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AUDIT SERVICES BRANCH REPORT

The Audit Committee recommends the adoption of the recommendation contained in the following report dated May 28, 2009, from the Director, Audit Services.

1. RECOMMENDATION

It is recommended that:
1. Regional Council receive this report for information.

2. PURPOSE

This report provides an update on the activities of the Audit Services Branch since the last Audit Committee meeting. Table C and D of *Attachment 2* are private, as the subject matters deals with the security of municipal property.

3. BACKGROUND

On October 11, 2000, the Audit Committee approved the development of the Audit Services function through the report of the Chief Administrative Officer.

4. ANALYSIS AND OPTIONS

4.1. Audit Plan Execution

The Audit Services Branch has been actively executing the approved Audit Plan and other consulting engagements. A summary of the activities since the previous Audit Committee meeting is outlined in *Attachment 1*.

4.2. Audit Reports Issued

The audit reports issued since the last Audit Committee meeting are:

- Outstanding Audit Recommendations Follow Up for April 30, 2009 Audit Report (*Attachment 2*)
- Community and Health Services - Rent Geared to Income Audit Report (*Attachment 3*)

5. FINANCIAL IMPLICATIONS

Audit Services Branch will manage its workload within the Audit Budget for 2009.

6. LOCAL MUNICIPAL IMPACT

Audit Services Branch will continue to provide audit services to the six local municipalities who have signed the memorandum of understanding.

7. CONCLUSION

A follow up of outstanding audit recommendations for audit reports issued prior to April 30, 2009 indicates that management remains cognisant and active in implementing Audit Services recommendations.

Audit Services continues to work with Region management at all levels to provide them with independent, objective assurance and consulting activity designed to add value and improve the Region's operations. Audit Services does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through guidance provided by the International Standards for the Professional Practise of Internal Auditing.

(The three attachments referred to in this clause were included in the agenda for the June 18, 2009 meeting.)

ATTACHMENT 1

AUDIT SERVICES BRANCH ACTIVITIES

Project Name	Status
1. Housing York Inc. – RGI Audit	➢ Completed
2. Outstanding Audit Recommendations Follow-up April 30, 2009	➢ Completed
3. Purchasing Card Implementation	➢ Advisory role – In Progress
4. Various Investigations	➢ In Progress
5. Environmental Services – Water & Wastewater Capital Delivery	➢ Reporting
6. Standby Pay Audit	➢ In process
7. City of Toronto Water Rate Consulting Review	➢ In process
8. YRT – Bus procurement	➢ Fairness Monitor – in progress
9. YRT – Street furniture procurement	➢ Fairness Monitor – in progress
10. Environmental Services – TBM procurement	➢ Fairness Monitor – Reporting
11. ERP Group	➢ Advisory role
12. Corporate Technology Review Committee	➢ Advisory role
13. Electronic Document Management System	➢ Advisory role
14. Records and Information Management Group	➢ Advisory role
15. Program Reviews	➢ Member of Steering Committee
16. Capital Asset Management	➢ Member of Steering Committee
17. Outside Organizational work	➢ Vice Chair, Municipal Internal Auditors Association ➢ Board Member & Past Chair, Canadian Association of Local Government Auditors ➢ Board Members & Past Treasurer, Canadian Association of Local Government Auditors ➢ Peer Review Team Member

ATTACHMENT 2

Outstanding Audit Recommendations Follow-Up Audit Report

May 2009

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1.0 Management Summary

Audit Services has completed a follow-up of outstanding audit recommendations. These recommendations are comprised of:

1. Audit recommendations that were noted as 'not yet completed' in our previous outstanding audit recommendations follow-up audit report dated February 2009.
2. Any new audit report recommendations issued up to and including April 30, 2009.

There were 51 audit recommendations originally issued through the five audit reports currently on our list for follow-up. Prior to this review, 42 audit recommendations, or 82% had been implemented. From the remaining 9 recommendations, 2 have been implemented. At April 30, 2009, 44 recommendations, or 86% of the original 51 recommendations issued have been implemented.

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.

2.0 Introduction

As part of our 2008 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow-up requests from the Audit Committee and Management, the Audit Services Branch performed a follow-up of outstanding audit recommendations. These recommendations included those noted as outstanding in our February 2009 audit recommendations follow-up audit report, and all new recommendations issued in audit reports up to and including April 30, 2009.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

On a periodic basis, Audit Services updates the Regional Audit Committee and the Chief Administrative Officer (CAO) on the status of issued audit recommendations. To provide this update, Audit Services contacts Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. In some cases, the status is further validated directly by Audit Services through discussions and / or detailed testing. 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.

Management Action Plans that detailed what was being done to implement the recommendation(s), was also requested.

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.

Audit reports issued after April 30, 2009 will be followed up in the future.

Additionally, Audit Committee, at the February 14, 2008 meeting, requested management provide a report to Audit Committee for any outstanding audit recommendations that remain outstanding greater than a year. This will be done annually, with the first reports presented to Audit Committee June 2009.

Audit Services is investigating automated solutions for audit recommendation tracking and follow-up, which we expect to complete by Q4 2009.

3.0 Objectives and Scope

The objective for this engagement was:

- To provide feedback to the York Region Audit Committee and CAO, as to the disposition of issued audit recommendations.

The audit scope to accomplish this objective was:

- All outstanding audit recommendations issued prior to May 1, 2009.

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 mid-level summary of outstanding audit recommendations which were followed-up for this review.
- Table C summarizes the outstanding in-camera audit recommendations followed-up for this review. *(In camera)*
- Table D is a mid-level summary of outstanding audit recommendations which were originally presented in camera and followed-up for this review. *(In camera)*

TABLE A - Summary of Outstanding Audit Recommendations Follow-up as at April 30, 2009

Audit Report	Number of opportunities originally highlighted	Previously completed	Completed for this review	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
Procurement & Accounts Payable 1	8	6	1	1	12.5%	Nov-06	Nov-06
Revenue Streams	18	17	0	1	5.6%	Apr-06	Jun-06
Finance - Payroll	6	3	1	2	33.3%	Oct-07	Nov-07
Fleet Audit - Corporate Level	8	6	0	2	25.0%	Apr-05	Jun-05
Property Services Branch - Lease Tracking	11	10	0	1	9.1%	Sep-05	Mar-06
Results for April 2009 review	**51**	**42**	**2**	**7**	**14%**		

TABLE B – Mid-level Summary of Outstanding Audit Recommendations as at April 30, 2009

Audit Report	Recommendation	Management response	Original due date	Current due date
Finance				
Procurement & Accounts Payable 1	Management refresh attempts to introduce a more effective and efficient method of tracking signing authority limits.	Signing authority policy has been approved and a written control process will be developed for Q3 2009. Management is also working on Workflow and Position Management within PeopleSoft as an ultimate solution.	None was given	Q3 2009
Revenue Streams	Develop and implement Bond policy and procedures.	CAO and Finance to meet end of May 2009 for sign-off of policy and procedures. Finance to hire Surety Analyst in Q2 2009. Communication of policy and procedures to affected staff in Q3 2009.	Q2 2006	Q3 2009
Finance – Payroll	Payroll action form processing for terminations Payroll and Human Resources responsibilities clarification and communication to departments Periodic refresher to time approvers re the importance of their function	New payroll action form developed and under review for approval. New payroll action form and instruction sheet to be communicated to all Directors, Managers and Supervisors. Approval is anticipated for Q2 2009.	Q2 2008	Q2 2009
Finance – Payroll	TEAMS interface with Time & Labour, periodic password change requirements, continuing role out of Time & Labour to reap benefits of automation.	TEAMS and IT are developing the interface to bring the hours in TEAMS into the Time and Labour module. This should be completed Q2 2009, at which point testing will commence. Schedulesoft is still in development and there is no time line yet for IT testing.	Q1 2008	Q2 2009
Fleet – Corporate	Develop and implement Corporate and Department level fleet policy and procedure manuals. Ownership of Corporate level to belong to Insurance Risk management. Ownership of Department level manual to belong to the fleet areas within the department.	Legal has been asked to draft the wording for the "non-compliance section" of the policy. HR will release this latest draft to union reps and various department heads for input. We are waiting for feedback from both of these departments. In addition, Risk will prepare a briefing note and supporting documentation to accompany the policy as it proceeds to final approval by Senior Management. Final review completion targeted for December 2009.	Q1 2005	Q4 2009

Audit Report	Recommendation	Management response	Original due date	Current due date
Fleet – Corporate	Periodic driver abstract collection.	This procedure is an appendix to the Corporate Fleet Policy. We have conducted a pilot MVR review of selected employees. The system will work with no issues. We have addressed the security of this information in the policy draft. Final approval will be forthcoming as part of the approval of the Corporate Fleet Policy. Regular MVR reviews will begin pending policy approval.	Q4 2005	Q4 2009
Corporate Services				
Property Services Branch – Lease Tracking	Develop corporate policy and guidelines for leases. Customer surveys to gauge service delivery.	Leasing guidelines to be presented to Regional Council June 2009. Customer survey to gauge success of revised processes and new system (CAFM) to be issued in Q4 2009.	Q2 2006	Q4 2009

York Region

York Region – York Housing Inc.
Rent Geared to Income
Audit Report

November 2008

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1.0 Management Summary

We have completed a review of the Rent Geared to Income program to ensure that rent charged to tenants is accurate, is validated every 12 months and is in compliance with legislative requirements under the Social Housing Reform Act and Ontario Regulations. This included reviewing tenant files to ensure that RGI certification was completed every 12 months, calculations were correctly performed and were substantiated with appropriate documentation. Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*

We have concluded that overall RGI calculations are in compliance with legislation. However, we did note one opportunity for improvement for management consideration. This area was the training of new employees/review of their work for a period of time to ensure that they understand the RGI calculation/verification process.
Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this review, please contact the Director, Audit Services.

Audit Services would like to thank the Housing York Inc management and staff for their co-operation and assistance during the audit.

2.0 Introduction

Housing York Inc. (HYI) owns and manages 1977 units in 31 buildings located throughout all nine of York Region's municipalities. The buildings include townhouse complexes, and both low and high rise apartment buildings comprised of 1395 senior's units and 582 family/singles units including accessible units for the disabled.

3.0 Objectives and Scope

The objectives of the review included ensuring that the following legislative requirements were met:

- Tenants are reviewed every 12 months (minimum)
- RGI rent is correctly calculated
- All required documentation is obtained and supports income verification

In addition we reviewed collections on overdue accounts and achievement of targets for RGI to Market.

The objectives of the review were accomplished through:

- Discussions with management relating to processes and controls;
- Review of 50 RGI tenant files;
- Review of the A/R subledger for tenant files reviewed in arrears; and
- Review of the Social Housing Rent-Geared-to Income Guide.

4.0 Detailed Observations and Recommendations

4.1 Training and Review for New Employees

Observation

Our review of 50 RGI tenant files revealed errors in three files, two of which included information from the prior year in error and the other involved double counting of an investment. It was noted that all errors were made by one Tenant Services Coordinator who was new to the position.

Recommendation

Management should ensure that Tenant Service Coordinators are adequately trained and that their work is reviewed by a supervisor to ensure that RGI calculations are understood and can be performed correctly.

Management Response

Management has reviewed the recommendation noted and will establish a process to ensure a formal training procedure is implemented when new Tenant Service Coordinators (TSC) are introduced to this role. The process will require attending the Rent Geared to Income training course, provision of the Rent Geared to Income manual and scheduled time with peers to re-enforce understanding of requirements for documentation, correspondence and calculations.

In addition to the current practice of calculations being approved by Property Managers (supervisor), new TSCs will be assigned an experienced peer to provide short-term support relating to the rent calculation process.

The formal training procedure will be documented and distributed to applicable management staff by February 16, 2009.

We appreciate that the overall observation was that the Rent Geared to Income calculations comply with legislation.

Douglas Manson **Director, Housing York Inc.**	**Paul Duggan** **Director Audit Services**
Sylvia Patterson **Assistant General Manager** **Housing York Inc.**	**Joann Simmons** **General Manager** **Housing York Inc.**