



Recommendation Follow-up
Management Actions up to April 30, 2013
December 12, 2013

This page intended to be blank

1. Introduction

The semi-annual follow-up of audit recommendations is part of the 2013 City Auditor's Office (CAO) annual work plan. The current practice is to provide a report to the Audit Committee and City Council on the adequacy, effectiveness, and timeliness of actions taken by the Administration based on commitments provided in response to previous audits.

Management is responsible and accountable for addressing the audit issues and recommendations. International auditing standards (IPPF 2500) require the establishment of a follow-up process to monitor the disposition of previous audit recommendations and ensure that management's actions have been effectively implemented or that management has accepted the risk of not taking corrective action.

In 2008, the CAO established a tracking system for all audit recommendations and has been conducting follow-up work since based on target completion dates provided by Management.

In September 2010, the recommendation follow-up process was revised from an annual reporting cycle to a biannual reporting cycle. At that time the process was also revised to have the status updates provided to the City Manager prior to coming to the CAO. This revision was intended to assist the City Manager to monitor and confirm that the Administration has delivered on all commitments made in response to the audit recommendations.

2. Follow-up Process

The current follow-up process includes the following key steps:

1. **City Auditor** provides a list of open audit recommendations and accompanying management action plans as per the original audit report, including the target completion dates, to the City Manager's Office.
2. **City Manager** works with the various departments to obtain a status update and supporting documentation for each recommendation and provides the status update and supporting audit evidence to the City Auditor.
3. **City Auditor** assesses the responses received from the City Manager; validates the responses through additional audit testing as necessary; updates the outstanding recommendations database; and reports the results of each follow-up cycle to Council through Audit Committee.

Recommendation Follow-up – Management Actions up to April 30, 2013

Each of the follow-up cycles is set-up as a 6 month cycle as follows:

- 2 months for management to **gather** supporting documentation for completed recommendations;
- 2 months for CAO to **validate** supporting documentation and perform any necessary testing;
- 2 months for **quality review** and **reporting** phase

The process is designed to provide biannual follow-up reports to the Audit Committee.

2.1 Supporting Documentation

For each recommendation the Administration considers to be complete, the City Auditor's Office will review the supporting documentation to ensure it is sufficient, reliable and relevant, to support closing the recommendation. Evidence is assessed as follows:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

Reliable information is the best attainable information.

Relevant information supports the actions taken and is consistent with the issue being addressed.

In order for the CAO to agree that a recommendation is complete, we ascertain whether actions taken on audit observations and recommendations remedy the underlying conditions. If we agree that the recommendation is complete then we close the recommendation in our recommendation tracker.

For any recommendations that the CAO deems are not complete, we negotiate a revised target completion date based on appropriateness and significance of work required to implement the corrective action.

3. Scope

The scope of this follow-up cycle includes all audit recommendations where Management has committed to completing on or before April 30, 2013. This cycle includes 43 recommendations from 16 different audit reports with issuance dates ranging from 2001 to 2013.

In May 2013 we requested status updates to the City Auditor's Office by July 15, 2013. Due to a shift in priorities for management following the flood in June, 2013, the City Auditor's Office's deadline was extended to September 15, 2013.

Recommendation Follow-up – Management Actions up to April 30, 2013

4. Results

We closed 39 (91 %) recommendations; 4 (9 %) recommendations are still in-progress and will remain open for further follow-up (TABLE 1).

A summary of the audit projects that have outstanding recommendations in this cycle, along with status update on the seven recommendations that remain in-progress, are provided in Appendix 1.

TABLE 1 – Follow-up Cycle Summary of Recommendation Status

Audit Title and Report Date	Number of Recommendations		
	Due at start of Cycle	Closed ⁽¹⁾	In- Progress ⁽²⁾
1. Managing Maintenance of Facilities & Buildings (2001)	6	6	0
2. 911 CAD Security Review (2004)	1	1	0
3. Payroll Controls Review (2004)	1	1	0
4. Excavation Permit Process (2008)	7	7	0
5. IT Performance Audit (2008)	1	1	0
6. Public One Stop Service (POSSE) Audit (2008)	3	2	1
7. Audit of the Corporate Credit Card Program (2009)	2	2	0
8. Procurement Audit Phase 1 - Governance (2009)	2	2	0
9. Procurement Audit Phase II - Systems and Processes (2010)	3	2	1
10. Real Estate Portfolio Audit (2010)	4	4	0
11. Development Permit Process Audit (2011)	3	3	0
12. Fire Dept Construction Audit (2011)	1	1	0
13. Assessment Database Completeness (2012)	1	1	0
14. Calgary Arts Development Authority Grant Program Audit (2012)	5	4	1
15. Cellular Phone and Mobile Devices Audit (2012)	1	0	1
16. Technology Investment Governance Audit (2013)	2	2	0
Total	43	39	4

(1) Closed - indicates that the actions taken remedy the underlying issues of previous audit observations and recommendations or that management has indicated that the recommendation is no longer relevant based on changes to operations and the City Auditor's Office concurs with this status. We also close recommendations that management has decided to accept the risk of not taking corrective action on. These recommendations require no further follow-up.

(2) In-Progress – indicates that management has taken steps to implement the recommendation but further action is required. Management provides an updated target completion date for all recommendations that are In-Progress.

5. Conclusion

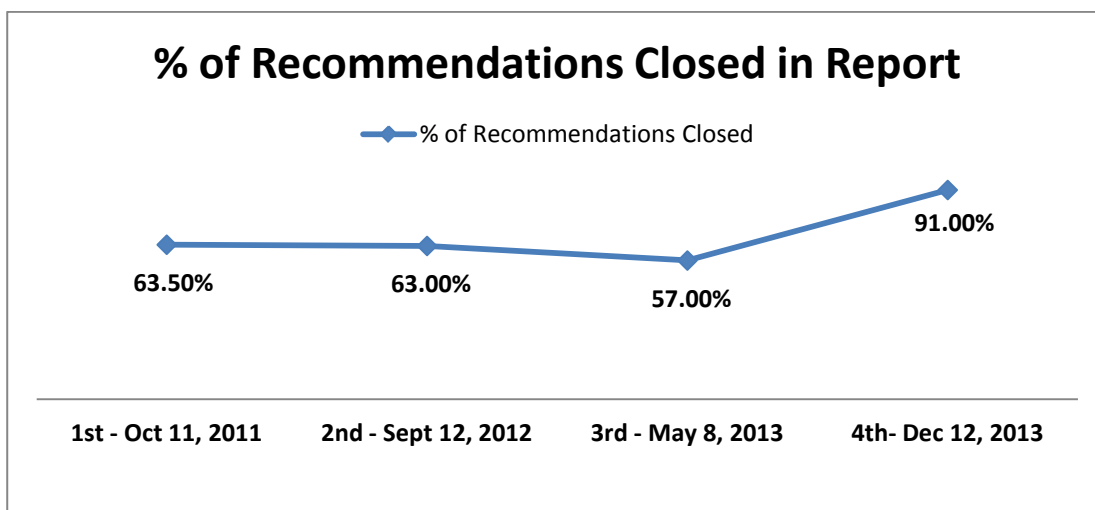
Through our review of supporting documentation provided by the Administration, and in some cases based on the results of additional follow-up work performed, we have closed 39 (91%) of the 43 recommendations. We were either satisfied with the actions taken on the recommendations (30) or they were closed for one of the following reasons:

- The recommendation was no longer relevant given changes to processes or policies; (6)
- Subsequent to the original audit report, management has decided not to implement the recommendation and accepts the risk; (2)
- The risk will be monitored through the CAO's follow-up work on a related recommendation (1); or
- The risk will be addressed by audits currently underway.

The remaining 4 of 43 recommendations are in-progress and we will continue to follow-up on them in subsequent cycles based on management's revised completion dates.

Table 2 illustrates the percentage of closed recommendations in the current and past follow-up reports since 2011.

TABLE 2



Follow-up for Recommendations due on or before April 30, 2013

1. Public One Stop Service (POSSE) Audit

Audit Report Summary

This audit was undertaken as part of the City Auditor's Office (CAO) Audit Plan and was reported in 2008. The audit objectives were to assess:

- The POSSE system's effectiveness in assisting system users to achieve more effective and efficient operations; and
- Activities recorded in the POSSE system for compliance with applicable legislation, policies and procedures.

The audit concluded that the POSSE system is reasonably meeting its critical goal of assisting business units in performing their responsibilities efficiently and effectively. The system could, however, be improved in a number of areas to increase the use of POSSE capabilities and data, and lead to improved operations. We observed inadequate compliance with administrative guidelines adopted by The City to ensure access to information systems is appropriately controlled.

The audit report included 15 recommendations and management provided action plans for all of them.

Follow-up Cycle Update

Detail of the recommendation (#8) that remains in-progress in this cycle is provided below along with a brief status update.

Recommendation #8: Management should periodically review processes with low usage and authorize the removal of any processes that are no longer required.

Management's response in the original audit report did not include an anticipated completion date for this recommendation. Previous follow-up work was conducted in 2011 at which time management indicated the recommendation would be implemented by Q4 2012.

Status Update: Processes that are no longer required cannot be removed from POSSE; the system does not allow the removal of a process once it has been used on any job and the data is often retained or required for historical reporting purposes. However, workflow on the jobs in POSSE can be configured so that superseded processes are no longer usable.

Follow-up for Recommendations due on or before April 30, 2013

Management indicated that they have completed a comprehensive review of POSSE processes (all permits and internal processes) with low usage and have identified over 1,000 that will be removed from workflows. Each process will be analyzed on a case by case basis to ensure it should be removed. The work to determine which processes are valid to eliminate from workflows had not been completed as of April 30, 2013, however is expected to be complete by December.

Management's revised completion date: December 31, 2013

Follow-up for Recommendations due on or before April 30, 2013

2. Procurement Audit Phase II – Systems and Processes (2010)

Audit Report Summary

The audit was undertaken as part of the City Auditor's Office (CAO) 2009/2010 Annual Audit Plan.

The overall objective of the procurement audit was to assess the effectiveness and efficiency of The City's practices for the procurement of goods, services and construction work. The specific objectives for this phase of the audit were to determine whether:

- The City's procurement processes promote open, fair and transparent competition to protect the interests of The City and its residents;
- Appropriate mechanisms are in place to manage, monitor and control the procurement activities to ensure they are efficient and cost-effective.

Overall, we found that Supply Management was not fully effective in discharging its responsibilities as The City's central purchasing authority. Further, City practices were not always consistent with good public sector procurement practices and, as a result, The City was not always able to demonstrate that it conducted its procurement activities in an open, fair and transparent manner. In particular, The City should address disproportionate use of non- competitive procurement and change orders.

We also found opportunities for savings for both productivity improvements and better leveraging of The City's buying power. There is also a need for both improved public and management reporting.

The audit report had 13 recommendations and management provided action plans for all of them.

Follow-up Cycle Update

Detail of the recommendation (#11) that remains in-progress in this cycle is provided below along with a brief status update.

Recommendation #11: We recommend that the Manager, Supply Management take steps to improve process efficiency by enhancing the use of available FSCM¹/ERP² functionality, including developing an agreement similar to MCA³ for minor construction and repair work contracts to better protect the interests of The City.

¹ Financial Supply Chain Management

² Enterprise Resource Planning

³ Master Consulting Agreement

Follow-up for Recommendations due on or before April 30, 2013

The original completion date provided by management for this recommendation was end of Q2 2011.

Previous follow-up work was done in 2012 at which time management indicated that they were conducting a business process review to determine any changes that may have been needed to address agreements for minor construction work. They also indicated that as of July 2012 they had drafted a policy to address minor construction work.

Status Update: Management has yet to finalize a policy related to minor construction and repair work contracts. Management is also working with Law to update the minor construction and repair work contracts.

Management's revised completion date: March 31, 2014

Follow-up for Recommendations due on or before April 30, 2013

3. Calgary Arts Development Authority (CADA) Grant Program Audit

Audit Report Summary

This audit was undertaken as part of the City Auditor's 2012 Annual Audit Plan.

The Calgary Arts Development Authority (CADA) receives the majority of its revenue from The City of Calgary (The City). This revenue is mainly used to fund and administer grant programs to external organizations.

The purpose of the audit was to assess whether CADA adequately managed the grant administration process to ensure the effective and efficient use of funding provided by The City. We also assessed The City's compliance with the Civic Arts Policy with respect to arts funding to external organizations.

The audit focused on the 2011 Operating Grant and Event Stimulus Grant Programs with approved grants of \$3.8 million and \$500,000 respectively.

We determined that the application and assessment processes were adequately managed. We concluded that overall improvements are required with respect to the use of the Calgary Arts Development Authority's (CADA) on-line grant management system and documentation practices

The City Auditor's Office directed seven recommendations to CADA to improve the efficiency and effectiveness of the management of grant administration. One recommendation was directed to the Administration to review and update the Policy and related documents involving CADA.

Follow-up Cycle Update

Detail of the recommendation (#8) that remains in-progress in this cycle is provided below along with a brief status update.

Recommendation #8 - CADA's President and CEO improve the documentation of staff and assessor activities in the grant administration process by establishing formal documentation standards and procedures.

Status Update: Management improved the documentation of staff activities in 2013. Formal documentation standards and procedures for assessor activities will be established in the first quarter of 2014.

Management's revised completion date: March 31, 2014

Follow-up for Recommendations due on or before April 30, 2013**4. Cellular Phone and Mobile Devices Audit (2012)****Audit Report Summary**

This audit was conducted as part of an “Efficiency, Effectiveness, Economy of City Practices” review in The City Auditor’s Office (CAO) 2011 Audit Plan. The audit objective was to assess whether the controls to monitor mobile device usage and costs are adequate and functioning.

We observed that although The City has an Acceptable Use of City Technology Resources Policy in place, the policy does not define appropriate and inappropriate uses of mobile devices. Nor does the policy assign accountability for any financial impact resulting from improper mobile device use.

There was no effective reporting tool in place to allow the Dept ID owners to adequately monitor mobile device usage and costs. Furthermore, mobile device inventories at each Dept ID were found to be inaccurate or not maintained.

We also noted that there was no tool in place to centrally manage mobile devices such as iPhones and iPads. In addition, there was a lack of understanding of the mobile device rate plans and the process to acquire new devices did not include addressing average operating costs.

The audit report included five recommendations and Management agreed with all of them.

Follow-up Cycle Update

Detail of the recommendation that remains in-progress in this cycle is provided below along with a brief status update.

Recommendation #4 (a & b only) The City Auditor's Office recommends the Chief Information Technology Officer:

a) Define and implement software to centrally manage (i.e. Mobile Device Management software) and secure all mobile devices. Define a security policy for the mobile devices which addresses configuration settings; classification of data on each type of device; the control mechanisms required. Also, ensure the security policy is implemented in the software.

b) Conduct training and awareness sessions for employees regarding the threats and security of mobile devices (i.e. hotspot function, enabling auto-lock, backup of data, storage of confidential data on mobile devices, etc.) authorized for City use.

Follow-up for Recommendations due on or before April 30, 2013

The original completion date provided by Management for this recommendation was Q1 2013.

Status Update:

4 a) Management's update indicated that they were conducting a pilot project for the selected Mobile Device Management solution (Blackberry Mobile Fusion). We reviewed the project progress report for the period ending May 3, 2013 and the report indicated that the pilot project was on track. The progress report also indicated that the work to draft recommendations that the solution be put into production were on track.

We spoke with the Supervisor, Program Office, Innovation and Collaboration- and he confirmed that since April 30th the solution has been approved for production and that 2500 devices will be implemented by Q1 2014. Management has indicated that Security Policies will be defined and implemented as part of implementing the Mobile Device Management software.

4 b) Management's update indicated that hints and tips for mobile devices are currently on the intranet. We reviewed the information at the link provided by the business unit and noted the material did address mobile charges, roaming charges, and general set-up and user tips. We noted that the information provided online did not address mobile device security. The Supervisor, Wireless Communication Solutions indicated that training regarding threats and security of mobile devices is tied in with the rollout of the MDM solution in Q1 2014

Management's revised completion date: March 31, 2014