



REPORT TO FINANCE AND CORPORATE SERVICES COMMITTEE

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: JUNE 5, 2019

SUBJECT: 2019 YEAR TO DATE INTERNAL AUDIT STATUS REPORT

WARD: ALL

RECOMMENDED MOTION

1. That the 2019 Year to Date Internal Audit Status Report be received for information purposes.

PURPOSE & BACKGROUND

2. The purpose of this Staff Report is to provide the 2019 Year to Date Internal Audit Status Report.
3. The following Report provides a summary of the Internal Audit activities performed from January to May 2019:

#	Project	Focus	Status
1	Monitoring of Incidents	Process Review	Complete
2	Water Billing	Controls	Complete
3	Fraud Prevention Month	Entity Level Controls	Complete
4	SAP – Phase 1, Migration of Data	Controls	Complete
5	SAP – Phase 2, Segregation of Duties	Controls	In progress
6	Fraud & Wrongdoing Program Oversight	Consulting	Ongoing

4. In addition to the projects noted above, Internal Audit provided ad hoc consultations with departments to address various business requests.
5. The project in progress will be included in the next Internal Audit update to the Finance and Corporate Services Committee upon completion.

ANALYSIS

MONITORING OF INCIDENTS

Background

6. In 2017, the Supreme Court of Canada dismissed a request by Bruce County to appeal a finding that it was entirely to blame for the accident that left an individual a quadriplegic. The ruling found that the municipality had failed in its duty of care by, among other things, not properly monitoring risks and injuries at the park.
7. The City of Barrie's Accident Reporting and Investigation Procedure defines an accident as an undesired event which results in personal injury/illness to any City employee, loss of production or service, or damage to any City equipment or property. The City's Joint Health and Safety Committee describes an incident as an unplanned event which could have resulted in a personal injury or also involves property damage.
8. For the purposes of this report, "incident" is defined as any accident or unplanned event that results in or could have resulted in a personal injury, ranging from minor to catastrophic for City residents, visitors or employees.

Objective

9. The purpose of this review was to gain an understanding and assess the efficiency and effectiveness of the City's monitoring and related response to incidents that occur on City property.

Methodology

10. The following activities were performed:
 - a. Meetings were held with management and staff in Legal Services;
 - b. Meetings were held with management and staff in Human Resources;
 - c. Meetings were held with management and staff from departments with exposure to public use of City property: Recreation, Corporate Facilities, Parks and Forestry, Roads Operations, and Fire;
 - d. Meetings were held with the General Managers of Community and Corporate Services and Infrastructure and Growth Management Divisions; and
 - e. Review of City policies and procedures related to incident monitoring.

Conclusion

11. The City has efficient and effective monitoring and response protocols for incidents involving City employees and those resulting in legal claims against the City.
12. The City can improve the consistency for documentation of incidents that do not result in legal claims. Improved documentation could aid in the assessment of a potential incident occurring on City property. Standardization of documentation and consideration of Geographic Information Services data for past incidents may be helpful to augment the evaluation of incidents on City property across the corporation.



Findings

Overview

13. Types of incidents can include the following:
 - Those that the City does not know about;
 - Known incidents that do not result in legal action; and
 - Incidents that result in legal action.
14. Incidents that occur on City property are reported using the following methods:
 - Staff witness or are informed of an incident involving a resident or visitor;
 - Letters and calls received by staff from an injured individual, family member or lawyer; or
 - An employee incident is witnessed by or reported to a supervisor.
15. When an incident occurs on City property the response depends on the severity of the injury, the location where it occurs and the response protocols that exist for the affected operational area. A minor incident, such as a cut finger, can be handled by a single staff member whereas a more serious incident may require multiple staff or the need to use life safety equipment and a call to emergency services.
16. The City has documented processes to assist staff in responding to a workplace incident. The City's Health and Safety Supervisor Training divides workplace incidents into 3 groups:
 - Near Miss – An undesired event that, under slightly different circumstances, could have resulted in personal harm
 - Minor – May include incidents where no or minor first aid treatment is required, no time is lost from work
 - Serious or fatality – May include any injury where the worker requires medical treatment or loses time from work or dies.
17. The City has legal responsibilities and timelines to advise the Ministry of Labour and or the Workplace Safety and Insurance Board of certain types of incidents that fall within the serious or fatality group listed above. The Human Resources Department ensures staff receive health and safety training, tools and support required to do their jobs.

Incident Response Practices

18. Documentation and procedures exist for incident response and reporting for City employees. Staff at the supervisor level and above receive mandatory training on Health and Safety measures which include incident response and reporting.
19. The City utilizes Parklane, a web-based program, for supervisors and managers to enter incident detail. Data collected in Parklane can be reported and analyzed to look for trends and potential problems that can be actioned before they become major issues.

Legal Services

20. The legal department manages claims but does not manage incidents or monitor injuries. Claims information, status and costs incurred are tracked and reported to operational staff on a semi-annual basis.
21. The legal department's Insurance Risk Examiner provides feedback to operational staff on claims made against the City, best industry practices, proactively distributes legal and insurance articles to departments, and involves the City's insurance provider as appropriate to address potential risks.



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Operational Departments

22. The responsibility to assess and understand the risks on City property is managed by departments responsible to deliver City services and maintain City infrastructure. Certain operational areas, such as Roads Operations, have defined levels of service based on minimum maintenance standards. Other operational areas follow industry standards or have developed their own operating standards that define the standard of care for the service offered.
23. Risks are managed by departments through a combination of documented standard operating and maintenance procedures, adherence to applicable legislation, staff training, and leveraging learnings from experiences and relevant court rulings.
24. Concerns regarding City infrastructure issues received to the City through Service Barrie are actioned by the relevant City staff. Operational staff track maintenance work and on-demand work in work order management tools.
25. The existence of policies and procedures for incident response varied by operational group. Departments do not have a consistent formalized procedure for front line staff but do have documented incident reporting.
26. The types of service offerings and the potential risk associated with an incident has an impact on the extent of documented procedures. For example, Recreation Services has a high volume of residents and visitors that use their facilities all year round. Staff are trained on the incident response and reporting procedures ranging from a cut on a finger to a heart attack. Recreation is working to be proactive at reviewing incident reports to understand where and why the incidents occurred.
27. Traffic staff obtain motor vehicle collision data for the City via an on-line subscription service. They have been working with staff in the Geographic Information Services (GIS) to electronically map the collision data along with other traffic data. The geographic data provides visual and dashboard reporting that is used to analyze and interpret traffic data.
28. Barrie Fire and Emergency Services (BFES) tracks every response call with a geographic location coordinate. The amount of data maintained for calls depends on the type of call (ex. fire structure versus medical) and which emergency service (Fire, Police, and Paramedic) initiated the call. BFES staff use call data to plan strategies for education and prevention campaigns based on call type statistics and include reporting data in the BFES Annual Report.
29. Operational management and staff advised that the current monitoring of incidents performed by their departments is appropriate.

WATER BILLING

Background

30. In 2018, the City of Barrie billed approximately \$60 million in annual water revenues for 12 million cubic meters of water. There are approximately 44,000 active residential and non-residential (industrial, commercial and institutional accounts).
31. Water and wastewater billings are issued bi-monthly for residential accounts and monthly for non-residential accounts. The bill amounts are determined by the current annual rates and the consumption of water as registered by the customer's water meter, which is regularly read electronically by the City. The water rate structure increases the cost of water as water consumption increases.



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32. The Water Operations Branch in the Environmental Services Department is responsible for the installation and maintenance of water meters and the Water and Wastewater Billing group in the Finance Department is responsible for preparing, collecting and reporting water billing.
33. The SunGard system is used for processing and managing water billing and the Sensus AMI system is used to read the water consumption of properties.

Objective

34. To evaluate the completeness and accuracy of water billing and collection.

Methodology

35. The following activities were performed:
- a) Review of water billing procedures;
 - b) Meetings with staff in Finance;
 - c) Meetings with staff in Water Operations;
 - d) Review of SunGard records for residential and non-residential customers from January 1, 2018 to December 31, 2018;
 - e) Review of SunGard records for owner and tenant delinquent accounts;
 - f) Judgmental sampling of water billing transactions considering dollar values, type of customer and types of fees, to identify transactions for examination;
 - g) Review of supporting documentation for transactions selected to assess the accuracy of the water billing;
 - h) Review of GIS water meter comparison to SunGard analysis;
 - i) Judgmental sampling of City owned leased properties and properties granted occupancy permits to assess completeness of water billings; and
 - j) Review of security access for users in SunGard.

Conclusion

36. Based on the work performed, the City's water billing and collection of residential and non-residential customers appears to be complete and accurate. There is effective communication between Finance, Water Operations, and Building Services which facilitates the billing of eligible properties. No significant matters were noted in the course of our work. Internal Audit's recommendations offer additional considerations to enhance the existing controls for water billing.

Findings

37. Effective processes and controls exist to ensure water billing is appropriate. Observations identifying areas for improvement, recommendations and management's response are summarized in Appendix "A". The recommendations relate to the following areas:

Area	# Recommendations
System Access	1
Verification	1
Collection	1
Reporting	1
Total	4



FRAUD PREVENTION MONTH

Background

38. The Canadian Fraud Prevention Forum, chaired by the Competition Bureau, designates March as Fraud Prevention Month in an annual campaign to help Canadians recognize, reject and report fraud. Fraud is an evolving business risk and it is important that organizations assess their exposure and undertake appropriate mitigation activities.
39. To communicate methods of fraud prevention to City staff and local businesses, with the support of the City's Communications team and participation from the Human Resources and Information Technology departments, Internal Audit launched a campaign during the month of March to raise awareness of fraud and communicate practical methods of addressing fraud risks.

Objective

40. To provide education to City staff and local businesses about fraud prevention.

Methodology

41. The following activities were performed:
 - a) Prepared fraud prevention materials for use during the month of March;
 - b) Communicated fraud facts and prevention tips each week to City staff;
 - c) Conducted fraud awareness sessions for City departments; and
 - d) Delivered a fraud prevention presentation to members of the Barrie Chamber of Commerce.

Conclusion

42. Fraud Prevention activities were completed and well received by City staff and local businesses. Fraud is a risk that is monitored by businesses across the City and is incorporated into planning for each of Internal Audit's projects.

SAP

Background

43. The Centre for Continuous Improvement led the City's implementation of SAP, a new Enterprise Resource Planning (ERP) system in 2018. SAP replaces the Great Plains system and is used for financial reporting, purchasing, human resources and payroll at the City. SAP Human Resources and Payroll functions were launched in December 2018 and SAP Finance functions commenced in February 2019.
44. Internal Audit conducted work in two phases related to the ERP implementation:
 - a) Phase One - to assess the completeness and accuracy of data migrated from Great Plains to SAP;
 - b) Phase Two – to assess the effectiveness of the segregation of duties set up in SAP.
45. The City's external auditors will leverage Internal Audit's work relating to the conversion from Great Plains to SAP in connection with their annual audit of the City's financial statements.



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46. This report contains the findings of the data migration in Phase One and the Phase Two segregation of duties assessment will follow in a subsequent report.

Objective

47. Perform an assessment of the completeness and accuracy of the data migration for the Finance and Payroll functions by analyzing whether the closing data and values in Great Plains agree to the opening data and values in SAP.

Methodology

48. The following activities were performed:
- a) Meetings with SAP project team leads;
 - b) Meetings with Finance staff;
 - c) Meetings with the City's external auditors;
 - d) Review of SAP conversion methodology documentation; and
 - e) Analysis of the SAP team's migration and testing of data related to 2019 reporting.
49. Internal Audit did not extract data directly from Great Plains and SAP. Data used in our assessment was provided by the SAP team.
50. The assessment of the migration of data from Great Plains to SAP was performed at a financial reporting level.

Findings

51. Finance and Payroll related data resides in the following SAP modules:
- i) Financial; and
 - ii) Human Resources.
52. To gain an understanding of the data conversion process from Great Plains to SAP, we conducted meetings with the SAP project leads for each module. We then reviewed documentation of the conversion methodology and testing performed by the SAP team prior to SAP going live.
53. Accounts Receivable and Accounts Payables balances with sub-ledgers were also reviewed to ensure the data in Great Plains was migrated successfully to SAP.
54. For key data sets used in 2019 financial reporting at the City, the data migration testing performed by the SAP team was analyzed. Internal Audit compared the closing values and balances in Great Plains to the opening values and balances in SAP at the time of conversion to validate that the amounts agreed. For any discrepancies identified, an explanation of the nature of the difference and correcting adjustment made was obtained from the SAP project team. Appropriate measures were taken to address any discrepancies noted.

Conclusion

55. Based on the work performed, the data related to 2019 reporting migrated from Great Plains to SAP appears to be complete and accurate.

ENVIRONMENTAL MATTERS

56. There are no environmental matters related to this Staff Report.



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ALTERNATIVES

57. As this Report is being presented for information purposes only, no alternatives are presented.

FINANCIAL

58. There are no immediate financial implications for the Corporation related to this Staff Report.

LINKAGE TO 2018-2022 STRATEGIC PLAN

59. The information included in this Staff Report supports the following goal identified in the 2018-2022 Strategic Plan:

Offering innovative and citizen driven services

60. 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 to make tax dollars go further.



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Appendix “A” – Water Billing Observations, Recommendations and Management Response

Observation	Recommendation	Management Response
<p>1. System Access</p> <p>Users were identified with inappropriate SunGard access.</p> <p>Staff who no longer work in roles related to water billing were identified with access enabled in Sun Gard.</p> <p>Detailed security profiles for existing user access in SunGard are not readily available.</p> <p>No readily accessible reports exist in Sun Gard to allow for review of user access.</p> <p>If users without approved SunGard responsibilities have access to the system, or access assigned to users is not appropriate, there is a risk that unauthorized transactions could occur.</p>	<p>Reports should be developed to allow for ease of review of users with access to SunGard functions.</p> <p>System access to SunGard should be reviewed by Finance on a regular basis to ensure user access is appropriate for their role and incompatible duties are segregated.</p> <p>Information Technology should be informed immediately of any staff departures from Finance so that access to SunGard is removed.</p>	<p>All inappropriate access to the SunGard system will be removed immediately.</p> <p>Finance will work with IT to attempt to develop a report which will allow for review of users with access to the SunGard system. This report will be reviewed on a regular basis.</p> <p>The IT department will be informed of changes in staffing such that only authorized staff will have access to the SunGard system.</p>



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Observation	Recommendation	Management Response
<p>2. Verification of customer billings</p> <p>Effective controls are in place to ensure the billing cycle's <u>total</u> quantity and value of billings is accurate. The processes are not designed to ensure the accuracy of billings on an <u>individual</u> customer account basis.</p> <p>There is a risk that individual customer billings may not be calculated accurately despite confirmation of the total cycle billing.</p>	<p>Consider performing periodic sample checks of individual customer billings to assess the accuracy of the water billings.</p>	<p>Finance will develop a process involving periodic review of individual customer billings to assess accuracy.</p>
<p>3. Collection of outstanding tenant water billings</p> <p>The City provides property owners the ability to establish water accounts in a tenant's name and have tenants billed directly for water use. The property owner is ultimately responsible for outstanding fees if the tenant water account is not paid.</p> <p>The process for collection of water billings for tenant accounts involves additional measures to be performed by the Finance department that delay the City's ultimate collection of unpaid accounts.</p> <p>We were advised that significant City resources are involved in the processing and administration of delinquent tenant water billing accounts.</p>	<p>The financial costs associated with administering tenant water accounts should be quantified to provide an assessment of the full cost to the City in providing this service to property owners/landlords.</p>	<p>Finance will prepare an analysis to quantify the costs associated with administering tenant water accounts as a service to property owners/landlords.</p>



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Observation	Recommendation	Management Response
<p>4. Reporting of property addresses</p> <p>We were unable to reconcile addresses in the water billing system to the property tax system due to variations in the property address data and how properties are designated and reported.</p> <p>If the data between the property tax and water billing systems could be more easily integrated it would provide additional comfort that all properties have a water meter.</p>	<p>Assess the potential for the data captured for properties in the property tax and water billing systems to be further aligned to allow for integrated reporting.</p>	<p>Finance concurs that this recommendation is sound and may encompass more than just the property tax and water billing systems. Future discussions surrounding system upgrades or changes with respect to all systems that contain property address master data should take alignment of data into account in order to achieve integrated reporting. Finance will ensure this recommendation is considered during planning for system changes to the property tax and water billing systems.</p>