

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 15, 2016

Item 2, Report No. 11, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on November 15, 2016.

2 INTERNAL AUDIT REPORT – STATUS OF MANAGEMENT ACTION PLANS

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Director of Internal Audit, dated October 31, 2016:

Recommendation

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Status of Management Action Plans be received.

Contribution to Sustainability

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

Economic Impact

There are no direct economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Status of Management Action Plans.

Background - Analysis and Options

Follow up of Internal Audit recommendations through Management Action Plans (MAPs) is performed to ensure that management actions have been effectively implemented and appropriate controls and processes have been put in place to mitigate risks identified during the audit.

For every recommendation, management provides Internal Audit with the name of the individual who is accountable and responsible for implementing the MAPs and an estimated completion date. Internal Audit assesses the estimated completion date for reasonableness and timeliness of the action, based on the assessed risk.

The individual who is accountable for implementing the MAPs provides Internal Audit with a written update on their progress shortly before the implementation deadline approaches. The update includes whether each MAP has been completely implemented, is still in progress, or is not yet started. If a MAP has been completely implemented, Internal Audit will verify that the action has been implemented and that it addresses the risk outlined in the report.

Management provides a detailed explanation if an action plan is still in progress or not yet started and provides a new estimated completion date. Internal Audit assesses the new estimated completion date for reasonableness and timeliness, based on the assessed risk.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 15, 2016

Item 2, Finance Report No. 11 – Page 2

Council requested that Internal Audit provide an annual report on the status of completed and outstanding management action plans to address audit report recommendations.

The scope of this report includes eight audit reports containing 44 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2015. As of October 11, 2016 management has fully implemented 18 of those MAPs, or 41%. A total of 25 MAPs, or 57% are in progress, and 1 MAP has been deferred.

Internal Audit continues to communicate with management and monitor progress toward full implementation on an ongoing basis. In some instances, action plans are still in progress due to the September 2015 organizational realignment and reprioritization of initiatives to align with the Term of Council Service Excellence Strategy Map. Staff are committed to following up on the Management Action Plans identified by the Internal Audit department. In-progress recommendations will be included in the 2017 departmental business plans so that they are tracked, resourced and prioritized along with operational activities and capital projects.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Money.

Regional Implications

Not applicable.

Conclusion

The Internal Audit report on the Status of Management Action Plans is attached as Attachment 1. The report provides updated information on the implementation status of recommendations made in audit reports which were publicly reported through Finance, Administration and Audit Committee. A table summarizing the number of audits completed and recommendations issued by report is included as Attachment 2.

Internal Audit will continue to monitor the status of Management Action Plans and look for further opportunities to improve our follow up process. We will continue to report the results of our follow up to the Finance, Administration and Audit Committee on an annual basis.

Attachments

1. Internal Audit Report – Status of Management Action Plans
2. Internal Audit Summary of Audits and Status of Recommendations

Report prepared by:

Kevin Shapiro CIA CFE CRMA
Director, Internal Audit

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

INTERNAL AUDIT REPORT – STATUS OF MANAGEMENT ACTION PLANS

Recommendation

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Status of Management Action Plans be received.

Contribution to Sustainability

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

Economic Impact

There are no direct economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Status of Management Action Plans.

Background - Analysis and Options

Follow up of Internal Audit recommendations through Management Action Plans (MAPs) is performed to ensure that management actions have been effectively implemented and appropriate controls and processes have been put in place to mitigate risks identified during the audit.

For every recommendation, management provides Internal Audit with the name of the individual who is accountable and responsible for implementing the MAPs and an estimated completion date. Internal Audit assesses the estimated completion date for reasonableness and timeliness of the action, based on the assessed risk.

The individual who is accountable for implementing the MAPs provides Internal Audit with a written update on their progress shortly before the implementation deadline approaches. The update includes whether each MAP has been completely implemented, is still in progress, or is not yet started. If a MAP has been completely implemented, Internal Audit will verify that the action has been implemented and that it addresses the risk outlined in the report.

Management provides a detailed explanation if an action plan is still in progress or not yet started and provides a new estimated completion date. Internal Audit assesses the new estimated completion date for reasonableness and timeliness, based on the assessed risk.

Council requested that Internal Audit provide an annual report on the status of completed and outstanding management action plans to address audit report recommendations.

The scope of this report includes eight audit reports containing 44 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December

2015. As of October 11, 2016 management has fully implemented 18 of those MAPs, or 41%. A total of 25 MAPs, or 57% are in progress, and 1 MAP has been deferred.

Internal Audit continues to communicate with management and monitor progress toward full implementation on an ongoing basis. In some instances, action plans are still in progress due to the September 2015 organizational realignment and reprioritization of initiatives to align with the Term of Council Service Excellence Strategy Map. Staff are committed to following up on the Management Action Plans identified by the Internal Audit department. In-progress recommendations will be included in the 2017 departmental business plans so that they are tracked, resourced and prioritized along with operational activities and capital projects.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Money.

Regional Implications

Not applicable.

Conclusion

The Internal Audit report on the Status of Management Action Plans is attached as Attachment 1. The report provides updated information on the implementation status of recommendations made in audit reports which were publicly reported through Finance, Administration and Audit Committee. A table summarizing the number of audits completed and recommendations issued by report is included as Attachment 2.

Internal Audit will continue to monitor the status of Management Action Plans and look for further opportunities to improve our follow up process. We will continue to report the results of our follow up to the Finance, Administration and Audit Committee on an annual basis.

Attachments

1. Internal Audit Report – Status of Management Action Plans
2. Internal Audit Summary of Audits and Status of Recommendations

Report prepared by:

Kevin Shapiro CIA CFE CRMA
Director, Internal Audit

Respectfully submitted,

Kevin Shapiro CIA CFE CRMA
Director, Internal Audit



INTERNAL AUDIT

Status of Management Action Plans

October 2016

INTERNAL AUDIT REPORT

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

BACKGROUND

Follow up of Internal Audit recommendations through Management Action Plans (MAPs) is performed to ensure that management actions have been effectively implemented and appropriate controls and processes have been put in place to mitigate risks identified during the audit.

For every recommendation, management provides Internal Audit with the name of the individual who is accountable and responsible for implementing the MAPs and an estimated completion date. Internal Audit assesses the estimated completion date for reasonableness and timeliness of the action, based on the assessed risk.

The individual who is accountable for implementing the MAPs provides Internal Audit with a written update on their progress shortly before the implementation deadline approaches. The update includes whether each MAP has been completely implemented, is still in progress, or is not yet started. If a MAP has been completely implemented, Internal Audit will verify that the action has been implemented and that it addresses the risk outlined in the report.

Management provides a detailed explanation if an action plan is still in progress or not yet started and provides a new estimated completion date. Internal Audit assesses the new estimated completion date for reasonableness and timeliness, based on the assessed risk.

Council requested that Internal Audit provide an annual report on the status of completed and outstanding management action plans to address audit report recommendations.

STATUS OF MANAGEMENT ACTION PLANS (MAPs)

The scope of this report includes eight audit reports containing 44 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2015. As of October 11, 2016 management has fully implemented 18 of those MAPs, or 41%. A total of 25 MAPs, or 57% are in progress, and 1 MAP has been deferred.

The following are comments regarding those MAPs that are in progress or deferred:

PARKS AND FORESTRY OPERATIONS AUDIT

The Parks and Forestry Operations Audit report was presented to FA&A on October 15, 2012. The report contained five recommendations.

Four (or 80%) of the audit recommendations have been fully implemented.

The completion of the shrub and tree inventory database is still outstanding. According to the Manager, Roads & Parks, the initial shrub bed inventory has been completed. Further refinement on size and species distribution is currently underway. The boulevard, woodlot, and open space tree inventory is being executed and is scheduled for completion in Q4 2016.

INTERNAL AUDIT REPORT

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

ACCOUNTS PAYABLE AUDIT

The Accounts Payable Audit report was presented to FA&A on February 11, 2013. The report contained four recommendations.

Two (or 50%) of the audit recommendations have been fully implemented.

According to the Director of Purchasing Services, the outstanding audit recommendations related to vendor master file maintenance and monitoring of cumulative Low Value Purchases by vendor will be addressed as part of the Procurement Modernization project.

WATER, WASTEWATER AND DRAINAGE AUDIT

The Water, Wastewater and Drainage Audit report was presented to FA&A on June 10, 2013. The report contained four recommendations.

Two (or 50%) of the audit recommendations have been fully implemented. Development of the Backflow Prevention Program and the Asset Management Gap analysis is still in progress.

According to the Director of Environmental Services, the backflow prevention program development has started with expected completion in December 2017.

According to the Manager, Corporate Asset Management, an RFP for work order (WO) management improvements has been drafted for circulation among staff stakeholders, and will be released for bidding in September 2016. The WO management improvements will be built on the City's existing enterprise solutions, including JDE and ESRI. As such, the RFP seeks professional services for JDE configuration and JDE-ESRI integration.

The WO management improvements will be rolled out to different departments in phases. It is expected that the Wastewater & Stormwater division will be third in the roll-out series, and will launch the WO management improvements in late 2017.

EMPLOYEE BUSINESS EXPENSES AUDIT

The Employee Business Expense Audit report was presented to FA&A on May 26, 2014. The report contained seven recommendations.

Three (or 43%) of the audit recommendations have been fully implemented.

According to the CFO & City Treasurer, a formal process for analyzing employee spend and the establishment of a repayment threshold for personal mobile use are still being developed.

Purchasing Services is still working with the Office of the Chief Information Officer to improve the process for acquiring unsupported hardware when identified as a requirement by a department.

Management has deferred action as it relates to investigating the feasibility of automating employee expense reimbursement work flow processes to focus on the Procurement Modernization Project.

INTERNAL AUDIT REPORT

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

RECREATION AND CULTURE REVENUE AUDIT

The Recreation and Culture Revenue Audit report was presented to FA&A on March 9, 2015. The report contained twelve recommendations.

Six (or 50%) of the audit recommendations have been fully implemented.

According to the Director of Recreation Services, the remaining six recommendations outlined below are multi-layered and in the process of being completed.

In collaboration with Financial Services, Procurement Services and the Office of the Chief Information Officer, Recreation Services is in the process of procuring a new software solution. The current software reaches end-of-life in December 2017. It is expected that a new or upgraded solution will be in place for migration in early 2018. Associated capital items have been submitted as part of the 2017 Budget process.

The Office of the Chief Information Officer is currently developing a report to flag retroactive contract amendments. It is expected that this report will be completed by Q4 2016.

Recreation Services is working with Internal Audit to conduct a pilot in Q4 2016/Q1 2017 to assess the benefit and operational viability of increasing the number of cash floats and point-of-sale terminals at community centres.

Financial Services is evaluating the current budgeting process to determine whether an allowance for doubtful accounts should be created for City Playhouse receivables. This item will be completed by Q4 2016.

The updating and streamlining of department procedures is an ongoing process. There are currently over 700 procedures, however priority was given to procedures pertaining to cash handling and financial risk and have been revised in accordance with the audit recommendations. The department continues to consolidate all other processes with an emphasis on roles, responsibilities and staff expectations. It is expected that all procedures will be reviewed and updated by Q4 2017.

HIRING PRACTICES AUDIT

The Hiring Practices Audit report was presented to FA&A on September 8, 2015. The report contained two recommendations, one of which is still in progress.

According to the Chief Human Resources Officer, the new Recruitment Policy and Procedures have been approved and will be communicated throughout the organization in Q4 2016. A technology solution has been selected to support the document and recruitment strategy. An Applicant Tracking System is currently being set up and configured with the selected vendor. It is anticipated that the Applicant Tracking System will be fully implemented in Q1 2017.

ROAD OPERATIONS AUDIT

The Road Operations Audit report was presented to FA&A on September 8, 2015. The report contained seven recommendations.

INTERNAL AUDIT REPORT

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

According to the Director Transportation Services, Parks & Forestry Operations, all seven recommendations contained in the Roads Audit report are in the process of being completed.

The recommendations related to Vehicles, Motorized Equipment and Inventory Use are being actioned by Fleet Management Services (FMS). Five out of the remaining six recommendations will be completed by Q1 2017. More specifically, the recommendations related to Inspections and Purchasing Project Management & Contract Administration will be completed by Q4 2016 and the recommendations related to Occupational Health and Safety Training, Route Patrol Manager System, and Policies and Procedures will be completed by Q1 2017. As noted in reference to the Water, Waste Water and Drainage Audit above, WO management improvements are being led by the Manager, Corporate Asset Management, and will be rolled out to different departments in phases. As a result, it is anticipated that the recommendations related to Work Order Administration will be fully implemented by 2018.

According to the Director of Fleet Management Services, FMS is currently in the process of contracting professional services - specializing in municipal fleets - to perform a Life Cycle Analysis (LCA) of the City of Vaughan fleet. This information will be used to validate the current fleet replacement cycles and to create a 5-yr asset replacement plan. Completion of the analysis is expected in Q4 of this year.

FMS will work with Finance to determine criteria for selection of leasing versus purchase of assets. Rental advantage will be determined against total cost to a maximum period of use versus long term ownership. On completion of these steps, FMS will recommend an adjustment to the Policy outlining which acquisition method is to be used given specific requirements for vehicles/equipment, as well as the addition of language requiring that FMS initiate procurement of any vehicle or equipment that is to be maintained by FMS. Should these Policy recommendations be approved, and all Business Units comply with requirements, Fleet will be positioned to immediately tag, inventory, and assign maintenance schedules to all purchases prior to their being placed in service in the field.

FMS is currently working with Parks and Roads to complete an RFP scope for an AVL/GPS solution to replace the current system installed principally on Parks, Roads, Environmental Services, Building Standards and By-Law vehicles. The solution is projected to be tendered prior to yearend and is being scoped for installation on all on-road vehicles. Once in service, the system can be used to collect detailed vehicle usage data which can be used to identify vehicle capacity and opportunities for sharing/vehicle re-assignment. FMS will analyze the data and recommend set points that must be satisfied prior to a purchase that would increase the total number of assets under management.

IT SECURITY CONTROLS AUDIT

The Information Technology Security Controls Audit report was presented to FA&A on December 8, 2015. The report contained three recommendations.

None of these recommendations was scheduled to be completed by September 30, 2016. According to the IT Security Officer, all three actions plans are in progress and are expected to be completed on time.

INTERNAL AUDIT REPORT

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

CONCLUSION

Internal Audit will continue to contact management as their action plans come due to determine if they have been implemented, and will continue to partner with management in their efforts to address audit observations as planned. When plans cannot be completed as originally intended, audit staff will work with management to obtain updated achievable implementation dates.

MANAGEMENT ACTION PLAN

Internal Audit continues to communicate with management and monitor progress toward full implementation on an ongoing basis. In some instances, action plans are still in progress due to the September 2015 organizational realignment and reprioritization of initiatives to align with the Term of Council Service Excellence Strategy Map. Staff are committed to following up on the Management Action Plans identified by the Internal Audit department. In-progress recommendations will be included in the 2017 departmental business plans so that they are tracked, resourced and prioritized along with operational activities and capital projects.

Author and Director: Kevin Shapiro CIA, CFE, CRMA

List of Completed Audit Projects and Status of Management Action Plans (MAPs)

FA&A Presentation Date	Audit Report	Year	Outstanding Recommendations	# of Recommendations in the Audit Report	# of Recommendations Completed	# of Recommendations In Progress	# of Recommendations Not Started	# of Recommendations Deferred
15-Oct-12	Parks & Forestry Operations	2012	Tree and Shrub Inventory	5	4	1	0	0
11-Feb-13	Accounts Payable	2013	Vendor Master File Maintenance	4	2	2	0	0
			Vendor Reporting - LVP Analysis					
10-Jun-13	Water, Wastewater and Drainage	2013	Backflow Prevention Program Development	4	2	2	0	0
			Asset Management Gap Analysis					
26-May-14	Employee Business Expenses	2014	Guidelines for Employee Business Expense Cost Allocation - Data analysis of employee spend	7	3	3	0	1
			Repayment threshold be established for personal mobile use					
			Improve the process for integrating new technology into the City when identified as a requirement by a business unit					
			Investigate Automation of Work Flow Processes (Employee Expense Reimbursement)					
09-Mar-15	Recreation & Culture Revenue	2015	Accounts Receivable - Collections & Write-offs	12	6	6	0	0
			Cash Verification and Deposit Analysis					
			Future Technology Requirements					
			Rental Contract Administration					
			Policies & Procedures					
			City Playhouse - Allowance for Doubtful Accounts					
08-Sep-15	Hiring Practices	2015	Communication of Newly Approved Recruiting Policy & Guidelines and development of the Applicant Tracking System	2	1	1	0	0
08-Sep-15	Road Operations	2015	Occupational Health and Safety Training	7	0	7	0	0
			Implementation of the Route Patrol Manager System					
			Work Order Administration					
			Inspections					
			Vehicles, Motorized Equipment and Inventory Use					
			Purchasing, Project Management and Contract Administration					
08-Dec-15	IT Security Controls	2015	Policies & Procedures	3	0	3	0	0
			Critical Security Controls Maturity Assessment					
			Data Protection [Security] Policy					
			Security Program					
Total	8 Reports	-		44	18	25	0	1