

FINANCE AND ADMINISTRATION COMMITTEE MEETING – APRIL 30, 2012

INTERNAL AUDIT REPORT OF THE HUMAN RESOURCES DEPARTMENT

Recommendation

The City Auditor recommends:

That the Internal Audit Report of The Human Resources Department be approved.

Economic Impact

The recommendations of the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

To present to the Finance and Administration Committee, the Internal Audit Report of the Human Resources Department.

Background - Analysis and Options

The audit was part of the 3 year risk-based Internal Audit Work Plan which was approved by the previous Audit and Operational Review Committee.

The internal audit report is provided as an attachment.

The Executive Summary in the report summarizes the major findings and recommendations.

The detailed report includes, for all audit findings (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) operational management's response for corrective actions and (5) the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

1. The Internal Audit Report of the Human Resources Department is presented to the Finance and Administration Committee for approval. The report includes the audit findings, recommendations and corrective actions. The report has been discussed broadly with the Director and Commissioner of the department audited.
2. The Director and Commissioner are aware that the intent of the observations and recommendations in the Internal Audit Report is for continuous improvement.
3. When all corrective actions are implemented, (1) internal controls, corporate governance and risk management will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of the Human Resources Department

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor



Date: April 30, 2012
To: Members of the Finance & Administration Committee
From: Michael Tupchong, City Auditor
Subject: **Internal Audit of the Human Resources Department**

I have completed the internal audit of the Human Resources Department. This audit was included in the three year audit work plan.

A follow-up letter will be sent to the audited department/operation, approximately 30 days from the date Council has approved this Internal Audit Report, requesting the status of Corrective Actions with Timeline as noted in this report. Subsequent follow-up letters will be sent until all Corrective Actions have been satisfactorily implemented.

I would like to thank Commissioner Janice Atwood-Petkovski and Director Janet Ashfield for providing me with unrestricted access to all information and staff during the audit and accommodating me.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Internal Audit Department is committed to adding value, providing continuous improvement recommendations and professional service to the whole organization.

Sincerely,

Michael Tupchong CA, CIA, CPA, CFE
City Auditor

cc: J. Ashfield, Director of Human Resources
J. Atwood-Petkovski, Commissioner of Legal & Administrative Services, City Solicitor
B. Cribbett, Commissioner of Finance & City Treasurer
M. Furlan, Manager of Learning & Development
C. Harris, City Manager
D. Rigakos, Manager of Compensation / Benefits, Health & Safety
S. Smith, Manager of Employee Relations

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EXECUTIVE SUMMARY

Background:

The audit of the Human Resources department was included in the Council-approved internal audit work plan.

Reporting to the Director, there are 4 Managers supervising 4 sections viz., (1) Employee Relationships; (2) Compensation/Benefits, Health & Safety; (3) Learning & Development; (4) Records Management

The 2009 operating budget for the department was approximately \$3.1 million.

Objectives:

The main objectives were to:

1. evaluate and improve the effectiveness of risk management, control, and governance processes,
2. add value and improve an organization's operations
3. assist members of the organization in the effective discharge of their responsibilities
4. evaluate and improve the quality of stewardship over public funds
5. evaluate and improve the achievement of value-for-money in operations

Scope:

The Scope included:

(1) The activities and processes within the department including the following areas:-

- Complaint and grievances files.
- Employee files regarding performance appraisals, changes to employee information, salary increases, staff checklist sign-off, reference checks and other authorized documents.
- Health and Safety activities regarding Job Hazard Analysis and Emergency Building Lockdown.
- Absences –occupational (WSIB) and non-occupational.
- Controls over employee Master file information.
- Salary/wages to union rates, grade scales.
- Employee training.
- Crossing Guards.
- Respectful Workplace policy and Workplace Violence Policy
- Benefit Insurance Premiums
- Exit Interviews
- Accounting records
- Vacation in reserve
- Other operational areas at the discretion of the auditor.

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- (2) The Institute of Internal Auditors' standard scope of work which is shown on the pages ahead.

Scope period was January 1, 2009 to December 31, 2009

Methodology:

The methodology included:

- Interviews and discussions with management and staff of multiple departments
- Review and analysis of accounting records (actual and budget) and supporting documentation for accounting transactions
- Review and analysis of various reports and documents
- Review of policies and procedures
- Walkthroughs and observations of operational procedures
- Review and analysis of operational data
- Physical inspection where applicable

Summary of Observations and Recommendations

This summarizes the audit observations and recommendations which are in more detail in the body of the report. The following observations are arranged in no particular order.

1. Observation

Some Crossing Guards are absent from their shift or leave before their shift ends and are paid for the entire shift. A few do not always follow proper crossing procedures.

Recommendation : That Crossing Guards should be paid for hours worked and if absent for no justifiable reason then payment should not be made. Those who do not follow proper crossing procedures should be re-trained.

2. Observation

There is a serious weakness in control in that the Payroll department staff (independent of the Human Resource department) also have access to make numerous changes to Employee Master Files. Without strong controls, fraud can occur in payroll. As a result of the audit, there is now a automatic Exception Report of changes made to employee information in the Employee Master Files. Therefore changes to employee information (rates of pay, new employees etc) are now reviewed by an independent official of the Human Resources department.

Recommendation : a)That only the Human Resource department (not the Payroll department) should have access to make changes to the Employee Master Files. This will vastly improve controls and reduce the potential possibility of fraud.

Council has approved the hiring of additional staff on 31 January 2012, to assist the Human Resources department in receiving the additional duties to implement the recommendation.

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3. Observation

Workplace hazard assessments are not done on a scheduled timeframe by all City departments. As a result all hazards may not be known on a timely basis. Therefore there may not be health and safety training to mitigate all hazards of a job on a timely basis. Common workplace hazards and associate controls have been identified.

Recommendation: That Job Hazard Analysis procedures should be distributed by the Human Resource department to all City departments and that all departments should be reminded to perform an assessment on worksite hazards at least annually. The required instruction/training based on the identified job hazards should be determined by the departments in consultation with the Human Resource representative.

4. Observation

There are general lockdown procedures in draft form which can be generally applied to the City Hall, JOC and MNR buildings, but have not been finalized and distributed. Therefore City Hall and other departments (JOC, MNR) may not have sufficient guidance on how best to react in workplace violence situations.

Recommendation: The lockdown procedure should be reviewed with the appropriate departments and third parties, for finalization, approval and consideration for implementation to the Emergency plans for various City buildings.

5. Observation

As of May 31, 2010 approximately 40 employees have not had their scheduled performance appraisals done, some of which were due in 2003. As a result they would not have received their grade step wage increases. This could dampen morale if employees do not receive pay increases without adequate explanations of their performances from their supervisors.

Approximately 108 employees who have reached the maximum in their grade levels have not had a performance appraisal done in the last 3 years (2007-2009). An official one-on-one meeting between an employee and his/her supervisor can improve performance, iron out differences and improve morale.

Recommendation: The Human Resources department should frequently notify each department of all outstanding performance appraisals. All past due performance appraisals particularly those which employees rely on for grade step increases in wages, should be done as soon as possible. Performance appraisals can be constructive, provide feedback and improve the employee's performance and clarify the supervisor's expectations.

6. Observation

Exit interviews with employees who have resigned, are kept on file but are not always shared with the former employee department's Commissioner or Director. Therefore the results and benefits of exit interviews may not be known to the Director or Commissioner.

Recommendation: Exit interviews should be shared with the department Commissioner and/or Director. Action plans (where applicable) should be

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developed by the ex-employee's department where improvements can be made from the exit interview information.

7. Observation

Without additional staff and budget funds for consulting fees, the proposed deliverables for the Learning and Development Strategy may not be attainable in the timeframe indicated 2010-2015. The proposed deliverables have high expectations.

Recommendation: Additional staff requirements and budget funds should be included in the budget so that the deliverables are attainable within the timeframe. In February 2012, budget approval was granted.

8. Observation

A number of purchases are being done without using Field Purchase Orders. The invoices are being paid through Cheque Requisitions. Purchasing Policy is not being strictly adhered to.

Recommendation: The purchasing policy should be followed for all purchases. Purchases under \$3000 require a Field Purchase Order and purchases over \$3000 require a Purchase Order. The Cheque Requisition can be used in special circumstances only and should not replace the use of the FPO or PO. After the audit, the HR department requested and received full training from the Purchasing Department on purchasing policies and procedures.

9. Observation

Purchase Orders are prepared after goods/services and invoices are received and not before as should be the case. Purchasing process is not being correctly adhered to.

Recommendation: Field Purchase Orders/Purchase Orders should be made out before goods/services are ordered and not after they have been received. A Field Purchase Order/Purchase Order is a contract between the City and the Vendor binding the buyer and seller to the agreed items/service at the agreed price. The paperwork (contract) should be done before the goods/services are ordered and received.

10. Observation

(a) All expense receipts (parking, Fortinos, Staples, etc) for expense claims, were not signed to evidence one's agreement to and validity of the expense. The auditor did indicate that this is "best practice" internal control procedure and enhances transparency and accountability. However there is control in that the Expense Claim Form of the employee is signed by the supervisor.

(b) Some Invoices from vendors are signed and others are not consistently signed to indicate review, receipt of goods/services, correctness of the amount and approval to pay.

Recommendation:

For (b), all Invoices should be signed for consistency to indicate review, agreement to the charges for quantity, description and price and approval for payment. As per the corrective action, all invoices will be signed to evidence that they were approved.

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Observation

By-law 100-2002 states that “every effort must be made to ensure that banked vacation days do not exceed 12 weeks (60 days)”.

As of November 1, 2009 approximately 26 employees had accumulated vacation days in reserve in excess of 60 days up to 169 days; and 2 employees had accumulated exactly 60 days in reserve.

Recommendation: that 1) Either the by-law is revised to increase the 60 day limit or 2) employees should be more frequently informed to take vacation so that their accumulated vacation days in reserve, are within the 60 day limit as per the by-law.

Observation

The City incurs Benefit Insurance Costs for its employees at an annual cost of approximately \$6 million. An RFP (Request For Proposal) has never been issued for this. Without obtaining competitive quotes, the City may not be receiving the lowest cost and therefore could be over-paying for benefit insurance.

Recommendation: The Human Resource department should issue an RFP (Request for Proposal) to insurers of benefit insurance, to obtain bid prices so that the department will have comparative information from other benefit insurance providers. Only then will it be known if the City is receiving a competitive price for the benefit insurance plan it has adopted from Great West Life.

Corrective Action:

Management has agreed with our observations Their corrective actions and timeline are in the body of the report.

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DEFINITION, OBJECTIVE AND SCOPE

6. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
7. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The internal audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
8. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors have authority to review any phase of City activity. . The scope of this audit included all of the following unless where not applicable:-
 - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
 - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
 - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
 - Appraising the economy and efficiency with which resources are employed.
 - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
 - Reviewing the identification of risk exposures and use of effective strategies to control them.
 - Reviewing for identification of fraud exposures and the means to control them.
 - Reviewing specific operations at the request of the Finance and Administration Committee or City Manager, as appropriate.
 - Reviewing stewardship of public funds
 - Reviewing achievement of value-for-money in operations.

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INTENDED PURPOSE OF REPORT

This report is presented purely to add value and to improve the operation going forward, within the scope of the audit, in terms of economy, efficiency and effectiveness. The report is not intended to criticize/discredit any individual or management of the department. The recommendations are suggestions of the auditor to assist in addressing the audit observations. Alternative corrections may be acceptable if risks are reduced to acceptable levels.

RATING OF AUDIT OBSERVATIONS (R1-R9)

The severity rating of the audit observations is between R1 and R9, with R1-R3=Low; R4-R6=Medium; and R7-R9=High. It is intended to provide the reader with the auditor's rating of the audit observations in the report. Factors taken into consideration include internal control, risk management, corporate governance, materiality, frequency, impact, likelihood, compliance, economy, efficiency, objectives, and operations. The rating is not mathematically calculated, and is a general guide.

It is more important to focus on the recommendations and corrective actions than the rating. The higher the rating, the more urgent it is to implement the corrective actions. Irrespective of the ratings, all observations should be addressed.

Auditor(s): Michael Tupchong CA, CIA, CPA, CFE

Approval Signature: _____

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Areas reviewed were considered to be operating satisfactorily, except those noted in this section.

Audit Observations

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Crossing Guards (R4)

Observations

The City employs approximately 100 Crossing Guards.

On a review of complaints about crossing guards, it was observed that on 8 occasions, crossing guards were paid for the full work period schedule when they worked less or zero hours. These are as follows:

<u>Date</u>	<u>C.Guard</u>	<u>Hours worked</u>	<u>(Period Scheduled to work)</u>	<u>Paid In Full</u>
June 1, 2010	A	25 minutes	2Hrs 15 min	yes
June 9	A	35	2Hrs 15 min	yes
May13	B	0	1Hr 50min	yes
May 19	B	0	1Hr 50 min	yes
April 29	C	0	0 Hr 35 min	yes
May11	C	0	2Hr 30min	yes
Apr 21	D	0	1Hr 10min	yes
Apr 23	E	0	1Hr 10min	yes

As per the Director of Human Resources these employees were reviewed and it was decided to pay them.

1. One Crossing Guard's hours were increased from 3 hours to 3.5 hours for a short period then back to 3 hours, but he was still paid 3.5 hours daily. The timesheets were not reduced back to 3 hours. He was overpaid .5 hours per day for 136 days. Therefore he was overpaid by 68 hours at 12.50/Hr which amounts to \$850. This was confirmed by the Human Resources staff as being an oversight.
2. Some Crossing Guards are not following proper procedure such as use of stop sign, vest, whistle, walking into the intersection while students are crossing.
3. Some Crossing Guards were present in their vehicles but in some instances *did not get out to assist students cross the intersection when the students were crossing and should have.*
4. As reported to the Auditor, Human Resources staff would go out and observe a Crossing Guard only if there was a complaint on the Crossing Guard. Complaints from residents and e-mails from Engineering Traffic staff would be received by the Human Resources department regarding the absence of a Crossing Guard. Usually within the week, a Human Resource staff would physically observe the attendance of the Crossing Guard in question. An "Action Taken" form would be completed by the Human Resource staff listing the latter's observations of the Crossing Guard. As verbally confirmed by a staff member, no further random spot observations were done.

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5. Based on a crossing guard's daily duty schedule for before school, lunch and after school, even though their total hours are often slightly less than 3 hours, Council has approved that they should be paid a minimum of 3 hours per day. Some Crossing Guards are scheduled to work more than 3 hours and are paid accordingly.

Implications

1. There could be a potential liability issue if a Crossing Guard is absent from scheduled duty and a child is injured while crossing the unsupervised road.
2. If there was no complaint about a Crossing Guard, the Crossing Guard would continually be paid the full daily maximum hours (minimum 3 hours) even if s(he) worked less than the scheduled required hours or if s(he) was absent.
3. The mathematical hours based on the schedules assigned to Crossing Guards are not checked to the timesheets. Some may be paid more hours than they are entitled as noted above (3.5 hours versus 3).
4. Some Crossing Guards are not following proper procedures e.g., use of stop sign, vest, whistle, walking into the intersection while students are crossing.
5. Additional training on proper procedures may be required for crossing guards.

Recommendations

It is Recommendation that

1. Random spot observations (e.g., at least one per month) on Crossing Guards should be done to confirm if the Crossing Guard is on duty, whether job procedures are followed and whether the scheduled hours are worked. This should be recorded for audit purposes. The intent is perform random observations without increasing office staff.
2. Crossing Guards who are totally absent from scheduled duty should not be paid for missing that duty unless there are valid reasons. The 3 hour minimum should not apply in these cases. The 3 hour minimum should only apply when they perform their daily scheduled duties.
3. Crossing Guards should be reminded to not sit in their vehicles but to assist students in crossing *when they are at the crosswalk*.
4. At the start of each semester, written procedures should be re-issued to Crossing Guards on the required duties of the job and the health and safety issues to reaffirm job procedures.
5. Crossing Guards who are paid *more* than 3 hours per the timesheets, should have their hours verified to their scheduled hours to ensure that they agree.

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6. As the crossing guard was overpaid \$850 due to an administrative error, the department should inform him of the situation and recoup back the overpayment.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

There are 107 crossing guards at 90 locations across the City and staff addresses each issue as staff are made aware of it. For recommendation 2, issues are addressed in accordance with the City's Disciplinary Policy and, ultimately, employment law.

1. Human Resource will continue to respond to complaints which arise. In addition, Human Resource will undertake random occasional spot checks and address any performance issues that come to our attention in accordance with the City's Disciplinary policy,
2. Given the health and safety considerations of our staff, the job itself and the weather, Crossing Guards are advised to remain in their vehicles when there are no students crossing. They have been advised to leave their vehicle and be at the cross walk by the time the students arrive at the cross walk.
3. Crossing Guards will continue to be trained once per year in August prior to beginning the school year in aggregate. In addition, training will continue to be provided during orientation sessions and/or when performance issues arise.
4. Audits will be conducted semi-annually and when changes occur with respect to crossing guards and their locations/times so as to minimize administrative errors that may occur.
5. The employee who was overpaid in error was contacted upon returning to work in September, 2009 and repaid the overpayment prior to the end of the tax year.

Auditor's Response To Corrective Actions and Timeline:

The Corrective Actions are deemed satisfactory in addressing the issues raised.

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Access to Employee Master Files (R7)

Observations

1. It was observed that 3 Human Resources department staff and 2 Payroll department staff (which are separate from the Human Resource department) have access to the Employee Master File database to make changes. Changes can be made to include new employees, terminate current employees and make changes to employees' personal information including hours worked and rate of pay. The current practice is that the Payroll department updates banking and tax information, processes all deductions from payroll (garnishments, bonds), inputs hours worked, rates of pay, and "terminates" employees from "Action Forms" initiated from the Human resources department. "All" other employee changes are done by the 3 Human Resources staff.
2. As a result of the audit, there is now a regular report (which captures all the changes made to the Employees' Master Files and by whom or which department Human Resource or Payroll), is printed out. Therefore changes are now reviewed by a supervisor, independent of the 3 Human Resources and 2 Payroll staff.
3. Wages, salaries and benefits budget total for 2011 is approximately \$120 million and is approximately 56% of the City's 2011 budget

Implications

1. There is a major internal control weakness in that the Payroll department which processes payroll, has access to Employees' Master File to make changes.
2. All changes by Human Resources or Payroll department to Employees' Master File are not printed in an "exception report" and is not reviewed and signed by an independent supervisor of the 3 Human Resources and 2 Payroll staff.
3. Invalid changes can be made to employee information and/or fictitious employees can be created and payroll cheques made out to them. These may go unnoticed.

Recommendations

1. It is Recommendation that only the 3 Human Resources staff should be allowed to access Employee Master File database and make employee changes (bank, tax, deductions from payroll, add and terminate employees). Payroll department staff *should not have this ability*. The Payroll department should only process payroll information (input hours worked) to generate payroll payments. The Human Resources department should initiate and work with the ITM department to achieve this functional change.

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Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

1. Currently payroll as well as IT staff have access to the employee Master File because of the way that JDE is set up. If the ability to make changes to the Employee Master File is removed from the Payroll department, then they will not be able to process the payroll, update banking information or process garnishments. Additional staff were approved in the 2012 budget and are in the process of being recruited. Once hired, changes will be made to restrict access to the areas of the Employee Masterfile that can result in fraud. In addition, a process review will be conducted with HR, Finance, Payroll and IT to determine the actual resources needed to make the permanent changes necessary.
2. The updates to the JDE system completed in 2010 allow staff to print off monthly history reports which document any changes made over the past pay period. This will be reviewed and signed off.

Auditor's Response To Corrective Actions and Timeline:

The auditor confirmed with the Chief Information Officer and Director of Information Technology Management that of the 6 ITM staff who provide support to the JDE system, 2 are responsible for "system administration" function such as manufacturer software fixes and updates, database updates and enabling the program to run; 2 others are responsible for the "maintenance" function, backing-up the whole system and recovering anything corrupted and the last 2 are responsible for "application support" ensuring that the program functions as intended. The first 4 use specialized JDE utilities and system commands to perform administrative and maintenance functions to the JDE files. These staff are unable to make changes to employee master files or manipulate master files because the file structure and content is undecipherable unless directly accessed through the JDE application interface. The 2 "application support" staff are able to access the master file through the JDE application interface but in a "read-only" mode and are unable to make changes.

The hiring of the additional staff in 2012 budget to implement the recommended change, will improve controls and reduce risk of potential payroll fraud.

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Worksite Hazard Assessments (R5)

Observations

It was observed that:

1. Worksite hazard assessments may not have been completed by all departments within the City. The procedure on Job Hazard Analysis has been approved but has not yet been distributed to City departments as of 15 April, 2011, as it will be included with the Health and Safety Program Manual which will be rolled out to each department in 2011. Currently, there is no scheduled timeframe frequency when assessments need to be done.
2. City Departments may not have developed an inventory of all job hazards as the Human Resources Specialist, Workplace Health and Safety has not been informed of all the job hazards, and therefore cannot address all the Health and Safety training requirements. However, common workplace hazards and associate controls have already been identified.

Implications

1. If workplace hazard assessments are not done on a scheduled timeframe by City departments, new hazards which may be present, may not be controlled.
2. The Human Resources Specialist, Workplace Health and Safety may not be fully aware of all the job hazards in each department if s(he) is not informed of the assessments. As a result the required training may not be determined and given to staff that face those hazards.

Recommendations

It is Recommendation that

1. The procedure on Job Hazard Analysis should be distributed by the Human Resource department to all City departments as soon as possible. All departments should be reminded to perform an assessment on worksite hazards at least annually. The Human Resources Specialist, Workplace Health and Safety should request from each City department the inventory of all job hazards.
2. Each department should be reminded of their responsibility in identifying worksite hazards and controlling them within their work area. Identified employees should receive instruction/training based on the identified hazards. The Human Resources Specialist, Workplace Health and Safety should work in consultation with the department to determine if the instruction/training is appropriate.

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3. A list of those who receive the training should be recorded by each department. The department should forward a copy to the Human Resources department for their records. The Human Resources Specialist, Workplace Health and Safety should remind departments annually to submit the list to the Human Resources department.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

Under the Occupational Health and Safety Act, the Health & Safety (H&S) Specialist is an advisor and therefore cannot assume responsibility of a Supervisor's area or worksite. In addition, the Act is very specific about the responsibilities of supervisors and employees. These responsibilities cannot be attributed to the HR Specialist, Health and Safety as recommended by the Operational Compliance Auditor. The primary focus of a Health and Safety person is to protect the Health and Safety of all employees. It is the role of health and safety to offer objective advice normally based upon the H&S professionals special knowledge and experience. Additionally, the H&S professional is to be discreet and maintain any discussions in confidence.

The Human Resources Specialist, Workplace Health and Safety has identified common workplace hazards and associate controls such as:

Hazard	Control
Working with chemicals	WHIMS training
Road hazards	Traffic Control Training
Persons working at heights	Fall arrest training
Electrical or moving part hazards	Lock out tag out procedure / training
Attending to injuries – providing first aid	First Aid, CPR and AED training
Responsibilities of supervisors	Competent Supervisor training
Contractor safety	Contractor procedure / training
Confined Space entry	Confined Space Procedure / training

The above noted hazards (and many more not mentioned here) are common in our industry and the Human Resources Specialist, Workplace Health and Safety works with the various departments to ensure that they have developed training and procedures address their specific requirements.

In addition, each supervisor / manager of an operational department is responsible for the health and safety of their staff as required by the Occupational Health and Safety Act, to identify hazards related to their particular operation and implement appropriate controls. The procedure that addresses this element is called "Job Hazard Analysis" and each supervisor is responsible for completing it for each of their positions. When they require assistance with controlling particular risks/hazards they contact Human Resources for further support.

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Response to specific recommendations:

1 and 3) Staff will send a reminder to Commissioners/Directors on an annual basis in January of each year regarding conducting/maintaining/updating job hazard assessments and training. As part of our reminder we will ask departments to send us copies of any updates for review and who received training.

The procedure on Job Hazard Analysis was included with the Health and Safety Program Manual and was distributed to all departments in 2011.

2) It is each supervisor's responsibility to develop controls for each of the hazards and request the assistance of Human Resource as required including a training matrix for their particular jobs. The Act does not allow for the transfer of those legislated responsibilities to anyone other than the supervisor.

Auditor's Response To Corrective Actions and Timeline:

The recommendations have been addressed. Follow-ups will be done to determine the progress of the corrective actions.

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Lockdown Procedures: (R5)

Observations

There are currently draft lockdown procedures for potential workplace violence which have not been approved yet. The draft contains general lockdown procedures which can be generally applied to all City buildings (e.g., City Hall, JOC etc) including community centres which have their own lockdown procedures. Once approved, these lockdown procedures will be distributed to all departments to review, educate and implement.

Implications

Without appropriate instruction, staff at various City departments (City Hall, JOC etc) may not know how best to react should there be a workplace violence incident or potential incident.

Recommendations

- 1) The lockdown procedure should be reviewed with the appropriate departments and third parties, for finalization, approval and consideration for implementation to the Emergency plans for various City buildings.
- 2) Each department should educate staff on the procedures including workplace violence procedures.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

We have inquired with the Community Services department and verified that each of the community centres has developed “lockdown” procedures as part of the emergency procedures sub-plan incorporated within the buildings Emergency/Fire Safety Plans.

The purpose of a “lockdown” procedure is to address the potential risks in our community centres with respect to workplace violence to ensure that workplace violence procedures are in place to address the security and safety of staff and the public

1. We have been informed that the Community Services Commission has developed lockdown procedures for the Community Centres and trains their staff on the emergency procedures including the lockdown procedure.

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Human Resources will request updated Violence Hazard assessment forms from each department now that we have moved to the new City Hall. Human Resource staff will review the new assessments and we will work with the Building and Facilities department to provide advice and guidance to assist them in determining how to best control any risks that are identified.

2. It is up to the supervisor, manager, Director, and commissioner to ensure that their staff have adequate training. It is not appropriate for Human Resource to determine compliance with training. We are not enforcers of the Act, we are there to support and guide departments and management in implementing appropriate assessments and training.

Auditor's Response to Corrective Actions and Timeline:

The corrective actions have been noted.
Follow-ups will be done to determine the progress of the corrective actions.

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Performance Appraisals (R6)

Observations

(A) For Grade Step Increases

1. Newly hired employees undergo scheduled performance appraisals at 6 monthly or yearly intervals and receive grade step salary increases, until they reach the maximum salary of their grade.
2. It was observed that as of May 31, 2010, that approximately 40 employees have not had their performance appraisals done, some of which were scheduled as far back as 2003.
3. The 40 outstanding appraisals are shown into the years they were due as follows:-

2003	4
2004	4
2005	1
2006	2
2007	4
2008	11
2009	<u>14</u>
	40

4. For these employees who have not had their scheduled appraisals done, they would also not have their subsequent appraisals done. Hence the number of appraisals not done as per schedule would be more than 40. These employees would therefore also not receive any grade step payroll increases.

(B) Annual Appraisals

It was observed that as of May 31, 2010, approximately 108 employees who have reached the *maximum* in their grade levels have not had an annual performance appraisal done in the last 3 years. The breakdown is as follows:

2007	44
2008	38
2009	<u>26</u>
	108

Some employees in 2007 may not have had appraisals done in 2008 and/or 2009 as well: they are included **once** only in these numbers. Similarly for those in 2008 who may not have had an appraisal completed in 2009.

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Implications

(A) Employees rely on scheduled performance appraisals so that they can obtain grade step payroll increases and receive feedback on their job performance. By not doing performance appraisals when they are due, 1) an employee's wages may be impacted. S(he) may not move up in classification and will therefore not get the higher wages 2) Without annual appraisals, the employee would not receive formal feedback from his/her supervisor of his/her job performance, would not know whether this meets with the supervisor's expectation and would not be informed of the areas to improve on 3) staff morale may be impacted by the above. Staff may feel that there is a lack of recognition, appreciation and respect for them by their supervisors.

Recommendations

It is Recommendation that

The Human Resources department should regularly (quarterly) notify each department of all outstanding performance appraisals. Performance appraisals can be constructive, provide feedback and improve the employee's performance, clarify the supervisor's expectations and provide an annual one-on-one discussion opportunity to discuss other issues. All past due performance appraisals particularly those which employees rely for grade step increases in wages, should be done as soon as possible so that the employee can progress in job classification and receive higher wages. This would also improve staff morale.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

Performance appraisals happen at different times for different employee groups in accordance with by-laws and collective agreements. Step increases are different depending on the job and employee group. For those employees whose step increase is dependent on a satisfactory performance appraisal, the updates to the JDE system implemented in early 2011 implemented workflow which advises Commissioners, Directors and Managers of the effective dates of required performance appraisals and step increases.

Auditor's Response To Corrective Actions and Timeline:

The updates to the JDE system implemented in early 2011 implemented workflow which advises Commissioners, Directors and Managers of the effective dates of required performance appraisals and step increases. This should improve the process and reduce outstanding appraisals

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Exit Interviews (R3)

Observations

1. The auditor reviewed 3 exit interview results. The ex-employees chosen were 1) Clerical Assistant 2) Supervisor and 3) Director
2. The generic questions asked in the exit interview totalled 27. Of these there were two questions on how to improve 1) the team's effectiveness and 2) the City.
3. Exit interview results are not automatically shared with the Commissioner and/or Director of the department in which the employee worked. As a result ex-employee comments which may be beneficial to the Commissioner and/or Director are not shared with them and as a result no action plans are developed from the results of the interview.

Implications

1. Exit interview questions are not maximized to extract the most effective information from former employees on how to improve the department they worked in.
2. Information gained from the exit interviews are not automatically shared with the Commissioner and/or Director. As a result there are no action plans developed for improvement from their comments.

Recommendations

1. It is Recommendation that exit interview questions should be revised to include more questions on (1) changes for improvement, (2) increasing effectiveness, efficiency, productivity in (a) their specific job duties, (b) the area/department worked in , (3) improving cross functional processes with other departments and (4) improving the overall City.
2. Exit interviews should be shared with the department Commissioner and/or Director depending on the position held by the former employee. Action plans (where applicable) should be developed by the ex-employee's department where improvements can be made from the exit interview information.

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Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

Will document and report to SMT on a semi-annual basis aggregate information which indicates trends, from all of the exit interviews that have been conducted so as to ensure that employees will continue to be open and forthright .

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will improve the process and provide feedback to SMT.

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Employee Training and Development(R4)

Observations

It was observed that Human Resources reviewed and analyzed the results of the following agencies through surveys (done by outside consultants) when they developed the Learning and Development Strategy 2010-2015 in house with the assistance of a consulting firm which specializes in providing employers with tools, resources and support they need to develop and optimize their employees who are a key asset.

- a) Hewitt & Associates Employee Engagement Survey 2006 & 2009
- b) O.C. Tanner Recognition Survey 2008
- c) Burke Group Training Needs Analysis 2007

Also considered were:

- d) Evaluation results from the Certificate in Management Excellence Program Part 1
- e) Comments from the MCML program
- f) City of Vaughan Strategic Plan 2020

As well, best practices in employee learning & development were analyzed and a review of the existing training catalogue was completed to determine what programs support Vaughan Vision 2020 and the Human Resources Strategy.

The Learning and Development Strategy was developed to represent the next level of strategy below the Human Resources Strategy.

1) Deliverables for 2010 are approximately 12 months behind due to lack of resources to deliver the training. The deliverables as stated for 2010 and beyond are ambitious and are as follows.

- a) Executive Coaching Program for SMT (2010-2012)
- b) Certificate in Management Excellence 1 Program (2010-2015)
- c) Certificate in Management Excellence 2 Program (2010-2015)
- d) Developing Future Leaders Program (2010-2015)
- e) Staff Excellence Program (2010-2015)
- f) Coaching Program (2010-2013)
- g) Mentoring Program (2010-2015)
- h) Individual Learning Plans (ILP) (2010-2015)
- i) Performance Management Program (PMP) (2010-2015)
- j) Health and Safety Excellence (2010-2015)
- k) Best Practices in IT (2010-2015)

2) Human Resources currently tracks training days for all employees that participate in the Internal Training Program and who attend external training programs and advise them.

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Implications

1. Without additional staff and funds for consulting fees, the proposed deliverables may not be attainable in the timeframe indicated.
2. Deliverables for 2010 are approximately 12 months behind schedule.
3. Training days by employee may not be up-to-date if external or internal training is not reported to the Human Resources department.

Recommendations

It is Recommendation that

1. For Budget 2011, additional staff requirements should be identified and be included in the budget together with consultant fees so that the deliverables as approved by SMT are attainable.
2. Human Resources should be advised of any and all training that staff receive, be it internal or external so that an accurate history of training can be tracked and maintained.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

1. ARR's were submitted for the 2011 and 2012 budget process and one Learning & Development Specialist has been approved as well as one HR Coordinator to support the Learning and Development Department.
2. Staff will send a memo to Directors and Commissioners reminding them of the need to submit training days to Human Resource for inclusion in the training database. This memo will go out once per year in January.

Auditor's Response To Corrective Actions and Timeline:

The Corrective Actions will address the areas for improvement.

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Field Purchase Orders/Purchase Orders (R4)

Observations

It was observed that:

A) A number of purchases are being made without using Field Purchase Orders for example:

1. Invoice totalling \$1096.10 for Health and safety products were purchased without issuing a Field Purchase Order (FPO). A request for cheque was used to pay the invoice.
2. Invoice for \$3600 for 120 adult package awards from Kleinburg Golf Club Ltd. No Purchase Order (PO) was issued. A request for cheque was used to pay the invoice.
3. York Region invoice for \$390.60 for 4 hours of bus charter. No Field Purchase Order was issued. A request for cheque was used.
4. Fontana Gardens, two invoices totalling \$474.59 for food and refreshments. No Field Purchase Order was issued. A request for cheque was used.
5. On 12 separate occasions, coffee and refreshments were ordered totalling \$344.02. No Field Purchase Orders were used. A request for cheque was used.
6. The Human Resources department uses Monte Carlo Inn Vaughan Suites for meeting rooms and food. On 2 observed occasions, there were no Field Purchase Orders issued. Invoice charges were \$309.46 and \$262.48. Request for cheques were used to pay the invoices.

B) Three control issues on some invoices:

7) An invoice from TSS Alarms for \$2,625.00 was

- a) Not signed
- b) Field Purchase Order was dated August 25, 2009 which was after the invoice date of July 4, 2009.
- c) Field Purchase Order was authorized and received by the same person; lack of segregation of duties.

8) Invoice from AGO Industries Inc. for \$73.39 was

- a) Not signed
- b) Field Purchase Order was dated September 3, 2009 which was after the invoice date of August 24, 2009
- c) Field Purchase Order was authorized and received by the same person; lack of segregation of duties.

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(C) Purchase Orders prepared, dated AFTER Goods/Services and Invoices received

It was observed that for the most part, Purchase Orders are requested after the goods/services and invoices are received and not before. Some examples are as follows below:

1. Two invoices from Schulich School of Business for \$7560 each was dated April 20, 2009. Two Purchase Orders were requested and dated June 2, 2009.
2. Two invoices from "Effective Accessibility Consulting" for \$10080 and \$8295 was dated September 18, 2009 and September 11, 2009 respectively. Two Purchase Orders were requested and dated October 7, 2009.
3. Invoice from Employer's Choice Inc for training for \$7481.25 was dated November 30, 2009. The Purchase Order was requested on December 21, 2009 and issued on December 23, 2009.
4. Invoice from Municipal Healing & Safety Association for \$4410 was dated March 17, 2009. The Purchase Order was requested on April 14, 2009 and issued on April 15, 2009.
5. Invoice from Day Advertising Group Inc for \$11,840.88 was dated May 11, 2009. The Purchase Order was requested and issued on July 13, 2009.
6. Invoice from Workopolis for \$12800 was dated July 29, 2009. The Purchase Order was requested August 6, 2009 and issued August 7, 2009.
7. Invoice from Lovas Stanley/Ray+Berndtsen Inc for \$11340 was dated July 24, 2009. The Purchase Order was requested and issued September 21, 2009.
8. Invoice from Rembrandt Awards Mnfg Ltd for \$12791.60 was dated September 14, 2009. The Purchase Order was dated October 13, 2009.

Implications

1. Purchasing policy requiring Field Purchase Orders and Purchase Orders, is not being followed in many cases. A "Request for Cheque" form is used to replace the requirement of the FPO/PO.
2. There are three control weaknesses for transaction (7) and (8) under heading B.
3. The intended purpose of the Purchase Order is to have a commitment between the buyer and the seller for specific items/services at the agreed price prior to receiving the goods/services. Requesting a Purchase Order *after* receiving the items/service and invoice, may not achieve a competitive price and is a formality exercise.

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Recommendations

It is Recommendation that:

The purchasing policy should be followed for all purchases. Purchases under \$3000 require a Field Purchase Order and purchases over \$3000 require a Purchase Order. The Cheque Requisition can be used in special circumstances only and should not replace the use of the FPO or PO.

- 1) Invoices should be signed to indicate review, agreement to the charges for quantity, description and price and approval for payment.
- 2) Field Purchase Orders/Purchase Orders should be made out before goods/services are ordered and not after they have been received. A Field Purchase Order/Purchase Order is a contract between the City and the Vendor binding the buyer and seller to the agreed items/service at the agreed price. The paperwork (contract) should be done before the goods/services are ordered and received.
- 3) There should be segregation of duties between the authorizer of the Field Purchase Order and the receiver of the goods/services. This is for improvement in controls and is "best practice".

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

There have been a variety of practices used over the years for low value purchases. All Human Resources staff were provided with training on the purchasing policies and procedures by the purchasing department in 2010. The Purchasing Department is currently reviewing purchasing methodology to identify best and most efficient practices.

Auditor's Response To Corrective Actions and Timeline

Training by the Purchasing department will provide Human Resource staff with knowledge on the use of the Field Purchase Order and Purchase Order. The Follow-Up audit process will be done to verify that Purchasing policies are being followed..

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Expense Claims (R3)

Observations:

It was observed that an expense claim for:

a) Employee A showed:

1. An employee claimed mileage expenses from home to a destination which was not the normal place of work. The claim did not follow the current policy which has two conditions: 1) Distance from home to destination has to exceed the destination from home to work. 2) Distance claimed is the lesser distance between work to destination and home to destination.
2. The "GST Incl" and "Net" column of the expense claim form for "Other Expenses" was not filled in.
3. All receipts (parking, Fortinos, Staples) which were attached to the Expense Claim Form were not signed. However there is control in that the employee and supervisor signed the Expense Claim Form.

b) Employee B:

1. "GST Incl" and "Net" columns of the Expense Claim Form were not filled out for "Meals & Entertainment" and "Other Expenses".
2. Receipts (for office supplies) were not signed. However there is control in that the employee and supervisor signed the Expense Claim Form.

c) Employee C:

4. Incurred meal costs on 7 occasions totalling \$466.09. All receipts were present. However the receipts were not signed by the employee. However there is control in that the employee and supervisor signed the Expense Claim Form. The purpose of the meetings is indicated on the Expense Claim Form together with names where applicable.

Implication

1. Expense Claim Forms are not filled out as they are required to be.
2. Receipts of expenses incurred are not signed by staff even though this is a "best practice" internal control procedure and enhances transparency and accountability. This was indicated by the auditor to the director.
3. The method used to claim mileage did not follow the current Mileage Policy.

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Recommendation

- 1) Expense Claim Forms should be completed as intended (i.e.) the “GST incl” and “Net” columns should be filled in.

- 2) If mileage is claimed, then the current mileage policy should be adhered to in terms of travelling directly from home to the destination. One should not use one’s discretion on how to claim mileage if there is a policy.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

1. The employee expense policy requires expenditure reimbursement claims to be signed by the employee claiming the expense, and also signed and approved by their immediate supervisor. Section 3.6 of the Employee Reimbursement for Business Related Expenditures and Advances assigns responsibility for the completeness of the reimbursement claim to both signatories to the claim, the approver and the claimant, which has been adopted as an appropriate control over the accuracy, validity and eligibility of the employee expense claim, therefore a requirement to sign each receipt was seen as redundant and not a requirement of the employee expense policy. The expense policy was prepared in consultation with the Internal Auditor.
2. Human Resource staff will be retrained on the expense policy by Finance.
3. The staff member felt the submission of mileage was fairer to the City (and was \$15 less than what it would have been strictly according to Policy), however, on the basis of the audit, all Human Resource staff will be provided with refresher training on the mileage policy.

Auditor’s Response To Corrective Actions and Timeline

1. Although the signing of receipts is “best practice” internal control for accountability and transparency, there is adequate control in that the supervisor signs the Expense Claim Form of the employee. The auditor accepts the corrective action explanation.
2. Training on the Expense Claim Forms and Mileage Policy will provide information on how to complete the Expense Form and apply the Mileage Policy.

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Invoices not consistently signed(R3)

Observations

A signature on an invoice gives audit evidence that 1) the invoice was reviewed 2) charges are correct 3) goods/services have been received and 4) there is approval for payment.

A number of invoices were observed as not being signed while other invoices were signed by some employees. Examples of unsigned invoices:-

1. Membership invoices from OMHR for 2 staff members were not signed.
2. Membership invoice from HRPA for a member was not signed.
3. Invoice from HR Downloads Inc (for Team Advisory) for \$1364.99 was not signed.
4. A staff member went on a 1 day conference. There is no indication whether her supervisor approved this. The registration form was submitted with a City cheque for \$572.25.
5. Two invoices from Harkel Office Furniture for \$351.43 each for Echo Task chairs were not signed.
6. An invoice from Hewitt Associates for employee engagement survey for \$27,949 was not signed.

Implications

There is inconsistency in that not all invoices are signed or initialled.

Recommendations

It is recommended that all invoices should be signed to indicate that the charges are correct, the items/services have been received and that there is approval for payment. This will provide consistency in the signing of all invoices.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

All payments were properly authorized through a variety of ways including email authorizations, cheque requisitions signed by the authorized employee and/or submitted through the JDE system and approved by the authorized individuals, although a second signature/approval may not be on the invoice. The City's current practice is that

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payments are approved by staff with delegated signing authority and the payments noted by the auditor are in compliance with this practice. Each method of authorization ensured that the charges were correct, the items/services were received and there was approval for payment.

All invoices will be signed by the appropriate staff members where there is no PO.

Auditor's Response To Corrective Actions and Timeline:

The corrective action will result in consistency in the approval process of all invoices.

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Personal Expenses of a Potential Candidate (R1)

Observations

1. The department incurred all costs to fly in a potential candidate for a director's position with the City. Costs included airfare, car rental, hotel and meals. Total cost was \$1,251.69.
2. The candidate arrived on March 23, 2009 and checked into the hotel at 7:41pm. On March 24, 2009 he had his interviews with the City.
3. On March 25, 2009, he checked out of the hotel at 12:52 pm. However he stayed an extra day and returned the car rental on the 26 March, 2009 at 7:28pm. There were not stated reasons for the two days after his interview date.
4. None of the invoices were signed to indicate their review for correctness and approval to pay. He was reimbursed.

Implications

1. The interview was on the 24th. It is reasonable to allow for departure and expenses on the 25th. But he stayed until the evening of the 26th. The City paid an extra day (*beyond the 25th which was considered reasonable*) for car rental expenses, gas and airport parking totalling approximately \$97 for his personal extra day stay in the GTA. The expense is not related to City business.
2. The invoices were not signed to indicate that they were reviewed for correctness and approved for payment. The above details may have been detected if the invoices were reviewed.

Recommendations

1. Expenses of a personal nature which are not related to City business *in excess of the extra reasonable day*, should not be paid by the City unless there were extenuating reasons which should be documented on file.
2. Invoices should be signed to indicate they have been reviewed and approved for payment.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

1. Staff will continue to review expenses submitted through search consultants on behalf of candidates to determine reasonableness. In this case, it was reasonable to pay for the additional day of travel.

Auditor's Response To Corrective Actions and Timeline:

Corrective Action response is acknowledged.

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Banked Vacation Days more than 60(R3)

Observation

The City Hall is a very busy and vibrant place of employment. It is understandable that in a number of positions, it is not always feasible to take all one's vacation especially for those employees who are entitled to a large number of annual vacation days through many years of service. This observation is to bring awareness of a growing situation.

1. The City's By-law 100-2002 states that "every effort must be made to ensure that banked vacation days do not exceed 12 weeks (60 days)".
2. It was observed that as of November 1, 2009 approximately 26 employees had accumulated vacation days in reserve in excess of 60 days up to 169 days; and 2 employees had accumulated exactly 60 days.
3. The Human Resources department has sent letters to these employees on November 30, 2009 informing them of the 60 days in the by-law and encouraging them to take vacations to reduce banked vacation days.

Implication

A policy which is not enforced is not considered to be very effective.

By allowing more untaken accumulated vacation days will lead to increased financial liability for the City.

Recommendation

It is Recommendation that 1) Either the by-law is revised to increase the 60 day limit or 2) employees should be more frequently informed to take vacation so that their accumulated vacation days in reserve, are within the 60 day limit as per the by-law.

Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

1. Staff will continue to provide memos to employees, their supervisor and Commissioner who have in excess of 60 days of vacation. The City Manager will continue to receive a spreadsheet with all employees who have in excess of 60 days.

Auditor's Response To Corrective Actions and Timeline:

Corrective Action response acknowledged.

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Benefit Insurance Costs(R5)

Observation

1. The City has entered into benefit insurance contracts with Great West Life for a number of years. The contract is on an annual basis from August 1 to July 31. The cost of benefit insurance premiums to the City for August 1, 2008 to July 31, 2009 was approximately \$5.9 million. For 2009-2010 the premiums are approximately \$6.3 million. Depending on the total annual dollar claims processed by Great West Life, the City may receive a refund of premiums paid or be charged a surcharge at the end of each year. The City has received a rebate of approximately \$182,000 for 2008-2009 year. For 2009-2010 the final numbers have not been finalized yet.
2. It was observed that to-date, no RFP (Request for Proposal) for benefit insurance has been issued to other insurance providers to obtain competitive prices from other insurance bidders.

Implication

Without issuing an RFP to other benefit insurance providers and obtaining quotes from competitive bidders, the City has no comparative numbers to provide some assurance that it is obtaining a competitive price from Great West Life for the benefit insurance plan it has adopted, and hence may be paying too much for benefit insurance. Large potential savings may be lost if other insurance providers are also not explored.

Recommendation

1. The Human Resource department should issue an RFP (Request for Proposal) to insurers of benefit insurance, to obtain bid prices so that the department will have comparative information from other benefit insurance providers. Only then will it be known if the City is receiving a competitive price for the benefit insurance plan it has adopted from Great West Life.
2. Due to the significant cost of annual benefit insurance, an RFP should be submitted at least every 5-7 years.
3. Comparative pricing with other similar size municipalities could also be done to provide good information but the results depend on the type of benefit coverages which may be dissimilar to the City's and assumes that the comparable municipalities have done comparative shopping as well. The results would not be as conclusive as one's own RFP.

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Corrective Actions and Timeline (Director J.Ashfield and Commissioner J.Atwood-Petkovski Response)

Staff are working with purchasing to develop the appropriate processes and documentation to gather information about the current cost of benefits under Great West Life. It is anticipated that the process will be complete prior to Q2 of 2013.

Auditor's Response To Corrective Actions and Timeline:

The response is noted. The HR department has commenced action to address the audit concern. Internal Audit will follow up as to its status on a periodic basis.

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CONCLUSION

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating satisfactorily, except for the noted observations for which the auditor made recommendations for improvement.
2. The management of the department/operation audited, have acknowledged all observations and recommendations in the Internal Audit Report.
3. When all Corrective Actions are implemented, there will be an improvement in (1) internal controls (2) risk management, (3) governance (4) the stewardship of public funds and (5) the achievement of value-for-money in operations.
4. The Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

FOLLOW-UP ON CORRECTIVE ACTIONS AND TIMELINE

1. It is extremely important that all Corrective Actions and Timeline as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups, the first being approximately 30 days after Council's approval of the Internal Audit Report, followed by subsequent follow-ups until all corrective actions have been satisfactorily implemented. Actual follow-up audits may be done to verify the reported implementation.
3. The Corrective Actions and Timeline will address the audit findings of the Auditor.
4. At the discretion of management, this report may be distributed to the appropriate staff members under their jurisdiction to address common areas for improvement. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.