



Office of the Auditor General

Report on Audit Follow-ups

**Tabled at Audit Committee
October 22, 2019**



Office of the Auditor General

October 22, 2019

Mayor, Members of Audit Committee and Council,

I am pleased to present this report on follow-ups of audits carried out by the Office of the Auditor General of the City of Ottawa.

The report includes an overview and an executive summary for each of the follow-ups conducted.

Respectfully,

A handwritten signature in black ink that reads 'Ken Hughes'. The signature is written in a cursive style with a large initial 'K'.

Ken Hughes

Auditor General



Staff of the Office of the Auditor General

Ken Hughes

Sonia Brennan

Ed Miner

Chantal Amyot

Abhishek Gangwal

Sarah Parr

Louise Proulx

Margaret Sue

Ines Santoro

Table of Contents

Progress toward improvement.....	1
Summary and assessment of overall progress made to date on audit recommendations	1
Executive summaries – Audit follow-ups	4
Follow-up to the 2015 Audit of Species at Risk	5
Follow-up to the 2016 Review of CSC Laurier Cash Handling Process and Cash Discrepancies	8
Follow-up to the 2017 Investigation into Three Reported Client Service Centres Deposit Shortages	10

Progress toward improvement

The Office of the Auditor General (OAG) conducts audit follow-ups two to three years after an audit is complete to afford management time to implement the recommendations. A follow-up may be conducted sooner if corrective action is complete. The OAG adheres to the best practices and professional standards of the international audit community by including the practice of audit follow-ups. The Audit Process includes the Planning Phase, the Fieldwork Phase, the Reporting Phase, and finally, the Follow-up Phase. In the follow-up, the OAG evaluates the adequacy, effectiveness and timeliness of actions taken by management on reported observations and recommendations. This evaluation ensures that the required measures, promised by management and approved by Council, have been implemented.

The audit follow-ups contained in this report include:

- Follow-up to the 2015 Audit of Species at Risk
- Follow-up to the 2016 Review of CSC Laurier Cash Handling Process and Cash Discrepancies
- Follow-up to the 2017 Investigation into Three Reported Client Service Centres Deposit Shortages

As can be seen in the next section, it is clear from the results of these follow-ups that management is committed to the audit process.

Summary and assessment of overall progress made to date on audit recommendations

Audits are designed to improve management practices, enhance operational efficiency, identify possible economies and address a number of specific issues. The Follow-up Phase is designed to identify management's progress on the implementation of recommendations from the audit reports. This report is not intended to provide an assessment of each individual recommendation. Rather, it presents our overall evaluation of progress made to date across all completed audits. Should Council wish to have a more detailed discussion of specific follow-ups, OAG staff are available to do so.

The table below summarizes our assessment of the status of completion of each recommendation for the above-noted audit follow-ups.

Table 1: Summary of status of completion of recommendations

Follow-up	Total	Complete	Partially complete	Not started	No longer applicable
Species at Risk	8	7	1	0	
CSC Laurier Cash Handling Process and Cash Discrepancies	26	26	0	0	0
Three Reported CSC Deposit Shortages	6	6	0	0	0
Total	40	39	1	0	0
Percentage	100%	98%	2%	0%	0%

We have categorized each of the audit follow-ups based upon the following criteria:

- **Solid progress** = 50% or more of the recommendations evaluated as ‘complete’.
- **Little or no progress** = 50% or more of the recommendations evaluated ‘not started’.
- **Gradual progress** = all others.

Solid progress:

- Follow-up to the 2015 Audit of Species at Risk
- Follow-up to the 2016 Review of CSC Laurier Cash Handling Process and Cash Discrepancies
- Follow-up to the 2017 Investigation into Three Reported Client Service Centres Deposit Shortages

Little or no progress:

- None

Gradual progress:

- None

Based on this, all of the audit follow-ups showed solid progress. With these audit follow-ups now complete, no further work to review the implementation of these recommendations is intended by the OAG. However, as a result of the annual work plan and/or Council requests, new audits in any of these areas may occur in the future.

Executive summaries – Audit follow-ups

The following section contains the executive summary of each of the audit follow-ups.

Follow-up to the 2015 Audit of Species at Risk

The Follow-up to the 2015 Audit of Species at Risk was originally included in the Auditor General's 2017 Audit Work Plan. The 2016 corporate reorganization consolidated some departments and realigned functions between departments. Of note to this follow-up, the former Public Works Department (PWD) consolidated with the former Environmental Services Department and formed the Public Works and Environmental Services Department (PWES). The Facility Operations Services (buildings) was realigned to the Recreation, Cultural and Facility Services Department (RCFS). Additionally, the former Land Use and Natural Systems (LUNS) Unit, subsequently the Resiliency and Natural Systems Planning (RNSP) Unit where species at risk (SAR) expertise resides is now within the Natural Systems and Rural Affairs Branch, which reports to the Economic Development Services Division within the Planning, Infrastructure and Economic Development Department (PIED).

The key findings of the original 2015 audit included:

City protocols and guidelines

- The City had different protocols and guidelines concerning the protection of species at risk. These protocols and guidelines complied with Ontario's Endangered Species Act (ESA) and Canada's Species at Risk Act (SARA) however they did not provide a complete list of species at risk. Instead they referred to various external sources for species identification, one of which was published by a volunteer organization and found to be incomplete and out of date.
- Protocols or "best management practices" for City maintenance activities within both sensitive and non-sensitive areas were not in place.

Protection of Species at Risk in major projects

- For major infrastructure projects, the City must perform an Environmental Assessment (EA) or streamlined EA to demonstrate that the project will not impact the environmental characteristics (including species at risk and their habitats) or that mitigation measures will be implemented to minimize such impacts.
- Between the completion of the EA and the commencement of the project, there may be changes to the environment (e.g. a protected bird may choose to nest) or to the legislation (e.g. a new species is added to the at risk list), which would make the EA's conclusions outdated.

- The City did not have a protocol to identify and assess the implications of potential changes in the environment or legislation prior to the commencement of a major infrastructure project.

Protection of Species at Risk in drainage maintenance activities

- Drainage maintenance is conducted by the Environmental Services Department. Between 2010 and 2015, the City had an Agreement with the Ontario Ministry of Natural Resources and Forestry (MNRF) whereby the maintenance activities associated with fourteen drains located in sensitive areas were exempted from specific clauses contained in the ESA.
- In 2015, the MNRF's new exemption process resulted in the City registering over 700 drains and updating its list of species at risk that might be found around these drains. However, in order to maintain its exemption from the ESA clauses, the City was to update its related mitigation plan in order to reflect the increased number of drains and number of species at risk. This updated mitigation plan had not yet been developed.

Access to Species at Risk training

- Training related to species at risk was provided on an ad hoc basis. The City did not have a mandatory protection of species training program for regular or temporary new employees who may encounter species at risk.

Roles and responsibilities

- While the Land Use and Natural Systems (LUNS) Unit was responsible for the City's policies and lists of species at risk, each City department was responsible for their own policy implementation and compliance. Departments generally relied on their employees and contractors to apply required mitigation measures.

List of Species at Risk in Ottawa

- The City's main tool for identifying species at risk is its list of species that are considered as being at risk in Ottawa. However, this list was not available to all City staff working with SAR.
- In addition to the City's SAR list, there were several additional lists available to City staff which did not provide similar information.

- There was no documented process that the LUNS Unit followed to maintain and distribute the internal Ottawa SAR list. Further, there was only one person responsible for updating this list and for communicating changes to City staff and external resources.

Table 2: Summary of status of completion of recommendations

Recommendations	Total	Complete	Partially complete	Not started	No longer applicable
Number	8	7	1	0	0
Percentage	100%	87.5%	12.5%	0%	0%

Conclusion

Management has made good progress in implementing most of the audit’s recommendations; only one of eight recommendations remains partially complete.

The audit recommended that the City adopt best management practices (BMPs) for maintenance activities in both sensitive and non-sensitive areas in order to protect the species at risk and their habitats. While BMPs were developed, the OAG was unable to confirm the adoption of these practices as there were no projects completed using the BMPs available for our review. This recommendation will be considered complete when projects are carried out in compliance with these practices.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded to the audit team by management.

Follow-up to the 2016 Review of CSC Laurier Cash Handling Process and Cash Discrepancies

This is the Follow-up to the 2016 Review of CSC Laurier Cash Handling Process and Cash Discrepancies.

The key findings of the original 2016 review included:

- Cash errors were not consistently escalated to the appropriate levels of Client Service Centre (CSC) management promptly. In one instance, there was no notification at all.
- Incident reports were not completed on a timely basis or distributed to Customer Service and Collections Unit as required by the Cash Handling Procedures.
- Cash Pickups were not performed when balances exceeded acceptable levels as required by the Cash Handling Procedures.
- Large cash transactions (i.e. greater than \$1,000) were not handled with second person oversight.
- Cash was not adequately secured as required by the Cash Handling Procedures.
- All CSC staff had access to safe combinations, keys, cash drawers and deposit supplies in the cash counting room which led to potential risk of loss and concealment of loss.
- CSC staff were not logging out of POS terminals when the cash handling area was unattended as required by Cash Handling Procedures.
- The change float was not counted and reconciled on a daily basis as required by the Change Float Procedures.
- There was a lack of hand-off of funds and paperwork from one step in the process to another which resulted in the risk of being unable to establish accountability for losses or prevention of losses.
- Daily cash count sheets were not being used by the Laurier CSC to record details of the closing cash count, reconciliation and deposit.
- When CSC staff were processing transactions at POS terminals, the cash drawer opened after every transaction, regardless of whether cash was involved.
- Multiple staff were using the same POS terminal and cash drawer over the course of a day.

- Some Client Service Agents did not have a separate area away from POS terminals and cash handling areas to keep personal items.
- There was no compliance monitoring or quality assurance process in place to ensure ongoing compliance with Cash Handling Policies and Procedures.
- The quality and quantity of security video cameras at the CSCs was not adequate to ensure deposit preparation was recorded appropriately including denominations of notes.
- The functioning of security cameras was not tested on an ongoing basis to ensure they were functioning as required and continued to meet business requirements.
- Client Service Agents did not disclose non arm’s length transactions.
- CSC specific operating procedures were not documented to provide guidance to staff involved in handling cash at the CSCs.
- There was no CSC training program for staff involved in cash handling activities at the CSCs.

Table 3: Summary of status of completion of recommendations

Recommendations	Total	Complete	Partially complete	Not started	No longer applicable
Number	26	26	0	0	0
Percentage	100%	100%	0%	0%	0%

Conclusion

Management has made solid progress by completing 26 out of 26 recommendations.

Management should continue to monitor and encourage CSC staff to ensure compliance with Cash handling policies and procedures on an ongoing basis.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

Follow-up to the 2017 Investigation into Three Reported Client Service Centres Deposit Shortages

The Follow-up to the 2017 Investigation into Three Reported Client Service Centres (CSC) Deposit Shortages was included in the Auditor General’s 2018 Audit Work Plan.

The key findings of the original 2017 investigation included:

1. CSC specific operating procedures were not documented to provide guidance to staff involved in preparing and verifying deposits at the CSCs.
2. Ongoing compliance monitoring or quality assurance process to ensure compliance with Cash Handling Policies and Procedures was not in place.
3. The quality and quantity of security video cameras at the CSCs was not adequate to ensure deposit preparation was appropriately recorded.
4. The functioning of security cameras was not tested on an ongoing basis to ensure they were functioning properly and continuing to meet business requirements.
5. There was no CSC specific training program for staff involved in preparing and verifying deposits at the CSCs.
6. Fraud and Waste Policy was not adhered to and the incident was reported to Ottawa Police Service without consulting with the Auditor General.

Table 4: Summary of status of completion of recommendations

Recommendations	Total	Complete	Partially complete	Not started	No longer applicable
Number	6	6	0	0	0
Percentage	100%	100%	0%	0%	0%

Conclusion

Management has made solid progress by completing all six of six recommendations.

Management should continue to monitor and encourage staff to ensure compliance with cash handling policies and procedures on an ongoing basis.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.