

# *The Corporation of the City of Windsor*

## *Transit Windsor Review*

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*Final Internal Audit Report*

**31 October 2014**

### **Distribution List**

#### **For action**

Penny Williams, General Manager  
Tony Houad, Director of Corporate Services  
Patrick Delmore, Director of Operations

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#### **For information**

Helga Reidel – Chief Administrative Officer  
Onorio Colucci – Chief Financial Officer  
Stephen Cipkar – Executive Initiatives Coordinator

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# ***Summary of Internal Audit Results***

## ***Background Information***

Transit Windsor was created pursuant to "The Sandwich, Windsor and Amherstburg Railway ("SW&A") Amendment Act, 1970, c.68, S.O. when all assets and liabilities of the SW&A were vested in and became the sole property of The Corporation of the City of Windsor ("City"). "The Sandwich, Windsor and Amherstburg Railway Act, 1977 c. 57, S.O. 1977 changed the name of the SW&A to Transit Windsor ("TW").

Section 4 of the 1970 Act provides for 4 possibilities for TW's governance structure:

- a) The City can operate the public transportation system;
- b) The City by by-law can delegate the authority to operate and manage the system to the commission;
- c) The City can authorize the SW&A, now TW to continue to operate and manage the system;
- d) The City can enter into or authorize TW to enter into an agreement with an operator.

Section 4(c) is the section in use up to January 1, 2015: The City can authorize TW to continue to operate and manage the system.

In accordance with this structure, TW has authority to operate and manage the transit system under clause c of section 4, however, the TW shall obtain the approval of the council before exercising any of its powers or authority.

Therefore, Transit Windsor only exercises its powers and authority with explicit approval of Council. This legislation is the reason why all resolutions of the TW Board are "adopted" (effectively approved) by City Council, versus simply being received for information, as is the case with many other committees and boards.

TW's buses are all owned by and registered in the name of TW. Insurance on the assets, obtained by the City and paid for by TW (City funded), is held in the name of Transit Windsor and Windsor Chartabus Inc.

In terms of Shared Services, TW has adopted many City policies and practices and has utilized certain City services, in recent years. For instance, the City has provided internal support services such as finance and administration,, legal services and information technology services. In 2013, Transit transitioned its payroll processing from an outsourced service provider (ADP) to the City's financial system (PeopleSoft). Transit Windsor, however, operates its own fleet division for the repair and maintenance of all TW vehicles.

City Council has taken on a greater review and oversight role over TW in conjunction with the City's and TW's overall goals as well as its financial aims. It is understood that the Council Resolution B37-2013 and the Council Report on Transportation/Transit Windsor Service Delivery Enhancement Governance Model approved by Council on June 30, 2014 is aligned with the direction to seek synergies resulting in savings, and to find other funding sources apart from fare increases.

In addition, effective January 2015, TW's Board of Directors will no longer be meeting on a monthly basis since it will be amalgamated into the City's Transit/Transportation department. TW will report to Council and seek explicit approval over the major initiatives and the annual operating and capital budgets. On an as needed basis, relevant Council Reports will be presented using the City's Council Report Writing Guideline. Subsequent to January 2015, the BoD will meet on an annual basis to hold its annual general shareholders meeting and the minutes of this meeting will be adopted by Council.

**The review has been performed in accordance with the scope of work per Appendix A.**



## Report Classification

In general, the management control systems considered as part of this review are sufficiently reliable for the purpose envisaged.

Overall, management holds regular strategic planning meetings, and coordinates with the City for various shared services, providing for communication between the entities. TW Employees understand their documented roles and responsibilities, and Transit Windsor has adopted most of the City's policies and practices.

While reporting to the BoD follows a structured and formalized process, there was one instance where the board was not provided with a progress update on recommendations made by the City to enhance cash handling processes at TW.

Based on the controls identified and tested as part of the Internal Audit of Transit Windsor's processes and controls, we have determined that there is reasonable evidence to indicate that:

	No or limited scope improvement	No Major Concerns Noted	Cause for Concern	Cause for Considerable Concern
Controls over the process are designed in such a manner that there is:				
Sample tests indicated that process controls were operating such that there is:				

Management has provided comprehensive action plans, which we believe will address the four deficiencies noted.

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## *Summary of Positive Themes*

During the course of the review, it was determined that appropriate controls have been designed and are operating to manage the in-scope risks. Examples of these controls include:

- Regular Strategic Planning Meetings to ensure decisions are aligned to the City's Community Strategic Plan.
- Coordination with the City for multiple shared services (Payroll processing, IT Security, IT Change Management, Financial Planning & Reporting, Purchasing etc.)
- Adoption of most of the City's policies and practices as well as involvement in City's training initiatives.

Additional details about the above mentioned controls and other key controls reviewed are discussed in **Appendix B: Summary of Controls Reviewed**.

## Summary of Findings

Finding #	Topic	Rating <sup>1</sup>			Management Action
		Significant	Moderate	Low	
<b>Fraud Risk Management</b>					
1	Maintenance and Awareness of Fraud Policy	X			Review all policies, develop central repository of all policies and adopt City's Fraud Policy – General Manager – 2015 Q1
<b>Cash Management</b>					
2	Reporting Remediation activities to BoD and City Council		X		Formally report results of Cash Handling Review to Board of Directors – Director of Operations and Director of Corporate Services – 2014 Q4
3	Bank Reconciliations			X	Regularly review all bank reconciliations – Transit FPA – 2014 Q4
<b>Information for Decision Making</b>					
4	Information from 3 <sup>rd</sup> party provider is not validated			X	Research best practices for review of information supplied by third parties – General Manager – 2015 Q1
<b>Total Internal Audit Findings</b>		<b>1</b>	<b>1</b>	<b>2</b>	

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## *Summary of Significant Findings*

Internal audit identified one significant control operating deficiency, specifically:

- A fraud policy has been developed however has not been formally approved and/or updated as required.

## *Management Comments*

Our fraud policy did identify a requirement to update the policy every five years and in 2012 Administration began the process of updating the policies and procedures as time permitted. As noted in this review the fraud policy had not been updated. However, in view of the recent restructuring approved by City Council, management is currently conducting an extensive review of all policies and procedures and will be adopting the City policy where appropriate. Transit Windsor will be adopting the City of Windsor's Fraud Policy effective January 1, 2015.

We agree that the recommendation to identify a person responsible for the updating our policies and procedures and to incorporate a mandatory review date into the template will enhance our control over policies. Our training manuals and procedure have already been updated to include this important policy. We appreciate the recommendations and suggestions for improvement.

Name: Penny Williams  
Title: General Manager  
Date: 3/11/2014

# Detailed Observations

## Findings & Action Plans

Finding	Rating <sup>1</sup>	Recommendation & Action Plan
<b>1. Maintenance and Awareness of Fraud Policy</b>		
<p><b>Observation</b> In reviewing the Transit Windsor Fraud policy:</p> <ol style="list-style-type: none"> <li>Transit Windsor requires that all policies be signed by the Board of Directors before being put into effect. Management was not able to present a copy of the signed Fraud Policy.</li> <li>The current unsigned policy requires updates every 5 years. The last update was 9 years ago in 2005.</li> </ol> <p>Mechanisms to create and enhance employee awareness of the policy require improvement. Onboard training for new employees does not include the Fraud policy. There is no mechanism to communicate the Fraud policy, or means of reporting fraud.</p>	<p><b>Overall</b> Significant</p> <hr/> <p><b>Impact</b> High</p>	<p><b>Recommendation</b> All signed policies should be retained in a master policy binder and a copy scanned to serve as a backup.</p> <p>Management should ensure that a policy element and enabling process is designed and implemented to ensure that there is a review/maintenance cycle. At a minimum all policies should be reviewed and modified or re-endorsed every 5 years or based on policy specific triggers. This minimum requirement should be applied to all policies; however some may require more frequent validation. Each policy should indicate the associated review cycle requirements.</p> <p>The orientation package should be amended to include the fraud policy, with time set out in orientation to discuss the policy with staff to help them gain a better understanding of what is expected as to responsibilities for fraud prevention, action, reporting and consequences.</p> <p>Regular awareness of fraud policy requirements should be provided to all personnel.</p>

<sup>1</sup> See Appendix C for Basis of Finding Rating and Report Classification



<p><b>Implication</b>  Unauthorized or outdated policies can set the overriding tone for the culture and weaken the governance posture.</p> <p>Employees that are unaware of a fraud policy or how to report it may not understand the appropriate process to disclose what they know.</p>	<p><b>Likelihood</b>  Likely</p>	<p><b>Management Action Plan</b>  Management agrees with the comments and the recommended action plan and our processes have been updated to reflect these recommendations.</p> <p>In view of the recent restructuring, management has reviewed all policies and a master policy binder has been created. We have backup policies on a shared drive. We will also be adopting the City's fraud policy effective with the re-organization January 1, 2015.</p> <p>A mandatory review date has been incorporated into the policy template. The Manager of Administration will be responsible to maintain and manage policies and policy updates with coordination through the Executive Director.</p> <p>Due to the nature of our business, our focus has been on the theft policy and handling of cash. Our training manual stresses the requirement to comply with all our Policies and Procedures and the theft policy is specifically referenced during any training. When the lack of awareness of our fraud policy was brought to our attention during the course of this audit, we immediately re-posted the policy. We have also updated our training manual to include training on the fraud policy. Further notices will be posted periodically to remind employees of this and other important policies.</p>
<p><b>Root Cause</b>  Signed policies are not collected by one individual and maintained in a central repository. There is no mechanism in place to remind management of review periods for its policies. The fraud policy is not included as part of the orientation package for new hires and ongoing awareness training.</p>		<p><b>Responsibility</b>  General Manager/Executive Director of Transit Windsor</p> <p><b>Due Date</b>  2015 Q1</p>

Finding	Rating	Recommendation & Action Plan
<b>2. Reporting Remediation activities to BoD and City Council</b>		
<p><b>Observation</b> A cash handling process review was conducted by the City for Transit Windsor in August 2011. The City provided recommendations to improve practices in place, and while the implementation results for some of these have been reported back, there is no plan in place to report on the others. The 2 findings that had not been reported on include 1) transferring petty cash from one location to the other in which they have since hired an armoured car service and 2) more formalized work instructions, procedures and training of Customer Service Clerks in which they have since began drafting</p>	<p><b>Overall</b> Moderate</p>	<p><b>Recommendation</b> For the remaining recommendations Management should develop a plan and timeline for reporting proposed action plans to the Board of Directors and City Council.</p> <p>For all recommendations, Transit Windsor should demonstrate how they carried out the recommendations and seek feedback from the Board of Directors and City Council in regards to any further action required.</p>
<p><b>Implication</b> The Board of Directors and City Council will be unable to gain comfort that the City's recommendation have been fully implemented, and Transit Windsor will not know if they have fully carried these out. This could lead to unresolved control weaknesses and potential loss of assets.</p>	<p><b>Impact</b> Medium</p>	<p><b>Management Action Plan</b> Management agrees with the finding and that we should demonstrate how we carried out the recommendations and to seek feedback from stakeholders.</p> <p>As part of our due diligence, Transit Windsor identified that the Cash Handling Process should be reviewed to ensure best practices were being followed. Rather than outsourcing this task, the City was able to assist and performed the review. The report together with the proposed action plan was presented to the Board of Directors at the meeting of February 28, 2012 and Resolution T.W. 13/2012 received this report. Although we indicated the action to be taken, we did not report back to the Board that we did implement the remaining recommendations. A close out report will be sent to the Board at the next meeting of the Board of Directors expected to be November 11, 2014.</p>
<p><b>Root Cause</b> While recommendations have been made, a plan to follow-up on and report on the action plans and results is not in place.</p>	<p><b>Likelihood</b> Likely</p>	<p><b>Responsibility</b> Director of Operations and Director of Corporate Services</p> <p><b>Due Date</b> 2014 Q4</p>

Finding	Rating	Recommendation & Action Plan
<b>3. Bank Reconciliations</b>		
<p><b>Observation</b> During our testing of bank reconciliations, it was noted that in one instance that it was not signed and/or dated.</p>	<p><b>Overall</b> Low</p>	<p><b>Recommendation</b> Management should ensure that bank reconciliations are reviewed or implement a means to trigger a review of bank reconciliations in a reasonable amount of time as part of its monthly review practice.</p>
<p><b>Implication</b> As there is no clear indication of review, it remains possible that the reconciliation was not prepared or reviewed in a timely manner. Should an issue exist, it could lead to the matter going undetected for an extended period of time.</p>	<p><b>Impact</b> Low</p>	<p><b>Management Action Plan</b> Management agrees with the finding and the recommendation has been implemented. Bank reconciliations are performed and reviewed on a monthly basis however we acknowledge that there may be instances where they were not dated and signed. This procedure was changed when brought to our attention during the course of this review. This Payroll Imprest account with a maximum balance of \$5,000 is the only bank account Transit Windsor maintains. All other bank accounts are City of Windsor accounts. Due to the re-organization the responsibility for the review of the Bank Reconciliations will be transferred to the FPA assigned to Transit Windsor.</p>
<p><b>Root Cause</b> There is no mechanism to remind management to review bank reconciliations in a timely manner.</p>	<p><b>Likelihood</b> Likely</p>	<p><b>Responsibility</b> City of Windsor Financial Planning Administrator (FPA)</p> <p><b>Due Date</b> 2014 Q4</p>

Finding	Rating	Recommendation & Action Plan
<b>4. Information from 3rd party provider is not validated</b>		
<p><b>Observation</b> It was noted per review of the agreement between TW and StreetSeen Media (TW's sole advertising revenue customer), TW has the right to audit the revenues reported by StreetSeen Media. However, to-date management has never explored this option.</p> <p>The agreement states that StreetSeen Media must pay TW revenues equal to the greater of 1) 55% of net StreetSeen billings or 2) an annual guaranteed payment of \$170,000 (increased to \$190,000 effective July 1, 2014). Historically, revenue has only been payable to TW based on the 55% calculation as the \$170,000 threshold has never been exceeded. Based on the cost structure of the agreement, StreetSeen Media has the incentive to understate their revenues in order to avoid paying TW additional fees, therefore, reducing potential TW revenues.</p>	<p><b>Overall</b> Low</p>	<p><b>Recommendation</b> In order to confirm the accuracy of the revenues reported to TW by StreetSeen Media, it is recommended that TW exercise the right to request an audit of StreetSeen Media's revenues on a periodic basis.</p>
<p><b>Implication</b> The information provided by the 3<sup>rd</sup> party provider of advertising services may be inaccurate resulting in lost revenues or business decisions being made with inaccurate information.</p>	<p><b>Impact</b> Low</p>	<p><b>Management Action Plan</b> Management agrees that it is a best practice to review the information supplied and will look at a cost effective way to perform a review of the information as supplied by StreetSeen. We will provide options to City Council for consideration.</p> <p><b>Responsibility</b> General Manager/Executive Director of Transit Windsor</p> <p><b>Due Date</b> 2015 Q1</p>
<p><b>Root Cause</b> Amounts reported by StreetSeen Media are not reviewed for reasonability, completeness or comparability.</p>	<p><b>Likelihood</b> Likely</p>	

# Considerations for Improvement

## 1 Succession Planning

**Observation:** The retirement analysis performed by management does include pertinent information as it relates to succession planning

It was noted that the 'Age and Service Analysis' report prepared by Management on an annual basis, summarizes employees into the following groups '65+ Years of Age in 2013', '30+ Years of Continuous Service in 2013', and '30+ Years of Continuous Service in 2013 but less than 55 years of age'. The report identifies only the employee's name and date of hire and does not include any other information such as department, title, skills.

As a result of the limited information contained in the report, it may not be utilized to prepare for the departure of employees with skills that are integral to the organization. .

In order to increase the relevance of the report and usefulness as it relates to succession planning, it is recommended that the employee's title, department and key skills be included in the analysis in order to provide management with more information to determine potential gaps in the future talent needs.

## 2 Customer Satisfaction Surveys

**Observation:** Management has not implemented the use of formal customer satisfaction surveys to gauge rider/community satisfaction with the service provided since 2006.

It was noted that although there are other methods for receiving feedback from the public including 311 call centre and town hall meetings, the option of exploring formal customer satisfaction surveys has not been explored in almost a decade.

Without a regular formal feedback process, the organization may not capture all customer feedback that will enable it to respond and provide better customer service in a more proactive manner.

In order to increase the quality of service provided to the public, a simple, cost effective online survey could be issued to gather feedback on a wide variety of items as they relate to Transit Windsor.

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## Appendix A: Background & Scope

### *Linkage to the internal audit plan*

As part of the Council approved 2013/14 Internal Audit Plan, Internal Audit will perform a “Expanded Review” of Specified Objectives which will focus on predetermined key City business objectives where the Agencies, Boards, Commissions (“ABCs”) have a direct impact. In many instances the issues and risks of both the City and the ABCs are similar in their inherent nature.

As part of the internal audit plan development, this business process area has processes and controls associated with mitigating and managing the following corporate risks: Operational oversight, Funding oversight, Program delivery, Governance, Structure/culture, Legislative & regulatory, Public reaction/expectation, Governance, Planning & resource allocation, Reputation, Service Delivery, material resources, Information for decision making, Security and privacy, Inter-departmental co-ordination, Asset protection, Value creation, Structure/culture, Labour relations, Accountability, Scalability, Treasury/liquidity, Fraud & corruption, Loss/theft of assets, Compliance, Sourcing/cessation, Program delivery, Benefits realization/sustainability, Compliance, Transition/implementation

### **Scope**

#### *Overview of the business/process to be reviewed*

As part of internal audit of the business processes and controls in effect internal audit will be considering:

1. City Reporting relationship & agreement
2. Compliance with city reporting relationship and Tone at the top
3. Policy framework and evidence of compliance
4. Regular reporting to the City
5. Integrity of management information
6. Fraud risk management protocols
7. Cash management process
8. Media monitoring and escalation
9. Shared services
10. Succession planning
11. Funding/budget process
12. IT governance
13. Change management
14. Information and data security

Given the City’s relationship with ABC’s and the significant oversight for ABC’s funding and operations, it was determined that an internal audit to review these areas was necessary to ensure that the current processes in place are sufficient and appropriately address the risks facing the City of Windsor and to ensure there is a consistent understanding of what is important.

During the course of performing the “Expanded Review”, an emphasis may be placed on key business processes, controls and systems or major projects and contracts.

**Generally, our scope covered up to the most recent completed year (i.e. January 1, 2013 to December 31, 2013).**

#### *Specific Scope Limitation*

Consistent with commonly accepted practices, our work was dependent on the following management activities which are excluded from the scope of this review:

1. The effective design, implementation and operation of the Information and Technology (IT) environment and IT general controls.
2. The effective design, implementation and operation of business system and application controls related to the capture, processing, storage, reporting/presentation and exporting of information and data.
3. Controls over the completeness, accuracy, reliability and validity of the evidence, information and data provided by management during the course of this review

## Appendix B: Summary of Controls Reviewed

### Controls identified and mapped to Control Objectives

The following table summarizes the control objectives which were subject to review and the associated (19) key controls identified to achieve each control objective. This table also provides a reference to the summary of findings and considerations for improvements noted in the body of the report.

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
1. City Reporting relationship & agreement	1.1 Clear accountabilities, expectations and reporting relationships and protocols are established for the City/TW relationship. Both parties are aware of those agreed to expectations.	Board of Director Meetings	1.1.1 Monthly, the BoD will meet to approve strategic decisions with input from stakeholders to ensure alignment with City's goals and objectives. Note: As a result of the amalgamation, subsequent to January 2015, the BoD will only meet annually.	
2. Compliance with city reporting relationship, Tone at the top	2.1 Management has mechanisms in effect to ensure that agreed to reporting relationships and expectations are adhered to, that appropriately scaled governance is in effect and that information is protected from disclosure outside of this relationship.	Sharing of Board Reports with Key Individuals outside of TW	2.1.1 Monthly, the Board Reports are reviewed by the GM and Chair of TW Board. Subsequently, the report along with the Agenda is sent to key individuals within the Corporation to ensure knowledge transfer and resource sharing between TW and the Corporation. Key individuals include the City Engineer, ED Operations, Public Works, City Clerk, CAO, and CFO.	
		BoD Orientation Package	2.1.2 The TW Board of Directors consists of 4 City Councilors and 4 other members (3 of which are non-voting members). The TW Board Members are subject to the City of Windsor Code of Conduct. The BoD Orientation Package is provided to every appointed member. The GM then meets with the Board Member to review the package and answer any questions.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
3. Policy framework and evidence of compliance	3.1 TW has key policies related to confidentiality, conflict of interest, employees' responsibilities, privacy, cash handling, reporting, etc. and mechanisms to assess compliance.		Effective June 30, 2014, by Council Resolution, TW will adopt all City policies including the conflict of interest & code of ethics policies for staff and the most recent Purchasing By-Law.	
4. Regular reporting to City	4.1 Two way communications between the City and TW occurs and defined/required information is exchanged in a timely manner.	City Council approval of BoD minutes	4.1.1 Monthly, the BoD minutes are presented to, and subsequently approved by, City Council. After January 2015, the Board of Directors will meet annually or as required to satisfy regulatory requirements.	
5. Integrity of management information	5.1 Management has a mechanism for assessing the integrity of information used in decision making based on the sources used.	Performance Reports	5.1.1 Performance Reports are prepared annually and include trends, fluctuations, and actual to budget regarding ridership, maintenance costs, etc. Inputs to Performance Reports and analysis are reviewed for reasonability by the General Manager. Reasonability is determined by reviewing trends, fluctuations, measuring against industry standards and statistics, actual to budget, etc.	Finding #4
6. Fraud risk management protocols	6.1 TW has a policy and position on fraud risk management and mechanisms for enabling compliance. TW investigates all possible fraud when there is a concern or suspicion for wrongdoing within the entity.	Fraud Policy	6.1.1 TW has an up-to-date fraud policy in place which details processes and procedures to effectively manage fraud. The policy has been approved by Management and the Board. The policy is reviewed and updated on a regular basis to ensure it is relevant and complete. All actual or alleged instances of fraud are investigated on a timely basis. Furthermore, if requested, the City assists TW with fraud management.	Finding #1



Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
7. Cash management process	7.1 Management ensures that there are appropriate controls over cash collection, deposits and payments to mitigate losses and optimize cash flow.	Bank Reconciliations	7.1.1 Monthly, the Accounting Coordinator prepares and Director of Corporate Services (General Manager for year-end) reviews the bank reconciliation to ensure all transactions are recorded accurately and completely and discrepancies are resolved and documented in a timely manner.	Finding #3
		Life Cycle Costing and Asset Management	7.1.2 The City is current completing a Life Cycle Costing and Asset Management Plan analysis to determine the most cost effective plan for managing TW's resources.	
	7.2 There are adequate segregation of duties, review and approval, and reconciliations used to mitigate against risk of theft of cash	Cash Handling	7.2.1 On a daily basis, the Service Line staff empties the contents of the fare box into self-contained cash vault without handling any currency. The Revenue & Data Processing Clerk is the only employee that handles the currency once it is deposited by the customer into the fare box. The cash handling room contains several cameras. Gardaworld provides cash pick up services. There is also appropriate segregation of duties within the cash handling process. A "revenue vaulted versus revenue earned" report is generated daily. A 2% variance is tolerated however, it is typically much less. A monthly review of financial statements and budget to actual is performed to identify any inconsistencies.	Finding #2
		Segregation of Cash Management	7.2.2 There are adequate segregation of duties, review and approval, & reconciliations used to mitigate against the risk of theft of cash.	
8. Media monitoring and escalation	8.1 A mechanism for maintaining awareness as to media mechanisms and potential items of disclosure. A mechanism for identifying and informing stakeholders of critical media content impacting brand/reputation exists and is used.	Daily Media Blast	8.1.1 Transit Windsor receives a daily email from the City of Windsor which provides any mention of the City or an ABC in the media. To help Transit know what is being said in the media, a staff member is responsible for reading the email and determining if any news pertains to them which would require a response.	
		311 Complaints	8.1.2 TW receives customer complaints/questions via 311 in which it is policy that they will reply to an inquiry within 5 days. It is policy not to respond to 'Letters to the Editor' in the Windsor Star. Informal communication is also utilized throughout the organization in which employees will notify TW Management if they become aware of an instance that impacts TW that may become public.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		Review of Media Releases	8.1.3 Media releases are reviewed by Tony Houad, Director of Corporate Services, Patrick Delmore, Director of Operations, Elaine Eskritt, Manager of Administration, and Jan O'Neil, Sales and Marketing Manager before they are released to the public.	
		Town hall Meetings	8.1.4 Town hall meetings are held which allow the general public to voice their opinions and ask questions.	Consideration for Improvement #2
		Disaster Recovery/Business Continuity Plan	8.1.5 The Manager of Operations represent TW on the SERT (Special Events Resource Team) coordinated by the City in order to provide input and obtain information on upcoming events in the city that may impact service delivery.	
9. Shared Services	9.1 The agreed to shares services agreement and cost structure between the TW and City is operating effectively.	TW are required to comply with City Policies. TW has a shares service arrangement, which was agreed to and approved via a City Council Resolution, for largely all of its processes. Furthermore, financial results of TW are consolidated with those of the City. As such, we will rely on the controls at the City level.		
10. Succession planning	10.1 There is an awareness of the impact of succession planning and dependencies at an organizational level	Succession Plan	10.1.1 A report is maintained and reviewed regularly that details who is eligible to retire and when. Critical positions and key personnel have been identified. Cross training and job shadowing occur continuously in order to train "backups" for these positions.	Consideration for Improvement #1
	10.2 Current employees are empowered and have the opportunity to develop the skills and qualifications needed to allow them to move into senior positions	Management Training Programs	10.1.2 Management training programs are offered to supervisor level employees to facilitate their development and growth to become future leaders.	
11. Funding/budget process	11.1 The funding/budget process is supported through clear roles and responsibilities, as well as effective communication to coordinate among internal stakeholders	Budgeting	11.1.1 A budget is developed annually, reviewed by Management and approved by the BoD and Council. These timelines are consistent with those used by the City.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
12. IT governance	12.1 Leadership and organizational structures and processes exist to ensure that the Transit Windsor's IT sustains and extends transit Windsor's strategy and objectives.		<p>TW are required to comply with City Policies. TW has a shares service arrangement, which was agreed to and approved via a City Council Resolution, for largely all of its processes. Furthermore, financial results of TW are consolidated with those of the City. As such, we will rely on the controls at the City level.</p> <p><b>Note: Effective January 2015, TW will be a City Department.</b></p>	
13. Change management	13.1 Changes to production data, systems and environments reflect business need and management directions ensuring the integrity of the information processing environment.			
14. Information and data security	14.1 Information, data and processing integrity and confidentiality are maintained and monitored.	Payroll Conversion	14.1.1 As part of its change management for systems and services, management holds status meetings with IT to discuss issues/progress of conversion and to resolve issues as they arise, as well as perform specified testing procedures such as parallel tests to determine if the new process can produce the same results as the old surrounding data accuracy and completeness.	

# Appendix C: Basis of Finding Rating and Report Classification

## Findings Rating Matrix

Audit Findings Rating		Impact		
		Low	Medium	High
Likelihood	Highly Likely	Moderate	Significant	Significant
	Likely	Low	Moderate	Significant
	Unlikely	Low	Low	Moderate

## Likelihood Consideration

Rating	Description
Highly Likely	<ul style="list-style-type: none"> <li>History of regular occurrence of the event.</li> <li>The event is expected to occur in most circumstances.</li> </ul>
Likely	<ul style="list-style-type: none"> <li>History of occasional occurrence of the event.</li> <li>The event could occur at some time.</li> </ul>
Unlikely	<ul style="list-style-type: none"> <li>History of no or seldom occurrence of the event.</li> <li>The event may occur only in exceptional circumstances.</li> </ul>

## Impact Consideration

Rating	Basis	Description
HIGH	Dollar Value <sup>2</sup>	Financial impact likely to exceed \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Significant control weaknesses, which would lead to financial or fraud loss.</p> <p><b>An issue that requires a significant amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Failure to meet key strategic objectives/major impact on strategy and objectives.</li> <li>• Loss of ability to sustain ongoing operations: <ul style="list-style-type: none"> <li>- Loss of key competitive advantage / opportunity</li> <li>- Loss of supply of key process inputs</li> </ul> </li> <li>• A major reputational sensitivity e.g., Market share, earnings per share, credibility with stakeholders and brand name/reputation building.</li> </ul> <p><b>Legal / Regulatory</b> Large scale action, major breach of legislation with very significant financial or reputational consequences.</p>
MEDIUM	Dollar Value	Financial impact likely to be between \$75,000 to \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures.</p> <p><b>An issue that requires some amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• No material or moderate impact on strategy and objectives.</li> <li>• Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives</li> <li>• Moderate reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> Regulatory breach with material financial consequences including fines.</p>
LOW	Dollar Value	Financial impact likely to be less than \$75,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies.</p> <p><b>An issue that requires no or minimal amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Minimal impact on strategy</li> <li>• Disruption to normal operations with no effect on achievement of corporate strategy and objectives</li> <li>• Minimal reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> Regulatory breach with minimal consequences.</p>

<sup>2</sup> Dollar value amounts are agreed with the client prior to execution of fieldwork.

## Audit Report Classification

Report Classification	The internal audit identified one or more of the following:
Cause for considerable concern	<ul style="list-style-type: none"> <li>• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Material losses have occurred as a result of control environment deficiencies.</li> <li>• Instances of fraud or significant contravention of corporate policy detected.</li> <li>• No action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
Cause for concern	<ul style="list-style-type: none"> <li>• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Losses have occurred as a result of control environment deficiencies.</li> <li>• Little action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
No major concerns noted	<ul style="list-style-type: none"> <li>• Control design improvements identified, however, the risk of loss is immaterial.</li> <li>• Isolated or “one-off” significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Some previous significant audit action items have not been resolved on a timely basis.</li> </ul>
No or limited scope for improvement	<ul style="list-style-type: none"> <li>• No control design improvements identified.</li> <li>• Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial.</li> <li>• All previous significant audit action items have been closed.</li> </ul>