

Clause 5 in Report No. 1 of the Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on February 18, 2016.

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Audit Services Branch Report

Audit Committee recommends adoption of the following recommendation contained in the report dated January 26, 2016 from the Director, Audit Services:

1. Recommendations

It is recommended that this report be received for information.

2. Purpose

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

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 updates on the activities of the Audit Services Branch.

4. Analysis and Options

Audit Plan Execution

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

Audit Services Branch Report

Audit Reports Issued

The audit reports issued since the last Audit Committee meeting are:

- Finance Revenue Management – Other Revenues Audit Report (Attachment 2)
- Environmental Services – Operations, Maintenance & Monitoring – Maintenance Schedule Audit Report (Attachment 3)
- Outstanding Audit Recommendations Follow Up Audit Report (Attachment 4)

5. Financial Implications

There are no financial implications associated with this report.

6. Local Municipal Impact

There is no local municipal impact associated with this report.

7. Conclusion

A follow up of outstanding audit recommendations for audit reports issued prior to December 31, 2015 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, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through guidance provided by the *International Standards for the Professional Practice of Internal Auditing*.

For more information on this report, please contact Paul Duggan, Director, Audit Services at 905-830-4444 ext. 71205.

Audit Services Branch Report

The Senior Management Group has reviewed this report.

January 26, 2016

#6580961

Attachments (4)

1. Audit Services Branch Activities
2. Finance Revenue Management – Other Revenues Audit Report
3. Environmental Services – Operations, Maintenance & Monitoring – Maintenance Schedule Audit Report
4. Outstanding Audit Recommendations Follow Up Audit Report

Accessible formats or communication supports are available upon request

York Region
Audit Services Branch Activities

Project Name	Status
1. Environmental Services – Operations, Maintenance & Monitoring – Maintenance Schedule Audit Report	➤ Completed
2. Finance Revenue Management – Other Revenues Audit Report	➤ Completed
3. Outstanding Audit Recommendations Follow Up Audit Report	➤ Completed
4. Management Request – YRRTC Review	➤ Completed
5. Audit Services – Software upgrade project	➤ In progress
6. Management Request – Environmental Services – EEMS++ - data quality	➤ In Progress
7. Forensic Investigation	➤ In progress
8. Finance - Purchasing Audit	➤ Planning
9. Management Request – Review of IT Licensing/Contracts	➤ Planning
10. Transportation Services, Health and Safety	➤ Planning
11. Steering Committee – HRIMS and Payroll Review	➤ Advisory role
12. Member – Corporate Mobile Strategy Working Group	➤ Advisory role
13. ITS Governance – Portfolio Management Committee	➤ Advisory role
14. York Region Audit Services staff work with various audit associations and collectively hold the following positions: <ul style="list-style-type: none"> • Chair, Treasurer and Director of the Canadian Association of Local Government Auditors • Member, Association of Local Government Auditors Association Awards Committee, Nomination Committee and Advocacy Committee 	➤ Association work



***Finance Revenue Management –
Other Revenues Audit Report***

December 2015

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1.0 Management Summary

We have completed an audit of the following revenue streams:

- Recovery of damage to regional property by vehicles
- Senior's Services
- Recoveries from third parties
- Letters of credit
- Other fees and services

These revenue streams cumulatively represent 5% of the Region's total revenue stream of \$2.3 billion, as per Finance information. The more significant revenue streams have been covered in other audits performed by Audit Services, KPMG and / or the Ontario Government.

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

We have concluded that, overall, there is a sufficient level of controls over the recording, tracking, and reporting of transactions for period end reporting.

Areas where management controls should be strengthened have been highlighted in the Detailed Observation section of this report. Observations include development of more detailed level process manual for the accident claims processes, resolution of ongoing capital funding accruals, dual signatures on bank deposit slips, and updating the Collection of Accounts Policy.

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 Finance, Environmental Services, Transportation Services, Community & Health Services and Corporate Services for their co-operation and assistance provided during the audit.

2.0 Introduction

Traditionally, expense control and cost cutting garners a fair amount of attention from Region management to help manage budget constraints. Just as important, however, is the necessity of ensuring the timely movement of funds into the Regional office.

With the assistance of Finance, Audit Services identified over twenty nine different revenue streams within the Region using January 1 to December 31, 2014 financial statements. To determine which streams to review at a more detailed level, Audit Services considered the following issues:

- Had the revenue stream been audited recently under another audit?
- Was the stream scheduled to be audited in the timeline covered by Audit Services' Four Year Audit Plan?
- How significant could the stream become over the next few years?
- How familiar were we with the stream and the processes behind it?

After consideration of these questions, Audit Services assessed the risks associated with each stream and assigned each a measure of high, medium, or low. The resulting selection of streams to be reviewed was:

<i>Revenue stream</i>	<i>Amount</i>
Recovery of damage to regional property by vehicles	\$1,000,000
Senior's Services	1,738,000
Recoveries from third parties	30,517,000
Other fees and services	34,380,000
Letters of credit	48,807,000
Total	\$116,442,000

Collectively, these streams represent approximately \$116,442,000, or 5%, of the \$2.3 billion revenue stream identified on the Region's year end December 31, 2014 financial statement.

To determine the sample to be selected for each stream, Audit Services used data analysis software to select a random sample of 20 transactions from each stream. The selected sample for each stream was traced back to supporting documentation that included journal entries, accounts receivable invoices, duly signed letter of credit draws, spreadsheets within operational departments and bank deposit slips.

3.0 Objectives and Scope

Audit Objectives

The objectives of this engagement are:

- At a high level, identify and understand the origins of the various revenue streams at the Region from which to select revenue streams for review.
- Ensure management controls over the selected number of revenue streams are adequate.

Audit Scope

The audit objectives will be accomplished through:

1. Obtaining a background understanding, with the assistance of Finance, of the various revenue streams.
2. Identify revenue streams for audit, considering previous audits covering revenue streams, future planned audits and work performed by KPMG on material revenue streams.
3. Interviews with the individuals responsible for the revenue streams selected for review.
4. A review of documentation and sufficient detail testing of management controls relating to the selected revenue streams to satisfy objectives.

4.0 Detailed Observations

Recovery of damages to regional property by vehicles

4.1 **Transportation Services ensure that the current processes used for the recovery of damages to regional property from vehicles is captured for succession planning and cross training purposes**

Observation

A detailed process narrative or map for the activities to recover for damages to regional property by vehicles has not been created. A high level process narrative does exist, however it cannot be used for cross training.

This portfolio is currently administered by one employee, which leaves the Region vulnerable should that employee become unavailable to manage the process. It would negatively impact on the current 98% recovery rate for accident damages, as reported by management.

This activity is a unique function, as it coordinates internally with York Regional Police, Transportation Services, Legal and Finance Departments. Externally it communicates with drivers, insurance companies and collections.

The level of activity and complexity for this function has increased year over year as more drivers are on regional roads.

Recommendation

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.

This would help to ensure that the process is captured and the recovery rate is not negatively affected.

Management Response

Management agrees – the creation of a detailed process map is in progress and should be completed by end of Q2 2016. A request for a resource to be cross-trained in this function\area will be posted early January and is expected to be filled by end of Q2 2016.

4.2 **Transportation Services review the process used for the administration and collection of accident claims in an attempt to shorten the collection period which currently takes approximately 304 days**

Observation

An analysis of the timeline from the accident date, obtained from the York Regional Police Motor Vehicle Accident Report, to the cheque deposit date, as per Finance deposit records, highlighted that it takes on average 304 calendar days (10 months) to administer and collect restitution.

As the Region's traffic pressures grow there will be more accident damage to regional property and a subsequent demand on the Region's resources to administer the restitution process.

If restitution cannot be obtained, the Region may still have recourse through the Motor Vehicle Accident Claims Fund provided by the Province. The maximum recoverable per occurrence is \$10,000, and an application for restitution takes 6 months to process.

Before an application can be made, legal action is required to obtain a judgment for accidents over \$3,000.

Recommendation

Transportation Services review the process to determine where time can be saved and the process shortened to improve the timeline for the recovery of funds.

Management Response

Management agrees – the current average timeline reflects the impact of multiple stakeholders. TRN staff will review the entire process and seek opportunities to improve the process and shorten the average timeline. Anticipated completion date is Q3 2016.

Senior's Services

5.1 Community & Health Services ensure that bank deposits are signed by the two individuals who count the funds being deposited

Observation

A review of the selected transactions within this category revealed that bank deposit slips are being prepared with only one signature. This indicates that only one person could be counting and preparing the deposit.

In the sample of 20 transactions selected for review in this revenue stream there were three transactions containing bank deposit slips. None had two signatures to indicate two people had counted and prepared the deposit.

When a bank deposit is prepared by one individual, the risk of an error occurring re the deposited amount increases.

Recommendation

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 over the counting and control of the funds in cases where there is a discrepancy in the amount deposited.

Two people counting the funds being deposited will also reduce the risk of counting errors.

Management Response

The recommended process of two people counting and signing the bank deposit slip has been implemented in the Senior's Services.

The department will communicate with other program areas to ensure they have two people counting and signing bank deposit slips.

5.2 Community & Health Services ensure that private information is not included with journal entries

Observation

We noted journal entries that included supporting documentation containing client information of a private nature. People's names, with reference to the program they attended, were included as part of the supporting documentation.

As per discussion with the Access & Privacy Officer within the Clerk's Office, the inclusion of this information did raise a privacy concern.

Recommendation

Community & Health Services (C&HS) management 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.

The Access & Privacy Office also offered to meet with C&HS should they have any questions relating to any privacy concerns.

Management Response

Client identifying information is no longer included on journal entries or invoice requisitions prepared for the Seniors Services programs to protect the privacy of clients in the program.

Initials and the extension of the preparer of the journal entries is included on all journal entries, providing a point of contact for additional supporting documentation if required.

A review of other documents sent to Corporate Finance will be undertaken for other CHS programs with the assistance of the Access and Privacy Office to ensure appropriate procedures are in place to ensure the privacy of program clients.

Recoveries from third parties

6.1 Finance ensure that supporting documentation accompanies invoice requisitions and update the Collection of Accounts Policy

Observation

Supporting documentation is not currently included with all invoice requisitions. Testing of the selected sample of 20 for this revenue stream found three transactions did not include supporting documentation with the invoice requisition.

Two invoice requisitions were for lease agreements where a copy of the lease schedule could be used to support the request. One invoice requisition was for tree replanting from construction activity where a copy of the invoice or work order could be used to support the request.

The Collections of Accounts policy, last updated in 2010, is silent on supporting documentation requirements.

Supporting documentation helps the Controllershship Office to ensure that an invoice is issued in the correct amount, to the correct client and on the correct dates.

Recommendation

Finance should:

1. Ensure that supporting documentation is included with invoice requisitions;
2. Review and update the Collection of Accounts policy to:
 - a. Include the requirement for supporting documentation to help ensure calculations are correct, timely and to the correct client.
 - b. Make any other updates to the Policy as deemed necessary.

Management Response

Agreed. We will ensure that supporting documentation is included with invoice requisitions. The Collections Policy will be updated to incorporate these changes by Q3 2016.

Letters of credit

7.1 **Environmental Services and Finance representatives should resolve repeating period end journal entries relating to Water & Wastewater capital projects**

Observation

Environmental Services makes a number of monthly accruals relating to Water & Wastewater capital funding which could be funded from Region held securities (i.e. letters of credit, certified cheques). For example, \$768,484 related to the Nobleton Water Pollution Control Plant (WPCP) has been accrued for at least four years. The Nobleton WPCP security has a balance remaining of \$317,165. The developer could be approached for any shortfall in the security to provide additional funds where required.

Some of the capital infrastructure funded has been operational for a number of years. Delays in drawing on these types of securities could be due to the age of the related projects and associated project documentation, lack of historical draw information or no advisement from the project manager to draw on the securities.

Audit Services met with Finance and Environmental Services representatives to discuss the information required by both parties to allow for the related securities to be resolved.

Recommendation

Finance and Environmental Services representatives put into motion a plan to resolve older recurring journal entries and available funding.

Management Response

Environmental Services and Corporate Finance agree that Region held securities should be accessed to pay for any capital projects funded by developers, and that developers should be approached for any shortfall in securities where necessary. Quarterly draws from Regional held securities are currently being done on any ongoing capital projects however, there remains some work to be done to clear up draws and securities on some older capital projects where substantial completion has been achieved. Staff from Environmental Services and Corporate Finance will continue to work together throughout 2016 to close or explain all old securities (e.g. letters of credit) by the end of Q4 2016. Working together on this will help in ensuring that the securities being held are sufficient for the projects related to them. By the end of Q4 2016, Environmental Services and Corporate Finance will complete a review on the funding of all open capital projects and fully fund and close out any completed capital projects. This will eliminate the need for ongoing funding accruals on these projects and ensure that capital projects have been appropriately funded. It should be noted that a release for the \$317,165 balance of securities pertaining to Nobleton WPCP was initiated in early January 2016. The \$768,484 accrual will be resolved as part of the funding review to be completed in 2016.

Other fees and services

8.1 Automation of dunning letters to help ensure past due accounts are collected

Observation

Of the 20 transactions sampled for this stream, five were invoices and three of the five took between 52 and 123 days to collect. We could not locate ‘past due notices’ which should have been sent to the clients to request payment.

The current process for the issuing of dunning letters is manually intensive. A project to fully automate the process is planned for 2016.

As per the Collections of Accounts, non-government sector accounts are to be issued a ‘past due notice’ between 31-60 days after the invoice date. At 61-90 days after the invoice date a second and final dunning letter is to be issued.

Accounts that are not collected on a timely basis negatively affect the Region’s cash flow.

Recommendation

Finance implement the automation of dunning letters to save on valuable resource time and help ensure the negative impacts to cash flow are minimized.

Management Response

Agreed. Automation of Dunning letters will be implemented in Q4 2016.

Related observations

9.1 Finance should review the current standard of issuing an invoice within five days of receipt of the invoice requisition

Observation

An examination of timelines for the issue of invoices related to the Other Revenue and Accident Claims revenue streams highlighted that it takes 7 days to issue an invoice once the invoice requisition is received by Finance.

As per the Collection of Accounts policy, Finance "must issue [an] invoice to the client within five working days" of receipt of the invoice requisition.

Recommendation

Finance should review the invoice requisition process to determine if the standard five day invoice requisition processing time remains valid, or whether the standard should change. Turnaround time for invoice requests helps to maximize cash flow for the Region, and is a positive customer service standard for client Departments.

Management Response

Agreed. Timelines will be reviewed as part of the update of the Collection of Accounts Policy, scheduled for Q3 2016.

9.2 The Regional Clerk update the Schedule of Fees and Charges on the intranet

Observation

The Schedule of Fees and Charges in the Bylaw index portion of the internet is up-to-date. However, on the Policy portion of the intranet it is listed as last updated in June 2002.

The fee schedule on the internet is up-to-date; January 2015.

Recommendation

Regional Clerk's Office should update the Schedule of Fees and Charges in both sections on the intranet. This will help to ensure that staff has access to the most recent version of the schedule, and not use any old rates in error.

Management Response

Done. The outdated link to the Schedule of Fees and Charges on the intranet has been updated. Steps have been taken to ensure that annual updates to the Schedule of Fees are reflected in both the Policy and Bylaw Index areas on the intranet.

Original signed by

Erin Mahoney
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**Environmental Services –
Operations, Maintenance &
Monitoring – Maintenance Schedule
Audit Report**

December 2015

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1.0 Management Summary

We have completed an audit of the Environmental Services Operations, Maintenance & Monitoring (OMM) - Maintenance Schedule. Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

We have concluded that, overall, there is a sufficient level of controls over the creation and execution of the maintenance schedule performed by Centralized Maintenance Support. However we did note specific opportunities for improved inventory data collection, increasing the functionality of MAXIMO through a more complete asset inventory from which maintenance routines can be scheduled, the creation of a 'triage' process to approve work orders for scheduling and use resources more efficiently, and, providing more useful electronic tools to maintenance employees in the field executing the maintenance schedule.

Areas where management controls should be strengthened have been highlighted in the Detailed Observation section of this report. These observations have been discussed with management who have agreed to the observations and 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 staff in Environmental Services – Operations, Maintenance & Monitoring for their co-operation and assistance provided during the audit.

2.0 Introduction

The Centralized Maintenance Support (CMS) Team provides the following maintenance services:

- Maintain drinking water systems including ground and surface water supply.
- Maintain wastewater treatment facilities and collection systems.
- Maintain pumping stations and linear assets in the York Water System and the York Durham Sewage System.
- Conduct program driven mechanical and electrical maintenance.

The software employed by this group is called MAXIMO. It is a computerized asset maintenance system that provides asset management, work management, materials management and purchasing capabilities to help in maximizing productivity and extend the life of the Region's water & wastewater infrastructure.

Work orders are created in MAXIMO for various maintenance activities; preventative, legislated and repairs to / replacement of assets related to water & wastewater facilities. On a weekly basis MAXIMO provides a preliminary schedule to CMS management, whom reviews, modifies and helps to ensure that the assignments are distributed adequately to the mechanics and electricians that will be performing and reporting on the work once it is accomplished.

This asset maintenance serves a number of purposes:

1. Prolongs the life of the asset.
2. Satisfies regulatory requirements.
3. Helps to avoid unexpected failures by detecting potential problems early.

Audit Services attended a day in the field with one employee of the CMS Team. This provided us an opportunity to observe first-hand the accomplishment of the work and understand some of the challenges faced by CMS. We noted a number of opportunities for potential process improvements that included: tracking inventory tools and equipment held in service vehicles, introduction of a 'triage' process for work order validation and cost savings by eliminating issued laptops and associated connectivity charges.

Observations were also noted to update the asset base within MAXIMO that has gradually grown out of date due to a process gap. The creation of a spare parts inventory to shorten lead times for the procurement of some parts requires more details into how the inventory will be managed. The proper process of creating work-order requests should be reiterated to field personnel to help improve the clarity surrounding a request, and the severity of the problem to be resolved.

3.0 Objectives and Scope

Audit Objectives

The objectives of this engagement are:

- At a high level, identify and understand how the maintenance schedule is developed and structured.
- Ensure data within Maximo that is pertinent to the development of the maintenance schedule is relevant and accurate.
- Ensure management controls over the execution of the maintenance schedule are adequate.

Audit Scope

The audit objectives will be accomplished through:

1. Interviews with the individuals responsible for the development and structuring of the maintenance schedule.
2. A review of documentation and sufficient detail testing of management controls relating to the development and execution of the maintenance schedule.
3. Attending selected scheduled maintenance activity.

By necessity, our review will require discussions with selected personnel within the Operations Maintenance and Monitoring branch.

4.0 Detailed Observations

4.1 Noted asset inventory discrepancies should be resolved

Observation

During the course of the audit it was noted that not all assets in MAXIMO had an associated asset tag. Further inquiry with OMM and Infrastructure Asset Management (IAM) noted that a recent study by IAM, a study that included site assessments for all Region water and wastewater facilities, noted a similar observation.

For example, as per the site assessment for the Joe Dales Pumping Station, an observation noted that more than 30% of the assets were untagged and one asset at the location was listed as being in another location. Similarly, the site assessment for the Dr. Kay Pumping Station noted a variety of issues including assets installed during a renewal project and not tagged or entered into MAXIMO, assets from other facilities were present on the site, tagged assets not in MAXIMO, and assets in MAXIMO and not on site.

A review of an inventory listing for the London Road Elevated Tank noted that cellphone transmission equipment not belonging to the Region was listed and tagged as an asset. Floor slabs are also listed, together with walls, fences, sod, and landscape.

Audit Services noted that the protocol that directs the tagging and identification of new assets in newly constructed water and waste facilities was being updated. The objective of the update is to better direct the tagging of assets needed by OMM to avoid interruption in service delivery.

An inaccurate assets inventory within MAXIMO could negatively impact maintenance routines as they cannot be identified for inspection or removal and replacement.

Recommendation

OMM work with IAM to resolve the noted asset inventory discrepancies.

OMM continue updating the protocol used to identify assets needed to be entered into MAXIMO from an asset maintenance perspective.

Management Response

As identified on OMM's 2015 Performance Plan, a project is currently underway to review and update the preventative maintenance program for all water and wastewater facilities and correct asset inventory discrepancies for process equipment as required. Currently, OMM's work management system contains over 33,000 assets. Given the complexity and scope of the work plan, required resources were provided by:

1. A two year secondment for specific operational technical support in early 2015.
2. Re-prioritization of work assignments for three additional staff within the business unit to provide part time resources to conduct this preventative maintenance and asset inventory update work.
3. Addition of a two year, temporary Work Management Systems Coordinator in late 2015.

With these resource levels and given that information on over 33,000 Assets needs to be updated, OMM anticipates completing this large and complex project by end of 2019.

OMM is working with Infrastructure Asset Management to update the protocol that directs the tagging and identification of assets at the conclusion of capital projects (Section 21 of the Design

Guidelines). This update will be completed in Q4 2016 and will better address the scope of assets to be tagged, the manner of tagging and all required parameters. Verification that asset data has been received from the consultant is now included on the pre-commissioning audit checklist. Quality assurance of received data is undertaken by OMM staff.

4.2 There is no process to update MAXIMO when old assets are replaced by new assets

Observation

In the past there has been no process to identify and tag newly commissioned assets that are replacing old decommissioned assets at water and wastewater facilities. OMM management has identified this process gap and are in the process of introducing an input screen for MAXIMO from which the asset base can be updated on an ongoing basis.

Without an accurate inventory of all assets, management cannot ensure that maintenance is being performed in an effective and efficient manner.

Recommendation

OMM continue with the implementation of an input screen to help in updating the MAXIMO inventory base whenever it changes.

OMM should also perform a full inventory of all their MAXIMO assets to establish a baseline of actual assets within each facility.

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.

Management Response

In Q1 2016 OMM is implementing a new Change Management Guideline and Form to systematically manage the process of commissioning and decommissioning water and wastewater assets as needed.

A limited project is currently underway to correct asset inventory discrepancies for process equipment. At current resource levels, OMM anticipates completing this project by end of 2019. After completing the update of the protocol to identify assets (Section 21 of the Design Guidelines) OMM plans to perform a full inventory of assets and realign information on these assets to the updated Section 21 standards.

IAM conducts routine annual visual inspections of select facilities and identifies asset discrepancies, including both ‘book to floor’ and ‘floor to book’, to OMM for correction.

4.3 A more detailed plan, with deliverables, timelines and periodic reporting, is necessary for the project to create a spare parts inventory

Observation

There are no detailed plans that include timelines, process mapping and periodic reporting for a spare parts inventory storage area being constructed at the 380 Bayview Parkway location. A high level draft justification was provided to management and reviewed by Audit Services.

The spare parts inventory, intended to house items such as consumables and certain parts that have lengthy lead times, was estimated to potentially house over \$1 million in inventory.

Without a more detailed plan there is the risk that assumed timelines might not be met, anticipated process flows might not be realistic, and, the space allocated for the inventory may not be adequate.

Recommendation

Management should continue to create a spare parts inventory program. However, detailed plans and process flows should also be developed to help ensure that management controls over the inventory are sufficient to provide for efficient, effective, accurate and timely inventory management.

Management Response

A new Stores & Inventory Control Coordinator position was approved and filled in July 2015. Detailed plans and a process for inventory control will be developed starting in Q2 2016, with expected implementation to be finalized by the end of Q4 2016.

4.4 Review of backlogged maintenance requests highlights opportunities for improvement in a number of areas

Observation

A sample of 10 backlogged work orders with a priority code of 4 or 5 in MAXIMO were reviewed with management. A work order is considered backlog if the work order is still open and the target finish date and/or the scheduled start date are in the past. Level 5 and 4 priority codes require action between 0 – 8 hours, and, 9 – 48 hours, respectively. Level 5 codes are considered emergencies and will get the most immediate attention and could result in mechanics and / or electricians pulled from the current schedule to address the emergency.

Our review noted the following observations:

1. Management identified to us that there are too many status codes available for user selection when creating a work order. Presently there are 28 codes to choose from, and realistically only 6-8 codes are needed as per management. Some codes will bypass the Scheduler and will not appear as a new work order to be assigned. This was the case for one Level 5 work order entered by field personnel.
2. Level 5 codes, indicating an emergency situation, should only be keyed in by the Control Panel Operators responsible for monitoring SCADA water system status. Without Control Panel monitoring the event, log entries cannot be made to follow problem resolution. In one case a separate work order was created by a field operator when a work order for the same facility existed for a number of other issues. Having the work coordinated under one work order helps to facilitate the monitoring and resolution of issues.
3. Descriptions on four work orders, determined to be Level 5 by the individuals who created them lacked clear observations as to the actual severity of the problem. Level 5 status work orders could result in valuable resources being diverted to resolve the issue(s) of a lesser severity than noted.

A similar experience occurred during our day in the field where a work order was created to investigate why an illegal entry alarm was not received by Control Panel Operations. The tradesperson was not able to repeat the condition noted.

4. One case where the work had been performed, however the work order had not been updated nor any paperwork submitted.

5. One case that has been outstanding for 231 days. It was speculated that we were awaiting the manufacturer of the part in question to attend and perform testing. A date had not yet been scheduled.

Recommendation

A backlog listing serves the purpose of highlighting potential issues to management. To function properly, a backlog listing should be free and clear of any information that would hinder management from addressing any real issues.

1. OMM management review the 28 status codes and reassess which codes are required and who may require them. Access to status codes should be restricted according to justified needs. The proper use of status codes should be reiterated to all necessary MAXIMO users.
This would help in reducing the number of status codes in use, and subsequently the number of status codes used in error.
2. OMM management reiterates to all MAXIMO users the proper protocols for entering a Level code, with particular attention to Level 5 codes.
3. OMM management reiterates to all MAXIMO users the importance of descriptions to help schedule work order assignment to mechanics and electricians.
4. OMM management reiterate to all MAXIMO users the importance of timely resolution of the work –order in MAXIMO.
5. OMM management determines the required work necessary to complete this work order.

Management Response

The Maximo Enhancement Team has reviewed the status list to narrow it down and better align with work management best-practices. This list will be brought to the OMM management team for discussion and finalization in Q1 2016.

In Q2 2016, OMM management will re-communicate to all staff the proper use of priority codes as well as expectations regarding work order descriptions, timely resolution of work orders to minimize backlog of routine work and the Team Leads' role in determining the level of effort to complete a work order.

4.5 Computer tablets issued to electricians and mechanics to be taken into the field and used during daily activities are not being used

Observation

Sixteen Panasonic computer tablets, hardened with the intention of being used at job sites, are left on desks in the office during the day. The cost of one tablet is \$6,000, with an additional connectivity fee of \$50 per month per tablet.

Further discussion also noted that there are an additional 20 tablets sitting in storage.

The sixteen tablets were initially provided to facilitate input of maintenance activity into MAXIMO, and provide office connectivity for the trades during the course of the day. Soon after the issuance of the tablets, the electricians and mechanics were issued corporate cell phones, which allowed them the same or better connectivity and graphical performance as the tablets, and are much more convenient to carry around.

Recommendation

OMM management should reconsider the value being provided by the tablets. The connectivity fee should be terminated immediately. The 36 tablets noted could be reassigned where they will be used or sold to recover any residual value.

Management Response

With the constant evolution of information technology and tools, the Panasonic tablets were ordered and deployed prior to the corporate cellphone refresh. When this refresh occurred, smart phones were provided to some staff. In many cases, OMM staff have found smart phones to be more practical and convenient for use in the field. 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.

4.6 Piloting a 'triage' system to investigate unplanned maintenance requirements

Observation

OMM does not use a 'triage' system to investigate work orders for accuracy and completeness prior to sending an electrician or mechanic to a site to perform work.

For example, Audit Services attended service calls with an electrician in OMM. One of the service calls required 'repairing two heaters at the Georgina SPS'. Upon inspection of the units, the electrician concluded that the heaters were in need of cleaning, not repair.

The time factor involved in cleaning versus repairing can vary widely. A repair could potentially involve a visit to an electrical supply store, which can dramatically add to the time spent on the work order.

By performing a triage system for some work orders, additional work orders could be accomplished during the day or additional time allotted to repair or replace equipment.

Recommendation

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.

Management Response

OMM operates and maintains over 33,000 assets at dozens of locations across nine municipalities. Accordingly, at current resource levels, the distances involved make it impractical to triage or visit the work site prior to scheduling work. However, OMM recognizes that the current work order process can be improved by increasing the level of detail provided when requesting a work order. OMM management will work with staff to improve their understanding of the level of detail needed to efficiently and accurately action a work order. Communication to staff on this matter will occur in Q2 2016.

4.7 A more intuitive user interface for maintenance worker input into work order resolutions

Observation

The present user interface used by the tradespersons in the field is not conducive to quickly entering information re a work order. Information needs to be keyed into a number of fields in a

number of tabs. This would be one reason why the tablets stopped being taken into the field by tradespersons.

OMM management has noted this issue and is presently working on a solution to combine all the necessary fields onto one page to simplify the data input effort. Building a more efficient means of keying information would result in more input into MAXIMO from the field.

Recommendation

OMM management should continue constructing and finalizing an input page to be used by tradespersons in the field. This would help to ensure information is keyed in as soon as possible after the work is performed, when details are still fresh. Better details captured in MAXIMO increases the overall value of MAXIMO as a tool to maintain assets.

Management Response

The Maximo Enhancement Team has re-designed the work order views. This change is currently under development and will be tested and reviewed with the OMM management team and representative staff upon completion. Final testing and approval is expected to take place in Q3 2016.

4.8 There is a backlog of approximately 1,200 new assets awaiting input into MAXIMO

Observation

There is a backlog of approximately 1,200 new assets awaiting input into MAXIMO. The majority of the new assets, approximately 700, relate to the South East Collector project.

Before new assets are uploaded into MAXIMO, information entered by the consultant hired to identify and tag the asset, needs to be reviewed by in-house resources and adjusted when necessary. The assets are held in a QA/QC application. Some of these assets are from pre 2014.

There are another 400 assets listed in the QA/QC application with varying issues. The majority, 387, are because the location of the asset is missing. Another 106 require checking, and 87 appear to be duplicates.

The 'Section 21' update currently underway should reduce the level of review prior to upload into MAXIMO, however these new assets need to be entered into MAXIMO before any meaningful inventory can be attempted.

Recommendation

Reviewing asset information for QA/QC held assets is labour intensive and time consuming. Consultants contracted to provide complete and accurate asset information should be held accountable for incomplete and erroneous asset information.

OMM management should explore the possibility to recoup the cost of having to review and correct any new asset information entered by consultants.

Management Response

As noted by the auditor, the protocol for asset tagging (Section 21 of the Design Guidelines) is currently being updated to tighten up requirements and make it easier for consultants and contractors to provide accurate and consistent asset data. Additionally, the Infrastructure Asset Management branch has scheduled a project to be completed by Q4 2017 to review and potentially

replace the software used to facilitate asset tagging (MATS). Through this review and upgrade, OMM intends to improve data type validations in MATS and replace free text fields with selection boxes where possible to ensure users provide more consistent and accurate asset data.

OMM management will work with Capital Planning and Delivery Branch management to develop a plan to ensure that consultants are held strictly to the requirements defined in the updated Section 21 of the Design Guidelines and that there are financial remedies where these requirements are not met. Recently, written verification that asset data has been received from the consultant was added to the pre-commissioning audit checklist. It is anticipated that the update of Section 21 in the design guidelines will be completed by Q4 2016.

4.9 Surety bonds for non-construction projects greater than \$100,000 should be collected, unless decided otherwise by the Surety Bond Committee and Department Head, or Regional Council

Observation

The requirement for a performance bond for the preventative maintenance contract for diesel generators at our water and waste water facilities was waived without the consent of the Surety Bond Committee or Regional Council. The five year contract is valued at \$376,855 excluding taxes.

As per the Surety Bond Policy and associated procedures:

Contracts for the goods and services of the types as listed below and which have a value in excess of \$100,000 are required to have a Performance Bond in an amount equal to 100% of the Contract Price:

- *maintenance contracts, including winter maintenance and grounds maintenance*

To tender a contract without the requirement for a performance bond requires the agreement of the Surety Bond Committee and Department Head, or failing that, a decision by Regional Council.

Surety bonds are used for protecting the Region from financial consequences resulting from the non-completion of construction and special services contracts greater than \$100,000.

Recommendation

OMM management ensures that any future contracts issued for tender follows the Surety Bond Policy and associated procedures.

This will help to ensure the Region is protected, in this case, from financial consequences from the non-completion of special services contracts.

Management Response

OMM management will work with Supplies and Services and the Surety Bond Committee to ensure that the Surety Bond Policy and associated procedures are followed.

4.10 The Certificate of Insurance (COI) for diesel generator preventative maintenance requires updating

Observation

We could not locate an up-to-date COI for the diesel generator maintenance contract. Any COI we did locate was either expired but relating to the project, related to the wrong project but current, or was improperly completed by the Insurer.

As per discussion with Finance - Insurance & Risk Management, to reduce the number of COIs requiring update, the focus has been to move away from project specific COIs and towards blanket COIs. Thus a contractor on contract to the Region and working on two or more projects would only require one blanket COI.

This would help to reduce the administrative effort required to continually solicit insurers for project specific COIs and help reduce incorrectly issued COIs.

Recommendation

A current, blanket COI should be collected by Finance – Insurance & Risk for the contractor executing the diesel generator maintenance.

Once any COI is received into Finance – Insurance & Risk, subsequent renewals of the COI becomes their responsibility and should be pursued through them.

Management Response

OMM's standard practice is to collect a COI from contractors when issuing a Purchase Order. These are then forwarded to Finance. OMM has resolved this issue with Finance and obtained the missing documentation

4.11 Preventative maintenance for portable diesel generators needs to be arranged through the current contractor overseeing this work

Observation

There are six portable diesel generators for which preventative maintenance has not been performed as we have not informed the contractor to include them in their preventative maintenance schedule.

The tracking sheet used to summarize what equipment has been tested and when testing has been performed indicates a number of dates where preventative maintenance documentation is missing.

Equipment that is not included for preventative maintenance as per standards or regulations, or for which we do not have documentation to indicate that preventative maintenance has been performed, could impact unfavorably on the Region should that equipment fail due to non-testing.

Recommendation

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.

Missing documentation should be investigated and collected to help ensure that all equipment is being maintained as per the standards followed.

This would help to ensure all diesel generators are included in the preventative maintenance schedule and documentation of that testing is collected to support maintenance requirements and contractor payment requests when work is performed.

Management Response

Preventative maintenance has been scheduled in Maximo for all portable generators. Contractor maintenance documentation will be stored on the relevant asset in Maximo to ensure a complete record is achieved.

Original signed by:

Erin Mahoney
Commissioner Environmental Services

Original signed by:

Roy Huetl
Director Operations Maintenance &
Monitoring

Original signed by:

Paul Duggan
Director Audit Services



**Outstanding Audit
Recommendations Follow up
Audit Report**

February 2016 Audit Committee

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1.0 Management Summary

Audit Services has completed a follow up of outstanding audit recommendations at December 31, 2015. 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 2015.
2. Any new audit report recommendations issued up to and including December 31, 2015.

There were 39 audit recommendations originally issued through the five audit reports currently on our list for follow up. Management has implemented 90% of these recommendations.

For this 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 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 2015 audit recommendations follow up audit report, and all new recommendations issued in audit reports up to and including December 31, 2015.

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, 2015 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, 2015.

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, 2015

Audit Report	Number of opportunities originally highlighted	Completed for 8/31/15	Completed for 12/31/15	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
Finance – Procurement Card	6	5	0	1	17%	May-13	Jun-13
Corporate Services – Court Services	6	4	1	1	17%	May-14	Feb-15
TS – Roads Capital Delivery of Contract 10-103	16	15	0	1	6%	June-14	Jun-15
TS – York Region Transit Revenue Management	5	4	1	0	0%	April-15	June-15
ES – Environmental Promotion & Protection – SSO Contract Compliance	6	5	0	1	17%	May-15	Jun-15
Totals	39	33	2	4	10%		

TABLE B – Summary of Outstanding Audit Recommendations as at December 31, 2015

Audit Report	Recommendation	Management response	Original due date	Current due date
Finance - Procurement Card	4.1 Procedures should be established to enable the Corporate Administrator to perform random audits. Specific focus should be made on suspense account transactions.	Done.	Q3 2013	N/A
	4.2 Add a line to Procurement Card forms to require the authorizer to print their name.	Done.	N/A	N/A
	4.3 Ensure card holders sign for their card to ensure they understand and agree to Regional purchasing card policies.	Done.	Q2 2013	N/A
	4.4 Department administrators should be reminded that failure to comply with purchasing card policy and procedures could result in card revocation.	Done.	Q2 2013	N/A
	4.5 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 Management re-examine the current control environment for procurement cards to determine if more efficient processes can be developed as enhancements to PeopleSoft progress.	The review of Procurement Card processes is tentatively scheduled to commence in Q2, 2016 as part of the source to settlement project.	2017	2017

Audit Report	Recommendation	Management response	Original due date	Current due date
Corporate Services – Court Services	4.1 Update the training manual to include cash handling controls and review with staff to ensure that they are understood by all parties.	Done.	Q3 2014	N/A
	Install/reposition cameras to adequately view cashier tills and safes.	Done.	Q4 2014	N/A
	Consider enhancing controls around large cash payments to minimize the risk of loss.	Done.	Q4 2014	N/A
	4.2 Monthly review of the bank reconciliations by management should include ensuring that reconciling items are clearing on a timely basis.	Done.	Q3 2014	N/A
	4.3 The RICO 4500 report should be reviewed and signed off by management monthly to ensure that trials are set on a timely basis.	Done.	Q3 2014	N/A
	4.4 Policies and procedures over Ticket Control need strengthening and updating.	Done.	Q3 2014	N/A
	4.5 Management should investigate and implement technology to electronically process and upload electronic tickets to the ICON system.	Done.	Q4 2014	NA

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.6 Management should acquire and use fireproof cabinets to maintain files.	Cabinets ordered in November 2015, delivery expected in mid-January 2016 for both court locations.	Q4 2015	Q1 2016
Transportation Services – Roads CDP	4.1 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.	Q3 2015	N/A
	4.2 RCD management should explore the use of SharePoint, Project Server and Essentials in the delivery of projects.	Done. Project management in Transportation Services will be automated through MS Project Server Online. A managed rollout of automation is underway with procurement and configuration 2015, initial project tracking Q2 2016, assessment of long-term requirements based on initial project tracking Q3 2016 and procurement of long-term system and tools Q4 2016.	Q4 2015	N/A
	4.3 RCD management should consider creating a Project Management Office (PMO).	Done.	N/Ae	N/A
	4.4 Section 16.4r, and 16.4s should be reviewed and updated if necessary. A formal payroll burden rate review process should be developed and implemented.	Done. Done.	N/A N/A	N/A N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.5 Finance should finalize the Draft Capital Closure Policy.	Capital Projects Closure Policy has been finalized and awaiting approval anticipated in Q1 2016.	Q4 2015	Q1 2016
	4.6 RCD should develop a formal process to guide changes in personnel to ensure continuity on projects.	Done.	Q1 2015	N/A
	4.7 Templates used to ensure that the management control structure is intact should not be modified. RCD management should perform a periodic review of the Change Order template with the assistance of Legal. All necessary procurement documentation that authorizes an individual to commit the Region to a purchase should be created and approved by management. Change Order instructions should be clarified with dollar thresholds	Done. Done. Done. Done.	N/A N/A N/A N/A	N/A N/A N/A N/A
	4.8 The proper use of Change Orders should be reiterated with staff.	Done.	N/A	N/A
	4.9 Information collection at source should be a goal of automation of data collection described in observation 4.1	Done. Project management automation is being implemented through Project Server Online.	Q3 2015	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.10 Future RCD contracts require submission of a current WSIB form every 90 days or with every payment certificate.	Done.	N/A	N/A
	4.11 I&RM should be contacted to tailor a presentation to the Region's CAs and SIs regarding claims management through ICIPs.	Done.	Q4 2014	N/A
	4.12 The CA assigned to the construction of a project should be requested to provide input into Design meetings on a periodic basis.	Done.	N/A	N/A
	4.13 All capital projects should have a learnings document created and stored in a learning database to benefit future projects.	Done.	Q1 2015	N/A
	4.14 RCD should review the form and content of the information currently provided to the SI.	Done. Tracking usage of materials is part of the medium and long-term automation of contract preparation, contract administration and inspection services.	Q1 2015	N/A
	4.15 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.	Proactive Risk Management Matrix with issues tracking ability was developed for all phases of project delivery (planning/environmental assessment, detailed design and construction) in Q4 2014. The tool was put into production for CPD use on capital projects.	Q1 2015	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.16 RCD management should ensure that the boxes are processed per the Region's Records Retention By-law and stored off-site.	Done.	Q4 2015	N/A
Transportation Services – YRT Revenue Management	4.1 <ul style="list-style-type: none"> • Staff should be relocated out of the vault. • Vault door should remain closed and locked at all times. • Consider: A policy requiring two staff to be present when entering/accessing the vault room. • Key and swipe card list are maintained and routinely reviewed. • Management review the current listing and remove access if not required. • Ticket inventory should be securely stored within the vault. • Cash from broken fare boxes or for audit testing should be secured in an adequate sized safe within the vault room. 	Done. Done. Done. Done. Done. Done. Done.	N/A N/A Q3 2015 N/A N/A Q3 2015 N/A	N/A N/A N/A N/A N/A N/A N/A
	4.2 <ul style="list-style-type: none"> • Perform a detailed ROI calculation to determine if there is a benefit of investing in a new system/software if fare media (paper tickets) will continue to exist alongside the Presto card • If the ROI proves to be beneficial, management should move a new system and/or updating existing systems to better meet the needs of the department. 	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
Environmental Services – SSO Contract Compliance	4.1 ES - EPP management: 1. Obtain an updated performance bond from Orgaworld. 2. Obtain the \$40,000 performance bond from GFL Excavating Corp. 3. Incorporate a performance bond requirement in any future contract amendment for Lafleche.	Done. Done. Done.	Q3 2015 Q3 2015 N/A	N/A N/A N/A
	4.2 Finance - Treasury Office, overseeing this policy, should more clearly identify the parties responsible for the collection and maintenance of surety bonds.	The updated Surety Bond Policy and supporting procedures have been submitted to the CAO for approval, expected in Q1 2016.	Q4 2015	Q1 2016
	4.3 ES - EPP management: 1. Attempt to include a Right to Audit Clause in any future contract amendments to both contracts. 2. Include the Region's standard Right to Audit Clause in any future waste management contracts.	Done.	N/A	N/A
Done.		N/A	N/A	
	4.4 ES – EPP attempt to obtain these operating and contingency plans and review them for acceptance. The plans should be kept together with the contract.	Done.	N/A	N/A
	In the future, should a contract require obtaining, reviewing and approving plans, the approval should be formally documented and kept together with contract files.	Done.	N/A	N/A

