The Corporation of the City of Richmond Hill Outstanding Audit Recommendations Follow up Audit Report

November 2019 Audit Committee

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1.0 Management Summary

Audit Services has completed a follow up of outstanding audit recommendations for the Corporation of the City of Richmond Hill ("the City"). These recommendations are comprised of the audit report recommendations issued up to and including August 31, 2019.

There were 53 audit recommendations originally issued through five audit reports currently on our list for follow up. Management has implemented 46 (87%) of these recommendations.

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.

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

2.0 Introduction

As part of the City's Audit Plan, the Audit Services Branch performed a follow up of outstanding audit recommendations. These recommendations included those noted in audit reports up to and including August 31, 2019.

The Audit Plan developed by the City used a Risk Assessment Methodology that helps to define the different risks associated with the various processes within the City. It is one tool that the City used in assessing where best to allocate audit resources.

On behalf of the City Manager, Audit Services followed up on the status of issued audit recommendations. To provide this update, Audit Services contacted the Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. 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. 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.

3.0 Objectives and Scope

The objective for this engagement was to provide feedback to the City's Audit Committee and City Manager as to the disposition of issued audit recommendations.

Our scope of work related to this follow up report includes all outstanding audit recommendations issued prior to August 31, 2019.

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.

Antonio Bianchi

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Acting Director – Audit Services - Regional Municipality of York

TABLE A – Summary of Outstanding Audit Recommendations Follow up as at August 31, 2019

Audit Report	Number of opportunities originally highlighted	Completed for 8/31/19	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
Contract Management for Public Works and the Performing Arts Division	20	19	1	5%	January 2017	September 2017
Development Charges, Fees and Securities	8	5	3	38%	June 2017	September 2017
Investments and Cash Management	10	10	0	0%	April 2018	June 2018
Facility Design, Construction & Maintenance Services Project Management	12	10	2	17%	March 2018	June 2018
Development Charges Process Changes	3	2	1	33%	November 2018	November 2019
Totals	53	46	7	13%		

TABLE B – Summary of Outstanding Audit Recommendations as at August 31, 2019

Audit Report	Recommendation	Management response	Original due date	Current due date
Contract Management	**3.2 Monitoring Low Value Acquisitions Overall** In order to effectively monitor whether payments made to a specific vendor exceed the low value acquisition threshold, the City should have the ability to generate listings of payments made by department and by vendor without purchase orders. These reports should be reviewed by management on a frequent basis in order to ensure they are in compliance with the Procurement By-law.	RHhub went live in July 2019 and staff have been working on many workflow changes and process adaptions that a new robust ERP system requires. A regular audit report for low value acquisitions and follow-up procurement processes are being established in Q4 2019 for regular process early in 2020.	Q1 2019	Q1 2020
Development Charges, Fees and Securities	**3.1 Update of By-laws** We recommend that the City update and amend the noted development charge and parkland dedication by-laws.	The City's 2019 Development Charges Update was approved in June 2019. The noted amendments to the development charges by-laws were incorporated as part of this update. The Parkland Dedication Bylaw has not been updated. With the new Bill 108 legislation, municipalities will be required to develop a Community Benefits Charge that will include DC related Soft Services and Parkland Dedication requirements, by January 2021. This will significantly change the City Wide DC Bylaw and the Parkland Dedication Bylaw. Staff are still awaiting formal Regulations from the Province.	2019	2020/2021

Audit Report	Recommendation	Management response	Original due date	Current due date
Development Charges, Fees and Securities	**3.2 Formal Processes and Procedures** We recommend that the Financial Services Division prepare a detailed procedures document related to the DCs, fees and securities processes to ensure all departments involved understand their roles and responsibilities. This procedures document should also assist in the event that there is turnover within the Financial Services Division.	Detailed procedures for the current DCs, fees and securities processes have been documented by Financial Services staff. The new Planning Resource Management system (PRM) will refine future DC related business processes. Once the new system is implemented, the new business processes and procedures will be formally documented. The target completion date will be in 2020 once the new PRM system goes live.	Late 2018	2020
Development Charges, Fees and Securities	**5.3 Combination of Land Dedication and Cash-In-Lieu** We recommend that the City implement a process for calculating land dedication requirements and cash-in-lieu in circumstances where there is a combination of land dedication and cash-in-lieu paid.	A process and template is being developed for when there is combined land dedication requirements and cash-in-lieu of parkland payments. However, until the Community Benefits Charge framework and process is formalized from Bill 108 regulations, a long term solution will have to wait.	Fall 2017	2020/2021
Facility Design, Construction & Maintenance Services Project Management	**4.1 Documentation of Processes and Procedures** We recommend that the FDCMS formally document the processes and procedures that are followed in managing the various projects that are handled within the Division.	The FDCMS Division is currently in the process of fully implementing all aspects of the PMO methodologies. Due to the phased approach taken to implement the PMO within FDCMS this is an ongoing process. The current target for full implementation of the PMO is by the end of 2020.	Q4 2018	Q4 2020

Audit Report	Recommendation	Management response	Original due date	Current due date
Facility Design, Construction & Maintenance Services Project Management	**4.2 PMO Manual** As detailed in Section 4.1, we recommend that the FDCMS Division document their processes and procedures used in managing projects. The FDCMS could adopt the PMO Manual as their formal processes.	As stated in 4.1, the FDCMS Division is currently in the process of fully implementing all aspects of the PMO methodologies. Due to the phased approach taken to implement the PMO within FDCMS this is an ongoing process. The current target for full implementation of the PMO is by the end of 2020.	Q4 2018	Q4 2020
Development Charges Process Changes	**3.1 Processes and Procedures for Managing Email Communications** The Town should ensure that strict protocols are in place to manage the emails sent between departments. The Town should ensure that when the new system is updated there is functionality to manage the work flow and automatic notifications for staff involved in the building permit and development charges processes.	The new PRM system is expected to go live in 2020 and will reflect these recommended workflow changes.	Q1 2020	2020