



**TO:** FINANCE AND RESPONSIBLE GOVERNANCE COMMITTEE

**SUBJECT:** 2022 YEAR TO DATE INTERNAL AUDIT STATUS REPORT, 2022 FRAUD AND WRONGDOING PROGRAM ACTIVITY, 2022 SUMMARY OF INTERNAL AUDIT ACTIVITY AND 2023 INTERNAL AUDIT WORK PLAN

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT, X5452

**SUBMITTED BY:** S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT

**GENERAL MANAGER APPROVAL:** N/A

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

**RECOMMENDED MOTION**

1. That the 2022 Year To Date Internal Audit Status Report, be received as information.
2. That the 2022 Fraud and Wrongdoing Program Activity, be received as information.
3. That the 2022 Summary of Internal Audit Activity attached as Appendix “C” to the Report of the Finance and Responsible Governance Committee dated March 29, 2023, be received as information.
4. That the 2023 Internal Audit Work Plan attached as Appendix “D” to the Report of the Finance and Responsible Governance Committee dated March 29, 2023, be approved.

**PURPOSE & BACKGROUND**

5. The purpose of this staff report is to: provide the 2022 Internal Audit Status Report, provide a summary of the 2022 Fraud and Wrongdoing Program Activity, provide a summary of all 2022 Internal Audit Activity, and approve the 2023 Internal Audit Work Plan.
6. The following table summarizes the Internal Audit activities performed from April to December 2022:

#	Project	Focus	Status
1	IPD Billable Rates (OCR) - Phase 2, Project Vendors	Compliance	Complete
2	IPD Billable Rates (AMTH)	Compliance	Complete
3	Accounts Payable	Follow Up	Complete
4	MTO Driver Certification Program	Compliance	Complete

#	Project	Focus	Status
5	PCard and Expense Reimbursement	Compliance	Complete
6	Fraud & Wrongdoing Program Oversight	Consulting	Ongoing

**ANALYSIS**

**IPD BILLABLE RATES – PHASE 2 PROJECT VENDORS OPERATIONS CENTRE REDEVELOPMENT**

Background

7. On April 26, 2022, the results of Internal Audit’s Phase 1 Billable Rate review for the Operations Centre Redevelopment and Satellite Yard Development (“the Project”), which included Parties to the Integrated Project Delivery Agreement, was reported to the Finance and Corporate Services Committee. Phase 2 of the Project’s Billable Rate review assesses billable rates for other Project vendors (the “Vendors”).
8. In March 2022, a Request for Proposal FIN2022-107P (the “RFP”) was issued by the City of Barrie on its Bids & Tenders site for Professional Service Providers and Building Trades for the Project. In RFP submissions, the Vendors provided billable hourly rates to be charged for key individuals of their teams (“Team Members”) during the Validation Phase of the Project (the “Billable Rates”). Billable Rates are calculated by adding the following: Direct Salary Expense (“DSE”), Payroll Burden Rate (“PBR”) and Overhead Burden Rate (“OBR”) to determine an individual’s Total Billable Rate = DSE + PBR + OBR.

Objective

9. To review the Billable Rates submitted by the Vendors to the Project’s RFP to assess whether they are supported and include only approved expenses.

Procedures Performed

10. The following procedures were performed:
  - a) Reviewed Attachments D and E of the RFP which set out the audit process and definitions of Billable Rates for the Project;
  - b) Reviewed documentation provided by the Vendors to support the Billable Rates;
  - c) Performed an assessment of the Billable Rate components (DSE, PBR, OBR) submitted to determine whether the Total Billable Rate is supported by verifiable information;
  - d) Reviewed publicly available information for employer payroll remittance rates; and
  - e) Discussions with the Vendors.

Conclusion

11. Based on the procedures performed, Total Billable Rates submitted were assessed to be fully supported for 15 of the 21 Team Members and partially supported for 6 Team Members. The Billable Rates for partially supported Team Members were adjusted to the supported amounts with an estimated savings to the Project of **\$3,036** based on anticipated hours in the Validation Phase.



Findings

Billable Rates Assessment

12. In the audit of supporting documentation for Billable Rates, assessments were made to categorize Billable Rate components for the Vendor as follows:
- Fully supported – documentation provided supports the total dollar value of the Billable Rate or a greater amount.
  - Partially supported – documentation provided does not support the total dollar value of the Billable Rate.
  - Unsupported – documentation was not provided or does not support any portion of the dollar value for the Billable Rate. Note: None of the Vendors’ Total Billable Rates were assessed as Unsupported.

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

# of Vendors	# of Team Members	Fully Supported Total Billable Rates (Note 1)	Partially Supported Total Billable Rates (Note 2)	Dollar Impact of Partially Supported Rates (Note 3)
4	21	15	6	\$3,036

Note 1. Supporting documentation for DSE, PBR and OBR was equal to or greater than the rates submitted in the RFP for 15 of the 21 Team Members. Accordingly, the 15 Team Members’ Total Billable Rates were categorized as fully supported.

Note 2. Supporting documentation for DSE, PBR or OBR was less than the rates submitted in the RFP for 6 of the 21 Team Members resulting in Total Billable Rates that were not fully supported. As a result, the 6 Team Members’ Total Billable Rates were categorized as partially supported.

Note 3. Partially Supported Total Billable Rates for the 6 Team Members identified in Note 2 were adjusted in the RFP process to the supported amounts calculated in the audit. Based on anticipated validation hours for each Team Member, the estimated savings to the Project of these rate adjustments is **\$3,036**.

**IPD BILLABLE RATES  
 ALLANDALE TRANSIT MOBILITY HUB**

Background

14. In March 2021, a Multi-Party Agreement (the “Agreement”) was signed between the City of Barrie, Process Lead, Design Lead and General Contractor for the design and construction of the Allandale Transit Mobility Hub (the “Project”).
15. During the Validation Phase, Vendors submitted invoices to the Project and Team Members’ hours were charged at billable hourly rates (the “Billable Rates”). Billable Rates are calculated by adding the following components: Direct Salary Expense (“DSE”), Payroll Burden Rate (“PBR”) and Overhead Burden Rate (“OBR”) to determine an individual’s Total Billable Rate = DSE + PBR + OBR.



16. In May 2022, the Validation Phase was completed and City staff recommended the IPD project delivery be replaced with a sequential project delivery module. As a result, the Agreement was ended.

Objective

17. To review the Billable Rates charged by the Vendors during the Validation Phase of the Project to assess whether they are supported and include only approved expenses.

Procedures Performed

18. The following procedures were performed:
- a) Reviewed Exhibit A of the Agreement - Terms and Definitions for Billable Rates;
  - b) Reviewed documentation provided by the Vendors to support the Billable Rates;
  - c) Performed an assessment of the Billable Rate components (DSE, PBR, OBR) billed to the Project to determine whether the Total Billable Rate is supported by verifiable information;
  - d) Reviewed publicly available information for employer payroll remittance rates; and
  - e) Discussions with the Vendors.

Conclusion

19. Based on the procedures performed, Total Billable Rates were assessed to be fully supported for 25 out of 45 Team Members and partially supported for 20 Team Members. Based on total billings to the Project in the Validation Phase, 98.94% of the Project costs were assessed to be fully supported.

Findings

Billable Rates Assessment

20. In the audit of supporting documentation for Billable Rates, assessments were made to categorize Billable Rate components for the Vendor as follows:
- Fully supported – documentation provided supports the dollar value of the Total Billable Rate or a greater amount.
  - Partially supported – documentation provided does not support the dollar value of the Total Billable Rate.
  - Unsupported – no support was provided or documentation provided does not support any portion of the value for the Total Billable Rate. Note: None of the Total Billable Rates were assessed as Unsupported.

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

# of Vendors with Audits Complete (Note 1)	# of Team Members	Fully Supported Team Member Total Billable Rates (Note 2)	Partially Supported Team Member Total Billable Rates (Note 3)	% Project Costs Fully Supported Billable Rates (Note 4)
8	45	25	20	98.94%

Note 1. 10 Vendors billed hours to the Project during the Validation Phase. At the time this report was prepared, 8 of the Vendor audits were complete and 2 were in progress and will be reported in a future Internal Audit update.



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 25 of the 45 Team Members. Accordingly, the 25 Team Members Total Billable Rates were categorized as fully supported.

Note 3. Supporting documentation for DSE, PBR or OBR was less than the rates charged by the Vendors in the Validation Phase for 20 of the 45 Team Members. As a result, Total Billable Rates for these 20 Team Members were categorized as partially supported.

Note 4. Based on the total hours billed in the Validation Phase, 98.94% of the Project costs were assessed to be fully supported.

## ACCOUNTS PAYABLE FOLLOW UP

### Background

22. Internal Audit completed an Accounts Payable review in 2018. The findings, observations and recommendations from the review were presented to the Finance and Corporate Services Committee on September 26, 2018. There were 14 recommendations made related to the following areas:

Area	# of Recommendations
Vendor management	6
Payment processing	4
System access and segregation of duties	3
Policies and procedures	1
<b>Total</b>	<b>14</b>

23. A follow-up review was performed to assess the status of recommendations to ensure that appropriate and timely actions had been taken.

### Objective

24. To assess the status of recommendations from the Accounts Payable review performed in 2018.

### Procedures Performed

25. The following activities were performed:
- a) Meetings with Finance staff;
  - b) Review of procedural documentation related to vendor management and payment processing;
  - c) Review of SAP master file information and payment transactions; and
  - d) Performed data analytics on payments and vendor master file data to identify potential anomalies for review.

### Conclusion

26. Finance has addressed 8 of the 14 recommendations made by Internal Audit in the 2018 Accounts Payable review. The remaining 6 recommendations are in various stages of completion which we will continue to monitor.

## Findings

27. Appendix "A" contains the observations, recommendations, and management responses reported in the September 26, 2018 Internal Audit Status Report for the Finance and Corporate Services Committee along with an additional column containing Internal Audit's follow-up comments.

## **ONTARIO MINISTRY OF TRANSPORTATION - DRIVER CERTIFICATION PROGRAM**

### Background

28. The purpose of the Ontario Ministry of Transportation (MTO) Driver Certification Program (DCP) is to allow participating organizations to conduct their own driver training and testing on behalf of the MTO.
29. As a participant in the DCP, the City of Barrie is authorized to administer MTO testing for employees who require a licence renewal to operate City vehicles as part of their regular duties. This ensures City vehicles are operated by competent drivers who have been properly trained and possess the appropriate licence in compliance with Ministry legislations as well as City of Barrie policies and procedures. It also eliminates the travel and wait times that would otherwise be incurred by employees to attend an MTO Drive Test Centre to complete their renewal.
30. Fleet Services requested Internal Audit perform the 2022 Specified Procedures Inspection as required by the MTO for continued participation in the DCP. Internal Audit was approved by the MTO in 2019 to provide DCP attestation services for the City of Barrie.

### Objective

31. To conduct the MTO audit required in connection with licensing requirements for the City of Barrie.

### Methodology

32. The following activities were performed:
- a) Completion of the MTO DCP Inspection Program;
  - b) Review of relevant DCP policies and documents;
  - c) Meetings with management and staff in Fleet Services; and
  - d) Submission of inspection results to the MTO.
33. The scope of the inspection included City of Barrie DCP activities for the period of November 1, 2020 to October 21, 2022.

### Conclusion

34. One Minor Infraction and One Major Infraction were noted during this inspection and the inspection results were submitted to the MTO on November 16, 2022. Management will address the areas where infractions are noted which will be assessed during the next MTO audit inspection.

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## PCARD AND EXPENSE REIMBURSEMENT

### Background

35. The Purchasing Branch of the Finance Department oversees the City of Barrie's (the "City") Purchasing Card (PCard) Program. The City provides PCards to eligible City employees if justified by an approved business case. The City's PCard Procedures describe a PCard as a "credit card" that provides City employees a convenient and efficient method to purchase low value goods and services. The City's PCard Policy and PCard Procedures provide governance and guidance related to the City PCard Program.
36. The Payroll Branch of the Human Resources Department ("Payroll") oversees the City's Expenses Policy. The Expenses Policy states that "the City reimburses only those Corporate expenses that are both allowable, reasonable and necessary to provide high quality services to residents and taxpayers." Expense reimbursements are approved by the individual's supervisor and processed by Payroll.
37. PCard and expense reviews are conducted annually by Internal Audit to monitor and measure compliance with City policies and procedures.

### Objective

38. To assess compliance with City policies and procedures for PCards and expense reimbursement.

### Procedures Performed

39. Our scope of review included PCard transactions and expense reimbursements for the 12-month period of April 1, 2021 to March 31, 2022 (the "Period of Review").
40. The following activities were performed:
  - a) Discussions with City departments;
  - b) Reviewed applicable City policies and procedures for PCard and expense reimbursement including the PCard Policy, PCard Procedures, and Expenses Policies;
  - c) Judgmentally selected 25 PCardholders, based on the dollar value of purchases and department, for testing of compliance with City policies and procedures;
  - d) Judgmentally selected 10 expense reimbursements, based on the dollar value and type of reimbursement for testing of compliance with City policies and procedures; and
  - e) Conducted data analysis of PCard transactions to identify possible transaction splitting or other irregularities.
41. Our review included only transactions for City of Barrie staff and did not include Barrie Public Library or members of council which are administered by the City.

### Conclusion

42. The City provides effective purchasing methods for staff to facilitate low value procurement needs. Detailed City policies and procedures exist to provide coordinated governance over PCard usage and expense reimbursement.
43. Based on the work performed, compliance with policies and procedures for PCard use and expense reimbursement has improved from prior years but full compliance in our sample testing was not achieved. Implementation of Internal Audit's recommendations will assist with the monitoring of compliance for PCard use and expense reimbursement at the City.

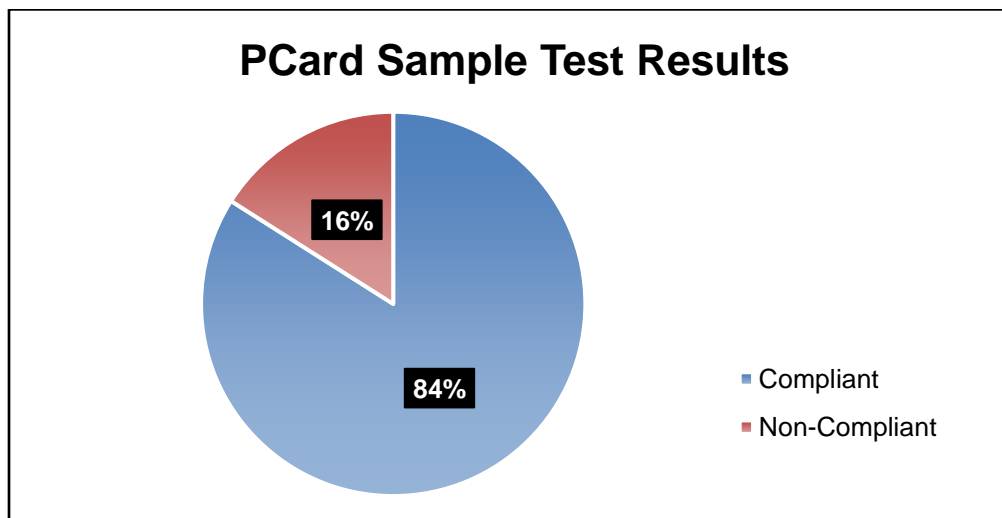
Findings

PCards

44. City PCard transactions during the Period of Review are summarized in the table below:

Description	2022	2021
# of active PCards	312	340
# of transactions	6,672	9,472
Value of transactions	\$1,851,556	\$2,661,197

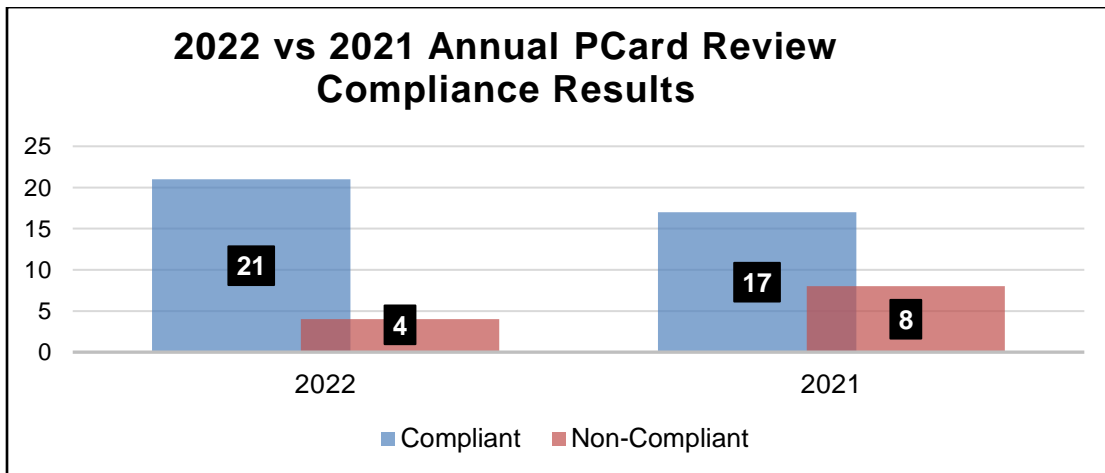
45. The City's PCard Program was established to provide a convenient and efficient means to acquire low value goods and services and reduce the costs associated with initiating and paying for those types of transactions. Typically, PCard transactions are one-off immediate purchases unavailable through current City arrangements and cost ineffective to process through a traditional purchasing process (for example travel, membership dues, online purchases).
46. PCard transaction limits range from \$500 to \$5,000 and monthly credit limits range from \$1,000 to \$10,000 per cardholder. PCards are set up with automatic payments to the credit card provider, so that outstanding balances on all City cards are paid in full by the City each month.
47. The City's PCard policy and procedures require all PCardholders to code their PCard transactions each month in the credit card provider's software (Spend Dynamics) to the appropriate financial accounts. In addition, PCardholders are required to submit their PCard statement and supporting transaction receipts to their supervisor for review and approval. Once transactions are coded and approved in Spend Dynamics, and supporting receipts have been reviewed and approved, all supporting records are sent to the Finance department or retained by the cardholder.
48. Our PCard sample testing included 25 PCardholders selected across the organization and involved a detailed review of one month's PCard transaction statement to assess compliance with City PCard policies and procedures. Our testing found 21 out of 25 (84%) PCardholders were compliant and 4 (16%) were not compliant.





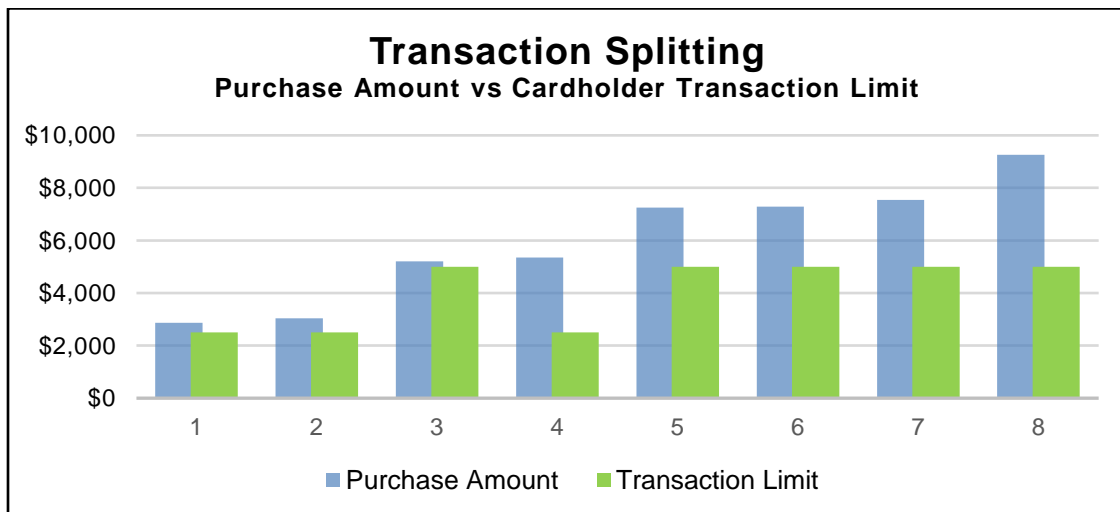
49. Reasons for non-compliance in our PCard sample testing included:
- a) **Insufficient purchase documentation** to support the transaction (1 PCardholder) – for example, a credit card receipt without detail of the items purchased;
  - b) **Splitting purchases** to circumvent procurement protocols (1 PCardholder) – for example, vendor invoices for the same or similar items a day apart resulting in two transactions that both are below the PCardholder’s transaction limit; and
  - c) **Appropriate approval not obtained** (2 PCardholders) – for example, employees approving transactions processed for their benefit when approval should have been obtained from a management level above them.

50. The results of this review indicate there has been an improvement in compliance compared to the 2021 review. As the graph below shows, the non-compliance rate decreased from 8 to 4 out of 25 (or 50%) for the sample of PCardholders reviewed.



51. In addition to our sample testing of PCardholders, we conducted data analytics to analyze transactions and identify potential instances of transaction splitting or other irregularities.

52. Our data analysis found 8 additional instances where purchases were split into dollar amounts to allow the PCardholder to remain within their authorized transaction limit as set out in the graphs below:



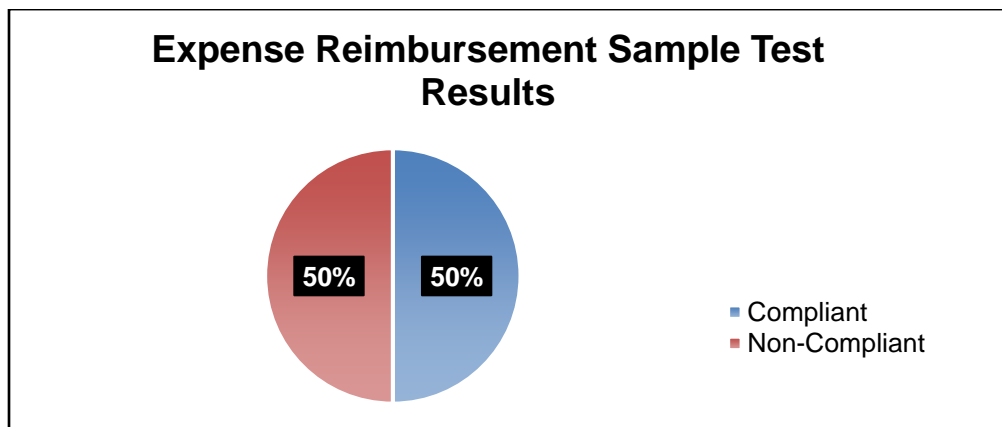
53. The instances of transaction splitting can be further grouped into 2 types:
- 5 employees each paid for a single invoice by spitting the payment into 2 credit card transactions, resulting in 10 transactions to remain within their individual PCard transaction limits which ranged from \$2,500 to \$5,000.
  - 3 employees each paid for the same or similar products from the same vendor on multiple invoices dated the same date or over a few days to remain within their individual PCard transaction limits which ranged from \$2,500 to \$5,000.
54. The identified transactions were approved by the appropriate authority; however, the method of purchasing does not comply with the PCard Policy which does not permit transaction splitting to circumvent procurement procedures.
55. Note, this graph only identifies transaction splitting of business products. It does not include instances where PCardholders made multiple purchases to the same vendor on the same day for training, conferences, and association membership type purchases for multiple City staff.

Expense Reimbursement

56. Expense reimbursement transactions during the Period of Review are summarized in the table below:

Description	2022	2021
# of individuals receiving reimbursement	397	440
# of transactions	1,315	1,728
Value of transactions	\$318,352	\$395,898

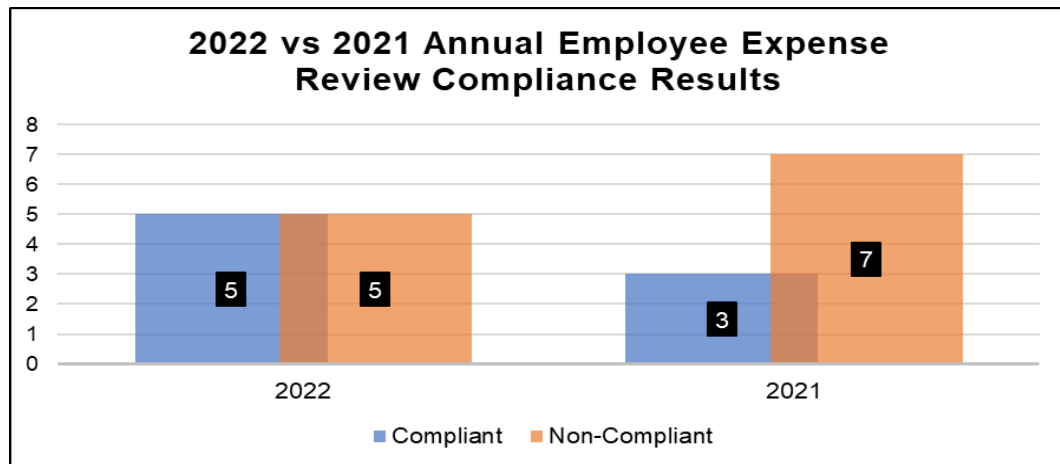
57. Our expense reimbursement testing included 10 individuals selected across the organization and involved detailed review of their expense reports to assess compliance with City policies and procedures. Our testing found 5 out of 10 (50%) of expense reimbursements were compliant and 5 (50%) were not compliant.



58. Reasons for non-compliance identified included:
- a) **Insufficient documentation** to support the transactions (3 employees) - for example, the travel to/from locations not provided for mileage claims and receipts not provided for parking expenses;
  - b) **Appropriate approval not obtained** prior to enrolling in courses for which tuition was reimbursed (1 employee); and

c) **Inappropriate expense submitted** for tool allowance (1 employee)

59. The results of this review indicate a slight improvement in compliance compared to the 2021 results for expense reimbursements reviewed. As the graph below shows, the number of employees with non-compliance issues decreased from 7 to 5 (29%).



60. In July 2022, the Manager of Total Rewards and HR Technology communicated updates to expense related policies and procedures. The updates add clarity to the written procedures, aligned submission deadlines between policies, and included a new general expense procedure to capture the expenses not covered by the existing procedures.

61. Discussions and findings from previous reviews of employee expense claims and the recent circulation of expense related policies and procedures, has prompted conversations between staff in the building, Human Resources, and Internal Audit departments about inspection staff in the building and development services departments that incur mileage claims to a high volume of work sites, as well as metered parking expenses. 2 instances of employee non-compliance noted in our 2021 testing and 3 instances in our 2022 testing relate to mileage claims.

62. To be reimbursed for the use of a personal vehicle for business, the Meal and Mileage Reimbursement procedure currently requires employees to list the following on the expense report:

- Date and purpose of trip;
- Locations travelled to and from; and
- Mileage.

63. Staff advised that the current procedure to claim mileage is for 'occasional use' of personal vehicles and that the current format of the expense reimbursement form is not practical for staff that use their vehicle regularly for work. Staff commonly include a generic description for the purpose of the trip and are not listing the details of the locations travelled to and from. Without this information, the claim cannot be verified accurately.

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



Area	# of Recommendations
PCards	3
Expense reimbursement	2
<b>Total</b>	<b>5</b>

65. We note the areas identified for improvement are consistent with the prior year’s review which highlights the need for continued monitoring and remediation of PCard and expense compliance.

**2022 FRAUD & WRONGDOING PROGRAM SUMMARY**

Background

66. The Fraud & Wrongdoing Program formalizes how City staff can report concerns of fraud or wrongdoing without fear of retaliation. In addition to the ability to report concerns directly to supervisors or other City employees, staff are also able to report with anonymity if desired by phone, through a website, or a P.O. Box, all of which are operated by an independent third party (Clearview Connects).

Findings

67. The Director of Internal Audit and Director of Legal Services are “Primary Reviewers” of reports received by Clearview Connects. If a reporter does not want the Primary Reviewers to see their report, they have the option of submitting a “Sensitive” report which is sent directly to the Chief Administrative Officer for review. The statistics presented do not include any Sensitive reports that may have been received by the City.
68. The number and method of submission for reports received by the City’s Fraud & Wrongdoing Program since its inception are set out below:

Method of Submission	# of Reports					
	2018	2019	2020	2021	2022	Total
Website	15	6	3	5	1	30
Phone	4	0	3	0	1	8
P.O. Box	0	0	0	0	0	0
Direct to staff	3	6	8	5	9	31
<b>Total</b>	<b>22</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>11</b>	<b>69</b>

69. The types of reports received by the Fraud & Wrongdoing Program are set out below:

Report Type	# of Reports					
	2018	2019	2020	2021	2022	Total
Unethical conduct	8	2	2	3	1	16
Violation of laws, regulations, policies, and procedures	4	3	3	1	4	15
Management/supervisor	3	0	0	1	0	4
Conflict of interest	3	2	3	2	2	12
Compensation and benefits	3	1	0	0	0	4
Workplace harassment	0	0	0	1	0	1
Fraud and theft	1	4	6	1	3	15
Harm to people	0	0	0	0	1	1
Data and Privacy	0	0	0	1	0	1
<b>Total</b>	<b>22</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>11</b>	<b>69</b>

70. A summary of outcomes from reports received is set out below:

Outcomes	# of Reports					
	2018	2019	2020	2021	2022	Total
Substantiated	7	4	6	4	8	29
Unsubstantiated	10	8	6	5	2	31
Insufficient information	2	0	0	0	0	2
Investigation in progress (Note 1)	N/A	N/A	N/A	N/A	1	1
Not applicable to Fraud & Wrongdoing	3	0	2	1	0	6
<b>Total</b>	<b>22</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>11</b>	<b>69</b>

Note 1: Reports previously identified as an “Investigation in progress” from prior years have been completed and the outcome has been reflected in the table above.

71. Outcome descriptions include:

- a) “Substantiated” refers to reports found through internal review to be accurate. Not all substantiated reports reflect unethical conduct but can identify the need for enhanced controls to reduce the risk of fraud or wrongdoing. In the 8 reports substantiated in 2022, resulting actions were: 3 employee terminations, coaching to correct the actions of 2 employees, and 3 corrective actions to improve City processes.
- b) “Unsubstantiated” refers to reports found through internal review not to be accurate. An unsubstantiated report can still highlight potential risks and control weaknesses that may need to be addressed.
- c) “Insufficient information” refers to reports that could not be fully reviewed due to limited information provided by the anonymous reporter.
- d) “Not applicable to Fraud & Wrongdoing” include questions related to Clearview Connects, logistic system access, or business questions for City departments rather than concerns related to ethics or violations of the Code of Conduct.

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Conclusion

72. The Fraud & Wrongdoing Program continues to provide City staff with additional options for reporting concerns. Activity through the Program since its inception demonstrates that staff have utilized these new options which resulted in corrective action and improved internal controls at the City.

**SUMMARY OF 2022 INTERNAL AUDIT ACTIVITY**

73. 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.
74. A summary of the 2022 Internal Audit activity is attached in Appendix "C".

**INTERNAL AUDIT WORKPLAN FOR 2023**

75. The Internal Audit Work Plan for 2023 included in Appendix "D" was developed from an identification of risk areas by the Director of Internal Audit with input from the Executive Management Team (EMT) and the Chair of the Finance & Responsible Governance Committee.
76. There is flexibility in the Work Plan to allow Internal Audit to address projects that may arise during the year as requested by Council or EMT.

**ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS**

77. There are no environmental and/or climate change matters related to the recommendation.

**ALTERNATIVES**

78. The following alternative is available for consideration by the Finance & Responsible Governance Committee:

**Alternative #1** The Finance & Responsible Governance Committee could not approve the proposed 2023 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 identified 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.

**FINANCIAL**

79. There are no immediate financial implications for The Corporation related to this Staff Report.

**LINKAGE TO 2022-2026 STRATEGIC PLAN**

80. The information and recommendation included in this Staff Report supports the following goal identified in the 2022-2026 Strategic Plan:
- Responsible Governance
81. 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 find efficiencies in the delivery of services to improve financial stewardship.



Appendix “A” – Accounts Payable Observations, Recommendations, Management Response and Follow Up

Observation	Recommendation	Management Response	Follow-Up
<p><b>VENDOR MANAGEMENT</b>  <b>1. Inactive vendor accounts</b>            More than 50,000 total vendors exist in the vendor master file and more than 5,000 vendors have not received a payment in the last 5 years.</p> <p>Inactive accounts increase the risk of issuing payments to incorrect vendors or duplicating payments to the same vendor.</p>	<p>Vendor accounts with no current business activity should be deactivated in a timely manner.</p> <p>Vendors without activity in the last 5 years should be identified and not carried forward to the SAP system.</p> <p>The vendor master file should be reviewed at least annually to ensure only relevant and valid vendors are maintained.</p>	<p>In the current system, there are a large number of vendors that are temporary or one-time payments. For example, authorized payments or refunds to organization or residents. Ideally, the vendors list should be reviewed annually. However, with current level of resources available (i.e. 2 Accounts Payable Clerks), current technology, and volume of transactions, this process has been missed. Moving forward, with the implementation of SAP, all temporary vendors will receive the same vendor number, greatly increasing the ability to review and manage vendor master lists.</p> <p>With respect to permanent vendors, a significant amount of work has been undertaken to inactivate these vendors where possible. A system issue within Great Plains is preventing the ability to inactivate a select group of vendors.</p>	<p><b>Status: In Progress</b></p> <p>Significant review and deactivation of vendor accounts was completed in 2019 during the conversion from Great Plains to SAP.</p> <p>Now that several years have passed, a procedure to review the vendor accounts activity will be developed to identify inactive accounts. We were advised an initial measurable timeframe (3-5 years) is required before inactivity can be accurately assessed in SAP. An annual review of vendor account activity will then be performed annually.</p>
<p><b>2. Vendor Validation</b>            There are no formal validation procedures to ensure new vendors set up are complete, accurate and legitimate.</p> <p>Changes to the vendor master file are not reviewed to ensure modifications have been properly authorized.</p>	<p>Approval of all new vendors and changes to existing vendors should be formalized and reviewed on a regular basis to ensure only legitimate vendors are entered into the vendor master file.</p> <p>Confirmation of the legitimate existence of the business or person through an external source, such as</p>	<p>With the implementation of SAP, Business Processes are being formalized and should include direction on maintaining vendor master file.</p> <p>Vendors are created in the system by the Purchasing group, based on appropriate approval from departments. The recommendation of requiring an additional confirmation of a vendor's</p>	<p><b>Status: Complete</b></p> <p>An electronic Vendor Data Maintenance Form is required to request new vendors and changes to existing vendors.</p> <p>Procedures to create and maintain vendor accounts, including the steps to</p>





Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p>Without proper vendor validation, there is a risk of poor data quality and errors which can lead to inefficiencies and poor service to vendors. There is also a risk that fictitious vendors can be set up or fraudulent changes made.</p>	<p>Canada Revenue Agency's GST/HST registry report, should be obtained before creating the vendor or making changes to the vendor master file.</p> <p>Vendor creation and changes to existing vendors should be approved by an authorized employee.</p>	<p>existence from an external source such as CRA, will potentially further extend processing times and include further administration costs.</p> <p>With existing resources and volumes of work, fully implementing this recommendation will be a challenge. However, Finance will work with departments to find a balance to support this recommendation.</p> <p>The vendor master lists within SAP will be managed to ensure only authorized staff within the appropriate area (Purchasing or Accounting) can create or change vendor files.</p>	<p>validate vendor information, have been developed for SAP.</p> <p>Finance staff will continue to update procedure documentation to ensure all steps are documented and clearly presented to the end user.</p>
<p><b>3. Incomplete vendor information</b></p> <p>Vendor information is not consistently entered and complete. More than 3,000 vendors contain incomplete contact information (i.e. no street address or phone number, only PO Box, or no contact information) which can increase the risk of duplicate or incorrect payments and also increases the potential for fictitious vendors and fraudulent payments.</p>	<p>Formal procedures for the set-up of a new vendor should be implemented to ensure the set-up is standardized and complete.</p>	<p>The vendor request form is completed by the requesting department. Typically, enough information is supplied to ensure the cheque is able to be mailed or picked up from Finance. Providing and entering additional information not necessary to the distribution of the payment may delay the request to payment process. Processes implemented with the bank ensure that the cheque payee cannot be altered prior to cheque cashing.</p> <p>Formal processes are being updated as part of the implementation of SAP.</p>	<p><b>Status: Complete</b></p> <p>Follow up testing of vendor data identified 256 vendors with no street address in SAP. Work is required to ensure the address information is complete for all existing vendors in SAP. This is a significant improvement over the test results in 2018 and formal procedures now exist to aid in vendor set up and maintenance.</p> <p>The online Vendor Data Maintenance Form has required fields that must be populated to submit a request to Purchasing for a new vendor or changes to an existing vendor.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
			Procedures and training documentation for creating and maintaining vendors clearly outline the requirement to populate vendor information in SAP.
<p><b>4. Duplicate vendors</b>            More than 3,000 potential duplicate vendors were identified.</p> <p>Duplicate vendors increase the risk that incorrect or duplicate payments may be issued.</p>	<p>Validation of vendor information will reduce the opportunity for duplicate vendors in the City's vendor master file.</p> <p>Vendors should only be created with verified legal names and contact information.</p>	<p>If a vendor has more than one location to which a PO is sent, then there will be a separate vendor number for each location as Great Plains does not permit more than one delivery location per vendor ID. This is resolved with SAP which can handle multiple addresses within a single vendor ID.</p> <p>A process will be initiated with the implementation of SAP to undertake a review of the vendor master list at a minimum annually, to ensure no duplicate vendors exist within the system.</p>	<p><b>Status: Complete</b></p> <p>The SAP Creating &amp; Maintaining Vendor IDs procedure directs staff to check if there is an existing vendor ID before setting up a new one with the objective to avoid duplicate vendors from being created.</p> <p>Follow up testing identified 16 duplicate vendors that are not currently included in the duplicate log. Finance staff are proactively identifying duplicate vendors, logging them in an Excel workbook, and determining which vendors to deactivate.</p>
<p><b>5. Potential conflicts of interest</b>            Vendors with the same address as City staff were identified which presents potential conflict of interest situations for staff and the City to assess and manage.</p> <p>There is a risk of perceived or real favouritism if vendors with the same contact information as staff, or those with family or close relationships are used. The City needs to ensure proper assessment, approval and</p>	<p>The City's Code of Conduct requires employees to disclose any actual or potential conflicts of interest.</p> <p>A comparison of vendor addresses against staff addresses should be performed at least annually to identify potential conflicts of interest.</p> <p>Conflict of interest notification forms should be completed by staff in situations where a vendor has the same address as staff to determine</p>	<p>Section 6.4 of the City's purchasing by-law states "No goods, services or construction will be purchased from an officer or employee of the City, or any associate or family member of an officer or employee, unless the extent of the interest of such individual has been fully disclosed to the CPO and the purchase has been subsequently approved by the CAO." Any disclosures are maintained within the procurement file.</p> <p>Once SAP is implemented, Finance,</p>	<p><b>Status: In Progress</b></p> <p>Follow up testing identified three vendors with the same address as active City staff and conflict of interest forms were not submitted to document the situations.</p> <p>No comparison of vendor addresses against staff addresses has been undertaken since the initial Accounts Payable review.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p>mitigating procedures (if possible) related to potential conflicts are implemented to ensure fair vendor practices and appropriate authorization of payment are achieved.</p>	<p>whether the situation represents a conflict of interest and if it can be managed.</p>	<p>along with HR, will investigate ability to automate a report that compares staff addresses with vendor master file invoices.</p>	<p>Finance and HR will work together to create an automated report to compare vendor and staff addresses. Identified matches will be forwarded to Internal Audit for assessment and follow-up.</p>
<p><b>6. Responsibility for vendor master file</b>            Currently the ultimate responsibility for the vendor master file is not clear. Responsibility for vendor set up and maintenance is shared between Purchasing and Accounts Payable.</p> <p>“Active” vendors, whose goods or services have an associated purchase order, are maintained by Purchasing while “Temporary” vendors without purchase orders are maintained by Accounts Payable.</p> <p>There is a risk that established standards and requirements are not achieved in vendor set up and maintenance when responsibility for the vendor master file is shared and not owned by one functional area.</p>	<p>Responsibility for the vendor master file and vendor maintenance should be formalized and reside within one Finance area.</p> <p>The responsibility for vendor set up and maintenance should be held by a staff member who does not create POs or process vendor invoices to segregate the accountability and responsibility for these duties.</p>	<p>Purchasing creates new vendors on behalf of departments in order to facilitate the procurement process and follow a standard operating procedure.</p> <p>Due to the large volume and quick turnaround time of temporary vendor creation/payments, these vendors are created by Finance. SAP will eliminate vendor creation for temporary vendors as they will share a common designated ID.</p> <p>Security within SAP will ensure that only Purchasing will have vendor creation and maintenance authorization.</p>	<p><b>Status: Complete</b></p> <p>Accounts Payable and Purchasing staff advised that the purchasing branch has full responsibility for the creation and maintenance of vendor master file data.</p> <p>Staff in Accounts Payable utilize a temporary vendor account for payments to one-time vendors.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>PAYMENT PROCESSING</b>  <b>7. Special handling instructions</b>            While the majority of cheques are mailed to the vendors after printing, there are regular requests from departments for Accounts Payable to deliver cheques to specific staff members to distribute directly to the vendor. Finance has actively worked to reduce the number of special cheque handling situations.</p> <p>Special handling instructions, and additional points of contact after cheque printing, increase opportunities for cheque diversion or fraud.</p>	<p>Finance should continue their efforts to eliminate special handling cheque circumstances. Cheques should be mailed to the cheque payee immediately after printing.</p> <p>Specific cheque handling needs should be documented and approved by Finance and the relevant department on an exception basis.</p>	<p>Currently, specific cheque handling requirements are documented and tracked by Finance based on approved invoices submitted by departments.</p> <p>Implementation of electronic funds transfer (EFT) with SAP will reduce the volume of cheques requiring special instructions. The remaining situations will relate mainly to a small number of departments that require cheques to be hand delivered due to specifics relating to their business environments. All cheques which are not being held are mailed within 24 hours of printing after review by senior staff. These cheques are held in a secure location from the time of printing until mailing.</p>	<p><b>Status: Complete</b></p> <p>The introduction of Electronic Funds Transfers (EFT) as a payment option has reduced requests to hold cheques.</p> <p>An Excel workbook is maintained by Finance for each cheque batch with cheques requiring special handling instructions.</p>
<p><b>8. Discounts</b>            Discounts offered by vendors are not monitored and captured in Great Plains for potential use.</p> <p>There is a potential opportunity for the City to obtain more favourable payment terms from vendors if discounts are monitored and fully leveraged.</p>	<p>The ability to capture discount information from vendors in the new SAP system should be explored to enable Accounts Payable to monitor and capitalize on potential savings.</p>	<p>Payment terms that include discounts for early payment have been configured in SAP.</p> <p>With the implementation of SAP, Finance will be able to monitor if Departments are processing invoices to benefit from any discounts.</p>	<p><b>Status: In Progress</b></p> <p>Discount functionality is set up for use in SAP. Payment terms need to be added and utilized so Finance can monitor and capitalize on potential savings.</p> <p>Finance advised there were no discounts on invoices in 2022. Accounts Payable staff will continue to monitor and add discounts as identified.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>9. Duplicate payments</b>            Duplicate payments to vendors were identified in the Period of Review.</p> <p>No testing or reports of potential duplicate payments currently exist.</p> <p>As a result of inconsistencies in the creation of vendor IDs, the risk of duplicate payments increases as automated system controls will not identify duplicate payments involving different vendor IDs.</p> <p>Note: Duplicate payments noted during Internal Audit's review were communicated to Finance and recovery of the amounts had already occurred.</p>	<p>Review of potential duplicate payments should be undertaken on a monthly basis. Transactions to the same/similar named vendor, of the same dollar amount, with the same invoice number should be reviewed to ensure legitimacy and not duplicate payments.</p>	<p>Vendor master cleanup is underway to deactivate duplicate vendors prior to SAP. Once SAP is live, a combination of same date, invoice number and amount will produce a system message during data entry.</p>	<p><b>Status: In Progress</b></p> <p>Follow up testing for payments identified a duplicate invoice payment of \$4,283. The same invoice was paid to two different vendors on different payment runs.</p> <p>SAP is set up to prevent duplicate invoices, however, the invoice must be keyed exactly the same way and to the same vendor ID to benefit from this control.</p> <p>Finance staff utilize a duplicate invoices SAP report prior to processing each payment run, however this will not identify duplicate payments in different payment runs.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>10. Invoice Approvals</b>            Approved invoices were noted in excess of staff signing authority limits.</p> <p>Staff did not consistently print their name with their approval signature which results in a time consuming manual effort for Accounts Payable to confirm the identity of the signature and potentially result in a misidentification of the approver.</p>	<p>Staff need to understand their responsibilities and limits of approval authority. Departments should continue to educate their staff as to these requirements.</p> <p>As set out in the signing authority signature sheet, all approvers must print and sign their name(s) once they are satisfied that it is appropriate to do so.</p> <p>Accounts Payable should confirm sufficient signing authority is obtained for all payments to be processed.</p>	<p>The City's Delegated Financial Authority Framework (signing authority) was updated in early 2016. Part of this process included an update of signing authorities approved by Directors and General Managers. With the updating of this framework, staff have an understanding of their approved limits.</p> <p>Due to the volume of invoices, manual process to review, and only 2 Accounts Payable clerks, it is impossible to validate that each has the appropriate signing authority level. This process will be improved in SAP with the introduction of 3 way match and various workflow security levels which will ensure that documents are being approved by the correct levels.</p>	<p><b>Status: Complete</b></p> <p>In SAP, approval now occurs with the approval of a purchase order not the approval of an invoice. The exception is for non-purchase order invoices.</p> <p>Finance continues to ensure the Signing Authority Listing is complete and accurate.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>SYSTEM ACCESS AND SEGREGATION OF DUTIES</b>  <b>11. System Access</b>            Users were identified with inappropriate Great Plains access for Accounts Payable or vendor management functions.</p> <p>Staff who no longer work in Finance, at the City, or IDs that were set up for testing purposes were identified with access to process Accounts Payable transactions.</p> <p>If users without approved Accounts Payable or vendor management duties have access to the system, there is a risk that unauthorized transactions could occur and the segregation of duties between the processing of invoices and generation of payments could be compromised.</p> <p>Note: At the time of Internal Audit's work, users with inappropriate access were communicated to Finance to have access removed.</p>	<p>System access to Accounts Payable functions including vendor management should be reviewed by Finance on a regular basis to ensure only current and necessary staff have access.</p> <p>Information Technology should be informed immediately upon any staff departures from Finance so that access to systems is removed.</p>	<p>Accounts payable runs reports of invoices entered prior to every cheque run which would identify if data entry had been carried out by any unauthorized user.</p> <p>Review of security authorization will be more straightforward in SAP.</p> <p>Users with inappropriate access in Great Plains have had this access removed.</p>	<p><b>Status: Complete</b></p> <p>Staff in Financial System Support &amp; Integration regularly monitor system access and changes in employment status (active to inactive or not working) utilizing SAP Business Intelligence Reports. The goal is to automate the task of locking system access.</p>



Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>12. System Access reports</b>            No readily accessible reports exist in Great Plains to allow for review of user access.</p>	<p>If the use of Great Plains continues, reports should be developed to allow for ease of review of users with access to Accounts Payable functions.</p> <p>In SAP, reporting of access to Accounts Payable functions should be created and distributed to Finance for approval on a regular basis.</p>	<p>Review of security authorization will be more straightforward in SAP.</p>	<p><b>Status: Not Started</b></p> <p>At the time of this review, no system access reports had been requested nor were we advised of a plan to develop such reports.</p>
<p><b>13. Segregation of duties</b>            Staff who prepare purchase orders and process Accounts Payable can create new vendors or modify existing vendors.</p>	<p>The responsibility for the creation of new vendors or the modification of existing vendors should reside with a staff member who does not create POs or process Accounts Payable transactions to ensure adequate segregation of duties.</p>	<p>Security access in SAP will ensure adequate segregation of duties. Departments or Purchasing will create purchase orders depending on the dollar limit. Vendor creation or maintenance will reside solely with Purchasing. Purchase orders prepared by Purchasing will still need to be approved by Departments using SAP workflow. Processing of Accounts Payable will reside solely with Finance Accounts Payable group.</p>	<p><b>Status: Complete</b></p> <p>The Financial System Support &amp; Integration team oversees system access and is responsible to ensure access is restricted to appropriate functions including segregation of duties (SOD). Initial SOD analysis has been completed and on-going review is performed by the team.</p>





Pending #:

Observation	Recommendation	Management Response	Follow-Up
<p><b>POLICIES AND PROCEDURES</b> <b>14. Policies and Procedures</b> Procedures around vendor set up and payment processing can be enhanced.</p>	<p>Detailed procedures regarding the creation of vendor IDs, the input of invoices and the system processing of cheque payments currently exist.</p> <p>Additional procedures around the creation of new vendors, purging of the vendor master file and the review of the cheque payment process should be formalized and documented.</p>	<p>More detailed procedures and processes will be in place with SAP.</p>	<p><b>Status: In Progress</b></p> <p>Formalized written training documents and procedures have been developed with the implementation of SAP for the creation of new vendors, maintenance of vendors, and the payment process.</p> <p>Documentation of procedures to review the vendor master file for inactive accounts and to review transactions for duplicate payments have not yet been completed.</p>



**Appendix “B” – PCard and Expense Reimbursement Observations, Recommendations and Management Response**

Observation	Recommendation	Management Response
<p><b>PCARDS</b>  <b>1. Supporting Documentation</b>            The PCard policy states the “cardholder is responsible for obtaining and retaining all transactional supporting documentation.”</p> <p>The PCard procedure further states that “original purchase documentation should at a minimum indicate the transaction date, description, vendor, payment method, individual item amounts, taxes and totals. Including only a credit card transaction confirmation receipt is insufficient, detailed receipts are required. A description of the nature of the transaction must be included.”</p> <p>There was 1 instance of insufficient supporting documentation by 1 employee which is an improvement over the 12 instances involving 6 employees identified in the testing completed in 2021. Although this is a significant improvement, the initial review for both years identified insufficient supporting documentation. Staff were given the opportunity to provide support within a short timeline. All but 1 employee did so this year, resulting in the 1 noted compliance issue which indicates most staff had the required documentation they just did not submit it as required.</p> <p>Insufficient purchase documentation increases the risk that PCard purchases are not valid City expenses.</p>	<p>PCard approvers must ensure cardholders provide sufficient supporting documentation for each PCard transaction.</p> <p>Supplementary training should be delivered to PCardholders and PCard approvers clarifying the necessary documentation required to support PCard transactions.</p>	<p><b>Finance</b>            Prior to receiving a card or being assigned as an approver, employees must take the online training, and submit a copy of the confirmation of completion. The training is also available anytime a staff person wishes to review it.</p> <p>Without additional resource support, providing ongoing supplementary training will be a challenge as the Finance department has limited resources available. However, Finance will look to partner with Internal Audit to help with any additional training.</p>



Observation	Recommendation	Management Response
<p><b>2. Transaction Splitting</b>            The PCard Policy states "Transaction splitting is not permitted and is defined as purchases costing more than the PCard transaction limit where the purchase is split into a dollar amount to allow a cardholder to remain within their authorized transaction limit."</p> <p>In total 17 purchases totaling \$47,796 made by 8 employees were identified as transaction splitting. This is an improvement compared to 2021 testing where there were 34 purchases totaling \$82,338 made by 14 employees identified as transaction splitting.</p> <p>In addition to the transaction splitting noted above, we saw multiple purchases by an employee to the same vendor on the same day or over a few days for training courses, and conference registrations for different staff members.</p> <p>Transaction splitting results in staff exceeding their approved spending authority and potentially increasing the risk of inappropriate and unauthorized purchases.</p>	<p>PCard approvers must scrutinize transactions of PCardholders to ensure there is no transaction splitting.</p> <p>Departments should review existing staff PCard transaction limits to ensure they are adequate for current purchasing requirements.</p> <p>Supplementary training should be delivered to PCardholders to reinforce what transaction splitting is, why it is not allowed and what alternatives exist for legitimate City purchases.</p> <p>Review available disciplinary options for PCard non-compliance to determine the appropriate actions, if any, for instances identified.</p> <p>The existing PCard Policy and Procedure should be updated to provide guidance and clarity about when it is acceptable to make multiple transactions to the same vendor on the same day or within a few days (i.e. conference registrations).</p>	<p><b>Finance</b>            Prior to receiving a card or being assigned as an approver, employees must take the online training, and submit a copy of the confirmation of completion. The training is also available anytime a staff person wishes to review it.</p> <p>Purchasing will be completing a PCard Cardholder/Approver Review in Q4-2022 whereby Department Heads are provided a listing of cardholders, limits and approvers for their department.</p> <p>Without additional resource support, providing ongoing supplementary training will be a challenge as the Finance department has limited resources available. However, Finance will look to partner with Internal Audit to help with any additional training.</p> <p>Review and update of the PCard Policy and Procedure is planned for 2023 including consideration of disciplinary action for non-compliance.</p>
<p><b>3. Cardholder approval</b>            The PCard Policy states Cardholders may not be their own approver and cannot be a subordinate with a reporting line to the Cardholder being approved.</p> <p>In our testing, 1 instance was found where the employee approved their own expense. A subordinate staff member reporting directly to this employee paid for all the staff association memberships in the department, one of which was for the employee.</p>	<p>PCard approvers must assess each transaction and determine if they are the appropriate individual to approve per City policies and procedures.</p>	<p><b>Finance</b>            Without additional resource support, providing ongoing supplementary training will be a challenge as the Finance department has limited resources available. However, Finance will look to partner with Internal Audit to help with any additional training, including for approvers.</p> <p>Delegation of approval was removed for all approvers on August 30, 2022. Approvers were advised to only use delegation when absent and to ensure that the delegation is made to the approver's next-level supervisor in</p>



Observation	Recommendation	Management Response
<p>In addition, in our testing we noted 1 instance where an employee made purchases for training and conferences on behalf of staff outside the department. The transactions were approved by her supervisor not the department head of the staff for which the training and conferences were purchased.</p> <p>Inappropriate approvals of PCard transactions increases the risk that purchases are not legitimate City expenses.</p>		<p>accordance with PCard Policy. The PCard Administrator is reviewing approver delegation on a monthly basis and will follow up as required.</p>
<p><b>EXPENSE REIMBURSEMENT</b>  <b>4. Supporting Documentation</b>            Appropriate, detailed supporting documentation is required to clearly describe items for which reimbursement is requested and to confirm the purpose of the good or service complies with City policies and procedures.</p> <p>3 of the 10 expense reimbursements tested lacked sufficient supporting documentation to comply with City policies and procedures.</p> <p>Insufficient purchase documentation increases the risk that expense reimbursements are not valid City expenses and do not comply with Canada Revenue Agency requirements.</p>	<p>Expense reimbursement approvers must ensure sufficient supporting documentation is provided for each expense claimed.</p> <p>Departments should work with HR to address incompatibilities with the existing Expense Reimbursement form for claiming high volumes of mileage as set out in the Meal and Mileage procedure.</p>	<p><b>Payroll</b>            A review of the current Meal and Mileage procedure was conducted following the noted observations. The procedure was amended in situations where staff use their personal vehicle on a regular basis for City business and visit multiple locations in a day. In these instances, staff will be permitted to submit one total mileage amount for the day. Supervisors will complete audits throughout the year to ensure accuracy. This approach balances operational needs and realities with processes that protect the City's interests.</p>
<p><b>5. Authorization for Expense</b>            The Tuition Reimbursement procedure states that the City will reimburse an eligible employee the tuition fee and the cost of the textbook(s) subject to specific requirements including the completion of a Pre-Enrolment Authorization form <u>four weeks in advance</u> of enrolling in the course.</p> <p>In our testing we noted 1 employee that claimed tuition reimbursement for three courses</p>	<p>Supplementary training needs to be delivered to employees and management clarifying the necessary approval and documentation required for tuition expense reimbursements.</p>	<p><b>Payroll</b>            A review of the Tuition Reimbursement Program was conducted by the City's Learning and Diversity Specialist in Q3 of 2022.</p> <p>Recommendations to revamp the program will be made in Q4 of 2022 which will address the noted incongruency between policy and practice.</p>



Observation	Recommendation	Management Response
<p>and associated textbooks. Only 1 Pre-Enrolment Approval form was located and it was not approved prior to the start of the course. Tuition and textbook expenses were reimbursed to the employee for all 3 courses.</p> <p>Failure to obtain approval in advance for courses increases the risk that the staff member's course does not appropriately benefit the City.</p>		



Appendix “C” – 2022 Summary of Internal Audit Activity

#	Project	Area	Audit Focus	Status
1	<b>PCard and Expense Reimbursement</b> – assess compliance with City policies and procedures for PCards and expense reimbursement.	Various	Compliance	Complete
2	<b>Fraud Prevention Month</b> - provide education to City staff about fraud prevention.	Organization wide	Entity Level Controls	Complete
3	<b>Development</b> –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.	Development Services	Process Review	Complete
4	<b>IPD Billable Rates (Project Parties)</b> – review rates for project parties in City construction projects to ensure they are accurate and include only approved criteria	Facilities	Compliance	Complete
5	<b>IPD Billable Rates (Vendors)</b> – review rates for vendors used in City construction projects to ensure they are accurate and include only approved criteria.	Facilities	Compliance	Complete
6	<b>Accounts Payable Follow Up Audit</b> – assess the status of past Internal Audit recommendations	Finance	Follow Up	Complete
7	<b>MTO Driver Certification Program</b> – conduct MTO audit to comply with licensing requirements	Fleet	Compliance	Complete
8	<b>Sadlon Arena Third Party Agreements</b> – monitor and assess third party compliance with concession and advertising agreements by exercising the City’s right to examine records.	Recreation Facilities	Compliance	Deferred to 2023
9	<b>Fuel Cards</b> – assess the adequacy and effectiveness of internal controls for staff fuel cards.	Operations	Process Review	Deferred to 2023
10	<b>Capital Projects</b> – assess the effectiveness of Developer led capital projects (“D” projects) through review of	Infrastructure	Consulting	Priority to be assessed in future



Pending #:

#	Project	Area	Audit Focus	Status
	monitoring procedures and measurement of project performance.			
11	<b>Non-Standard Procurement</b> – assess compliance of non-standard procurements with the Procurement By-Law	Finance/Various	Compliance	Deferred to 2023
12	<b>Invitational Procurement</b> – assess compliance of invitational procurements with the Procurement By-Law	Finance/Various	Compliance	Deferred to 2023
13	<b>Building Inspections</b> – review the efficiency and effectiveness of inspection reporting performed by Building Services.	Building	Process Review	Deferred to 2023
14	<b>Confidential investigations/ Fraud &amp; Wrongdoing Program oversight</b>	As needed	Consulting	Ongoing

Appendix “D” – 2023 Internal Audit Work Plan

#	Project	Area	Audit Focus
1	<b>Sadlon Arena Third Party Agreements</b> – monitor and assess third party compliance with concession and advertising agreements by exercising the City’s right to examine records.	Recreation Facilities	Compliance
2	<b>PCard and Expense Reimbursement</b> – assess compliance with City policies and procedures for PCards and expense reimbursement.	Various	Compliance
3	<b>Fuel Cards</b> – assess the adequacy and effectiveness of internal controls for staff fuel cards.	Operations	Process Review
4	<b>Integrated Project Delivery (IPD) Audits</b> – perform audits as required to ensure project costs are accurate and compliant with agreements.	Infrastructure	Compliance
5	<b>Non-Standard Procurement</b> – assess compliance of non-standard procurements with the Procurement By-Law.	Finance/Various	Compliance
6	<b>Invitational Procurement</b> – assess compliance of invitational procurements with the Procurement By-Law.	Finance/Various	Compliance
7	<b>Building Inspections</b> – review of the efficiency and effectiveness of inspection reporting performed by Building Services.	Building	Process Review
8	<b>APLI Payments</b> – review the processes and controls to ensure the accuracy and completeness of customer payments received by the City through APLI	Various	Process Review
10	<b>MTO Driver Certification Program</b> – conduct MTO audit required to comply with licensing requirements.	Fleet	Compliance
11	<b>Follow up Audits</b> – assess the status of past Internal Audit recommendations.	Various	Follow Up
12	<b>Confidential investigations/ Fraud &amp; Wrongdoing Program oversight</b>	As needed	Consulting