

Reference Committee Staff Report



To	Finance and Responsible Governance Committee
Subject	2025 Q3 YTD Internal Audit Status Update
Date	October 29, 2025
Ward	All
From	S. MacGregor, Director of Internal Audit
Executive Member Approval	Not Applicable
CAO Approval	M. Prowse, Chief Administrative Officer

Recommendation(s):

1. That the 2025 Q3 YTD Internal Audit Status Update be received as information.
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Executive Summary:

The purpose of this staff report is to provide the 2025 Q3 Year To Date Internal Audit Status Update.

Key Findings:

The following table summarizes Internal Audit activities performed from January to September 2025:

#	Project	Focus	Status
1	Wastewater Treatment Facility Upgrade IPD Billable Rate Audits	Compliance	Complete
2	Fraud Prevention Month	Entity Level Controls	Complete
3	PCard and Expense Reimbursement	Compliance	In Progress
4	Vendor Reviews	Compliance	In Progress
5	Staff Overtime	Process Review	In Progress
6	Fraud & Wrongdoing Program Oversight	Consulting	Ongoing

Financial Implications:

There are no financial implications for The Corporation resulting from this staff report.

Alternatives:

Not Applicable

Additional Background Information and Analysis:

Additional information about the projects completed by Internal Audit is provided below:

Wastewater Treatment Facility Upgrade Integrated Project Delivery (IPD) Billable Rate Audits

Background

On March 7, 2022, a Multi-Party Agreement (the “Agreement”) was signed between the City of Barrie (the “City”), the Prime Consultant/Engineering Consultant, and General Contractor (“GC”) for the upgrade and expansion of the Wastewater Treatment Facility (the “Project”).

On May 31, 2023, an Amending Agreement was executed which updated the Project’s allowable annual rate increases, audit and true up cycles from the Agreement.

An audit of billable hourly rates (the “Billable Rates”) charged by the Vendors will be performed annually beginning with the 2022 Billable Rates as outlined in the Amending Agreement.

During the Validation Phase, the Vendors submitted invoices to the Project and the Vendors’ employees’ (the “Team Members”) hours were charged at Billable Rates.

Billable Rates are calculated by adding the following components:

- Direct Salary Expense (“DSE”),
- Direct Personnel Expense (“DPE”), and
- Overhead.

Objective

To audit the Billable Rates charged by the Vendors during the Validation Phase of the Project to assess whether they are supported and to quantify any difference between actual, supported rates and rates charged to the Project in 2023.

Procedures Performed

The “Period of Review” was January 1, 2023 to December 31, 2023.

The following procedures were performed:

- a) Reviewed the Agreement (including the Amending Agreement effective May 31, 2023) and applicable Exhibits;
- b) Reviewed documentation provided by the Vendors to support the Billable Rates;
- c) Performed an assessment of the Billable Rate components (DSE, DPE, Overhead) to determine whether the Total Billable Rate charged to the Project is supported by verifiable information;
- d) Reviewed publicly available information for employer payroll remittance rates;
- e) Discussions with the Vendors; and
- f) Calculated the difference, if any, between rates charged to the Project for each Team Member and supported rates.

Conclusion

Based on the procedures performed, Total Billable Rates invoiced to the Project in 2023 were assessed to be fully supported for 52 of the 95 (55%) Team Members who billed hours to the Project, and partially supported for 43 Team Members.

Based on the actual, supported Total Billable Rates submitted by the Vendors and the total hours billed to the Project in 2023, it was determined that the Vendors underbilled to the Project in 2023. The underbilled portion accounted for 9% of the Total Billable Rates invoiced in 2023 for the Validation Phase.

Findings

Calculation of Billable Rates

The calculation of DSE is described in the Agreement. However, the method of calculating the DPE and Overhead is not specified in the Agreement apart from specifically unallowable/excluded items.

Each of the Vendors used different methods to calculate DPE and Overhead. Since the method of calculation is not specified in the Agreement, the method utilized by each of the Vendors was considered acceptable for the purposes of this review.

To assess whether the Overhead costs submitted by the Vendors were supported and included only allowable expenses (as outlined in the Agreement), the expenses submitted were evaluated against the indirect costs listed in applicable Exhibits of the Agreement to verify that items specifically excluded from Overhead were not included.

Billable Rates Assessment

In the audit of supporting documentation for 2023 Billable Rates, assessments were made to categorize Total Billable Rates for the Vendors as follows:

- Fully supported – documentation provided supports the dollar value of the Billable Rate or a greater amount.
- Partially supported – documentation provided does not support the dollar value of the Billable Rate.

- Unsupported – either no support was provided, or the documentation provided does not support any portion of the value for the Billable Rate. Note: None of the Billable Rates were assessed as Unsupported.

The Total Billable Rates Assessed are summarized in the table below:

# Of Vendors Audited	# Of Team Members (Note 1)	# Of Fully Supported Billable Rates (Note 2)	# Of Partially Supported Billable Rates (Note 3)	% Underbilled (Note 4)
3	95	52	43	9%

Note 1. 95 Team Members billed hours to the Project during the Validation Phase in 2023.

Note 2. Supporting documentation for the Total Billable Rates was equal to or greater than the rates charged by the Vendors in the Validation Phase for 52 of the 95 (55%) Team Members. As a result, 52 Team Members' Billable Rates were categorized as fully supported.

Note 3. Supporting documentation for the Total Billable Rates was less than the rates charged by the Vendors in the Validation Phase for 43 of the 95 (45%) Team Members. As a result, 43 Team Members' Billable Rates were categorized as partially supported.

Note 4. Based on the total hours billed to the Project in 2023, the underbilled portion of Total Billable Rates accounted for 9% of the Total Billable Rates invoiced.

Fraud Prevention Month

Background

The Canadian Fraud Prevention Forum designates March as Fraud Prevention Month in an annual campaign to help Canadians recognize, reject and report fraud. Fraud is a continuously evolving risk which organizations can mitigate with efforts such as fraud prevention training.

Internal Audit launched its annual Fraud Prevention campaign in March to raise awareness of fraud and communicate practical methods of addressing fraud risks.

Objective

To provide education to City staff about fraud prevention.

Methodology

The following activities were performed:

- a) Prepared fraud prevention materials for use during the month of March;
- b) Communicated fraud facts and prevention tips to City staff; and
- c) Delivered fraud awareness workshops to City departments.

Outcome

Ongoing discussion about fraud prevention raises awareness of fraud risks and empowers staff to fight fraud. Fraud is a risk continuously monitored by businesses across the City and is incorporated into planning for each of Internal Audit's projects.

Strategic Plan Alignment:

Affordable Place to Live		
Community Safety		
Thriving Community		
Infrastructure Investments		
Responsible Governance	X	Internal Audit projects support compliance, protect the City's assets, and find efficiencies in the delivery of services to improve financial stewardship.

Consultation and Engagement:

No public consultation was required in relation to this staff report.

Environmental and Climate Change Impact Matters:

There are no environmental and/or climate change impact matters resulting from this staff report.

Appendix:

Not Applicable

Report Author:

S. MacGregor, Director of Internal Audit, Business Performance and Internal Audit Department

File #:

Not Applicable

Pending #:

Not Applicable