



AUDITOR GENERAL'S REPORT INFORMATION ONLY

Audit Committee Update: Reports to Management

Date:	November 2, 2011
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Work plan included an audit of revenue controls in community recreation centres of the Parks, Forestry and Recreation Division and an audit of the process for updating employee records upon separation from employment with the City administered by the Pension, Payroll and Employee Benefits Division.

In both of these audits we concluded that in general, controls were in place with respect to the audit objectives. Although we have concluded that in both audits controls were in place, we noted some areas where improvements could be made and have issued a separate report to management with recommendations to the respective divisions. These recommendations, for the most part, were housekeeping in nature.

This information report provides a brief background on each audit and related conclusions and audit recommendations.

Financial Impact

This report has no direct financial implication.

DECISION HISTORY

This report provides information related to the Auditor General's review of the Parks, Forestry and Recreation Division controls over community recreation centres and the Auditor General's review of the Pension, Payroll and Employee Benefits Division process for updating the records of employees terminating employment with the City. These reviews were conducted as part of the Auditor General's Annual Work Plan.

ISSUE BACKGROUND

A brief description of the background, scope and objectives of each audit is provided below.

Auditor General's Review of Parks, Forestry and Recreation Revenue Controls

Community Recreation programs operate 132 sites and generate over \$60 million in annual revenue from community based programs and services. The majority of customer transactions are collected through credit card, debit card or online. In 2010, approximately \$3.4 million or six per cent of revenue involved a cash transaction.

The objective of this review was to assess controls in place related to revenue collected at City community centres.

With respect to the Auditor General's review of revenue controls at community centres operated by the Parks, Forestry and Recreation Division, the Auditor General has previously reported on cash handling and financial procedures at various Parks, Forestry and Recreation facilities across the City including:

- Cash Controls Review – Parks and Recreation Division, East and West Districts (May 2000)
- Review of Receivables Relating to Parks and Recreation Operations and the Review of Revenue and Cash Controls Relating to the Parks and Recreation Division, North and South Districts (March 2004)
- Review of Controls Over Ferry Services Revenue (January 2010)
- Review of Internal Controls at the East York Curling Club (January 2010)

We concluded that in general, controls were in place with respect to the audit objectives.

Auditor General's Review of Terminated Employee Records

In 2010, over 3,000 employees terminated employment with the City. Approximately 2,400 employees or 80 per cent of separating employees from the City in 2010 were non-retirement terminations. Approximately 600 employees or 20 per cent retired from City employment in 2010.

The objective of our review of terminating employee records was to assess the timeliness and accuracy of updating employee records upon separation from City employment.

The Auditor General has conducted several payroll related reviews in the past number of years including:

- Payroll Review, 1999
- Employee Separation Program Payment Review, 2003
- Payroll Processing Review, 2004
- Employee Benefits, 2007

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In this most recent review, we determined that in general, controls are in place to ensure that records of terminated employees are updated accurately and timely. Although we noted no significant issues related to the terminated employee records update process, we identified certain issues requiring management attention and, as such, communicated these issues through a separate report to management.

COMMENTS

The recommendations included in each of the two reports provided to management are included below.

Auditor General's Review of Parks, Forestry and Recreation Revenue Controls

1. The General Manager, Parks, Forestry and Recreation, review documentation requirements to support revenue reconciliations. Such review should include:
 - a) Eliminating the requirement to print duplicate receipts; and
 - b) Retention requirements for documentation supporting daily reconciliations at recreation centres and documentation forwarded to the Financial Reporting and Accounts Receivable Unit.
2. The General Manager, Parks, Forestry and Recreation, update and formalize policies and procedures including:
 - a) Retention of receipts to support voids and "No Sale" transactions, including cashier's signature and reason for voids;
 - b) Evidence of supervisory review of receipts for voids and "No Sale" transactions;
 - c) Evidence of supervisory tracking of variances by site and adverse patterns noted; and
 - d) Documentation to support variances reported to Finance on a timely basis.
3. The General Manager of Parks, Forestry and Recreation, formalize a process for variance reporting. Such report should document the amount, date and reason for the variance, cashier name, reviewing supervisor and conclusions.

Auditor General's Review of Terminated Employee Records Review

1. The Director, Pension, Payroll and Employee Benefits, communicate the importance of submitting Employee Separation Notifications for employees on positive and exception reporting on a timely basis to City divisions. If there is a delay in submitting termination documents, divisions should notify the Pension, Payroll and Employee Benefits Division by email that termination documents are forthcoming to ensure payment is suspended.

2. The Director, Pension, Payroll and Employee Benefits, develop and document a performance standard for timely submission of termination documentation from divisions.
3. The Director, Pension, Payroll and Employee Benefits, ensure Employee Separation Notifications and related documentation are maintained in the payroll files.
4. The Director, Pension, Payroll and Employee Benefits, ensure Employee Separation Notifications received from divisions include all required data and the appropriate “received by” date stamp is applied by payroll staff. Further, the Employee Separation Notification and Completion Guideline should be updated to emphasize the importance of providing complete information.
5. The Executive Director, Human Resources Division, ensure the Separation Payment Calculation and Approval Form is reviewed and authorized by the Human Resources Division.
6. The Director, Pension, Payroll and Employee Benefits, in consultation with the Executive Director, Human Resources, complete the development of written procedures for processing terminations involving separation programs. Such procedures should include supervisory review to ensure the accuracy and completeness of data entered into the financial management system.

The recommendations contained in both reports have been reviewed with senior staff who have concurred with the recommendations.

The Auditor General will follow-up on the status of these recommendations as part of the annual follow-up on outstanding audit recommendations.

CONTACT

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SIGNATURE

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