

The Corporation of the City of London Class Replacement Project Post-Implementation Reconciliation Process Review

Audit Performed: October 2020 – December 2020

Report Issued: January 27, 2021

Table of contents

Executive summary	2
Strengths	4
Areas for continued enhancement	5
Appendix 1: Internal Audit detailed scope	9
Appendix 2: Internal Audit rating scale	10
Appendix 3: Stakeholder involvement	11
Appendix 4: Audit procedures performed	12
Appendix 5: Leading practices for system implementation	13

Executive summary

Background

The City of London, (“City”) is home to a multitude of parks and recreational facilities which contribute to the high quality of life in London. The Parks and Recreation department’s (“P&R”) mission is to preserve, manage, and enhance public lands and natural resources and to develop programs for recreation and learning. As such, the department is responsible for collecting revenue from the public for services delivered and completing reconciliations and balancing transactions. This process is managed by a set of professionals across P&R as well as Financial Services.

In 2020, the City invested to replace the previous Class tool with a new system, PerfectMind. This tool is a recreation activity management system that uses cloud-based technology to manage facility and class bookings, manage memberships, operate as a Point-of-Sale (POS) system and process payments and refunds. At the time of issuing this report, the P&R and Finance teams are working cross-functionally and collaboratively to enable the sustainable implementation of the new system and identify opportunities for continuous improvement.

Objectives and Scope

As a part of the 2020 Internal Audit plan, Internal Audit conducted a review of the Class Replacement Project Post-Implementation Reconciliation Processes focusing on class booking, payment, and reconciliation processes. Specifically, this audit aimed to understand the current processes undertaken by the P&R and Finance Teams for conducting balancing and reconciliations, validate that the processes delivered accurate and timely results, and could identify anomalies, inaccuracies and instances of unauthorized or unusual activity.

The scope of this audit did not include testing or evaluating the system implementation or project management. The scope was limited to the internal stakeholders involved in the reconciliation process, and no representatives from PerfectMind or City of London Parks & Recreation facilities were engaged in the audit for information, documentation, or perspectives. Samples used for testing the daily reconciliation and issuing returns to customers, as well as validating the accuracy of information flow within systems were selected by the City to enable testing of the full lifecycle of activities and information.

The detailed internal audit scope can be found in [Appendix 1: Internal audit detailed scope](#) of this report.

Strengths

In completion of this assessment, we identified the following areas of strength.



Areas for continued enhancement

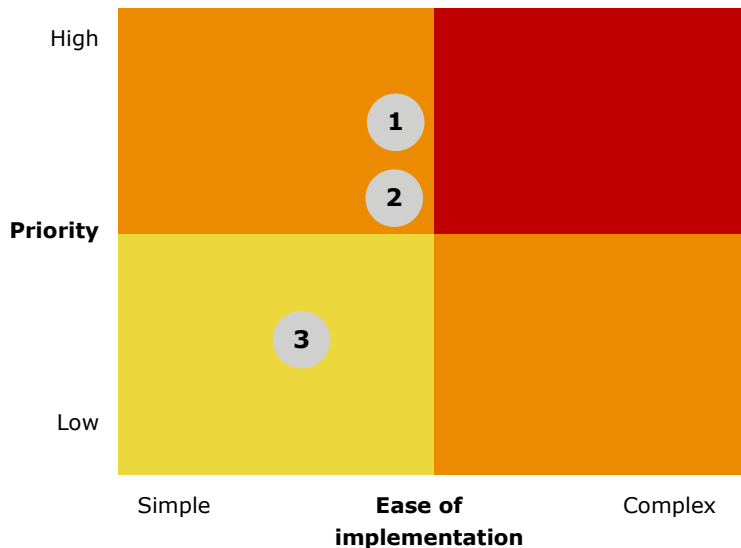
Based on our review of the reconciliation processes, we identified 2 medium priority observations and 1 low priority observation that management should consider going forward. Please refer to [Appendix 2: Internal Audit rating scale](#) for definitions of the four-point scale below.



Priority	Observation item	Observation description
Medium	RP 1	Governance (Roles and Responsibilities): While roles, reporting lines, and responsibilities are adequately understood by staff, the governance structure and mechanisms are not defined regarding certain reconciliation tasks.
Medium	RP 2	Governance (Finance Issues Log): While the Finance Issues Log serves a key function to the sustainable implementation of PerfectMind, the governance structure and functionality does not enable users to identify, prioritize, communicate, and address risk and issues.
Low	RP 3	Process Documents: While process documents outline procedures and include screenshots of various interfaces to aid the user in how to action and complete processes, some procedures appear to be missing dependent steps and refer users to other documents.

Priority heat map

Based on our review of the reconciliation process, the following image maps the enhancement opportunities based on priority and anticipated ease of implementation.



Conclusion

Based on our review of the Class Replacement Post-Implementation Reconciliation process, we have identified 3 weaknesses that should be addressed to improve process efficiency and effectiveness. The identified considerations and observations noted in this report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Strengths

In the completion of this assessment, internal audit noted the following areas of strength based on our review and interviews with the stakeholders listed in [Appendix 3: Stakeholder involvement](#):



Leadership and team commitment to successful implementation continuous improvement: Management and stakeholders have exhibited leadership and communicated a commitment to enhancing operating processes, tools and systems to increase process efficiency and effectiveness, and better serve members and the public.



Collaborative approach across stakeholders to enable business continuity: Throughout our review, stakeholders expressed a constructive and collaborative approach to identifying and resolving risks and issues related to the implementation of PerfectMind. This was especially pertinent in the COVID-19 business environment.



Knowledgeable team that is able to explain and demonstrate PerfectMind's platform functionality. Throughout our review, the stakeholders were knowledgeable about the functionality of PerfectMind and were able to articulate the value it is expected to deliver.

Comment from management

Management acknowledges that the implementation of PerfectMind during a pandemic was extremely challenging and are proud of the detailed documentation that was achieved. During the implementation, many city staff were redeployed and/or assigned additional tasks due to the pandemic.

Management wishes to recognize all members of the cross-functional team for their efforts during this implementation.

Areas for continued enhancement

In completing the procedures noted in [Appendix 4: Audit procedures](#), internal audit identified the following areas for continued enhancement:

RP1	
Medium Priority	1. Governance – Roles and Responsibilities
Observation	<p>While roles, reporting lines, and responsibilities are adequately understood by staff, the governance structure and mechanisms are not defined regarding certain reconciliation tasks.</p> <p>This is evidenced by:</p> <ul style="list-style-type: none"> • Roles and responsibilities to execute processes and adhere to the procedures are not identified. Specifically, when preparing the Daily Cash Balance, the procedure states that signatures must be obtained by both the preparer and reviewer but does not clarify the job titles or define the level that can serve in these roles. • There is lack of clarity regarding the roles and authority of the three unique signatures required for daily cash balancing and bank deposits (e.g., there is one unique signature on the bank deposit, and two unique signatures on the Daily Cash Balancing Report, one presumed to be the preparer, and one presumed to be the reviewer).
Why it matters	<p>Without clearly documented processes there may be inaccuracies or confusion regarding reconciliation roles, responsibilities, and procedures. Documented governance structures and processes also provide rationale for resources required to manage the reconciliations.</p> <p>A failure to adhere to segregation of duties controls, and proper signoff, exposes the City of London to theft and fraud risk. Moreover, without appropriate signoff, there can also be confusion or non-compliance regarding the responsibility and accountability for the transactions.</p>
Recommendation	<p>Management should consider the following in order to further enhance the reconciliation process by:</p> <ol style="list-style-type: none"> 1. Clearly defining roles, responsibilities and accountabilities for personnel and job titles expected to execute all processes and procedures. 2. Empowering the management to assign signatory privileges based on level. 3. Obtaining approval and sign-off on processes and procedures from an independent reviewer, possibly Financial Services Management. 4. Requiring signatories to state job titles and acting roles (i.e. Preparer, Reviewer etc.), and state when signatures are needed. 5. Continue to build the <i>Shared Folder: PerfectMind</i> where all relevant procedures are stored and easily accessible to personnel, specifically new hires or promotions.
Management comments	<p><i>For recommendation points 1 through 3, the City’s Cash Handling Procedure, Section I clearly outlines the responsibilities of the various stakeholders involved in cash handling. For the purposes of the procedure, this includes payment cards and other methods of payment. Specifically, Section I of the Cash Handling Procedure requires the Cash Site Manager to undertake all of the actions noted under the recommendation section of this report, with support being provided by Financial Services.</i></p>

	<p><i>For recommendation point 4, Management will amend section B.1 Cash Reconciliation & Balancing of the Cash Handling Procedure to include a requirement for both the preparer and reviewer to identify their role during sign-off. However, due to the number of roles involved in the cash handling process at the City and both the variability and seasonality of many locations, it is not practical to require the Cash Site Managers to list specific job titles within their cash site procedures.</i></p> <p><i>For recommendation point 5, management agrees and will continue to build out the Shared Folder.</i></p>
Responsible party and timing	<p><i>Ian Collins, Director, Financial Services</i></p> <p><i>Scott Oldham, Manager of Administration and Attractions, Parks and Recreation</i></p> <p><i>September 2021</i></p>

RP2	
Medium Priority	2. Governance – Enhance Finance’s issues Log
Observation	<p>While the Finance Issues Log serves a key function to the sustainable implementation of PerfectMind, the governance structure and functionality does not enable users to identify, prioritize, communicate, and address risk and issues.</p> <p>This is evidenced by:</p> <ul style="list-style-type: none"> • There is no governance structure that defines the ownership of the file • There does not appear to be owners for each issue • There is no criteria for assigning issue ownership to relevant personnel • There is no role matrix/identification that determines access privileges • There is no definition of what constitutes an issue or a risk • There is no quantitative criteria that identifies issue importance and prioritization • There was one instance where a correction was not resolved in a timely manner (i.e., more than six months)
Why it matters	<p>A robust Issues Log can be leveraged to facilitate the identification of risks or issues throughout the implementation. A failure to identify, prioritize and assign ownership of issue resolutions can undermine the effective communication, expose the City to mitigatable risks, delays issue resolution, and weakens accountability.</p> <p>Without specific guidance and structures to track and assign issues, the relevant stakeholders may duplicate efforts or be unable to prioritize issues and address them in a timely manner.</p>
Recommendation	<p>Management should consider the following to enhance the Issues Log and effectiveness of issue-resolution:</p> <ol style="list-style-type: none"> 1. Defining the governance structure of the Issues Log, including roles, responsibilities and accountabilities and access privileges of personnel using the Log. 2. Establishing criteria for assigning issue ownership. 3. Establishing definitions and criteria for issues and risks that enables prioritization. 4. Setting timing expectations for issue resolution. 5. Defining the communication process/gating mechanisms for interaction between Financial Services Management and the P&R team. 6. Holding reoccurring touchpoints with agendas to accelerate issue resolution and determination communication to PerfectMind as required.
Management comments	<p><i>Management agrees that some additional information would be beneficial to the Issues Log process. Management will document the structure, establish criteria & definitions, and expectations for the issues log. Recommendations 5 and 6 were implemented in Fall of 2020. Currently there are ongoing team meetings between Finance and the P&R group to discuss and resolve issues. As administrations experience with PerfectMind matures, the finance issues log will evolve accordingly.</i></p>
Responsible party and timing	<p><i>Angela Gilker, Manager of Accounting, Financial Services</i> <i>Scott Oldham, Manager of Administration & Attractions, Parks and Recreation</i> <i>October 2021</i></p>

RP3	
Low Priority	3. Stand Alone Process Documents
Observation	<p>While process documents outline procedures and include screenshots of various interfaces to aid the user in how to action and complete processes, some procedures appear to be missing dependent steps and refer users to other documents.</p> <p>This is evidenced in/by:</p> <p>PerfectMind Daily BCARD Balancing Process:</p> <ul style="list-style-type: none"> • Step 2 directs the user when investigating a discrepancy to refer to the bank master file, compare the export lines to CHASE\Paymentech and record any variance in the Short/Over account. • Step 3 directs the user to 'Refer to the Manual Reconciliation process' instead of providing details of the steps to complete the process. <p>PerfectMind Daily Cash Balancing Process:</p> <ul style="list-style-type: none"> • Step 6 directs the user to a separate document (Manual Reconciliation Process) for a mandatory process that is required to reconcile the deposits for the day.
Why it matters	<p>A failure to have all encompassing process documents with detailed procedures that include all of the steps required may lead to user error and inefficiencies, cause confusion, resulting in non-compliances. Furthermore, services to the public may be impacted if payments are entered erroneously and create overages/shortages.</p>
Recommendation	<p>Management should consider the following recommendations to further enhance their over/under balance identification procedures by:</p> <ol style="list-style-type: none"> 1. Developing all-encompassing process documents that incorporate all relevant and required procedures as opposed to directing users to other documents. All process documents should 'stand on their own'. 2. Including frequent/common causes for overages/shortages in the process documents to help guide users in remediation activities.
Management comments	<p><i>Management agrees and will enhance the procedures to include user friendly links to all relevant steps and frequently encountered issues as per our finance issues log.</i></p>
Responsible party and timing	<p><i>Angela Gilker, Manager of Accounting, Financial Services</i> <i>October 2021</i></p>

Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:

- Understand the current processes undertaken by the Parks and Recreation Team and Finance Team for conducting balancing and reconciliations.
- Validate the process for ensuring accuracy and that differences are explained and investigated:
 - Review and assess procedures to review reconciliations to assure daily reconciliations are performed accurately and evidenced by a preparer and reviewer to ensure segregation of duties (where possible);
 - Review and assess procedures to review balances that are over/under to identify and investigate unusual activity as well as balancing to system generated reports;
 - Review and assess procedures to review transactions to identify anomalies that may be indicative of unauthorized changes within the system; and
 - Assess the accuracy of data and information flow to PerfectMind as well as to JD Edwards within the reconciliation process to validate accuracy and timeliness.
- Understand the process for issuing returns through PerfectMind and tracking the validity of the return as part of the reconciliation process.
 - Review and assess procedures used to confirm the validity of a return and to assure the return was issued to the correct party, for the correct amount.
- Assess communication and coordination between relevant stakeholders with regard to timeliness of responses or actions required during the balancing and reconciliation process.

Appendix 2: Internal Audit rating scale

Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a four-point rating scale. The four-point rating scale is as follows:

Description	Definition
High	Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
Low	Observation does not present a significant or medium control risk but should be addressed to improve either internal controls or process efficiency.
Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting this assessment, the following management and staff were interviewed to gain an understanding of the processes and practices employed by the relevant departments and teams.

Stakeholder	Position
1. Ian Collins	Director, Financial Services
2. Scott Stafford	Managing Director Parks and Recreation
3. Scott Oldham	Manager of Administration and Attractions, Parks and Recreation
4. Sharon Swance	Manager of Accounting
5. Angela Gilker	Manager 1, Accounting
6. Mike Szarka	Customer Service Supervisor, Parks and Recreation
7. Melinda Patterson	Senior Customer Service Representative, Parks and Recreation

Appendix 4: Audit procedures performed

As part of our review of the CLASS Replacement Post-Implementation Reconciliation Processes, the following procedures were performed:

- ✓ Held Project kick-off meeting to discuss and agree on roles and responsibilities; logistics; timeframes; project milestones; team communication and reporting methods.
 - ✓ Developed and validated project methodology.
 - ✓ Reviewed background documentation supporting current practices and controls, along with relevant policies and City requirements.
 - ✓ Created interview schedule.
 - ✓ Created information request.
 - ✓ Conducted interviews with relevant stakeholders to document internal control environment and understand the relevant processes and practices.
 - ✓ Collected and examined documentation for testing, perform process and controls testing.
 - ✓ Assessed process performance and document results.
 - ✓ Assessed process performance and control gaps.
 - ✓ Conducted follow-up questions/ observations and draft recommendations.
 - ✓ Documented observations and recommendations.
 - ✓ Delivered draft report for review.
 - ✓ Received management comments and compiled final report.
 - ✓ Delivered report to relevant management and Audit Committee.
-

Appendix 5: Leading practices for system implementation

As part of our review of the CLASS Replacement Post-Implementation Reconciliation Processes, management requested leading practices to inform future system implementations. Below are relevant dimensions for managing an implementation project. These control areas must always be considered, but the maturity and robustness of the underlying plans, approaches, processes, frameworks and practices within these control areas should depend on the complexity of the project. Depending on the type of project, management of other dimensions may be needed.



Listed below are a series of questions that the project team should be able to clearly answer. It is common for many clients to have plans, approaches, processes, frameworks and practices developed within these control areas, but because the complexity of projects is often underestimated, the underlying plans, approaches, processes and frameworks are immature and ultimately ineffective.

Ownership:

- How does the project team govern itself?
- How are executive expectations managed?
- What is the approach to executive sponsor oversight?

Governance:

- What is the Project Manager accountable for?
- How is the Business contribution to the project defined?
- How is the Project Manager’s performance managed?
- How is business performance and the achievement of business targets being supported by the project?
- How is the budget controlled?
- How are priorities managed in the project?
- What systems for project reporting are in place?
- What approach is used to manage project scope?
- How are issues captured, tracked, escalated, and resolved?
- Are project roles/job descriptions clear?
- Are responsibilities and accountabilities clear?

Change Management:

- What is the approach to change management?
- Have all impacted stakeholders been identified?
- Have impacted stakeholders been involved in building the business case and identifying requirements?
- Have expectations been adequately set?
- Has the breadth of change been identified?

Delivery Management:

- How are the impacts of external dependencies on the schedule managed?
- How is resource load managed in the schedule?
- How are conflicts between the Project and Business Units managed?
- What is the approach to managing uncertainty?
- How is the Project’s rate of progress measured?
- What is the project management approach to testing?
- How are milestones decided and defined?

Resource Management:

- How are internal staff resources allocated to the Project?
- How is the commitment of internal staff resources to the Project managed?
- What resource planning approach is used?

Contract Management:

- What methods are used to track contract deliverables?
- How are vendor competencies assessed?
- What is the approach to contract issue management?
- Are vendor payments tied to benefit realization?
- What metrics are used to measure vendor performance?

Risk Management:

- Is there a risk management framework?
- How are risks managed?
- Do project stakeholders understand the project complexity drivers?
- What types of risks are managed?
- How are contingency plans prepared and used to manage risk?
- What approach is used to manage contingency costs?
- Are the technical challenges and risks well understood?



www.deloitte.ca

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals—9,400 of whom are based in Canada—make an impact that matters, please connect with us on [LinkedIn](#), [Twitter](#) or [Facebook](#).

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.