



**Office of the Auditor General: Follow-up to the  
2013 Audit of Infrastructure Services Department  
– Administrative Management, Tabled at Audit  
Committee – June 14, 2018**

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## Executive summary

The 2013 Audit of Infrastructure Services Department<sup>1</sup> (ISD) – Administrative Management was presented to Audit Committee and Council in 2015.

Our original audit reviewed the preparation of ISD's operating and capital budgets, and the reporting and analysis of overtime, sick leave and vacation hours. We also evaluated the adequacy and completeness of the training and development process.

The key findings included:

- Quarterly reviews of each branch's operating budget status could be improved by moving to monthly reviews.
- ISD's capital budgets were significant, and multi-year projects were budgeted and approved on a project basis and not on a fiscal-year basis. We found project budgets were properly authorized, however, there was no budget management for capital expenditures by fiscal year.
- The costs for change orders and outside engineering services were not easily identifiable in the financial reporting system. Separate general ledger accounts to account for the costs for change orders as well as for outside engineering services by phase would improve financial reporting and control.
- Two of the five ISD branches reported their overtime, sick leave and vacation time on paper forms.
- The City's Learning and Development Policy required that learning activities relate to "development plans identified in the employee's Individual Contribution Agreement (ICA)". Our review of a sample of ICA's for ISD employees found that none were completed on time.
- The City's Learning and Development Policy also required Learning Plans for each department. ISD did not have a Learning Plan, and as a result, training could have been undertaken that was not consistent with ISD's goals and priorities.
- ISD had drafted a "Training Policy" document that was consistent with the City's Learning and Development Policy.

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<sup>1</sup>Effective 2016, Infrastructure Services is a branch of the Planning, Infrastructure and Economic Development Department.

Table 1: Summary of status of completion of recommendations

<b>Recommendations</b>	<b>Total</b>	<b>Complete</b>	<b>Partially complete</b>	<b>Not started</b>	<b>No longer applicable</b>
<b>Number</b>	9	7	2	-	-
<b>Percentage</b>	100%	78%	22%	-	-

## Conclusion

Management has made good progress by fully addressing seven of nine recommendations.

The original audit recommended, and management agreed, to change the financial reporting system to separately account for costs associated with change orders and outside engineering services. Our work confirmed that costs associated with external engineering design and construction costs can be separately identified in the City’s financial system (SAP). ISD management needs to continue to work with Financial Services’ staff to separately track the costs associated with change orders in SAP.

We had also recommended that ISD issue a Learning Plan consistent with the City’s Learning and Development Policy. We confirmed that a Competency Development framework has been drafted, however, additional work is required to approve this framework and roll it out to staff.

## Acknowledgement

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

## Detailed report – Assessment of implementation status

The following information outlines management's assessment of the implementation status of each recommendation as of December 15, 2017 and the Office of the Auditor General's (OAG) assessment as of March 2018.

## Recommendation #1

Table 2: Status

Management update	OAG assessment
Complete	Complete

### Audit recommendation:

That the City implement monthly financial reporting and analysis on operating budgets for each branch in ISD.

### Original management response:

Management agrees with this recommendation and it has been implemented. Starting in April 2014, monthly operating reports are generated automatically by the Finance Department and released to management following the month-end financial close. After the release, Finance staff provides management with an analysis of any major variances.

### Management update:

Implementation of this recommendation is complete per the original management response.

### OAG assessment:

OAG confirmed that Infrastructure Services is generating an operating report on a monthly basis, and it is being reviewed by management.

## Recommendation #2

Table 3: Status

Management update	OAG assessment
Complete	Complete

### **Audit recommendation:**

That the City implement a capital project expenditure reporting process that would allow all planned spending for the year to be compared with actual spending.

### **Original management response:**

Management agrees with this recommendation. Departmental staff will work with Finance to update capital spending plans and produce reports comparing planned and actual spending by the end of Q2 2015.

### **Management update:**

Implementation of this recommendation is complete. Monthly capital reports comparing spending plans and actual spending are generated automatically by Financial Services and released to management following the month-end financial close.

### **OAG assessment:**

OAG confirmed that Financial Services is generating a monthly capital report which compares spending plans and actual spending. Financial Services releases the report for management review following the month-end financial close process.

**Recommendation #3**

Table 4: Status

Management update	OAG assessment
Partially complete	Partially complete

**Audit recommendation:**

That the City change the financial reporting system to separately account for:

- a. Costs associated with change orders; and
- b. Costs associated with outside engineering services for the design phase versus the construction phase.

**Original management response:**

Management agrees with this recommendation. Project controls and processes will be amended to enhance the ability of the General Manager and managers to obtain financial summaries of change order costs, and differentiate external engineering design costs from contract administration costs. ISD will work with Finance to implement this recommendation by Q4 2015.

**Management update:**

- a. Implementation of this recommendation is partially complete. Enhancements have been made to the change order approval process, including defined authority levels and the requirement to document the change order rationale. This includes provisions for design errors and omissions that could result in cost recovery. These enhancements are being integrated into Release 3 of the Integrated Departmental Management Plan (IDMP) Program in 2018. Improvements to financial reporting of change orders will be completed by end of 2018.
- b. Implementation of this recommendation is complete. Processes and the accounting required to differentiate external engineering design costs from contract administration costs have been implemented whereby the costs are expensed to separate cost elements.



**OAG assessment:**

While the part of the recommendation related to outside engineering costs is complete, the part related to change orders is not. OAG confirmed SAP's ability to segregate external engineering design costs from external contract administration costs in the construction phase. This differentiation is the result of expensing the costs to separate cost elements.

OAG confirmed that Infrastructure Services has completed a number of enhancements to the change order approval and documentation process. With the planned release of Infrastructure Services' new project management software system, vISion, there will be upgrades to change order tracking and approval. However, Infrastructure Services has deferred focus on changes to the financial reporting of change orders in SAP until after the release of vISion.

#### Recommendation #4

Table 5: Status

Management update	OAG assessment
Complete	Complete

#### Audit recommendation:

That ISD:

- a. Use the “leave-vacation” code as a reason for incurring overtime where applicable; and
- b. Monitor the costs associated with overtime incurred by staff covering the workload of personnel who are on vacation.

#### Original management response:

Management agrees with this recommendation. A Management Directive will be issued in Q2 2015 to clarify the existing use of leave-vacation codes. An enhanced process for tracking and monitoring overtime incurred for vacation cover-off will be implemented by Q4 2015.

#### Management update:

Implementation of this recommendation is complete.

- a. Overtime procedures were revised and released to staff in June 2015, providing additional clarity on existing use of leave-vacation codes.
- b. Management reviews overtime costs and reasons on a quarterly basis.

#### OAG assessment:

OAG confirmed that Infrastructure Services has revised the overtime procedures for all staff. Financial Services provides an overtime report and supporting analysis to management on a quarterly basis for their review.

## Recommendation #5

Table 6: Status

Management update	OAG assessment
Complete	Complete

### **Audit recommendation:**

That ISD revise the department's internal overtime procedure documents to ensure they address overtime for all ISD personnel.

### **Original management response:**

Management agrees with this recommendation. Management will revise the department's internal overtime procedure documents to clarify the application of the procedure for all staff. This will be completed by Q2 2015.

### **Management update:**

Implementation of this recommendation is complete.

Overtime procedures were revised to clarify the application of the procedure for all staff and were released in June 2015.

### **OAG assessment:**

OAG confirmed that Infrastructure Services has updated their overtime procedures and informed all Infrastructure Services' staff of the updated procedures.

## Recommendation #6

Table 7: Status

Management update	OAG assessment
Complete	Complete

### **Audit recommendation:**

That the City should change ISD's time reporting process so that all branch staff enter their time and leave directly into the SAP system.

### **Original management response:**

Management agrees with this recommendation. This recommendation will be implemented by Q4 2016 through the Integrated Departmental Management Plan Program.

### **Management update:**

Implementation of this recommendation is complete. All Design and Construction staff are required to enter their time and leave directly into SAP. This was implemented in December 2016.

### **OAG assessment:**

OAG confirmed that all Infrastructure Services' staff are now required to enter their time and leave directly into SAP.

**Recommendation #7**

Table 8: Status

Management update	OAG assessment
Complete	Complete

**Audit recommendation:**

That ISD develop and review Individual Contribution Agreements for ISD employees in accordance with the “Typical Performance Cycle” set out in the Program Guide for Managers and Professional Exempt (MPE) and Civic Institute of Professional Personnel (CIPP).

**Original management response:**

Management agrees with this recommendation. Management will undertake measures to improve compliance with the “Typical Performance Cycle” set out in the Program Guide for Managers and Professional Exempt (MPE) and Civic Institute of Professional Personnel (CIPP), during the 2015 performance review process, and complete an assessment of compliance by Q2 2016.

**Management update:**

Implementation of this recommendation is complete. ISD has been following the “Typical Performance Cycle” set out in the Program Guide for Managers and Professional Exempt (MPE) and Civic Institute of Professional Personnel (CIPP). An assessment of compliance was completed in Q2 2016 by the Human Resources Department. ISD follows current corporate practices related to performance evaluations.

**OAG assessment:**

OAG confirmed that Infrastructure Services has been following the “Typical Performance Cycle” set out in the Program Guide for Managers and Professional Exempt (MPE) and Civic Institute of Professional Personnel (CIPP). Human Resources Department completed a compliance assessment in Q2 2016 and identified a 94% completion rate.

In December 2017, the City implemented a new approach to performance management. Infrastructure Services has indicated that they follow current corporate practices related to performance evaluations.

**Recommendation #8**

Table 9: Status

Management update	OAG assessment
Complete	Complete

**Audit recommendation:**

That ISD complete the Development Plan sections of the Individual Contribution Agreements for ISD employees.

**Original management response:**

Management agrees with this recommendation. Management will undertake measures to improve compliance during the 2015 performance review process, and complete an assessment of compliance by Q2 2016.

**Management update:**

Implementation of this recommendation is complete. An assessment of compliance was completed in Q2 2016 by the Human Resources Department. Infrastructure Services follows current corporate practices related to performance evaluations and individual development plans.

**OAG assessment:**

OAG confirmed that the Human Resources Department completed a compliance assessment in Q2 2016 and identified a 94% completion rate for Infrastructure Services.

The City formally replaced the ICA framework in December 2017 with a system of check-in conversations, and Individual Development Plans. Infrastructure Services' management has indicated that they are following current corporate practices.

**Recommendation #9**

Table 10: Status

Management update	OAG assessment
Partially complete	Partially complete

**Audit recommendation:**

That ISD issue an ISD Learning Plan that is consistent with the City's Learning and Development Policy

**Original management response:**

Management agrees with this recommendation. The department's existing employee training profiles, job function outlines and job descriptions will be used as base information to support the Infrastructure Services Department Competency Development Project being undertaken as part of the Integrated Departmental Management Plan (IDMP) Program. The Competency Development Project includes objectives to assess roles and competencies, skills to support new processes, evolving roles and expectations of the department as well as leveraging shared service expertise and support, where appropriate, to align the program training strategy with the broader training/learning strategy for the City. The Competency Development Project will be completed by Q2 2017.

**Management update:**

Implementation of this recommendation is partially complete. Work has progressed on the Competency Development project. The timelines have been extended to end of 2018 given the work that has taken place to prepare for Release 3 of the IDMP in 2018.

**OAG assessment:**

OAG confirmed that Infrastructure Services' management has completed an initial draft of the Competency Development framework document. Management is continuing to develop the framework, and there is a rough timeline for its approval.

Table 11: Status legend

<b>Status</b>	<b>Definition</b>
<b>Not started</b>	No significant progress has been made. Generating informal plans is regarded as insignificant progress.
<b>Partially complete</b>	The City has begun implementation; however, it is not yet complete.
<b>Complete</b>	Action is complete, and/or structures and processes are operating as intended and implemented fully in all intended areas of the City.
<b>No longer applicable</b>	The recommendation is obsolete due to time lapses, new policies, etc.