



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 9, 2014
SUBJECT/REPORT NO:	Audit Report 2013-17 - Public Works - Traffic Inventory (AUD14017) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469
SUBMITTED BY:	Ann Pekaruk Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans as detailed in Appendix "A" of Report AUD14017 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 "A" to Report AUD14017) implemented.

EXECUTIVE SUMMARY

The 2013 Internal Audit work plan approved by Council included an audit of traffic operations and related inventory. The audit scope included the activities involved in the Traffic operations inventory and its related internal controls for the period from January to December 2013. Management, administrative and operational processes associated with this inventory was assessed. Recommendations were made to strengthen controls, ensure traffic inventories are adequately safeguarded and accounted for and identify opportunities for administrative efficiencies and improved management oversight.

The results of the audit are presented in a formal Audit Report (2013-17) containing observations, recommendations and management responses. Audit Report 2013-17 is attached as Appendix "A" to Report AUD14017.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: Additional funding will be required to cover construction costs for a closed off stockroom to limit access to inventory. Those costs are unknown at this time. With appropriate monitoring of traffic inventory, there may be a decrease in costs of in-house manufactured signs due to a reduction in waste that previously went unaccounted.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2013 Internal Audit work plan approved by Council. The audit fieldwork was completed in November 2013 to January 2014. The results of this audit are attached as Appendix “A” of Report AUD14017.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Appendix “A” to Report AUD14017 includes action plans which reflect the responses of management responsible for the administration and monitoring of traffic operations inventory – the Energy, Fleet and Traffic Section in the Corporate Assets & Strategic Planning Division of the Public Works Department.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

The Energy, Fleet and Traffic Section maintains inventory of parts and material to install, repair and maintain traffic signals, road markings, crosswalks and regulatory, warning, information and directional signs. In addition, inventory of materials to manufacture over 10,000 signs in-house each year is kept.

The total value of traffic inventory was \$2 million dollars as at December 31, 2013. Over 600 parts are tracked, with values ranging from nominal (e.g. nuts and bolts) to individual amounts of \$11,000 (e.g. traffic controllers). Traffic inventory is stored in one central location at the Traffic Operations Centre on Upper Ottawa Street.

**SUBJECT: Audit Report 2013-17 - Public Works - Traffic Inventory (AUD14017)
(City Wide) - Page 3 of 4**

The audit focused on controls related to inventory procurement and usage, reconciliation of physical inventory counts to the Hansen computer application and management oversight.

A formal Audit Report (2013-17) containing observations, recommendations and resulting management action plans was issued. Nine recommendations were included in Audit Report 2013-17. Among the recommendations are:

- Develop a system to track parts and materials taken from the stockroom by staff;
- Set and utilize minimum re-order quantities;
- Implement appropriate segregation of duties for ordering, receiving, stocking and recording inventory;
- Perform periodic reviews to verify quantities utilized in in-house manufacturing;
- Complete cycle counts as required by internal procedures;
- Increase supervision and oversight for the performance of physical inventory counts; and
- Adjust Hansen records to match the results of the physical inventory count.

Management and staff agreed with all the recommendations with several implementations expected to be completed before 2014 year end.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These 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.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

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

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

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

Strategic Objective

- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD14017

ap:bm