



INTERNAL AUDIT TEAM

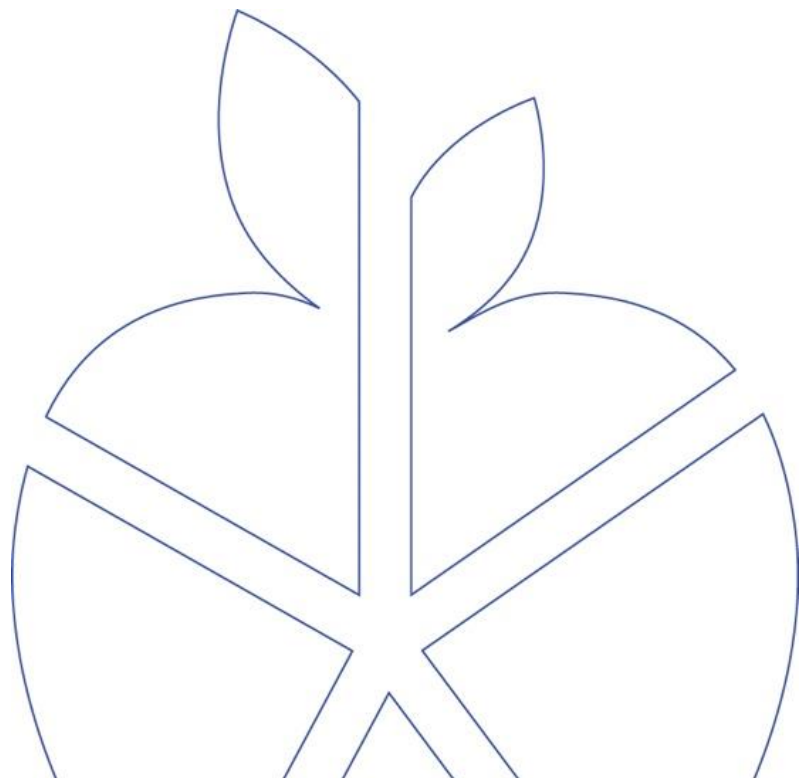
Toronto and Area Region

Regional Internal Audit Update & Audit Plan: January 2022

Toronto Catholic District School Board

Prepared by:

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The purpose of this report is to:

- Provide the Audit Committee with information on the progress made by the Regional Internal Audit Team (RIAT) since the last meeting on November 16, 2021.
- Present the proposed Two-Year Regional Internal Audit Plan for Audit Committee approval.

Audit Plan Status – Previous Years’ Engagements

The table below outlines the status of the RIAT engagements for TCDSB that are still outstanding from prior years.

Plan Year	Engagement	Status
2019-20	Strategic Workforce Planning: Critical Position Analysis	Complete. See Appendix 1 for report.
2020-21	Accounts Payable and Expense Audit (Purchasing Controls Review and Data Analysis)	Complete. See Appendix 2 for report.

Proposed Two-Year Regional Internal Audit Plan (2021-22 & 2022-23)

As previously communicated to the Audit Committee, the RIAT has worked with management to develop a refreshed, risk-based Two-Year Regional Internal Audit Plan (2021-22 and 2022-23), which is being presented to the Audit Committee for approval. As required by the Ministry of Education, the RIAT’s mandate is to provide two internal audit or consulting engagements annually to each school board in the region, in addition to follow-up activities. This proposed plan replaces all engagements from the previous 2019-2022 Multi-Year RIAT plan that were not started (Privacy, Cyber Security and Strategic Workforce Planning – Phase 2).

Following the requirements of the Regional Internal Audit Mandate and Internal Audit Standards, the process of developing the risk-based two-year plan included the following steps:

- Supporting TCDSB management in the risk management, compliance and financial policies review by undertaking a scan of tools and formal frameworks other school boards have implemented (or are implementing) in these areas. This helped to identify formalized approaches that would be of benefit to TCDSB.
- Discussions with management to understand key risks, issues, challenges and priorities, as well as practices currently in place to manage risks and compliance with legislation, regulations, etc.
- Based on the information obtained in the previous steps, and in consultation with management, proposed engagements were selected. While no significant issues were identified relating to risk management and compliance, these engagements will help to formalize/strengthen the overall risk and compliance framework at TCDSB.

The proposed Two-Year Regional Internal Audit Plan, outlined below, will help to address priorities, risks and concerns raised by management. The RIAT appreciates management's support and input in the development of this plan.

Plan Year	Engagement	Tentative Timing
2021-22	Strategic Risk Management – Phase 1	Spring 2022
2021-22	Legislative Compliance – Phase 1	Spring 2022
2022-23	Strategic Risk Management – Phase 2	Fall 2022
2022-23	Legislative Compliance – Phase 2	Fall 2022
N/A	Follow-up on Previous Audit Findings and Recommendations	Ongoing

Strategic Risk Management – The objective of this outsourced consulting engagement is to develop and implement a formal framework for risk management at the Board, which will help management to focus on and manage key issues. RIAT will engage a third party to facilitate the completion of a risk assessment that will result in development of a strategic risk register specific to TCDSB, as well as documentation of the response to these risks (i.e. internal controls). The RIAT will be able to leverage the risk assessment going forward when developing future Regional Internal Audit plans. Given the size of the Board and the scope of work, it is expected that this engagement will be completed in two phases.

Similar engagements, completed by other RIATs, were well received. Strategic Enterprise Risk Management is increasingly becoming a focus of school boards across the province, helping Boards to take a consistent approach to better manage significant risks to the achievement of strategic goals.

Legislative Compliance – This consulting engagement will provide TCDSB with a formal framework for managing legislative compliance. A generic compliance universe of legislation, regulations, etc., relevant to school boards, as well a risk assessment methodology to prioritize these have been developed through engagements completed by the Barrie RIAT. This universe will be tailored to TCDSB (confirming completeness and risk assessment, assigning ownership for compliance). The engagement will also include identification and documentation of internal controls in place for the highest risk items. Given the size of the Board and the scope of work, it is expected that this engagement will be completed in two phases.

This engagement has been completed by other RIATs across the province. It was seen as adding value by helping management to manage compliance risks, as well as supporting periodic attestations that compliance requirements are being controlled.

Follow-Up on Previous Audit Findings and Recommendations - The RIAT has reviewed the audit findings and recommendations tracker with management (as presented to the Audit Committee in April 2021) and determined the nature and extent of follow-up work to be undertaken to validate the implementation of management's action plans to address the findings and recommendations.

Procedures to validate action plan implementation will take place where the finding represents a higher risk gap in the design and/or operating effectiveness of a control. For all other action plans (which address minor opportunities for improvement, low risk gaps, formalizing a process where there is already some risk mitigation in place, etc.), follow up will be limited to periodically obtaining management updates until confirmation is received that the finding has been closed.

Where warranted, validation procedures on identified findings will take place throughout the balance of the 2021-22 fiscal year.

In addition, the RIAT will add recently issued reports to the tracker and recirculate to obtain updates, where required, for findings not previously identified as closed. Additional validation procedures will take place throughout the 2022-23 fiscal year, as deemed necessary.

An update on the progress of this activity will be provided as part of the regular RIAT update at each Audit Committee meeting.

Recommendation 1: That the Toronto Catholic District School Board Audit Committee receive as information the Regional Internal Audit Update as at January 2022.

Recommendation 2: That the Toronto Catholic District School Board Audit Committee approve the Two-Year Regional Internal Audit Plan for 2021-22 and 2022-23, as outlined above.



INTERNAL AUDIT TEAM

Toronto and Area Region

Appendix 1

Strategic Workforce Planning - Critical Positions Analysis

Toronto Catholic District School Board

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Introduction

As part of the 2019-20 Regional Internal Audit plan, the Toronto and Area Regional Internal Audit Team (RIAT) conducted a consulting engagement to identify critical positions for two functional areas at the Toronto Catholic District School Board (TCDSB or “the Board”). Note that management has not previously undertaken an exercise to identify positions that are critical to the Board

The purpose of this report is to provide the Audit Committee with the results of the critical position analysis and outline next steps.

Engagement Objectives and Scope

The objective of the engagement was to work with management to design and implement a position matrix to help the Board identify critical positions within three functional areas. The Board selected Capital Development and Asset Renewal; Planning and Development; and Business Services for this engagement. However, due to time constraints and competing priorities, the Planning and Development functional area was subsequently removed from the scope. The RIAT encourages management to complete this analysis at a later time.

The engagement consisted of the following key activities:

- Creation of a position matrix to help management identify critical positions.
- Assisting management in identifying critical positions using the position matrix.
- Review of job descriptions to ensure available and up-to-date.

Methodology

1. A clear definition for “Critical Position” was established:

A critical position is one that, if it were vacant or the tasks not performed, would have a significant impact on the Board’s ability to conduct business.

2. The position matrix was developed in collaboration with other RIATs. The matrix included the following statements to be considered and scored for each position in the relevant departments, on a scale of zero to five (from strongly disagree at zero to strongly agree at five):
 - a. If this position were left vacant it would cause serious difficulties:
 - I. In delivering Board priorities
 - II. In achieving operational and strategic goals at the department level
 - III. As it requires a subject matter expert or is unique in nature
 - IV. As there is no internal candidate pool to select from to perform the job duties required to maintain business continuity (no succession planning/cross training)
 - V. As it is instrumental to the health and safety or security of the public
 - VI. In meeting legislative or regulatory requirements, e.g.: payroll, vendor payments

- b. This position would be difficult to fill because:
 - I. It requires specialized expertise and experience (technical, other)
 - II. It requires a high degree of knowledge transfer to ensure continuity in the performance of the function
3. Management was also asked to consider the likelihood that the incumbent will leave the position in 2-3 years e.g.: retire, resign or get a promotion.
4. To avoid personal bias, initial results were reviewed by the RIAT to confirm the scoring was consistent and appropriate. Detailed discussions were then held with the Business Services Department (Chief Financial Officer & Treasurer and the department managers) to verify and validate the results of the analysis.
5. While all positions are important to the Board, this exercise was to identify critical positions under the definition provided. Specifically, where a vacancy in a position would negatively impact the Board in the short run. In order to achieve this, the scores for each position were totaled, and a category assigned based on the total:

34 - 40	Critical
26 - 33	Key
0 - 25	Supporting

6. Job descriptions or postings were provided by Management where available. However, many were not current and others were unavailable. Management confirmed that a time frame should be established to update job descriptions where necessary.

Results

The following is a summary of the completed position matrix, as scored by management:

Category	Business Services	Capital Development & Asset Renewal
Critical	5	0
Key	22	11
Supporting	10	8
Total Positions	37	19

The Critical Positions identified were either specialized in nature or a standalone position (inadequate knowledge transfer or no cross training) that would have a significant impact to the department/Board if not managed adequately. The critical positions (all from the Business Services Department) are as follows:

- Senior Analyst SAP/Capital Reporting
- Sr. Manager Capital Budget
- Coordinator Revenue and Ministry Reporting
- Sr. Manager SAP/Payroll Analyst
- Sr. Manager SAP/Business Analyst

Next Steps

1. Business Services should consider implementing strategies to manage the critical positions identified, in order to mitigate the risks associated with any vacancies (particularly sudden, unexpected vacancies). The objective would be have the critical positions move to the “key” category. Strategies may include enhanced recruitment and retention efforts, succession planning, documentation of critical functions/processes, assessing professional development needs, cross-training on critical duties, etc.
2. Establish a timeframe to review and update job descriptions (especially for the critical positions). Indicate on the job description the date the update was done.
3. Management could consider using the position matrix tool to identify critical positions throughout the rest of the Board, including Planning and Development which was removed from the scope of this engagement.

Conclusion

Management completed the critical position analysis for the Capital Development & Asset Renewal and Business Services functional areas using the position matrix tool developed by the RIAT. Overall, five positions were identified as critical.

While job descriptions or job postings were available for some positions, many were not current and others were unavailable.

As noted above, the RIAT outlined a number of next steps for management to consider. This includes managing the identified critical positions and expanding the critical position identification throughout the Board.



INTERNAL AUDIT TEAM

Toronto and Area Region

Appendix 2

Purchasing Controls Review & Data Analysis – Summary Report

Toronto Catholic District School Board

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Introduction

As part of the 2020-21 Regional Internal Audit plan, the Toronto and Area Regional Internal Audit Team (RIAT) conducted a Purchasing Controls and Data Analysis engagement for the Toronto Catholic District School Board (TCDSB or “the Board”).

This report presents a summary of the engagement findings. A detailed report of the engagement results, findings and observations has been provided to management.

Engagement Objectives and Scope

The objectives of this engagement were to test key controls in the areas of focus and to use data analytics¹ to identify potential unusual transactions, duplicates, trends and other observations derived from data.

The engagement focused on the key areas outlined below. Testing covered the 2019/20 fiscal year, except where noted.

- Vendor Master File and Records
 - RIAT tested the adequacy of design for controls over new vendor setup.
 - RIAT tested to confirm that only authorized users from the Materials Management department had access to create and input new vendors in SAP.
 - RIAT tested to confirm segregation of duties for the input of new vendors in SAP (i.e. those individuals with access to set up new vendors did not have access to enter invoices and make payments).
- SAP Approval Authorities and Purchasing Limits for Purchase Orders (PO)
 - RIAT reviewed the approval process/limits. For a sample of POs over \$10k, RIAT tested to ensure the appropriate process was followed and approvals were received.
- Accounts Payable Controls
 - RIAT tested to determine whether monitoring controls have been implemented within accounts payable to ensure payments are valid and appropriate. Areas tested included exception reporting, review of cheques/EFTs before payment, system controls within SAP (three-way matching, controls over budgets at the department/school level) and the review of unmatched invoices.
- Data Analytics
 - Purchase order approval limits: POs over \$5k require approval by the Materials Management department. To identify potential efforts to issue multiple POs to circumvent approval limits, RIAT reviewed for multiple POs, by the same vendor on the same date, that were just under this threshold (\$4.5k - \$5.0k).
 - RIAT calculated the top ten contract vendors by PO value.
 - The RIAT conducted the following analysis on the vendor master file:

¹ Data analytics were conducted on the full population of the area being tested. Data was extracted by the SAP System Specialist and provided to the RIAT for testing.

- Reviewed the number of new vendors added to the vendor database between September 1, 2020 and March 10, 2021.
- Compared the number of unique vendors used to the number of active vendors in the database.
- Searched for vendors in the database that were missing a key field such as postal code.
- Ran two tests to identify potential duplicate vendors. The first was a “fuzzy match” test to identify similar vendor names in the vendor master list (up to 90% similarity). The second test identified instances where two or more vendors had the same postal code.

Data in scope included expenses and vendors at the central Board and school level. This data was primarily gathered from SAP. Note that the underlying data has not been audited by the RIAT beyond the procedures outlined in this report.

Excluded from review were capital, renewals, and repairs and maintenance expenditures as most of these areas have been covered in previous RIAT engagements.

Conclusion

Overall, no significant issues were found in the key controls tested and the data analysis did not reveal any unusual transactions. We noted some opportunities to review current processes, mainly around the current purchasing approval limits. These are outlined in the following section.

Due to the COVID-19 pandemic, audit evidence was obtained virtually. Meetings were conducted using virtual meeting platforms and documents were obtained through email. This did not affect the overall audit approach.

The RIAT would like to thank management and staff for their support and assistance during this engagement.

Observations and Recommendations

Finding #1 – Review Board of Trustee Approval Level of \$50k

Rating: Low

Current practice requires all procurements greater than \$50k to be approved by the Board of Trustees. These procurements primarily relate to capital or maintenance/renewal contracts, although there are some service and IT contracts as well. Staff time is spent preparing the reports every month (approximately 20 hours for the December 2021 report) and the wait for the monthly Board meeting can cause delays in awarding contracts. Note that most of these procurements have already gone through the regular competitive bid process. As a comparative, the thresholds for Board of Trustee approval at Toronto District School Board are generally significantly higher (especially for Facilities):

- Consulting service contracts over \$50k
- All Facility contracts over \$500k
- All other contracts over \$250k

Risk: There could be financial and reputational risk if vendors bid on contracts but are faced with longer approval times compared to their other customers. Operational risk exists where there are delays in starting a contract. Inefficient use of staff time is also an issue, as time is spent preparing monthly procurement reports for Board approval.

Recommendation: Management should review and discuss current approval practices with the Board of Trustees to determine whether monthly reports and Board approvals are still required. Practices at other large school boards should also be considered.

Management Response and Action Plan

Management will make this an agenda item for future discussion and evaluation at Audit Committee and/or Governance Committee.

Position Responsible: CFO

Target Implementation Date: Spring 2022

Finding #2 – Review Competitive Bid Requirements and Current Practices

Rating: Medium

A sample of five POs over \$10k was tested to confirm whether there was a competitive bid process or other support for the vendor selection. Two of the POs selected were exempt from the competitive bid process. Based on a detailed review of one of these (for training), there was some confusion at the departmental level regarding whether the competitive bid process was required. RIAT also noted that there are many exemption categories (i.e. conferences, training, staff development, workshops, seminars etc.) that are fairly broad in nature.

Risk: There may be inconsistent application of the allowable exemptions to the competitive bid process.

Recommendation: Management should consider the following steps:

- Review purchasing data from prior years to determine the percentage of POs over \$10k that were exempted from the competitive bid process.
- Determine whether revisions should be made to the exemption categories or if additional clarity is required (in the Purchasing Manual) to provide guidance.
- Consider providing guidance to school/departmental administrative staff so that they are clear on the purchasing requirements.

Management Response and Action Plan

The Purchasing policy is due for review in 2024 and any changes would be approved by the Board. Operational Procedures are reviewed and updated as required by Management. Management will review section 17.5 of the Purchasing Procedures Manual and determine any changes as required. Prior year exemptions will also be analyzed and considered.

Position Responsible: Coordinator, Materials Management

Target Implementation Date: Spring 2022

Finding #3 – Vendor Concentration and Opportunities for Efficiency

Rating: Low

Based on PO transaction data provided by management, RIAT noted that the top ten vendors for FY2019/20 accounted for approximately 49% of total POs issued during the year. Although management had no concern regarding this concentration of purchases given the controls in place, there may be opportunities to realize greater efficiencies in the approval process, particularly where contracts are used for large orders.

Risk: Current thresholds (i.e. Materials Management approval for all POs over \$5k) may be too low for these vendors, resulting in inefficient use of staff time.

Recommendation: The Board should review current processes to determine whether greater efficiencies can be achieved. This could involve discussing current practices with staff at schools/sites, as well as central Board staff. Where contracts are used, staff should review to determine if approvals could be streamlined in SAP or orders can be centralized (i.e. to prevent orders from multiple schools/sites).

Management Response and Action Plan

As noted in Finding #2, Management will review the Purchasing Procedures Manual and will determine the relevance of prescribed approval limits.

Position Responsible: Coordinator, Materials Management

Target Implementation Date: Spring 2022

Finding #4 – Review Vendor Database

Rating: Low

Through analysis, RIAT noted that approximately 13% of the active vendors in the vendor database were used in FY2019/20. This represents a relatively small percentage. Management indicated that although vendors cannot be removed from the system, they can be “blocked” so that they are not active. However, the database is not currently being reviewed for old or outdated vendors.

Risk: Although the risk of unauthorized access to the vendor database is low, the large number of active vendors may require review and cleaning up to ensure that only current, approved vendors are able to be used.

Recommendation: Management should consider running data over the prior two or three-year period (or longer if necessary) to determine the percentage of active vendors being used. Based on this information, they should determine if scheduled clean ups of the vendor database should be established.

Management Response and Action Plan

As noted in Finding #2, Management will review the Purchasing Procedures Manual. A process for inactivating obsolete or incomplete vendors will be adopted and implemented.

Position Responsible: Coordinator, Materials Management

Target Implementation Date: Spring 2022

Appendix A: Audit Observation Priority Ranking Definitions

A priority rating has been assigned to individual audit observations outlined within the audit report.

Ranking	Definition
HIGH	<p>Control weaknesses have been identified, requiring immediate management attention:</p> <ul style="list-style-type: none"> • Significant or direct impact on the activities within the process under review, impacting the school board's goals and objectives • Significant or direct financial impact • Failure to comply with legal/regulatory requirements and/or school board's approved policies and standards on a systemic basis • Breach of security, confidentiality and/or privacy of information • Significant impact on reputation and public perception, leading to loss of public confidence • Significant impact or inability to conduct operations and deliver service throughout the school board • Evidence of potential fraudulent activity • Observation represents a high risk to the control environment of the school board
MEDIUM	<p>Control weaknesses have been identified, requiring management's timely consideration:</p> <ul style="list-style-type: none"> • Moderate or direct impact on the activities within the process under review, impacting the department's goals and objectives • Moderate or direct financial impact • Potential for breach of security, confidentiality and/or privacy of information • Failure to comply with legal/regulatory requirements and/or school board's approved policies and standards in isolated cases • Potential for fraudulent activity • Potential impact on reputation and public perception • Isolated cases of temporary disruption to operations and delivery of service throughout the school board • Absence of internal controls in isolated cases • Observation represents a moderate to high risk to the control environment of the area reviewed
LOW	<p>Issues or inefficiencies that, although do not require immediate management action, may become weaknesses if not continuously monitored or eventually addressed:</p> <ul style="list-style-type: none"> • Indirect or no impact on the activities within the process under review, with no impact on the department's goals and objectives • Low financial impact • Failure to comply with legal/regulatory requirements and/or school board's approved policies and standards in isolated cases • Low or no impact on reputation and public perception • Some deficiencies in internal controls in isolated cases • Observation represents a low risk to the control environment of the area reviewed