

MINUTES



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

<http://www.mississauga.ca>

MONDAY, SEPTEMBER 29, 2008 – 9:00 A.M.

**COMMITTEE ROOM “B” – SECOND FLOOR, CIVIC CENTRE
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1**

Members

Councillor Frank Dale, Ward 4
Councillor Eve Adams, Ward 5 (Chair)
Councillor Katie Mahoney, Ward 8
Mayor Hazel McCallion, (*ex officio*)

Contact: Debbie Sheffield, Legislative Coordinator, Office of the City Clerk
905-615-3200 ext. 3795 Fax: 905-615-4181
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Members Present

Councillor Eve Adams, Ward 5 (Chair)

Councillor Katie Mahoney, Ward 8

Members Absent

Councillor Frank Dale, Ward 4

Mayor Hazel McCallion (*ex-officio*)

Staff Present

Janice Baker, City Manager and Chief Administrative Officer

Brenda R. Breault, Commissioner of Corporate Services and Treasurer

Martin Powell, Commissioner of Transportation and Works

Paul Mitcham, Commissioner, Community Services

Sally Eng, Director, Internal Audit

Roberto Rossini, Director, Finance

Ed de Grosbois, Director, Business Services

Craig Emick, IT Auditor, Internal Audit

Robin Uba, Audit Associate, Internal Audit

Al Steinbach, Sr. Auditor, Internal Audit

Mary Ann Hipgrave, Sr. Auditor, Internal Audit

Mark Beauparlant, Manager, Financial Services, Finance Division

Rob Elliott, Manager Compliance, Recreation and Parks

Debbie Sheffield, Legislative Coordinator, Office of the City Clerk

Others Present

Kevin Travers, Associate Partner, KPMG

INDEX - AUDIT COMMITTEE – SEPTEMBER 29, 2008

CALL TO ORDER

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST

PRESENTATIONS/DEPUTATIONS

MATTERS CONSIDERED

1. Minutes of the Audit Committee Meeting held on June 9, 2008

2. Final Audit Reports:

Mississauga Transit Coin Room Audit - Transportation & Works Department
Payroll Audit - Fire Union - Community Services Department
Facility Rentals Audit – Community Services Department

3. 2008 Internal Audit Work Plan Status Report

4. Date of Next Meeting: November 24, 2008 at 9:00 a.m., Committee Room “B”

ADJOURNMENT

CALL TO ORDER @ 9:00 a.m.**DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST**

Nil

PRESENTATIONS/DEPUTATIONS

Nil

MATTERS CONSIDERED

1. Minutes of the Audit Committee Meeting held on June 9, 2008

Councillor Katie Mahoney moved a motion to approve the minutes of the Audit Committee meeting of June 9, 2008 as presented, which was voted on and carried.

APPROVED

MG.24.Audit

2. Final Audit Reports: Mississauga Transit Coin Room Audit -Transportation & Works Department, Payroll Audit – Fire Union – Community Services Department and Facility Rentals Audit – Community Services Department.

Corporate Report dated September 19, 2008 from the Director, Internal Audit with respect to the Final Audit Reports: Mississauga Transit Coin Room Audit - Transportation & Works Department, Payroll Audit – Fire Union – Community Services Department and Facility Rentals Audit – Community Services Department.

RECOMMENDATION:

That the report dated September 19, 2008 from the Director of Internal Audit with respect to final audit reports – Mississauga Transit Coin Room Audit - Transportation & Works Department, Payroll Audit – Fire Union - Community Services Department and Facility Rentals Audit, Community Services Department be received for information.

Mississauga Transit Coin Room Audit – Transportation & Works Department:

Al Steinbach, Sr. Auditor, Internal Audit addressed Committee and made a verbal presentation and update on the Mississauga Transit Coin Room Audit – Transportation & Works Department. Mr. Steinbach provided comments on the audit and feedback received from Transportation and Works management and staff.

He advised of significant improvements to the overall control environment in the Transit Coin Room operations since the March 2003 audit where 26 recommendations were made with respect to segregation of duties, physical security and monitoring of the revenue collection, processing and reporting functions. Mr. Steinbach indicated that management had taken the audit report seriously by implementing the 26 recommendations and introducing their own independent review process to ensure compliance to procedures.

Of the nine recommendations currently being made, eight have been completed or are near completion, as advised by Mr. Steinbach. One outstanding recommendation involves the new farebox technology which is scheduled for completion by year end. Mr. Steinbach noted that refunds totalling \$18,000 in 2007 seem insignificant in relation to the total revenue collected, but a review of how refunds are processed is necessary and will be conducted by staff in the Revenue Section.

Mr. Steinbach thanked Ed de Grosbois and Transportation and Works staff. He commented on the positive relationship and rapport experienced throughout the audit process.

Councillor Eve Adams made an inquiry with respect to ticket fares and asked for clarification on the financial impact with respect to losses. Al Steinbach explained that the old ticket media could be easily split or photocopied, and that a new printing process with embossing has now been implemented to reduce fraudulent activities which has resulted in a significant drop in financial losses. Mr. Steinbach advised that estimates made by management indicated a \$20,000 loss currently versus \$138,000 previously.

In response to Councillor Katie Mahoney's inquiry, Ed de Grosbois indicated that frauds were occurring on the UTM routes. Mr. de Grosbois noted that increased security features and improved single pulp fusion paper have been implemented. He explained that one side of the paper is foil making it impossible to photocopy.

Martin Powell, Commissioner of Transportation and Works advised that the City is moving away from the ticket and going to a fare card which should assist in reducing

fraud. He mentioned UTM students and the inclusion of transit fares in the price of tuitions.

Payroll Audit – Fire Union – Community Services Department:

Robin Uba, Audit Associate, Internal Audit made a Powerpoint presentation to Committee with respect to the Payroll Audit – Fire Union – Community Services Department and advised that this is the fourth in a series of payroll audits which began in 2005. Ms. Uba explained that Fire is the second largest union at the City accounting for 685 union members and a \$68 million salary budget divided into six sections, namely Prevention, Communications, Suppression, Training, Maintenance and Administration. As noted by Ms. Uba, each Fire section has its own shift pattern in order to meet business requirements which results in five varying leave administration plans that prove difficult to administer.

The audit scope and objectives were outlined as human resource processes; reporting and approving time; payroll calculations and controls; and recording of funds into the general ledger. Ms. Uba advised that controls are in place for inputting/changing employee information, terminated and fictitious employees and for processing payroll.

In reviewing time and attendance, Ms. Uba observed that designated staff in various Fire sections are responsible for recording employee absences and Fire management is responsible for reviewing the time reported to ensure accuracy. It was noted that 16% of the payroll entries were not reviewed.

Ms. Uba continued by describing the use of shift exchanges to allow flexibility in order to meet family obligations, which is a benefit to the City in that it reduces overtime costs resulting from unexpected absences. Ms. Uba advised that a few discrepancies were noted, between hours off and hours on, during the examination of shift exchanges for 2007.

Ms. Uba described the situation in the Communication section which works a combination of 10 and 14 hour shifts. In an effort to balance leave granted versus leave taken, leave taken is recorded as 8.4 hours per day regardless of the shift time. Also, she noted, vacation is recorded as one week (Monday to Friday) regardless of the shifts actually missed. Although these practices result in a balanced leave statement, additional administrative work is required to track the actual absent hours. Ms. Uba stated that Fire responded by re-emphasizing the need for timely review and approval of reported time, increasing the monitoring of shift exchanges, increasing frequency of monitoring leave balances and encouraging employees to sign their leave statements regularly.

Robin Uba provided an overview of security and access to personal information. She explained that this area generated recommendations with respect to compliance with the Municipal Freedom of Information and Protection of Privacy Act. The Suppression Section of Fire developed an Access database and several spreadsheets, containing personal information, that were widely circulated within Fire. In response to recommendations, Ms. Uba advised, Fire removed personal information from the spreadsheets and Access database. Information Technology will work with Fire to develop an appropriate solution once the new SAP payroll system is in place.

A set of employee files are maintained at Fire headquarters to assist management with administrative tasks and official records are maintained with Human Resources. Ms. Uba noted that backup documents were accessible, however, a few documents that should have been filed with Human Resources were located in the Fire files. Ms. Uba commented on the lack of a written procedure manual which she felt could cause issues in the absence of staff who are familiar with the unique aspects of the union contract paperwork. She also noted that Fire is maintaining terminated employee files for the proper retention period as required by the Workers Compensation Board but the files are not sent to the Corporate Record Centre for proper storage. Ms. Uba reported that Fire and Community Services' Human Resources will work cohesively to complete a Fire union contract administration manual and develop consistent and complete employee files. Also, she stated, a review will be conducted with Corporate Records staff on the Records Retention By-law.

Ms. Uba concluded by advising that management agreed to all 30 recommendations. She noted that 15 recommendations have been completed, 10 will be implemented by year end and five will be dealt with in 2009.

Councillor Katie Mahoney questioned if union involvement was required in the audit process with respect to contract obligations, Freedom of Information etc. Ms. Uba responded that the union was involved in some of the discussions surrounding the observations made and the Acting Fire Chief has been in discussions with the union. Ms. Uba informed Committee that administrative processes usually begin with the Fire Captains and Fire Chief.

Janice Baker, City Manager and Chief Administrative Officer commented that all positions are union. Paul Mitcham, Commissioner of Community Services clarified that senior command positions are non-union including Chief, Deputy, Chief of Training and Chief of Equipment.

Councillor Eve Adams inquired about the administration of leaves with respect to the

varying shifts and if increased costs were involved. She wondered if issues existed around employees taking more leave than they were entitled. Ms. Uba stated this was not the case, that vacation time and floater days could not be carried over into the next year, and that Fire has been diligent in this respect. She noted that most leave balances at year end were negligible.

Facility Rentals Audit – Community Services Department:

Mary Ann Hipgrave, Sr. Auditor, Internal Audit addressed Committee and made a presentation on the Facility Rentals Audit – Community Services Department. She explained that Facility Rentals is administered by the Recreation and Parks Customer Service Centre and generates \$10.5 million annually for the rental of ice, rooms, pools, sports fields, parks and other spaces and \$300,000 in additional charges which includes items such as lifeguards for pool parties and sundries for social events.

The CLASS computer system, as described by Ms. Hipgrave, has been utilized since 1999 and information is downloaded from CLASS to the general ledger daily.

Ms. Hipgrave discussed the 1996 Facility Rentals Audit which consisted of only ice and rooms due to the decentralization of the administration of rentals. She explained that during that time, no documented payment terms or cancellation policy existed. As a result, there was no recourse for "no shows" as there was no basis to pursue collection. Ms. Hipgrave explained that a payment policy was developed in 2000 which required payment in advance and established cancellation requirements.

The 2002 CLASS Security Profiles Review dealt with the issue surrounding the privacy of customer's information which was not a concern during this audit. However, Ms. Hipgrave advised, financial transactions involving only one individual with no subsequent monitoring or verification was an issue noted in both the current and 2002 audits.

Ms. Hipgrave described the many changes that have occurred since 2002. The rental of parks, Civic Centre space, library rooms, pools and sports fields has been centralized. She advised of three major and several minor upgrades to the CLASS system and the implementation of a point-of-sale module which resulted in amendments to business processes. Ms. Hipgrave noted significant turnover in staff involved in this function since 2004.

Ms. Hipgrave discussed the scope and objectives of the Facility Rentals Audit that covered 2007 rental transactions to ensure the correct amount was charged, compliance

with respect to corporate requirements, cash handling, potential risk exposure and documented procedures. She advised that there were no concerns regarding collection, safekeeping, depositing and recording of revenues and noted the existence of a comprehensive business process manual.

An overview of rental fees was provided and Ms. Hipgrave explained they are based on the type of facility, customer category, age, activity, time and season. She advised that pricing strategies vary for the different types of facilities and some customer categories, contained in the by-law, have different meanings for the different types of facilities. Ms. Hipgrave noted that as a result of the varying customer categories, manual overrides to the CLASS system are sometimes necessary when a customer, after their initial rental, is subsequently renting a different type of facility. It was stated that although no errors were found as a result of the manual overrides, potential risks exist which require control processes. Ms. Hipgrave pointed out the recommendation to review the rental fee structure to reduce the need for manual interventions. She confirmed that the majority of rental fees in CLASS had been approved per the by-law, however, interim rental fees are sometimes needed for new rental spaces or new time periods. A recommendation, she advised, has been made to have the authority to approve interim fees delegated in the by-law. Ms. Hipgrave discussed historical fee practices, resulting in some fee exceptions, and advised that a recommendation has been made to have fee practices reviewed and brought to Council for approval.

Ms. Hipgrave discussed that some extra fees were not formally authorized and it has been recommended that fees be entered into CLASS only if they are contained in a by-law or authorized as delegated in a by-law.

In response to Councillor Katie Mahoney's inquiry, Mary Ann Hipgrave provided examples of fees not formally authorized as being sundries, such as pop and ice.

In order to address customer service issues, management is sometimes required to amend or waive fees, however, the current by-law does not delegate authority to do so. Ms. Hipgrave advised that a recommendation has been made to delegate the necessary authority in the by-law and establish criteria and approval processes in a corporate policy.

Compliance with the Payment of Facility Rental Fees Policy was discussed and it was noted that the policy had been developed primarily for ice and rooms and has not been updated since the centralization of rental facilities. Observations of the audit were that the policy is not being consistently adhered to for all sports facilities. Ms. Hipgrave stated that a recommendation has been made to review the policy to ensure it is current and appropriate for all types of facilities, and to consider the implementation of

administration fees.

Ms. Hipgrave advised that although a liability waiver existed in the rental contracts, some contracts were not signed. She noted the recommendation to amend processes in order to minimize last-minute rentals and enforce the requirement for a signature.

A concern was noted with respect to independent monitoring/verification. Ms. Hipgrave stated that the involvement of only one individual could mean the lack of detection of errors. This issue, she mentioned, was raised in the last audit and a process was put in place to provide monitoring from a different section, but some problems have been recognized. She explained that issues have been noted with respect to generating reports and extracting information from CLASS and monitoring the large volume of transactions. Ms. Hipgrave explained the recommendations made to develop and implement processes for the routine monitoring and verification of transactions. She stated that CLASS upgrades over the past few years have allowed for additional reports and information. Also, she mentioned the recommendation to review the fee structure which may result in the reduction of fee overrides.

In conclusion, Ms. Hipgrave noted that management was agreeable to all 38 recommendations of which 20 are to be implemented by year end, 14 in 2009 and four (related to fee structure which requires a more in-depth study and analysis) in 2010.

Councillor Eve Adams commented that out of 110,000 transactions reviewed, no errors were detected. Sally Eng, Director, Internal Audit clarified that not all 110,000 transactions were checked.

A verbal motion by Councillor Katie Mahoney to approve the recommendation as outlined in the Corporate Report dated September 19, 2008 from the Director, Internal Audit with respect to the Final Audit Reports: Mississauga Transit Coin Room Audit – Transportation & Works Department, Payroll Audit – Fire Union – Community Services Department and Facility Rentals Audit – Community Services Department, was voted on and carried.

RECEIVED

CA.15

3. 2008 Internal Audit Work Plan Status Report

Corporate Report dated September 19, 2008 from the Director, Internal Audit with respect to the status of the 2008 Internal Audit Work Plan.

RECOMMENDATION:

That the report dated September 19, 2008 from the Director, Internal Audit, with respect to the status of the 2008 Internal Audit Work Plan be received for information.

Sally Eng, Director, Internal Audit addressed Committee and pointed out the status report for the Internal Audit Work Plan (approved in March 2008) as Appendix 1 of the Corporate Report. She advised that the majority of projects planned have been completed. Ms. Eng drew Committee's attention to the recommendation to postpone the Transit Union Payroll to the 2009/2010 Work Plan, due to the conversion to SAP and the fact that the transit union is under negotiations. It was noted that the time allotted for the Transit Union Payroll project has been utilized for the conversion of the payroll system and consulting assignments. Ms. Eng stated that the Leadership Team has asked for a discussion paper to be prepared on the project management process and the feasibility of setting up a Project Management Support Office (utilized by other municipalities) whereby advantages and disadvantages will be considered. Time spent on the professional development of Audit staff and attendance at conferences was mentioned. Ms. Eng advised that Audit will continue to work with other municipalities in sharing ideas and experiences.

Councillor Katie Mahoney moved a verbal motion to approve the recommendation as outlined in the Corporate Report dated September 19, 2008 from the Director, Internal Audit with respect to the 2008 Internal Audit Work Plan Status Report, which was voted on and carried.

RECEIVED

CA.11.WOR

4. Date of Next Meeting: November 24, 2008 at 9:00 a.m., Committee Room "B"

The date and time of the next Audit Committee Meeting were confirmed.

ADJOURNMENT @ 9:45 a.m.

REPORT 3 – 2008

TO: THE MAYOR AND MEMBERS OF COUNCIL

The Audit Committee presents its third report of 2008 and recommends:

AC-0011-2008

That the minutes of the Audit Committee meeting held on June 9, 2008, be approved as presented.

MG.24.Audit

AC-0012-2008

That the report dated September 19, 2008 from the Director of Internal Audit with respect to final audit reports – Mississauga Transit Coin Room Audit - Transportation & Works Department, Payroll Audit – Fire Union - Community Services Department and Facility Rentals Audit, Community Services Department be received for information.

CA.15

AC-0013-2008

That the report dated September 19, 2008 from the Director, Internal Audit, with respect to the status of the 2008 Internal Audit Work Plan be received for information.

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