

Principle 10: Selects and Develops Control Activities				
The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.				
Controls Applicable to Principle 10				
Applicable Identification	High-Level Control Description	New or Recurring	Description of Opportunities for Improvement or Deficiencies	Further Actions Planned
10-001	Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.	New	<p>Deficiency: The City has an annual process in place, led by the Corporate Budget Office (CBO), referred to as Budget Finalization for which business units are required to apply funding sources to capital expenditures incurred during the year provided that the revenue recognition criteria have been satisfied. While the process of identifying these funding deficits was performed and communicated by Business Unit Finance to CBO, the implications to the fiscal year reporting cycle was not recognized and timely investigation was not performed as part of the 2016 or 2017 Budget Finalization processes. This was identified during the 2018 year through follow-up on the 2017 Budget Finalization process where a significant funding deficit related to West LRT was identified and was determined funding had not been fully applied in the appropriate calendar year. Once identified, a further scope of review was performed at which time it was determined this control was not performing effectively as intended in the departments of Transportation, Community Services and Utilities and Environmental Protection.</p> <p>Once identified, a systematic review process based on a detailed financing worksheet was performed for deficit amounts reported as of December 31, 2016, 2017 and 2018. The deficits for each program were analyzed using the financing worksheet to determine if financing from grant funding, debt financing or reserve funding should be applied. All corrections were made to the 2018 General Ledger and material restatements to the 2017 and 2016 reported amounts were determined and recorded.</p>	<p>The Corporate Budget Office and Corporate Financial Reporting have committed to provide additional training to finance staff in 2019 to prevent this issue from occurring again in the future.</p> <p>Starting in fiscal year 2019, to improve completeness and ensure appropriate funding is applied to capital projects within each fiscal year, a new annual capital financing summary report will be completed by each department as part of the year end general ledger close process. This report will be reviewed by the applicable Finance Managers and City Treasurer. Any differences will be reconciled, and the general ledger will be adjusted as necessary.</p> <p>Finance has committed to changes and process improvements that will collectively address the risks of future timing differences.</p>