



**REPORT TO FINANCE AND CORPORATE
SERVICES COMMITTEE**

File: F00
Pending #:

TO: FINANCE AND CORPORATE SERVICES COMMITTEE

PREPARED BY AND KEY CONTACT: S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT EXT# 5452

SUBMITTED BY: S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT

GENERAL MANAGER APPROVAL: N/A

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

DATE: FEBRUARY 28, 2018

SUBJECT: 4TH QUARTER INTERNAL AUDIT STATUS REPORT, SUMMARY OF 2017 INTERNAL AUDIT ACTIVITY, AND 2018 INTERNAL AUDIT WORK PLAN

WARD: ALL

RECOMMENDED MOTION

1. That the 4th Quarter Internal Audit Status Report be received as information.
2. That the Summary of 2017 Internal Audit Activity attached as Appendix "E" to the Report to the Finance and Corporate Services Committee dated February 28, 2018 be received as information.
3. That the Internal Audit Work Plan for 2018 attached as Appendix "F" to the Report to the Finance and Corporate Services Committee dated February 28, 2018 be approved.

PURPOSE & BACKGROUND

4. The purpose of this staff report is: to provide the 4th quarter Internal Audit status report, to provide a summary of all 2017 Internal Audit activity as required by the Internal Audit Charter, and to approve the Internal Audit work plan for 2018.
5. The following report provides a summary of the Internal Audit activities undertaken during the 4th quarter of the City's fiscal year, October to December 2017:

#	Project	Focus	Status
1	Cash Handling	Process review – Legislative and Court Services	Complete
2	Cash Handling	Process review – Mady Centre	Complete
3	IT Service Desk	Process review	Complete
4	Use of Consultants	Consulting: Analysis of Consultants	Complete



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#	Project	Focus	Status
5	Health Benefits	Consulting: Analysis of Health Benefit Claims	Complete
6	Stores Inventory	Compliance: Year End Count Observation	Complete
7	Entity Level Controls	Consulting: Fraud Risk Assessment	In Progress

6. In addition to the projects noted above, Internal Audit provided ad hoc consultations to departments, managed the Fraud & Wrongdoing Program and completed two confidential investigations.
7. The project in progress will be included in the next Internal Audit update to the Finance and Corporate Services Committee upon completion.

ANALYSIS

CASH HANDLING – LEGISLATIVE & COURT SERVICES

Background

8. In connection with a broader corporate-wide cash handling project, a review of Legislative & Court Service's cash handling practices was completed to assess if processes and controls are sufficient and whether efficiencies can be gained to improve operations.
9. Legislative & Court Services is comprised of three branches: Legislative Services, Enforcement Services and Court Services which have separate cash handling practices and were all included in the scope of the review.

Objective

10. The objective of this review was to understand the sources of cash handled by all branches of Legislative & Court Services and the procedures followed by staff to serve customer needs and safeguard City employees and assets.

Methodology

11. The following activities were performed:
 - a) Review of procedures for Legislative & Court Services related to cash;
 - b) Review of City records supporting Legislative & Court Services operations;
 - c) Meetings with Legislative & Court Services staff;
 - d) Tours of the Legislative & Court Services offices (Barrie and Orillia); and
 - e) Observation of cash handling.



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Findings

12. Observations identifying areas for improvement, recommendations and management's response are consolidated and summarized in Appendix "A". The recommendations relate to the following areas:

Area	# Recommendations		
	Legislative Services	Enforcement Services	Court Services
Operations	3	3	-
Physical security	1	1	1
Total	4	4	1

Conclusion

13. Legislative & Court Services has implemented effective procedures and controls to address the inherent risks of cash handling. Recommendations around operations, physical security and formalizing cash handling procedures across all branches will enhance the strong controls currently in place to further safeguard City employees and assets in the department.

CASH HANDLING – MADY CENTRE

Background

14. In connection with a broader corporate-wide cash handling project, a review of the Mady Centre's cash handling practices was completed to assess if processes and controls are sufficient and whether efficiencies can be gained to improve operations.

Objective

15. The objective of this review was to understand the sources of cash handled by the Mady Centre and the procedures followed by staff to serve customer needs and safeguard City employees and assets.

Methodology

16. The following activities were performed:
- a) Review of procedures for the Mady Centre related to cash;
 - b) Review of City records supporting Mady Centre operations;
 - c) Meetings with Mady Centre staff;
 - d) Tour of the Mady Centre; and
 - e) Observation of cash handling.

Findings

17. Observations identifying areas for improvement, recommendations and management's response are summarized in Appendix "B". The recommendations relate to the following areas:

Area	# Recommendations
Operations	2
Physical security	1
Policies and procedures	2
Total	5

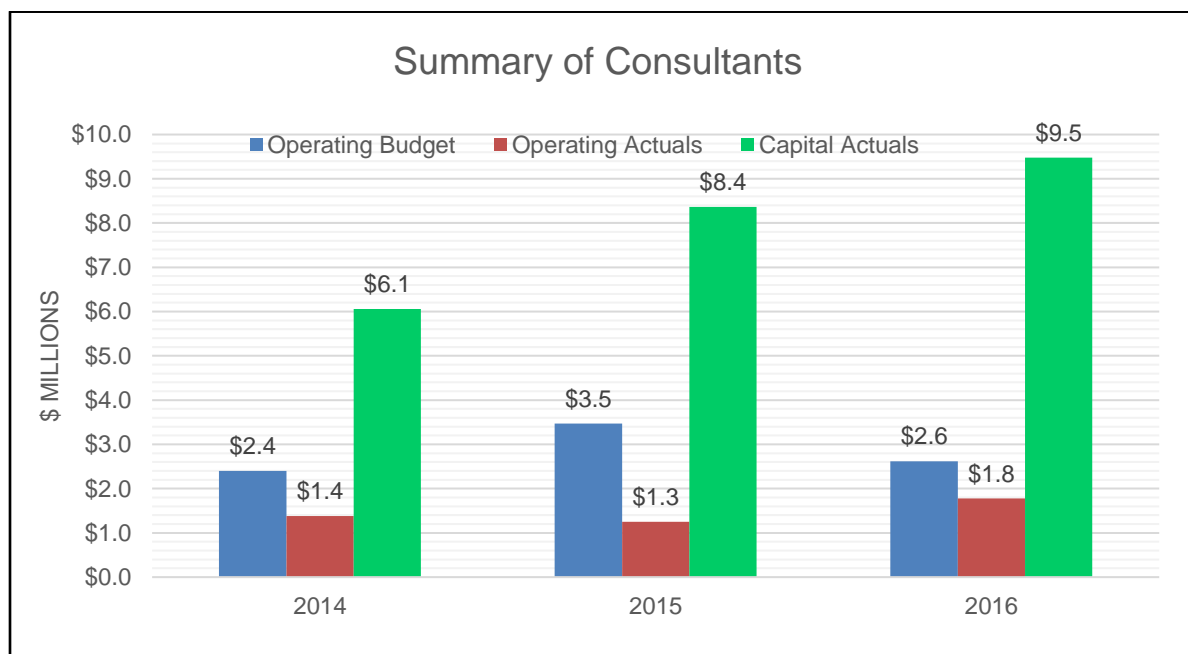
Conclusion

18. The Mady Centre, operated by the Creative Economy department, is working to develop effective procedures and controls to address the inherent risks of cash handling. Current challenges experienced by the department to ensure the completeness and accuracy of cash handled will be improved by recommendations addressing operations, physical security and formalizing cash handling procedures.

USE OF CONSULTANTS

Background

19. Consultants are commonly used by organizations to provide specialized skills and knowledge that are not necessary or economical to maintain permanently in-house. For the purposes of this review, a consultant is defined as an individual not employed by the City or an independent firm engaged to provide expertise, tools or strategic advice that is presented for consideration and decision making. At the City of Barrie, consulting services are generally provided by: architects, engineers, designers, surveyors, geo-technical consultants, planners, and technology specialists.
20. A summary of the City's spending on consultants for operating and capital purposes from 2014 to 2016 (the "Period of Review") is set out below:





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Objective

21. The purpose of this review was to assess if the City's use of consultants is effective by analyzing the City's spending on consultants, gaining an understanding as to why consultants are hired and assessing how their performance is measured.

Methodology

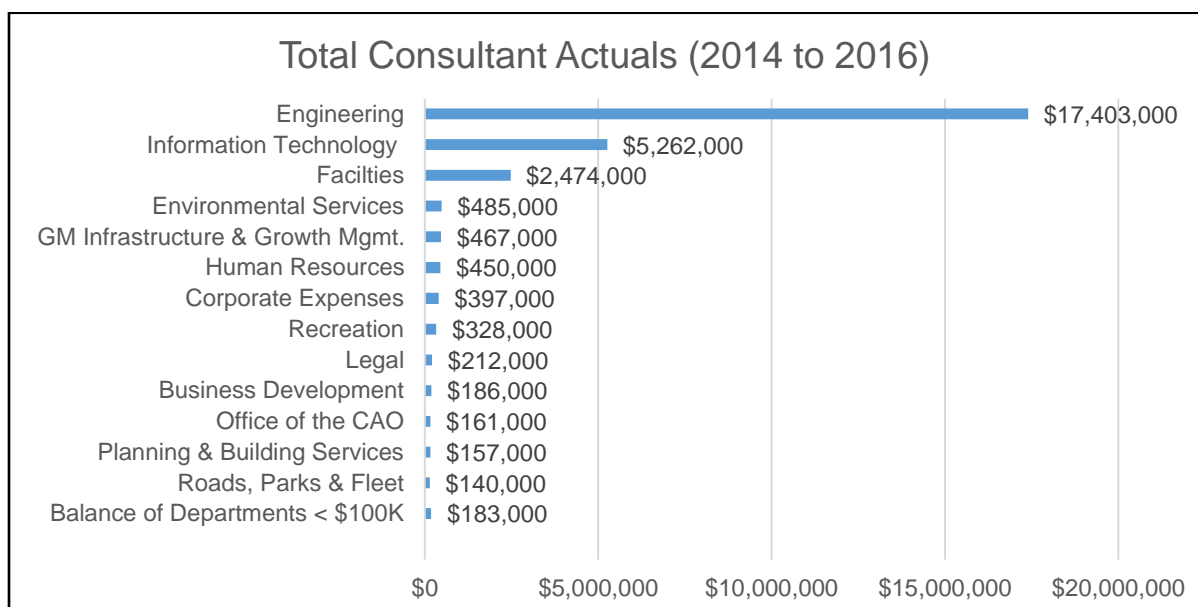
22. The following activities were performed:
- a) Financial analysis of budget and actual consultant payments for the Period of Review coded to Great Plains object codes 3590 to 3595 (Consultants);
 - b) Meetings with management and staff from departments with the greatest use of consultants: Engineering, Information Technology, Facilities, and Environmental Operations;
 - c) Meeting with Finance and Human Resources;
 - d) Review of the Purchasing By-Law; and
 - e) External review of comparator municipalities.

Conclusion

23. The use of consultants at the City is necessary to accomplish specific department requirements for service deliverables. Consultants are generally engaged in situations when it is not cost effective to bring a resource in-house or when immediate and unanticipated resource capacity issues arise. While there may be opportunities to consider hiring additional internal resources at a lower overall cost than hiring consultants, based on the work performed, the City's current use of consultants appears to be effective.

Findings

24. Consultant spending for operating and capital purposes by department during the Period of Review is set out below:



Reasons for use of consultants

25. Based on the information obtained during our review, there are various operational and capital project needs requiring consultants to manage the delivery of services and completion of deliverables. In general, consultants are hired for specialized expertise and equipment as well as to manage workload fluctuations and address resource capacity issues.
26. Specifically, the City currently engages consultants for the following purposes:
- a) Specialized knowledge/expertise about a particular subject matter, subject matter databases, and or technology that is not available in-house;
 - b) Specialized tools and equipment which can be cost prohibitive for the City to obtain, may not be needed on a recurring basis and may have health, safety, and training requirements to operate the equipment;
 - c) Professional accreditations needed to comply with legislative requirements or professional standards;
 - d) Liability insurance coverage (for architects/engineers etc.) required and not held by the City;
 - e) Implementation of new technology for which the required knowledge is later transitioned to in-house staff to maintain;
 - f) To address immediate and unanticipated resource capacity constraints such as:
 - o Use of consultant to meet legislative requirements when the department is not operating at full staffing complement; and
 - o Increased resources not required long term after an immediate need is addressed.

Staff vs consultant resources

27. The City's use of consultants may potentially be reduced if new staff positions were added to address continuing staffing needs. For example, in capital project management, the City engaged consultants to manage projects for a prolonged period of time at a higher cost than if staff in-house were utilized.
28. Staff advised that it is easier to budget for consultants within a capital project than to prepare a business case to support a request for a new in-house staff position. There is a risk that staff may engage consultants to fill a resource need rather than seek approval for a staff position which could result in a higher overall cost to the City.
29. Departments work with Human Resources to evaluate the work to determine whether job responsibilities and skill sets of in-house staff should be expanded or whether these resource needs are better filled with consultants.

Policy or guidance

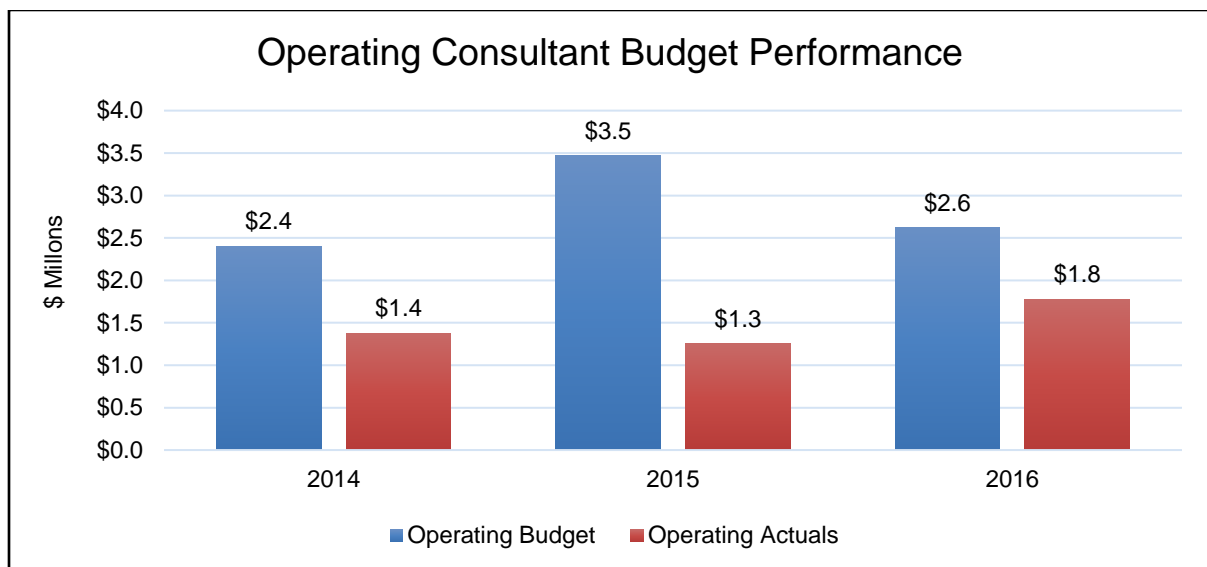
30. There is no formal policy or guidance for departments regarding the use of consultants. The decision as to when consultants are engaged is at the discretion of the department provided there is capacity within an approved operating account or capital project budget. An external review performed found this practice to be consistent with other municipalities.
31. Consideration could be given to developing corporate direction, potentially incorporated into budget guidelines, for departments' use of consultants to promote and guide a consistent and cost-effective approach across the City.

Transparency of consultation costs in capital projects

32. There is limited transparency in the City's financial systems to budgeted consultant costs for capital projects. Capital budgets are approved as a total project cost and therefore no budget details are provided by the Department at an account level to enable actual to budget comparison. The approval of a capital project as a whole allows staff to determine how to manage the workload between existing staff resources and consultants.

Comparison to budget

33. Actual spending on consultants for operating purposes is consistently less than the approved operating budget during the Period of Review. During the Period of Review, staff requested and received an average approved operating budget of \$2.8M and spent an average \$1.5M for operational consulting services. The table below sets out the operating budget and spend during the Period of Review.



Analysis of the largest operating variances during the Period of Review identified that non-recurring operating projects, such as updating asset management plans, PSAB contaminated inactive land reviews and facility condition assessments, were included in the approved operating budgets but the projects were delayed due to capacity issues and therefore not completed in the approved budget year. These operating projects had non-tax funding sources and did not impact the net tax levy. As of 2017, non-recurring operating costs are budgeted in the capital plan as non-recurring tangible assets rather than budgeted as operating expenditures.

Monitoring of consultant costs

34. Consultant costs are monitored as a component of the overall project budget however there is no formal monitoring program for the use of consultants to ensure the services provided are managed and monitored for satisfactory completion of the agreed upon work. Staff indicated that for larger capital projects there are procedures followed that include scheduled meetings, checkpoints and status updates with consultants that are tied to consultant progress payments. Staff also leverage procurement tools to aid in the assessment of consulting services at the mid-point and the end of a

contract. At the mid-point review, feedback is provided by the City which provides consultants the opportunity to make performance improvements if required.

Evaluation of consultant costs

35. There is no formal process for departments to evaluate consultants' performance to assess the quality of the project results. A formal post evaluation of a consultant's performance can assist to improve the current practices, identify consultants who perform quality work, and provide data that can be leveraged for future City needs. Staff noted there are internal department processes available for staff to measure the quality, time and cost of project deliverables.

IT SERVICE DESK

Background

36. The Information Technology ("IT") department, through its Technology Services Branch operates the IT Service Desk (the "Service Desk") which provides internal technical support, training, and manages the City's endpoint device technology assets (such as laptop and desktop computers, mobile phones etc.).
37. There are 5 Service Desk Specialists, 1 Asset Coordinator and a Service Desk Supervisor who work together to operate the Service Desk from City Hall. The Service Desk operating hours are from 8:30am to 4:30pm, Monday to Friday, with after-hours support available as required.
38. As of October 2017, over 8,000 tickets for IT support were placed with the Service Desk year to date.

Objective

39. The objectives of this review were to understand the nature and scope of the Service Desk function and to review the efficiency and effectiveness of the Service Desk operations.

Methodology

40. The following activities were performed:
- a) Review of available Service Desk documentation;
 - b) Review of records related to Service Desk assets managed;
 - c) Meetings with Service Desk Specialists, Service Desk Supervisor, members of the IT department and members of departments across the City with high Service Desk usage;
 - d) Tour of the Service Desk office space; and
 - e) Observation of Service Desk operations.



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Findings

41. Observations identifying areas for improvement, recommendations and management's response are summarized in Appendix "C". The recommendations relate to the following areas:

Area	# Recommendations
Operations	6
Training and Communication	4
Policies and Procedures	2
Total	12

Conclusion

42. The City's Service Desk function provides critical technology assistance and is respected and valued by staff. A high level of customer service is delivered by the Service Desk and continuing improvements in recent years have been recognized and appreciated by departments. The Service Desk provides effective support to meet customer needs substantially within the established service level targets. Recommendations relating to operations, training and communication and standardization of procedures will further enhance the Service Desk's function and support to City staff.

HEALTH BENEFITS

Background

43. The City pays for extended health and dental benefits coverage to its employees, eligible retirees, their spouses and eligible dependents. The City is self-insured under an Administrative Services Only benefit plan. The City bears the cost of its employee health claims in addition to fees paid to Sun Life, the City's external benefits administrator.
44. The total amount of claims paid under the City's health benefits program, including Library and Police who are charged back for the costs of their respective plans, for the last three years is set out below:

Claims Paid (in millions of \$)	2014	2015	2016	Total
Extended health care	3.3	3.6	3.7	10.6
Dental	1.7	1.7	1.8	5.2
Total	\$5.0M	\$5.3M	\$5.5M	\$15.8M

Objective

45. The objective of this review was to provide preliminary feedback on the City's health benefit claims over the last three years in advance of upcoming union negotiations and plan renewal. The review included an assessment of benefit categories with highest usage by staff, benefit categories with unlimited coverage and potential claims for follow up with Sun Life.

Methodology

46. The following activities were performed:
- a) Review of health benefit plans for City staff;
 - b) Obtained Extended Health Care and Dental Care claim data by for the three year period 2014 to 2016. Note: no personally identifiable information was obtained during this review;
 - c) Performed high level data analytics to identify trends and potential anomalies in the claim data;
 - d) Meetings with staff in Human Resources;
 - e) Meeting with the City's benefit consultant Buffett Taylor; and
 - f) Meeting with Sun Life.
47. The review was performed using Sun Life electronic claims data, provided to the City by its benefits consultant Buffett Taylor, and did not include an examination of Sun Life claim records.

Findings

48. For the three year period reviewed (2014 to 2016):
- a) The category of Drugs (pay direct and reimbursement) had the highest dollar value of extended health care claims paid overall totalling \$4.9M or 46% of the total extended health care claims;
 - b) The category of Paramedical Practitioners had the second highest dollar value of extended health care claims paid overall totalling \$3.9M or 37% of the total extended health care claims paid;
 - c) Claims were identified and provided to Sun Life for follow up to better understand the volume and cost of claims paid and confirm compliance with benefit plan coverage;
 - d) Physiotherapy coverage has a maximum per visit charge but annual coverage is not capped. Potential savings were identified based on historical claim data if, through the process of collective bargaining and benefit evaluation at plan renewal, an annual limit was introduced for physiotherapy coverage; and
 - e) Categories of extended health care and dental claims paid by the City in the period reviewed are summarized in Appendix "D".

Conclusion

49. Historical health benefit claims provide information regarding areas of greatest use by City staff which can be beneficial when the City enters into union negotiations or considers future changes to benefit coverage. A high level independent assessment of the City's claims data provides an additional monitoring control for the effectiveness of Sun Life's administration of the City's health benefit plan.
50. Consideration of a comprehensive audit of health benefit claims in the future is recommended to assess the effectiveness of the City's management and oversight of health benefits, its ability to prevent and detect misuse of benefits, and to identify potential opportunities for cost savings.

INVENTORY COUNT OBSERVATION**Background**

51. During the review of the City's Stores function in 2017, it was recommended that Internal Audit attend the annual inventory counts performed by the Storespersons to provide independent observation of the process. Annual counts were performed at the Stores' Water Operations and Operations Centre locations.

Objective

52. The objective of this review was to observe the inventory count process and confirm the physical quantities for a sample of items on hand compared to counts performed by Stores in their year-end inventory procedures.

Methodology

53. The following activities were performed:
- a) Review of the inventory listings for both Stores locations;
 - b) Selected a sample of inventory items to confirm that quantities on hand agreed to the quantities counted by Stores;
 - c) Confirmation of the physical quantities of the selected samples; and
 - d) Discussions with Storespersons regarding the inventory count.
54. Inventory valuation was not confirmed or assessed during the inventory observation.

Findings

55. No variances in quantities were identified in the sample of items tested at the two Stores locations.
56. The value of inventory items tested by Internal Audit and the percentage of items tested relative to the total inventory value is set out below:

	Stores A (Operations Centre)	Stores B (Water Operations)	Total
Value of Stores inventory	\$140,697	\$540,522	\$681,220
Value of items tested	\$94,551	\$162,541	\$257,092
% of inventory tested	67%	30%	38%

Conclusion

57. The physical inventory count procedures are working effectively at both Stores locations. In addition, we note that the physical quantities on hand were substantially in agreement with the quantities recorded in Great Plains which supports the accuracy of Stores' management of inventory movements at both Stores locations.

SUMMARY OF 2017 INTERNAL AUDIT ACTIVITY

58. The Internal Audit Charter states that Internal Audit will prepare an annual report to the Finance and Corporate Services Committee summarizing all activity for the previous year showing the status of work against the approved plan.

59. A summary of the 2017 Internal Audit activity is attached in Appendix "E".

INTERNAL AUDIT WORKPLAN FOR 2018

60. The Internal Audit work plan for 2018 included in Appendix "F" has been developed from the identification of risk areas by the Director of Internal Audit with input from the Executive Management Team (EMT), the Chair of the Finance and Corporate Services Committee, the Mayor, and follow-up on Internal Audit work completed in 2017 to assess the status of recommendations. There is some flexibility in the work plan to be able to address projects that may arise during the year from Council or EMT.

ENVIRONMENTAL MATTERS

61. There are no environmental matters related to the recommendations.

ALTERNATIVE

62. The following alternative is available for consideration by the Finance and Corporate Services Committee:

Alternative #1

The Finance and Corporate Services Committee could not approve the proposed Internal Audit work plan.

This alternative is not recommended as the proposed plan was prepared to prioritize projects which will meet the strategic objectives of Council and address the highest risk areas. The Committee could decide to add/delete/replace projects from the proposed work plan understanding that the plan was prepared with input from EMT, the Mayor, and the Chair of Finance and Corporate Services.

FINANCIAL

63. There are no immediate financial implications for the Corporation related to this report.

LINKAGE TO COUNCIL STRATEGIC PRIORITIES

The information included in this Staff Report supports the following goal identified in the 2014-2018 Strategic Plan:

- ☒ Responsible Spending

64. Implementation of the recommendations identified in the Internal Audit projects will achieve enhanced processes and controls to protect the City's assets as well as increase efficiency in the delivery of services.

Appendix "A" – Legislative & Court Services Cash Handling Observations, Recommendations and Management Response

Option A: Eliminate cash handling responsibilities in Legislative Services

Observation	Recommendation	Management Response
1. Limited cash handling responsibilities Legislative Services staff handle a low volume of payment transactions with a limited number of staff.	<p>Consider transferring cash handling responsibilities to Service Barrie to eliminate receipt of customer payments in Legislative Services.</p> <p>Staff in Legislative Services can still retain customer service activities for transactions where Service Barrie accepts customer payments (i.e. commissioning and declarations of documents, validation of marriage certificates and issuance of burial permits).</p>	Legislative Services Response: From a customer service perspective, until such time that Service Barrie assumes the majority of the cash handling responsibilities – these responsibilities will remain with the Legislative Services Branch to avoid customers being required to line up at more than one counter for a single transaction.

Option B: Legislative Services retains cash handling responsibilities

Observation	Recommendation	Management Response
1. Safeguarding of Assets Security over cash and equivalents can be enhanced.	<p>Review the physical security and operating protocols related to cash and equivalents to ensure achievement of a consistent level of security for both employees and City assets.</p> <p>Upon Human Resources' completion of the security protocol, provide communication and training to staff regarding expected staff response to robbery or hold up situations.</p> <p>Formalize the monitoring and reconciliation of cash equivalents and manual receipts process in Legislative Services.</p>	<p>Legislative Services Response: A review of cash handling procedures is being undertaken with staff with an aim to improve current processes and ensure staff safety at all times.</p> <p>The Legislative Services Branch will formalize monitoring and reconciliation of cash equivalents and the manual receipts process.</p> <p>Enforcement Services Response: Note – this building and specific area is a secured area with only key card access for staff. Staff will review and implement further securities for deposits & petty cash holding areas.</p> <p>Court Services Response: Current procedures will be reviewed to investigate enhanced ways to achieve less handling of cash and equivalents.</p>



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<p>2. Segregation of duties A lack of segregation of duties exists for cash handling in Legislative Services since the staff who receive customer payments also issue receipts, prepare the bank deposit and reconcile the deposits.</p>	<p>Segregating cash handling duties between different staff will minimize the risks of errors and decrease the opportunity for fraudulent activity.</p>	<p>Legislative Services Response: The duties associated with preparing/reconciling deposits will be transitioned to a position that does not or rarely handles payments.</p> <p>A Supervisor/Manager will be required to sign off on all deposits.</p>
<p>3. Shared cash float and system access Cash float and system access logins are shared between staff in Enforcement Services which limits the ability to attribute cash handling transactions to a specific individual.</p>	<p>Assess the ability to assign separate cash tills and system access to each staff member handling cash to provide individual accountability.</p>	<p>Enforcement Services Response: Currently staff are scheduled for specific coverage of counter operations (specific to times of day), which provides some ability to attribute transactions to specific individuals however staff will continue to review and where possible, make changes to systems for logins to enhance the overall protections. Note – there are limitations associated with the various applications currently used.</p> <p>The recommendation for a corporate POS system should assist with this in the future. It is understood that a corporate point of sale system is recommended for 2018.</p>
<p>4. Monitoring and review Monitoring and review of Enforcement Services financial transactions can be enhanced.</p>	<p>Formalize the monitoring and reconciliation of funds received to include independent verification of the completeness and accuracy of the financial transactions reported.</p>	<p>Enforcement Services Response: Management will work with Finance to develop a regular reconciliation of our accounts. Currently Enforcement revenue accounts appear to be at least a month to 2 months behind in data entry related to manual work undertaken in Finance which limits the ability for timely reviews.</p>



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<p>5. Point of Sale System</p> <p>All transactions are processed manually in Legislative and Enforcement Services which is time consuming, prone to error and offers no form of transactional reporting.</p>	<p>Assess options for an automated point of sales system that will allow for reporting and receipting for all Legislative Services operations and integrate with the City's financial system.</p>	<p>Legislative Services Response:</p> <p>Legislative Services Branch is slated for phase 3 of the Service Barrie transition plan. As part of the transition, it will be determined whether the limited remaining transactions would necessitate an automated point of sale system.</p> <p>Enforcement Services Response:</p> <p>Current systems have limitations however, very limited errors have taken place and no abuse of our transactions have ever been noted within Enforcement Services.</p> <p>Some safe guards are in place to assist with the limitations, those include but are not limited to all transactions / receipts etc. are to be initialed by staff at the time of the transaction, all receipt numbers are documented on the applications/documents received so that it may be traced back.</p> <p>Staff look forward to the implementation of a corporate POS system which will further enhance the ability to track and report all service transactions.</p>
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Appendix “B” – Mady Centre Cash Handling Observations, Recommendations and Management Response

Observation	Recommendation	Management Response
1. Safeguarding of Assets Security over cash and equivalents can be improved.	Review the physical security and operating protocols for the two City theatres related to cash and equivalents to ensure achievement of a consistent level of security for both employees and City assets.	New procedures will be developed and documented as a result of physical environment changes and input from the Corporate Facilities audit. New equipment will be purchased in Q1 of 2018 to enable tighter security measures.
2. Policies and procedures While general practices are in place, formalized and documented policies and procedures for cash handling do not exist.	Formalize and communicate documented procedures over cash handling which will define responsibilities and clarify expectations for staff.	Processes and procedures will be developed with the assistance of staff. The new procedures will be documented and all staff will receive training on the new procedures.
3. Point of Sale System Reporting Ticket transactions are processed in a point of sale system. Currently, limited information is obtained from the point of sale system resulting in the need for manual tracking for financial analysis which is time consuming and susceptible to human error/potential abuse.	Assess options with the point of sales system vendor to provide additional ticket transaction reporting. Investigate potential opportunities to integrate the point of sales system data with the City's financial system.	Staff will work with TixHub to acquire more detailed reports on tickets sales. Staff are in the process of investigating a new service provider for ticketing and will be doing an open call for potential providers. The Creative Economy staff will investigate the options of aligning the point of sale system data the current financial system. Great Plains has been problematic and with the new SAP system, this will increase efficiency.
4. Definition of duties Clearly defined roles with respect to cash handling and position coverage do not currently exist.	Define and formalize the cash handling duties between different staff which will minimize the risks of errors, decrease the opportunity for fraudulent activity, and reduce duplication of tasks. Defining position coverage will ensure tasks, such as deposits, are completed in a timely manner.	Staff are currently undertaking a full review of the two theatres, Mady and Georgian. As part of the review job descriptions are being evaluated and redesigned. . Cash handling will be addressed in the job review. The review will assist management to review how cash is currently being handled and ensure that it is clearly attached to more than one job description



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5. Monitoring and Review Monitoring and review of Mady financial transactions can be improved.	Enhance the independent verification reviews of cash and equivalents for all Mady transactions to ensure completeness and accuracy of the financial transactions reported. Perform reasonability analysis on revenue reported by show on a periodic basis (i.e. quarterly).	Processes will be created to ensure that cash is clearly accounted for and signed off on by a supervisor. A new process will be implemented to review reconciliations for accuracy. New processes will be developed to review each show on a monthly basis.
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Appendix “C” – IT Service Desk Observations, Recommendations and Management Response

Observation	Recommendation	Management Response
OPERATIONS		
1. Scope of services provided There are high instances of account administration requested of the Service Desk. There is a willingness and desire from the Service Desk to take on additional technology support responsibilities.	Assess the ability to provide Office Coordinators with access to perform account administration tasks for their departments. Consider whether support for other IT areas (i.e. applications, phones) can be administered by the Service Desk.	Agreed – components of this are included in scope of an upcoming Onboarding improvement Sprint session. This is included in our self-serve strategy and action plan. Agreed – Mobile support will fall under the Service Desk, and a more active role with print services will be taken with the planned PaperCut printer usage reporting deployment (training and knowledge transfer will be required for both).
2. Prioritization and categorization of incidents Incidents may not consistently be prioritized and categorized by the Service Desk which impairs the ability to identify trends and resolution protocols.	Consider methods of differentiating “incidents” and “service requests” reported to the Service Desk to consistently assess the appropriate priority and resolution. Conduct periodic assessments of priority and category assignment to ensure consistency amongst specialists and with the Service Level Agreement. Assess whether RemedyForce can be leveraged further to assist with prioritization and categorization of incidents and resolution.	Agreed – a Service Desk process review, which will build on Internal Audit’s review, is already underway following the InfoTech framework and methodologies used by the City. Communication and on-going training will be conducted to ensure consistency.



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Observation	Recommendation	Management Response
3. Ticket closure Tickets are closed by the Service Desk without confirmation from the ticket initiator that the concern has been addressed.	Implement a protocol where tickets are not closed until confirmation of resolution from the initiator has been received.	Agreed. To be included in the above mentioned Info Tech process review and changes. A deeper review of this is recommended as circumstances may make it desirable to close tickets that are no longer relevant. Always recommend communicating to the initiator but may just be notification.
4. Operating hours The current Service Desk operating hours do not meet the needs of all City staff.	Consider the ability to further extend coverage of the Service Desk to address needs of staff who work non-standard hours (i.e. 7am to 6pm).	Agreed. Have asked bargaining team to include extended hours of work in the upcoming bargaining. Also piloting a part-time temp position to cover some evenings and weekends
5. Onsite support High users of the Service Desk are physically located outside of City Hall. Currently, the Service Desk does not consistently attend work locations outside City Hall.	Establish regular attendance at off site staff locations to provide IT support for ongoing technology needs of staff.	Agreed. A rotating schedule will be coordinated with the larger sites to have a Service Desk presence on a regular basis.
6. Standardized forms The User Maintenance and Departure Forms require updating.	Review the User Maintenance and Departure Forms to assess additional information required by the Service Desk to action as well as to update for organizational changes (such as department restructuring). Consider the creation of guidance to accompany the Forms to assist staff in the completion.	Agreed – included in scope of the upcoming Onboarding improvement Sprint session.



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Observation	Recommendation	Management Response
TRAINING		
7. Training for Service Desk staff Due to the high volume of tickets received for support, the Service Desk specialists complete limited external training/development to stay current with technology trends and issues to support City staff.	Implement targets for professional development for Service Desk specialists which can be incorporated into their annual performance assessment.	Agreed.
8. Training for City staff Opportunities for the Service Desk to deliver training to City staff regarding technology issues/developments exist.	Consider a pilot program to gauge level of interest in offering education sessions and/or tools to assist City staff with commonly reported issues, trends in technology that may be of interest and reduce the need for certain common areas of support.	Agreed – Lunch and learns and perhaps monthly 101 type classes. Also expand Knowledge Base articles (including short videos) for self-serve options which will also be valuable for security awareness as well.
ASSET MANAGEMENT		
9. IT assets There are instances where staff depart the organization and the Service Desk is not notified and technology assets are not returned to the Service Desk.	Communicate and clarify to departments their requirement upon staff departures to ensure that the Service Desk is notified and technology assets are returned. During monthly checks of assets performed by the asset coordinator, ensure assets are accurately recorded and allocated to active employees. Resolve any inconsistencies and update RemedyForce on a timely basis. Assess the ability to maintain a full inventory of all IT technology assets in one tool to allow for a complete record of all assets for which the Service Desk is responsible.	Agreed. Asset Management review already underway following the InfoTech framework and methodologies.



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Observation	Recommendation	Management Response
COMMUNICATION		
10. Communication There may be limited communication from the Service Desk to a ticket initiator as to the status and estimated timing of completion.	Assess means of communicating with ticket initiators as to the status of the ticket and challenges, if any, in resolving.	Agreed – Increased communication and visibility are part of the requirements for the InfoTech process review. We will review the format and method of communicating.
11. IT department integration The Service Desk sits on a different floor than the areas of IT that also work to address tickets. Communication between the Service Desk and other areas of IT can be improved.	Assess the ability to physically locate the Service Desk with the other IT areas with whom it works with to address ticket resolution. Identify opportunities to integrate representatives from the Service Desk in meetings held in the IT department to encourage collaboration and sharing of knowledge/developments.	Agreed – City Hall spacing constraints do not allow for this currently. This has been communicated to Facilities for consideration in future planning for space at City Hall. Agreed – Include in Change Management Request meetings and have representative from Service Desk attend periodic branch meetings.
POLICIES AND PROCEDURES		
12. Standardized protocols Formalized support and escalation protocols for incidents received by the Service Desk do not exist to establish the responsibilities for all areas of IT involved in the resolution. Standard responses to ticket resolution do not currently exist.	Develop standard protocols for responses to tickets which also clarify responsibilities of the Service Desk and other areas of IT.	Agreed – standard protocols for escalation and responses are part of the requirements for the InfoTech process review.



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Appendix “D” – Health Benefits Analysis

Extended Health Benefits Claims Paid - All Staff (City, Library, Police)

Category (in millions of \$)	2014	2015	2016	Total	%
Drugs	1.5	1.7	1.7	4.9	46
Paramedical Practitioners	1.2	1.3	1.4	3.9	37
Contact lenses or eyeglasses	.4	.4	.4	1.2	11
Medical services & equipment	.1	.2	.2	.5	5
Other	.1	-	-	.1	1
Total	\$3.3M	\$3.6M	\$3.7M	\$10.6M	100

Dental Claims Paid – All Staff (City, Library, Police)

Category (in millions of \$)	2014	2015	2016	Total	%
Periodontics, endodontics	.6	.6	.6	1.8	34
Surgical, restorative	.6	.6	.6	1.8	33
Diagnostic, preventative	.3	.3	.4	1.0	20
Major restorative	.1	.1	.1	.3	7
Orthodontics	.1	.1	.1	.3	6
Total	\$1.7M	\$1.7M	\$1.8M	\$5.2M	100

Appendix “E” – Summary of 2017 Internal Audit Activity

#	Project	Area	Approved Plan	Status
1	Procurement – “stress test” to assess compliance with City policies and procedures including recommendations from recent investigative engagements: P Cards, expense claims, purchase orders, project splitting, low value procurement.	Corporate-wide	Yes	Complete
2	Transit – collection and monitoring of performance for the performance based contract.	Transit	Yes	Deferred to 2018
3	Cash handling – review sources of cash collected, disbursed and maintained by the City.	Service Barrie	Yes	Complete
4	Cash handling - review sources of cash collected, disbursed and maintained by the City.	Legislative & Court Services	Yes	Complete
5	Cash handling - review sources of cash collected, disbursed and maintained by the City.	Transit	Yes	Complete
6	Cash handling - review sources of cash collected, disbursed and maintained by the City.	Mady Centre	Yes	Complete
7	Use of consultants – analysis of expenses incurred for the City’s use of consultants.	Corporate-wide	Yes	Complete
8	Stores – review of the efficiency and effectiveness of the stores function at the City.	Finance	Yes	Complete
9	Service Desk – review of the efficiency and effectiveness of the IT service/helpdesk function.	Information Technology	Yes	Complete
10	Entity level controls – key elements of the control environment - Code of Conduct including Conflict of Interest	Corporate-wide	Yes	Complete
11	Entity level controls – key elements of the control environment - Whistleblower hotline	Corporate-wide	Yes	Complete



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#	Project	Area	Approved Plan	Status
12	Entity level controls – key elements of the control environment - fraud risk assessment.	Corporate-wide	Yes	In progress
13	Confidential investigations	As needed	Yes	Complete
14	Health Benefits – analysis of the City's health benefit claims.	Human Resources	No	Complete
15	Inventory – observation of the annual Stores inventory counts	Finance	No	Complete

Appendix “F” – 2018 Internal Audit Work Plan

#	Project	Area	Audit Focus	Estimated Timing
1	Parks – review of the efficiency and effectiveness of the City’s maintenance of sports fields.	Parks	Process Review	Q1
2	Cash Handling – to assess the adequacy and effectiveness of internal controls over cash handling in the Recreation Services Department.	Recreation Services	Process Review	Q1
3	Fleet – analysis of fleet rentals to compare costs of renting, leasing and ownership to determine the most effective option for the City.	Fleet	Consulting	Q1
4	Development –review of the processes and controls related to the implementation, recordkeeping, monitoring and effectiveness of development and related agreements in the secondary plan areas and the built boundary.	Planning & Building/Finance	Process Review	Q2
5	Accounts Payable – evaluate the adequacy and effectiveness of internal controls related to accounts payable and vendor management.	Finance	Compliance	Q2
6	Follow Up Cash Handling – assess the status of recommendations from the review performed in 2017.	Transit	Follow Up	Q3
7	Follow Up Cash Handling – assess the status of recommendations from the review performed in 2017.	Service Barrie	Follow Up	Q3
8	Transit – collection and monitoring of performance for the City’s performance based contract.	Transit	Consulting	Q3
9	SAP – pre-implementation assessment of data migration, segregation of duties, general business and information technology controls for the Finance and Human Resources SAP functions.	Centre for Continuous Improvement	Controls	Q3



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#	Project	Area	Audit Focus	Estimated Timing
10	Monitoring of Incidents – review the efficiency and effectiveness of the City's monitoring and related response to incidents on City property.	Legal	Process Review	Q3
11	Parking – review of the efficiency and effectiveness of revenue generating parking lots operated by the City.	Roads	Process Review	Q4
12	Water Billing – evaluate the adequacy and effectiveness of the processes and controls in place over water billing and collection.	Water	Controls	Q4
13	Follow Up Procurement - assess the status of recommendations from the review performed in 2017.	Finance	Follow Up	Q4
14	Inventory Count – observation of the annual Stores inventory counts.	Stores	Compliance	Q4
15	Emergency Services Campus – assess the effectiveness of controls over project payments by exercising the City's right to audit.	Facilities	Controls	Q1-Q4
16	Confidential investigations/ Fraud & Wrongdoing Program oversight	As needed	Consulting	As needed
17	BMC Third Party Contract – monitor and assess third party contractual compliance by exercising the City's right to audit.	Recreation Facilities	Compliance	If time permits