

Clause 3 in Report No. 1 of Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on February 16, 2017.

3

Audit Services Branch Report

Audit Committee recommends adoption of the following recommendation contained in the report dated January 11, 2017 from the Director of Audit Services:

1. Council receive this report for information.
- 

Report dated January 11, 2017 from the Director, Audit Services now follows:

1. Recommendations

It is recommended that Council receive this report for information.

2. Purpose

The report provides an update on the activities of the Audit Services Branch since the last Audit Committee meeting.

The follow-up audit report, Attachment 4, Tables C and D are in private as the original reports to Audit Committee were in private as they dealt with the security of property of the Region.

3. Background

On October 11, 2000, The Audit Committee approved the development of the Audit Services function through the report of the Chief Administrative Officer. The Audit Committee Charter indicates the Audit Committee is to meet at least twice a year. In practice, the Audit Committee usually meets three times a year to receive reports and updates on the activities of the Audit Services Branch.

#### 4. Analysis and Implications

##### Audit Plan Execution

The Audit Services Branch has been actively executing the approved 2015-2018 Four Year Audit Plan and other consulting engagements. A summary of the activities since the last Audit Committee meeting is outlined in Attachment 1.

##### Audit Reports Issues

The Audit Reports issued since the last Audit Committee meeting are:

- Transportation Services - York Region Transit Performance Contracts Audit (Attachment 2)
- Environmental Services – Capital Delivery Process – Audit Report (Attachment 3)
- Outstanding Audit Recommendations Follow Up Audit Report (Attachment 4)

#### 5. Financial Considerations

There are no financial considerations associated with this report.

#### 6. Local Municipal Impact

The Audit Services Branch provides audit services to a number of the local municipalities under an Audit Services Memorandum of Understanding.

#### 7. Conclusion

A follow up of outstanding audit recommendations for audit reports issued prior to December 31, 2016 indicates that management remains cognisant and active in implementing Audit Services recommendations.

Audit Services continues to work with Region management at all levels to provide them with an independent, objective assurance and consulting activity designed to add value and improve the Region's operations. Audit Services does this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through

## Audit Services Branch Report

guidance provided by the *International Standards for the Professional Practice of Internal Auditing*.

For more information on this report, please contact Paul Duggan, Director of Audit Services at 1-877-464-9675 ext. 71205.

The Senior Management Group has reviewed this report.

January 11, 2017

Attachments (4)

7298095

Accessible formats or communication supports are available upon request

York Region  
Audit Services Branch Activities

| Project Name   | Status          |
|--|-----------------|
| 1. Environmental Services – Capital Delivery Process – Audit Report                            | ➤ Completed     |
| 2. Transportation Services – York Region Transit Performance Contracts Audit                   | ➤ Completed     |
| 3. Follow-up of Outstanding Audit Reports  | ➤ Completed     |
| 4. Corporate Services – Physical Security Audit  | ➤ Reporting     |
| 5. Management Request – Review of IT Licensing/Contracts                                       | ➤ In progress   |
| 6. Finance – Purchasing Card Audit   | ➤ Planning      |
| 7. Transportation Services – Roads Operations  | ➤ Planning      |
| 8. Audit Services – Software Upgrade Project   | ➤ In progress   |
| 9. Forensic Investigations   | ➤ In progress   |
| 10. Steering Committee – HRIMS and Payroll Review  | ➤ Advisory role |
| 11. ITS Governance – Portfolio Management Committee  | ➤ Advisory role |
| 12. York Telecom Network – Governance review   | ➤ Advisory role |
| 13. Continuous Control Monitoring Project  | ➤ Ongoing       |
| 14. Audit Services for the Audit Services Memorandum of Understanding for local municipalities | ➤ Ongoing       |



***Transportation Services - York Region  
Transit Performance Contracts Audit***

***November 2016***

**TABLE OF CONTENTS**

| <b>Section</b>  | <b>Page No.</b> |
|---|-----------------|
| <b>1.0 MANAGEMENT SUMMARY .....</b>                           | <b>2</b>        |
| <b>2.0 INTRODUCTION.....</b>                                  | <b>3</b>        |
| <b>3.0 OBJECTIVES AND SCOPE .....</b>                         | <b>3</b>        |
| <b>4.0 DETAILED OBSERVATIONS .....</b>                        | <b>4</b>        |
| 4.2 RESULTS OF DETAILED TESTING – TRAINING REQUIREMENTS ..... | 4               |
| 4.3 CONTROL CENTRE – CONTRACTOR SUPERVISORS .....             | 6               |
| 4.4 AODA COMPLIANCE.....                                      | 6               |
| 4.5 VULNERABLE SECTOR SCREENING CLEARANCE - TRANSDEV .....    | 7               |
| 4.6 WORKPLACE SAFETY & INSURANCE BOARD (WSIB) .....           | 9               |
| 4.7 DETAILED TESTING – PERFORMANCE INCENTIVE.....             | 9               |
| 4.8 LETTER OF CREDIT - TRANSDEV.....                          | 11              |

## 1.0 Management Summary

Audit Services has completed a York Region Transit (YRT) Performance Contracts Audit for the Region's Transportation Services branch. The scope of the review included the Viva Bus Rapid Transit (Tok Transit Ltd) and South/West (Transdev Services Inc.) contracts, with a plan to audit the remaining two contracts in early 2018. The focus of our review was to determine whether controls are in place to ensure that YRT performance contracts are properly managed for continued compliance with contract requirements and to ensure that work performed by contractors is in compliance with contract terms and conditions.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

The scope of the audit included a detailed review of the transit/Viva operations & maintenance contracts and related internal policies/procedures, discussions with YRT and contractor management and staff, detailed site visits at both contractor locations and YRT transit control centre, and detailed testing of contract compliance including a review of specific contract compliance documentation and specific contract terms and conditions.

Based on the work Audit Services performed, it was concluded that internal controls over the management of the YRT performance contracts require improvement. Opportunities for internal control improvements were noted and discussed with appropriate management. These improvements relate to the centralization of the contract compliance tracking and overall monitoring to ensure compliance is achieved in key areas, and the development and implementation of formal policies and procedures. It should be noted that internal controls over key contract areas are strong with compliance achieved, including; overall service delivery, facility management, service inspection/maintenance, and invoicing. In regards to contractor contract compliance, it was concluded that overall the contractors are compliant with contract terms and conditions; however both contractors were found to be less than fully compliant with specific contract requirements. The non-compliance areas relate to some training requirements, control centre staffing, clearance certificates, and performance security. We have provided our recommendations in the body of the report.

A draft copy of this report has been discussed with YRT management, who have provided us with their comments and who have agreed to take the necessary action to implement the recommendations.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank YRT and contractor staff and management for their co-operation and assistance provided during the audit.

## 2.0 Introduction

York Region Transportation Services branch includes the Transit services YRT and Viva that offer local, rapid transit and specialized transit services in all nine regional municipalities. YRT conventional routes cater to local communities in all York Region municipalities and also include GO Shuttles, express services, community buses and high school, college and university services. Regional Council authorized the extension of the southwest transit operations and maintenance contract with Transdev Services Inc. (Transdev) for a further five year term, commencing on August 2, 2015.

Viva was the first rapid transit service of its kind in the Greater Toronto Area offering frequent, flexible and comfortable rides connecting Markham, Richmond Hill, Vaughan, Aurora and Newmarket as well as linking York Region with Toronto and its subway system, GO Transit and the Region of Peel. Regional Council authorized the award of the Viva bus rapid transit operations and maintenance contract on May 15, 2014 to Tok Transit Ltd (Tok) commencing on June 28th 2015 with a contract term of seven years.

## 3.0 Objectives and Scope

The main objectives of this engagement were to ensure:

- Controls are in place to ensure that YRT performance contracts are properly managed for continued compliance with contract requirements
- Work performed and completed by contractors is in compliance with contract terms and conditions.

The audit objectives were accomplished through:

1. Interviews with appropriate personnel.
2. Review of contracts, policies/procedures and other applicable documentation.
3. Detailed testing of the Tok and Transdev 2015/2016 YRT performance contract compliance requirements.
4. Contractor site visits and review of specific contract compliance documentation.

## 4.0 Detailed Observations

### 4.1 *Tracking & Management –Contract Compliance*

#### Observation

There is not a centralized compliance monitoring process or tool in place to ensure continued contract compliance. Based on audit field work results and discussions with management and staff, there are a few standalone monitoring tools in place for specific areas such as training, safety, and fuel, however there is not a consolidated centralized tool to capture all key contract compliance areas.

As noted throughout this report, the majority of information and documentation requested by Audit Services was not readily available or stored within the Region and therefore had to be requested from the Contractor by YRT staff. Examples of this documentation include; WSIB Clearance Certificates, AODA Training Certificates, and Letters of Credit.

Without a centralized and consolidated monitoring tool in place, there is a risk that key contract requirements and compliance documentation may not be met or verified, therefore exposing the Region to potential liability.

#### Recommendation

Management should develop and implement a centralized tracking tool to monitor on-going contract compliance. The tracking tool should include key compliance documents that are required to be submitted and approved by the Region.

#### Management Response

The current management tracking process focuses on contract performance measurement, safety and training. An expanded centralized management tracking process which may include cross Departmental responsibilities will be developed and in place by Q2 2017.

### 4.2 *Results of Detailed Testing – Training Requirements*

#### Observation

The following observations were found during our detailed testing of training requirements, as per Sections 15 to 24 inclusive, of the contract;

### **Transdev**

- Eight (8) of the sixteen (16) training requirements selected for review could not be verified.
- Of the eight above, three (3) were for vulnerable sector screening reports that were missing as of audit fieldwork completion. Two of the three were subsequently provide with Oct 2016 dates. *Refer to issue 4.5 Vulnerable Sector Screening Clearance- Transdev for detailed discussion.*
- The remaining five (5) related to initial training for new hires and annual on-going training requirements.

### **Tok**

- Ten (10) out of sixteen (16) training requirements selected for review could not be verified.
- Of the ten above, three (3) were for the 30 day in service ride checks for new drivers. As per section 18.4 of the contract, *“an on-road ride a long assessment by an MTO certified instructor of all new Bus Operators must be completed within thirty (30) days of each Bus Operators graduation date”*.
- The remaining seven (7) related to initial training for new hires and on-going training requirements for all staff positions.

In addition to the detailed testing performed by Audit Services, YRT Safety & Training staff also performed an annual training audit in September 2016. YRT staff provided us with their detailed audit findings, which included a number of missing and/or unsubstantiated training requirements.

### **Recommendation**

Management should follow-up on the missing training items and continue to actively monitor on-going training compliance. Management may want to consider implementing a semi-annual training audit to provide a more timely compliance measure and enforcement if necessary.

In addition, management should review, and update where necessary, the standard operating procedures (SOP) training terms and conditions to ensure the training requirements are clearly laid out.

### **Management Response**

YRT performs an annual internal audit where any errors or emissions are detected and corrected. In addition, a monthly training summary is conducted. The missing training items were identified in YRT's internal audit and are in the process of being completed by Q1 2017. Semi-annual training audits would be considered in future if deemed needed.

The standard operation procedures (SOP's) for training are in the process of being updated and a meeting has been scheduled with the contractors. This task will be completed in Q1 2017.

### 4.3 *Control Centre – Contractor Supervisors*

#### Observation

Contractor Supervisors are not always on site at YRT Control Centre during core hours as required under the contract. Section “39 Control Centre” of contract states that “*the contractors Control Centre Supervisor must be in the Control Centre during peak hour service and during emergency situations to ensure that the Control Centre Coordinators perform their duties as required*”. Based on discussions with YRT’s Control Centre Supervisor, contractor Supervisors are typically not on site for the morning core hours and only on occasion for the afternoon core hours. Note: core hours are considered to be between 6:30-9:00am and 3:30-6:00pm when transit activity is at its peak.

Audit Services performed two additional on-site visits (October 27<sup>th</sup> and November 3<sup>rd</sup> 2016) during the core morning hours and found that on each occasion both contractors did not have a Supervisor on site in the control centre.

#### Recommendation

Management should discuss the above non-compliance with the contractors to ensure they fully understand the control centre contract requirements and monitor on-going compliance.

#### Management Response

Completed. All contractor staff in the control centre are management staff. Due to temporary vacancies, the transit service contractor did not formally assign a lead management person in the control centre. Management has worked with the transit services contractors and contractor Supervisors are now identified during the morning and afternoon peak periods. This will be monitored on an on-going basis.

### 4.4 *AODA Compliance*

#### Observation

The contract requires the Contractor to ensure that all staff, agents, volunteers, or others engaged in the delivery of services receive training in accordance with section 6 of the Ontario Regulation 429/07 made under the Accessibility for Ontarians with Disabilities Act (the “AODA”).

The following observations were noted regarding compliance with the AODA contract requirements:

- The AODA Training Certificates were not on file with YRT as of Audit field work completion date. Based on discussions with YRT Safety & Training staff, the AODA certificates were never provided to the Region by both Tok and Transdev. According to the contract section 24.1 (b) “*the Contractor agrees to complete and submit to the Region the AODO training certificate at the*

*commencement of this contract*". The training certificates were subsequently requested and provided by YRT Safety & Training staff with signatory dates in September, 2016.

- The AODA certificates received subsequent to audit fieldwork completion were signed with confirmation that all required AODA training was complete. Based on the results of the training compliance detailed testing (*refer to issue 4.3 Results of Detailed Testing – Training Requirements*) and the results of YRT's internal training audit, there were a number of incomplete or unsupported AODA training for staff employed by both contractors.
- There is no internal verification or oversight to ensure AODA Training Certificates are received from the Contractors. *Refer to issue 4.2 Tracking & Management – Contract Compliance.*

### **Recommendation**

YRT staff should be proactive in requesting training certificates to ensure they are received at the commencement of the contract and verify staffing numbers to ensure full compliance is met.

### **Management Response**

Completed. Management has worked with the transit service contractors to meet contractual requirements and ensure that verification of AODA compliance has been received and kept on file with in the Transit Branch. This activity is included in YRT's annual audit process. Confirmation of AODA compliance is continual throughout the entire contract term due to turnover in contractor staff.

## **4.5 Vulnerable Sector Screening Clearance - Transdev**

### **Observation**

Vulnerable Sector Screening certificates (VSS) could not be located for sixteen (16) out of the thirty seven (37) staff (9 Bus Operators, and 28 Supervisors) listed as requiring clearance. Section 23.1 of the contract states; "*the contractor shall not permit a Bus Operator or Transit Inspector/Supervisor to work in the Community Bus Service unless a current Vulnerable Sector Screening Check response letter from York Regional Police has been reviewed and approved by the Region*". Seven (7) out of the sixteen (16) missing VSS certificates were for Toronto residents and per YRT Safety & Training staff and contractor staff, Transdev was not yet registered with the City of Toronto to allow for VSS requests.

Based on discussions with the Director of Training & Safety Transdev and YRT Safety & Training staff, Supervisors are cross trained on both community bus operations and

conventional bus operations as a backup measure in the event an operator requires assistance to ensure services are uninterrupted.

### **Updated Observation – as of October 11th, 2016**

YRT Manager Bus Operations Transit provided the following response to our communication of the missing VSS observation;

- *“one bus operator had transitioned from the Community Bus to the conventional service prior to the expiration of their VSS, and two bus operators did not have a valid VSS in their file, however, the application had been submitted and are being processed (this can take up to 120 days to process)”.*
- *“Due to the length of time to complete the VSS process, YRT/Viva has adopted a practice to permit bus operators to operate a Community Bus without a VSS if all of the following are met: 1) Bus operator has a VSS application in process; 2) Bus operator is a current bus operator with one of YRT/Viva’s Operations and Maintenance contractors, and 3) Bus operator possess a valid BZ driver’s license that provides an O.P.P level criminal check (in addition the contractor performs twice a year a York Regional Police check electronically through system provided by the Ministry of Transportation)”*
- *“In regards to inspectors/supervisors, Transdev dedicates twenty-eight inspector/supervisors to oversee both the conventional and Community Bus services. Fourteen of the twenty eight inspector/ supervisors are assigned to oversee the Community Bus service, all of which have a valid VSS on file”.*

### **Updated Observation – as of October 20<sup>th</sup>, 2016**

One of the three missing VSS identified during testing for bus operators was provided to Audit Services. One remains outstanding. The third, which was communicated as having transitioned from community bus to conventional bus, could not be verified in terms of transition date. VSS for community bus Supervisors noted as missing during audit fieldwork remain outstanding. Discrepancies remain in clarification of the number of inspectors/supervisors directly involved in the community bus operations.

### **Recommendation**

Management should discuss with the contractor (Transdev) the requirements for VSS clearance checks, including verifying the role/responsibilities bus supervisors may play in community bus services, and submission to the Region for review and approval.

Management should ensure the outstanding VSS are requested and reviewed as soon as possible.

### **Management Response**

Completed. All contractor supervisors assigned to community bus service had VSS clearance certificates. Some of the contractor supervisors assigned to YRT conventional service had not received the VSS clearance certificates. It is possible that a conventional supervisor may assist in

the delivery of community bus service. Management has consulted with Transdev regarding VSS and the VSS certificates have now been received and filed.

#### **4.6 Workplace Safety & Insurance Board (WSIB)**

##### **Observation**

WSIB Clearance Certificates for both Transdev and Tok were not on file with YRT or the Regions Risk Management group as of Audit fieldwork completion date. Section 56 WSIB of the contract states, *“the contractor shall be in good standing with the WSIB and shall furnish the Region with satisfactory evidence, in the form of a valid WSIB Clearance Certificate, prior to the commencement of the Services”*.

##### **Update – October 13, 2016**

Clearance Certificates were subsequently provided by the Supervisor Risk Management to Audit Services with a date of October 13, 2016 on both.

##### **Recommendation**

Management should ensure WSIB Clearance Certificates are requested and received prior to the commencement of contracts and received every 60 days upon expiry.

For future contracts, Management should incorporate the WSIB requirement into the contract management and tracking to ensure this is received prior to commencement of the contract. *Refer to issue 4.1 Tracking and Management - Contract Compliance.*

##### **Management Response**

Completed. As part of the procurement process, Supplies and Services have a procedure now in place that receives mandatory documentation as part of the award process, including WSIB Clearance Certificates. A purchase order is not issued until the appropriate documentation is received by the Region.

Following award, WSIB Clearance Certificates will be obtained by YRT staff and will be tracked to ensure compliance in keeping with 4.1 Tracking and Management – Contractor Compliance. Completion is scheduled for Q1 2017.

#### **4.7 Detailed Testing – Performance Incentive**

##### **Observation**

Transdev received a performance incentive payout for Q3 ending April 2016. The following concerns were noted based on our review of the performance metric results for the quarter ending April 30, 2016;

- Performance metric 6 Bus Cleanliness was not verified by the Region during the three month period ending April 30, 2016. Per section 2.1c Appendix A-2 SRG of the contract; *“the Region will randomly inspect a minimum of twenty five percent (25%) of the Contractor’s assigned revenue service buses each quarter. These observations will be performed prior to the bus leaving the facility in the morning”*. Based on discussions with the Special Project Coordinator, bus cleanliness inspections were not performed during this period with no clear indication as to why they were not completed. It should be noted that the remaining seven (7) performance metrics for this quarter were met with two of the metrics achieving a higher than required performance level.
- The Region measures contractor performance on a monthly basis to determine if the contractor is eligible for a merit incentive which is determined on a quarterly basis averaging the three months. For Q3 ending April 2016 performance metric 3 Preventable Accidents, two out of the three months achieved “borderline performance” and one month achieved “desired performance” averaging out to an “acceptable performance” result which met the quarterly requirement. Although the contract implies the results are determined on a quarterly average, allowing the contractor to be rewarded where borderline performance was achieved during the period may not promote the highest level of service quality.

### **Recommendation**

Management should ensure YRT staff are monitoring and reporting on all performance metrics in accordance with the contract requirements to ensure results are complete and accurately reflect performance merit results.

Management should consider for future contracts to include a monthly minimum threshold requirement, on all or specific metrics, in order to be eligible for the performance merit incentive. Although the contract implies the results are determined on a quarterly average, allowing the contractor to be rewarded where borderline performance was achieved during the period may not promote the highest level of service quality.

### **Management Response**

Completed. In the spring of 2016, two transit service contract extensions were being implemented. YRT management made a conscious decision to focus staff resources on conducting 185 high priority vehicle safety inspections as part of contract transitions during these months. This resulted in less than required cleaning inspections to take place. Of the 130 cleaning checks required for the quarter, 100 were actually completed. None of these checks occurred under the Transdev contract. The transition is completed and resources are available to complete the required performance metrics in accordance with the contracts.

## 4.8 Letter of Credit - Transdev

### **Observation**

The letter of credit for Transdev could not be located as of Audit fieldwork completion date. Section 54 “Performance Security” of the contract states “*the Contractor shall provide to the Region an irrevocable letter of credit in the amount of \$2M*”. Per the Director Transit Operations, “*the letter of credit for Transdev was not on file in Finance or Supplies and Services. Transdev was contacted and it appears that a letter of credit was not issued and they will be providing as soon as possible*”. Without a letter of credit, the Region is limited in satisfying outstanding obligations of the contractor if necessary.

### **Update – November 10, 2016**

Manager Transit Operations provided Transdev’s letter of Credit, dated November 9, 2016.

### **Recommendation**

For future contracts, management should incorporate the performance security requirements into the contract management and tracking to ensure it is received prior to commencement of the contract. Refer to issue 4.1 Contract Management & Tracking, Contract Compliance.

### **Management Response**

Completed. As part of the procurement process, Supplies and Services has a procedure now in place that receives mandatory documentation as part of the award process, including required performance security (e.g. Letters of Credit, Certified Cheques or Bank Drafts, and Bonding for Non-construction Tenders). With respect to Letters of Credit, Supplies and Services and Controllership Office, verify that Letters of Credit comply with the contract and the Region’s Letter of Credit requirements. Following award, Letters of Credit are retained by Controllership Office. This will be verified through the management tracking process as per section 4.1 Tracking and Management – Contract Compliance.

*Original signed by*

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**Paul Jankowski**  
**Commissioner – Transportation**  
**Services**

*Original signed by*

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**Ann Marie Carroll**  
**General Manager - Transit**

*Original signed by*

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**Paul Duggan**  
**Director Audit Services**



***Environmental Services – Capital  
Delivery Process – Audit Report***

***November 2016***

**TABLE OF CONTENTS**

| <b>Section</b>   | <b>Page No.</b> |
|--|-----------------|
| <b>1.0 MANAGEMENT SUMMARY.....</b>                                     | <b>2</b>        |
| <b>2.0 INTRODUCTION .....</b>  | <b>2</b>        |
| <b>3.0 OBJECTIVES AND SCOPE.....</b>                                   | <b>3</b>        |
| <b>4.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS.....</b>              | <b>4</b>        |
| 4.1 INSURANCE CERTIFICATES .....                                       | 4               |
| 4.2 DOCUMENT COLLECTION AND MAINTENANCE.....                           | 5               |
| 4.3 MISSING CHECKLISTS AND PROJECT REVIEW LOG .....                    | 6               |
| 4.4 LESSONS LEARNED.....   | 7               |
| 4.5 FORMAL PURCHASE ORDER AND CHANGE ORDER TRACKING REQUIREMENTS ..... | 8               |
| 4.6 CAPITAL PLANNING AND DELIVERY - INTERNAL AUDIT .....               | 9               |

## 1.0 Management Summary

Audit Services has completed an audit of the Capital Delivery Process specific to the Keswick Water Pollution Control Plant (WPCP) Effluent Outfall Expansion. The project was administered through the Environmental Services – Capital Planning and Delivery Branch.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

The scope of the audit included a review of the Keswick WPCP Effluent Outfall Expansion project from initial planning and approvals through to project close-out and warranty period.

The work performed included a review of the Capital Delivery Implementation Process (CDIP) Manual in effect during this project, obtaining and reviewing required documentation (including environmental assessments, planning and budget approvals, design and construction tender documents, and construction monitoring and inspection documents). Additionally, we selected a sample of progress billings for review.

Testing was conducted at a sufficient level of detail to allow us to evaluate York Region's compliance to policies and procedures for capital project delivery.

Overall, the results of our detailed testing indicate that the Keswick WPCP Effluent Outfall Expansion project was delivered in compliance with the Capital Delivery Process in effect at the time. The Capital Delivery Implementation Process Manual is an effective tool to ensure compliance with appropriate policies and procedures at each stage of capital project delivery.

Opportunities for internal control improvements were noted and discussed with appropriate management. These improvements relate to the collection and maintenance of required documents and monitoring capital projects throughout each phase of delivery.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank staff in Environmental Services – Capital Planning and Delivery for their co-operation and assistance provided during the audit.

## 2.0 Introduction

As part of our Audit Plan, Audit Services has completed an audit of the Capital Delivery Process specific to the Keswick WPCP Effluent Outfall Expansion. The Audit Plan, approved by the Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps define the different risks associated with the various processes here at the Region. It is one tool used by Audit Services to assess where best to allocate audit resources.

The 2009 Water and Wastewater Master Plan confirmed a need to expand the Keswick WPCP Effluent Outfall to meet the growth requirements in Keswick. As part of this expansion, it was

determined that the outfall at the facility would require expansion to provide sufficient capacity to meet the ultimate flow requirements from the plant. The Keswick WPCP Effluent Outfall Expansion was a capital project valued at approximately \$20 million delivered through the Capital Planning and Delivery Branch.

In accordance with the Region's Purchasing Bylaw, a Request for Proposal (RFP) document was issued by the Supplies and Services Branch for the design and administration of this project, which was ultimately awarded to Hatch Mott MacDonald. A separate tendering document was developed for construction of the project, which was awarded to McNally Construction. Construction for the project began in 2012 and was substantially complete in 2014. The warranty period for the work performed expired in 2016.

Audit Services reviewed the delivery of the Keswick WPCP Effluent Outfall Expansion project by assessing compliance to the Capital Delivery Implementation Process Manual in effect during the time of this project. Each stage of the project was reviewed beginning with the Environmental Assessment through to the expiration of the warranty period.

Additionally, we selected a sample of progress billings for this project to ensure that supporting documents were received and billings are in compliance with the contract terms.

### **3.0 Objectives and Scope**

The main objectives of this engagement were to:

- Review the Capital Delivery Implementation Process Manual in effect at the time of the Keswick WPCP Effluent Outfall Expansion project to establish criteria for project delivery.
- Determine whether the project was delivered in accordance to the requirements set out in the Capital Delivery Implementation Process Manual.
- Review a sample of invoices and payments made for compliance with Contract Administration requirements set out in the Capital Delivery Implementation Process Manual.

The audit objectives were accomplished through:

1. Discussion with management and staff relating to the Capital Delivery Process and specific application to the Keswick WPCP Effluent Outfall Expansion project.
2. A review of invoices and payments made during the administration of this project.
3. A review of Environmental Services management of the project.
4. A review of related documentation.

## 4.0 Detailed Observations and Recommendations

### 4.1 Insurance Certificates

#### Observation

##### Hatch Mott MacDonald

The active Certificate of Insurance received from Hatch Mott MacDonald (effective from June 30, 2010 to June 30, 2011) did not match the RFP Requirements.

- The RFP required \$5,000,000 inclusive for Commercial General Liability (if policy contains general aggregate, not less than \$10,000,000). The policy states \$1,000,000 for Commercial General Liability.
- The RFP required \$2,000,000 for Automobile Liability Insurance. The policy groups “Non-owned Auto” under Commercial General Liability for the amount of \$1,000,000.
- The RFP requires Environmental Impairment Liability of \$2,000,000. There is no amount on the policy for Environmental Impairment Liability.

The policy does contain an additional \$4,000,000 of Umbrella Liability, in which Environmental Impairment Liability and additional General Aggregate may have been considered covered.

##### McNally Construction

The RFP for construction required Environmental Liability insurance coverage of \$10,000,000. On the Certificate of Insurance received from McNally Construction for the period of May 15, 2012 to May 15, 2013, there is no specific amount for Environmental Liability. However, “Sudden and Accidental Pollution” is covered up to \$2,000,000 (less than the required \$10,000,000).

For 2014-2015, the Certificate of Insurance contained the same terms; however, in 2014-2015, the “Sudden and Accidental Pollution” increased to \$5,000,000 – still below the \$10,000,000 required for Environmental Liability.

#### Recommendation

Management should implement a requirement in the Capital Delivery Process to ensure that when collecting Insurance Certificates, they are specific to the project and fulfill the RFP requirements.

#### Management Response

##### **Status: Complete**

Capital Planning and Delivery (CPD) agrees with Audit Services’ recommendation to implement a process ensuring collected Insurance Certificates meet project-specific requirements set out in procurement documents. CPD has now embedded a review by Corporate Risk for both the Tender and RFP development process. Risk reviews each document and ensures adequate coverage for each individual project. In addition, Legal Services will not issue a notice to commence work unless proper Certificates of Insurance are received from the vendor.

In the case of the Keswick WPCP Effluent Outfall Expansion project, CPD, in coordination with Corporate Risk and Legal Services staff, followed the Region's risk management protocols during the procurement phase of this project with respect to Certificates of Insurance and helped ensure its vendors remained 'current and compliant' throughout the project term.

## **4.2 Document Collection and Maintenance**

### **Observation**

We understand that at the time of the Keswick WPCP Effluent Outfall Expansion project, the majority of project documents were stored on the network drive. During the project, there was a migration to storing documents electronically using eDOCS. In addition, due to the nature of some documents, they remained in physical storage only.

This resulted in documents being maintained in three separate locations for a single project. During the audit, there were instances where documents were not readily available:

- The electronic Project Charter was provided as the signed physical copy could not be located.
- The electronic version of the Project Plan had to be obtained directly from Hatch Mott MacDonald for our review since it was unable to be located on the network drive or in eDOCS. Subsequent to the review, the signed version was located with the Project Manager.
- The Articles of Agreement binding McNally Construction to the RFP requirements had to be obtained from Legal.

It was noted that, since 2015, Project Server is currently in use; however, there is still active use of network and eDOCS storage.

### **Recommendation**

Consistent document maintenance and collection standards should be developed and applied to the delivery of all capital projects. A formal system improves the ease of transition between Project Managers and ensures all information is available in a timely matter, if required.

A formal project document tracking sheet should be developed and included with each project file. Some documents may have unique storage requirements (physical signed copies, AutoCAD drawings, multimedia, etc.), and a formal tracking sheet would ensure their location is known and readily available.

The existence of a formal document tracking spreadsheet also serves as a guide to ensure all critical documents (originals or copies – as required) relating to the project are collected and maintained within the Capital Planning and Delivery branch.

### **Management Response**

#### **Status: Complete**

CPD agrees with Audit Services' assessment of the value provided by a formal document collection and maintenance system. Throughout the course of the Keswick WPCP Effluent Outfall Expansion project, the corporation shifted from the use of a shared network drive to use of the eDOCS Enterprise Content Management System for document storage. It is of note that

certain file types were not supported in the eDOCS system and consequently electronic files were saved on both the network drive and in eDOCS. This resulted in having multiple locations to store project files.

With roll out of a formal project management system in 2015, CPD recognized that document management was a key area that required improvement. The new project management system, which includes a project site to house documents in a centralized location, has improved document management for projects. The project site folder structure is modelled from the department standard for projects and is in conformance with the Region's Records Retention Bylaw and Records Information Management Policy. The entire project team, including the external consultant, has access to add documents to the system, removing the need to send large documents such as drawings over email. Collaborating over the project site also allows for greater management of documents including improved tracking of who accessed the document, changes made and date loaded. This type of tracking also serves to formally track the inventory of documents. In addition, the site is indexed and searchable with the ability to flag key documents to create a listing on the site. With the introduction of the project site the use of the network drive for document storage has significantly reduced and use of the network drive for project related documents will be phased out in the next year. In addition, the project site has also reduced the practice of using Microsoft Outlook as a storage area for project related documents such as drawings. As part of the management system roll out, project teams were trained on best practices and expectations of document management during a project. As part of the continuous onboarding of new projects to the system, new project team members and external consultants are provided with document management training.

### **4.3 Missing Checklists and Project Review Log**

#### **Observation**

The following checklists required by the Capital Delivery Implementation Process Manual in effect at the time of the Keswick WPCP Effluent Outfall Expansion project were unable to be located for the audit:

- Request for Proposal Checklist
- Consultant Checklist
- Design and Tender Checklist
- Project Start-Up Checklist
- Construction Checklist
- Project Close-out Checklist

Also, the Project Review Log was required in the Capital Delivery Implementation Process Manual; however, could not be located for our review.

Our review indicated that the intention behind the checklists was addressed with compensating controls such as meetings and correspondence with appropriate personnel, bid request forms, project charters, and other applicable documentation.

No formal Project Review Log existed as required; however, we observed that project issues are tracked in eDOCS, addressed at bi-weekly meetings and documented in the meeting minutes.

### **Recommendation**

Although the documents were required as per the Capital Delivery Implementation Process Manual in effect at the time, it is recommended that management review documentation requirements in the process for opportunities to eliminate redundancies.

### **Management Response**

#### **Status: Complete**

CPD agrees with the recommendation regarding the need to review documentation requirements and seek opportunities to eliminate redundancies. CPD acknowledges that there was redundancy, and inconsistent use of the documentation on the Keswick WPCP Effluent Outfall Expansion project. One of the key drivers for introducing our new project management system was to streamline data collection during the life cycle of a project. As part of the management system planning initiative, CPD identified over 250 stand-alone project documents including checklists, templates, forms and instructional forms that contained redundancies and posed a significant administrative burden to maintain, populate and file for every project. As a result of leveraging the capabilities of the new project management system, stand-alone project-related documents were reduced from over 250 to approximately 50. In addition to reducing the significant administrative burden, the data captured within the project management system is easily accessible and has strengthened CPD's communication and reporting capabilities among project stakeholders. These recent improvements align with the audit recommendations. CPD plans to continue to make improvements to streamlining required documentation during the project life cycle.

## **4.4 Lessons Learned**

### **Observation**

Section 1.4.6 of the Capital Delivery Implementation Process Manual in effect at the time requires the completion of "Lessons Learned". The Lessons Learned is used as a historical record to assist in avoiding similar mistakes in future projects and capitalize on the areas that worked well. This information is to be transferred into a Historical Information and Lessons Learned database upon project completion.

The warranty period for the Keswick WPCP Effluent Outfall Expansion project expired in April 2016 and the maintenance period was complete on November 4, 2016. At the time of the audit, the Lessons Learned had not yet been completed.

### **Updated Observation**

Subsequent to our audit field work, on November 16, 2016, the Lessons Learned for the Keswick WPCP Effluent Outfall Expansion project was complete.

### **Recommendation**

Management should continue to complete the Lessons Learned for capital projects and transfer the information into the Historical Information and Lesson Learned database (or the applicable database currently in use as part of the current Capital Delivery Process) in a timely manner.

### **Management Response**

#### **Status: Complete**

CPD strongly agrees with the value of lessons learned and has formalized the lessons-learned process since the time of the Keswick WPCP Effluent Outfall Expansion project. Lessons learned can now be captured throughout the project directly in the project management system by any team member. There is a formal requirement to meet to discuss and log lessons learned at the completion of each major phase of a project including environmental assessment, detailed design, construction and commissioning (pre-warranty) and project close-out. A formal lessons learned meeting is now required after completing the commissioning of the facility when lessons learned are still top of mind for project members and stakeholders. All lessons learned from projects will be reviewed annually to determine if any process or documentation changes are required for future projects. In addition, all historical lessons learned will be rolled up and made available on the toolkit for reference on future projects.

In the case of the subject project, the auditing process started prior to the completion of the maintenance period on the project, which included addressing deficiencies from the warranty period. A lessons-learned session was completed in November 2016 following completion of these maintenance activities to fully close out the project.

## **4.5 Formal Purchase Order and Change Order Tracking Requirements**

### **Observation**

The Capital Delivery Implementation Process Manual in effect at the time does not provide a standard for formal monitoring of costs against purchase orders, or monitoring costs associated with scope / contingency changes.

For the Keswick WPCP Effluent Outfall Expansion project, costs were actively monitored using a spreadsheet for both the contract administration and construction purchase orders. The spreadsheet also documented in sufficient detail the reason the costs were incurred. Additionally, any other costs associated with the project were documented to monitor total project cost.

A similar tracking spreadsheet was created for monitoring change orders. Each change order is documented on the spreadsheet identifying the amount, reason and date of approval. The cumulative total is recorded to monitor the cost increase due to scope / contingency changes.

The comprehensive purchase order and change order tracking spreadsheets in use for this project were the initiative of the individual project manager and staff. The Capital Delivery Implementation Process Manual does not ensure that all project managers actively monitor costs in sufficient detail.

### **Recommendation**

Management should develop and require the use of a standard template for actively monitoring purchase order and change order costs. A standard template ensures that each project manager actively monitors costs associated with the project and is able to identify and correct any issues in a timely manner.

Additionally, a standard template eases the transition when a project in progress is transferred between project managers.

### **Management Response**

#### **Status: Complete**

CPD strongly agrees with the concept of actively monitoring purchase order and change order costs in a systematic way. Implementation of the new project management system provides a standard means for all project teams to track budget, forecast and work complete for their projects, which has allowed retirement of the previous Excel financial tracking templates.

In addition, a custom automated change management tool was implemented in the new project management system to capture engineering scope changes and contractor change orders and to replace the existing manual, paper-based, process. The tool also provides teams with a mechanism to track and report on all change requests throughout the project life cycle. Data captured across the project portfolio can be aggregated for management review and will be used to inform future continuous improvement efforts.

## **4.6 Capital Planning and Delivery - Internal Audit**

### **Observation**

Section 0.8 of the Capital Delivery Implementation Process Manual in effect at the time of the project stated that a Capital Planning and Delivery Internal Auditing process would be implemented by 2010.

It was confirmed that no form of Internal Audit was performed by Capital Planning and Delivery for this project (which occurred subsequent to 2010), and no formal audit process currently exists within the branch.

In 2012, there was an audit initiative to perform one planned, and one unplanned, audit of capital projects per year. This initiative was not consistently applied and there are currently no audits performed.

Since the completion of the Keswick WPCP Effluent Outfall Expansion project, components of the Capital Delivery Process are being implemented into the department's Integrated Management System (IMS), which inherits a strong audit component.

**Recommendation**

Since the current system used for delivering capital projects (Project Server) has matured to the point that all personnel are trained and have multiple projects in the system, it is recommended that management implement a formal ongoing audit process that identifies and assesses compliance with the current Capital Delivery Process.

**Management Response**

**Status: On-going, complete Q4 2017**

Capital Planning and Delivery agrees with Audit Services' recommendation and appreciates the value of a formal audit process to assess compliance with the Capital Delivery Process. With Project Server, there are numerous informal audits being conducted around the use of the system and compliance with the process. All capital projects completed by CPD are expected to be loaded into the system in 2017. As projects and data increase in the system, a formal audit process will be developed and phased in, where deemed appropriate.

In addition to developing a formal audit process for the delivery of capital projects in Environmental Services, it should also be noted that Capital Planning and Delivery Branch is in year one of a planned three-year implementation to be formally captured under the scope of the Departmental Integrated Management System, using ISO 9001 quality principles. Currently the Pre-Commissioning Checklist has been formally integrated into the IMS. As part of the process, a formal pre-commissioning audit is completed by the Environmental Services Compliance Audit team, and results are formally registered in the IMS for follow up and tracking. Metrics related to these follow ups are published and reviewed monthly.

Through the integration of CPD into the IMS, the branch is driving further continuous improvement, accountability and creditability by use of the formal audit process, and other management system tools such as root cause analysis, and corrective action plans. In the coming years, Capital Planning and Delivery will continue to add critical processes to the IMS.

*Original signed by*

**Erin Mahoney**

**Commissioner of Environmental  
Services**

*Original signed by*

**Mike Rabeau**

**Director, Capital Planning and  
Delivery**

*Original signed by*

**Paul Duggan**

**Director Audit Services**



***Outstanding Audit  
Recommendations Follow up  
Audit Report***

***February 2017 Audit Committee***

## TABLE OF CONTENTS

| Section   | Page No. |
|---|----------|
| 1.0 MANAGEMENT SUMMARY .....  | 2        |
| 2.0 INTRODUCTION.....   | 2        |
| 3.0 OBJECTIVES AND SCOPE .....  | 3        |
| 4.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS .....                                   | 4        |
| 4.1 DETAIL SUMMARY STATISTICS FOR OUTSTANDING AUDIT RECOMMENDATIONS FOLLOWED UP ..... | 4        |

## **1.0 Management Summary**

Audit Services has completed a follow up of outstanding audit recommendations at December 31, 2016. These recommendations are comprised of:

1. Audit recommendations that were noted as 'not yet completed' in our previous outstanding audit recommendations follow up audit report dated October 2016.
2. Any new audit report recommendations issued up to and including December 31, 2016.

There were 60 audit recommendations originally issued through the eight audit reports currently on our list for follow up. Management has implemented 72% of these recommendations.

For this outstanding audit recommendations follow up report, there was one 'private' audit report with outstanding audit recommendations requiring update.

For a detailed summary of audit reports followed up and recommendations issued, completed and outstanding, please refer to section 4.0. Additional detail is available upon request from the Director, Audit Services.

## **2.0 Introduction**

As part of our 2015 - 2018 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow up requests from Audit Committee and Management, the Audit Services Branch performed a follow up of outstanding audit recommendations. These recommendations included those noted as outstanding in our October 2016 audit recommendations follow up audit report, and all new recommendations issued in audit reports up to and including December 31, 2016.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

On a periodic basis, Audit Services updates the Region's Audit Committee and the Chief Administrative Officer (CAO) on the status of issued audit recommendations. To provide this update, Audit Services contacts Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. In some cases, the status is further validated directly by Audit Services through discussions and / or detailed testing. This is an integral part of our audit process that allows us to confirm that the opportunities for improvement outlined in the audit report(s) have been implemented.

Department heads were e-mailed requests containing:

1. A summary of outstanding audit recommendation(s) for their area.
2. A request to provide a status update and a confirmation of the original due date for implementation of the recommendation, or a new anticipated implementation date if necessary.
3. As requested by Audit Committee in November 2008, departments having an audit recommendation outstanding that has an original due date older than one year provide

Audit Committee with a separate report as to why the recommendation has not been implemented. Management action plans that detail what is being done to implement the recommendation(s) are to be included.

4. Finally, an Executive Sign-off Form, to be signed by the Commissioner and Director responsible for the implementation of the recommendation(s), was also sent.

Audit reports issued after December 31, 2016 will be followed up in the future.

### **3.0 Objectives and Scope**

The objective for this engagement was:

- To provide feedback to the Region's Audit Committee and CAO as to the disposition of issued audit recommendations.

The audit scope to accomplish this objective was:

- All outstanding audit recommendations issued prior to December 31, 2016.

## **4.0 Detailed Observations and Recommendations**

### **4.1 Detail Summary Statistics for Outstanding Audit Recommendations Followed Up**

- Table A summarizes the outstanding audit recommendations followed up for this review.
- Table B is a detailed summary of outstanding audit recommendations which were followed up for this review.
- PRIVATE: Table C summarizes the private outstanding audit recommendations followed up for this review.
- PRIVATE: Table D is a detailed summary of private outstanding audit recommendations which were followed up for this review.

**TABLE A – Summary of Outstanding Audit Recommendations Follow up as at December 31, 2016**

| <b>Audit Report</b>                            | <b>Number of opportunities originally highlighted</b> | <b>Completed for 8/31/16</b> | <b>Completed for 12/31/16</b> | <b>Not yet complete</b> | <b>% Not yet complete</b> | <b>Date of Audit Report</b> | <b>Date Reported to Audit Committee</b> |
|--|---|------------------------------|-------------------------------|-------------------------|---------------------------|-----------------------------|---|
| Finance – Procurement Card                     | 6   | 5                            | 1                             | 0                       | 0%                        | May-13                      | Jun-13                                  |
| TS – Roads Capital Delivery of Contract 10-103 | 16  | 15                           | 1                             | 0                       | 0%                        | June-14                     | Jun-15                                  |
| Revenue Management – Other revenue             | 9   | 6                            | 1                             | 2                       | 22%                       | Dec-15                      | Feb-16                                  |
| ES – Operation Maintenance and Monitoring      | 11  | 3                            | 2                             | 6                       | 55%                       | Dec-15                      | Feb-16                                  |
| FN – Accounts Payable & Procurement            | 6   | 2                            | 2                             | 2                       | 33%                       | Apr-16                      | Jun-16                                  |
| TS – Health & Safety on Capital Projects       | 4   | 0                            | 2                             | 2                       | 50%                       | Apr-16                      | Jun-16                                  |
| CHS – Housing Capital Repairs                  | 5   | 0                            | 1                             | 4                       | 80%                       | Jul-16                      | Oct-16                                  |
| ES – MRF Contract Compliance                   | 3   | 0                            | 2                             | 1                       | 33%                       | Jul-16                      | Oct-16                                  |
| <b>Totals</b>                                  | <b>60</b>   | <b>31</b>                    | <b>12</b>                     | <b>17</b>               | <b>28%</b>                |                             |   |

**TABLE B – Summary of Outstanding Audit Recommendations as at December 31, 2016**

| <b>Audit Report</b>           | <b>Recommendation</b>  | <b>Management response</b>   | <b>Original due date</b> | <b>Current due date</b> |
|-------------------------------|--|--|--------------------------|-------------------------|
| Finance -<br>Procurement Card | 4.1<br>Procedures should be established to enable the Corporate Administrator to perform random audits. Specific focus should be made on suspense account transactions.              | Done.  | N/A                      | N/A                     |
|                               | 4.2<br>Add a line to Procurement Card forms to require the authorizer to print their name.   | Done.  | N/A                      | N/A                     |
|                               | 4.3<br>Ensure card holders sign for their card to ensure they understand and agree to Regional purchasing card policies.   | Done.  | N/A                      | N/A                     |
|                               | 4.4<br>Department administrators should be reminded that failure to comply with purchasing card policy and procedures could result in card revocation.                               | Done.  | N/A                      | N/A                     |
|                               | 4.5<br>For employees who have not used their purchasing card in 6 months, Department Administrators should confirm to the Corporate Administrator that the card is still needed.     | Done.  | N/A                      | N/A                     |
|                               | 4.6<br>Management re-examine the current control environment for procurement cards to determine if more efficient processes can be developed as enhancements to PeopleSoft progress. | Done.<br>Procurement card process has been improved through automated forms for card administration, with automated approval workflow. Implementation is January 3 <sup>rd</sup> 2017. | N/A                      | N/A                     |

| Audit Report                        | Recommendation   | Management response   | Original due date | Current due date |
|-------------------------------------|--|---|-------------------|------------------|
| Transportation Services – Roads CDP | 4.1<br>RCD should explore the benefits of automating the collection of project construction data at the field level and transmitting the data to the Region.     | Done.   | N/A               | N/A              |
|                                     | 4.2<br>RCD management should explore the use of SharePoint, Project Server and Essentials in the delivery of projects.   | Done.   | N/A               | N/A              |
|                                     | 4.3<br>RCD management should consider creating a Project Management Office (PMO).  | Done.   | N/A               | N/A              |
|                                     | 4.4<br>Section 16.4r, and 16.4s should be reviewed and updated if necessary.<br>A formal payroll burden rate review process should be developed and implemented. | Done.<br>Done.  | N/A<br>N/A        | N/A<br>N/A       |
|                                     | 4.5<br>Finance should finalize the Draft Capital Closure Policy.   | Done.<br>Policy has been endorsed by all departments and will be implemented as part of the 2016 year-end review process. | N/A               | N/A              |
|                                     | 4.6<br>RCD should develop a formal process to guide changes in personnel to ensure continuity on projects.   | Done.   | N/A               | N/A              |

| Audit Report | Recommendation   | Management response                        | Original due date                  | Current due date                   |
|--------------|--|--|------------------------------------|------------------------------------|
|              | <p>4.7<br/>Templates used to ensure that the management control structure is intact should not be modified.<br/>RCD management should perform a periodic review of the Change Order template with the assistance of Legal.<br/>All necessary procurement documentation that authorizes an individual to commit the Region to a purchase should be created and approved by management.<br/>Change Order instructions should be clarified with dollar thresholds</p> | <p>Done.<br/>Done.<br/>Done.<br/>Done.</p> | <p>N/A<br/>N/A<br/>N/A<br/>N/A</p> | <p>N/A<br/>N/A<br/>N/A<br/>N/A</p> |
|              | <p>4.8<br/>The proper use of Change Orders should be reiterated with staff.</p>  | <p>Done.</p>                               | <p>N/A</p>                         | <p>N/A</p>                         |
|              | <p>4.9<br/>Information collection at source should be a goal of automation of data collection described in observation 4.1</p>   | <p>Done.</p>                               | <p>N/A</p>                         | <p>N/A</p>                         |
|              | <p>4.10<br/>Future RCD contracts require submission of a current WSIB form every 90 days or with every payment certificate.</p>  | <p>Done.</p>                               | <p>N/A</p>                         | <p>N/A</p>                         |
|              | <p>4.11<br/>I&amp;RM should be contacted to tailor a presentation to the Region's CAs and SIs regarding claims management through ICIPs.</p>   | <p>Done.</p>                               | <p>N/A</p>                         | <p>N/A</p>                         |
|              | <p>4.12<br/>The CA assigned to the construction of a project should be requested to provide input into Design meetings on a periodic basis.</p>  | <p>Done.</p>                               | <p>N/A</p>                         | <p>N/A</p>                         |

| Audit Report                       | Recommendation  | Management response | Original due date | Current due date |
|------------------------------------|---|---------------------|-------------------|------------------|
|                                    | 4.13<br>All capital projects should have a learnings document created and stored in a learning database to benefit future projects.   | Done.               | N/A               | N/A              |
|                                    | 4.14<br>RCD should review the form and content of the information currently provided to the SI.   | Done.               | N/A               | N/A              |
|                                    | 4.15<br>One file used to track issues and resolutions during the design stage can be updated as necessary and provides a history that can be a source for a learnings database.   | Done.               | N/A               | N/A              |
|                                    | 4.16<br>RCD management should ensure that the boxes are processed per the Region's Records Retention By-law and stored off-site.  | Done.               | N/A               | N/A              |
| Revenue Management - Other Revenue | 4.1<br>Transportation Services<br>Transportation Services management should ensure that a detailed process map is created for this function, which can be used as a reference for cross training and for succession planning, and that a resource is assigned to be cross trained in this role. | Done.               | N/A               | N/A              |
|                                    | 4.2<br>Transportation Services<br>Review the claims process to determine where time can be saved and the process shortened from 304 days to improve the timeline for the recovery of funds.   | Done.               | N/A               | N/A              |

| Audit Report | Recommendation  | Management response  | Original due date  | Current due date   |
|--------------|---|--|--------------------|--------------------|
|              | 5.1<br>Community & Health Services<br>Funds being deposited should be counted by two people, and the bank deposit slip prepared at the same time. Both individuals should sign the deposit slip as it provides an audit trail.  | Done.  | N/A                | N/A                |
|              | 5.2<br>Community & Health Services<br>Should ensure that private information is not included with journal entries and invoice requisitions sent to Finance for processing. In its place, a clearly visible note with the location of why the information was not included and where it could be found should be used.   | Done.  | N/A                | N/A                |
|              | 6.1<br>Finance <ul style="list-style-type: none"> <li>• Ensure that supporting documentation is included with invoice requisitions.</li> <li>• Review and update the Collection of Accounts policy to:               <ul style="list-style-type: none"> <li>○ Include the requirement for supporting documentation to help ensure calculations are correct, timely and to the correct client.</li> <li>○ Make any other updates to the Policy as deemed necessary.</li> </ul> </li> </ul> | Done.<br><br>Collection of Accounts Policy has been updated to include the requirement for supporting documentation. A report requesting Council approval of this change will be submitted in Q2 2017. | N/A<br><br>Q3 2016 | N/A<br><br>Q2 2017 |

| Audit Report | Recommendation   | Management response   | Original due date | Current due date |
|--------------|--|---|-------------------|------------------|
|              | 7.1<br>Finance & Environmental Services<br>Put into motion a plan to resolve older recurring journal entries and available funding.  | Done.<br>Draws on old securities provided from Prepaid Development Charge Agreements are completed. Quarterly draws will continue to be processed from Region held securities on ongoing capital projects as applicable. A review of open capital projects funding was completed and all completed capital projects up to 2013 were fully funded and closed in alignment with a proposed capital closure policy developed by Corporate Finance. | N/A               | N/A              |
|              | 8.1<br>Finance<br>Implement the automation of dunning letters to save on valuable resource time and help ensure the negative impacts to cash flow are minimized.                         | Automation of dunning letters is scheduled to be implemented Q1 2017.   | Q4 2016           | Q1 2017          |
|              | 9.1<br>Finance<br>Review the invoice requisition process to determine if the standard five day invoice requisition processing time remains valid, or whether the standard should change. | Done.   | N/A               | N/A              |
|              | 9.2<br>Regional Clerk's Office<br>Should update the Schedule of Fees and Charges in both sections on the intranet.   | Done.   | N/A               | N/A              |

| Audit Report   | Recommendation  | Management response   | Original due date | Current due date |
|--|---|---|-------------------|------------------|
| Environmental Services – Operations Maintenance & Monitoring | <p>4.1<br/>OMM work with IAM to resolve the noted asset inventory discrepancies.</p>  | <p>Work continues to create preventative maintenance tasks and correct asset inventory discrepancies. Work on Section 21 is required to verify the number of installed assets and to implement an equipment framework that will correctly manage 100% of the installed assets.</p>  | Q4 2019           | Q4 2019          |
|  | <p>OMM continue updating the protocol used to identify assets needed to be entered into MAXIMO from an asset maintenance perspective.</p>   | <p>Work continues on Section 21 with a revised approach to reflect improved asset management principles. The change in scope to incorporate asset hierarchies and equipment numbering for this project has been implemented. While this new approach is more comprehensive, it will require an extension of the implementation date from the original estimate.</p> | Q4 2016           | Q3 2017          |
|  | <p>4.2<br/>OMM continue with the implementation of an input screen to help in updating the MAXIMO inventory base whenever it changes.</p>   | <p>Done.</p>  | N/A               | N/A              |
|  | <p>OMM should also perform a full inventory of all their MAXIMO assets to establish a baseline of actual assets within each facility.</p>   | <p>Work continues on Section 21 of the design guidelines to put in place the framework to manage both installed assets and those involved with ongoing expansion or upgrade projects.</p>   | Q4 2019           | Q4 2019          |
|  | <p>OMM should develop and implement annual inventory verification routines that spot check an acceptable level of asset inventory using ‘book to floor’ and ‘floor to book’ asset verification.</p> | <p>Done.</p>  | N/A               | N/A              |

| Audit Report | Recommendation  | Management response  | Original due date | Current due date |
|--------------|---|--|-------------------|------------------|
|              | <p>4.3<br/>Spare parts inventory program create detailed plans and process flows to help ensure that management controls over the inventory are sufficient.</p>   | <p>Detailed plans and process flows have been completed; however they remain in draft pending the implementation of the MAXIMO 7.6 upgrade. Implementation, once the MAXIMO upgrade is complete, is anticipated for Q4 2017.</p>   | Q4 2016           | Q4 2017          |
|              | <p>4.4<br/>The backlog listing should be reviewed:</p> <ol style="list-style-type: none"> <li>1. To determine which codes are required and who may require them.</li> <li>2. Reiterate to all MAXIMO users the proper protocols for entering a Level code, with particular attention to Level 5 codes.</li> <li>3. Reiterate to all MAXIMO users the importance of descriptions to help schedule work order assignment to mechanics and electricians.</li> <li>4. Reiterate to all MAXIMO users the importance of timely resolution of the work –order in MAXIMO.</li> <li>5. Determine the required work necessary to complete this work order.</li> </ol> | <p>Done.</p> <p>Status codes will be incorporated into the MAXIMO 7.6 upgrade with an expected completion date of Q1 2017. Communication to staff will formally occur through training when the upgrade is complete. Expected completion date of training Q2 2017.</p>               | N/A               | N/A              |
|              |   |  | Q2 2016           | Q2 2017          |
|              |   |  | Q2 2016           | Q2 2017          |
|              |   |  | Q2 2016           | Q2 2017          |
|              |   |  | Q2 2016           | Q2 2017          |
|              | <p>4.5<br/>Tablets which are not needed by the current user to provide desktop or laptop computer functionality will be reassigned. A redeployment plan will be developed in Q1 2016.</p>   | <p>Done.</p> <p>It was determined by Corporate IT that all existing tablets had to remain in place as desktop workstations until a replacement solution was determined. Hardware and software testing is ongoing to better utilize these tablets related to workflow management.</p> | N/A               | N/A              |

| Audit Report | Recommendation  | Management response  | Original due date | Current due date |
|--------------|---|--|-------------------|------------------|
|              | <p>4.6<br/>For some types of work orders, predominantly level 1 thru 4, a triage system should be piloted to determine if tradespersons could be more effectively and efficiently dispatched to perform their work.</p>   | <p>Done.</p> <p>Triage system not practical due to logistics. Communication to staff regarding the need for greater level of detail has occurred in team meetings resulting in some improvement. More comprehensive training to take place following the MAXIMO 7.6 upgrade in 2017.</p>   | N/A               | N/A              |
|              | <p>4.7<br/>OMM management should continue constructing and finalizing an input page to be used by tradespersons in the field.</p>   | <p>Due to a staff leave of absence the new delivery date for the implementation of the more intuitive interface is Q1 2017.</p>  | Q3 2016           | Q1 2017          |
|              | <p>4.8<br/>Consultants contracted to provide complete and accurate asset information should be held accountable for incomplete and erroneous asset information.</p> <p>Explore the possibility to recoup the cost of having to review and correct any new asset information entered by consultants.</p> | <p>RFP for consultant issued in April 2016 for an updated asset tagging protocol to make asset tagging easier, and, more accurate and consistent.</p> <p>The new Section 21 of the Design Guidelines is being re written and will contain clearer definitions and requirements for asset identification and tagging. The guidelines will also include a better description of financial remedies. The anticipated completion date is Q4 2017. It should be noted that the original due date on the audit report indicated a completion date of Q4 2016. This was an error, and should have read Q4 2017.</p> | Q4 2016           | Q2 2017          |
|              | <p>4.9<br/>OMM management ensures that any future contracts issued for tender follows the Surety Bond Policy and associated procedures.</p>   | <p>Done.</p>   | N/A               | N/A              |

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|                              | 4.10<br>A current, blanket COI should be collected by Finance – Insurance & Risk for the contractor executing the diesel generator maintenance.  | Done.   | N/A               | N/A              |
|                              | 4.11<br>OMM management should arrange for preventative maintenance to be performed on the portable diesel generators as per the contract with the contractor responsible for this work.<br><br>Missing documentation should be investigated and collected to help ensure that all equipment is being maintained as per the standards followed. | Done.<br><br>Done.  | N/A<br><br>N/A    | N/A<br><br>N/A   |
| Finance – A/P & Procurements | 4.1<br>Consider implementing a stamp for departments to use for invoice approval / general ledger coding.<br><br>Reiterate to staff the requirement for segregation of duties between purchase commitment and payment authority.   | Done.<br>The cost of implementing a standardized stamp Region-wide was prohibitive. Staff will be required to print their name on the invoice beside their signature. Failure to provide this information will result in the invoice being returned for proper completion.<br><br>Done.<br>The revision of the Authorization for Payment of Goods & Services Policy has been finalized and approved by the CAO. The Policy includes the requirement for segregation of duties between purchase and payment authorization. | N/A<br><br>N/A    | N/A<br><br>N/A   |

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|              | <p>4.2<br/>Tender Bid Request Form is updated to clarify the requirement for advertising in the DCN.</p> <p>Consider implementation of an electronic procurement filing system to reduce likelihood of misplacing key documents, and, create a more consistent standard file set-up.</p>   | <p>Done.</p> <p>Done.</p>   | <p>N/A</p> <p>N/A</p>     | <p>N/A</p> <p>N/A</p>     |
|              | <p>4.3<br/>A formal process be developed to ensure compliance with the policy of annual reviews of designated authorities.</p> <p>Department heads perform annual review of the designated approval authorities and report results to Finance for updates.</p>   | <p>Done.</p> <p>Automated signing authority forms have been developed. New requests will use the automated forms. Departments will be required to update existing forms to the new format. It is anticipated that the updates to the existing forms will be completed by Q4 2017.</p> | <p>N/A</p> <p>Q4 2016</p> | <p>N/A</p> <p>Q4 2017</p> |
|              | <p>4.4<br/>Compare all NSA forms to purchasing course training records. Where the course has not been attended, a deadline established for attendance. If not attended, the NSA form should be revoked.</p> <p>NSA form should include the requirement for attendance to the purchasing training course and employee statement that the course was attended or scheduled attendance.</p> | <p>Done.</p> <p>Done.</p>   | <p>N/A</p> <p>N/A</p>     | <p>N/A</p> <p>N/A</p>     |

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|  | <p>4.5<br/>Authorization of Payment of Goods and Services Policy is updated to clarify approval limits for Project Managers, include the segregation of duties between purchase commitment and payment approval.</p> <p>Purchasing Tool Kit be updated to clearly identify the requirement for a purchase order for purchases above a specified dollar limit.</p>    | <p>Done.<br/>The update to the Authorization for Payment of Goods &amp; Services has been approved and includes a requirement for segregation of duties between purchase and payment authorization, and establishes limits for Project Managers.</p> <p>A Policy will be formulated to identify circumstances that warrant the issuance of a purchase order as part of the Purchasing By-law update.</p>   | <p>N/A</p> <p>Q3 2017</p> | <p>N/A</p> <p>Q3 2017</p> |
|  | <p>4.6<br/>Perform a thorough review of the purchase orders identified as having errors and omissions and correct them in the system.</p> <p>Perform an annual review of unused purchase orders beyond a certain age to identify instances where invoices are being processed without being applied to a purchase order or directly to a general ledger account.</p> | <p>Done.</p> <p>Done.</p>  | <p>N/A</p> <p>N/A</p>     | <p>N/A</p> <p>N/A</p>     |
| <p>Transportation Services – Health &amp; Safety on Capital Projects</p> | <p>4.1<br/>TS – Capital Planning &amp; Delivery ensure H&amp;S documentation is collected as required by the Contractor / Constructor Safety Policy &amp; Guide</p> <p>CS - Human Resources update the Contractor / Constructor Safety Policy &amp; Guide.</p>   | <p>Done.<br/>List of required H&amp;S documentation added to template tender documents. Checklists created to ensure documents received prior to start of construction. Corporate Services has confirmed that CAD-7 reports need to be submitted by contractors who are part of this WSIB program. Template tender document updated to include this requirement.</p> <p>It is estimated that the review and approval process will be completed in Q2 2017.</p> | <p>N/A</p> <p>Q2 2017</p> | <p>N/A</p> <p>Q2 2017</p> |

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|                               | 4.2<br>TS – Capital Planning & Delivery ensure that the performance of a field audit is captured in all bi-weekly meetings and followed-up for any future dated resolutions.  | Done.<br>Major Capital Contracts: Meeting Agenda modified to include “H&S Audit” item.<br>Minor Capital Contracts: Standard location in project files for H&S Audits and responses discussed with Construction Administrators.<br>Template PMF document modified to include separate item for “H&S Audits and Contractor Responses”. | N/A                    | N/A                    |
|                               | 4.3<br>TS – Infrastructure Management and PMO continue to work towards a workable project file solution.  | Management plans to review management of Health and Safety documents in Q1 and Q2 of 2017.<br>Implementation for Q4 2017.  | Q4 2017                | Q4 2017                |
|                               | 4.4<br>Implementation of the CityWorks permit application to reduce the risk of the Region becoming a Contractor through incorrectly issued road permits  | Done.<br>CityWorks permitting module has been launched and is being employed to address the Contractor issue concerns. Ongoing training and enhancements to optimize the process and usage of CityWorks will continue.   | N/A                    | N/A                    |
| CHS - Housing Capital Repairs | 4.1<br>Management should: <ul style="list-style-type: none"> <li>• Review contract requirements to ensure Schedule C and Schedule A are completed</li> <li>• Implement a process to ensure these and other contract requirements are completed</li> </ul>                         | Chief Financial Officer, Director of Program Funding was hired in October 2016. Loan program requirements will be reviewed in early 2017 and full program requirements are expected by Q4 2017.  | Q4 2017                | Q4 2017                |
|                               | 4.2<br>Management should: <ul style="list-style-type: none"> <li>• Ensure that interest is calculated, tracked and reported annually to housing providers</li> <li>• Move forward with the development and implementation of the integrated Housing Solutions software</li> </ul> | Significant progress was made on the development of the financial module of the software in Q4 2016.<br><br>Implementation of the financial module is expected by Q2 2017, followed by the wait list and rent supplement modules in Q4 2017.   | Q4 2017<br><br>Q4 2018 | Q4 2017<br><br>Q4 2018 |

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|              | <p>4.3<br/>Management develop and implement formal policies and procedures for the administration of the loan program.<br/>This program should include interest tracking and management.</p>   | <p>Formal policies and procedures to be developed by Q4 2017.</p>   | <p>Q4 2017</p>    | <p>Q4 2017</p>   |
|              | <p>4.4<br/>Management should:</p> <ul style="list-style-type: none"> <li>• Ensure housing providers selection process is in compliance with the provincial requirements for future programs</li> <li>• Develop / implement a formal process to ensure the reporting requirements for provincial flow through fund programs are met and in compliance with the Transfer Payment Agreement</li> <li>• Consider drafting a tenant waiver agreement to ensure access to the required electrical billing and usage data</li> <li>• Ensure the draft agreement with housing providers captures the applicable reporting requirements and consider including a clause in the agreement to grant Region access to electrical information on their behalf</li> <li>• Determine the frequency of collecting this data</li> </ul> | <p>An application process was developed for the new federal and provincial funding program. Applications were released to Housing Providers in September 2016 and the application processed closed in October 2016. Applications were then evaluated by a multidisciplinary evaluation team. And Housing Providers will be notified of their funding award in early 2017.<br/>Where required, a tenant waiver agreement will be circulated to impacted housing providers for execution in early 2017.</p> | <p>N/A</p>        | <p>N/A</p>       |
|              | <p>4.5<br/>Management should develop a formal policy and process document for the administration of the government flow through funding programs.</p>  | <p>General policies and procedures will be developed by Q4 2017.</p>  | <p>Q4 2017</p>    | <p>Q4 2017</p>   |

| Audit Report                                     | Recommendation   | Management response   | Original due date | Current due date |
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| Environmental Services – MRF Contract Compliance | <p>4.1<br/>Subsequent revisions to the operating agreement require 30 days written notice of cancellation to coincide with the standard insurance requirements for the Region.</p>   | Agreed.   | Q3 2020           | Q3 2020          |
|  | <p>4.2<br/>To assist the Region in ensuring the facility is operating in compliance with the operating agreement:</p> <ul style="list-style-type: none"> <li>• Include a three month rolling average for rear-load compaction tonnage to the spreadsheet used to monitor gate-to-gate times, loading times, and rear-load compaction. This would help in timely identification if minimum tonnage is not being achieved, or trending unfavourably.</li> <li>• Update the monthly averages spreadsheet to document reasons for unfavourable variances. Historical references can assist in identifying and correcting any future unfavourable variances.</li> <li>• Implementation of a checklist for use by cleaning personnel to ensure all items are performed as per the operating agreement and documented.</li> </ul> | <p>Done.</p> <p>Spreadsheet has been modified.</p> <p>Spreadsheet has been modified to assist in continuous improvement efforts at this facility.</p> <p>Checklist has been introduced by the Contractor to help ensure cleaning services is provided as per the agreement.</p> | N/A               | N/A              |
|  | <p>4.3<br/>The Contractor submits completed and signed due diligence questionnaires with their monthly invoices for applicable buyers that month.</p>  | Done. Contractor has been directed to submit completed and signed due diligence questionnaires with monthly invoices for first time end markets. They will be reviewed by Region staff for completeness and acceptability.  | N/A               | N/A              |