



City of Hamilton

AUDIT, FINANCE AND ADMINISTRATION COMMITTEE ADDENDUM

Meeting #: 23-001
Date: January 19, 2023
Time: 9:30 a.m.
Location: Council Chambers
Hamilton City Hall
71 Main Street West

Angela McRae, Legislative Coordinator (905) 546-2424 ext. 5987

6. DELEGATION REQUESTS

- *6.1 Angelo Cristofaro, Consilium Public Sector Services Inc., respecting Fairness of procurement process for contract number C5-09-22 - Development of a Multi-Year Plan to Build Safer Communities (For a future meeting)

10. DISCUSSION ITEMS

- *10.7 Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010): Management Update (PW23004) (City Wide)

12. NOTICES OF MOTION

- *12.1 Delegated Authority to Staff relating to Water Service Line Leaks

Bates, Tamara

Subject: FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Wed, 12/28/2022 - 11:55

Submitted by: Anonymous

Submitted values are:

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
In-person

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Angelo Cristofaro
Consilium Public Sector Services Inc.
angelo.cristofaro@cp2s.ca

Preferred Pronoun
he/him


Reason(s) for delegation request
Fairness of procurement process for contract number C5-09-22 - Development of a Multi-Year Plan to Build Safer Communities

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
No



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	January 19, 2023
SUBJECT/REPORT NO:	Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010): Management Update (PW23004) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brian Zaffuto (905) 546-2424 Ext. 4625
SUBMITTED BY:	Mike Field Acting Director, Transportation Operations & Maintenance
SIGNATURE:	

COUNCIL DIRECTION

On September 23, 2021, Council directed the General Manager of Public Works to implement the Management Responses contained within the Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010) (City Wide) and report back to Audit, Finance and Administration Committee by September 2022, on the nature and status of actions taken.

INFORMATION

The Road Maintenance Small Tools and Equipment Inventory Audit AUD11006 (AUD21010) (City Wide) assessed the management of the City of Hamilton's (City) road maintenance small equipment and tool inventory to identify gaps that expose the inventory of small tools and equipment in the Transportation Operations & Maintenance Divisions, Roadway Maintenance Section, to the risk of fraud and misappropriation. The Office of the City Auditor (OCA) followed up on 8 recommendations from a similar audit conducted in 2010 and made 21 new recommendations to strengthen controls and increase process efficiencies related to inventory. Of the recommendations, two of the twenty-one (recommendation 20 and 21) were identified as Private and Confidential.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010): Management Update (PW23004) (City Wide) – Page 2 of 3

While Council approved a report back timeline of September 2022, this was deferred until January 2023 due to the 2022 Municipal Election.

Management agreed with 20 recommendations and partially agreed with one recommendation. Management provided responses for implementation, with completion anticipated by the beginning of 2023.

The purpose of Information Report PW23004 - Roads Tools and Equipment Audit Management Update, is to provide the Audit, Finance and Administration Committee with a status report on the 21 recommendations as directed.

An internal working group in Transportation Operations & Maintenance (TOM) was established to address the 21 recommendations. An implementation plan for the audit recommendations has been developed and work is underway in completing the various action items. A summary of the progress to date is attached to Report PW23004 as Appendix "A". Of the twenty-one recommendations, actions on five have been completed and the remainder are generally in the stages of finalization.

The Office of the City Auditor has not validated the information contained in Appendix "A" to Report PW23004, however they were conferred with in the drafting of Information Report PW23004.

Implementation of the recommendations incorporates industry best practices, ensures a more robust inventory management approach and further embeds continuous improvement and quality management processes to small tool and equipment handling in the TOM Division. These initiatives will align with the future implementation of the Enterprise Asset Management System (EAM). In responding to the audit action items, five standard operating procedures have been developed, which are listed as follows:

1. Roadway Maintenance Small Tools and Equipment Inventory Management Procedure
2. Roadway Maintenance Small Tools and Equipment Procurement Procedure
3. Roadway Maintenance Small Tools and Equipment Maintenance Procedure
4. Roadway Maintenance Small Tools and Equipment Disposal Procedure
5. Roadway Maintenance Small Tools and Equipment Missing of Stolen Asset Procedure

The implementation plan includes standard operating procedures that will form part of the Transportation Quality Management System (TQMS) Operational Plan. The TQMS

SUBJECT: Road Maintenance Small Tools and Equipment Inventory Audit and Follow up to Audit Report AUD11006 (AUD21010): Management Update (PW23004) (City Wide) – Page 3 of 3

is a framework that documents processes, procedures, and responsibilities to safely, effectively, and efficiently design, construct, maintain and operate the City's transportation system while meeting applicable legislative and regulatory requirements.

As required, a subsequent report will be provided to the Audit, Finance and Administration Committee in December 2023 which will include a further status update on the progress implementing the recommendations from The Road Maintenance Small Tools and Equipment Inventory Audit AUD11006 (AUD21010) (City Wide).

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PW23004 – Road Maintenance Small Tool and Equipment Audit Deliverables

PUBLIC WORKS
ROAD MAINTENANCE SMALL TOOLS & EQUIPMENT INVENTORY AUDIT DELIVERABLES

	Audit Recommendation	Agreed/ Disagreed	Management Response	Expected Completion Date	Status Update
1.	That the criteria for classification of small tools and small equipment be clearly defined. The definition should be risk based and consider establishing dollar value thresholds, so that if there are different set of controls for procurement, inventory management and disposal of inventory they be dependent on risk and dollar value of the inventory (Appendix A, para. 12, 13).	Agreed	The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool and equipment inventory management. The SOP will define the classification of small tools and equipment by establishing a dollar value threshold.	Q2 2022	Completed. - Classification of small tools and equipment clearly defined.
2.	That the small equipment purchasing practices be reviewed and modified to eliminate segregation of duties conflicts or enhance compensating controls which will mitigate the risk of loss and misappropriation. The process should be formally defined and implemented and should ensure that standard and consistent authorization and transfer records are created and retained to enable independent oversight, reconciliations and investigations (Appendix A, para. 16, 17).	Agreed	The division is reviewing the organizational structure and will make changes accordingly. The associated changes to the roles and responsibilities will be outlined in the forthcoming SOPs. In order to support the changes in processes/procedures and further strengthening inventory controls in a sustainable manner, additional full-time staff resource will be allocated through the organizational structure review, using existing FTE allotments as available.	Q1 2022 Q1 2023	In Progress - New Inventory Management Supervisor was hired in January 2022. - 2 new Roadway Inventory Management Clerks to be hired in December 2022. - Roles and responsibilities to be outlined in Procurement SOP, which is in approval stage.
3.	That the current small tool purchasing practices be reviewed, strengthened, and formalized to ensure standard quality and price savings of small tool purchases and consistent practices across the yards. Consideration should be given to centralizing the process and establishing segregation of duties; or establishing mitigating controls, such as enhancing and formalizing the requirements for pre-approvals of small tool purchases, which may include dollar value thresholds and standard pre-approval forms (Appendix A, para. 18, 19, 20).	Agreed	The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool and equipment procurement. The SOP will establish segregation of procurement duties and implement mitigating controls.	Q3 2022 Q1 2023	In Progress - Roadway Maintenance Small Tools and Equipment Procurement Procedure in approval stage, which establish segregation of procurement duties and implement mitigating controls. - PO initiated to join corporate contract (OECM # 2018-326-01) with Fastenal for Small Tools Purchasing - Centralization of tool storage and procurement has been developed and will be implemented after SOPs are published.

PUBLIC WORKS
ROAD MAINTENANCE SMALL TOOLS & EQUIPMENT INVENTORY AUDIT DELIVERABLES

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4.	That inventory cleanup exercises for both small tools and small equipment be completed at all yards. Where applicable, the clean up exercises should identify, investigate, reconcile, and adjust the inventory records for any discrepancies between Hansen’s inventory records, the inventory records maintained at the yards and the actual inventory on hand (Appendix A, para. 22, 23, 26).	Agreed	An inventory cleanup exercise (for both small tools and small equipment) will be completed at all yards.	Q1 2022 Q2 2022	Completed <ul style="list-style-type: none"> - Small tools cleanup completed in Q1 2022 - Small equipment cleanup completed in Q2 2022.
5.	That all small tools, including hand tools, such as brooms, rakes, and shovels, be assigned and recorded in inventory using unique inventory identification numbers for inventory control purposes (Appendix A, para. 25).	Partially Agreed	Dollar value threshold will be identified for small tools that require unique inventory identification numbers in the SOP developed in recommendation #1. Small tools under the dollar value threshold will be considered consumable tools and not have a unique inventory identification numbers due to their low-cost value.	Q2 2022	Completed <ul style="list-style-type: none"> - Classification of small tools and equipment to be the identifier between what requires a unique inventory identification number.
6.	That a standard small tool inventory log format with more comprehensive records (such as acquisitions dates, purchase values, serial numbers, or other information that helps identify the tools) be developed and used across all yards. Consideration can also be given to centralizing the records and using an inventory management solution (Appendix A, para. 25).	Agreed	Centralization and standardization of small tool inventory log will be included in the SOP developed in Recommendation #1.	Q2 2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Small tool log (master inventory file) created, to be distributed to yards during roll out of Inventory Management SOP. - Centralization of tool storage and records has been developed and will be implemented after SOPs are approved.
7.	That the current numbering system for small equipment in Hansen be reviewed and revised so it can enable reliable reporting and effective inventory management. In addition, any Hansen training and knowledge gaps should be assessed and remediated prior to this review. (Appendix A, para. 24).	Agreed	Business Initiatives will coordinate and complete Hansen training for the required individuals. Standardization of small equipment inventory numbering systems will be included in the SOP developed in Recommendation #1.	Q2 2022	Completed. <ul style="list-style-type: none"> - Standardized numbering system added to SOPs.
8.	That the current small tool inventory count practices be reviewed, strengthened, and formalized to ensure consistent practices	Agreed	Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate	Q4 2021 Q1 2023	In Progress <ul style="list-style-type: none"> - Review of current process completed.

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	across the yards and accuracy and reliability of inventory records. Consideration can be given to establishing segregation of duties; or establishing mitigating controls, such independent surprise validations of counts on a sample basis and requirements for timely investigation and adjustment process (Appendix A, para. 25, 26).		inventory count procedure is published and adopted before the end of the calendar year.		<ul style="list-style-type: none"> - Roadway Maintenance Small Tools and Equipment Inventory Management Procedure in approval stage. - Audit schedule and checklist created, pending roll out, utilizing new roles created. - SOP incorporates spot checks to be completed by Supervisor of Inventory Management. - Inventory count completed in Q2 2022. - Additional count scheduled for Q4 2022.
9.	That the current small equipment inventory count practices be reviewed, strengthened, and formalized to improve their efficiency and effectiveness. Consideration can be given to establishing a process that avoids duplication of inventory records, has more frequent surprise counts on a sample basis by employees who are not in charge for safeguarding and inventory records management, and has requirements for timely investigations, approvals, and adjustments for discrepancies (Appendix A, para. 21, 28).	Agreed	Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate inventory count procedure is published and adopted before the end of the calendar year.	Q4-2021 Q1 2023	In Progress <ul style="list-style-type: none"> - Review of current process completed. - Roadway Maintenance Small Tools and Equipment Inventory Management Procedure in approval stage to establish roles and responsibilities. - Audit schedule and checklist created, pending roll out, utilizing new roles created. - SOP incorporates spot checks to be completed by Supervisor of Inventory Management. - Inventory count completed in Q2 2022. - Additional count scheduled for Q4 2022.
10.	That the purchase and discarding of hand tools (i.e. rakes, brooms, and shovels) be logged and monitored for each yard, and that small tool inventory records be adjusted for the purchase and discarding of hand tools (Appendix A, para. 26.)	Agreed	The development of a purchasing policy will be included in the SOP developed in Recommendation #3. The development of a disposal/discarding policy will be included in the SOP developed in Recommendation #13.	Q3-2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Best practices were reviewed with other Municipalities to determine if any solutions applicable. - Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.
11.	That a process be developed to track the movement of equipment and valuable tools when they are issued to other yards or sent for repair (Appendix A, para. 27).	Agreed	Implementation of a process to track the movement of equipment and valuable tools will be included in the SOP developed in Recommendation #1.	Q2-2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Integrated into Inventory Management SOP, will be finalized by end of Q1 2023, currently in approval stage.

ROAD MAINTENANCE SMALL TOOLS & EQUIPMENT INVENTORY AUDIT DELIVERABLES

	Audit Recommendation	Agreed/ Disagreed	Management Response	Expected Completion Date	Status Update
12.	That the small equipment disposal practices be reviewed and modified to bring more oversight of these activities and reduce segregation of duties issues and/or enhance compensating controls. The process should be formally defined and implemented and should define minimum timelines between auctions. The process should also ensure that signed transfer records are retained when equipment is handed off for disposal, logs of equipment designated for disposals are maintained, independent validations of equipment on hand are conducted on a surprise basis, and disposal records are independently reconciled to inventory logs (Appendix A, para. 29, 30, 31).	Agreed	The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small equipment disposal practices. The SOP will establish and define the minimum timelines between auctions and strengthen required inventory controls.	Q3 2022 Q1 2023	In Progress - New Inventory Management Supervisor was hired in January 2022. Part of role and responsibilities is to include oversight into Auction process, which is outlined in the Roadway Maintenance Small Tools and Equipment Disposition Procedure. - Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.
13.	That a small tool disposal process be established to ensure that processes are consistent across yards, records of disposals are maintained, small tool wear and tear is tracked, and inventory records are adjusted to reflect the disposals (Appendix A, para. 32, 33).	Agreed	The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of small tool disposal practices. The SOP will strengthen and standardize inventory controls practices across yards.	Q3 2022 Q1 2023	In Progress - Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.
14.	That the need of having multiple procurement card holders be reassessed, and if practical, the number of card holders be reduced. The reassessment should, where applicable, include re-aligning procurement card system approvals to direct supervisors of card holders, and consider the management actions that were developed as a response to Recommendation 3 above (Appendix A, para. 34, 35).	Agreed	The Roadway Maintenance & Business Initiatives sections will reassess the need for multiple procurement card holders and reduce where applicable. Additional training will be provided to purchase approvers.	Q3 2022 Q2 2023	In Progress - Procurement card holder assessment will occur after the new small tools and equipment procurement procedure has been implemented in Q1 of 2023.
15.	That management communicate the importance of due diligence when reviewing procurement card transactions, focusing on fully reviewing the receipts and	Agreed	Additional training will be provided to purchase approvers to review the importance of validating transactions and the coding of expenses.	Q1 2022 Q2 2023	In Progress - Additional training to validate purchased transactions and the coding of expenses has been completed.

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	the validity of the transactions and charging the expenses to the correct general ledger accounts (Appendix A, para. 35)..				<ul style="list-style-type: none"> - Further follow up required to ensure 2023 funding sources have the necessary amount available to cover tool expenses. - Additional training to be conducted following the publication of SOPs.
16.	That consideration be given to establishing preventative maintenance and inspection schedules for more valuable tools and equipment. This should include establishing clear criteria of the tools and equipment that should have formal preventative maintenance and inspection schedules. The criteria should be risk based and should include dollar value thresholds (Appendix A, para. 36).	Agreed	The Roadway Maintenance & Business Initiatives sections will develop a Standard Operating Procedure (SOP) to include all components of establishing and implementing a preventative maintenance plan for valuable small tools and equipment.	Q4 2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which includes a preventative maintenance plan and schedule for valuable small tools and equipment.
17.	That records of warranties be maintained and checked when valuable tools and equipment are sent for repair to make sure that the City does not pay for repairs that are under warranty (Appendix A, para. 37).	Agreed	Implementation of a process to track warranties of equipment and valuable tools will be included in the SOP developed in Recommendation #16.	Q4 2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which includes a process to track warranties of equipment and valuable tools and equipment.
18.	That consideration be given to tracking the history of repairs and repair cost for high value inventory items. As in Recommendation 16, clear risk-based criteria, including dollar value thresholds should be established (Appendix A, para. 38).	Agreed	Implementation of a process to track historical repair cost of equipment and valuable tools will be included in the SOP developed in recommendation #18. Repair dollar values thresholds will be established and incorporated in the SOP.	Q4 2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Reviewing Infor Hansen capabilities for tracking maintenance/ repair costs. - Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which utilizes a cost value analysis tool to assess historical repairs and equipment value.
19.	That management recommit to the management action plans applicable to Roadway Maintenance outlined in the original tool audit. Management should review the audit observations to	Agreed	All outstanding recommendations will be addressed by the Roadway Maintenance & Business Initiatives sections with the development of a procedures and processes to strengthen all components of small tool and equipment Inventory Management.	Q3 2022 Q1 2023	In Progress <ul style="list-style-type: none"> - Original tool audit reviewed and incorporated into SOPs currently in approval stage.

PUBLIC WORKS
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	understand the issues which led to the audit recommendations and consider implementing alternative action plans (as required) considering the new recommendations brought forward (Appendix A, para. 40).				
20.	Security enhancement, noted as 'private and confidential' in Audit Report AUD11006 (AUD21010)	Agreed	N/A	Q2 2022 Q1 2023	In Progress - Working group established to review security enhancements.
21.	Security enhancement, noted as 'private and confidential' in Audit Report AUD11006 (AUD21010)	Agree	N/A	Q4 2022	Complete - Enhancements completed on November 30 th , 2022.

CITY OF HAMILTON

NOTICE OF MOTION

AUDIT, FINANCE AND ADMINISTRATION COMMITTEE: JANUARY 19, 2023

MOVED BY COUNCILLOR ...T. HWANG.....

Delegated Authority to Staff relating to Water Service Line Leaks

WHEREAS, individual community members, corporations, non-profit organizations, and all other resident entities can delegate to the Audit Finance and Administration Committee to ask for Council consideration for bill adjustments and waiving of penalties, fees, interest accrued relating to charges for water and wastewater services;

WHEREAS, some properties with water meters located at the property line may experience increased water and wastewater/storm billings related to downstream water service line leaks;

WHEREAS, there is no Council approved policy/by-law authority for staff to address water service line leaks and their associated costs to claimants; and

WHEREAS, staff are better equipped to respond to technical and other considerations related to decision making with respect to water service line leaks than members of Council;

THEREFORE, BE IT RESOLVED:

That staff report back to the Audit, Finance and Administration Committee with a Water Service Line Leak Wastewater Bill Adjustment Policy to provide delegated authority for staff to make decisions on bill adjustments, waiving of fees/penalties, or enforcement of fees associated with water service line leaks; such policy to include an evaluation framework that would allow staff to determine the validity of water service line leak claims and appeals.