



OFFICE OF THE
City Auditor

Follow-up of Recommendations

For the Period August 2011 through April 2012

June 4, 2012

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

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1. Introduction

The follow-up of recommendations is included in the Office of the City Auditor's (OCA) annual work plan. At minimum, on an annual basis, we provide a report to the Audit Committee on the adequacy, effectiveness, and timeliness of actions taken by the Administration on our recommendations.

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

- International audit standards state: The chief audit executive must establish a process to monitor and ensure that management has effectively implemented or that senior management has accepted the risk of not taking action.
- The Audit Committee Bylaw section 10(3)(b) states: Committee has authority to: review whether Administration has taken appropriate corrective action in response to recommendations made in Office of the City Auditor reports.

The current follow-up process was implemented in 2008. The OCA manages the process and is responsible for determining the adequacy of the Administrations actions in addressing recommendations, closing recommendations and reporting results to the Audit Committee. The Office of the City Manager is responsible for ensuring actions to address recommendations are being taken in a timely manner and that supporting documentation is provided to OCA.

In 2011, we implemented a SharePoint site to streamline the collection of information on actions taken by the Administration, and sharing of the OCA's assessment on the adequacy of supporting documentation and status on the recommendations.

Based on the significance of an original audit, we may conduct a full follow-up review to assess the efficiency and effectiveness gained from the actions taken to address the recommendations. Alternatively, the follow-up assessment could be part of a future audit of the area or process.

2. Analysis

2.1. Closed Recommendations

In 2008, the Administration closed less than 10% of outstanding recommendations. In 2009, the percentage of recommendations closed increased to 35%. For the reporting periods ending November 2010 and July 2011 we reported that 60% and 65% of outstanding recommendations were closed in each reporting period respectively.

For this reporting period we were able to close 60% of all outstanding recommendations. A summary of recommendations by department is provided in Appendix 1 and a summary by project in Appendix 2.

2.2. Outstanding Recommendations

The Administration’s efforts to implement corrective actions in a more timely manner have resulted in a significant reduction in the number of outstanding recommendations over the past three years. Chart 1 illustrates the positive impact on the number of outstanding recommendations.

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

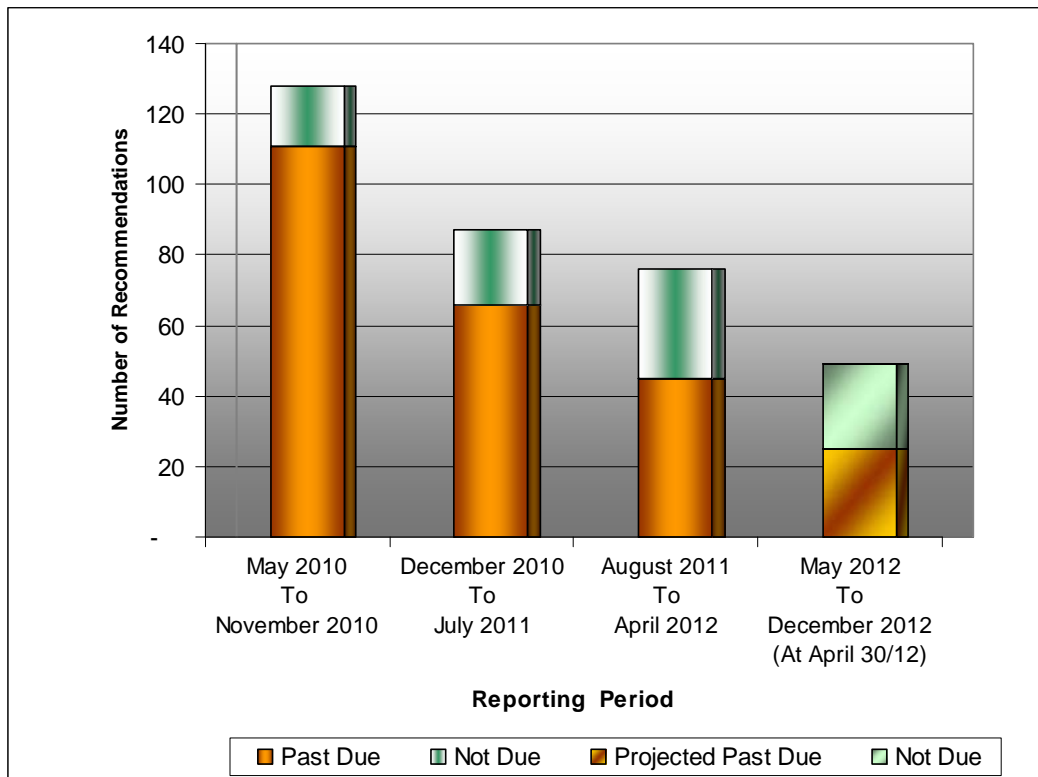


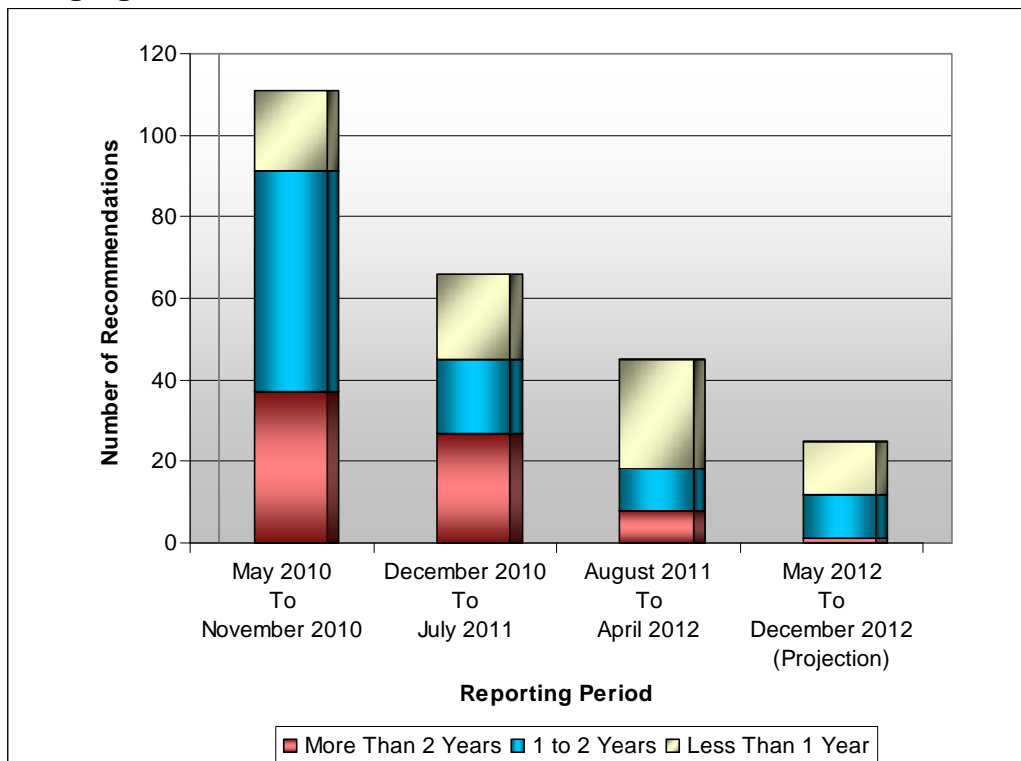
Chart 1 shows the number of recommendations not implemented by the date provided in the Administration’s response to the original audit (past due) decreased from 111 in 2010 to 45 in 2012. Our preliminary analysis of recommendations that remain open at April 30, 2012 suggests the positive trend will continue with the number of recommendations past due decreasing to 25 for the next reporting period May 2012 through December 2012.

Chart 1 also shows that at April 30, 2012 there were 24 outstanding recommendations with implementation dates at or later than the reporting period end. This number will increase throughout the reporting period as audit reports containing recommendations are issued.

2.3. Aging of Recommendations

The focus of the Administration’s efforts has been to close recommendations that have been outstanding for the longest period of time. Chart 2, illustrates the aging of recommendations that are past due.

Chart 2 – Aging of Recommendations Past Due



The chart shows that the number of recommendations more than two years past due have decreased from 37 in 2010 to 8 in 2012. For the next reporting period only one recommendation will be outstanding for more than two years.

Recommendations outstanding for one to two years decreased from 54 in 2010 to 10 in 2012. This number will increase by one to 11 for the next reporting period. Over the same period recommendations outstanding for less than one year increased from 20 in 2010 to 27 in 2012 but will decrease to 13 for the next reporting period.

3. Recommendations Past Due for More Than Two Years

During this reporting period, we reviewed documentation for the eight recommendations that were more than two years past due. We were able to close seven of these recommendations based on the supporting documentation and evidence provided by the Administration. One recommendation remains outstanding.

3.1. Corporate Properties Branch Audit (Land and Buildings) (Audit 07206)

Report issued January 21, 2008

The services reviewed in this audit included building maintenance, accommodation planning, land acquisition and sales, property management, and land planning and development. These services support civic operations and capital projects managed by all parts of the Corporation.

We made 11 recommendations to improve the efficiency and effectiveness of service delivery. Eight recommendations were closed in prior reporting periods and two during this reporting period. The outstanding recommendation is for enhancement of reporting related to the land development policy.

We were advised that the Branch has defined the content for report. However, the first report has yet to be written. Therefore, we are unable to verify that the actions will address the intent of the recommendation. The Administration committed to having the first report available by the end of 2012.

Enhanced reporting about land development activities has remained an expected outcome from work being performed on *The Way We Finance* framework for financial decision making. Unexpected delays in the progress of *The Way We Finance* have consequently also delayed the completion of this recommendation. Decisions have been made recently to resolve this matter by advancing a regular, annual land development report to City Council in the fourth quarter of each year; the first of which will be produced in Q4 of 2012.

The outcomes of the actions taken to address the 11 recommendations in the January 21, 2008 audit report impact both the operational areas reviewed and the Corporation as a whole. A full follow-up of this audit is included in the OCA's 2012 Annual Work Plan.

4. Impact of Recommendations Closed in the Reporting Period

During this reporting period, we closed 27 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:

Enhanced Governance Framework:

- **Corporate Properties Branch Audit (07206)**, Recommendation 2
A process has been developed to improve the accuracy and completeness of the City's building and facility inventory. In addition, there is greater assurance that information will be reported in a consistent manner.
- **Overtime Review (10301)**, Recommendation 2
A strategy has been developed to improve budgeting for overtime, work scheduling, and succession planning. Guidance and Tools have been provided to managers and supervisors to assist in managing the use of overtime.
- **3-1-1 Call Centre Review (10303)**, Recommendation 2
Service delivery guidelines have been established that set out roles, responsibilities and expectations for various stakeholders. The 311 Call Centre and operational areas have a better understanding of service requirements and the ability to manage overall service.
- **Fleet Services Tools Audit (10320)**, Recommendation 3
Opportunities for expanded use of outline agreements have been explored to minimize the cost of tool purchases.

Improved Efficiency and Effectiveness:

- **Fleet Services Branch Audit (07205)**, Recommendation 5
Service delivery targets have been established for service turnaround times and inventory ratios. This will minimize down time in operational areas when vehicles are being serviced.
- **Parks Branch Audit (09297)**, Recommendation 2
A post seasonal process to review project bids has been established. In addition, options for bid tendering to increase bid competitive bidding have been identified. These actions are intended to identify opportunities to increase competitive bidding and minimize the cost of contract services.
- **3-1-1 Call Centre Review (10303)**, Recommendation 1
A process to gather customer satisfaction information has been developed and the first customer satisfaction survey has been completed. The information collected will assist in assessing the quality of service provided to citizens.
- **Community Facility Services Branch Audit (10316)**, Recommendation 1
A formal process to enhance information sharing and provide an effective forum for staff to work cooperatively has been established. This will increase the ability to meet customer needs and performance expectations.

Strengthen Controls to Safeguard Assets

- **Review of Payment Controls (08268)**, Recommendation 6

Access privileges to systems considered high risk have been reviewed and adjusted to ensure employee access is limited to that required to perform their duties. This will minimize the risk of unauthorized access to high risk departmental systems that process payment transactions.

- **Vehicle Take Home Permits (09289)**, Recommendation 2

A process to monitor the use of City take-home vehicles authorized to be taken home has been established, including training for staff to ensure that the directive is adhered to and requirements are appropriately justified. Additionally, the taxable benefits received by employees are tracked.

- **Development Permit & Cornerstone Funding (09294)**, Recommendation 4

The process and procedures for qualifying applicants for the Cornerstones Grant program have been strengthened. Key stakeholders are now included in the evaluation process and formal approvals are required after review of key supporting documents.

- **Community Facility Services Branch Audit (10316)**, Recommendation 5

A process has been developed and implemented to assess material needs, receipt of materials and tracking of material usage at each facility. This will allow for consistent monitoring of material usage at each facility and identification of any unusual usage patterns at each facility.

5. Conclusion

The Administration continues to show its commitment to taking action to close recommendations that remain outstanding beyond the dates committed to in the original audit reports. These actions have resulted in a significant decrease in the number of outstanding recommendations that are past due.

For this reporting period we tracked the status of 76 recommendations, 45 of which were past due. Through our review of supporting information provided by the Administration, we closed 27 of the past due 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 August 2011 through April 2012
Status by Department**

| | More than 2 Years Past Due | | 1 to 2 Years Past Due | | Less than 1 Year Past Due | | SUB-TOTAL | | Not Yet Due | | TOTAL | | |
|----------------------------|----------------------------|--------------|-----------------------|---------------|---------------------------|--------------|-----------|--------------|-------------|-------------|-----------|--------------|-------------|
| | Total | Closed | Total | Closed | Total | Closed | Total | Closed | Total | Closed | Total | Closed | In Progress |
| Office of the City Manager | -- | -- | -- | -- | 1 | 1 | 1 | 1 | -- | -- | 1 | 1 | -- |
| Community Services | -- | -- | -- | -- | 5 | 5 | 5 | 5 | -- | -- | 5 | 5 | -- |
| Corporate Services | 3 | 3 | 2 | 2 | 10 | 5 | 15 | 10 | 10 | -- | 25 | 10 | 15 |
| Financial Services | -- | -- | -- | -- | 1 | -- | 1 | -- | 4 | -- | 5 | -- | 5 |
| Infrastructure Services | -- | -- | 1 | 1 | 3 | -- | 4 | 1 | 5 | -- | 9 | 1 | 8 |
| Sustainable Development | 5 | 4 | 4 | 4 | 1 | -- | 10 | 8 | 6 | -- | 16 | 8 | 8 |
| Transportation Services | -- | -- | -- | -- | 2 | -- | 2 | -- | 1 | -- | 3 | - | 3 |
| Subtotal | 8 | 7 | 7 | 7 | 23 | 11 | 38 | 25 | 26 | -- | 64 | 25 | 39 |
| <i>Percent Closed</i> | | <i>87.5%</i> | | <i>100.0%</i> | | <i>47.8%</i> | | <i>65.8%</i> | | <i>0.0%</i> | | <i>39.1%</i> | |
| Edmonton Public Library | -- | -- | 2 | -- | -- | -- | 2 | -- | -- | -- | 2 | -- | 2 |
| Edmonton Police Service | -- | -- | -- | -- | -- | -- | -- | -- | 4 | -- | 4 | -- | 4 |
| Non-Profit Housing | -- | -- | 1 | -- | 4 | 2 | 5 | 2 | 1 | -- | 6 | 2 | 4 |
| Total | 8 | 7 | 10 | 7 | 27 | 13 | 45 | 27 | 31 | -- | 76 | 27 | 49 |
| <i>Percent Closed</i> | | <i>87.5%</i> | | <i>70.0%</i> | | <i>48.1%</i> | | <i>60.0%</i> | | <i>0.0%</i> | | <i>35.5%</i> | |

APPENDIX 2

**Recommendation Follow-up
For the Period August 2011 through April 2012
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 | | >2 Years | 1-2 Years | <1 Year | Not Yet Due |
| PROJECTS CLOSED THIS PERIOD | | | | | | | | | | |
| 07205 | Fleet Services Branch Audit (Mobile Equipment Services) | October 17, 2007 | 12 | 10 | 2 | -- | -- | -- | -- | -- |
| 08263 | Planning & Policy Branch | April 2, 2009 | 2 | 1 | 1 | -- | -- | -- | -- | -- |
| 08268 | Review of Payment Controls | June 12, 2009 | 6 | 5 | 1 | -- | -- | -- | -- | -- |
| 09286 | Corporate Environmental Review | October 20, 2009 | 5 | 4 | 1 | -- | -- | -- | -- | -- |
| 09289 | Vehicle Take Home Permits | January 22, 2010 | 2 | 1 | 1 | -- | -- | -- | -- | -- |
| 09297 | Parks Branch | May 18, 2010 | 5 | 4 | 1 | -- | -- | -- | -- | -- |
| 10301 | Overtime Review | August 31, 2010 | 4 | 3 | 1 | -- | -- | -- | -- | -- |
| 10303 | 3-1-1 Call Centre Review | August 30, 2010 | 2 | -- | 2 | -- | -- | -- | -- | -- |
| 10316 | Community Facility Services Branch Audit | March 8, 2011 | 7 | 2 | 5 | -- | -- | -- | -- | -- |

| Audit Number and Title | | Original Report | | Closed in | | In Progress | Still In Progress | | | |
|--|--|--------------------|------------|---------------|-------------|-------------|-------------------|-----------|---------|-------------|
| | | Report Date | Total Recs | Prior Periods | This Period | | >2 Years | 1-2 Years | <1 Year | Not Yet Due |
| PROJECTS WITH RECOMMENDATIONS MORE THAN 2 YEARS PAST DUE | | | | | | | | | | |
| 07206 | Corporate Properties Branch Audit (Land and Buildings) | January 21, 2008 | 11 | 8 | 2 | 1 | 1 | -- | -- | -- |
| PROJECTS WITH RECOMMENDATIONS LESS THAN 2 YEARS PAST DUE OR NOT DUE | | | | | | | | | | |
| 09294 | Development Permit & Cornerstones Funding | May 26, 2010 | 6 | 1 | 4 | 1 | -- | -- | 1 | -- |
| 09298 | CoE Non-Profit Housing Corp. Governance Review | July 5, 2010 | 3 | -- | 1 | 2 | -- | 1 | 1 | -- |
| 10302 | 2010 Municipal Election | February 1, 2011 | 5 | -- | -- | 5 | -- | -- | -- | 5 |
| 10308 | EPL Custodial Services Review | March 1, 2011 | 2 | -- | -- | 2 | -- | 2 | -- | -- |
| 10313 | homeEd Financial Review | January 5, 2011 | 3 | -- | 1 | 2 | -- | -- | 1 | 1 |
| 10320 | Fleet Services Tools Audit | August 31, 2011 | 8 | -- | 4 | 4 | -- | -- | 4 | -- |
| 10321 | Waste Management Services Audit | September 29, 2011 | 6 | -- | -- | 6 | -- | -- | 2 | 4 |
| 11325 | Capital Construction Audit (RD&C Branch) | June 1, 2011 | 7 | -- | -- | 7 | -- | -- | 4 | 3 |
| 11327 | Software License and Hardware Use | October 3, 2011 | 2 | -- | -- | 2 | -- | -- | -- | 2 |
| 11331 | Grant Administration Audit | January 16, 2012 | 2 | -- | -- | 2 | -- | -- | -- | 2 |
| 11332 | Information Technology Security Review | April 16, 2012 | 3 | -- | -- | 3 | -- | -- | 1 | 2 |

| Audit Number and Title | | Original Report | | Closed in | | In Progress | Still In Progress | | | |
|------------------------|--|------------------|------------|---------------|-------------|-------------|-------------------|-----------|-----------|-------------|
| | | Report Date | Total Recs | Prior Periods | This Period | | >2 Years | 1-2 Years | <1 Year | Not Yet Due |
| 11334 | Edmonton Police Service Payroll Audit | April 4, 2012 | 4 | -- | -- | 4 | -- | -- | -- | 4 |
| 11337 | Development Permit Fee Collection Review | February 1, 2012 | 6 | -- | -- | 6 | -- | -- | -- | 6 |
| 11339 | South LRT Insurance and Damage Claims Process Review | March 26, 2012 | 2 | -- | -- | 2 | -- | -- | -- | 2 |
| TOTAL | | | 115 | 39 | 27 | 49 | 1 | 3 | 14 | 31 |