



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 9, 2015
SUBJECT/REPORT NO:	Audit Report 2015-05 Public Works - Transfer Stations (AUD15032) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard 905-546-2424 x2088 Kelvin Ko 905-546-2424 x3107
SUBMITTED BY:	Brigitte Minard CPA, CA, CIA, CGAP Acting Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans as detailed in Appendix "A" of Report AUD15032 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 AUD15032) implemented.

EXECUTIVE SUMMARY

The 2015 Internal Audit work plan approved by Council included an audit of the City's transfer stations. On-site fee collection at transfer stations is contracted out to a third party. The audit focused on assessing the accuracy and integrity of the transfer stations' revenue calculation and collection processes, controls to monitor contractor performance, and compliance with relevant regulations.

The results of the audit are presented in a formal Audit Report (2015-05) containing observations, recommendations and management responses. Audit Report 2015-05 is attached as Appendix "A" to Report AUD15032.

Alternatives for Consideration – Not Applicable

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

Financial: Some of the management action plans include further utilization of the Paradigm computer application which may result in incremental system development costs. The extent of any such incremental costs is not presently known, further investigation will be performed by management during the implementation of the management action plans.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2015 Internal Audit work plan approved by Council. The audit fieldwork was completed from March through June 2015. The results of this audit are attached as Appendix “A” of Report AUD15032.

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

- Solid Waste Management By-law (09-067)
- Canadian Environmental Protection Act, 1999 (Government of Canada)
- Various location-specific Environmental Compliance Approvals issued by the Ministry of the Environment (Province of Ontario)

RELEVANT CONSULTATION

Appendix “A” to Report AUD15032 includes action plans which reflect the responses of management responsible for the administration of the Waste Disposal Section in the Operations Division of the Public Works Department.

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

The City maintains three transfer stations: Dundas (27 Olympic Drive), Kenora (460 Kenora Avenue) and Mountain (37 Kilbride Road). These transfer stations serve as drop off points for residential and commercial patrons to dispose of waste that is not picked up at the curb. Curb side pickups are also handled and sorted at the transfer stations prior to being transferred to their end destinations. The combined inbound tonnage handled by the three transfer stations is approximately 150,000 tonnes per year.

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Major daily operations such as operating the weigh scales, maintaining station grounds, handling hazardous waste, and transferring materials out are handled through the usage of various contractors.

The Operations Division of the Public Works Department monitors the performance of the contractors and ensures compliance to applicable regulations through a combination of performance meetings, scheduled reports, site visits, and detailed inspections.

The audit objectives were to assess the controls surrounding the measurement, collection and recording of tipping fee revenues; cash handling processes for collected tipping fees; and the performance monitoring of contracted operations. Compliance with relevant environmental regulations was also evaluated. Recommendations were made to strengthen internal controls and management oversight, particularly over the system used to record transactions at the weigh scales. No environmental compliance issues were identified.

A formal audit report containing observations, recommendations and management action plans was issued as Audit Report 2015-05, and is attached as Appendix "A" of Report AUD15032. The audit report contains six recommendations.

The main areas for improvement noted in Audit Report 2015-05 include:

- Investigating weaknesses identified in the tipping fee revenue process for commercial vehicles.
- Strengthening the cash handling processes of contractors so that all components are compliant with the City-Wide Cash Handling Policy.
- Enhancing documentation required when system overrides are processed and periodically reviewing related system data.

Management and staff have agreed to take measures in the near future in order to implement all six of the formal recommendations. Specific action plans can be found in the attached report (Appendix "A" to Report AUD15032).

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 #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

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 AUD15032

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