

Auditor General's 2014 Audit Follow Up Report

By: Brian Bigger, Auditor General
To: Audit Committee
June 17, 2014

Roads - Miscellaneous Winter Maintenance

Recommendation 2 (a)

Due to the age of the software and limited ability within current MMMS to associate activities and costs to specific road assets or road segments, management should continue to investigate other available programs in the market place that could be used to support budget planning, work order management, productivity tracking and cost analysis to the infrastructure asset level.

- Partially Implemented

Original Management Response

Staff agree that a more updated software program should be pursued to better refine the MMMS system. A Project Development Team is being established to pursue a replacement for the current MMMS system and a new system is expected to be in place by early 2012.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Staff is currently involved with the implementation of a new Computerized Maintenance Management System (CMMS) to replace the legacy MMMS. Phase 1 is scheduled to be implemented by the Spring or 2014. Phases 2 and 3 will follow. The CMMS will include these functions.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

Phase 1 of the new Computerized Maintenance Management System (CMMS) will be phased in over the next 24 months. Phases 2 and 3 will follow. The CMMS will include these functions.

Roads - Miscellaneous Winter Maintenance

Recommendation 3 (a)

It is recommended that the City continue to extend the implementation of an AVL/GIS system that will capture the entire roads infrastructure. This will reduce the need for paper based road patrol reports as the information can be captured timely and accurately, right into GIS. Therefore, our road data will be available for reference purposes. It will be complete, accurate and timely. This information will also assist in the investigation of claims by reducing the amount of time required to trace through paperwork. Since an AVL/GIS system contains all the maintenance information, it can also be used to track potholes and plan the most efficient and cost effective repair for a section of road. This will ensure that once a pothole is identified, it is repaired according to minimum maintenance standards. The system should handle work orders, in order to track the productivity of the crews.

- Partially Implemented

Original Management Response

Staff agree. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Council approved the purchase of new AVL hardware / software on May 28, 2013, which includes the development of an electronic Road Patrol application. Staff will commence work on the project in the spring/summer of 2013.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The AVL equipment is 80% installed, and will be completed prior to the start of the 2014/2015 winter control period. The Route Completion software is in development, with a trial expected to start in November 2014.

Roads - Miscellaneous Winter Maintenance

Recommendation 3 (b)

Management needs to improve procedures related to road patrol documentation to ensure regulatory requirements for patrols and repairs are consistently met.

• **Partially Implemented**

Original Management Response

Paper copy road patrol records are being kept and are continuously being improved. Staff follow the province's road patrol documentation process. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated that this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

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Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The Route Completion software is in development. Following completion, the development of the Road Patrol software will commence.

Accounts Payable

Recommendation (g)

Invoices should reflect a Purchase Order (PO) generated within PeopleSoft. A PO system allows a three way match between invoice, PO and receipt of good. Therefore, all three must match in order to generate a payment. Once a match is made, the PO is closed and no further payments can be processed; thus preventing a duplicate payment. System based controls decrease the risk of an undesirable event, for example duplicate payments. Currently, most duplicate payments are being detected after the payment has been processed. From a control framework perspective, having preventative controls reduces the likelihood of the undesirable event occurring in the first place. Having system based controls rather than a manual check reduces the likelihood of an error, and can decrease processing time of invoices. This in turn, reducing the cost of processing an invoice, as the process becomes more automatic rather than manual. The PeopleSoft System was installed in 2001. Although, Finance is in the process of moving more PO's to PeopleSoft, it is understood that full implementation is still a few years away.

- **Partially Implemented**

Accounts Payable

Original Management Response

The overall management response at the beginning of this report highlights the key controls in Accounts Payable. At the time that PeopleSoft was implemented, the business process that was established included using PeopleSoft POs for purchases greater than \$5,000 as well as blanket POs and contract numbers. For purchases less than \$5,000 legacy POs and contract numbers and blanket POs if appropriate were to be used. When purchases are made pursuant to a contract, blanket purchase number or legacy PO, the operating department approves the actual invoice for payment by the appropriate signing authority signing the invoice. The signature is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice accurately charges for goods or services that were authorized and received and is in accordance with the contract, blanket order or legacy purchase order and is therefore authorized for payment. We do agree that there is a need to move more purchases to PeopleSoft POs and to this end a project was initiated in the fall of 2009 to review the purchasing and payables cycle. There are many recommendations that have stemmed from this review and staff continues to work to implement these recommendations. A key recommendation was to move more purchases to PeopleSoft POs. Changes to the purchasing cycle involve extensive changes to business processes as well as cultural change and consequently will take some time.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Finance is encouraging the use of Peoplesoft Purchase orders, where efficient. Finance has implemented additional functionality such as procurement contracts to ease the process. In addition, Commitment Control has been implemented. The City will continue to increase the use of PeopleSoft purchase orders and this will be an on-going process.

Accounts Payable

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The City has made progress on the foundational pieces to improve the City's procure to pay cycle. These foundational pieces include: Purchasing By-Law, business process review / policy development, expansion of PeopleSoft functionality and integration with the new CityWorks MMMS system. Once the foundational pieces are complete, and resources are identified in operating departments, management plans to amend City policies to make the use of electronic purchase orders mandatory.

Managing the pace of change in the organization has been top of mind to the Chief Financial Officer, and Senior Management Team. The Finance Strategic plan outlined the required action items to achieve the goals, in a balanced approach, at a pace that the organization can manage with the resources it has.

In June, Finance has scheduled training for authorized employees, and we will take the opportunity to continue to encourage the use of PeopleSoft Purchase Orders, where efficient.

Update on Procurement Contract Functionality and Peoplesoft Purchasing Module

The work on Procurement Contract functionality has been advancing at a slow pace, since challenges were discovered. As reported to City Council, Spyre Consultants was hired and performed a review of the City's use of the PeopleSoft Purchasing functionality. The recommendations from these reports are being reviewed and prioritized. Additional resources will be required to implement the recommendations and business process changes. Finance is in the process of hiring a temporary ERP Project Manager to assist with the implementation.

Conventional Transit

Recommendation 14

A formal program of route analysis activities, route planning policies and standards considering such things as ridership demographics, citizen needs and minimum ridership by route need to be established.

• **Partially Implemented**

Original Management Response

Accepting the auditor's recommendation will require more manpower to develop, implement and maintain these new policies and standards.

Actions taken, results and /or actions planned - As Of June 30, 2013

Transit hired a Planner who will provide analysis of transit routes and will present a report to the Operations Committee regarding the process of rationalizing routes. Standards such as boarding counts form part of any route review and will be presented in the same report

Actions taken, results and /or actions planned - As Of May 31, 2014

The project is ongoing with much of the information in draft format. Unfortunately the transit planner resigned at the end of 2013. We have recently hired a new planner which is currently being trained and who will resume the task of completing this project.

Transit and Kiosk Contract

Recommendation 9

Management should consider developing a new policy for determining the amount of the letter of credit. For example, the value of the contract as well as other risks (financial, operational, etc.) should be considered in establishing an amount for the letter of credit. The policy should consider instances where exceptions are made, how these exceptions are documented and what approvals are necessary.

- Fully or Substantially Implemented

Original Management Response

The City's construction contracts for capital projects have specific guidelines for the amounts that the City is to collect for bid deposits, bid bonds and letters of credit. Building on the guidelines in place for construction contracts, Purchasing, in consultation with Legal, will develop a policy and procedure that will apply to other types of contracts by the end of the first quarter of 2012.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

The City has established guidelines, and the draft purchasing by-law has been amended to state that the Authorized Person must approve the securities. However Supplies and Services will develop a formal written policy for Contract Securities (Letters of Credit). It is anticipated that this will be completed in Q1 2014

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

As part of the Purchasing By-Law renewal project, management has rewritten the RFP and Tender Procedures. The new procedures will contain an Appendix, which will document the City's established guidelines for Bid Deposits and Performance Guarantees. This is substantially complete, and will be finalized in June 2014.

Transit and Kiosk Contract

Recommendation 17

In order to simplify lease administration and reduce the risk of payment errors, the City should develop a system to flag when lease and contract renewals are coming due.

Auditor Comments: This solution was identified by management, and the Auditor General agrees that this would improve internal controls. It is a normal internal audit practice to recommend improvements working cooperatively and with the advice of management.

- Fully or Substantially Implemented

Original Management Response

The AG has adopted a recommendation in this updated report that was put forward by management in its response to the original recommendation. A system to flag when lease and contract renewals are coming due is required. If there is an effective system in place, then the renewal date should not be an issue. We do not agree that it would be more beneficial to have all leases renewing on January 1 and further it is not common business practice. Renewing leases and contracts can be significant work and having it all occur for January 1 is not practical. Action plan described in item 2 above.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013. Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013. In addition staff is pursuing the notification features within Procurement Contract Functionality in PeopleSoft.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

Management continues to monitor contract renewals and expiry dates, on a decentralized basis. In addition, Supplies and Services is tracking expiry dates in Excel for Contracts that were awarded through a competitive bid solicitation. Also, Accounts Receivable reviews and monitors contracts for any overdue accounts.

As noted in the September 2013 City Council report on Procurement Contract Administration Policy, the City is also working on the implementation of the PeopleSoft Procurement Contract functionality and related business processes. Spyre Consulting was engaged to assist the City and this work was completed in March 2014. Finance is in the process of hiring a temporary ERP project manager to oversee the full implementation of the procurement contract functionality.

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User Fees – Sports Fields

Recommendation 1

Evaluate whether the youth per participant rate should be replaced by an hourly rate. If any changes are required, it should be reflected within the User Fee By-law approved by Council.

- **No Substantial Action Taken**

Original Management Response

Review impact of any potential changes to minor sports playfield user fees and prepare a report to Standing Committee with options re: participant rates vs. hourly, etc. The review will be conducted in time for the 2014 playfield season.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

A report will be presented to the Community Services Standing Committee scheduled for September 16th, 2013. The report will provide a summary of the 2013 youth participant numbers for minor soccer and minor baseball and the fee charged for playfield use based on the existing per participant fee. The report will also provide a financial analysis of the revenues generated based on the participant rate fee versus an hourly rate fee. In addition, the report will provide Council with comparatives with other cities related to playfield user fees for youth sports. Should Council support changes to the youth playfield user fees, the rates would be included as part of the user fee by-law in time for the 2014 season.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The original deadline to submit a report to the Community Standing Committee as identified on June 30, 2013, was not realized. The analysis will be completed and presented to the Community Standing Committee for direction in early 2015.

User Fees – Sports Fields

Recommendation 4

If the City continues to charge a per participant fee for youth associations, Leisure Service should consider including a provision for participant number verification rights within the Facility Agreement for youth leagues similar to other revenue generating contracts within the City.

- **No Substantial Action Taken**

Original Management Response

Contingent on any decisions made from recommendation #1. The requirements would have to be incorporated into the facility use agreement.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

A report will be presented to the Community Services Standing Committee on September 16, 2013. The report will review the recommendation and will determine if the user fee be amended to revise the fees from a participant rate to an hourly rate. Should Council support maintaining a per participant rate recommendation, #4 would be implemented in time for the 2014 playfield season.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The department will be requesting a signed letter from each minor sports organization confirming the total number of registrations.

User Fees – Sports Fields

Recommendation 6

User fee rates for James Jerome artificial turf should be re-evaluated to ensure it is meeting established program objectives.

- **No Substantial Action Taken**

Original Management Response

User fee rates for James Jerome artificial turf will be re-evaluated in time for the 2014 Playfield season.

Actions taken, results and /or actions planned - As Of June 30, 2013

A report will be presented to Community Services Standing Committee scheduled for September 16, 2013. As part of the report, management will provide an analysis of the prime and non-prime use of the artificial turf at James Jerome during the 2012-13 season in order to determine if the user groups are using the majority of the prime time times available.

Actions taken, results and /or actions planned - As Of May 31, 2014

The original deadline to submit a report to Community Standing Committee on September 16, 2013, was not realized. The analysis will include a 3 year review (2012-2014) of the use of the artificial turf in order to establish an accurate pattern of use. The results of the analysis will be presented to Community Standing Committee in early 2015 for direction.

User Fees – Sports Fields

Recommendation 8

Additional clarification should be made in the User Fee By-law as to which City fields are major or minor complexes. This should include fields covered under Joint Use Agreements for which the City can charge a fee.

- **No Substantial Action Taken**

Original Management Response

Clarification will be captured through the annual user fee by-law review which is circulated to operating departments for input and forwarded to Council for approval annually (December/January).

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Management will capture the clarification of major and minor complexes including fields covered under the joint use agreement in the next amendments to the user fee by-law which is scheduled to be submitted to Council for approval in December, 2013.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

There are definitions between major and minor fields in the current user fee by-law. School fields have not been included. Staff will review and include the school fields as part of the upcoming amendments to the user fee by-law.

User Fees – Sports Fields

Recommendation 9

Ensure the Joint Use Agreements are updated in a timely fashion with all school boards participating in this agreement. Ensure they accurately reflect the current understanding amongst all the parties in regards to field maintenance, usage and restrictions.

• **Partially Implemented**

Original Management Response

Leisure staff have been working on renewing the joint use agreement since the fall of 2011. A number of meetings have been held with representatives from all Boards of Education in order to revise and update the Joint Use Agreement. A draft agreement will be circulated to senior staff and will be presented to Council for feedback. The objective is to finalize the agreement by year end 2013.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Management has progressed well regarding finalizing the draft joint use agreement between the City of Greater Sudbury and the local Boards of Education. The draft agreement is scheduled to be completed for Council's review by the end of 2013. The joint use agreement, once approved by Council, will be evaluated and reviewed semi-annually by the joint use agreement committee.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The draft is being reviewed by the respective boards and legal departments. The draft agreement is scheduled to be completed and presented to Council for their review by September 2015.

Roads - Changes In Road Design

Recommendation 1

The City should improve policies, procedures and reports supporting accountability for rejection of inferior products and enhanced follow-up on warranty issues.

• **Partially
Implemented**

Original Management Response

Will formulate reporting procedure for test results. This can be completed within six months (March 2013).

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

All test results are reported to the Chief Field Inspector for distribution. As a result of discussions at the annual contractor's meeting there was subsequent committees comprised of staff and contractors formed to address a variety of issues, including developing a formal procedure for warranty issues.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

The City of Greater Sudbury is participating in a pilot project with the Ontario Hot Mix Producers Association, the Ministry of Transportation, and other municipalities in Ontario on the issue of "rejectable samples" and based on the pilot project shall make the appropriate changes or revisions to Ontario Standard Specification 310 – Construction Specification for Hot Mix Asphalt.

Roads – Changes In Road Design

Recommendation 7

The City should improve policies, procedures and reports supporting accountability for rejection of incorrect cross fall as specified in the contract and/or drawings in order to comply with City standards.

• **Partially Implemented**

Original Management Response

Will research policies and procedures of the Ministry of Transportation and other municipalities in Ontario. Time frame may be 12 to 18 months.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Research is ongoing and on schedule.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

Research is ongoing.

Transit And Community Arena Advertising Contract

Action Plan 1

Meet with the Contractor in order to develop a proper sales tracking tool described as a "Yearly Statement" in paragraph 5.(1) of the agreement.

- Alternate Action Taken

Management Comment - Action Plan Lead – Timing

Comment - Management agrees with the recommended action plan and the plan has already been initiated.

Action Plan Lead – Manager of Transit Administration

Timing - Staff has already contacted the Contractor regarding a proper sales tracking tool as described in paragraph 5.(1). Further meetings will take place in order to finalize the appropriate format.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

As a follow-up to the audit staff presented a report to the operations Committee on November 18, 2013 which included recommended changes to the Advertising Contract. All recommendations were accepted and implemented. These recommendations fulfill all actions required in the audit with the exception of action item #5

The key amendments are as follows:

- Amend the contract and remove the obligations set out in Section 5 relating to the Confirmation of Revenue effective January 1st, 2103. To further simplify reporting and auditing process for both parties the obligations outlined in Section 15 Annual Gross Billings and Section 5 and 6 of Schedule B would have no application to payment obligations arising in the 2013 or 2014 calendar year or in any extension term.
- Amend the Minimum Annual License Fee for transit advertising to reflect the increased guarantee of \$125,000 plus HST for 2013 and \$130,000 plus HST for 2014-05-12
- That the annual fee represents advertising on Buses, Benches and Transit Shelters;
- Any new advertising initiatives will be negotiated with terms and conditions and revenues established for each; and
- That BK will place benches at up to 10 locations requested by the City on an annual basis.

SUMMARY OF THE STATUS OF MANAGEMENT'S ACTION PLANS (As Of May 31 2014)

Audit Name	Year Report Issued	Management's Self Assessment Of The Status Of Their Action Plans And Accomplishments				
		Total # Of Action Plans	Fully or Substantially Implemented	Alternative Action Taken	Action Plan Partially Implemented	No Substantial Action Taken
Roads Miscellaneous Winter Maintenance	2010	32	29	0	3	0
Accounts Payable	2011	19	17	1	1	0
Conventional Transit	2011	16	9	6	1	0
Transit Kiosk	2011	21	18	3	0	0
Roads – Impact Of Changes To Road Design	2012	13	11	0	2	0
User Fees – Sports Fields	2012	9	3	0	2	4
Transit and Community Arena Advertising Agreement	2013	5	2	2	0	1
Total		115	89	12	9	5
% By Status		100%	77%	10%	9%	4%
% Partially, Substantially, or Fully Completed			96%			

2014 Audit Work Plan

Ninety-six percent of audit action plans have been partially, substantially, or fully completed.

These reports confirm that management's (and suppliers) response to the Auditor General's audit observations, and a focus on action plans, has resulted in encouraging assessments of progress and improvements impacting all areas of the organization.

■ QUESTIONS?