



OFFICE OF THE
City Auditor

Follow-up of Recommendations

For the Period January 2013 through September 2013

October 31, 2013

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Follow-up of Recommendations

For the Period January 2013 through September 2013

1. Introduction

The follow-up of recommendations is included in the Office of the City Auditor's (OCA) 2013 Annual Work Plan. The intent of this report is to inform the Audit Committee on the adequacy, effectiveness, and timeliness of the Administration's actions on our audit recommendations.

Our follow-up process and report on the status of implementation fulfills the following requirements:

- International audit standards state: "The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."
- The Audit Committee Bylaw section 14 states: "The Committee will review all reports from the City Auditor which will include reports from the City Auditor dealing with:
 - (a) status of audits;
 - (c) implementation of audit recommendations;"

The OCA manages the process and is responsible for determining the adequacy of the Administration's actions in addressing recommendations, closing recommendations and reporting results to the Audit Committee. The Office of the City Manager is responsible for ensuring that actions to address recommendations are being taken in a timely manner and that supporting documentation is provided to the OCA.

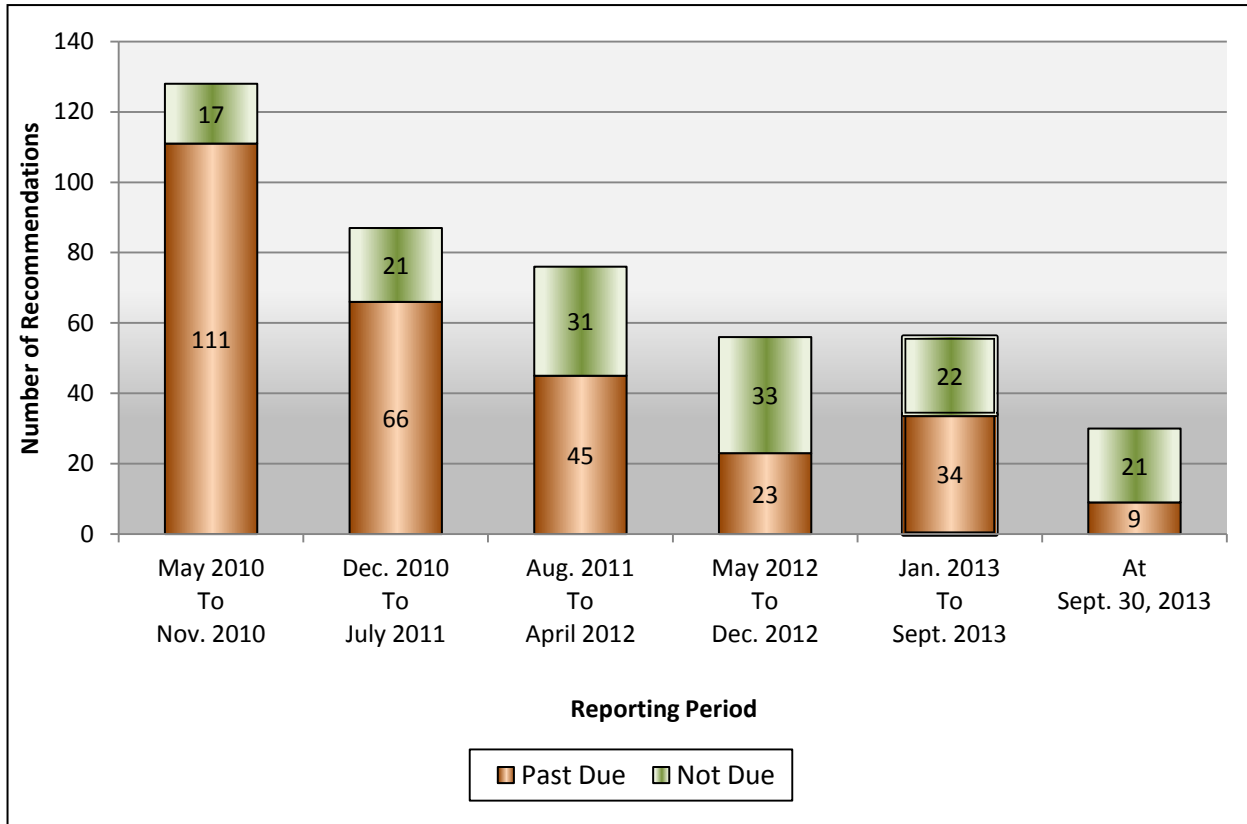
2. Analysis

2.1. Outstanding Recommendations

Prior to 2010 the OCA issued more recommendations than were being closed annually, resulting in a backlog of recommendations that had not been addressed. In November 2010, we reported on the status of 128 outstanding recommendations. Since then, the combined effort of the Administration and OCA has resulted in continued decline in the number of outstanding recommendations.

Chart 1 illustrates the continuing trend with the number of outstanding recommendations being reduced from 128 in 2010 to 30 at the end of this reporting period.

Chart 1 – Outstanding Recommendations (Past Due and Not Due)



In 2010 there were 128 recommendations outstanding, 111 were past due and 17 had a due date after November 30, 2010. Chart 1 shows the number of recommendations not implemented by the date provided in the Administration’s response to the original audit (past due) decreased from 111 in 2010 to 23 in 2012. The increase to 34 in 2013 reflects the aggressive implementation schedule the Administration set for audit recommendations issued by the OCA in 2013.

On September 30, 2013, the end of this reporting period, 30 recommendations remain open. This number will increase throughout the reporting period as new audit reports containing recommendations are issued.

Summaries of recommendations reviewed in this reporting period are provided in Appendix 1 (by department) and Appendix 2 (by project.)

2.2. Impact of Management Actions

Since 2010, the Administration has focused its efforts on closing recommendations that were classified as past due. Table 1 shows the percent of past due recommendations closed in each of the last five reporting periods.

Table 1 – Past Due Recommendations Closed

Reporting Period	Number Past Due	Number Closed	Percent Closed
May 2010 to November 2010	111	65	58.6%
December 2010 to July 2011	66	43	65.2%
August 2011 to April 2012	45	27	60.0%
May 2012 to December 2012	23	17	73.9%
January 2013 to September 2013	34	25	73.5%

In the first nine months of 2013, the OCA issued six audit reports containing a total of 22 recommendations. In total, the OCA monitored the status of 56 recommendations in this reporting period. Table 2 shows that in this reporting period we were able to close 26 of the 56 recommendations.

Table 2 – Recommendations Closed This Period

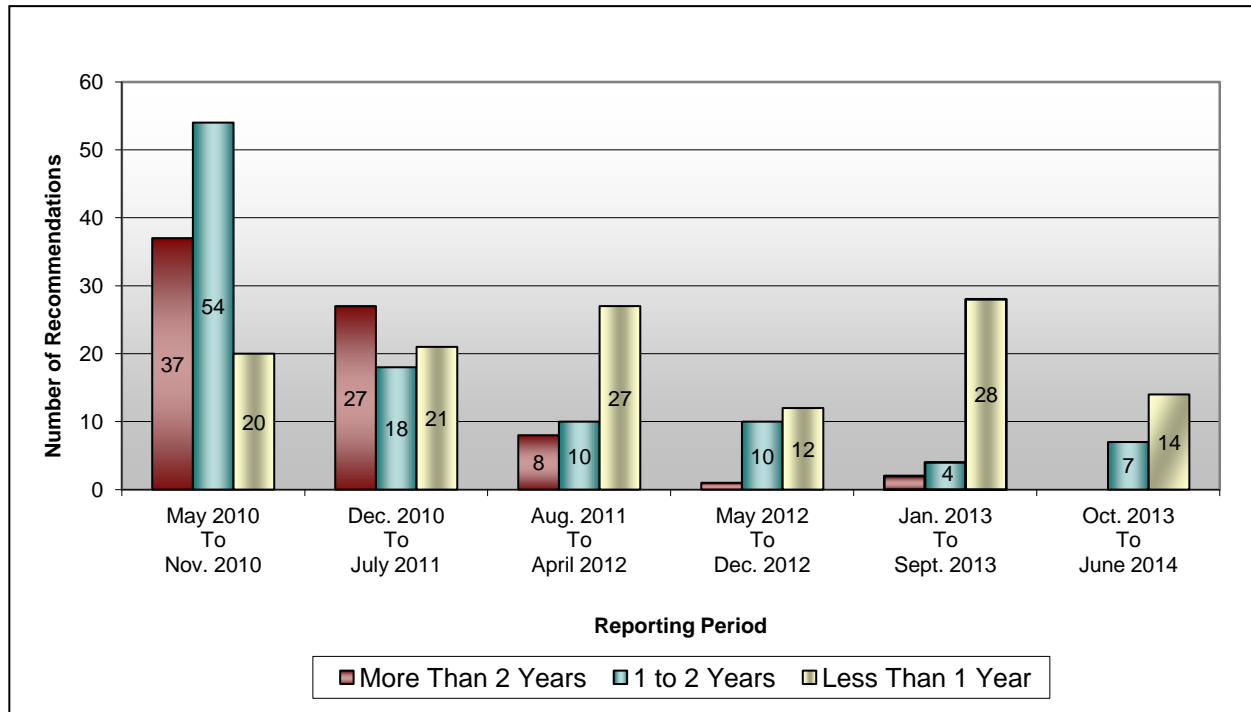
Recommendation Status	Open at End of Last Period	Issued in this Period	Total Number Reviewed	Number Closed	Open at End of This Period
More than 1 Year Past Due	6	--	6	6	0
Less than 1 Year Past Due	15	13	28	19	9
Total Past Due	21	13	34	25	9
Not Yet Due	13	9	22	1	21
Total	34	22	56	26	30

At the end of this reporting period, a total of 30 recommendations remained open. More than two-thirds of these were not due. Nine recommendations were past due by less than one year resulting from the aggressive timelines the Administration set for closing recommendations issued in this reporting period.

Since January 2010, the OCA has made 110 recommendations for an average of 29 annually. The Administration's effort over the past four years has resulted in the number of recommendations remaining open at the end of this period equaling this average.

For the next reporting period, October 1, 2013 through June 30, 2014, the 30 recommendations that remain open at the end of this reporting period will be re-classified based on the period end date. Chart 2 illustrates the classification of recommendations for each reporting period and the reduction in the backlog of past due recommendations resulting from the Administration's actions.

Chart 2 – Recommendations Past Due



This chart shows that all recommendations that are more than two years past due have been closed. During this period, we also closed all four recommendations that were more than one year past due. For the next reporting period, seven recommendations will be re-classified from less than one year past due to more than one year past due.

3. Recommendations More than One Year Past Due

The Administration provided the following implementation status, reasons for delay in implementation, and revised completion dates for the seven recommendations that will be classified as more than one year past due in the next reporting period.

- Software License and Hardware Use (11327)**
Recommendation 1, Improve Software Asset Management Process

Implementation date:	Original December 2012	Revised May 2014.
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CLT has committed to work with IT in implementing a new overall IT Strategy. The Software Asset Management (SAM) strategy is part of a subset of strategies that must be addressed. However, other priorities such as standardizing the desktop environment and how software is distributed must be addressed first, which is causing a delay in implementing this recommendation.

- **Contract Tendering Process Review (11330)**

- Recommendation 1, Procurement Policy

Implementation date:	Original April 2013	Revised June 2014.
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Corporate Services Department has implemented a number of changes such as embedding procurement planning in the Project Management Resource Guide to improve the contract tendering process. The Department has committed to implementing a new Administrative Directive and Procedures by December 2013 and rolling out training and new procurement guidelines to all staff involved in procuring goods and services by the end of June 2014.

- **Edmonton Police Service Payroll Audit (11334)**

- Recommendation 1, Authorization of Regular Pay and
Recommendation 2, Authorization of Overtime

Implementation date:	Original December 2012	Revised March 2014.
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The Edmonton Police Services is currently reviewing all its policies and procedures, including policies relating to overtime pay are part of this review.

- **Development Permit Fee Collection Review (11337)**

- Recommendation 2, Revised Procedures for Fee Changes

Implementation date:	Original December 2012	Revised December 2014.
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The upgrade to POSSE did not include the functionality to address the intent of this recommendation. The Current Planning branch is working with IT and Finance staff to develop an alternate solution to address the recommendation requirements.

- **Private Vehicle Reimbursement Audit (12345)**

- Recommendation 1, Update the Private Vehicle Reimbursement Directive and
Recommendation 4, Cost Effectiveness of Private Vehicle Use

Implementation date:	Original March 2013	Revised December 2014.
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The Private Vehicle Reimbursement directive has been updated and is scheduled for review by CLT on October 24, 2013. Communication to City staff and additional training will follow approval of the directive.

4. *Impact of Recommendations Closed in the Reporting Period*

During this reporting period, we closed 26 recommendations based on our review of supporting documentation provided by the Administration. The actions taken to address

these recommendations benefit the City in a number of ways. We grouped the benefits into three categories:

1. Enhanced governance framework, which includes oversight of various processes or operations,
2. Improved efficiency and effectiveness of service delivery, and
3. Strengthened controls to safeguard City assets and improve compliance with policies, directives and guidelines.

The following are examples of the benefits that have been gained from the actions taken by the Administration:

4.1. Enhanced Governance Framework:

- **homeEd Financial Review (10313)**

Recommendation 3, Document Operation Policies – Documented operational policies provides a framework for the decision making process and will allow homeEd to fulfill its mandate and funding agreement obligations in a conservative, risk aware, efficient, and consistent manner.

- **Capital Construction Audit (RD&C Branch) (11325)**

Recommendation 2, Clarity of Roles, Responsibilities and process – The Financial Management training program developed by the Financial Services and Utilities department increases the understanding of accountabilities and responsibilities for the operating budget process. The delivery of this program to managers and staff across the corporation increased awareness of process requirements and is expected to lead to improved budgeting and business management.

Recommendation 4, PMO Governance Role and Performance Measures – The Project Management Resource Guide developed by the Corporate Centre for Project Management standardizes project management practices across the corporation. The Project Management Directive assigns responsibility for ensuring compliance with established practices.

Recommendation 7, Managing Consulting Costs – The consultant selection and change management processes set out in the Project Management Resource Guide provides a framework for decision making. This increases assurance that consultants are being used effectively and costs are being managed appropriately.

- **Contract Tendering Review (11330)**

Recommendation 3, Improved Communications – Annual publication of all contract and outline agreements greater than \$10,000 on the City website will increase the City's procurement transparency regarding its purchasing practices.

Recommendation 4, Procurement Planning – The incorporation of procurement planning into the City's Project Management Framework will help ensure that optimal go-to-market strategies are developed early in the project timeline. This should result in improved cost estimating and lower overall costs to the City.

- **Grant Administration Audit (11331)**

Recommendation 1, Develop a Definition of a Grant – A distinction between grant arrangements and other forms of external funding will help ensure that the City administers grants consistently and effectively.

Recommendation 2, Develop a Grants Administration Policy – The new Grant and Other City Contributions Administrative Directive and Procedure will provide the Administration and Council with assurance that City staff are administering grants in a transparent, credible, and diligent manner. It will also help to minimize the risks of over or under-funding, approving of non-compliant or high-risk projects, and non-achievement of approved objectives.

- **Drainage Services Branch Audit (12344)**

Recommendation 7, Succession Planning – Drainage Operations workforce needs are being identified and strategies to address these needs are being developed. This will help ensure Drainage Operations can maintain its current level and quality of service.

- **Law Branch Audit (12346)**

Recommendation 1, Reduce Alarm Volume – The communication of security protocols has increased awareness and defined roles for enforcement in operational areas. This will help reduce the number of unnecessary alarms being triggered.

Recommendation 2, Develop Performance Measures – The performance measures developed by the Law Branch define expectations and provide a framework for monitoring the overall value of services delivered.

4.2. Improved Efficiency and Effectiveness:

- **Drainage Services Branch Audit (12344)**

Recommendation 4, Optimizing the Use of Staff Time – Drainage Operations reviewed opportunities to optimize the use of staff. This includes efficient route planning and adjusting hours of work, ways to pick up parts, and assignments of jobs. The resulting changes can lead to more efficient services and operating cost savings.

- **Private Vehicle Reimbursement Audit (12345)**

Recommendation 3, Monitoring of Private Vehicle Use – Managers and supervisors have been provided direction and exception reports are being produced to facilitate monitoring of private vehicle use. On an annual basis, cost-benefit assessments (private vs. City-owned vehicles) can be conducted ensuring the City is getting the greatest value and benefit from vehicle use.

- **Development Securities Review (12352)**

Recommendation 1, Sufficiency and Form of Securities Held – Evaluating alternative forms of security will allow for future enhancements in service delivery. Reassessing

the sufficiency of security held will assist in finding a balance between encouraging development and protecting City interests.

- **Automated Photo Enforcement (13358)**

Recommendation 1, Improve Process Flow – Changes to individual responsibilities within the violation review process minimizes duplication of effort, which increases operator efficiency.

Recommendation 5, Evaluate Organizational Structure – The consolidation of two operational areas involved in the review process increases the overall efficiency of the automated photo enforcement program.

4.3. Strengthen Controls to Safeguard Assets

- **Information Technology Security Review (11332)**

Recommendation 2, Enhance the City's IT Environment & Incorporate Safeguards – Regular penetration testing on the City's IT environment and commitment to implementing fixes for any weaknesses that are identified in the security scans provides increased assurance that the City's network and data are protected against external threats.

- **Edmonton Police Service Payroll Audit (11334)**

Recommendation 3, Internal hearing payment – A process for compensating members who attend internal hearings has been implemented. This will help ensure members are treated fairly and consistently.

Recommendation 4, Security of electronic access to payroll information – Monitoring and limiting access to payroll information helps ensure the accuracy of payroll data and reduces the risk of paying fictitious employees.

- **Development Permit Fee Collection Review (11337)**

Recommendation 6, Data Entry Standards for POSSE – The creation of standard intake forms and checklists will improve the control environment within the Current Planning Branch and also help to ensure that development fees are collected in a more consistent manner.

- **Drainage Services Branch Audit (12344)**

Recommendation 6, Workplace Environment – A consistent process for dealing with initial complaints and allegations of unacceptable and unethical behavior is in place that complies with the City's Administrative Directive.

- **Private Vehicle Reimbursement Audit (12345)**

Recommendation 2, Private Vehicle Reimbursement Directive Compliance – The City's internal website (eCity) has been updated communicating the requirements for submitting claims for private vehicle use to City employees. In addition, supervisors approving claims have been provided training that reinforced the need for compliance with the Private Vehicle Reimbursement Directive. These actions

increase awareness and consistent application of the requirements set out in the Administrative Directive.

- **Law Branch Audit (12346)**

Recommendation 3, Update Internal Control Documentation – The requirement set out in the retainer agreement will help ensure that external legal services are consistently approved and monitored.

- **Development Securities Review (12352)**

Recommendation 2, Segregation of Duties – Changes made to the segregation of duties have improved the safeguarding of City assets by separating incompatible duties.

- **Automated Photo Enforcement (13358)**

- Recommendation 2, Improving Reviewer Consistency – Samples of all violations (both accepted and rejected) at each level are now reviewed by supervisory staff to ensure that review criteria are being applied consistently. If inconsistencies are noted, feedback is provided to individuals and supervisors as appropriate. This action will improve the reliability of the overall automated photo enforcement program.

- Recommendation 4, Violation Record Completeness – The business unit implemented a violation reconciliation process to ensure that all violation photos are imported into the violation photo review system. This ensures that all violation photos are processed consistently.

Conclusion

The number of outstanding recommendations continues to decrease as a result of the Administration's actions. During this period, we tracked the status of 56 recommendations including 22 recommendations issued during the reporting period. Through our review of supporting information, we closed 26 recommendations.

We acknowledge the Administration's commitment and thank them for their cooperation and efforts to clear the backlog of recommendations that are past due.

APPENDIX 1

**Recommendation Follow-up
For the Period January 2013 through September 2013
Status by Department**

	More than 1 Year Past Due		Less than 1 Year Past Due		Total Outstanding Recommendations		Not Yet Due		Total Recommendations		
	Total	Closed	Total	Closed	Total	Closed	Total	Closed	Total	Closed	In Progress
Office of the City Manager	--	--	--	--	--	--	--	--	--	--	--
Community Services	1	1	--	--	1	1	1	--	2	1	1
Corporate Services	--	--	8	6	8	6	6	--	14	6	8
Financial Services & Utilities	2	2	10	7	12	9	6	--	18	9	9
Sustainable Development	1	1	2	1	3	2	4	--	7	2	5
Transportation Services	1	1	3	3	4	4	3	1	7	5	2
Subtotal	5	5	23	17	28	22	20	1	48	23	25
<i>Percent Closed</i>		<i>100.0%</i>		<i>73.9%</i>		<i>78.6%</i>		<i>5.0%</i>		<i>47.9%</i>	
Edmonton Public Library	--	--	--	--	--	--	--	--	--	--	--
Edmonton Police Service	--	--	4	2	4	2	--	--	4	2	2
Non-Profit Housing	1	1	--	--	1	1	--	--	1	1	--
Other Boards, Authorities, etc.	--	--	1	--	1	--	2	--	3	--	3
Total	6	6	28	19	34	25	22	1	56	26	30
<i>Percent Closed</i>		<i>100.0%</i>		<i>67.9%</i>		<i>73.5%</i>		<i>4.5%</i>		<i>46.4%</i>	

APPENDIX 2

**Recommendation Follow-up
For the Period January 2013 through September 2013
Status of Audit Recommendations by Project**

Audit Number and Title	Original Report		Closed in		In Progress	Still In Progress			
	Report Date	Total Recs	Prior Periods	This Period		>1 Year	<1 Year	Not Yet Due	
PROJECTS CLOSED THIS PERIOD									
10313	homeEd Financial Review	January 5, 2011	3	2	1	--	--	--	--
11331	Grants Administration Audit	January 16, 2012	2	--	2	--	--	--	--
11332	Information Technology Security Review	April 16, 2012	3	2	1	--	--	--	--
12346	Law Branch Audit	January 30, 2013	3	--	3	--	--	--	--
12352	Development Securities Review	April 12, 2013	2	--	2	--	--	--	--
PROJECTS WITH RECOMMENDATIONS LESS THAN 1 YEARS PAST DUE OR NOT DUE									
10302	2010 Municipal Election Audit	February 1, 2011	5	1	--	4	--	--	4
11325	Capital Construction Audit (RD&C Branch)	June 1, 2011	7	1	3	3	--	--	3
11327	Software License and Hardware Use	October 3, 2011	2	--	--	2	--	1	1
11330	Contract Tendering Process Review	May 29, 2012	4	--	2	2	--	1	1
11334	Edmonton Police Services Payroll Audit	April 4, 2012	4	--	2	2	--	2	--
11337	Development Permit Fee Collection Review	February 1, 2012	6	--	1	5	--	1	4

Audit Number and Title	Original Report		Closed in		In Progress	Still In Progress		
	Report Date	Total Recs	Prior Periods	This Period		>1 Year	<1 Year	Not Yet Due
12342 City Productivity Audit	January 7, 2013	1	--	--	1	--	--	1
12344 Drainage Services Branch Audit	January 30, 2013	7	--	3	4	--	1	3
12345 Private Vehicle Reimbursement Audit	August 27, 2012	4	--	2	2	--	2	--
13356 Wichitowin Circle of Shared Responsibility Society Review	June 3, 2013	3	--	--	3	--	1	2
13358 Automated Photo Enforcement	August 19, 2013	6	--	4	2	--	--	2
TOTAL		62	6	26	30	0	9	21