

CITY OF HAMILTON

**CITY MANAGER'S OFFICE
Audit Services Division**

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: March 25, 2013	
SUBJECT/REPORT NO: Follow Up of Audit Report 2011-11 – PRESTO – Financial Controls (AUD13010) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

RECOMMENDATION

That Report AUD13010, respecting the follow up of Audit Report 2011-11, PRESTO – Financial Controls, be received.

EXECUTIVE SUMMARY

Audit Report 2011-11, PRESTO – Financial Controls, was originally issued in March, 2012 and management action plans with implementation timelines were included in the Report. In January, 2013, Internal Audit conducted a follow up exercise to determine if appropriate and timely actions had been taken. Of the two recommendations that management agreed to in the original Report, the implementation of one is in progress and the other remains incomplete.

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2011-11, PRESTO – Financial Controls, was originally issued in March, 2012. The Report provided two recommendations identifying opportunities for improving internal processes and customer service.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

The results of the follow up were provided to management responsible for the administration of the PRESTO program in Transit (HSR), part of the Transportation Division of the Public Works Department.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The report attached as Appendix “A” to Report AUD13010 contains the first three columns as originally reported in Report 2011-11 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work.

The one recommendation whose implementation is in progress pertains to creating concession fare cards for students and children that can be used immediately upon their sale rather than waiting the necessary 24 hours.

The remaining incomplete recommendation concerned decreasing the number of daily bank transactions in order to reduce the time spent on reconciliations.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES / SCHEDULES

Appendix “A” to Report AUD13010.

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**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2011-11
PRESTO – FINANCIAL CONTROLS AUDIT
FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2013)
1.	<p><u>Bank Reconciliation Process</u></p> <p>A large number of electronic deposits and withdrawals are made by PRESTO to the City's bank account. The bank's transaction statement is often 10 to 15 pages long with up to 230 transactions per day. Many of the transactions are for small amounts (sometimes as little as a few cents) with limited information explaining the deposit or withdrawal. As a result, the reconciliation of bank transactions carried out by Finance and Administration is very time consuming. In addition, the large number of transactions has resulted in bank service charges of \$10,900 between June and October, 2011.</p>	<p>That HSR management work with PRESTO to reduce the number of individual transactions made to one withdrawal and one deposit per day. PRESTO should then provide reports detailing the transactions.</p>	<p>Agreed. HSR management will work with PRESTO to reduce the number of electronic deposits and withdrawals. Target completion: December 2012.</p>	<p>Not Completed. There has been no significant reduction in the number of individual transactions per day. No evidence was provided to indicate that HSR management had worked with PRESTO to produce such a reduction.</p>

**PRESTO - FINANCIAL CONTROLS AUDIT
FOLLOW UP – FEBRUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2013)
2.	<p><u>The Sale of PRESTO Concession Fare Cards</u> PRESTO does not offer a card strictly for students or children who are charged a reduced fare (i.e. concession fare card). A customer wanting a concession fare must purchase a regular PRESTO card at the Ticket Office and register it as a concession fare card online. The customer must then wait 24 hours before using the card to allow the PRESTO card readers on the buses to recognize it as a concession card so that the proper lower fare is charged. Currently, in an effort to enhance customer service, HSR staff pre-register a minimal quantity of concession cards that can be used immediately. However, this action creates weaker cash controls in that card sales do not match cash receipts due to timing differences, providing opportunities for potential lapping of funds.</p>	<p>That HSR management work with PRESTO to create concession fare cards for students and children that can be used immediately upon their sale.</p>	<p>Agreed. PRESTO is currently working on programming to allow the concession to be set without registration. The release of the software update is expected for June 2012.</p>	<p>In Progress. PRESTO is working on simplifying the concession card process by removing the registration constraint. The implementation date for this project has not been determined.</p>