

TO: Finance and Corporate Services Committee

FROM: P. Elliott-Spencer, General Manager of Community and Corporate Services

NOTED: L. Jerney, Acting Manager of Accounting
 C. Millar, Director of Finance and Treasurer
 C. Ladd, Chief Administrative Officer 

RE: Update – Corporate Facilities Audit Recommendations

DATE: June 22, 2016

On October 28th, 2015 the Committee received the Report on the Review of the Corporate Facilities Branch By Deloitte, which included Appendix A – Management Response and Action Plan to Corporate Facilities Branch Review by Deloitte. This memo provides an update on the actions taken to date and planned future measures.

Recommendations were provided under four themes. These were recommendations to:

- Strengthen Procurement By-law, Processes and Internal Controls
- Strengthen Accountability and Compliance
- Strengthen Contractor Management
- Provide Training

To address these areas of weakness, the City has implement two corporate initiatives and is in the process of implementing an additional two corporate initiatives:

Corporate Initiative	Lead Department	Implementation Date
• Procurement Service Review	Finance	May 2, 2016
• Financial Authority Framework	Finance	April 1, 2016
• Implementation of SAP	Innovate Barrie	Fall 2016
• Internal Audit Function	CAO	Fall 2016

These projects are part of an overall framework to be fully developed and implemented at the City of Barrie, including policies and governance, procedures and protocols, communication and education, compliance reporting and the use of technology.

Procurement Services Review

The Procurement Services Review (PSR) has resulted in many new policies, procedures, and tools, including an updated Procurement By-Law.

The new by-law, policies, procedures and tools, greatly enhances the City's ability to reduce or mitigate the following concerns identified within the facilities audit:

- Roles and Responsibilities – clearly defined and expanded

- Supplier Code of Conduct
- Contract Management
- Supplier Performance Evaluation
- Staff training

The new purchasing by-law was approved by Council in March 2016, which came into effect on May 2, 2016.

Training for staff began in March, 2016 and was completed by the end of April, 2016. The City will have an ongoing procurement training program which will include orientation training, expanded training on specific aspects of the procurement cycle, and targeted training.

The results of the Procurement Service Review have and continue to increase awareness of responsibilities and consistency of practice through training and documentation.

The Procurement Services Review did not address the P-Card program. The Facilities Audit and Management Response identified that the P-Card program would be reviewed over the summer of 2016. Recommended changes will be identified and brought forward for consideration in the fall of 2016.

The Deloitte Audit report also included a recommendation for strengthening employee knowledge and understanding

Financial Authority Framework (Internal Control Framework)

Late in 2015, the City of Barrie's Finance department began to develop an internal control framework of formal policies and procedures.

The first piece of the framework has been developed – the Delegation of Financial Authority Framework ("DFAF"). The DFAF describes the financial authority delegated to staff to commit/expend funds on behalf of the City necessary to achieve effective management oversight, appropriate authorization of purchases, and protection of City assets while achieving organizational efficiency through balanced responsibility.

The Framework was approved by the City's Executive Management Team, and is dated to become effective to coincide with the SAP Go-Live date. However in the interim, procedures have been implemented which document existing practices, as well as implementing two-signature procedures for invoices and cheque requisitions. The DFAF and related interim procedures also identify roles responsibilities of staff and management.

In addition, a communications plan was developed and corporate-wide targeted communications have started that will continue until after the DFAF has been fully implemented, in conjunction with the SAP Go-Live. Training on the DFAF will be provided closer to the implementation date.

The objectives of the Delegation of Financial Authority Framework (DFAF) and related procedures:

- increase segregation of duties,
- promote awareness of roles and responsibilities,
- consistency of practices

Implementation of the SAP System

The City of Barrie is implementing an ERP system. It is recognized that many of the City of Barrie's internal controls are currently manual, which will change once the SAP system is implemented. In addition, processes will change, including the addition of system-aided workflows and electronic

approvals. For example, in the procure-to-pay cycle, system workflows will ensure appropriate dual approvals at the Purchase Order stage creating a proactive control over purchasing authority. In SAP, a three-way system match will be used (currently, the City uses a two-way match system), ensuring additional control and segregation of duties. In addition, due to the increase in automated controls and processes, more information will be captured in the system, which will be used for enhanced reporting and monitoring. The changes made to the City's procure-to-pay cycle with the implementation of the SAP system will be a crucial step towards the continuous improvement of the City's processes and controls.

Internal Audit Function

As part of the 2016 Business Plan and Budget process, Council approved the creation of a new Internal Auditor role. This position will work with the CAO, Audit Committee, and City departments to support continuous improvement through the following functions:

- Strategic testing of internal controls to ensure their adequacy in protecting City Assets
- Monitoring compliance with policy, procedures and legislation
- Identifying opportunities for more efficient delivery of City Services

This position has recently gone through the City's internal job evaluation process, and the recruitment process should move forward in the upcoming weeks.

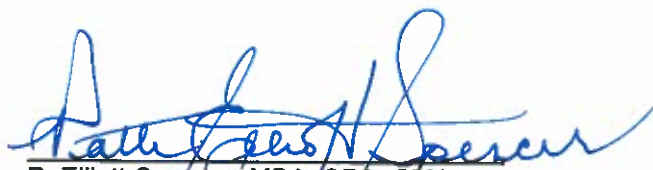
Training

The Deloitte Audit report also included recommendations for training on the Procurement Services review recommendations and on the Employee Code of Conduct. The training on procurement is address above.

The Human Resources Department has been updating the Code of Conduct and it will be considered by EMT for approval before the end of June. Training will follow over the summer months. In the interim new staff are required to review and sign the current Code.

Conclusion

The above memo is a high-level discussion of significant improvements made or planned by the City of Barrie in response to the Facilities Audit. The City of Barrie has adopted a continuous improvement model for its financial processes. The Procurement Services Review (including related activities and documentation), the Delegation of Financial Authority Framework, creation of an Internal Auditor Role and the implementation of the SAP system has, and will continue, to improve internal controls at the City of Barrie. There is still additional work to be done to develop a formalized Internal Control Framework at the City (encompassing policies, procedures, communication, training, and the use of technology), and the Finance Department, with the support of senior leadership, is planning to developing this framework over a period of time and in conjunction with the long term financial plan.



P. Elliott-Spencer, MBA, CPA, CMA
General Manager of Community and
Corporate Services