CITY OF ST. ALBERT

ADMINISTRATIVE BACKGROUNDER

AUDIT MANAGEMENT RECOMMENDATIONS

Administration is providing the "Management Report Update (Audit)" for information at this time. The relevance of this report is to provide an update on Administration's progress towards implementing the year end audit recommendations provided by Deloitte in the 2015 Year End Communication Report.

BACKGROUND:

Current Year Recommendations

1. Expenses not recorded in correct period

Auditor's Recommendation

We recommend that when entering invoices into the system, the date the item or services was received should be the date used to record the liability and expense, to ensure appropriate cut-off. We also recommend that the process for identifying accrued liabilities be reviewed in order to ensure all goods or services received prior to year end are properly accrued for.

Administration's Response

Soon after this recommendation, Administration sent out a memorandum to all departments notifying the following:

- Departments are to ensure invoices are returned to Accounts Payable with a completed purchase order/requisition, proper backup and approval (dual signatures with one having the appropriate signing limits) with an ideal turnaround time of 1 week, but no longer than 2 weeks. Any delays due to special circumstances must be communicated to Accounts payable.

- Vendors, who have addressed invoices to other City of St. Albert buildings, are advised to update their billing address to 5 St. Anne Street. This will ensure invoices are first received by Accounts Payable (date stamp received). Accounts Payable will then send invoices out to the departments within one day.

- Periodic reports will be run to identify invoices posted that were several months late and Finance will then follow up with departments/individuals to investigate the reason for the delay. Recommendations will be developed to help stream line these processes.

- We will also be contacting vendors with frequent transactions to obtain monthly or quarterly statements to reconcile for and identify any missing invoices.

- As well, to improve the accuracy of the financial statements at year end, large purchases of products/services that were received by December 31 of which the department has not received an invoice for by the AP Cut-off date (i.e. Jan 15) need to submit an accrual request to Finance.

In conjunction with the above actions, management has also initiated a project team to review all current purchasing processes and practices. Due to the complexity of this review, this will take 2- 3 years to complete to review all documentation and system requirements.

2. Accounts Payable entry not approved before posting

Auditor's Recommendation
We recommend that management have controls in place to review and approve all journal entries processed. Management should consider the need for cross-training of responsibilities to ensure controls are maintained for periods of staff leaves.

Administration's Response
This recommendation referred to a routine journal entry that was processed in the system without Management approval during a Manager's vacation. Administration will ensure that any staff leaves are covered off by the appropriate staff that have been properly cross trained in the required duties. This will ensure that controls are adhered too and maintained during staff leaves. Another senior level of review has been added to this process as well.

3. Reconciliation of restricted surplus reserves

Auditor's Recommendation
It is recommended that management perform periodic reviews of the restricted surplus reserves continuity schedule and general ledger to ensure that they are updated and reconciled in a timely manner.

Administration's Response
This recommendation refers to the Schedule 1 in the City's Financial Statements – Schedule of Restricted Surplus Reserves. The ending balances in this Schedule are correct but Administration will implement another senior level review to ensure that all movements between the operating and capital Reserves are allocated for correctly.

4. **Timely notification to IT department for terminated employees**

Auditor's Recommendation

Management should ensure that IT department be notified to remove access of all terminated employees from system immediately upon termination so that accounts can be deactivated from all applications and systems in a timely manner.

Administration's Response

To ensure that Active Directory accounts are revoked in a timely manner and are not missed, HR and IT Services have invoked a multi-layered approach as follows:

- For all permanent and casual employees, upon termination, managers are required to complete all formal termination requirements and notify the IT Service Desk and HR as soon as possible. HR provides regular reminders to managers of this requirement, which also includes the requirement to notify HR so that a record of employment can be generated.
- HR will provide a consolidated termination list every two weeks to the IT Service Desk as a secondary double-check to catch any exceptions where managers failed to notify.
- For permanent, term and casual employees, once information is received by the respective Managers, HR will immediately notify the IT Service Desk by e-mail, indicating the last day of employment.
- Upon creation, the IT Service Desk sets a December 31 expiry date on all casual employee accounts. Verification of casual accounts occurs twice annually, in July and December.

Prior Year Recommendations

1. **Change Management Policy**

Auditor's Recommendation

In 2011 We raised the recommendation that a formal, written change management process should be developed to ensure that changes to system software and the network are processed in a well-controlled manner and relevant documentation such as requests, approvals, impact analysis and test results (where relevant) should be maintained. A change log should be maintained to record the total changes made to the systems.

In 2014 we noted that although the change management policy had been established and approved by management and fully implemented in 2013; during our review we identified that the change management process was not followed consistently.

Administration's Response

IT Services initiated the change management process during 2013, including the establishment of a change management administrative policy, change log and Change Advisory Board (CAB). In addition, all IT Services staff received ITIL Foundations training and several Applications Branch personnel received intermediate level ITIL training in the Service Transition knowledge area, which deals specifically with change management. Overall, the IT Services Department has made considerable progress, but has the transition from no change management system to a fully implemented system is not a short or simple process, although there is strong support at all levels of the Department.

Progress has occurred in the following areas:

- A new change log has been created that allows for more detail to be entered about each change. The status of each individual change automatically updates to the consolidated log.
- The weekly CAB meeting has been separated from the Director's meeting to allow more detailed change evaluation.
- The weekly CAB meeting now revisits approved or pending changes from previous weeks to update status.
- For the two most recent large software upgrades (Tempest, Agresso) spreadsheet logs were kept of User Acceptance Testing (UAT) and this process will continue for future large software changes.
- A new database-driven UAT logging system was created and tested, but was abandoned in favour of a simplified spreadsheet during the Agresso 5.5.3 to Milestone 4 upgrade.
- Overall IT system availability (reliability) has improved, and the number of system failures caused by inadvertent configuration changes have diminished.

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Author(s): Brenda Barclay
Committee/Department: Financial Services
General Manager: Greg Dahlen, Acting General Manager
Interim City Manager: C. Jardine