

**2**

**AUDIT SERVICES BRANCH REPORT**

Audit Committee recommends adoption of the recommendation contained in the following report dated May 21, 2014 from the Director of Audit Services:

**1. RECOMMENDATION**

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.

**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 2012-2014 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 Reports Issued**

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

- Ontario Works – Controls over Fictitious Clients – Community and Health Services Audit Report (*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 April 30, 2014 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*.

*(The three attachments referred to in this clause were included in the agenda for the June 12, 2014 Audit Committee meeting.)*

## YORK REGION AUDIT SERVICES BRANCH ACTIVITIES

Project Name	Status
1. Ontario Works – Controls over Fictitious Clients – Community and Health Services – Audit Report	➤ Completed
2. Outstanding Audit Recommendations Follow Up	➤ Completed
3. Corporate Services – POA Courts Audit	➤ Reporting
4. Transportation and Community Planning – Audit of Capital projects	➤ Reporting
5. Management Request - Review of Water Billing and Metering	➤ Reporting
6. Forensic investigation	➤ In progress
7. Management Request – Rapidco Review	➤ In progress
8. Management Request – POA Courts Review	➤ In progress
9. Management Request – Property Services Review	➤ In progress
10. Various Fairness Monitoring Projects	➤ In progress
11. Steering Committee – HRIMS and Payroll Review	➤ Advisory role
12. Member – Corporate Mobile Strategy Working Group	➤ Advisory role
13. ITS Governance – Portfolio Management Committee	➤ Advisory role
14. York Region Audit Services staff volunteer their time and collectively hold the following positions: <ul style="list-style-type: none"> <li>• Chair, Treasurer and Director of the Canadian Association of Local Government Auditors</li> <li>• Member, Association of Local Government Auditors Association Awards Committee and Advocacy Committee</li> </ul>	➤ Volunteer Association work



***Ontario Works - Controls over Fictitious  
Clients –Community and Health  
Services- Audit Report***

***April 2014***

**TABLE OF CONTENTS**

<b>Section</b>	<b>Page No.</b>
<b>1.0 MANAGEMENT SUMMARY .....</b>	<b>2</b>
<b>2.0 INTRODUCTION.....</b>	<b>2</b>
<b>3.0 OBJECTIVES AND SCOPE .....</b>	<b>3</b>
<b>4.0 DETAILED OBSERVATIONS .....</b>	<b>4</b>
4.1 ANNUAL DATA ANALYSIS SHOULD BE CO-ORDINATED WITH AUDIT SERVICES.....	4
4.2 OFFICE PROCEDURES ARE NOT DOCUMENTED OR STANDARDIZED.....	4
4.3 SUPERVISOR REVIEWS NOT COMPLETED .....	5
4.4 INTERNAL POLICIES.....	5

## 1.0 Management Summary

We have completed a review of controls over the set-up of clients in Ontario Works (OW) – Community and Health Services. Our review focused on determining whether existing controls are adequate to reduce the risk of fictitious client set up in the Service Delivery Model Technology (SDMT) system. Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

We have concluded that controls in place are not adequate to ensure that set up of a fictitious client would be detected.

SDMT is a provincial system that does not provide adequate management reporting which would bring attention to the possibility of fictitious client set up. Because the SDMT is a Provincial system we are unable to make recommendations to improve controls within the system.

OW management has established controls to enhance validity of cases through various file reviews. Controls in place are functioning, however they are limited in their likelihood of detecting set up of fictitious clients.

Existing controls to reduce the likelihood of fictitious client setup are detective rather than preventative in nature. This means that set up of a fictitious client by a caseworker could occur, however controls in place might detect that a fictitious client had been set up after the fact.

OW management has been very co-operative and is currently addressing, or is planning to address areas where existing internal controls require improvement. These improvements include formalizing controls at each office, ensuring that supervisor file reviews are performed and documented as required each month, and coordinating annual data analysis with Audit Services. Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank OW staff and management for their co-operation and assistance provided during the audit.

## 2.0 Introduction

Ontario Works is a provincial social assistance program delivered by York Region providing employment and financial assistance to eligible residents. It is governed by the Ontario Works Act, 1997 which outlines OW policies to be followed. The OW program helps participants find work and become financially independent by providing financial assistance while helping to increase job skills and experience.

There are four OW offices in York Region (Newmarket, Vaughan, Keswick and Richmond Hill).

First contact is via the phone to Access York (Contact Centre), where calls are screened to determine what services the client needs. An appointment is scheduled to meet with a caseworker at a future date, and the client is advised what documentation to bring.

The OW program currently uses the provincial SDMT system which is being replaced with the Social Assistance Management System (SAMS) (software which is set to go live in November 2014. Training has commenced.

Controls in place include Enhanced Verification Process (EVP) reviews, random supervisor file reviews, and annual file reviews generated through the SDMT system SDMT identifies cases which need to be updated. An update would include meeting with the client and obtaining updated information concerning their case.

EVP is a provincial report which identifies cases with inconsistent information between CRA, Ministry of Transportation, Equifax and OW systems. A list of flagged cases is sent to each OW office for EVP review which consists of pulling information from the above mentioned systems and contacting the client to determine the reason for the inconsistency. These reviews are completed by an EVP caseworker. Based on the information provided, outcomes include; no changes, changes to entitlement, discontinue benefits, or send to an Eligibility Quality Assurance Officer for eligibility review.

Supervisor reviews are random file reviews performed by supervisors to ensure that all required documentation is on file, and that decisions made by the case worker are valid.

### **3.0 Objectives and Scope**

The objectives of this engagement included ensuring that:

- controls are in place to detect fictitious client setup; and
- existing fictitious clients are identified.

The audit objectives were accomplished through:

- review of supervisor file reviews for 3 months for each of the four OW offices;
- random selection and review of 5 EVP file reviews for each of the four OW offices; and
- performing data analysis.

## 4.0 Detailed Observations

### 4.1 *Annual Data Analysis Should be Co-ordinated with Audit Services*

#### **Observation**

Detection controls could be improved to include annual data analysis.

#### **Recommendation**

OW management should co-ordinate with Audit Services to perform data analysis annually to further reduce the risk of loss from setup of fictitious clients. OW management should request the client payment file from the province so that Audit Services can perform the data analysis and provide the results to Community and Health Services for further investigation to identify any fictitious clients.

#### **Management Response**

Management agrees that the annual data analysis would be prudent and agrees to conduct such analysis annually. The next analysis is to take place by 4th quarter 2014.

Also the new Social Assistance Management System (SAMS) once implemented will produce the following new reports that may be helpful in determining suspicious activities on cases:

- Deceased recipients who are re-classified as not deceased
- 2 or more Direct Bank Deposit accounts
- 3 or more Bank Accounts within 6 months
- Direct Bank Deposits from multiple persons

### 4.2 *Office Procedures are not documented or standardized*

#### **Observation**

During our supervisor file review work it was discovered that there were some inconsistencies in how offices documented file reviews. One office had a very detailed checklist to ensure that nothing was missed in the review. These checklists were maintained in a binder by supervisor. Other offices had varying degrees of noting that a file had been reviewed, but documentation to support this was in some cases, minimal.

#### **Recommendation**

A standardized checklist should be used by all offices to evidence supervisor file reviews.

#### **Management Response**

Management will communicate to Supervisors, the expectation to complete file reviews using an approved checklist and retain copies in a binder. To be completed by 3<sup>rd</sup> quarter 2014.



### **4.3 *Supervisor Reviews not Completed Consistently***

#### **Observation**

Our testing revealed that the four offices did not consistently complete 5 file reviews per supervisor each month; the reason for this was typically that supervisors were on vacation during the summer. Risk of loss is increased when controls are relaxed.

#### **Recommendation**

Management should reiterate the importance of performing 5 supervisory reviews per supervisor, per month.

Arrangements should be made during vacation periods to ensure that controls are in place throughout the year. Management should check monthly to ensure that five file reviews per supervisor, per month are being completed on a timely basis.

#### **Management Response**

Management will communicate to Supervisors the importance of conducting 5 case reviews per month, including during vacation periods. Management will monitor that this is being completed. To be completed by 3<sup>rd</sup> quarter 2014.

### **4.4 *Internal Policies***

#### **Observation**

Although all casework requirements are dictated by legislation, additional procedures required for York Region staff (i.e., file reviews) are not formally documented.

#### **Recommendation**

Internal policies developed by Social Services for the OW program which are not required by legislation should be documented and distributed to OW staff to ensure that requirements are understood and followed.

#### **Management Response**

Management will review to ensure that this expectation is consistently documented on all Supervisor Annual Performance Plans under the Objectives. To be completed by 3<sup>rd</sup> quarter 2014.

*Original signed by:*

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**Cordelia Abankwa**  
**General Manager, Social Services**

*Original signed by:*

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**Adelina Urbanski**  
**Commissioner – Community and  
Health Services**

*Original signed by:*

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**Paul Duggan**  
**Director, Audit Services**



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

***June 2014 Audit Committee***

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## TABLE OF CONTENTS

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

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## 1.0 Management Summary

Audit Services has completed a follow up of outstanding audit recommendations at April 30, 2014. 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 February 2014.
2. Any new audit report recommendations issued up to and including April 30, 2014.

There were 26 audit recommendations originally issued through the four audit reports currently on our list for follow up. Prior to this review, ten audit recommendation, or 39% had been implemented. From the remaining 16 recommendations, five, or 19%, have been implemented. At April 30, 2014, eleven recommendations, or 42% of the original 26 recommendations issued have not yet been implemented.

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 2014 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 December 2013 audit recommendations follow up audit report, and all new recommendations issued in audit reports up to and including April 30, 2014.

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 Regional 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 April 30, 2014 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 April 30, 2014.

#### **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 April 30, 2014

Audit Report	Number of opportunities originally highlighted	Completed for 12/31/13	Completed for 4/30/14	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
Finance – Petty Cash	3	0	0	3	100%	Jun-13	Oct-13
TCP – YRT Mobility Plus Contract Compliance	10	5	2	3	30%	Aug-13	Oct-13
Finance – Owner Controlled Insurance Program (OCIP)	7	0	3	4	57%	Dec-13	Feb-14
Totals	26	10	5	11	42%		



TABLE B – Summary of Outstanding Audit Recommendations as at August 31, 2013

Audit Report	Recommendation	Management response	Original due date	Current due date
<b>Finance</b>				
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. Procedures have been established. Random audits began in October 2013, and will continue commencing Q1 2014.	Q3 2013	NA
	4.2 Add a line to Procurement Card forms to require the authorizer to print their name.	Done	None	NA
	4.3 Ensure card holders sign for their card to ensure they understand and agree to Regional purchasing card policies.	Done	Q2 2013	NA
	4.4 Department administrators should be reminded that failure to comply with purchasing card policy and procedures could result in card revocation.	Done. Audit report was distributed to all attendees at the quarterly administrator meeting in June 2013.	Q2 2013	NA
	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. The audit report was incorporated into the revised procedures – this exercise will be carried out every six months.	None	NA
	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 reassessment of the Procurement Card process has been added to the Source to Settlement project, to be implemented over the next three to four years.	2017	2017

Audit Report	Recommendation	Management response	Original due date	Current due date
Petty Cash	4.1 Cash handling / petty cash policies and procedures should be developed by Finance to centralize controls over cash handling.	Management currently developing policies and procedures.	Q3 2014	Q3 2014
	4.2 Centralize documentation and processes to set up, increase, decrease, close, or change custodian petty cash accounts.	Policies and procedures on schedule for Q3 2014.	Q3 2014	Q3 2014
	4.3 Finance should perform surprise cash counts periodically.	Requirement for surprise cash counts will be included in the policies and procedures which are scheduled to be completed by Q3 2014.	Q4 2013	Q3 2014
YRT – Mobility Plus	4.1 Insurance certificates should be agreed to contract documents, or other related documentation.	Done. An enhanced, formal timeline process with an automated abeyance system has been instituted.	None	NA
	4.2 The application process manual should be reviewed and updated to reflect the current state; require a formal overall review and update on a periodic basis; and, require formal YRT Management sign-off as evidence of the update and review.	RouteMatch was delayed four months due to potential CUPE strike. Manual to be updated with implementation of RouteMatch.	Q2 2014	Q3 2014
	4.3 YRT Mobility management contact Cares Accessible Transit and Mobility Transit to obtain the Emergency Operations Protocol documents.	Done. YRT has received the protocols from the vendors.	None	NA

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.4 Changes to driver information (addition, deletion, changes) keyed into TIRS should be reviewed for accuracy and completeness by another individual.</p> <p>Management should also explore the feasibility in obtaining such functionality with the new RouteMatch application currently schedule for deployment.</p>	<p>Done.</p> <p>Done.</p>	<p>Q2 2014</p> <p>Q2 2014</p>	<p>NA</p> <p>NA</p>
	<p>4.5 YRT Mobility management should discuss industry standards for late cancellations and no-shows with other similar transit services to determine a) how we are performing when dealing with this issue, and, b) what other incentives have been successfully used by other similar transit providers to reduce occurrences.</p>	<p>Project is ongoing. YRT participating in the development of a Canadian Code of Practice for Specialized Service Standards with CUTA and other transit service providers. This includes developing no-shows and late cancellation guidelines.</p>	<p>Q4 2014</p>	<p>Q4 2014</p>
	<p>4.6 The Transview application is being replaced in the near future with a more robust system called RouteMatch. The requirement for edit listing should be one of the deliverables for this project.</p>	<p>Done.</p>	<p>Q2 2014</p>	<p>NA</p>

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.7</p> <ul style="list-style-type: none"> <li>• Healthcare professionals who have provided input on the application should be verified as members in good standing with their respective associations.</li> <li>• Paper application files should be kept complete with all correspondences with the applicant.</li> <li>• The addition of 'Not Applicable' check boxes for two questions on the application would help to ensure that the applicant has considered and responded to all questions.</li> <li>• Once an applicant becomes a registered user of Mobility Plus services, their information should not be deleted. If removal is deemed necessary, then an edit listing of the change to the database should be printed and approved by management and the riders file should be stored off of the database and available for retrieval, or made inactive on the current database.</li> </ul>	<ul style="list-style-type: none"> <li>• Done.</li> <li>• Delay caused by potential CUPE strike resulting in implementation of RouteMatch pushed back this deliverable to Q3 2014.</li> <li>• The additional check boxes will be added to the on-line application for download immediately and added to the hard copy application for the next printing. Next printing is Q4 2014.</li> <li>• Done.</li> </ul>	<p>Q4 2013</p> <p>Q4 2013</p> <p>Q2 2014</p> <p>Q2 2014</p>	<p>NA</p> <p>Q3 2014</p> <p>Q4 2014</p> <p>NA</p>
	<p>4.8</p> <p>Mobility Plus management should enlist the help of Property Services to explore options to increase the level of security for those files.</p>	<p>Done. Cabinets are now locked.</p>	<p>None</p>	<p>NA</p>

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.9</p> <p>Current TransView data should be purged of inactive clients and those files kept off the active databse. This would help allow for some additional report processing capacity.</p> <p>Transview registered client data be scrubbed prior to uploading into RouteMatch. Inactive client data should be secured and kept ready to reload if needed.</p>	<p>Done. Only registered riders who have travelled within the past 2 years will have their files transferred into the new scheduling and management software (RouteMatch).</p>	Q4 2013	NA
	<p>4.10</p> <p>YRT Mobility Plus management perform a cost / benefit analysis on expanding the resources needed for the current appeals process versus outsourcing this process to a third party.</p> <p>YRT Mobility Plus should also examine why there has been a sudden increase in appeals.</p>	<p>Done.</p> <p>York Region nurse providing additional eight hours to assess clients.</p> <p>As recommended by Council Nov. 2013 – retaining Medisys Health Group for one year to conduct Mobility Plus appeals on behalf of York Region be brought to York Region Accessibility Advisory Committee in February 2014 and bring a report forward to the Committee of the Whole.</p>	Q4 2013	NA
Finance - OCIP	<p>4.1</p> <p>The Commissioner of Finance and Treasury formally report the adoption of the OCIP program to Regional Council.</p>	<p>Will be discussed as part of the update to the Insurance and Risk Management (I&amp;RM) Policy.</p>	Q2 2014	Q2 2014
	<p>4.2</p> <p>Develop a service level agreement (SLA) for projects under the blanket OCIP and for each individual project covered under its own, separate OCIP.</p>	<p>Done.</p>	Q2 2014	NA

Audit Report	Recommendation	Management response	Original due date	Current due date
	<p>4.3</p> <p>Develop regular OCIP reporting from the Claims &amp; Certificate Reporting System (CCS) to help ensure complete and reliable information used for management decision making and program reporting.</p>	<p>Development is ongoing.</p>	<p>Q4 2014</p>	<p>Q4 2014</p>
	<p>4.4</p> <p>Update I &amp; RM Policy to include the use of OCIPs.</p> <p>Require periodic updates to the I &amp; RM Policy.</p>	<p>Policy requires update when significant changes occur.</p> <p>The I &amp; RM Policy has been submitted to Clerk's as part of the Omnibus Report to Council.</p>	<p>NA</p> <p>Q2 2014</p>	<p>NA</p> <p>Q2 2014</p>
	<p>4.5</p> <p>Amounts owed to the Region by contractors should be deducted from the next payment to the contractor.</p> <p>Charge interest penalties on invoiced amounts outstanding to date.</p>	<p>Done. Outstanding amounts are now deducted from project payments on an ongoing basis.</p>	<p>Q2 2014</p>	<p>NA</p>
	<p>4.6</p> <p>I &amp; RM should develop edit listings to help ensure data entered into CCRS is complete, accurate, authorized and timely.</p>	<p>Done. A new internal procedural change has been implemented to allow for review and signoff on entered data.</p>	<p>NA</p>	<p>NA</p>
	<p>4.7</p> <p>Creation of a report through CCS summarizing closed claims to reconcile to invoice requisitions generated through PeopleSoft.</p>	<p>Development of the report is ongoing and due as part of CCS upgrades.</p>	<p>Q4 2014</p>	<p>Q4 2014</p>