



CITY OF HAMILTON
City Manager's Office
Audit Services

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 22, 2014
SUBJECT/REPORT NO:	Audit Report 2014-05 - Roster Requirements Review (AUD14023) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469 Brigitte Minard 905-546-2424 x2088
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 AUD14023 be approved; and
- (b) That the General Managers of Public Works and Corporate Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD14023) implemented.

EXECUTIVE SUMMARY

The 2014 Internal Audit work plan approved by Council included a review of Roster Requirements. The review scope included an evaluation of the compliance of Roster-based expenditures with the existing Roster Requirements and to determine if there have been improvements in the level of compliance with Roster Requirements since a 2012 internal review conducted by the Procurement Section. Recommendations were made to improve compliance, identify opportunities to strengthen internal procedures and strengthen monitoring processes.

The results of this review are presented in a formal Audit Report (2014-05) containing observations, recommendations and management responses. Audit Report 2014-05 is attached as Appendix "A" to Report AUD14023.

Alternatives for Consideration – Not Applicable

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

Financial: Additional funding will be required to cover costs in the Procurement Section for engaging an external resource to conduct invoice checking and evaluate compliance of Roster assignments with the Procurement Policy and internal procedures. These costs are unknown at this time. Management will be making a submission during the 2015 Operating Budget Process in late 2014.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The review was scheduled as part of the 2014 Internal Audit work plan approved by Council. Fieldwork was completed in March to May 2014. The results of this review are attached as Appendix “A” of Report AUD14023.

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

- City of Hamilton By-law 13-317 (Procurement Policy) – Policy #9 – Consulting and Professional Services

RELEVANT CONSULTATION

Appendix “A” to Report AUD14023 includes action plans which reflect the responses of management responsible for the administration of Roster Requirements – the Procurement Section of the Financial Services Division, Corporate Services Department and the Roster Captains from the Public Works Department.

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

A Consulting and Professional Services Roster is established every two years through a formal process that is governed by the Procurement Policy. Successful candidates are included on the Roster and can be selected to complete assignments for the City. Successful candidates agree to abide by specific rules, including using the rates outlined in the Form of Submittal, if selected to complete an assignment.

The review focused on compliance with the Procurement Policy and existing internal procedures. The scope of the review included Roster assignment purchase orders issued from January 1, 2013 to June 30, 2013, due to the fact that time is required to complete the assigned work and for all billings to be finalized, approved and paid. There were 205 purchase orders issued during this time period for Roster assignments. A sample of 20% of these purchase orders was selected for review. Five categories were used to categorize the findings of the review and to assess compliance with the Procurement Policy and existing internal procedures.

It was found that 39% of purchase orders reviewed was billed correctly and no discrepancies were found. When evaluated at the individual invoice level, 44% of invoices reviewed was found to have been billed correctly with no discrepancies. When compared to a 2012 internal review completed by the Procurement Section, there has been some improvement in compliance (39% vs 6%) but the overall level of compliance still remains low. Further improvements and oversight are needed.

A formal Audit Report (2014-05) containing observations, recommendations and resulting management action plans was issued. Three recommendations were included in Audit Report 2014-05 (attached as Appendix "A" of Report AUD14023).

Among the recommendations are:

- Updating the Roster Procedures to include invoice approval responsibilities, including checking conformity with original documents submitted and developing instructions for dealing with lump sum/percentage of completion billings;
- Providing training to Roster users so that compliance requirements are clearly defined and understood; and
- Completing random invoice checks as part of the existing semi-annual reporting requirements to determine conformity with the Procurement Policy.

As a new Roster is contemplated for 2015-16, it is important to address the issues identified and implement the recommendations before the start of this new cycle. Management and staff have already taken action or have agreed to take measures in the near future in order to implement all of the three formal recommendations. Management agreed with the intent of one recommendation but proposed an alternate method of addressing the recommendation. Specific action plans can be found in the attached Audit Report.

Audit Services conducted this review in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the review to obtain sufficient, appropriate evidence to support the findings and conclusions based on the review objectives. Audit Services believes that the work performed provides a reasonable basis for the review 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 AUD14023

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