

Clause 2 in Report No. 3 of the Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on October 15, 2015.

2

Audit Services Branch Report

1. Recommendations

It is recommended that this report be received for information.

2. Purpose

This report provides an update on the activities of the Audit Services Branch since the last Audit Committee meeting. Controlled Medication Management Audit Report – Long Term Care Homes (*Attachment 2*), is a private attachment as it deals with the security of municipal property.

3. Background

On October 11, 2000, the Audit Committee approved the development of the Audit Services function through the report of the Chief Administrative Officer. The Audit Committee Charter indicates the Audit Committee is to meet at least twice a year. In practice, the Audit Committee usually meets three times a year to receive updates on the activities of the Audit Services Branch.

4. Analysis and Options

Audit Plan Execution

The Audit Services Branch has been actively executing the approved 2015-2018 Three Year Audit Plan and other consulting engagements. A summary of the activities since the previous Audit Committee meeting is outlined in Attachment 1.

Audit Services Branch Report

Audit Reports Issued

The audit reports issued since the last Audit Committee meeting are:

- Controlled Medication Management Audit Report – Long Term Care Homes (Attachment 2)
- Outstanding Audit Recommendations Follow Up Audit Report (Attachment 3)

5. Financial Implications

None.

6. Local Municipal Impact

None.

7. Conclusion

A follow up of outstanding audit recommendations for audit reports issued prior to August 31, 2015 indicates that management remains cognisant and active in implementing Audit Services recommendations.

Audit Services continues to work with Region management at all levels to provide them with an independent, objective assurance and consulting activity designed to add value and improve the Region's operations. Audit Services does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through guidance provided by the *International Standards for the Professional Practise of Internal Auditing*.

Audit Services Branch Report

For more information on this report, please contact Paul Duggan, Director, Audit Services at 905-830-4444 ext. 71205.

September 23 , 2015

Attachments (3)

1. Audit Services Branch Activities
2. Controlled Medication Management Audit Report – Long Term Care Homes
3. Outstanding Audit Recommendation Follow Up Report

6284746

Accessible formats or communication supports are available upon request

YORK REGION AUDIT SERVICES BRANCH ACTIVITIES

Project Name	Status
1. Outstanding Audit Recommendations Follow Up	➤ Completed
2. Controlled Medication Management Audit Report – Long Term Care Homes	➤ Completed
3. Finance – Other Revenue Management - Management Controls Audit	➤ In Progress
4. Management Request – Environmental Services – EEMS++ - data quality	➤ In Progress
5. Management Request – YRRTC Management Review	➤ In Progress
6. Forensic Investigation(s)	➤ In progress
7. Steering Committee – HRIMS and Payroll Review	➤ Advisory role
8. Member – Corporate Mobile Strategy Working Group	➤ Advisory role
9. ITS Governance – Portfolio Management Committee	➤ Advisory role
10. York Region Audit Services staff volunteer their time and collectively hold the following positions: <ul style="list-style-type: none"> • Chair, Treasurer and Director of the Canadian Association of Local Government Auditors • Member, Association of Local Government Auditors Association Awards Committee and Advocacy Committee 	➤ Volunteer Association work

Private Attachment 2
to Item D.1

“Audit Services Branch
Report”

is circulated separately



***Outstanding Audit
Recommendations Follow up
Audit Report***

October 2015 Audit Committee

TABLE OF CONTENTS

Section	Page No.
1.0 MANAGEMENT SUMMARY	2
2.0 INTRODUCTION.....	2
3.0 OBJECTIVES AND SCOPE	3
4.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS	4
4.1 DETAIL SUMMARY STATISTICS FOR OUTSTANDING AUDIT RECOMMENDATIONS FOLLOWED UP	4

1.0 Management Summary

Audit Services has completed a follow up of outstanding audit recommendations at August 31, 2015. These recommendations are comprised of:

1. Audit recommendations that were noted as 'not yet completed' in our previous outstanding audit recommendations follow up audit report dated June 2015.
2. Any new audit report recommendations issued up to and including August 31, 2015.

There were 39 audit recommendations originally issued through the five audit reports currently on our list for follow up. Management has implemented 87% of these recommendations.

For this audit recommendations follow up report, there were no 'private' audit reports with outstanding audit recommendations requiring update.

For a detailed summary of audit reports followed up and recommendations issued, completed and outstanding, please refer to section 4.0. Additional detail is available upon request from the Director, Audit Services.

2.0 Introduction

As part of our 2015 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow up requests from Audit Committee and Management, the Audit Services Branch performed a follow up of outstanding audit recommendations. These recommendations included those noted as outstanding in our June 2015 audit recommendations follow up audit report, and all new recommendations issued in audit reports up to and including August 31, 2015.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

On a periodic basis, Audit Services updates the Region's Audit Committee and the Chief Administrative Officer (CAO) on the status of issued audit recommendations. To provide this update, Audit Services contacts Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. In some cases, the status is further validated directly by Audit Services through discussions and / or detailed testing. This is an integral part of our audit process that allows us to confirm that the opportunities for improvement outlined in the audit report(s) have been implemented.

Department heads were e-mailed requests containing:

1. A summary of outstanding audit recommendation(s) for their area.
2. A request to provide a status update and a confirmation of the original due date for implementation of the recommendation, or a new anticipated implementation date if necessary.
3. As requested by Audit Committee in November 2008, departments having an audit recommendation outstanding that has an original due date older than one year provide

Audit Committee with a separate report as to why the recommendation has not been implemented. Management action plans that detail what is being done to implement the recommendation(s) are to be included.

4. Finally, an Executive Sign-off Form, to be signed by the Commissioner and Director responsible for the implementation of the recommendation(s), was also sent.

Audit reports issued after August 31, 2015 will be followed up in the future.

3.0 Objectives and Scope

The objective for this engagement was:

- To provide feedback to the Region's Audit Committee and CAO, as to the disposition of issued audit recommendations.

The audit scope to accomplish this objective was:

- All outstanding audit recommendations issued prior to August 31, 2015.

4.0 Detailed Observations and Recommendations

4.1 Detail Summary Statistics for Outstanding Audit Recommendations Followed Up

- Table A summarizes the outstanding audit recommendations followed up for this review.
- Table B is a detailed summary of outstanding audit recommendations which were followed up for this review.

TABLE A – Summary of Outstanding Audit Recommendations Follow up as at August 31, 2015

Audit Report	Number of opportunities originally highlighted	Completed up to 3/31/15	Completed for 8/31/15	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
Finance – Procurement Card	6	5	0	1	17%	May-13	Jun-13
Corporate Services – Court Services	6	3	1	2	33%	May-14	Feb-15
TS – Roads Capital Delivery of Contract 10-103	16	10	3	1	6%	June-14	Jun-15
TS – York Region Transit Revenue Management	5	0	4	1	20%	April-15	June-15
ES – Environmental Promotion & Protection – SSO Contract Compliance	6	0	5	1	17%	May-15	Jun-15
Totals	39	18	10	5	13%		

TABLE B – Summary of Outstanding Audit Recommendations as at August 31, 2015

Audit Report	Recommendation	Management response	Original due date	Current due date
Finance - Procurement Card	4.1 Procedures should be established to enable the Corporate Administrator to perform random audits. Specific focus should be made on suspense account transactions.	Done.	Q3 2013	N/A
	4.2 Add a line to Procurement Card forms to require the authorizer to print their name.	Done.	N/A	N/A
	4.3 Ensure card holders sign for their card to ensure they understand and agree to Regional purchasing card policies.	Done.	Q2 2013	N/A
	4.4 Department administrators should be reminded that failure to comply with purchasing card policy and procedures could result in card revocation.	Done.	Q2 2013	N/A
	4.5 For employees who have not used their purchasing card in 6 months, Department Administrators should confirm to the Corporate Administrator that the card is still needed.	Done.	N/A	N/A
	4.6 Management re-examine the current control environment for procurement cards to determine if more efficient processes can be developed as enhancements to PeopleSoft progress.	The review of Procurement Card processes is tentatively scheduled to commence in Q2, 2016 as part of the source to settlement project.	2017	2017

Audit Report	Recommendation	Management response	Original due date	Current due date
Corporate Services – Court Services	4.1 Update the training manual to include cash handling controls and review with staff to ensure that they are understood by all parties.	Done.	Q3 2014	N/A
	Install/reposition cameras to adequately view cashier tills and safes.	Done.	Q4 2014	N/A
	Consider enhancing controls around large cash payments to minimize the risk of loss.	Done.	Q4 2014	N/A
	4.2 Monthly review of the bank reconciliations by management should include ensuring that reconciling items are clearing on a timely basis.	Done.	Q3 2014	N/A
	4.3 The RICO 4500 report should be reviewed and signed off by management monthly to ensure that trials are set on a timely basis.	Done.	Q3 2014	N/A
	4.4 Policies and procedures over Ticket Control need strengthening and updating.	Done.	Q3 2014	N/A
	4.5 Management should investigate and implement technology to electronically process and upload electronic tickets to the ICON system.	Court Administration now has processes in place to accept the electronic ticket file from York Region Police for Part One tickets. Courts will begin training staff and updating procedure manuals with an anticipated start date of mid-September 2015.	Q4 2014	Q3 2015

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.6 Management should acquire and use fireproof cabinets to maintain files.</p>	<p>Court Services is moving forward with Property Services to install fireproof filing cabinets at the Richmond Hill court location. Installation scheduled to take place October 2015.</p> <p>Property Services will conduct an assessment at the Newmarket court location to determine the feasibility of installing fireproof cabinets given the current age and structure of the building. Assessment is schedule for completion October 2015.</p>	Q4 2015	Q4 2015
Transportation Services – Roads CDP	<p>4.1 RCD should explore the benefits of automating the collection of project construction data at the field level and transmitting the data to the Region.</p>	Done.	Q3 2015	N/A
	<p>4.2 RCD management should explore the use of SharePoint, Project Server and Essentials in the delivery of projects.</p>	<p>Done.</p> <p>Project management in Transportation Services will be automated through MS Project Server Online. A managed rollout of automation is underway with procurement and configuration 2015, initial project tracking Q2 2016, assessment of long-term requirements based on initial project tracking Q3 2016 and procurement of long-term system and tools Q4 2016.</p>	Q4 2015	N/A
	<p>4.3 RCD management should consider creating a Project Management Office (PMO).</p>	Done.	N/Ae	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.4 Section 16.4r, and 16.4s should be reviewed and updated if necessary.</p> <p>A formal payroll burden rate review process should be developed and implemented.</p>	<p>Done.</p> <p>Done.</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>
	<p>4.5 Finance should finalize the Draft Capital Closure Policy.</p>	<p>The draft Capital Reporting and Closure policy and is on schedule to finalize the policy by Q4 2015.</p>	<p>Q4 2015</p>	<p>Q4 2015</p>
	<p>4.6 RCD should develop a formal process to guide changes in personnel to ensure continuity on projects.</p>	<p>Done.</p>	<p>Q1 2015</p>	<p>N/A</p>
	<p>4.7 Templates used to ensure that the management control structure is intact should not be modified.</p> <p>RCD management should perform a periodic review of the Change Order template with the assistance of Legal.</p> <p>All necessary procurement documentation that authorizes an individual to commit the Region to a purchase should be created and approved by management.</p> <p>Change Order instructions should be clarified with dollar thresholds</p>	<p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
	<p>4.8 The proper use of Change Orders should be reiterated with staff.</p>	<p>Done.</p>	<p>N/A</p>	<p>N/A</p>

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.9 Information collection at source should be a goal of automation of data collection described in observation 4.1	Done. Project management automation is being implemented through Project Server Online.	Q3 2015	N/A
	4.10 Future RCD contracts require submission of a current WSIB form every 90 days or with every payment certificate.	Done.	N/A	N/A
	4.11 I&RM should be contacted to tailor a presentation to the Region's CAs and SIs regarding claims management through ICIPs.	Done.	Q4 2014	N/A
	4.12 The CA assigned to the construction of a project should be requested to provide input into Design meetings on a periodic basis.	Done.	N/A	N/A
	4.13 All capital projects should have a learnings document created and stored in a learning database to benefit future projects.	Done.	Q1 2015	N/A
	4.14 RCD should review the form and content of the information currently provided to the SI.	Done. Tracking usage of materials is part of the medium and long-term automation of contract preparation, contract administration and inspection services.	Q1 2015	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.15 One file used to track issues and resolutions during the design stage can be updated as necessary and provides a history that can be a source for a learnings database.	Proactive Risk Management Matrix with issues tracking ability was developed for all phases of project delivery (planning/environmental assessment, detailed design and construction) in Q4 2014. The tool was put into production for CPD use on capital projects.	Q1 2015	N/A
	4.16 RCD management should ensure that the boxes are processed per the Region's Records Retention By-law and stored off-site.	Done.	Q4 2015	N/A
Transportation Services – YRT Revenue Management	4.1 <ul style="list-style-type: none"> • Staff should be relocated out of the vault. • Vault door should remain closed and locked at all times. • Consider: A policy requiring two staff to be present when entering/accessing the vault room. • Key and swipe card list are maintained and routinely reviewed. • Management review the current listing and remove access if not required. • Ticket inventory should be securely stored within the vault. • Cash from broken fare boxes or for audit testing should be secured in an adequate sized safe within the vault room. 	Done. Done. Done. Done. Done. Done. Done.	N/A N/A Q3 2015 N/A N/A Q3 2015 N/A	N/A N/A N/A N/A N/A N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.2 <ul style="list-style-type: none"> Perform a detailed ROI calculation to determine if there is a benefit of investing in a new system/software if fare media (paper tickets) will continue to exist alongside the Presto card If the ROI proves to be beneficial, management should move a new system and/or updating existing systems to better meet the needs of the department. 	Done.	N/A	N/A
	4.3 <ul style="list-style-type: none"> Review all COD agent contracts and replace expired contracts with new contracts. Update the non-COD blanket contract to reflect current terms and include a contract term/expiry and/or renewal option. Routinely request the aged accounts receivable listing from Finance to follow up with past due accounts. Management should follow the collection of accounts policy. 	All contracts presently under review. Done.	Q3 2015 N/A	Q4 2015 N/A
	4.4 The presto register should be preprogrammed to open when a transaction is processed. The cash register keys should be securely stored out of customer view and not kept in the till.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.5</p> <p>Deposits should require dual approvals, including management sign off, and be used for testing in a timely manner. TMS staff be required to sign out bags when money is taken for testing purposes.</p> <p>All cash should be securely stored in a locked safe/cabinet while awaiting Inkas pick up.</p> <p>Management ensure inventory counts are performed at Inkas as required.</p>	Done.	N/A	
Environmental Services – SSO Contract Compliance	<p>4.1</p> <p>ES - EPP management:</p> <ol style="list-style-type: none"> 1. Obtain an updated performance bond from Orgaworld. 2. Obtain the \$40,000 performance bond from GFL Excavating Corp. 3. Incorporate a performance bond requirement in any future contract amendment for Lafleche. 	<p>Done.</p> <p>Done.</p> <p>Done.</p>	<p>Q3 2015</p> <p>Q3 2015</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>
	<p>4.2</p> <p>Finance - Treasury Office, overseeing this policy, should more clearly identify the parties responsible for the collection and maintenance of surety bonds.</p>	Finance - Treasury Office will make the necessary clarifications to the Surety Bond Policy by Q4 2015.	Q4 2015	Q4 2015
	<p>4.3</p> <p>ES - EPP management:</p> <ol style="list-style-type: none"> 1. Attempt to include a Right to Audit Clause in any future contract amendments to both contracts. 2. Include the Region's standard Right to Audit Clause in any future waste management contracts. 	<p>Done.</p> <p>Done.</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.4 ES – EPP attempt to obtain these operating and contingency plans and review them for acceptance. The plans should be kept together with the contract.</p> <p>In the future, should a contract require obtaining, reviewing and approving plans, the approval should be formally documented and kept together with contract files.</p>	<p>Done.</p> <p>Done.</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>
	<p>4.5 ES - EPP periodically print WSIB forms and keep them on file with contract documents, or submit them with invoice payment requests.</p>	<p>Done.</p>	<p>N/A</p>	<p>N/A</p>
	<p>4.6</p> <ol style="list-style-type: none"> 1. With the assistance of Legal Services, ES - EPP Solid Waste Operations & Optimization should provide clarity to the noted areas, and provide formal notification to the contractor with respect to the updated wording. 2. ES - EPP Solid Waste Operations & Optimization should apply the CPI annual adjustments retroactively to 2014 and 2015 to-date tonnes processed. The CPI for 2014 was 1.0%, and, 2.4% in 2015. Pricing for 2014 was calculated at \$80.80 and for 2015 at \$82.74 per tonne. 3. For future contracts which are basically haulage, if there is a fuel escalation clause in the tender or contract documents, remove the CPI adjustment clause in the standard terms and conditions. 	<p>Done.</p> <p>Done.</p> <p>Done.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>