFTs less than \$100,000.
- “By-law A-1: Execution of Certain Documents” could also be amended to extend the conditions under which the Mayor and Clerk are authorized to execute an agreement on behalf of The Corporation of the City of London without individual Council approval. The Mayor and Clerk could be provided the ability to execute construction contracts which are within the Council approved budget and contain no irregularities as defined by the Policy.
- Investigation should be performed to determine how individual project budgets should be approved in order for no further Council approval to be required upon execution of the contract. This should include investigation into the processes and policies of surrounding municipalities.

## **Action Plan Lead**

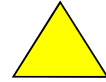
Construction Administration Division Manager,  
Manager of Purchasing and Supply, Director of  
Financial Planning & Policy and City Manager

## **Timing**

December 31, 2012

# Observations & Action Plans - #2

Needs  
Improvement



Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

### Use of engineering consultants

Approximately 90% of standard infrastructure replacement projects within the right of way are outsourced to third party engineering consultants. An opportunity exists by reassessing this strategy for cost effectiveness as it relates to routine, low-risk projects. Surrounding municipalities and counties employ a strategy of performing engineering work in-house, including Middlesex County at 100% other than bridge work, the city of St. Thomas at 75%.

## Business Impact

Potential cost savings exist by retaining engineering roles in-house versus outsourcing. The nature of the project and the specialized skill set of various engineering consultants must be considered. For each project, there are potential cost savings of approximately \$200,000 by bringing the engineering work in-house. The City currently has the capacity and expertise to bring up to 2 additional projects in-house, equating to approximately \$400,000 in annual savings.

## Action Plan

It is recommended that the City fill current capacity by bringing the engineering component of up to 2 additional routine, low-risk projects in-house annually and consider and investigate the opportunity to increase the proportion of engineering work performed by in-house staff versus external consultants by increasing resources.

Note that engineering costs as a percentage of infrastructure life cycle costs are small and have been proven to create great value in the long-term. Consequently, any strategy moving forward should be careful not to reduce the total amount of engineering done per year.

## Action Plan Lead

City Engineer

## Timing

June 30, 2013

# Observations & Action Plans - #3

Satisfactory



Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

### **Bonding requirements on low risk projects**

An opportunity to reduce tendered construction project costs exists by exploring the potential to develop criteria within which construction bonds are not required for contractors. Construction bonds represent a form of financial guarantee arranged by the contractors, which controls project costs for the City if the contractor has financial difficulties or is unable to complete the project.

## Business Impact

Potential cost savings exist by developing criteria which would clearly outline those construction projects which do not require surety. An opportunity exists to reduce construction costs by approximately \$25,000 annually based on small dollar, low risk projects occurring in 2011. The bond cost is passed on to the City as a part of the tendered cost presented by contractors and includes a mark-up. Establishing these criteria would mitigate this cost.

## Action Plan

It is recommended that the City explore the potential for developing criteria within which construction bonds would not be required for contractors. The indirect benefits of bonds must be considered in this analysis, including the leverage it provides the City to encourage on-time completion by contractors.

## Action Plan Lead

Manager of Risk Management

## Timing

December 31, 2012

# Observations & Action Plans -#4

Satisfactory



Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

### Consistency of deficiency monitoring and documentation

Tracking of unresolved construction deficiencies is not consistently documented and retained.

## Business Impact

A potential risk exists that a project deficiency will not be resolved or will be resolved outside of the contractual warranty period at a cost to the City.

## Action Plan

It is recommended that each Construction Administration project manager maintain a live list of project deficiencies, noting when the deficiencies were identified and resolved. A final list of all resolved deficiencies should be retained with the project files. This should be performed regardless of whether an engineering consultant is utilized for the project.

## Action Plan Lead

Construction Administration Division  
Manager

## Timing

Immediately

# Observations & Action Plans -#5

Satisfactory



Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

**Monitoring of construction bond validity**  
Monitoring of the validity of construction bonds is not performed. Proof of the bond agreement is provided by the successful bidder upon award of the contract, however, follow up is not consistently performed to ensure that the contractor and project continue to be covered by the appropriate bonds.

## Business Impact

A potential risk exists that a contractor may lose their ability to be bonded subsequent to the initial bond contract date. It is particularly important that bonds for project running more than 12 months be monitored to ensure that they remain valid through the life of the project, including the warranty period. To maintain continued bond coverage, the contractor must continue to make premium payments. An invalid bond removes the City's leverage to ensure projects are completed.

## Action Plan

It is recommended that periodic follow-up is performed by the City to ensure that bonds remain valid. This could be performed by Risk Management Division who would seek evidence from the contractors of their bonding agreement renewal.

## Action Plan Lead

Manager of Risk Management

## Timing

December 31, 2012

## Observations & Action Plans - #6

Satisfactory



Planning, Environmental & Engineering Services – Contract & Tendering Administration

### Observation

#### **Distribution of tender addenda and tender documents**

Addenda and tender documents are occasionally issued to bidders by external consultants for infrastructure renewal projects without central review or control by Purchasing and Supply.

### Business Impact

A potential risk exists that addenda are not issued in line with the City's policy if they are not consistently distributed by the same division.

### Action Plan

It is recommended that the Procurement of Goods and Services Policy be amended to require Purchasing and Supply to issue all addenda and tender documents and investigate amending the policy for proposals as well. This change should be communicated to engineering consultants and City project managers to ensure this process is followed.

### Action Plan Lead

Manager of Purchasing and Supply

### Timing

December 31, 2012

# Observations & Action Plans - #7

Satisfactory 

Planning, Environmental & Engineering Services – Contract & Tendering Administration

## Observation

### Consistent use of Project Management Checklist

The Project Management Checklist developed in partnership by the environmental & engineering services design and construction groups is not consistently documented and retained for infrastructure renewal projects. This applies to both those projects which are completed in-house or outsourced to external engineering consultants.

## Business Impact

A potential risk exists that a task will not be completed during the engineering design, tendering, administration or project close-out phase. A potential risk exists that all required tasks are not performed or City policies are not followed by external engineering consultants.

## Action Plan

It is recommended that each project manager utilize, fully document and retain the Project Management Checklist. This should be completed whether an engineering consultant is utilized or not. The completion of the checklist should be transitioned from the engineering team to the construction administration team for those outsourced projects.

## Action Plan Lead

Construction Administration Division  
Manager

## Timing

Immediately

## Observations & Action Plans - #8

Satisfactory 

Planning, Environmental & Engineering Services – Contract & Tendering Administration

### Observation

#### Accessible shared information depository

Project information is currently maintained individually among design project managers, construction project managers, and engineering consultants. One accessible location for these documents does not exist.

### Business Impact

A potential risk exists that information cannot be shared among the parties involved in each construction project. Efficiencies may exist by developing a shared information depository which could house all contracts, change orders, drawings, deficiency listings, etc.

### Action Plan

It is recommended that the feasibility of an accessible shared information depository is reviewed. City electronic security restrictions may prevent external access. Access rights should be set according to each party's requirements and privileges.

### Action Plan Lead

Construction Administration Division  
Manager

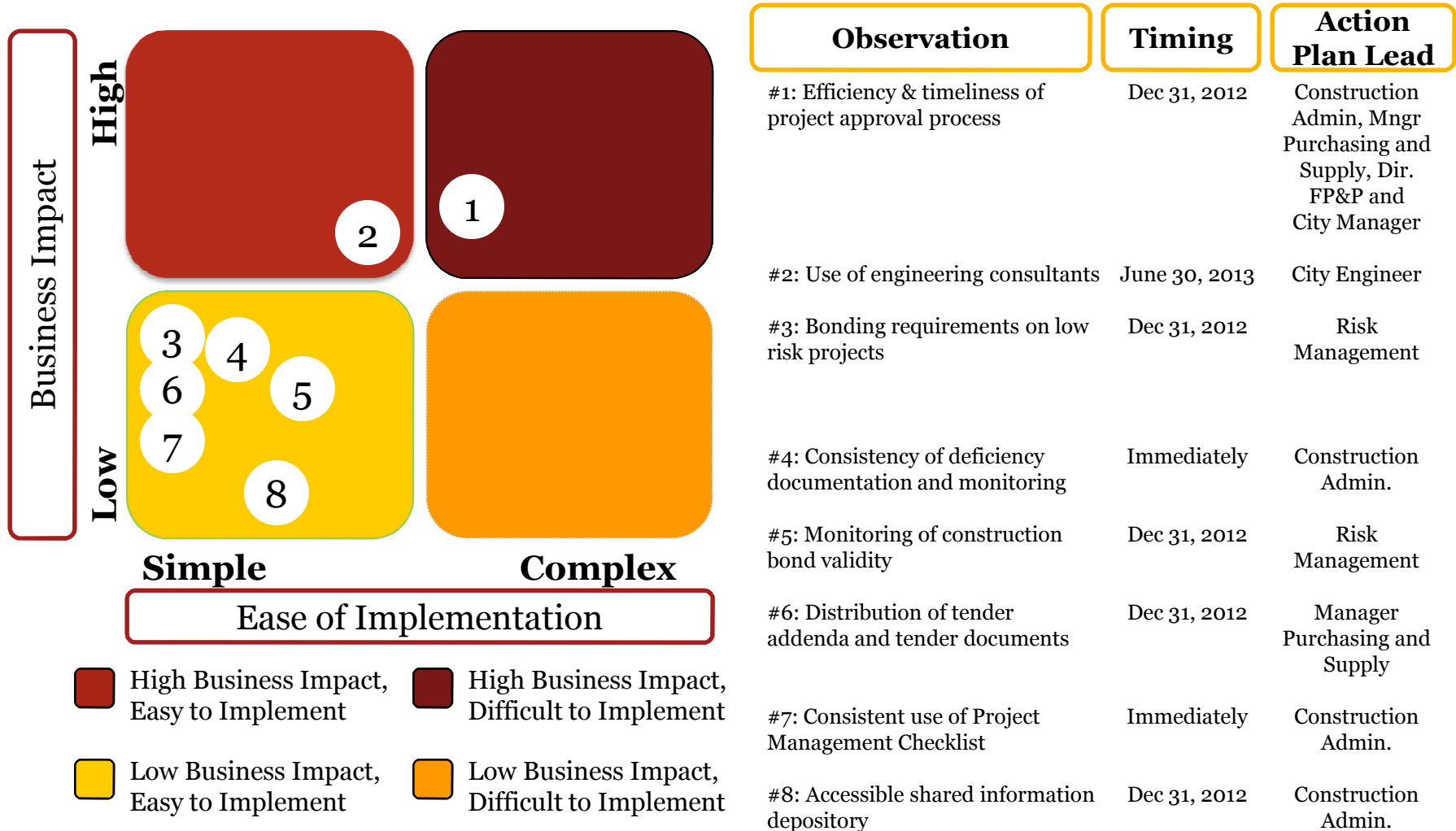
### Timing

December 31, 2012





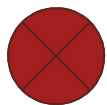
# Action Plan Summary

## Planning, Environmental & Engineering Services – Contract & Tendering Administration



## 2012 Internal Audit Projects in Progress

Division	Project	Stage
Planning and Development/Building Control	Building Control	Completion 
Parks and Recreation	Health and Safety	Fieldwork 



Higher risk









Moderate Risk



Lower Risk

# 2012 Internal Audit Schedule Going Forward

Department	Project	Timing									
		Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	
Planning, Environmental & Engineering Services	Building Control										
Community Services	Parks and Recreation – Health and Safety										
Finance	Purchasing cards										
Finance	Payroll										
Finance	Expenditure Approval and Payment										
City Manager's Department	Succession Planning										



Higher risk



Moderate Risk



Lower Risk

## Internal Audit Scorecard – June 2012

		Key Measures	TARGET	Jan	Feb	Mar	Apr	May	Jun
CORPORATE STRATEGY	Audit Committee	Approval of annual risk-based audit plan	Y	Y	Y	Y	Y	Y	Y
		Number of reports presented to the Audit Committee	4	0	1	1	1	1	2
		Timely reporting of recommendations	Y	Y	Y	Y	Y	Y	Y
		Estimated quantification of future cost savings		\$0	\$0	\$0	\$0	\$0	\$525K*
	Management/ Auditees	Number of closing meetings held with management	8	0	0	0	1	2	2
		Number of concise, value-added recommendations		0	0	0	0	0	16
INTERNAL AUDIT STRATEGY	Innovation/ Capabilities	Number of best practices identified by internal audit		0	0	0	0	0	16
		Use of internal audit resources and processes	Y	Y	Y	Y	Y	Y	Y
	Internal Audit Processes	Percentage of projects completed	43%	0%	0%	11%	12%	23%	43%
		Completion of annual risk assessment and updates to audit plan	Y	Y	Y	Y	Y	Y	Y

\*excludes identified cost savings that cannot yet be quantified

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## ***Status of Past Project Action Plans – Rating Scale***

### **Closed**

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

### **On Track**

As at June 15, 2012, 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 by June 15, 2012 date have not been addressed. Action Plan Leads have revised some targets.

### **Not Addressed**

Action plans targeted for completion by June 15, 2012 have not been addressed by the appointed Action Plan Lead.

## ***Status of Past Project Action Plans***

<b>Department</b>	<b>Project</b>	<b>Status</b>
<b>Community Services</b>	<b>Long-term Care Compliance</b>	<b>Closed</b>
<b>Planning, Environmental and Engineering Services</b>	<b>Development Approvals</b>	<b>Some Delays</b>
<b>Planning, Environmental and Engineering Services</b>	<b>Water &amp; Sewage Revenue</b>	<b>Some Delays</b>
<b>Finance</b>	<b>Bid Process and Approved Consultants</b>	<b>Some Delays</b>
<b>City Manager's Department</b>	<b>Brownfield Site Development</b>	<b>Closed</b>
<b>City Manager's Department</b>	<b>Technology Services - Information Security Governance Assessment and JDE IT General Controls</b>	<b>On Track</b>
<b>Community Services</b>	<b>Municipal Housing Finance and Monitoring</b>	<b>On Track</b>
<b>Planning, Environmental and Engineering Services</b>	<b>Fleet Asset Management</b>	<b>On Track</b>

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## ***Status of Past Project Action Plans – Past Due***

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<b>Project</b>	<b>Status</b>
<b>Water &amp; Sewage Revenue</b>	The PEES department has provided an update on the status of all action plans to Council as of December 19, 2011. The performance of many of these action plans will be resolved subsequent to the water and sewer rate review in 2012.
<b>Bid Process and Approved Consultants</b>	Management has revised the timing of three recommendations relating to third party consultants and grouped consultant project awarding. Action plan targets have been revised from June 30, 2012 and July 31, 2012 to December 31, 2012. The other recommendations are on track and we consider the revised timing reasonable.
<b>Development Approvals</b>	The performance of many of these action plans will be resolved subsequent to the Development Charge study to be finalized in 2014. Progress towards completing the recommendations has been made by re-assigning the Development Finance division to report to the City Treasurer in April of 2012. Efforts have been made towards improving succession planning.

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## Appendix - 2012 Project Descriptions

The work performed in each project will be focused on controls relating to the following:

Project	Key Focus
<i>Community Services:</i> Financial management	- accuracy of financial reporting for those entities which are maintained on separate accounting systems
<i>Planning, Environmental &amp; Engineering:</i> Contract & Tendering Administration	<ul style="list-style-type: none"> <li>- consistent execution and documentation of the project tendering/bid process</li> <li>- consistency in the development of business cases supporting the use of City funds</li> <li>- monitoring of the utilization of warranty clauses for re-work claims</li> </ul>
<i>Building Control:</i> Compliance	<ul style="list-style-type: none"> <li>- review of building code approvals with respect to applicable regulations</li> <li>- compliance with document retention policies</li> </ul>
<i>Parks &amp; Recreation:</i> Health & Safety	<ul style="list-style-type: none"> <li>- compliance and ongoing monitoring of safety training requirements for staff members with respect to regulatory standards</li> <li>- compliance and ongoing monitoring of safety standards at a sample of parks and recreational locations</li> </ul>
<i>Financial Systems Control:</i> Purchasing cards	- review and approval of expenditures processed through corporate purchasing cards for validity and compliance with the purchasing policy
<i>Financial Systems Control:</i> Payroll	<ul style="list-style-type: none"> <li>- controls surrounding the accuracy and validity of payroll hours, rate changes, new hires, terminations and relocations</li> <li>- controls surrounding proper segregation of duties and maintenance of documentation</li> </ul>
<i>Financial Systems Control:</i> Expenditure approval and payment	- approval of fund disbursements, whether through cheque payment, electronic funds transfer or cash, in line with the purchasing policy and in accordance with terms of original contracts
<i>Human Resources:</i> Succession planning	<ul style="list-style-type: none"> <li>- planning for future staffing needs and changes</li> <li>- review plans for training, reorganizing and redefining roles</li> </ul>



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