City of Markham

Human Resource Information System ("HRIS") Implementation

Audit – Follow up

November 30, 2020

PREPARED BY :

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Mayor and Members of Council,

Pursuant to MNP LLP's appointment to provide Auditor General Services, I am pleased to present the Human Resource Information System ("HRIS") Implementation Audit Follow-Up Report ("Follow-Up Report") of the Auditor General for the City of Markham ("City"). This Follow-Up Report provides a status update on management's remediation of the observations and recommendations made in the HRIS Implementation Audit issued on June 18, 2018.

As reported in the June 18, 2018 audit report, the City performed reasonable procedures to implement the new HRIS system, Workforce Now, including efficient and effective internal controls and project management activities.

The results of the audit identified two medium priority observations and one low priority observation which included opportunities for improvement with respect to implementing complementary user entity controls to support Workforce Now; defining access roles and appropriately segregating incompatible duties; and reviewing and assessing the ADP service organization control report.

As part of the Auditor General's audit plan, we conducted follow-up procedures to determine the status and evaluation of the effectiveness of management's activities to remediate the three observations identified in the June 18, 2018 audit report. This Follow-Up Report also provides any additional recommendations, if necessary.

This Follow-Up Report was discussed with the City's management, who have reviewed and provided their responses within, as applicable.

This Follow-Up Report will be posted on the City's website and made available to the public after tabling to Council.

Sincerely,

Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP

Auditor General, City of Markham

REMEDIATION STATUS

#	Observations & Recommendations (from June 18, 2018 Audit Report)	Initial Rating	Remediation Overview and Further Auditor General Recommendations	Status

1	**Implementation of Complementary User Entity Controls ("CUEC")**
	
	Workforce Now was designed under the assumption that certain key controls would be implemented by the City, in addition to the controls maintained by the service provider (ADP).
	
	It was noted that one CUEC identified in the ADP Service Organization Control ("SOC 1") report has not been implemented. As such, there is a risk that CUECs that are required for a complete and fulsome system of controls are not sufficiently implemented and operating effectively at the City, thereby not supporting the service organizations system of controls.
	
	The City has not implemented the following CUEC that relates to the logical access of Workforce Now:
	
	• Periodic review of assigned clients' (i.e. City) employees' access to the in-scope applications for appropriateness, including assigned roles to promote segregation of duties.
	
	Recommendation
	The following CUEC should be implemented:
	• Periodic reviews of assigned City employee access to Workforce Now to validate that:
	    • access permissions granted to users continue to be appropriate; and,
	    • dormant accounts are identified, and access is removed on a timely basis.
		M	The City has implemented the CUEC relating to conducting periodic reviews of assigned City employee access to Workforce Now to validate that access permissions granted to users continue to be appropriate and identifying dormant accounts and removing access on a timely basis.
			
			Specifically, the City has developed a Responsible, Accountable, Supporting, Consulted and Informed ("RASCI') matrix that sets out responsibilities for the review of user roles in Workforce Now, including adding and updating user roles, and performing user role audits.
			
			In addition, a Subject Matter Expert ("SME") Committee, comprised of Management from Human Resources and Finance departments, meet on a monthly basis to review user role requests that are "non-routine" in nature to ensure that users are assigned to the correct group and appropriate separation of duties.
			
			The review of user groups and appropriateness of their access permissions are conducted by the SME Committee on an annual basis.
				Complete

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	Management Timeline: Q4 2018		**Further Auditor General Recommendations** None.	
2	**Role Based Access Controls ("RBAC")** A RBAC approach is implemented to restrict access to authorized users in Workforce Now. Users are assigned access rights through predefined roles that are configured in the application. The project team worked with ADP and representatives from the business lines to define the different roles and document them in profiles that identify the access rights for each role (i.e. accessible functionalities in the application for each type of role). However, we noted the following: • Evidence was not retained to support that the roles were reviewed and signed off for segregation of duties conflicts prior to the system going live; • Evidence was not retained to support that access assigned to users was reviewed and approved before going live, or after going live; and, • The Library Practitioner role (which has been assigned to two individuals) has access to edit both HR and payroll modules. Mitigating controls to address the segregation of duties conflicts have not been identified and implemented. **Recommendation** A review of all roles in Workforce Now should be performed to identify segregation of duty conflicts. Where segregation of duty conflicts exists in	M	The City's Information Technology Services and Finance departments perform a review of user access to Workforce Now on a quarterly basis. In addition to this review, all departmental Directors and Managers approve of their subordinates' user access rights to Workforce Now and review roles for appropriate segregation of duties. Evidence of this review is documented through signatures on Workforce Now user status reports and is retained by the Finance department. The Library Practitioner role was changed to provide read-only access, to one of the two individuals who originally had access, to mitigate segregation of duties conflicts. **Further Auditor General Recommendations** None.	**Complete**

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	the roles, an assessment of the risk should be completed and documented with monitoring controls implemented that address the conflict. The Manager, Financial Reporting and Payroll should review the access rights for all current Workforce Now user profiles and sign-off to approve the access rights provisioned. ***Management Timeline: Q4 2018***			
3	**<u>Review of ADP Service Organization Controls ("SOC 1") Report</u>** The Workforce Now application is hosted and managed by the vendor, ADP. The vendor issues a SOC 1 Type 2 report addressing the design and operating effectiveness of the controls managed by ADP. Although the latest SOC 1 Type 2 audit report was obtained and reviewed at a high level by the Internal Project Lead, we noted that accountability over formally reviewing the report to assess the adequacy and effectiveness of the control activities at the service organization has not been formally assigned. This is expected to be assigned in the Responsibility Matrix, however this matrix has yet to be finalized. **<u>Recommendation</u>** Responsibility for reviewing and evaluating the ADP SOC report should be formally assigned to an individual with an adequate understanding of the HRIS and system of internal controls. The SOC 1 audit report should be reviewed to: • Assess the adequacy of the scope of the control objectives and control activities outlined in the report; • Evaluate the impact of any service organization control gaps or	L	The City's Information Technology Services and Finance departments have been assigned responsibility for performing a review of and approving the annual ADP SOC 1 report. The 2018 and 2019 ADP SOC 1 reports were reviewed by the departments to ensure the adequacy and effectiveness of control activities, with identified gaps and deficiencies rectified in a timely manner. **<u>Further Auditor General Recommendations</u>** None.	**Complete**

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	deficiencies noted and their impact to the City's control environment; and, • Identify compensating controls within the City's processes to address the gaps or deficiencies noted. ***Management Timeline: Q2 2019***			

RECOMMENDATION

The Auditor General recommends that:

1. HRIS Implementation Audit – Follow Up Report be received.

MNP