



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Recommendations Made as a Result of Investigations Have Relevance throughout the City

Date:	September 10, 2013
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

Recommendations made as a result of investigations are generally specific to each individual case and are reported directly to Divisional management and the City Manager. On occasion recommendations made in relation to one Division have relevance to other City Divisions as well as City Agencies and Corporations. These recommendations in prior years have been summarized in our annual report on the activities of the Fraud and Waste Hotline program. All recommendations including those made to specific Divisions as well as those made in the annual report are subject to the Auditor General's annual follow up process in order to ensure that recommendations have been implemented.

In view of the significance, the relevance of recommendations to other Divisions and the number of recommendations made in connection with one particular investigation it was determined that it would be more appropriate to report to Audit Committee separately and on a more timely basis rather than wait for the preparation of the Annual Report. In any event, these recommendations along with specific information pertaining to the circumstances which led to the recommendations have already been communicated to Divisional Management and to the City Manager.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the City Manager develop a process to communicate to Division heads and management of Agencies and Corporations, recommendations made by the

Auditor General which are specific to individual Divisions, Agencies and Corporations but which generally have applicability to other entities throughout the City.

2. City Council request the City Manager communicate recommendations outlined in Appendix 1 to those Division heads and management of Agencies and Corporations to which the recommendations generally have applicability to.

Financial Impact

The recommendations in this report have no financial impact.

COMMENTS

The Auditor General's Office was involved in an investigation relating to a conflict of interest which pertained to a City employee and a City vendor. The investigation was conducted by Divisional management with input from the Auditor General's Office. The investigation determined that a conflict of interest existed and as a result the employee was disciplined.

During a review of the investigation results and documentation provided to the Auditor General by the investigating division, it was noted that there appeared to be other conflict of interest concerns with a relative of the employee who worked for the City in another Division and also worked with the same vendor. These concerns were not conveyed to the other Division until they were identified by the Auditor General's Office.

In summary, subsequent investigations into this matter determined that the second employee was also in a conflict of interest and there were issues with payroll practices and contract oversight.

As a result of the investigations relating to both Divisions, separate management letters which included recommendations were issued by the Auditor General's Office. The recommendations are attached as Appendix 1.

CONCLUSION

The recommendations which pertained specifically to two separate Divisions have relevance to other Divisions in the City as well as the City's Agencies and Corporations. It is important that other Divisions and Agencies and Corporations review the recommendations and make any required internal control changes.

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

12-FH1-01

ATTACHMENTS

Appendix 1: Auditor General's Recommendations Previously Submitted to Senior Management

**Auditor General's Recommendations
Previously Submitted to Senior Management**

The following recommendations were included in communications to management in two separate divisions, documenting the results of an Auditor General investigation. The City Manager and Deputy City Managers were copied on these management letters.

Recommendations from the Management letter dated April 15, 2013

It is recommended that:

- 1. The General Manager of Parks, Forestry and Recreation review and update the payroll process to ensure payroll data is accurate and controls are effective.**
- 2. The General Manager of Parks, Forestry and Recreation implement periodic audits by persons independent of the payroll process to ensure payroll data is accurate and controls are effective.**
- 3. The General Manager of Parks, Forestry and Recreation ensure all staff are reminded of their reporting responsibilities under the City's Conflict of Interest Policy. Such responsibilities to include declaring real, potential or perceived conflicts of interest on a timely basis.**
- 4. The General Manager of Parks, Forestry and Recreation ensure that appropriate measures are taken to mitigate declared conflicts of interest and that those measures are regularly monitored to ensure they are sufficient.**

Recommendations from the Management letter dated May 10, 2013

It is recommended that:

- 1. The Chief Corporate Officer ensure the contract administration process is adequate to ensure that vendor invoices accurately reflect actual labour hours provided to the City for services rendered and that controls to verify the accuracy of invoice data are effective.**
- 2. The Chief Corporate Officer, in consultation with the Director, Purchasing and Material Management Division, take necessary steps to ensure that contract service agreements include standard schedules for labour hours and the actual hours of contract services are tracked, documented and verified.**
- 3. The Chief Corporate Officer, in consultation with the Director, Purchasing and Material Management Division and the City Solicitor, modify the standard**

templates for call documents and agreements to include a right to audit clause including the procedures to carry out such audits.

- 4. The Chief Corporate Officer ensure all staff are reminded of their reporting responsibilities under the City's Conflict of Interest Policy. Such responsibilities to include declaring real, potential or perceived conflicts of interest on a timely basis in writing.**
- 5. The Chief Corporate Officer ensure that appropriate measures are taken to mitigate declared conflicts of interest and that those measures are monitored to ensure they are sufficient.**