

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 26, 2017**

Item 2, Report No. 8, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on September 26, 2017.

**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 September 20, 2017:

**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. Long term sustainability needs the support of good and 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 completed, is still in progress, or is not yet started. If a MAP has been completed, Internal Audit will verify that the action plan 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 SEPTEMBER 26, 2017**

Item 2, Finance Report No. 8 – 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 ten audit reports containing 52 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2016. As of August 15, 2017, management has fully implemented 31 of those MAPs, or 60%. A total of 21 MAPs, or 40% are in progress.

**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 MAPs and report the results to the Finance, Administration and Audit Committee on an annual basis. The next update will be included in the Internal Audit Annual report, which is scheduled to be presented in Q2, 2018.

**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**

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There are no direct economic impacts associated with this report.

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Not applicable.

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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

August 2017

## **INTERNAL AUDIT REPORT**

### **STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT**

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#### **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.

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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 completed, is still in progress, or is not yet started. If a MAP has been completed, Internal Audit will verify that the action plan addresses the risk outlined in the report.

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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 ten audit reports containing 52 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2016. As of August 15, 2017, management has fully implemented 31 of those MAPs, or 60%. A total of 21 MAPs, or 40% are in progress.

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

#### **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.

One (or 20%) of the audit recommendations remain outstanding.

According to the Manager, Corporate Asset Management, staff have created an inventory of horticulture assets, including flower beds, shrub beds, planters, and hanging baskets, as well as their locations. An inventory of street trees began in 2016. The inventory, including tree species, height, age, and geo-location, is expected to be completed in fall 2017. The second phase for tree asset data collection will include an inventory of woodlots and open space trees.

## **INTERNAL AUDIT REPORT**

### **STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT**

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#### ACCOUNTS PAYABLE AUDIT

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

One (or 25%) of the audit recommendations remains outstanding.

The greatest risk for the creation of and payment to ghost vendors is using Low Dollar Purchase orders for vendor payments less than \$5,000. Procurement Services has created quarterly activity reports that are distributed to the Senior Management Team. These reports include a vendor activity report for low dollar purchases (< \$5,000), providing an opportunity for departments to review the vendors and vendor payments that have been made. A new vendor form is required to initiate a payment to a new vendor using a low dollar purchase order.

A new form has been created, Create or Update Vendors, requiring two signatures to authorize the update of a vendor master file or the creation of a new vendor.

As part of the procurement modernization project, Procurement Services and Financial Services plan to undertake a review of the Vendor Master File to determine an action plan for the cleanup and maintenance of the file. This work will require the assistance of the Office of the Chief Information Officer. Any funding requirements will be submitted through the upcoming 2018 budget process.

#### 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.

One (or 25%) of the audit recommendations remain outstanding.

According to the Director of Environmental Services, the Backflow Prevention Program remains on track for completion by the end of this year. A Backflow Prevention By-law is on track for presentation to Council in Fall, 2017. In addition, a Backflow Prevention Coordinator position has been approved, who will be responsible for the implementation of the backflow prevention program. That position is expected to be filled by the end of 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.

Two (or 29%) of the audit recommendations remain outstanding.

The Office of the Chief Information Officer (OCIO) will work with Financial Services to establish a minimum threshold for personal phone/data use. In addition, OCIO will provide monthly exception reports which will identify overages above the minimum threshold. OCIO will also assist departments on an ongoing basis for accounts with special requirements such, as local long-distance, to customize their account and eliminate the need for future reimbursements. It is expected that this will be fully implemented in Q1, 2018.

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OCIO has maintained standards for supported IT hardware since 2005. These standards have been reviewed and updated continuously to support corporate user requirements. Supported hardware standards allow for the efficient use of IT Asset Management software as well as contributing to the security of the corporate computing environment.

Staff may submit requests through the OCIO Service Desk for the evaluation of new computer hardware to address legitimate business needs. OCIO will then evaluate this need and the requisitioned hardware to assess if it can be incorporated into business operations. This examination will include reviewing if existing supported hardware can be used instead.

In the first quarter of 2018, OCIO will work with Procurement Services and Corporate Communications to create a communications piece to increase awareness regarding the process for submitting new hardware for evaluation. This communication will be sent to all staff with purchasing authority.

Management has determined that it is not cost effective to automate the employee expense reimbursement work flow processes, as the roll out of the Purchasing Card program has significantly decreased the volume of employee expense reimbursements. Internal Audit concurs with this assessment, and has closed off this outstanding item.

#### **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.

Two (or 17%) of the audit recommendations remain outstanding.

According to the Director of Recreation Services, management will continue to use the existing software solution as the developer has recently announced that they will continue to provide support for the existing product. Although there are some risks and challenges with the existing system, it is beneficial to the City, from a financial perspective, to prolong the introduction of a new system and continue with the current provider while software support is available.

The updating and streamlining of department procedures is an ongoing process. There are currently several hundred procedures, however priority was given to procedures pertaining to cash handling and financial risk and have been revised in accordance with 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.

The CLASS system does not interface with the JDE financial system. As a result, Financial Services does not have visibility into the detailed financial data in CLASS, as only G/L balances are uploaded from CLASS into JDE. Until a technology solution becomes available, Financial Services and Recreation Services have agreed to layer in Recreation's receivables with the corporate receivables on an annual basis and apply the same corporate methodology with respect to write-offs and bad debts. Further, Financial Services meets with Recreation Services on a quarterly basis to determine if any receivables should be put into collections. Collections for this area are minimal. Any accounts deemed to require a collections effort are

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put through Financial Services to ensure that a reduced and consistent fee is paid for any collections required.

In 2016, Financial Services began efforts to consolidate collections for By-law and Taxation to streamline collections and set a foundation for entering into Inter-Municipal agreements with respect to bad debts that can be placed on the tax roll. Expansion into additional Inter-Municipal agreements and a comprehensive collections strategy will be a key activity over the next term of Council.

#### **HIRING PRACTICES AUDIT**

The Hiring Practices Audit report was presented to FA&A on September 8, 2015. The report contained two recommendations. Both recommendations have now been fully implemented.

#### **ROAD OPERATIONS AUDIT**

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

Five (or 71%) of the audit recommendations remain outstanding.

According to the Director Transportation Services, Parks & Forestry Operations (TSPFO), the recommendations related to Inspections and Purchasing Project Management & Contract Administration have been implemented into all contracts. The Contract and Business Services group in TSPFO is focusing on ensuring all contracts are associated with inspections to validate the works being completed.

The recommendations for Occupational Health and Safety Training will be completed in Q4 2017, with a training plan developed for all operations staff.

The Road Patrol Management System is currently in place, which is in accordance with O.Reg 239/02 s.3 from MMS (Minimum Maintenance Standards). The feasibility of integrating this software with the Computerized Maintenance Management System (CMMS) project is still in the works. Since the beginning of 2017, staff have been working on various recommendations in connection with Asset Management. Similar to the Road Patrol Management System, the Work Order Administration recommendation is a project between TSPFO and Asset Management with the anticipated roll out in 2019.

The recommendations associated with Policies and Procedures have been reviewed and updated but will require more time as TSPFO will be developing standard operating procedures (SOPs) for each task. The SOPs will go forward in June 2018 for approval.

According to the Director of Fleet Management Services, Fleet Management Services is currently working on phase two of the Life Cycle Analysis (LCA) of the City's fleet. Completion was delayed as some of the data was not originally included by the contractor. This is being rectified. The information will be used to validate the current fleet replacement cycles and to create a five-year asset replacement plan. The second phase and five-year plan will be complete by the end of November 2017.

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### **STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT**

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The tool for evaluating leasing versus purchasing of assets has been complete, pending final review. Procurement Services will be engaged to determine how the tool outputs can be incorporated in future procurement activities.

The resolutions for recommended actions will be in place by the end of 2018.

#### **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.

All of these recommendations remain outstanding.

According to the Chief Information Officer, since the completion of the audit, the Office of the Chief Information Officer has implemented several improvements to address the recommendations, including:

- Deployed unauthorized device detection technology
- Developed corporate software standards, IT security standards and key security performance measures
- Performed inventory and cleanup of obsolete software on corporate systems
- Implemented the vulnerability assessment and remediation program
- Developed and implemented IT security incident response process
- Delivered IT security awareness training for project managers and other staff

Network Access Control delivery was delayed due to technical challenges and will restart in 2018 after a full network upgrade. Unauthorized Software Control and annual penetration testing are on hold until additional resources required for successful implementation have been approved. A revised draft Information Technology Security Policy will be presented to the Senior Management Team later this year for their review and feedback.

#### **CORPORATE OVERTIME AUDIT**

The Corporate Overtime Audit report was presented to FA&A on February 1, 2016. The report contained five recommendations.

Four (or 80%) of the audit recommendations remain outstanding.

According to the Chief Human Resources Officer, recognizing the benefits of an automated time and attendance management system, an RFP was issued in June to seek consulting services to develop a business case, including cost, solution options, return on investment and business and system requirement specifications. The anticipated award of contract will take place this Fall and the project should begin soon after.

## INTERNAL AUDIT REPORT

### STATUS OF MANAGEMENT ACTION PLANS - ANNUAL REPORT

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Once an automated time and attendance management system is in place, management will be able to identify and understand key drivers of overtime costs, the impact on service delivery as well as the impact of overtime on employee wellness.

A draft overtime policy has been developed by the Office of the Chief Human Resources Officer (OCHRO). The draft policy will be presented to the Senior Management Team later this year for their review and feedback.

#### ANONYMOUS REPORTING SYSTEM ANNUAL REPORT - 2016

The Anonymous Reporting System annual report was presented to FA&A on May 30, 2016. The report contained three recommendations.

Two (or 66%) of the audit recommendations remain outstanding.

According to the Chief Human Resources Officer, as part of the Corporate Policies refresh (Respectful Workplace Policy, Violence in the Workplace Policy, Code of Conduct), the Code of Conduct will be updated with stronger language referencing matters of ethics and fraud/fraudulent behavior. The OCHRO will work with Internal Audit on the development on an Anonymous Reporting Policy which would include matters on whistleblower protection and anti-reprisal/retaliation.

Providing an anonymous reporting mechanism to the general public, including Vaughan residents, vendors and visitors, is an approach that may help mitigate the risk of unethical behaviour and would reiterate the City's commitment to corporate governance, accountability and transparency. The Director of Internal Audit has been tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the public and, in consultation with senior management, will report back during the next Term of Council on the best practices in other jurisdictions and a recommended approach.

#### 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.

**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
15-Oct-12	Parks & Forestry Operations	2012	Tree and Shrub Inventory	5	4	1	0
11-Feb-13	Accounts Payable	2013	Vendor Master File Maintenance	4	3	1	0
10-Jun-13	Water, Wastewater and Drainage	2013	Backflow Prevention Program Development	4	3	1	0
26-May-14	Employee Business Expenses	2014	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	7	5	2	0
09-Mar-15	Recreation & Culture Revenue	2015	Accounts Receivable - Collections & Write-offs Policies & Procedures	12	10	2	0
08-Sep-15	Hiring Practices	2015	All Recommendations actioned and vetted, as of February 27, 2017	2	2	0	0
08-Sep-15	Road Operations	2015	Occupational Health and Safety Training Implementation of the Route Patrol Manager System Work Order Administration Vehicles, Motorized Equipment and Inventory Use Policies & Procedures	7	2	5	0
08-Dec-15	IT Security Controls	2015	Network Access Control Update Acceptable Use of IT Policy Establish IT Infrastructure Penetration Testing Program	3	0	3	0
01-Feb-16	Corporate Overtime	2016	Define Supporting Documentation Requirements For Overtime Payments Automate the Time and Labour Management Process Understand What Drives Overtime Costs & Impact on Service Delivery Examine the Impact of Overtime on Employee Wellness	5	1	4	0
30-May-16	Anonymous Reporting System Annual Report	2016	Enhance the City's corporate governance, accountability and transparency framework by developing a comprehensive ethics and compliance program designed to prevent, detect and respond to fraud and misconduct. Internal Audit be tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the general public and, in consultation with senior management, report back to Council on the best practices in other jurisdictions and a recommended approach.	3	1	2	0
Total	10 Reports	-		52	31	21	0