



OFFICE OF THE  
**City Auditor**

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# **Follow-up of Recommendations**

For the Period December 2010 through July 2011

September 12, 2011

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The Office of the City Auditor conducted  
this project in accordance with the  
*International Standards for the  
Professional Practice of Internal Auditing*

# Follow-up of Recommendations

For the Period December 2010 through July 2011

## 1. Introduction

The follow-up of recommendations is included in the Office of the City Auditor's (OCA) annual work plan. At minimum, on an annual basis, we provide a report to the Audit Committee on the adequacy, effectiveness, and timeliness of actions taken by the Administration on our recommendations.

Our follow-up process and reporting on the status of implementation of actions fulfills the following requirements:

1. International audit standards state: *The chief audit executive must establish a process to monitor and ensure that management has effectively implemented or that senior management has accepted the risk of not taking action.*
2. The Audit Committee Bylaw section 10(3)(b) states: *Committee has authority to: review whether Administration has taken appropriate corrective action in response to recommendations made in Office of the City Auditor reports.*

Historically, follow-up reviews were undertaken on audits 6 to 18 months following the latest completion date for all recommendations contained in the audit report. Effectively, this resulted in some recommendations not being followed-up for more than two years.

In 2008, we enhanced the follow-up process with both the Office of the City Manager and OCA ensuring that actions to implement recommendations are timely and complete. Under this process we review supporting documentation and discuss the action taken with the relevant staff to confirm that the actions address the intent of the recommendation thereby allowing its closure.

In 2011, we implemented a SharePoint<sup>1</sup> site to streamline the gathering of information on actions taken by the Administration and sharing of the OCA's assessment on the adequacy of supporting documentation and status on the recommendations.

Based on the significance of the original audit, we may conduct a full follow-up review to assess the efficiency and effectiveness gained from the actions taken to address the recommendations. These reviews are usually scheduled 6 to 18 months following the planned implementation of all recommendations contained in the audit. Alternatively, the assessment could be part of a future audit of the area or process.

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<sup>1</sup> SharePoint is Windows software from Microsoft that is used to set up internal Web portals (intranets) for document sharing and search, and team collaboration.

## 2. Analysis

Since enhancing the follow-up process, we have seen an increase in the percentage of recommendations that are being closed. We believe this improvement is a reflection of senior management's commitment to implement actions to address our recommendations in a more timely manner. Table 1 illustrates the total number of recommendations reviewed, the number and percentage closed in each reporting period, and the number and percentage that remained in progress at the end of the period.

**Table 1**  
**Recommendation Closure Trend**

Reporting Period End	Total Recommendations	Closed During Period	In progress
May 2008	68	9 13%	59 87%
March 2010	83	29 35%	54 65%
November 2010	128	66 52%	62 48%
July 2011	87	44 51%	43 49%

On April 12, 2010, the Audit Committee passed a motion that requires the OCA to specifically report on recommendations that are more than two years past the completion date.

- Since that time, the actions taken by the Administration has allowed the closure of 110 recommendations. At the time the recommendations were closed:
  - 45 were more than 2 years past due
  - 44 were 1-2 years past due
  - 19 were less than 1 year past due, and
  - 2 were not yet due
- Only six recommendations remain in progress more than 2 years past the planned completion date, down from 37 at the start of last reporting period.
- Only two recommendations remain in progress 1 to 2 years past the planned completion date, down from 54 at the start of last reporting period.
- Overall the percent of recommendations that remain in progress past the planned completion date has decreased from 87% to 53%

Table 2 shows the aging of all recommendations reviewed in the last reporting period, April 2010 through November 2010, and the current reporting period, December 2010 through July 2011.

**Table 2**  
**Aging of Recommendations**

Age of Recommendations	April 2010 to November 2010				December 2010 to July 2011			
	Total Reviewed		In Progress		Total Reviewed		In Progress	
	#	%	#	%	#	%	#	%
More than 2 years past completion date	37	29%	13	21%	27	31%	6	14%
1 – 2 years past completion date	54	42%	26	42%	18	21%	2	5%
Less than 1 year past completion date	20	16%	7	11%	21	24%	15	34%
<b>Sub-Total</b>	<b>111</b>	<b>87%</b>	<b>46</b>	<b>74%</b>	<b>66</b>	<b>76%</b>	<b>23</b>	<b>53%</b>
Due after End of Period	17	13%	16	26%	21	24%	20	47%
<b>Total</b>	<b>128</b>	<b>100%</b>	<b>62</b>	<b>100%</b>	<b>87</b>	<b>100%</b>	<b>43</b>	<b>100%</b>

The status, new completion date, and explanation for the delay in addressing the recommendations that remain in-progress more than two years past the original completion date are provided in Section 3. Examples of the benefits resulting from the actions taken to address the recommendations closed in this period are provided in Section 4.

A summary of recommendations by department/service area is provided in Appendix 1 and a summary of recommendations for all projects reviewed is provided in Appendix 2.

### 3. Recommendations In-Progress More Than 2 Years Past the Expected Completion Date

This section summarizes the implementation status of the six recommendations that remain in-progress more than two years past the original completion date identified by the Administration. These recommendations are associated with three audits completed between October 2007 and June 2009. We summarized the information received from the Administration to provide an overview on the actions that have been taken to date and the reasons why implementation is not complete.

### **3.1. Mobile Equipment Services Branch Audit (Fleet Services) (Audit 07205)**

Report issued October 17, 2007

Fleet Services provides comprehensive City-owned equipment services for customers with diverse equipment needs ranging from light-duty service vehicles to heavy-duty equipment. The services provided span the entire life cycle of City-owned equipment from acquisition through disposal and replacement.

The primary objective of the audit was to provide assurance that services provided by Fleet Services are effective, efficient, and economical.

We made 12 recommendations to improve Fleet Services' ability to demonstrate that services are provided in an economical, efficient and effective manner. We closed 10 recommendations in prior reporting periods. The two recommendations that are still in-progress relate to setting targets for service delivery and warranty recoveries. In the last reporting period, the completion dates for these recommendations were revised to December 2011.

Original Completion Date – August 2008

Revised Completion Date – December 2011

#### Update

A new fleet management information system was implemented in July 2011. A post implementation review and data analysis will take place to ensure the accuracy of the data before targets are set. Fleet Services expect to implement the recommendations by the revised completion date.

### **3.2. Land and Buildings Branch Audit (Corporate Properties) (Audit 07206)**

Report issued January 21, 2008

The services reviewed in this audit included building maintenance, accommodation planning, land acquisition and sales, property management, and land planning and development. These services support civic operations and capital projects managed by all parts of the Corporation.

We made 11 recommendations to improve the efficiency and effectiveness of service delivery. Seven of the recommendations were closed in prior reporting periods that relate to the conservation of buildings and facilities, determination of building and facility needs and usage, and land need identification and acquisition.

The status updates provided during the last reporting period indicated that two recommendations related to automated systems remained in progress due to system upgrades/enhancements, one related to development of a lease/build/buy management

framework due to the lack of funding, and one related to reporting on land development activity was due to a revised financial reporting system. As a result the completion dates were revised.

#### Completion Dates

<u>Recommendation</u>	<u>Original</u>	<u>Revised</u>
2	January 2009	January 2011
4	December 2008	December 2011
6	September 2008	December 2011
11	March 2008	December 2011

#### Update

**Recommendation 2** – Ensure building inventory information is complete and presented in a consistent manner.

A process to integrate the City's building inventory information maintained in the Corporate Properties Branch system with the corporate financial system (SAP) has been developed. A review process to ensure the consistency of information between systems has also been agreed to. Corporate Properties plans to have information updated and integration complete by the end of 2011.

Ensuring the consistency of data requires coordination of resources from Financial Services, Infrastructure Services and Sustainable Development. This has resulted in the delay in completing actions to close this recommendation.

**Recommendation 4** – Vendor support and opportunities to automate the transfer of information between SAP the Decision Support System (DSS).

Documentation was provided demonstrating the requirements for this recommendation have been addressed. This recommendation has been closed.

**Recommendation 6** – Develop a comprehensive framework for lease/build/buy assessments.

A Corporate Facility Strategy that forms the basis for a comprehensive management framework has been developed. Corporate Properties completed a lease/build/buy analysis for the current Downtown Civic Accommodation Plan.

Resources to fully develop and maintain a comprehensive framework have not been approved. Completion of development is subject to approval of additional resources.

**Recommendation 11 – Enhance reporting related to the Land Development.**

Enhanced reporting on land development activities will be one of the outcomes from the work being done on *The Way We Finance* framework for financial decision making.

Enhanced reporting will be available in March 2012.

The outcomes of the actions taken to address the 11 recommendations in the January 21, 2008 audit report impact both the operational areas reviewed and the Corporation as a whole. A full follow-up of this audit will be included in the OCA's 2012 Annual Work Plan.

**3.3. Review of Payment Controls (Audit 08268)**

Report issued June 12, 2009

In collaboration with relevant City staff, the OCA completed an assessment of two reported incidents pertaining to payment processing.

Initially we evaluated payment controls in the City's SAP system in relation to the two incidents. Subsequently, we expanded our scope to strengthening access controls in all four corporate systems<sup>2</sup>, as well as high-risk departmental systems. We made six recommendations to strengthen access controls in corporate and high-risk departmental systems. We closed five of the six recommendations following review of documentation demonstrating that actions had been taken. The recommendation that remains in progress is related to ensuring that the higher level access privileges are reviewed and adjusted to that required to perform their duties for those departmental systems that are considered high-risk.

Original Completion Date – June 2009 (for risk assessment)

Revised Completion Date – March 2011

**Update**

A project plan has been developed and a standard operating procedure that defines "high-level system access", what it is to be used for and who should have this type of access has been drafted. A revised project plan has been developed that sets out the remaining steps that need to be taken to address the audit recommendation.

Reason for Delay – Ensuring that the required application access controls have been properly established and implemented is a complex project requiring coordination of both business and IT stakeholders. Actions will be complete by November 30, 2011.

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<sup>2</sup> The for corporate systems are SAP, HRIS, POSSE and SLIM.



## 4. Impact of Recommendations Closed in the Reporting Period

During this reporting period, we closed 44 recommendations. Closure of recommendations is based on our review of supporting documentation that demonstrated the actions agreed to have been taken and the intent of the recommendations had been addressed. The effectiveness of actions will be assessed during future audits. We believe that the actions taken by the Administration have strengthened internal controls and mitigated related risks. This section provides a brief background and outlines the benefits to the City from the actions taken by the Administration to address some of these recommendations.

### 4.1. Enterprise Risk Management (Audit 05142)

Report issued August 25, 2005

In 2005, the OCA led a corporate team in developing an Enterprise Risk Management (ERM) process for the City of Edmonton. For an organization to achieve the maximum benefit from ERM, it must be seen as not just a process, but a risk management culture. In successful implementations attitudes, behaviours and activities together form an environment in which risk considerations are part of the daily routine.

In 2005, the Administration accepted responsibility for managing the City's overall ERM program and providing guidance for selection and use of risk management toolsets.

In 2011, the City's Chief Financial Officer established a cross-departmental working team. A project charter has been developed, and a terms of reference for implementing ERM has been provided to the Audit Committee.

The project scope defined in the Terms of Reference states:

The project will, at a City-wide and strategic level, examine the methods and process that currently are or should be used by the City to manage risk and seize opportunities related to the achievement of internal controls and strategic plans. Detailed examination of individual project or operational level risk management processes or activities is beyond the scope of this project. However, risk mitigation at the business level would be expected to align with the corporate Enterprise Risk Management framework.

Benefits from an effective risk management framework include:

- Increased likelihood of achieving objectives
- Improved identification of opportunities and threats
- Improved governance
- Improved operational effectiveness and efficiency

## 4.2. Continuous Monitoring (Audit 05157)

Report issued July 4, 2007

Continuous monitoring is a method used to automatically perform control and risk assessments on a more frequent basis. In 2006, the OCA developed applications to monitor transactions entered into SAP. We made two recommendations to increase the efficiency of processing and accuracy of the data entered by staff.

We closed one recommendation in a prior reporting period. The training provided to staff and increase in automated processes along with the positive testing results reported by the City's external auditors show that the outstanding recommendation has been addressed and is therefore closed.

## 4.3. Transportation Planning Branch Audit (Audit 05167)

Report issued May 19, 2006

Transportation Services is responsible for the development and implementation of transportation plans and programs including roadways, public transit services, cycling paths and walkways. The Transportation Planning Branch serves as the key strategic force to guide the department and the City in transportation-related matters. The objective of this branch audit was to assess the Transportation Planning Branch's capability to develop and implement an effective transportation strategy for the City of Edmonton.

In 2006, we made 10 recommendations for improving the Branch's capability to develop and implement an effective strategy. We completed a full follow-up review in November 2010. Through our review of *The Way We Move*, an *Implementation Plan*, and a *Progress Measures Report*, as well as monitoring and other process documents used by the Branch, we closed seven of the recommendations.

In this reporting period we closed the remaining three recommendations related to the development of formal transportation policies, development of strategic targets & performance measures, and approval of a transportation decision model.

The Branch's work in setting targets for each of the approved performance measures will facilitate decision-making by Council related to the prioritization of resource allocation for programs, services, and infrastructure renewal, replacement and development. The Transportation Services Project Decision Model was used in preparing the 2012 - 2014 Capital Budget project priorities for Transportation Services.

#### **4.4. Project Change Order Review (Audit 05169)**

Report issued March 3, 2006

#### **23<sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Review (Audit 07239)**

Report issued September 3, 2008

The objectives for the Project Change Order Review were to identify the underlying reasons for the changes to contracts issued for capital construction projects, verify compliance with delegated authority and other relevant governance documents, and to determine where opportunities for improvement to the City's processes exist.

The primary objectives of the 23<sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Review were to evaluate the effectiveness of the project management process, as it related to the project (including the interaction with other corporate processes), determine the reasons for cost increases and any project delays, and identify learnings and areas of improvement for future projects.

In total 17 recommendations were made to improve specific processes that relate to the management of projects. We closed eight recommendations in prior reporting periods.

The 9 outstanding recommendations for these projects relate to specific project management practices that are also in the Capital Construction Audit report presented to Audit Committee on June 20, 2011.

In order to reduce duplication and increase the clarity of intent, the requirements of the outstanding recommendations from the Project Change Order and 23<sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Reviews have been consolidated with the recommendations of the Capital Construction Audit. This consolidation does not impact the intent of the recommendations or actions required by the Administration. The addition to the affected recommendations is provided in Appendix 3.

#### **4.5. Audit of Privacy Controls for Laptops and Tablets (Audit 07214)**

Report issued November 3, 2009

The OCA conducted an audit of privacy controls to provide assurance that appropriate safeguards are in place to protect personal information residing on laptops and tablets (mobile device). We found the City implemented reasonable physical controls to protect personal information on mobile devices. However, reasonable technical and administrative controls had not been implemented. Also, we found that the City did not have a comprehensive and documented framework for reporting and dealing with missing or stolen mobile devices.

We made two recommendations to strengthen the control framework and develop directing measures to increase clarity of roles, responsibilities, accountabilities and authority necessary to address the security and safeguard of personal information on mobile devices.

We closed one recommendation in the last reporting period. In this reporting period we reviewed draft operating procedures and an implementation plan that address the intent of the outstanding recommendation.

Implementation of the recommendations reduces the risk of privacy breaches and the likelihood of associated fines and/or prosecutions under Alberta's Freedom of Information and Protection of Privacy (FOIP) Act.

#### **4.6. MAIN-LINK Post Implementation Review (Audit 07219)**

Report issued January 21, 2008

MAIN-LINK was a capital project undertaken by the City from 2002 to 2005 to implement a "linked" or common system using SAP software to track and manage the maintenance of City assets. The City's infrastructure assets include roads, sewer lines, light rail transit, buildings, vehicles, equipment, parks, information technology and more. The City's "linked" maintenance management solution provides a common system for planning, scheduling and managing the required tasks, recording and reporting maintenance activities, and providing a history of such activities for future decisions.

We concluded that the MAIN-LINK project was partially successful in meeting its objectives. We made five recommendations to increase the likelihood of achieving objectives and strengthening controls for future Enterprise Resource Planning (ERP) projects. In prior reporting periods we closed three recommendations related to development of a strategy for continuous improvement, training, and support. In this reporting period we closed the remaining two recommendations related to the ERP project management methodology and consistent reporting of outcomes. Implementation of the recommendations has strengthened project controls and will assist in monitoring the realization of business benefits associated with the City's investment in capital projects such as MAIN-LINK.

#### **4.7. Transit Information Centre Cash Handling Follow-up (Audit 07229)**

Report issued November 9, 2007

The Edmonton Transit Customer Information Centre, located in the Churchill LRT Station, handles inquiries from the public regarding transit routes and schedules and assists customers in planning transit trips. The Centre is also a retail outlet for all Transit products including tickets, passes and other items.

In 2004, the OCA reviewed the physical security and cash handling procedures and practices at the Transit Information Centre to assess the adequacy and effectiveness of controls. While following-up on the audit we observed cashiers utilizing the same cash drawer, compromising the chain of custody and cashier accountability.

In response to our recommendation, physical changes have been made to the cashier work area and process changes have been implemented to maintain cashier accountability.

#### **4.8. Mitchell Garage Cash Handling (Audit 07229)**

Report issued December 17, 2007

The Mitchell Garage provides a range of bus fleet services including repairing, servicing, dispatching and booking out buses to operators. Each day, transit dispatchers are responsible for removing fare boxes from buses, depositing the cash into the cash vaults, moving the cash from the vaults into cash bags and transferring the cash bags to the armoured car service.

We made four recommendations to improve the cash-handling controls at the Mitchell Garage and further reduce the City's risk of losing cash revenue. We closed three recommendations in prior reporting periods. During this period we closed the remaining recommendation related to updating cash handling procedures and providing guidance to staff regarding transferring cash to armoured car employees.

#### **4.9. Fire Prevention (Audit 08254)**

Report issued January 19, 2009

Fire Prevention is part of the Fire Rescue Services Branch. Its business objectives are to create safer communities, raise educational awareness within the community, provide a consistent application of the Alberta Fire Code, have a City Council and Alberta Safety Codes Council approved Quality Management Plan and maintain highly trained staff.

During our audit we observed that Fire Prevention inspection staff are a dedicated team that is knowledgeable and competent regarding the performance of inspections. However, we identified ways to increase the effectiveness and efficiency of their inspections and other service activities. We found some inaccurate and missing information in POSSE that limits the ability to identify and track specific work requirements. We also noted Fire Prevention does not regularly identify future staff requirements or have a reasonable plan to address this need.

We made 13 recommendations to enhance the operations of Fire Prevention and ensure compliance with the Alberta Fire Code. Twelve of the 13 recommendations were closed in prior reporting periods. During this period, we closed the remaining

recommendation related to the use of performance measures that are relevant to its objectives.

Fire Rescue Services' 2010 quarterly report includes key performance measures that identify their contribution to the outcomes identified in the City of Edmonton Strategic Road Map. The reported measures have been updated to demonstrate the achievement of objectives as requested in our recommendation.

#### **4.10. Misuse of Petty Cash Investigation (Audit 08257)**

Report issued August 12, 2008

The control, establishment and reimbursement of petty cash funds are guided by procedures contained within the City of Edmonton Accounting Procedures Manual. The OCA was requested by a City Branch to review an allegation of fraud and/or misconduct regarding a petty cash fund.

Our objectives in this investigation were twofold:

- To establish whether there is evidence that an incident of fraud or misconduct had occurred; and
- To identify potential control and process weaknesses.

Based on our observations, we concluded that there was enough evidence to state that an incidence of fraud and/or misconduct as defined in City Policy C522 had occurred. As a result, we developed two recommendations to address the petty cash violation and improve the controls over petty cash within the City of Edmonton.

Actions to improve controls and compliance within the Branch were completed in a prior reporting period. The remaining recommendation to update corporate petty cash procedures to improve controls City wide was closed in this reporting period. The implementation of the updated procedures reduces the risk of misuse of petty cash.

#### **4.11. Employee Business Expense Claim Review (Audit 08259)**

Report issued March 20, 2009

Control and monitoring of employee business expenses are an important part of ensuring the City's expenditures are reasonable and stand up to public scrutiny. The objective of this review was to assess the adequacy of and compliance with Administrative Directives and controls over employee business expenditures such as business travel, training, conference fees, hosting, and employee recognition.

We made four recommendations to address the need for additional clarity in the Administrative Directives, increased rigour in the City's control system and most

importantly, determining and communicating responsibility for ensuring expense claims are complete, correct and adequately approved.

In this reporting period we closed all four recommendations. The actions taken by the Administration included: updating Administrative Directive A1415H, *Employee Business Expenses – Local and Out of Town*, strengthening controls, and defining roles and responsibilities. These actions provide greater assurance that expense claims filed by employees are reasonable and will stand up to public scrutiny.

#### **4.12. Stolen Fare Product Investigation (Audit 08269)**

Report issued February 23, 2009

On October 17, 2008, the Edmonton Transit System Branch Manager contacted the City Auditor to advise him that some transit fare products had been stolen. The Branch determined that the confiscated ticket strips were from the same batch of tickets that they had sent to the Corporate Records Centre for confidential shredding.

We conducted our investigation to assess the adequacy of controls in place to safeguard the assets against loss, misuse and fraud during the confidential shredding process. We made three recommendations to strengthen internal controls to reduce the risk of the reoccurrence of theft.

We closed two of the three recommendations in prior reporting periods. During this reporting period, the Administration provided support that demonstrates they have reviewed previous studies on the handling of fare products and developed an implementation plan that addresses the outstanding recommendation. Further, a process owner has been assigned to assume overall responsibility and accountability for the implementation of the process to effectively manage the risks surrounding the handling of fare products. This includes acquisition, inventory, distribution and destruction of expired and excess product. These actions address the recommendation and therefore it is closed.

#### **4.13. Snow and Ice Control Cost Effectiveness (Audit 09273)**

Report issued May 25, 2009

City Council approved the City's updated snow removal policy; Policy C409E – *Winter Road Maintenance Program Policy* in July 2007. The 2008 approved operating budget for winter road maintenance was \$49.2 million, an increase of \$16.5 million over 2007. The objective of this audit was to assess the cost effectiveness of the City's Winter Road Maintenance Program Policy.

Generally, we found winter road maintenance was delivered in a cost effective manner. However, we made two recommendations with potential to reduce costs by taking steps to increase understanding of citizen expectations and analyzing equipment use.

The Administration provided support that demonstrated action was taken to increase their understanding of citizen expectations allowing closure of one recommendation last reporting period. The second recommendation was closed this reporting period. The Administration completed their analysis of equipment use and cost this reporting period and has committed to undertake a similar analysis prior to each capital budget cycle.

#### **4.14. Information Technology Corporate Audit (Audit 09274)**

Report issued June 18, 2009

The Information Technology Branch is the business area primarily responsible for delivering the City's IT services, but the demand for and use of IT resources permeates the entire organization. We made four recommendations to improve the effectiveness and efficiency in delivering the City's IT services and the effectiveness of the City's IT Governance Framework in prioritizing and allocating the City's operating and capital resources for information technology.

In November 2009, the IT Branch presented a review and strategy to adjust resourcing for ongoing support versus new initiative work to the IT Governance Committee. In 2010, the Chief Information Officer presented a new governance model for managing information technology to the Corporate Leadership Team. The 2011 IT Branch approved budget included 15 positions to reduce reliance on contractors in an effort to retain business and IT knowledge. These actions address the four recommendations and they are therefore closed.

#### **4.15. Consulting Services (Audit 09280)**

Report issued December 21, 2009

Consulting services, when used correctly and in the appropriate circumstances, can provide significant value. On the other hand, when used incorrectly, consultants can drain budgets very quickly, with few or no productive results. The objective for this review was to assess the value received from the use of consultants. We defined value as a measure that took into account factors that included cost, quality, timeliness, tangible and intangible benefits, achievement of desired outcomes, and impressions on customers and observers.

We made three recommendations to strengthen the City's consultant engagement and oversight processes to ensure that value is created prior to engaging consultants, value is delivered during the execution of each engagement, and value is received at the conclusion of each engagement.

We closed all the recommendations in this reporting period. The professional service guidelines have been enhanced to address the weaknesses identified in the audit, and budget instructions now provide direction on the appropriate use of consultants and the



need to review and justify recurring contracts. These changes make the consultant appointment process more transparent and reduce the risk of hiring consultants at a higher cost when internal resources can provide the same service at a lower cost.

#### **4.16. Corporate Procurement Card Duplicate Payments Review (Audit 09300)**

Report issued January 25, 2011

At the time of this review the City was processing approximately 70 thousand transactions annually through the Corporate Procurement Card (CPC) program. The value of these transactions was approximately \$20 million. This review focused on the controls that were in place to minimize the risk of duplicate payments.

We did not observe any duplicate transactions; however, we made one recommendation to improve transaction descriptions to allow better analysis and automated checks.

During this reporting period, the Administration updated the CPC procedures to require more meaningful transaction descriptions and communicated these requirements to cardholders, supervisors and managers. The recommendation is therefore closed.

## **5. Conclusion**

This report provides an update on the status of the 87 audit recommendations that were outstanding at July 31, 2011. Through our review of supporting information provided by the Administration, we closed 44 recommendations. At the time of our review, 37 of the recommendations that were closed were outstanding for more than one year from the original completion date provided by the Administration.

We believe that the steps taken by the Administration have demonstrated their commitment to implement actions to address audit recommendations in a timelier manner. We acknowledge the Administration's commitment and thank them for their cooperation and efforts in this regard.

APPENDIX 1

**Recommendation Follow-up  
For the Period December 2010 through July 2011  
Status by Service Area**

	More than 2 Years Past Due		1 to 2 Years Past Due		Less than 1 Year Past Due		SUB-TOTAL		Not Yet Due		TOTAL		
	Total	Closed	Total	Closed	Total	Closed	Total	Closed	Total	Closed	Total	Closed	In Progress
Office of the City Manager	--	--	--	--	--	--	--	--	1	--	1	--	1
Community Services	1	1	--	--	6	5	7	6	6	1	13	7	6
Corporate Services	5	2	7	7	2	--	14	9	6	--	20	9	11
Financial Services	6	6	3	3	1	1	10	10	3	--	13	10	3
Infrastructure Services	5	5	4	4	1	--	10	9	1	--	11	9	2
Sustainable Development	4	1	2	--	5	--	11	1	--	--	11	1	10
Transportation Services	6	6	2	2	2	--	10	8	--	--	10	8	2
<b>Subtotal</b>	<b>27</b>	<b>21</b>	<b>18</b>	<b>16</b>	<b>17</b>	<b>6</b>	<b>62</b>	<b>43</b>	<b>17</b>	<b>1</b>	<b>79</b>	<b>44</b>	<b>37</b>
<i>Percent Closed</i>		<i>77.8%</i>		<i>88.9%</i>		<i>35.3%</i>		<i>69.4%</i>		<i>5.9%</i>		<i>55.7%</i>	
Edmonton Public Library	--	--	--	--	2	--	2	--	--	--	2	--	2
Non-Profit Housing	--	--	--	--	2	--	2	--	4	--	6	--	6
<b>Total</b>	<b>27</b>	<b>21</b>	<b>18</b>	<b>16</b>	<b>21</b>	<b>6</b>	<b>66</b>	<b>43</b>	<b>21</b>	<b>1</b>	<b>87</b>	<b>44</b>	<b>43</b>
<i>Percent Closed</i>		<i>77.8%</i>		<i>88.9%</i>		<i>28.6%</i>		<i>65.2%</i>		<i>4.8%</i>		<i>50.6%</i>	

## APPENDIX 2

**Recommendation Follow-up  
For the Period December 2010 through July 2011  
Status of Audit Recommendations by Project**

Audit Number and Title	Original Report		Closed in		In Progress	Still In Progress				
	Report Date	Total Recs	Prior Periods	This Period		>2 Years	1-2 Years	<1 Year	Not Yet Due	
<b>PROJECTS CLOSED THIS PERIOD</b>										
05142	Enterprise Risk Management	August 25, 2005	1	--	1	--	--	--	--	--
05157	Continuous Monitoring	July 4, 2007	2	1	1	--	--	--	--	--
05167	Transportation Planning Branch Audit	May 19, 2006	10	7	3	--	--	--	--	--
05169	Project Change Order Review	March 3, 2006	8	6	2	--	--	--	--	--
07214	Privacy Controls for Laptops & Tablets	November 3, 2009	2	1	1	--	--	--	--	--
07219	MAIN-LINK Post Implementation Review	January 21, 2008	5	3	2	--	--	--	--	--
07229	Transit Information Centre Cash Handling Follow-up	November 9, 2007	1	--	1	--	--	--	--	--
07229	Mitchell Garage Cash Handling	December 17, 2007	4	3	1	--	--	--	--	--
07239	23 <sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Review	September 3, 2008	9	2	7	--	--	--	--	--
08254	Fire Prevention	January 19, 2009	13	12	1	--	--	--	--	--
08257	Misuse of Petty Cash Investigation	August 12, 2008	2	1	1	--	--	--	--	--

Audit Number and Title		Original Report		Closed in		In Progress	Still In Progress			
		Report Date	Total Recs	Prior Periods	This Period		>2 Years	1-2 Years	<1 Year	Not Yet Due
08259	Employee Business Expense Claim Review	March 20, 2009	4	--	4	--	--	--	--	--
08269	Stolen Fare Product Investigation	February 23, 2009	3	2	1	--	--	--	--	--
09273	Snow & Ice Control Cost Effectiveness	May 25, 2009	2	1	1	--	--	--	--	--
09274	Information Technology Corporate Audit	June 18, 2009	4	--	4	--	--	--	--	--
09280	Consulting Services	December 21, 2009	3	--	3	--	--	--	--	--
09300	CPC Duplicate Payments Review	January 25, 2011	1	--	1	--	--	--	--	--
<b>PROJECTS WITH RECOMMENDATIONS MORE THAN 2 YEARS PAST DUE</b>										
07205	Mobile Equipment Services Branch Audit (Fleet Services)	October 17, 2007	12	10	--	2	2	--	--	--
07206	Land and Buildings Branch Audit (Corporate Properties)	January 21, 2008	11	7	1	3	3	--	--	--
08268	Review of Payment Controls	June 12, 2009	6	5	--	1	1	--	--	--
<b>PROJECTS WITH RECOMMENDATIONS LESS THAN 2 YEARS PAST DUE OR NOT DUE</b>										
08263	Planning & Policy Branch	April 2, 2009	2	1	--	1	--	--	1	--
09286	Corporate Environmental Review	October 20, 2009	5	3	1	1	--	1	--	--
09289	Vehicle Take Home Permits	January 22, 2010	2	--	1	1	--	--	1	--

Audit Number and Title		Original Report		Closed in		In Progress	Still In Progress			
		Report Date	Total Recs	Prior Periods	This Period		>2 Years	1-2 Years	<1 Year	Not Yet Due
09294	Development Permit & Cornerstones Funding	May 26, 2010	6	1	--	5	--	1	4	--
09297	Parks Branch	May 18, 2010	5	--	4	1	--	--	1	--
09298	CoE Non-Profit Housing Corp. Governance Review	July 5, 2010	3	--	--	3	--	--	1	2
10301	Overtime Review	August 31, 2010	4	3	--	1	--	--	--	1
10302	2010 Municipal Election	February 1, 2011	5	--	--	5	--	--	--	5
10303	3-1-1 Call Centre Review	August 30, 2010	2	--	--	2	--	--	1	1
10308	EPL Custodial Services Review	March 1, 2011	2	--	--	2	--	--	2	--
10313	homeEd Financial Review	January 5, 2011	3	--	--	3	--	--	1	2
10316	Community Facility Services Branch Audit	March 8, 2011	7	--	2	5	--	--	--	5
11325	Capital Construction Audit (RD&C Branch)	June 1, 2011	7	--	--	7	--	--	3	4
<b>TOTAL</b>			<b>156</b>	<b>69</b>	<b>44</b>	<b>43</b>	<b>6</b>	<b>2</b>	<b>15</b>	<b>20</b>

**Capital Construction Audit (RDC Branch) (Audit 11325)  
Consolidation of Project Management Recommendations****Recommendation 4**

The OCA recommends that the General Manager, Capital Construction Department ensure that the Project Management Office has the responsibility and authority necessary to standardize project management practices across the corporation, (including developing and implementing industry standard performance measures to track project cost, schedule, quality and scope), create an action plan to maximize the benefits of defined processes, and ensure compliance with established project management practices.

**Addition from the Project Change Order and 23<sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Reviews**

The standardized project management practices will need to include:

- a. Processes to ensure the accuracy of cost estimates, forecasting and validation of cost estimating.
- b. Defining the level of planning & engineering effort and expertise required to achieve target cost estimating accuracy ranges and project success.
- c. The need for comprehensive communication plans to ensure participants are informed on matters that can affect project success.
- d. A process to measure the “health of partnerships” with consultants and contractors.
- e. Management, by City staff, of key processes such as road safety audits and risk assessments.
- f. The requirement to recalculate benefit/cost ratios when there are significant changes in scope or cost.
- g. A method to determine the appropriate contingency amounts.
- h. Definition of the responsibilities for all stakeholders.
- i. Performance reporting requirements to assist Council in maintaining a strategic focus on outcomes.
- j. Post project evaluation and sharing of learnings

**Recommendation 6**

The OCA recommends that the Director of the Project Management Office establish a quality control process to ensure that quality information is produced at each phase of a project to minimize the risks to project costs and schedule due to scope and contract changes. This includes ensuring that staff and consultants are required to undertake thorough risk assessments, develop appropriate mitigation strategies, and actively monitor and report on risks.

**Addition from the 23<sup>rd</sup> Avenue/Gateway Boulevard Interchange Project Review**

The defined quality control process will need to include:

- a. Monitoring to ensure risk assessments are conducted consistent with the City’s ERM framework
- b. Ensuring the quality and completeness of work, and utilization of sign-offs at the end of each phase (go/no-go decision points) to reduce the risk of rework.