Present: Councillors M. Pearson (Chair), R. Powers (Vice Chair), B. Clark

Absent with Regrets: Councillor B. Johnson – Other City Business
Councilor B. Morelli – Personal

Also Present: Councillor T. Jackson

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 13-009 AND RESPECTFULLY RECOMMENDS:

1. **2013 Second Quarter Emergency and Non-competitive Procurements Report (FCS13014(a)) (City Wide) (Item 5.1)**

   That Report FCS13014(a), respecting the 2013 Second Quarter Emergency and Non-competitive Procurements Report, be received.

2. **2013 Second Quarter Non-compliance with the Procurement Policy Report (FCS13015(a)) (City Wide) (Item 5.2)**

   That Report FCS13015, respecting the 2013 Second Quarter Non-compliance with the Procurement Policy Report, be received.
3. **Monthly Status Report of Tenders and Requests for Proposals for July 6, 2013 to August 2, 2013 (FCS13016(f)) (City Wide) (Item 5.3)**

That Report FCS13016(f), respecting the Monthly Status Report of Tenders and Requests for Proposals for July 6, 2013 to August 2, 2013, be received.

4. **Provincial Offences Administration (POA) 2012 Annual Report (FCS13051) (City Wide) (Item 5.4)**

That Report FCS13051, respecting the Provincial Offences Administration 2012 Annual Report, be received.

5. **Fixed Water/Wastewater Charges respecting 409 and 411 King Street East, Hamilton (FCS13068) (Ward 3) (Item 5.5)**

That Report FCS13068, respecting the Fixed Water/Wastewater Charges respecting 409 and 411 King Street East, Hamilton, be received.

6. **Planning and Economic Development – Culture Facilities – Cash Handling (AUD13029) (City Wide) (Item 5.6)**

That Report AUD13029, respecting the Planning and Economic Development Department, Culture Facilities Cash Handling, be received.

7. **Community and Emergency Services – Domiciliary Hostel Program (AUD13028) (City Wide) (Item 5.7)**

That Report AUD13028, respecting the Community and Emergency Services Department, Domiciliary Hostel Program, be received.

8. **Hamilton Waterfront Trust Audited Financial Statements, December 31, 2012 (Item 5.9)**

That the Hamilton Waterfront Trust Audited Financial Statements, December 31, 2012, be received.
9. **Follow Up of Audit Report 2011-09 - Information Technology - Software Asset Management (AUD13025) (City Wide) (Item 5.10)**

That Report AUD13025, respecting the follow up of Audit Report 2011-09, Information Technology, Software Asset Management, be received.

10. **Tax Appeals under Section 357 and 358 of the Municipal Act (2001) (FCS13027(d)) (City Wide) (Item 5.11)**

(a) That the Tax Appeals processed under Section 357 of the Municipal Act, 2001", in the amount of $23,464 (attached as Appendix “A” to Report 13-009), be approved;

(b) That the Tax Appeals due to a Gross or Manifest Clerical Error, pursuant to Section 358 of the Municipal Act, 2001", in the amount of $5,943 (attached as Appendix “B” to Report 13-009), be approved.

11. **Treasurer’s Apportionment of Land Taxes (FCS13001(e)) (Ward 15) (Item 5.12)**

That the 2012 land taxes in the amount of $1,980 for 103 Sadielou Boulevard, Flamborough (Roll #2518 303 420 04794 0000) be apportioned and split amongst the four newly created parcels, as set out in Appendix “C” attached to Report 13-009.

12. **Employee Attendance Performance Measures Q2 2013 (HUR13011) (City Wide) (Item 5.13)**

That Report HUR13011, respecting the Employee Attendance Performance Measures Q2 2013, be received.

13. **Kim and Kevin Wong, respecting Horizon Utilities Fees for 409 and 411 King Street East, Hamilton, Ontario (Item 6.2)**

That staff be directed to review both the Horizon Utilities consumption and variable charges (water/wastewater), as it relates to 409 and 411 King Street East, Hamilton and determine how to maximize the discount for the property owners.
14. **Joey Coleman respecting Open Data (Item 6.3)**

That the presentation from Joey Coleman, respecting Open Data, be referred to the Web Development Committee for consideration during the 2014 budget process.

15. **Extension of Development Charges Demolition Credit for 175 Longwood Road South, Hamilton (FCS10051(a)) (Ward 1) (Item 8.1)**

(a) That the Development Charges demolition credit for 175 Longwood Road South, Hamilton, Ontario (former Camco Inc. plant) be extended until July 31, 2015; and,

(b) That McMaster Innovation Park (MIP) provide annual updates to the Audit, Finance & Administration Committee respecting the progress of the projects in the MIP.

16. **Proposed Write-offs of Outstanding Fines for Provincial Offences (FCS13052) (City Wide) (Item 8.2)**

That staff be authorized to write-off the following outstanding Provincial Offences deemed uncollectible, in the total amount of $744,348:

(i) $425,665 in uncollectible fines with a due date of December 31, 2005 and prior;

(ii) $188,579 for deceased person files from July 1, 2012 through June 30, 2013; and,

(iii) $130,104 for underpayments from July 1, 2012 through June 30, 2013.

17. **City-Wide Cash Handling Guidelines (AUD13031) (City Wide) (Item 8.3)**

(a) That City-Wide Cash Handling Guidelines, attached as Appendix “D” to Report 13-009, as amended, be approved;

(b) That the Acting General Manager of Finance and Corporate Services be directed to create a Corporate Cash Handling Policy, which incorporates the Cash Handling Guidelines (attached as Appendix “D” to Report 13-009) by calendar year end 2013; and,
(c) That the City Manager, General Manager of Community and Emergency Services, Acting General Manager of Finance and Corporate Services, General Manager of Planning and Economic Development, General Manager of Public Works and the Medical Officer of Health be directed to report to the Audit, Finance and Administration Committee with an updated status, respecting the implementation and incorporation of the Cash Handling Guidelines into departmental cash handling procedures within four months; by March, 2014.

18. **Performance Audit Report 2013-13 – Employer Paid Parking (Value for Money Audit) (AUD13024) (City Wide) (Item 8.4)**

   (a) That recommendations #1 – 5, as attached as Appendix “E” to Report 13-009, respecting the Employer Paid Parking Performance Audit, be approved; and,

   (b) That the Senior Management Team (SMT) be directed to provide to the Audit, Finance and Administration Committee, by the 2013 calendar year end, the management action plans for addressing the implementation of the Employer Paid Parking Value for Money Audit report recommendations (attached as Appendix “E” to Report 13-009).

19. **Audit Report 2013-04 - Hamilton Water - Inventory Controls (AUD13030) (City Wide) (Item 8.5)**

   (a) That the Management Action Plans, as detailed in the attached Appendix “F” to Report 13-009, be approved; and,

   (b) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “F” to Report 13-009) implemented.

20. **Approval for Permanent Occupational Health Nurse Position (HUR13012) (City Wide) (Item 8.6)**

   (a) That the 1 FTE Occupational Health Nurse, which was approved by Council on May 12, 2010 as a 3 year pilot, be made permanent in order to sustain the City's Occupational Health Program and provide disability management services; and,
(b) That the 1 FTE Occupational Health Nurse and Occupational Health Program be funded, on an on-going basis from both the Benefit and WSIB Reserves.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised of the following change to the agenda:

(i) Added as Item 4.2 – Delegation Request from Joey Coleman respecting Open Data

The agenda for the September 9, 2013 Audit, Finance & Administration Committee meeting was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(i) August 14, 2013 (Item 3.1)

The Minutes of the August 14, 2013 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

(i) Jake Dheer, Station Manager of Rogers TV Dufferin-Peel, respecting the Wireless Spectrum and the Existing Rules that gives Foreign Companies Advantages over Canadian Companies (Item 4.1)

The delegation request, submitted by Jake Dheer, Station Manager of Rogers TV Dufferin-Peel, respecting the wireless spectrum and the existing rules that give foreign companies advantages over Canadian companies, be denied as the matter falls under Federal jurisdiction.
(ii) **Joey Coleman respecting Open Data (Item 4.2)**

The delegation request by Joey Coleman, respecting Open Data, was approved to appear before the Audit, Finance & Administration Committee at the September 9, 2013 meeting.

(e) **Community and Emergency Services - Corporate Trunked Radio Upgrade Project (AUD13027) (City Wide) (Item 5.8)**

Report AUD13027, respecting Community and Emergency Services – Corporate Trunked Radio Upgrade Project, was tabled to the October 8, 2013 Audit, Finance & Administration Committee meeting in order that Chief Simonds may be in attendance to speak to the matter.

(f) **DELEGATIONS (Item 6)**

(i) **Zach Douglas, President and CEO, McMaster Innovation Park, respecting a Request for an Extension of Development Credits available to Trust for 175 Longwood Road South, Hamilton, Ontario (Item 6.1)**

Mr. Douglas addressed Committee, respecting McMaster Innovation Park’s request for an extension of Development Credits available to Trust for 175 Longwood Road South, Hamilton, Ontario. Mr. Douglas' comments included, but were not limited to, the following:

- Mr. Douglas provided a brief update as to the status of the McMaster Innovation Park over the last 6 years.
- The new building will be located on the southeast corner of Frid Street or northwest corner of the Longwood Road site.
- The building will have approximately 80,000 square feet of space with a footprint of 12,000 to 20,000 square feet, and a height of 4 to 6 stories.
- The space provided will included a minimum finished wet lab space of 5,000 square feet up to 10,000 square feet, based on demand.
- Offices and dry labs will be approximately 69,800 square feet.
- Common area (halls, stairs and open spaces) will be 5,200 square feet.
A full copy of Mr. Douglas’ presentation is available online at www.hamilton.ca or through the Office of the City Clerk.

The presentation by Zach Douglas, President and CEO, McMaster Innovation Park, respecting a Request for an Extension of Development Credits available to Trust for 175 Longwood Road South, Hamilton, Ontario, was received.

(ii) Kim and Kevin Wong, respecting Horizon Utilities Fees for 409 and 411 King Street East, Hamilton, Ontario (Item 6.2)

Mr. Kim Wong addressed Committee respecting the Horizon Utilities fees for 409 and 411 King Street East, Hamilton, Ontario. Mr. Wong’s comments included, but were not limited to, the following:

  o On December 14, 2012 there was a fire in an adjacent building to both 409 and 411 King Street East, Hamilton (row houses) that spread to the roof and burned both 409 and 411 King Street East.

  o Hamilton Fire was required to remove the entire roof in order to properly address the fire.

  o Subsequently, the tenants in both properties were required to find alternate living arrangements.

  o Mr. Wong contacted the City several times to advise that there were no tenants in the building.

  o When staff arrived, they were unable to locate the water shut-off valves. Subsequently, the owner found the shut-off valves in the back yard.

  o There were no tenants in the building since last December so the estimated costs should be reduced to reflect a reduced consumption charge.

  o The owners are asking to have both the consumption and the fixed rate fees reduced by 90 to 95%.

  o As well, the owners were charged for the missing meters; however, one of the missing meters has since been located in the basement and the owner requested that the meter replacement fee be removed if he returns the meter.
Both properties had been broken into after the fire and copper piping had been stolen. It is the owners' belief that when the buildings were broken into, the meters were removed during the theft and left in the basement.

The copper theft was reported to Horizon Utilities and the owners' insurance company.

The presentation by Kevin Wong, respecting Horizon Utilities fees for 409 and 411 King Street East, Hamilton, Ontario, was received.

(iii) Joey Coleman respecting Open Data (Item 6.3)

Mr. Coleman addressed Committee respecting Open Data. Mr. Coleman's comments included, but were not limited to, the following:

- Asking the City to take the next steps toward implementation of the transit real time open data.
- Requested that the 2014 budget process identify a funding source for Open Data.
- The next steps for the City:
  - Transit Data – Real Time HSR Data
  - Restaurant Data
  - Traffic Data
  - Planning, Permit and Zoning Data
  - Snow Clearing Data
  - Finance Data

A full copy of Mr. Coleman's presentation is available on line at www.hamilton.ca or through the Office of the City Clerk.

The presentation by Joey Coleman, respecting Open Data, was received.
(g) GENERAL INFORMATION/OTHER BUSINESS (Item 11)

(i) Amendments to the Outstanding Business List (Item 11.1)

The following Items were considered complete and removed from the Audit, Finance & Administration Committee’s Outstanding Business List:

(i) Item “O” – Follow-up of Audit Report 2011-01 – Culture Facilities – Cash Handling (Item 5.6 on today’s agenda)

(ii) Item “P” – Follow-up of Audit Report 2010-13 - Domiciliary Hostels (Item 5.7 on today’s agenda)

(iii) Item “Z” - Internal Audit of City-wide Cash Handling Policies (Item 8.3 on today’s agenda)

(h) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance & Administration Committee, adjourned at 11:13 a.m.

Respectfully submitted,

Councillor M. Pearson, Chair
Audit, Finance & Administration Committee

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

Council – September 11, 2013
<table>
<thead>
<tr>
<th>Appeal No.</th>
<th>Property Address</th>
<th>Roll Number</th>
<th>Explanation</th>
<th>YEAR</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>357-06-283</td>
<td>238 Parkdale Ave S</td>
<td>0504190031000000</td>
<td>Exempt remainder of building - place of worship</td>
<td>2006</td>
<td>-569.08</td>
</tr>
<tr>
<td>357-08-040</td>
<td>238 Parkdale Ave S</td>
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<td>Exempt remainder of building - place of worship</td>
<td>2008</td>
<td>-607.35</td>
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<tr>
<td>357-11-071</td>
<td>514 Fifty Rd</td>
<td>0030100100000000</td>
<td>Demolition of house in late 2010</td>
<td>2011</td>
<td>-2,038.19</td>
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<tr>
<td>357-11-085</td>
<td>668 Arvin Ave</td>
<td>0031201520000000</td>
<td>Demolition of the house</td>
<td>2011</td>
<td>-880.14</td>
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<tr>
<td>357-11-086</td>
<td>672 Arvin Ave</td>
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<td>Demolition of the house</td>
<td>2011</td>
<td>-804.07</td>
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<tr>
<td>357-11-087</td>
<td>676 Arvin Ave</td>
<td>0031201560000000</td>
<td>Demolition of the house</td>
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<td>-953.23</td>
</tr>
<tr>
<td>357-11-114</td>
<td>357 Third Rd E</td>
<td>0036106020000000</td>
<td>Demolition of original house new home built</td>
<td>2011</td>
<td>-679.08</td>
</tr>
<tr>
<td>357-12-119</td>
<td>41-43 Wentworth St S</td>
<td>0302315010000000</td>
<td>Fire in 2011 building still not repaired</td>
<td>2012</td>
<td>-1,632.88</td>
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<tr>
<td>357-12-175</td>
<td>25 Belfort Terrace Unit 16</td>
<td>1402802903700000</td>
<td>Handicapped Accessible</td>
<td>2012</td>
<td>-294.39</td>
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<tr>
<td>357-12-187</td>
<td>141 Park St N</td>
<td>0201260007000000</td>
<td>Exemption denied does not meet criteria - rental property</td>
<td>2012</td>
<td>0.00</td>
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<tr>
<td>357-12-227</td>
<td>17 - 21 McKinstry</td>
<td>0302240770000000</td>
<td>Demolition of old house on property</td>
<td>2012</td>
<td>12.22</td>
</tr>
<tr>
<td>357-12-229</td>
<td>308 Parkdale Ave N</td>
<td>0504190013000000</td>
<td>Demolition of structure now used for parking</td>
<td>2012</td>
<td>-995.03</td>
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<tr>
<td>357-12-247</td>
<td>601 Barton St E</td>
<td>0302375594000000</td>
<td>Tax Class Conversion denied does not meet criteria</td>
<td>2012</td>
<td>0.00</td>
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<tr>
<td>357-13-028</td>
<td>0 Mays Cres</td>
<td>3033301757200000</td>
<td>Gross or Manifest Error city rents from developer</td>
<td>2013</td>
<td>1.27</td>
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<tr>
<td>357-12-062</td>
<td>150 Hillyard St</td>
<td>0302720247000000</td>
<td>Tax Class Conversion lease expired May 31</td>
<td>2013</td>
<td>3,125.73</td>
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<tr>
<td>357-13-045</td>
<td>477 Melvin Ave</td>
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<td>2013</td>
<td>-3,117.97</td>
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<tr>
<td>357-13-094</td>
<td>196 Governors Rd</td>
<td>2600900484000000</td>
<td>Demolition of all structures on the property</td>
<td>2013</td>
<td>-1,475.95</td>
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<tr>
<td>357-13-016</td>
<td>908 Barton St E</td>
<td>0402860007000000</td>
<td>Tax Class Conversion property converted to residential</td>
<td>2013</td>
<td>-1,696.10</td>
</tr>
<tr>
<td>357-13-017</td>
<td>910 Barton St E</td>
<td>0402860001000000</td>
<td>Tax Class Conversion property converted to residential</td>
<td>2013</td>
<td>-2,906.11</td>
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<tr>
<td>357-13-048</td>
<td>59 Lovers Lane</td>
<td>1402402260000000</td>
<td>Demolition of house in 2012 not reported until May 2013</td>
<td>2013</td>
<td>-1,273.69</td>
</tr>
<tr>
<td>357-13-025</td>
<td>6 Celac Ct</td>
<td>0607310369000000</td>
<td>Fire in November moved back into house the end of April</td>
<td>2013</td>
<td>-676.67</td>
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<tr>
<td>357-13-029</td>
<td>56 Academy Ave</td>
<td>1402502720000000</td>
<td>Demolition of old house</td>
<td>2013</td>
<td>-595.11</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>-23,463.82</strong></td>
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</table>
B- overcharge (Assessment Roll)
B1 -overcharged-application denied
E - Exempt

<table>
<thead>
<tr>
<th>Appeal No</th>
<th>Property Address</th>
<th>Roll Number</th>
<th>Reason</th>
<th>Explanation</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>358-12-06</td>
<td>51 Falcon Rd</td>
<td>003010014120000</td>
<td>B</td>
<td>incorrect number of bathrooms and incorrect square footage on property</td>
<td>2011</td>
<td>-39.17</td>
</tr>
<tr>
<td>358-12-06</td>
<td>51 Falcon Rd</td>
<td>003010014120000</td>
<td>B</td>
<td>included the attic area above the owner reported demolition in 2010 MPAC</td>
<td>2010</td>
<td>-27.13</td>
</tr>
<tr>
<td>358-12-02</td>
<td>1365 Base Line Rd</td>
<td>003010354000000</td>
<td>B1</td>
<td>states structure still standing</td>
<td>2012</td>
<td>0.00</td>
</tr>
<tr>
<td>358-12-02</td>
<td>1365 Base Line Rd</td>
<td>003010354000000</td>
<td>B1</td>
<td>owner reported demolition in 2010 MPAC states structure</td>
<td>2011</td>
<td>0.00</td>
</tr>
<tr>
<td>358-11-07</td>
<td>0 Longwood Rd N</td>
<td>010056002300000</td>
<td>E</td>
<td>landlocked City property near 403</td>
<td>2009</td>
<td>-544.91</td>
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<tr>
<td>358-10-11</td>
<td>120 Catharine St S</td>
<td>020143002200000</td>
<td>B</td>
<td>house removed in 2005 still on the 08 tax roll</td>
<td>2008</td>
<td>-683.05</td>
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<tr>
<td>358-12-09</td>
<td>601 Barton St E</td>
<td>030237559400000</td>
<td>B1</td>
<td>old Gibson school does not meet the criteria for the residential tax rate</td>
<td>2010</td>
<td>0.00</td>
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<tr>
<td>358-12-09</td>
<td>601 Barton St E</td>
<td>030237559400000</td>
<td>B1</td>
<td>per the Assessment Act.</td>
<td>2011</td>
<td>0.00</td>
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<td>358-13-03</td>
<td>467 DiCenzo Dr</td>
<td>070861060840000</td>
<td>B</td>
<td>incorrect lot size verified through the land parcel unit</td>
<td>2012</td>
<td>-285.06</td>
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<tr>
<td>358-13-03</td>
<td>467 DiCenzo Dr</td>
<td>070861060840000</td>
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<td>incorrect lot size verified through the land parcel unit</td>
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<td>-221.89</td>
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<tr>
<td>358-13-04</td>
<td>229 Rosemary Lane</td>
<td>140350124000000</td>
<td>B</td>
<td>the original structure was demolished in 2010, still</td>
<td>2012</td>
<td>-2085.06</td>
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<tr>
<td>358-13-04</td>
<td>229 Rosemary Lane</td>
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<td>B</td>
<td>reflected on the roll</td>
<td>2011</td>
<td>-2057.25</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td></td>
<td>-5,943.52</td>
</tr>
</tbody>
</table>
APPORPTIONMENT OF TAXES

That the original land taxes recorded against;

Roll #2518 303 420 04794 0000 – (103 Sadielou Boulevard, Flamborough) in the amount of $1,980 be split amongst the four newly created lots listed below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ADDRESS</th>
<th>ROLL NUMBER</th>
<th>APPORTIONED ASSESSMENT</th>
<th>TAX AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>103 Sadielou Blvd.</td>
<td>2518 303 420 04794 0000</td>
<td>41,335</td>
<td>$ 499</td>
</tr>
<tr>
<td>2013</td>
<td>101 Sadielou Blvd.</td>
<td>2518 303 420 04796 0000</td>
<td>40,666</td>
<td>491</td>
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<tr>
<td>2013</td>
<td>99 Sadielou Blvd.</td>
<td>2518 303 420 04797 0000</td>
<td>40,666</td>
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<tr>
<td>2013</td>
<td>97 Sadielou Blvd.</td>
<td>2518 303 420 04798 0000</td>
<td>41,333</td>
<td>499</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>164,000</strong></td>
<td></td>
<td><strong>$ 1,980</strong></td>
</tr>
</tbody>
</table>
PURPOSE

The purpose of this document is to provide guidelines to:

- Promote proper and consistent cash handling practices across the organization;
- Establish a system of internal controls for cash handling to prevent mishandling of such funds; and
- Assist in strengthening the security over cash receipts within the City of Hamilton.

SCOPE

These guidelines should apply to all City of Hamilton operating departments with employees, staff, volunteers, students, elected officials, contractors, consultants, boards, agencies, commissions and business partners who accept cash funds on behalf of the City and whose financial transactions are captured within the City’s financial systems.

These guidelines do not include controls pertaining to cheque payments, debit or credit card payments or the use of petty cash funds.

DEFINITIONS

Bonding of Employees – Agreement under which a bonding or insurance company guarantees payment of a certain amount as damages in the event that one or more employees covered in the agreement cause financial loss to the City.

Cash – Canadian and US bills, coins, cheques, money orders and credit/debit card transactions.

Cashier – Employee, staff, volunteer, student, elected official, contractor, consultant, board, agency, commission or business partner assigned cash handling responsibilities.

PeopleSoft Financial System – Accounting software utilized by the City of Hamilton to record financial transactions.

Point of Sale System – A computer used in place of a cash register to record transactions, handle credit and/or debit payments and print receipts and reports.

Refund – Reimbursement to a customer for returned, cancelled or unsatisfactory goods or services after the original purchase transaction is completed.
Segregation of Duties – Internal control concept in which the same employee does not have responsibility for incompatible activities such as handling cash and recording and reconciling transactions.

Transaction Log – Manual record used to record transactions.

Voided Transaction – Reversal of an item entered into a cash register or point of sale system before the purchase transaction is completed.

**CASH HANDLING GUIDELINES**

**Segregation of Duties**

One employee given responsibility to collect cash, record transactions and/or reconcile daily cash activity has the opportunity to misappropriate cash and conceal the shortage in the accounting records.

No individual should have responsibility for both collecting cash and:

- Opening the mail;
- Depositing cash;
- Recording or approving journal entries within the PeopleSoft Financial System;
- Performing bank reconciliations;
- Issuing invoices or posting payments within the PeopleSoft accounts receivable module;
- Initiating, approving or recording accounts receivable write-offs or other adjustments;
- Reconciling the numerical continuity of manual customer receipts, where applicable; and
- Using discretion as to whether a related charge will be levied and/or the amount of the charge.

Where segregation of duties is not practical, additional compensating controls and mitigation practices such as managerial oversight are required to reduce the risk of loss.

Cashiers should not carry out cash handling duties for at least one consecutive week per year. This may be accomplished through mandatory vacation, job rotation or other means. Such a routine may help to identify unusual or questionable practices of the regular cashiers.

**Receiving and Recording Cash Payments**

An incomplete record of cash transactions and adjustments provides an opportunity to misappropriate cash and omit the shortage from the accounting records.
Counterfeit and mutilated currency is not legal tender and should not be accepted. A counterfeit detection device should be used to identify forged currency. Where it is not practical to purchase or use such equipment, cashiers should be adequately trained in using common security features to identify counterfeit money.

All cash payments should be entered into the cash register or point of sale system immediately upon receipt from the customer. Where it is not practical to use a cash register or point of sale system, the cash payment should be recorded using pen in a transaction log which documents at a minimum the date, amount, type and purpose of the payment received.

Adjustments made to standard prices (e.g. coupons, discounts or rebates) or fee waivers should be captured separately from the purchase price. Documentation supporting the adjusted price or fee waiver should be retained. Adjustments or fee waivers appearing on the cash register summary tape, point of sale system report or manual transaction log at the end of the cashier’s shift should be reconciled to supporting documentation retained. Management should review and approve price adjustments and fee waivers by the following business day or at least on a monthly basis. Management should investigate inappropriate price adjustments and fee waivers or those for which no supporting documentation exists. The investigation should include an assessment of unusual patterns.

A receipt should be printed from the cash register or point of sale system and provided to the customer for all payments received. A manual receipt should be prepared where it is not practical to use a cash register or point of sale system. The cash register, point of sale system or manual receipt should indicate at a minimum the transaction date, sequential transaction or receipt number, purpose of the payment, amount received and type of payment.

Manual receipts should be issued from a sequentially pre-numbered receipt book in numerical order. Spoiled receipts should be marked “VOID” and retained in the receipt book. Management should account for the numerical sequence of receipt numbers on a quarterly basis and when a new receipt book is requested. At a minimum, manual receipts should be produced in duplicate – one copy is provided to the customer and one copy is retained in the receipt book for accounting purposes. Where it is not practical to issue manual receipts for small dollar transactions, additional management review and oversight is required to ensure cash receipts are complete.

All cash payments should be collected by the cashier at a central location. Where this is not practical (e.g. donation box, vending machine), two employees should collect and count the funds, document the count, initial the form and observe the cashier enter the funds into the cash register, point of sale system or manual transaction log. The initialed form documenting the count should be retained. Such sales appearing on the cash register summary tape, point of sale system report or manual transaction log at the end of the cashier’s shift should be reconciled to the initialed form documenting the count.
Management should investigate documented funds not recorded in the cash register, point of sale system or transaction log.

**Refunds and Voided Transactions**

Lack of documentation and management oversight provides an opportunity to process an unfounded refund or void transaction for cash and misappropriate the funds.

Each department should develop and implement a refund policy as appropriate to its operations. Each policy should adhere to the following minimum requirements.

All refunds and voided transactions should have the following supporting documentation:

- Transaction date;
- Customer name, address, phone number and signature;
- Original customer receipt (where available);
- Reason for the refund or voided transaction;
- Amount and form of payment;
- Signature of the cashier issuing the refund or void;
- Signature of the supervisor approving the transaction.

Total refunds and voided transactions appearing on the cash register summary tape, point of sale system report or manual transaction log at the end of the cashier’s shift should be reconciled to the supporting documentation outlined above. Management should investigate refunds and voided transactions for which no supporting documentation exists.

Refunds should be returned using the same payment method as the original payment. For example, if the original payment was made using a VISA credit card, the refund must be returned to the same VISA credit card. If a cash refund will deplete all or part of the cash float, the refund should be requested by City of Hamilton cheque.

Cashiers should not have the ability to process a refund or voided transaction without management approval. Where it is not practical to obtain approval at the time of the transaction, management should review and approve refunds and voided transactions by the following business day or at least on a weekly basis. The review should include an assessment of unusual patterns.

**Receipts Reconciliation**

Lack of management oversight and a proper receipts reconciliation process creates an opportunity to misappropriate cash and conceal the shortage.
Cash, cheque, debit and credit card receipts on hand should be counted and reconciled to amounts recorded in the cash register, point of sale system or transaction log at the end of the cashier’s shift.

Cash appearing on the cash register summary tape, point of sale system report or manual transaction log covering the shift period should be compared to the actual amount of cash on hand once the float balance when utilized is removed. Cash shortages or overages should be identified and explained. The receipts reconciliation should be documented, re-performed and reviewed by management and signed by both the cashier and management as evidence that the reconciliation is complete and accurate. Where it is not practical for management to review the receipts reconciliation, a second employee who did not participate in the particular cash handling activities may act on management’s behalf.

Management should summarize cash shortages and overages by employee, date and amount. Management should review this summary at least on a monthly basis in order to identify trends or significant cumulative discrepancies.

Each operating department should define the dollar threshold for a significant single or cumulative cash shortage or overage. Significant shortages and overages should be brought to management’s attention, investigated, documented and resolved. At a minimum, documentation should contain a description of steps taken to investigate the shortage or overage and what action (if any) was taken by management.

The float and cash awaiting deposit should be stored in a secure location with limited access. The cashier should not have access to cash awaiting deposit after the receipts reconciliation is complete.

**Deposits**

Large amounts of cash stored on-site for an extended period of time provides an opportunity to misappropriate, skim or lap funds.

All funds should be deposited intact. No cash receipts should be retained or expended to pay invoices or miscellaneous expenses, replenish petty cash or make loans or advances. Cash back for debit or credit card purchases must not be allowed.

Deposits should occur as outlined in the Cash Handling Policy on a weekly basis. Cash awaiting deposit should be stored in a secure location with limited access.

Deposits that do not occur on a daily basis should be reconciled to the amount of cash receipts recorded for the days captured by the deposit. Cash appearing on the cash register summary tape, point of sale system report or manual transaction log covering the deposit period should be compared to the actual amount of cash on hand. Differences that were not previously identified as part of the receipts reconciliation
process should be brought to management’s attention, investigated, documented and resolved. The deposit reconciliation should be reviewed by management and signed by both the employee and management as evidence that it is complete and accurate.

A bank deposit slip should be prepared for the actual amount of cash on hand. The deposit amount should match the amount of cash appearing on the receipts reconciliation or deposit reconciliation. The deposit should be re-counted and bank deposit slip reviewed by management. The bank deposit slip should be signed by both the employee and management as evidence that the reconciliation is complete and accurate. At a minimum the bank deposit slip should be produced in triplicate – two copies are remitted to the bank with the deposit and one copy is retained by the department. The deposit and two copies of the bank deposit slip should be sealed in a bank deposit bag. The deposit should occur the same day on which it is prepared.

Bank deposits should be picked up by an armoured car service. Where armoured car service is not available, the deposit should be escorted to the bank by a City employee. Cash should not be sent through mail or inter-office mail for deposit.

Deposits picked up by an armoured car service should be recorded using pen in a pickup log which documents, at a minimum, the date, deposit bag number, deposit amount, initials of the City employee releasing the deposit and initials of the armoured car driver taking custody of the funds. The identification of the armoured car driver should be compared against a list of authorized personnel before releasing the deposit.

**Bank Reconciliation**

Lack of a bank reconciliation process creates an opportunity to misappropriate cash from the bank deposit and not detect the discrepancy.

Funds deposited should be recorded in the PeopleSoft Financial System and reconciled to City bank statements at least on a monthly basis.

Point of sale system transactions should be automatically downloaded into the PeopleSoft Financial System. Manual journal entries are required to record cash register and transaction log activity into the PeopleSoft Financial System. Each department should forward pertinent documentation to Finance and Administration in order to prepare manual journal entries.

Finance Services/Finance and Administration should perform, document, review and sign off on bank reconciliations by the end of the month following the month being reconciled. Any discrepancies between funds deposited and bank activity should be investigated and resolved with assistance from the operating department.
Appendix “D” to Item 17 of AF&A Report 13-009
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Safeguarding Cash

Inadequate physical security provides an opportunity to misappropriate cash from the float, daily cash receipts and/or bank deposit. It may be difficult to identify when and why cash shortages occur or the person responsible if access to cash is not limited.

Background checks should be performed on prospective cash handlers. Employees handling cash receipts should be bonded.

Cash should be kept secure at all times. This includes but is not limited to:

- Keeping all cash in a locked cash register, cash drawer or cash box;
- Locking the cash register, cash drawer or cash box when cash is left unattended; and
- Affixing cash registers and boxes to a fixed surface to prevent removal.

Physical access to the safe or storage areas where cash is kept should be restricted to a limited number of people. Access may be restricted by limiting those with access to keys or knowledge of the combinations. Access should be granted based on the employee’s job duties.

Safe combinations should be kept in secure locations and records should be maintained listing those who have knowledge of the combinations. Safe combinations should be changed periodically or when there is a change in staff (e.g. termination, change in position, retirement, etc.).

For safes, lock boxes, filing cabinets or cash drawers with keys, all keys and copies must be kept secure and there should be a log to track the issuance of keys. When an employee leaves the employment of the City or changes responsibilities, all keys should be turned in. Operating departments should have a plan in place for re-keying safes / lockboxes periodically.

If security proximity cards are used to restrict access, the access listing should be obtained from Facilities yearly and reviewed by management to ensure only required personnel have access.

Security devices (e.g. cameras, alarm buttons, bullet proof glass) should be installed at locations where a considerable amount of cash is collected.

Cash should be counted in a non-public, secure area, out of sight.
Cash Float

Continuous access to the cash float for an extended period of time without management oversight provides an opportunity to misappropriate, skim or lap funds.

A cash float is issued for the purpose of making change for a cash transaction. Money from the float should not be retained or expended to pay invoices or miscellaneous expenses, replenish petty cash or make loans or advances.

The cash float should be stored in a secure location with limited access at all times. Access to the cash float should be limited to the cashier and their direct supervisor during a given shift.

The cashier should count the cash float at the start and end of their shift. At a minimum, the float should be re-counted by management or their designate at the end of the cashier’s shift as part of the receipts reconciliation process. Shortfalls in the float balance should be brought to management’s attention, investigated, documented and resolved.

Management should conduct a surprise count on a periodic basis to reconcile the float balance. The count should be witnessed by another employee and the reconciliation documented and initialed by both employees. At a minimum, surprise counts should occur on a quarterly basis.

RESPONSIBILITIES

The General Managers, in conjunction with departmental management, shall be responsible for:

- Ensuring that the above guidelines and internal controls are incorporated into cash handling procedures developed for and implemented in their respective service areas;
- Ensuring that cash handling procedures and related internal controls are in place and operating;
- Establishing additional procedures and controls required to meet specific departmental needs; and
- Ensuring that personnel, who handle cash, are informed of, understand and adhere to the provisions of departmental cash handling procedures.

Employees handling cash receipts are responsible for complying with cash receipt handling procedures developed for and implemented in their respective service areas.
The Director of Audit Services or designate is responsible for completing cash handling reviews of select departmental or service areas on a periodic basis to identify opportunities for improving and strengthening cash handling controls.
INTRODUCTION

Employees located in the downtown core who choose to drive to work are required to obtain and pay for their own parking. A policy and procedure exist which outline the circumstances under which the City will pay or provide for an employee’s parking.

The Employee Parking Policy (Downtown) HR-12-09 approved by the Senior Management Team (SMT) on February 10, 2011 provides “clear criteria of when an employee qualifies and needs to apply for employer paid parking”. The City provides paid monthly parking to:

- Employees in the downtown core who had employer paid parking effective March 9, 2005 (grandfathered);
- Employees who qualify for paid parking as outlined in their collective agreement;
- Elected officials;
- Employees who negotiated paid parking as part of their employment offer or contract; and
- Employees who are required to use their personal vehicles for City business three times per week or more of their scheduled work week.

The following chart was compiled from the PeopleSoft Human Resources Management System (HRMS) and provides an approximation of the number of employees and the expense borne by each department for employer paid parking (excluding HECFI and Hamilton Police Service).

<table>
<thead>
<tr>
<th>Department</th>
<th>Quantity (Employees)</th>
<th>Annual Expense ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor’s and Councillors’ Offices</td>
<td>30</td>
<td>$ 28,070</td>
</tr>
<tr>
<td>City Manager’s Office</td>
<td>29</td>
<td>25,406</td>
</tr>
<tr>
<td>Community Services</td>
<td>207</td>
<td>150,818</td>
</tr>
<tr>
<td>Planning &amp; Economic Development</td>
<td>142</td>
<td>135,551</td>
</tr>
<tr>
<td>Public Works</td>
<td>129</td>
<td>104,180</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>93</td>
<td>89,608</td>
</tr>
<tr>
<td>Public Health</td>
<td>74</td>
<td>70,740</td>
</tr>
<tr>
<td>Total</td>
<td>704</td>
<td>$604,373</td>
</tr>
</tbody>
</table>

An employee who uses his/her personal vehicle for City business and does not qualify for employer paid parking is reimbursed for parking costs on a per trip basis in accordance with travel and mileage policies.
Appendix “E” to Item 18 of AF&A Report 13-009
Page 2 of 8

The Employer Paid Parking Procedure for Confirming Continued Eligibility approved by SMT on September 29, 2011 pertains to employees who qualified for paid parking by virtue of using their personal vehicles for City business at least three times per week. This procedure outlines the processes for:

- Employees to report business trips; and
- Management to evaluate continued eligibility for employer paid parking.

Employees are expected to report business trips on a monthly basis using mileage claim forms. The Accounts Payable department receives approved forms and records the number of trips in PeopleSoft HRMS. Managers are expected to review the PeopleSoft Trip Accumulator Report on an annual basis to assess employees’ continued eligibility for paid parking. Employees must use their vehicles for City business a minimum of 126 times per year (or 10 times per month where pro-rating is required) to retain employer paid parking.

Cost savings may be realized if parking is no longer provided to or paid for employees who do not meet the eligibility requirements outlined in the parking policy and procedure.

**AUDIT OBJECTIVES AND SCOPE**

The purpose of this audit was to perform the trip analysis outlined in the parking procedure, identify employees who are no longer eligible to receive employer paid parking as they do not meet the requirements as set out and/or the reason for paying parking cannot be verified and calculate the related cost savings on a go-forward basis.

The cost of parking provided to or paid for employees on a monthly basis is considered a benefit for tax purposes. The audit included all employees who received a parking benefit in the period of January 1 to December 31, 2012. All City departments, except HECFI and the Hamilton Police Service, were incorporated in the analysis.

**METHODOLOGY**

The work performed by Audit Services involved:

**A. Compiling the following data from PeopleSoft HRMS:**

- Employee name, identification number and department;
- Total parking benefit received in the 2012 calendar year (exclusive of year end taxable benefit adjustments);
- Number of months during which a parking benefit was received;
- Number of trips reported for the 2012 calendar year as of April 12, 2013; and
- Employees who received a parking benefit through April 2013 (to identify potential gross cost savings on a go-forward basis).
B. Identifying and eliminating in the data collected in step A. above the following employees (in the order presented) who are eligible to receive paid parking and are exempt from the trip requirements as outlined in the parking policy and procedure:

- **Grandfathered employees** – per listings obtained from Parking Services which includes those who parked in both municipal and independent lots;

  (Note – Other sources exist which claim to identify grandfathered employees. As no two sources were identical to each other, Audit Services chose to use Parking Services’ lists as it can be reasoned that Parking Services would be the prime source of information directly related to their operations.)

- **Elected officials** – per the City of Hamilton website;

- Ontario Nurses’ Association Local 50 Health Unit members with paid parking in March 2013 when their collective agreement was ratified – per the seniority listing and parking benefit records in PeopleSoft HRMS;

- Employees with employment offers specifying paid parking – per departmental management and Mayor’s/Councillors’ Offices comments which Audit Services corroborated with personnel files maintained by Human Resources; and

- Employees with grievance settlements specifying paid parking – per departmental management comments which Audit Services corroborated with documentation maintained by Labour Relations.

C. Determining the number of trips required for employees to remain eligible for paid parking and assessing whether this standard was met for the 2012 calendar year.

D. Sending a list of ineligible employees to departmental management and Mayor’s/Councillors’ Offices requesting comments as to those employees who should continue to receive parking due to a situation that Audit Services may not have been aware. Their reasons to extend parking privileges are included in the report that follows.

E. Creating flow chart diagrams to pictorially depict audit findings.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.
FINDINGS

The following flow chart summarizes the results of the employer paid parking eligibility analysis performed by Audit Services.

During the 2012 calendar year 704 employees (excludes Hamilton Police Service and HECFI) received employer paid or provided parking amounting to $604,373.15. After careful analysis, Audit Services determined 220 of these employees did not meet the trip requirements outlined in the parking procedure and continued to receive employer paid parking through to April 2013. Gross annual savings of $183,239.51 in parking fees borne by the City may be achieved on a go-forward basis if these employees were no longer provided paid parking.
Management agreed with Audit Services that 39 employees are no longer eligible for paid parking. However, management and the Mayor’s/Councillors’ Offices believe that the remaining 181 employees should receive employer paid parking even though the eligibility criteria outlined in the parking policy and procedure were not met. The following chart summarizes the reasons provided by management and Mayor’s/Councillors’ Offices as to why these employees should continue to receive paid parking even though the comments could not be verified in many cases.

<table>
<thead>
<tr>
<th>Reason Provided by Management and Council</th>
<th>Quantity (Employees)</th>
<th>Parking Cost ($)</th>
</tr>
</thead>
</table>
| 1 Trips not claimed  
Employees were unaware of the requirement to report trips or did not have time to complete the paper work. | 45                   | $43,239.36      |
| 2 Grandfathered – not verifiable  
Employees do not appear on the grandfathered listings provided by Parking Services. | 39                   | 30,201.80       |
| 3 Limited on-site parking available  
A limited number of parking spots are available at buildings leased by the City. Parking is allocated to employees who travel frequently from the office to carry out their job duties. Although parking costs are sunk (cannot change as the cost is part of the building lease amount), it is Audit Services’ position that these employees should still abide by the criteria outlined in the parking policy and procedure and report their business trips. | 38                   | 30,080.60       |
| 4 Relocation – free parking at former locale  
Employees were relocated downtown from sites where free parking was provided due to capacity constraints OR Incentives of employer paid parking were offered as a result of site consolidation efforts (to realize significant rent savings). | 18                   | 11,000.80       |
| 5 Negotiated outside offer – not verifiable  
Paid parking was verbally negotiated and approved but not specified in the employee’s employment offer or contract. Audit Services cannot verify as no documentation exists. | 8                    | 7,535.00        |
| 6 Trips will increase  
Employees will incur more trips in the 2013 calendar year. | 6                    | 4,798.75        |
| 7 Trips not claimed – trips will increase  
Employees were unaware of the requirement to report trips. Employees will incur more trips in the 2013 calendar year. | 5                    | 4,235.00        |
<table>
<thead>
<tr>
<th>Reason Provided by Management and Council</th>
<th>Quantity (Employees)</th>
<th>Parking Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part of employment contract – not verifiable</td>
<td>4</td>
<td>3,010.00</td>
</tr>
<tr>
<td>The employee’s personnel file does not contain an employment offer or contract that provides paid parking. Audit Services cannot verify as no documentation exists.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provided as compensation outside offer</td>
<td>2</td>
<td>2,810.20</td>
</tr>
<tr>
<td>Parking parallels market conditions and compensation of other staff. Audit Services cannot verify as terms are not specified in the employee’s employment offer or contract.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No explanation provided</td>
<td>4</td>
<td>2,648.00</td>
</tr>
<tr>
<td>Management did not provide a clear explanation as to why the employee should continue to receive paid parking.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maternity leave – trips will increase</td>
<td>3</td>
<td>2,460.00</td>
</tr>
<tr>
<td>Employees were on maternity leave for all or part of the 2012 calendar year. Employees will incur more trips upon their return in the 2013 calendar year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entitled – employment contract misinterpreted</td>
<td>2</td>
<td>1,715.00</td>
</tr>
<tr>
<td>The intent was to provide employees with paid parking although this was not precisely stated in the employees’ employment contracts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to vehicle required at all times</td>
<td>2</td>
<td>1,710.00</td>
</tr>
<tr>
<td>Per management the variable nature of the employees’ positions require immediate access to a vehicle at all times.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual trips close enough to actual</td>
<td>2</td>
<td>1,690.00</td>
</tr>
<tr>
<td>Employees claimed 113 and 122 trips, respectively, for the 2012 calendar year. 126 trips were required to remain eligible for employer paid parking.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grievance settlement – not verifiable</td>
<td>1</td>
<td>935.00</td>
</tr>
<tr>
<td>Labour Relations does not have record of the employee receiving parking as a result of a grievance settlement. Audit Services cannot verify as no documentation exists.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Used by site staff on rotational basis</td>
<td>1</td>
<td>855.00</td>
</tr>
<tr>
<td>The employee allocated parking does not drive. The parking spot is used by other staff on a rotational basis to run errands for the site.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondment – free parking at former locale</td>
<td>1</td>
<td>575.00</td>
</tr>
<tr>
<td>Employee seconded to position in the downtown core. Free parking was provided at former work site.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>181</td>
<td>$149,499.51</td>
</tr>
</tbody>
</table>
The overall intent of the *Employee Parking Policy (Downtown)* is to provide paid parking to eligible employees who work in the downtown core. The policy defines the downtown core as the area within the perimeter of Queen Street, York Boulevard / Wilson Street, Wellington Street and Hunter Street. From a randomly selected sample of 43 employees Audit Services identified three employees who received paid parking and whose work locations were outside the confines of the downtown core. Additional gross cost savings of $744.58 may have been realized in the 2012 calendar year if management cancelled paid parking upon employees’ relocation outside of the downtown core.

**RECOMMENDATIONS**

Audit Services manually compiled data from PeopleSoft HRMS, Parking Services, Human Resources and Labour Relations to perform the parking eligibility analysis. Departmental staff may have difficulty performing the same analysis due to restricted access to PeopleSoft HRMS data, employee personnel files, grievance settlements and grandfathered employee listings. However, the implementation of the following four recommendations would result in records which would be more comprehensive and provide for more efficient analysis.

1. **That Payroll label employees in PeopleSoft HRMS who are eligible to receive paid parking and are exempt from the trip requirements outlined in the parking procedure.**

2. **That, once exempt employees are coded in PeopleSoft HRMS, that Payroll develop a process for departments to communicate changes to Payroll that affect employer paid parking to ensure the population remains accurate and complete.**

3. **That Payroll develop a PeopleSoft HRMS query capturing all pertinent information required to carry out the parking eligibility analysis. This query should be made available to departmental staff in order to perform the analysis on a go-forward basis.**

4. **That Payroll include the employee’s work location into the PeopleSoft HRMS query outlined in Recommendation #3. The employee’s work location should be factored into the parking eligibility analysis on a go-forward basis.**

Audit Services’ findings were based on the existing parking policy and procedure approved by SMT. Management and Mayor’s/Councillors’ Offices exercised their discretion to provide paid parking for the above employees irrespective of the eligibility requirements outlined in the policy and procedure. Many of such decisions were based on achieving considerable net operational savings, using available parking that would otherwise be idle, exercising judgment around vague policy and procedure terms and maximizing productive time to provide service as opposed to completing paperwork for job duties with a high volume of trips.

5. **That SMT be directed to address those employees who do not meet the eligibility criteria outlined in the parking policy and procedure (or do not fall under verifiable exclusions). SMT should prepare management action plans by the 2013 calendar year end outlining how and when these issues will be resolved.**
CONCLUSION

Audit Services identified 220 employees who received employer paid parking in the 2012 calendar year, did not meet the trip requirements outlined in the parking policy and procedure, and continued to receive parking benefits through April 2013. Annual gross savings of $183,239.51 may be achieved on a go-forward basis if the City no longer bears these parking costs. An additional $744.58 of paid parking was provided to employees whose work locations did not meet the definition of “downtown” core, bringing the potential gross savings to $183,984.09.

The following chart provides a summary of the number of employees and total potential gross savings by department (excluding HECFI and Hamilton Police Service).

<table>
<thead>
<tr>
<th>Department</th>
<th>Quantity (Employees)</th>
<th>Potential Savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Services</td>
<td>96</td>
<td>$73,577.00</td>
</tr>
<tr>
<td>Planning &amp; Economic Development</td>
<td>41</td>
<td>34,195.00</td>
</tr>
<tr>
<td>Public Works</td>
<td>45</td>
<td>37,744.55</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>15</td>
<td>14,705.36</td>
</tr>
<tr>
<td>Public Health</td>
<td>11</td>
<td>11,992.60</td>
</tr>
<tr>
<td>Mayor’s and Councillors’ Offices</td>
<td>6</td>
<td>5,135.00</td>
</tr>
<tr>
<td>City Manager’s Office</td>
<td>6</td>
<td>5,890.00</td>
</tr>
<tr>
<td>Did Not Meet Trip Requirements and Continued to Receive Parking Through to April 2013</td>
<td>220</td>
<td>$183,239.51</td>
</tr>
<tr>
<td>Work Location Outside of the “Downtown” Core and Continued to Receive Parking Through to December 2012</td>
<td>3</td>
<td>744.58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>223</strong></td>
<td><strong>$183,984.09</strong></td>
</tr>
</tbody>
</table>

However, caution should be taken with the above total potential cost savings due to reductions which the following items may influence:

- Costs associated with implementing the recommendations and management’s plans which cannot be determined at this time;
- Fluctuations to the number of employees who receive employer paid or provided parking;
- Reimbursement of per trip parking costs for employees who are no longer eligible to receive paid monthly parking; and
- Circumstances where management has used their discretion to provide paid parking outside of the policy and procedure that are deemed appropriate and reasonable.
## CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-04
HAMILTON WATER – INVENTORY CONTROLS

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATIONS OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Policies and Procedures</td>
<td>That management develop, approve and implement inventory management procedures. Procedures should be standardized among all sections within Hamilton Water, where possible. They should be reviewed annually by management and should bear evidence of review (sign-off).</td>
<td>Agreed. Hamilton Water is in the midst of conducting process improvement initiatives with respect to inventory management at all of its facilities. The process improvement will include utilization of the inventory management functions in the upgraded Hansen software resulting from the Hansen 8 upgrade project and also the Enterprise Asset Management database. As part of the ongoing work plan, a permanent full-time Supervisor is being hired within the Water Distribution and Wastewater Collection Section and this individual will be directly involved in the development of procedures and processes to address findings of this audit.</td>
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The Customer Service and Community Outreach (CSCO), Plant Operations (Plant) and Water Distribution and Wastewater Collection (WD&WWC) Sections do not have written policies and procedures related to inventory management in place.

When written procedures are incomplete, employees use personal understanding and experience to carry out processes which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for the successor to commence his/her duties within a short period of time.

Agreed. Hamilton Water is in the midst of conducting process improvement initiatives with respect to inventory management at all of its facilities.

The process improvement will include utilization of the inventory management functions in the upgraded Hansen software resulting from the Hansen 8 upgrade project and also the Enterprise Asset Management database.

As part of the ongoing work plan, a permanent full-time Supervisor is being hired within the Water Distribution and Wastewater Collection Section and this individual will be directly involved in the development of procedures and processes to address findings of this audit.
### Observations of Existing System

2. **Procurement Policies**
   The following violations of the City of Hamilton's Procurement Policy By-Law No. 12-155 as they relate to inventory purchases were identified:
   - Plant and WD&WWC - Vendor invoices were paid but exceeded the authorized purchase order (PO) amount;
   - Plant - POs were issued that exceeded the total sole source purchases authorized for the vendor;
   - CSCO - Purchases exceeded the low dollar procurement limit for one of five vendors tested; and
   - CSCO - An invoice for operating supplies inventory exceeded the approved amount. The excess amount was paid using a PO approved for capital purchases.

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<td>That Hamilton Water inventory purchases comply with the City of Hamilton’s procurement policies.</td>
<td>Agreed. Hamilton Water (HW) will review sectional processes for proactive tracking of Purchase Order expenses (as inventory is ordered). Implementation Date – Q4, 2014.</td>
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</table>

Additionally, procedures that apply to the entire Division or procedures that apply to individual Sections only are being drafted to address the findings of the audit including: inventory ordering and order tracking; receiving inventory; vendor invoice processing; inventory distribution and transfers; inventory counts and adjustments; inventory valuation and costing; and disposal of obsolete and surplus inventory.

All of these initiatives referenced throughout this report will be completed by Q4, 2014.
### HAMILTON WATER – INVENTORY CONTROLS  
**MARCH 2013**

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| 3. | **Inventory Order Tracking**  
Orders of inventory are not consistently recorded and approved to ensure all inventory ordered is received and is within authorized amounts. For instance:  
- CSCO - A review of five invoices identified that inventory ordered is not consistently or accurately recorded on the Excel inventory tracking sheet;  
- Plant - A review of five invoices identified that inventory orders are not consistently entered into Infor, the Plant’s inventory management system;  
- WD&WWC Stoney Creek Yard and 330 Wentworth - There is no evidence of orders being tracked;  
- CSCO, Plant, and WD&WWC - Financial Assistants track the authorized amounts remaining on POs. However, inventory ordered but not yet received or inventory received but not yet invoiced is not included in this tracking; and  
- CSCO and WD&WWC – All staff who make inventory purchases do not have signed “Notifications of Signing Authority” on file, authorizing spending limits. Inventory orders made above a staff member’s signing authority do not require any approval before being placed with the vendor.  
Without proper tracking of inventory purchases, the risk of inventory ordered in excess of authorized PO limits is increased. In addition, excess inventory may be received, resulting in financial loss from payments for items not required for current operations or increased storage costs. Conversely, inventory that is required for upcoming work may not be received, resulting in process delays.  
That management develop a method of tracking all inventory orders to ensure they are accurately recorded and matched to inventory received. Documentation resulting from this method should be made available to the Financial Assistants when monitoring that inventory purchases are within the remaining authorized amounts.  
That a “Notification of Signing Authority” form with appropriate limits based on inventory ordering history be completed for all staff making inventory purchases.  
Agreed. HW will review staff signing approval authorities and ensure that all staff that make inventory purchases have an appropriate and signed “Notification of Signing Authority” form on file. Implementation Date - Q4, 2014. | |
### OBSERVATIONS OF EXISTING SYSTEM

**Receiving Inventory**

Inventory received does not appear to be consistently recorded using the inventory management system, causing inaccurate system records. The following discrepancies were found in reviewing four invoices for each noted section:

- **CSCO - Hydrant adapter parts and small meter parts are not entered into the Hansen Maintenance Management System (Hansen) when received;**
- **Plant - Inventory received is not consistently entered in Infor. Year end inventory counts identified 550 parts found in the stockroom that were not recorded in Infor;**
- **WD&WWC Dundas Yard - Inventory received is not consistently entered in Hansen. Year end inventory counts identified 518 parts and 43.6 metres of other inventory items (i.e. pipes) that were not recorded in Hansen;**
- **WD&WWC Dundas Yard - Inventory is not recorded into Hansen until the stockkeeper receives the vendor’s invoice. This may be up to one month after inventory has arrived;**
- **WD&WWC Stoney Creek Yard - Errors were noted in the Hansen inventory system. Year end inventory counts identified 563 parts, 118.94 metres and 97.83 tonnes (i.e. stones) of other inventory items found that were not recorded in Hansen; and**

### RECOMMENDATION FOR STRENGTHENING SYSTEM

That all inventory is accurately recorded, when received, into the inventory management system from the packing slips.

### MANAGEMENT ACTION PLAN

Agreed. Refer to response for Item #1.
HAMILTON WATER – INVENTORY CONTROLS
MARCH 2013

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<td>1</td>
<td>WD&amp;WWC Dundas Yard - The stockkeeper has not been trained to add new parts into Hansen. The corresponding invoices are kept aside until they can be added by Hansen administrators. When inventory is not consistently entered into the tracking systems, inventory records cannot be relied upon during the year.</td>
<td>That the stockkeeper at the Dundas Yard be trained to add new parts into the Hansen system.</td>
<td>Agreed. During implementation of the Hansen 8 upgrade and Divisional/Sectional inventory procedures, all appropriate staff will receive any required training. Implementation Date – Q4, 2014.</td>
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5. **Vendor Invoicing**

Invoiced quantities should be matched to their packing slips and related costs should be checked to a quote or price list to ensure payments are being made for items actually received and at the agreed upon price. The following discrepancies were found in reviewing five invoices for each section:

- CSCO - One invoice was paid for an inventory item at a cost that exceeded the vendor price list. An invoice exceeded the quantity of items that were received and one invoice was paid with the incorrect packing slip attached;
- Plant - Packing slips are not attached to invoices. Costs could not be consistently matched to quotes as this information is not uploaded into Infor;

That packing slips be matched and attached to the corresponding invoices before payments are approved. That quotes be received for all inventory purchases (excluding those for which a price list exists) and tracked with purchase orders. Before being approved for payment, invoices should be matched to quotes or vendor price lists. Agreed. Refer to response for Item #1.
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<td>• WD&amp;WWC Dundas and Stoney Creek Yards - Vendors with City contracts provide price lists detailing the costs of inventory items. Quotes are not obtained for items that are not included on the price list or purchased from vendors that do not have a contract; and</td>
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<td>• WD&amp;WWC Stoney Creek Yard - There is no evidence of costs being checked to the vendor price list before invoices are approved for payment. Packing slips are not attached to invoices or kept in an accessible manner. There is no validation that payments are being made for goods received when packing slips are not kept and matched to invoices. There is an increased risk of failing to identify double or extra billing. When billed costs are not checked to quotes or vendor price lists, there is a risk that the City is overpaying for inventory items.</td>
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## Observations of Existing System

### 6. Inventory Tracking System

Adequate inventory management systems are not in place in all sections. For instance:

- **Compliance & Regulations (Lab)** - An Excel spreadsheet is used to track inventory. Upon receipt of inventory, the Lab Assistant overrides the inventory figures in Excel to input the new amount. All lab staff can access inventory and take items as needed. When inventory is taken by staff, they are responsible for overriding the Excel spreadsheet to input the new inventory amount. The Excel spreadsheet lacks controls as it does not track changes made and is accessible by all staff; and

- **WD&WWC’s 330 Wentworth** - Inventory is not tracked during the year. A count is performed annually, a listing is prepared at year end and inventory is adjusted to the counted quantities. Inventory is taken and used as needed by staff and replenished by physically observing a need for amounts on hand or when staff inform the Supervisor that quantities are low. Materials used are not specifically assigned to work orders.

Without proper inventory tracking, there is a lack of accountability for the movement of inventory.

### Recommendations for Strengthening System

- That the Lab review alternate inventory management systems and implement a system that will better track the flow of inventory.

### Management Action Plan

- Agreed. The Lab is looking at available Inventory Management Software Packages. A meeting to review Hansen functionality is scheduled for the end of August. If Hansen is not a suitable option, the Lab will look for alternative inventory management systems. Implementation Date – Q4, 2014.

- That inventory is tracked throughout the year in Hansen, allocated to specific work orders as used and adjusted as replenished.

- Agreed. The Wentworth inventory will be added to Hansen Inventory Module. Implementation Date – Q4, 2014.
## HAMILTON WATER – INVENTORY CONTROLS
### MARCH 2013

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<td>7.</td>
<td><strong>Inventory Distribution</strong>&lt;br&gt;Inventory distributed from stock is not consistently removed from the inventory management system, causing inaccurate system records. The following discrepancies were noted for each section:</td>
<td>That management follow up with employees who fail to accurately record inventory (removed from stock) and provide additional training as necessary.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>• CSCO - Year end inventory counts identified 55 water meters with a location of stockroom in Hansen that were not found during the count;</td>
<td>That inventory stock be distributed only with the provision of a work order. A form should be developed for completion when parts are distributed when the stockkeeper is absent.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>• Plant - Parts are distributed to staff without the accompanying work orders and the stockkeeper is not consistently informed of parts distributed in his absence. Year end inventory counts identified 1,206 parts recorded in Infor stock that were not found during the physical count. Differences are not analyzed by management with appropriate follow up;</td>
<td>That Water Distribution Operators remove the parts used from stock in Hansen at the time of distribution.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>• WD&amp;WWC Dundas and Stoney Creek Yards - Inventory used at the Dundas Yard dating back to February 2011 has not been removed from stock. At the Stoney Creek Yard, inventory adjustments lag approximately one week from the time of stock distributions to the time of its removal from inventory. The stockkeeper (Stoney Creek) and supervisors remove inventory from stock in Hansen after Water Distribution Operators inform them of the items used to complete work.</td>
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<td>Inventory distributed to work trucks is not removed from the Hansen stock records. There is no reconciliation between inventory taken from stock and inventory used by staff. A risk exists in that it cannot be determined if inventory taken and not used has been returned, kept on trucks or potentially misappropriated. Inventory retained on trucks could result in needless ordering of additional items for upcoming jobs as it is not known that the required items are located on trucks. Inventory transferred between yards is not recorded in Hansen. Many parts (1,362), and 683.03 metres and 2,790.18 tonnes of various inventory at the Dundas Yard and 1,975 parts, 167.74 metres and 3 tonnes of inventory at the Stoney Creek Yard were recorded in Hansen but not found during the year end count. Differences were not analyzed or followed up by management. When inventory records are inaccurate and require significant adjustments or when inventory changes are not consistently tracked during the year, large adjustments made due to physical count results are difficult for management to follow up. Potential misappropriation of City assets can go undetected.</td>
<td>That inventory removed from stock be assigned to a specific truck in Hansen. Truck inventory used for work orders should be removed from the truck inventory listing. This truck inventory should be counted and reconciled at least annually. That all inventory transferred between yards be recorded as a transfer in Hansen. That all inventory count totals and required adjustments show evidence of review by management (signoff). Unusual or material discrepancies should be followed up.</td>
<td>Agreed. Refer to response for Item #1. Agreed. Refer to response for Item #1. Agreed. Refer to response for Item #1.</td>
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Inventory Counts

Inventory count practices vary among the sections in Hamilton Water. The following issues were noted regarding the 2012 year end inventory counts:

- CSCO and WD&WWC - Inventory is counted using a printout of what should be on hand as per the Hansen system. When system records are matched to what is physically on hand, there is a risk of items not on the printout going undetected, resulting in incomplete counts;

- WD&WWC Stoney Creek Yard - The stockkeeper or any Operators with extra time perform counts individually;

- WD&WWC Dundas Yard - The stockkeeper found 162 items during the year end counts that were not in the Hansen printout. These items were not added to the final totals or updated in Hansen; and

- WD&WWC Dundas Yard and 330 Wentworth – Both yards had inventory on trucks that was not included in the final count totals. However, the CSCO and WD&WWC Stoney Creek Yard had inventory on trucks that was added to the final count totals.

Without documented and adequate count procedures in place, the final inventory totals may be incomplete, inaccurate or not comparable among the sections of Hamilton Water.

That standard inventory count practices be written for all sections of Hamilton Water and consistently followed by staff.

Agreed. Refer to response for Item #1.
### HAMILTON WATER – INVENTORY CONTROLS
### MARCH 2013

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<td>9.</td>
<td><strong>Physical Security</strong> Controls over physical access to inventory are limited, increasing the risk of misappropriation of assets. The following security deficiencies were noted in the section indicated:</td>
<td>That the security over inventory at all locations be improved (i.e. restricted access, locked areas, security cameras).</td>
<td>Agreed. The Hamilton Water Division is currently developing a Divisional Security Program that includes both physical and procedural security. This project will be complete by July 2014, after which upgrades to existing facilities will be made in concert with the physical security guidelines. HW Staff will include a review of inventory/stock room security as part of this project. Recommendations will be addressed either in the Security Procedures/Guidelines themselves or in the Divisional inventory management procedure and any associated Sectional inventory management procedures.</td>
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- **Lab** - Proximity cards (167) are issued to provide access to the area of the building containing Lab inventory. Only 42 of these cards belong to individuals requiring access to this inventory. Inventory is not monitored with security cameras.

- **Plant** - Inventory is stored in the Upper Stores building to which 29 staff members have proximity card access. Twenty of these employees are in non-supervisory positions and should not need access (i.e. Millwrights, Instrument Technicians, Electricians and Maintenance Operators). The stockkeeper or supervisors distribute inventory during regular business hours but doors to the inventory area are left propped open after hours and staff have easy access to stock. Inventory items are also stored in the Lower Stores building that does not have any restricted access.

- **CSCO** - Proximity cards (183) are issued for access to the inventory cage. Only 18 of these cards belong to staff who require access to inventory due to their duties. Inventory is not monitored with security cameras.
## HAMILTON WATER – INVENTORY CONTROLS
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<td>WD&amp;WWC Dundas and Stoney Creek Yards - Proximity card access is run by a third party and management could not provide a listing of swipe cards with access. Supervisors will prop open doors or give swipe cards to staff to obtain inventory if the stockkeeper is unavailable or if it is outside regular business hours. The brass inventory cage has been left unlocked at the Dundas Yard. Inventory stored in the main building at the Stoney Creek Yard is not secure as all staff have access to this building and doors are frequently left propped open. Storage containers containing inventory in either of the yards are not always locked. Aggregates and scrap metal inventory is not adequately secure. Security cameras are in poor working condition.</td>
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<td>WD&amp;WWC 330 Wentworth - Inventory in the outdoor yard is not secure. The public has access during regular business hours and the area is shared with Roads staff. Inventory is not monitored with security cameras.</td>
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### OBSERVATIONS OF EXISTING SYSTEM

**10. System Access**

Stockkeeper access rights in Hansen allow the user to record inventory receipts and distributions and adjust inventory records. In addition to the actual stockkeepers, two staff with the CSCO section, three staff at the Dundas Yard and two staff at the Stoney Creek Yard were identified as having stockkeeper rights in Hansen because they occasionally fill in for the actual stockkeepers to cover vacations or longer absences. Stockkeeper access rights are not required to fulfill these employees’ regular job requirements.

When multiple staff have physical access to inventory and the ability to make adjustments to the inventory in the tracking system, the potential for misappropriation increases.

### RECOMMENDATION FOR STRENGTHENING SYSTEM

That stockkeeper user rights in Hansen be assigned only to staff recording inventory. Any temporary access required should be removed once the staff person has returned to his regular duties.

### MANAGEMENT ACTION PLAN

Agreed. Refer to response for Item #1.
### HAMILTON WATER – INVENTORY CONTROLS
**MARCH 2013**

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<td>11. Combined Facilities</td>
<td>The Lab, CSCO, Plant and WD&amp;WWC each store inventory at separate individual locations. The WD&amp;WWC has inventory at three locations. Each location is staffed and operates separately and has different inventory management processes and systems in place which do not provide for shared efficiencies among Hamilton Water sections.</td>
<td>That management review the feasibility of combining inventory storage facilities.</td>
<td>Agreed. The HW Division is currently exploring the possibility of consolidating all staff and equipment/inventory from the Wentworth, Dundas, and Stoney Creek locations into one centralized facility. This consolidation will not include any of the equipment/inventory from the Woodward facility (Lab and Plant), due to the large differences in types and quantities of items that are in the different inventories. Lab and Plant staff require access to chemicals and consumables on a daily basis so their inventory needs to remain located in their current facilities.</td>
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<td>12. Inventory Valuation</td>
<td>Inventory valuation methods are not consistent across Hamilton Water. WD&amp;WWC 330 Wentworth uses the last invoice cost, the Lab uses the last invoice cost or replacement cost, the CSCO uses the last invoice cost or the prior year’s contract price and the Plant and WD&amp;WWC Dundas and Stoney Creek Yards use average cost.</td>
<td>That management review inventory valuation methods and implement a standard method across all Hamilton Water sections.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>13.</td>
<td><strong>Costing Errors</strong>&lt;br&gt;Several costing errors were noted as follows:&lt;br&gt;• Plant - A review of four sampled invoices identified two parts that had incorrect average costs;&lt;br&gt;• Plant - Incorrect costs of zero dollars and $1 were assigned to inventory items in Infor;&lt;br&gt;• WD&amp;WWC Stoney Creek &amp; Dundas - Items in Hansen do not accurately reflect the actual average cost as inventory receipts are not consistently entered;&lt;br&gt;• WD&amp;WWC Stoney Creek Yard - Costs entered in Hansen varied from those on the invoice. Significant cost differences were observed between the same parts on the Dundas and Stoney Creek Yards final inventory listings.&lt;br&gt;Situations as noted above yield inaccurate costing results and incorrect financial information.</td>
<td>That costs entered in the inventory management systems be reviewed for accuracy and adjusted, as necessary. The quoted cost or amount on the vendor price list should be recorded in the inventory management system and matched to the actual vendor's invoice, when received.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>14.</td>
<td><strong>Classification - CSCO</strong>&lt;br&gt;Water meters purchased from Neptune are included in the year end inventory totals and are also charged to a capital project account in the general ledger. The Neptune meters valuation appears twice on the balance sheet – once as Financial Assets Other and again as part of the Tangible Capital Assets figure. This results in inaccurate financial statements.</td>
<td>That management review the classification of water meters. Meters purchased under capital projects should not be included in year end inventory or asset figures.</td>
<td>Agreed. CS&amp;CO Section staff will review this item with the Finance and Administration (F&amp;A) group to determine the proper way to classify the water meters. This will be documented in the Divisional inventory management procedure and/or CS&amp;CO Sectional inventory management procedure as appropriate. (See response to Item #1).</td>
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## OBSERVATIONS OF EXISTING SYSTEM

### Obsolete Inventory

The following issues were noted in regard to obsolete inventory:

- There are no processes in place to identify and dispose of obsolete inventory items at the CSCO, Plant, WD&WWC Dundas Yard and Stoney Creek Yard;

- The four yards above do not track all obsolete inventory; and

- WD&WWC 330 Wentworth and WD&WWC Dundas Yard and Stoney Creek Yard include obsolete inventory in the year end inventory figures while CSCO does not include these items in its year end inventory. Plant assigns a $1 cost to obsolete items and includes the value in the year end totals.

When obsolete inventory is stored it can occupy valuable storage space required for usable inventory items. Potential profits from the sale or disposal of these items are not being recognized and increased storage costs may be incurred. Including obsolete inventory that provides no value to the City in the year end figures at cost artificially inflates the financial records.

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<td>Obsolete Inventory The following issues were noted in regard to obsolete inventory:</td>
<td>That obsolete inventory be identified and reviewed annually during the year end count process. The obsolete inventory should be sold or discarded and written off.</td>
<td>Agreed. Refer to response for Item #1.</td>
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<td>16.</td>
<td>Scrap Metal</td>
<td>That a bill of lading be obtained for every scrap metal pick up by staff in the yard. This documentation should be forwarded to the Procurement Specialist for matching to the statement/bills of Lading received from the contractor to ensure that all scrap pick ups have been accounted for and billed.</td>
<td>HW: Agreed. The PO section will review the scrap metal pick-up process and implement a system by which a bill of lading is issued for every pick-up. The bill of lading will be forwarded to the Procurement Specialist responsible for the scrap metal contract. The WD&amp;WWC and CS&amp;CO Sections share scrap metal bins with the other staff that work out of the Wentworth facility. PW Facilities staff will need to collect and forward bills of lading for scrap metal pick-ups from this location. Procurement: Agreed. Procedures will be updated to include the requirement that City staff report all scrap metal pick-ups to the Procurement Specialist. This information would include i. the date of the pick-up ii. location of the pick-up iii. general description of what was picked up. This information will be required for all City locations, i.e. those that have re-occurring pick-ups and those that are one-time or have infrequent pick-ups.</td>
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A company on contract with the City picks up scrap metal from various yards where it is stored. Paperwork related to the pick up is not consistently collected at the yards and is not required to be forwarded to the Procurement Specialist indicating that a pick up has occurred.

Prior to October 2012, the Financial Assistant I handled the quarterly cheques (along with attached receiving advices for the accumulated pick ups) received from the contractor. Beginning October, 2012, bills of lading are sent to Procurement for every pick up. The Procurement Specialist compiles quarterly reports using these bills of lading. The reports are sent to Accounts Receivable for billing the contractor and receipt of payment.

If the contractor failed to submit any bills of lading for pick ups, they would not be included in the Quarterly Report and hence they would not be included in the invoice either. The City would not receive payment for the scrap picked up on these missing bills of lading.
## OBSERVATIONS OF EXISTING SYSTEM

## RECOMMENDATION FOR STRENGTHENING SYSTEM

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<td>This procedure change will be communicated through the corporate contract listing on the Procurement Resource Centre (on eNet). A notice will be posted on the the eNet landing page, an email will be sent to all Departments to be cascaded to all their staff and an article will be included in the next Procurement newsletter. Procurement will maintain a list of City locations using the services of this Contract to reconcile the paperwork associated with the pick-ups.</td>
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  | MANAGEMENT ACTION PLAN |
ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues, risks and inefficiencies and can address them appropriately.

Packing Slips

1. When inventory is received, the staff receiving inventory should sign and date stamp the packing slip, holding them accountable for checking that inventory is in good condition and the correct amounts have been received. In this regard, the following deficiencies were noted:

   - CSCO packing slips are not being signed;
   - Plant packing slips are not being date stamped. The stockkeeper does not sign all packing slips to indicate all ordered inventory was received. The stockkeeper will only sign the top packing slip as indication all items have been received;
   - WD&WWC Dundas Yard packing slips are not date stamped;
   - WD&WWC Stoney Creek Yard packing slips are not date stamped; and
   - WD&WWC 330 Wentworth packing slips are not consistently signed or date stamped.

It is recommended:

That staff sign and date stamp all packing slips when checking the condition and quantity of inventory received.

Management Response:

Refer to response for Item #1 in main report.
HAMilton Water – Inventory Controls
March 2013

Hydrant Parts

2. The WD&WWC Dundas and Stoney Creek Yards remove parts from old hydrants which are intended to be used for future hydrant repairs. These parts are not recorded in Hansen.

Without consistently tracking hydrant parts in inventory, the system cannot be relied upon to identify when new parts need to be ordered. It is also difficult to identify potential misappropriation.

It is recommended:

That all used hydrant parts be recorded in inventory and removed when they are used.

Management Response:

Refer to response for Item #1 in main report.

Incomplete Purchase Orders - Plant

3. There were 43 POs in Infor with a status of “PO sent to vendor” indicating the inventory had been ordered but not yet received. These outstanding POs are not reviewed or followed up. A review of a sample of five of these POs identified three were items where the inventory had been actually received.

When purchase orders are not reviewed to ensure all inventory is received, it cannot be determined if any inventory has not been delivered or misappropriated.

It is recommended:

That POs with a status of “PO sent to vendor” in Infor be reviewed regularly and changes made, as needed.

Management Response:

Refer to response for Item #1 in main report.