Status of Implementation of Recommendations from Previous Auditor General

Report to General Committee

December 7, 2015

AGENDA

1. Purpose
2. Work of the Auditor General (2008-2010)
3. Audit Findings and Status of Implementation:

    a) Procurement Audit

    b) Overtime & Attendance Audit

    c) Centennial Community Centre Audit

    d) Contract Administration Operations Audit

    e) Engineering Capital Projects Audit

4. Conclusions and Next Steps

1. PURPOSE

To provide Members of General Committee with an update on the current status of the City's implementation of the previous Auditor General's recommendations.

2. WORK OF THE AUDITOR GENERAL (2008-2010)

- In May 2008, Markham City Council appointed Ingrid Kutter as Auditor General for a three year contract term, with the possibility of a one-year extension.

- During the Auditor General's tenure with the City, which ended in 2010, five audits were completed, resulting in a total of 110 recommendations:

  - ❑ May 4, 2009 **- Procurement Audit**: **20 recommendations**
  - ❑ May 26 , 2009 - **Overtime & Attendance Audit**: **48 recommendations**
  - ❑ September 15, 2009 - **Centennial Community Centre Renovation & Expansion Audit: 17 recommendations**
  - ❑ December 18, 2009 – **Operations Contract Administration Audit**: **15 recommendations**
  - ❑ April 30, 2010 - **Engineering Capital Projects Audit**: **10 recommendations**

- The Auditor General's recommendations, and the status of implementation for all five audits are included in Appendix A

3(a). PROCUREMENT AUDIT: KEY FINDINGS

Description	Highlights of Audit Findings
Procurement Planning	• The City does not have consistent procurement planning, and timing of purchase requests do not align with vendor timelines or optimize the competitive process • Service standards not in place to set user expectations and measure performance • Vendor master files not maintained to support effective procurement process and spend analysis
Staff	• Mandatory training on procurement policies and procedures not undertaken • Several instances found where staff had a relationship with vendors doing business with the City and did not disclose potential conflicts of interest
Compliance with Policy	• Overall compliance satisfactory • User departments completed procurement actions without purchasing staff involvement, and did not demonstrate sufficient competitive process • RFP evaluation processes not properly documented in files • No green procurement policy
Security/Data Integrity	• Purchasing documents not stored securely. System access granted to staff was excessive and should be updated when staff leave
Operational Effectiveness & Efficiencies	• Bid document process does not leverage online bidding portal functionality • Vendor references not documented on file • Document management & data collection not streamlined; award reports are manually intensive

3(a). PROCUREMENT AUDIT: CURRENT STATUS

- The status of implementation of the Procurement Audit was reported out to General Committee on May 4, 2009

- Of the 20 recommendations:
  - ❑ 19 have been **fully implemented**
  - ❑ 1 recommendation related to streamlining and automating document management processes has yet to be fully implemented:
    - o As a step towards streamlining of processes, Staff are using Sharepoint for all General Committee reports, including Staff Awards. Sharepoint allows uploading of documents, electronic review and sign-off, and document workflow tracking
    - o Staff have continued to develop business requirements for a fully integrated Electronic Document Management System (EDMS) based on current experience with Sharepoint
    - o The need for an EDMS will be prioritized as part of the City's Digital Strategy

3 (b). OVERTIME & ATTENDANCE MANAGEMENT: AUDIT FINDINGS

Description	Highlights of Audit Findings
Attendance Management Program	• The City does not have a formal attendance management program in place • Availability and integrity of management reports to support attendance management is limited
Medical Certificates	• Process for obtaining medical certificates for excessive absence events in the year is not fully effective to ensure certificates are requested and received • Responsibility for follow-up on medical certificates is not clear • There is a need for improved reporting mechanisms to monitor absence and trigger certificates
Process Inefficiency	• The absence reporting process is manually intensive and prone to errors • In absence of technology investment, automating forms, direct systems updates, enhancement of third party vendor's system can be explored
Overtime	• Overtime policy should be explored • Budgets should reflect actual expectations regarding staffing and promote accountability • High overtime departments should analyze overtime drivers/ requirements • Regular overtime reports should be available to support management
Fire Services	• There should be a staffing study to identify optimal staffing model and size of workforce with budgets aligned with staffing model • Analyze overtime drivers • Strengthen attendance management

3(b). OVERTIME & ATTENDANCE MANAGEMENT: CURRENT STATUS

- Staff reported back to General Committee on October 19, 2009 on proposed action plans to address the Auditor General's report on Overtime and Attendance Management

- Of the 48 recommendations:

  - ❑ 25 recommendations have been **fully implemented**

  - ❑ 16 recommendations relating to overtime and attendance management policies and practices have been **partially implemented, through measures to strengthen tracking and monitoring and reduce risk, pending further technology enhancements; for example:**

    - o A new attendance policy was implemented in 2010

    - o A vacation policy was also implemented in 2010; a requirement to reduce vacation carry-over has been implemented

    - o Attendance continues to be managed through attendance clerks, who use spreadsheets to track employee time.

    - o Managers monitor employee absence, in conjunction with HR to ensure necessary documentation is in place

    - o Sick days are reported as part of departmental metrics

3(b). OVERTIME & ATTENDANCE MANAGEMENT: CURRENT STATUS

❑ 7 recommendations have not **yet been implemented**

- To fully implement the remaining recommendations, the City requires technological improvements to be made, especially to monitor and track trends in the areas of attendance management, sick days and overtime analysis. The City will continue to use manual processes to manage attendance in the meantime.

- In 2013, the City developed a comprehensive set of business requirements in anticipation of future implementation of a Human Resources Information System (HRIS). Potential HRIS system options, including the potential leveraging of the York Region system, were analyzed.

- The City is currently reviewing the feasibility and cost of an upgrade to the current payroll system which is now available. The proposed upgrade includes an integrated time and attendance module which would automate the City's attendance tracking capability. Implementation will occur in 2016. The upgrade will provide HRIS functionality and address a number of key business requirements.

3 (c). CENTENNIAL COMMUNITY CENTRE AUDIT: KEY FINDINGS

Description	Highlights of Audit Findings
Pre-Qualification and Tender Process	• The City should standardize, formalize and document the pre-qualification process including scoring criteria, and the evaluation threshold • The City does not have a terms and conditions framework to manage unqualified contractors
Project Management	• The City should adopt and implement an overall project management methodology including a financial governance framework, and establish a project management oversight function
Bonding	• The City should have one point of contact for bonding companies and the management of bonds
Project Management Reporting	• The City should adopt standardized project management reporting, including "dashboard reports", cost and schedule reports, and issue escalation procedures

3 (c). CENTENNIAL COMMUNITY CENTRE AUDIT: KEY FINDINGS

- Staff delivered an in-camera presentation to General Committee on November 30, 2009, on management responses to the Centennial Community Centre Audit

- Of the 17 recommendations:
  - ❑ 14 recommendations have been **fully implemented**
  - ❑ 2 recommendations have been **partially implemented**
    - o The recommendation regarding adopting standardized project management reporting – Consistent reporting framework for capital projects has been established, and Asset Management, ITS and Environmental Services have initiated standard reporting for major projects. The standard reporting process will be implemented in 2 additional departments
    - o The recommendation regarding documentation of incomplete work when contractors are replaced has been adopted across departments; however, documentation is pending.
  - ❑ 1 recommendation will **not be implemented:**
    - o A recommendation was made regarding the development of standard release forms to verify timely payment from the general contractor to their subcontractors and material vendors.
    - o It has been determined that this is not an accepted practice within the construction industry, and no further action is required.

3 (d). CONTRACT ADMINISTRATION AUDIT: KEY FINDINGS

Description	Highlights of Audit Findings
Contract Tracking	• Contract summary sheets of key contract information and services should be developed • There should be a consistent approach to track, review and clarify contract owner's responsibilities • There should be consistency in contract terms across all contract documents
Performance Measurement	• There should be performance indicators to allow City staff to reliably analyze and track performance of contractors
Bonds	• There should be a standard practice for ensuring bonding sufficiency for multi-year contracts

3 (d). CONTRACT ADMINISTRATION AUDIT: CURRENT STATUS

- Staff delivered a presentation to General Committee on March 22, 2010, on management responses to the Contract Administration Audit.
- Of the 15 recommendations:
  - ❑ 14 recommendations have **been fully implemented**
  - ❑ 1 recommendation relating to strengthening data collection and analysis activities is **partially implemented**. Full implementation will be completed in 2016 once the benchmark data has been collected
    - o New rating model provided by University of Waterloo in 2014 has been used to generate updated data of the 2013 assessment and to revise the specifications for the 2015 condition assessment tender. The 2015 data collection is currently underway. This will be a benchmark for comparison against the 2013 collection. University of Waterloo has been requested to review both and provide further assessment of inventory in Q1, 2016.

3 (e). ENGINEERING CAPITAL PROJECTS AUDIT: KEY FINDINGS

Description	Highlights of Audit Findings
Project Management Office	• The City does not have a Project Management Office (PMO) to oversee projects and track issues that arise
Close Out Process	• Standard close out process is not documented
Contract Database	• Staff should document contractual agreements and ensure they are executed properly

3 (e). ENGINEERING CAPITAL AUDIT: CURRENT STATUS

- Staff presented to Development Services Committee on the status of implementation on November 22, 2010 and on January 25, 2011.
- Of the 10 recommendations:
  - ❑ 6 recommendations have been **fully implemented**
  - ❑ 3 recommendations have been **partially implemented**, with full implementation planned through the Project Management Support Office in 2016/17
  - ❑ 1 recommendation that "proposed change orders that cannot be identified as valid, should be resolved prior to contractor starting work, or formal notification that the City may not approve should be provided by the contractor", **will not be implemented**:
    - o If a Change Order cannot be identified as "valid" prior to the commencement of work, the contractor can still submit a claim to the City to recover the cost of the work after the work is completed. It is the responsibility of the Contract Administrator to review the legitimacy of the claim and provide a recommendation to the City on how to respond.

4. CONCLUSIONS AND NEXT STEPS

- Staff have completed all required report backs to Committee and Council

- Based on information provided by departments, Staff have made substantial progress in addressing the recommendations of the Auditor General

- Senior management will continue to monitor implementation of any outstanding recommendations, as appropriate

- MNP LLP has been selected to provide Auditor General Services and will begin work in December 2015

- It is expected that the new Auditor General will follow up on the results of the previous audits as part of the preparation of his Audit Plan