

AUDIT OF FUSION WAVE 1 IMPLEMENTATION TERMS OF REFERENCE

February 8, 2023



Background

The Independent Office of the City Auditor (Office) provides assurance to the City Council on the City's governance, risk management and control processes. The Office approved 2022 Audit Plan includes an audit of the Fusion Wave 1 Implementation.

Fusion is one of the most significant technological investments made by the City of Saskatoon and has a significant impact on the City's processes, including its operations. The Fusion project was implemented in two phases, Wave 1 and Wave 2. The approved budget for the full Fusion implementation was \$34.5 million. The success of Fusion is critical in ensuring that the City's operations and processes are coordinated efficiently and effectively.

The software solution was provided by SAP, and PwC was the implementation partner with the objective that the Fusion system is built with the functionalities required for its operations consistent with standard industry practices and mutually agreed upon by the Parties.

The modules fully implemented as part of Fusion Wave 1 included Finance, Human Capital Management (time and attendance, payroll, Core HR (organizational and employee management) and Supply Chain Management. The implementation started in October 2019, and Wave 1 went live in January 2021.

Fusion Wave 2 implementation is currently in progress and will be completed in 2023. The modules part of the Wave 2 implementation includes Enterprise Asset Management and part of Human Capital Management (Recruiting, Learning, Talent and Development, and Incident Management). This Terms of Reference focuses on Fusion Wave 1. The audit of Fusion Wave 2 will be conducted in the future.

Audit Objective

The objective of this audit is to evaluate the success of Fusion Wave 1 implementation as it relates to Finance, Supply Chain Management and Human Capital Management modules.

Audit Scope

The scope of this engagement will be limited to Wave 1 business and functional processes within Finance, Supply Chain Management and Human Capital Management modules. This audit will focus on a high-level strategic review of the benefits, challenges, and areas for improvement. End-to-end in-depth testing of controls within the implemented modules is out-of-scope of this audit and may be considered in future audits. Where possible, the Office will place reliance on the prior audits conducted by external auditors and consultants on the Fusion system process and controls.

In preparation for the Terms of Reference, the audit team met with the Administration to better understand the Fusion project implementation and obtained input on priority areas which should be the focus of the audit. In addition, key documentation was reviewed as part of the audit planning. The areas to be covered in this audit includes, but are not limited to, the following:

1. Value For Money Analysis

- Through interviews with process owners and review of documentation, assess the overall successes, challenges and issues faced by the City with respect to the Fusion Wave 1 implementation. Where possible, conduct a root cause analysis of the current issues faced with regard to Fusion Wave 1 implementation.
- Understand the deliverables planned for Wave 1 in the vendor contract and determine whether all the planned deliverables were completed in accordance with the project objective.
- Assess the risks that any uncompleted deliverables pose to the City and their impact on the achievement of the overall project objective.
- Verify whether all the deliverables paid for were delivered at the time of the implementation to maximize the return on investing in the Fusion system and prevent overpayments.
- Compare the actual spend on Fusion Wave 1 implementation with the budgeted amount to determine whether the project was completed within the budget.
- Assess the effectiveness of the process in place for managing the vendor performance against the contract.

2. Automation of Processes and Manual Workarounds

Manual workarounds can be defined as temporary manual processes adopted for the continuation of business functions due to lack of implementation of automation processes and controls. The audit will:

- Assess the extent to which the processes have been automated when compared with the original implementation plan.
- Determine whether manual workarounds were tracked, and a plan was in place to automate the manual workarounds.
- Determine the processes where manual workarounds have been adopted, the reasons for the adoption of the workarounds and whether the workarounds have been documented and communicated to process owners.
- Assess the extent of risks posed to the City by the manual workarounds and evaluate whether adequate controls have been designed to mitigate these risks.

3. Tracking and Resolution of Issues

- Determine whether issues identified during and after Wave 1 implementation were properly tracked, monitored and resolved.
- Assess whether identified issues were prioritized based on criteria such as urgency, impact, and achievement of objectives, to identify critical issues on which to focus available resources.
- Verify whether a formal issues escalation process was established for informing levels of management based on their severity for timely resolution.
- Determine whether responsibilities for the resolution of issues were appropriately assigned for proper accountability.
- Evaluate the timeliness, quality, and extent of support provided by the vendor during and after the Wave 1 implementation in resolving issues.

4. Governance

- Determine whether the Fusion project was authorized by the appropriate authority before committing resources to the project activities.
- Assess the effectiveness of management oversight functions over Wave 1 implementation with respect to providing direction, guidance and monitoring the progress of the project activities.
- Determine whether key processes related to Wave 1 implementation were appropriately documented to make information accessible for users.
- Determine whether a risk log was maintained to monitor risks identified during and after the implementation of Wave 1 and keep track of actions, issues, and decisions made.
- Verify whether the roles and responsibilities of parties to the project ('the City' and 'Service Provider') were clearly defined, documented, and communicated so that each party has an understanding and clarity on what is expected of them.
- Verify whether executive management decisions which impacted project scope, objectives or timelines were formally documented, communicated and implemented.

5. Access to System

- Determine whether access to the Fusion system was established based on roles and was appropriately authorized.
- Assess whether privileged IT functions were restricted to only appropriate users, the activities of the privileged users were captured by audit logs, and the logs were reviewed periodically.
- Assess whether the segregation of duties aspect was considered and implemented at the time of Fusion implementation.
- Assess whether the process for granting and revoking access to the Fusion system was adequately defined and implemented.
- Assess whether the process for user access reviews was established and implemented effectively.

6. Change Management

- Assess whether an effective change management process was developed and followed to bring employees on board and help employees move through the transition as quickly as possible.
- Determine whether an effective process was designed to ensure that system changes are authorized, tested, and approved before they are migrated to the production environment to prevent unauthorized changes from occurring.
- Determine whether the development, test, and production environments were properly segregated to prevent loss of availability, confidentiality, and integrity of information assets.
- Assess whether comprehensive plans were developed for transitioning old business processes to new processes.

7. Staff Training and Resourcing

- Determine whether the role and task-based learning programs were developed and delivered to the business and end-users to ensure all employees understand the Fusion system.
- Assess the effectiveness of the training rollout strategy used during Wave 1 implementation in maximizing user adoption and value from new features of Fusion.
- Review the training materials for contents, direction, and completeness at the time of the implementation and assess whether adopted training methods helped employees to be successful in their roles.
- Evaluate the effectiveness of the cross-training and knowledge transfer from the vendor to City employees, including the train-the-trainer program within the City.
- Through interviews with end users and review of documentation, assess whether adequate training was provided to use the new system effectively and efficiently.
- Assess the effectiveness and sufficiency of conference room pilots to validate the new system and to allow the end-users to have hands-on experience before implementing the system.
- Assess the adequacy of staffing levels deployed for Wave 1 implementation.

8. Reporting

- Assess whether formal reports were prepared for the various stakeholder groups such as Steering Committee, Leadership Team, City Council etc., on the project status updates, key messages and issues identified for advice and informed decision-making.
- Assess the capability of the Fusion system to generate various reports for tracking and monitoring trends and data analytics.
- Verify whether an automated notification and alert system are enabled on the system where required that notifies key personnel when a potential issue arises to aid in prompt review and resolution of issues.
- Determine whether audit logs are properly enabled to record key activities in the system; the logs are reviewed periodically and retained for a reasonable period to help track potential security breaches or internal misuse of information.

Audit Approach

The following approach will be used in the conduct of the audit.

- The audit team will conduct in-depth meetings with various process owners related to the selected scope areas to ascertain the degree of success of Wave 1 implementation, including what went well, challenges encountered, and areas for improvement.
- The audit team will conduct a detailed review of documents, processes, system functionalities, operational procedures, and reports and perform analysis to validate resultant observations, identify opportunities for improvement and provide audit recommendations.
- The Office will meet with the Administration to discuss the findings and recommendations to ensure timely actions are undertaken to mitigate the identified risks.

Key Stakeholders

The key stakeholders of this audit are personnel of the Fusion Project, Supply Chain Management, Finance Human Resources and the Executive Leadership Team.

Deliverables

At the conclusion of the audit, a draft report will be shared with the Administration that will include the results from the audit and findings and recommendations. A final audit report will be submitted to the Standing Policy Committee on Finance in the May 3, 2023, public meeting. The audit report will include the Administration response, action plan and implementation timelines in relation to the audit recommendations. The Office will obtain regular status updates from the Administration on the implementation status of the audit recommendations and will conduct follow-ups to independently assess whether the audit recommendations were effectively implemented.