



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 20-010

9:30 a.m.

**November 5, 2020
Council Chambers
Hamilton City Hall**

Present: Councillors M. Wilson (Chair), B. Clark, C. Collins, B. Johnson, J. Partridge, M. Pearson, and A. VanderBeek

Absent: Councillor L. Ferguson - Personal

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 20-010 AND RESPECTFULLY RECOMMENDS:

1. Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (City Wide) (Item 6.1)

That Report FCS20098 respecting Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee, be received.

2. Workplace Mental Health and Wellbeing Strategy (2019-2021) (HUR20009) (City Wide) (Item 9.2)

That Report HUR20009 respecting the Workplace Mental Health and Wellbeing Strategy (2019-2021), be received.

3. A Privacy Breach Review (FCS20097) (City Wide) (Item 9.3)

That Report FCS20097 respecting A Privacy Breach Review, be received.

4. Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008) (City Wide) (Item 9.4)

(a) That Appendix “A” to Report AUD20008, respecting the Transportation Operations Inventory Audit Report, be received;

(b) That the Management Responses as detailed in Appendix “A” and Appendix “B” to Audit, Finance & Administration Committee Report 20-010, and Private and Confidential Appendix “E” of Report AUD20008 be approved;

- (c) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Responses (attached as Appendix “A” and Appendix “B” to Audit, Finance & Administration Committee Report 20-010, and Private and Confidential Appendix “E” to Report AUD20008) implemented;
- (d) That Appendix “C” to Report AUD20008, respecting the follow up of Audit report 2013-17, Public Works – Traffic Inventory, be received; and,
- (e) That Private and Confidential Appendix “E” to Report AUD20008, remain confidential.

5. 386 Wilcox Street Assessment Review Board Appeals (FCS20093 / LS20029) (City Wide) (Item 13.3)

- (a) That the direction provided to staff in Closed Session respecting Report FCS20093 / LS20029, 386 Wilcox Street Assessment Review Board Appeals, be approved and remain confidential, and;
- (b) That Report FCS20093 / LS20029, respecting 386 Wilcox Street Assessment Review Board Appeals and its appendices, remain confidential.

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 1)

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

5. DELEGATION REQUESTS

- 5.1 Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (For today's meeting)

The agenda for the November 5, 2020 Audit, Finance and 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) October 22, 2020 (Item 3.1)

The Minutes of the October 22, 2020 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 5)

(i) Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (For today's meeting) (Added Item 5.1)

That the Delegation Request from Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098), be approved for today's meeting.

(e) PUBLIC HEARINGS / WRITTEN DELEGATIONS / VIRTUAL DELEGATIONS (Item 7)

(i) Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (Added Item 7.1)

The Delegation from Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098), was moved up on the agenda to be heard prior to the consideration of Item 6.1.

Cameron Kroetsch addressed the Committee respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098).

The delegation from Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098), be received.

(f) DISCUSSION ITEMS (Item 9)

(i) Citizen Committee Report - Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee - Advertising for Vacancies (Item 9.1)

(a) That Citizen Committee Report - Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee - Advertising for Vacancies, be deferred, in order for Communications staff to have the opportunity to attend and provide the Committee with advice at the November 17, 2020 LGBTQ Advisory Committee meeting;

(b) That Report FCS20098, respecting Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee, be forwarded to the LGBTQ Advisory Committee for their information; and

(c) That the LGTBQ Advisory Committee report back to the Audit, Finance & Administration Committee on November 19, 2020.

(g) PRIVATE AND CONFIDENTIAL (Item 13)

(i) October 22, 2020 – Closed Minutes (Item 13.1)

- (a) The Closed Session Minutes of the October 22, 2020 Audit, Finance and Administration Committee meeting, were approved as presented; and,
- (b) The Closed Session Minutes of the October 22, 2020 Audit, Finance and Administration Committee meeting, remain confidential.

(ii) 386 Wilcox Street Assessment Review Board Appeals (FCS20093 / LS20029) (City Wide) (Item 13.3)

That John O’Kane, from John. L. O’Kane Professional Corporation be permitted to attend the Closed Session portion of the meeting with respect to Report FCS20093 / LS20029, 386 Wilcox Street Assessment Review Board Appeals.

The Committee moved into Closed Session respecting Item 13.3, pursuant to Section 8.1, Sub-sections (e) and (f) of the City’s Procedural By-law 18-270, as amended, and Section 239(2), Sub-sections (e) and (f) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

(iii) 386 Wilcox Street Assessment Review Board Appeals (FCS20093 / LS20029) (City Wide) (Item 13.3)

For further disposition of this matter, refer to Item 5.

(h) ADJOURNMENT (Item 14)

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

Respectfully submitted,

Councillor Wilson, Chair
Audit, Finance and Administration
Committee

Angela McRae
Legislative Coordinator
Office of the City Clerk

**Audit Report 2020-04
Transportation Operations Inventory Audit**

RECOMMENDATIONS AND MANAGEMENT RESPONSES

November 5, 2020

**Office of the City Auditor
Amy Bodner, Performance Auditor
Charles Brown, City Auditor**

Recommendations

The following 18 recommendations will strengthen controls and increase process efficiencies related to inventory to reduce the risk of loss and misappropriation:

- 1. We recommend that standard operating procedures be created for all inventory-related processes, including the disposal of obsolete and excess inventory (that aligns with *Procurement By-Law No. 17-064*), disbursement of inventory to contractors and other City employees, inventory counts and security footage review. These procedures should apply to all current and future inventory locations. These procedures should include roles, responsibilities, process flow charts, sample documents and clear instructions to assist employees understand what is expected. A change management plan should be created to introduce the new operating procedures, including training and reinforcement with staff. Procedures must be reviewed at least annually and updated (as required). Evidence of the annual review should be documented and retained for audit purposes.**

Management Response

Agreed. The Transportation Operations & Business Initiatives sections will develop an operational plan to include all components of inventory management. The purpose of this operational plan is to document policies and procedures related to the operation and maintenance of the inventory system.

Anticipated completion date: Q3 2021.

- 2. We recommend that management implement a more robust system of measurement by incorporating performance metrics into the standard operating procedures outlined in Recommendation #1. These metrics should be monitored by management and used to enhance inventory management around obsolescence, shrinkage, waste and scrap values.**

Management Response

Agreed. The definition of performance metrics will be a key element in the development of the operational plan. The optimization of the new metrics will be monitored through the existing performance measurement methodology via the divisional balanced scorecard and annual reports.

The definition of metrics will be in alignment with the development of standard operating procedures in recommendation #1. The reporting and monitoring of metrics via the divisional scorecard and annual report will be incorporated in the 2022 work plan.

Anticipated completion date: Q4 2021.

- 3. We recommend that management review the job duties and roles performed for all positions to ensure that responsibility and accountability for inventory management is included at appropriate levels and duties are appropriately organized overall. Changes should be reflected in standard operating procedures as well as in job descriptions (as required).**

Management Response

Agreed. The division is reviewing and will modify the organizational structure implementing the changes accordingly. The associated changes to the roles and responsibilities will be outlined in the operational plan and standard operating procedures.

Anticipated completion date: Q1 2021.

- 4. We recommend that Transportation Operations management be provided with read-only access and training to view inventory levels in Hansen and run inventory reports.**

Management Response

Agreed. Business Initiatives will coordinate immediate access to Hansen with revised permission settings and complete require training for Supervisor level and above. Business Initiatives will develop an inventory report schedule for staff reference.

Anticipate completion date: Q4 2020.

- 5. We recommend that management undertake initiatives to break down silos between various sections and build a more inclusive, cooperative and collaborative environment. Such activities should focus on building awareness, desire, knowledge, ability and reinforcement to support change.**

Management Response

Agreed. The operational plan will also include the development of a change management plan so that the construction of an operational plan will assist in building awareness and enhance collaboration among cross-functional groups.

Anticipated completion date: 2020-2022.

- 6. We recommend that management review the primary and secondary inventory structure and what is stored in each area. Focus should be placed on the level of risk, control and access required when decided which items are stored in primary or secondary inventory.**

Management Response

Agreed. Management will undertake the risk-based assessment of storage and complete a Kaizen event to optimize the inventory structure and breakdown.

Anticipated completion date: Q2 2021.

- 7. We recommend that management implement additional controls to monitor higher risk items that remain in secondary inventory. Such controls may include cycle counts, reasonability analyses, utilizing usage-tracking technology (such as vending machines and rope counters), or creating and monitoring additional inventory classifications (such as work vehicles).**

Management Response

Agreed. The definition of control measures required for the secondary inventory will be in alignment with the development of standard operating procedures in recommendation #1.

Anticipated completion date: Q3 2021.

8. **We recommend that management record all non-consumable items as inventory in Hansen. As part of this work, management should consult with Hansen support personnel to determine whether current capital items may be recorded in Hansen for tracking purposes only without charging costs out when materials are used.**

Management Response

Agreed. Management will prioritize the implementation of this recommendation before the end of this calendar year to ensure correct identification and tracking of all non-consumable items. Alternative approaches to Hansen will be investigated and may be adopted for tracking purposes.

Anticipated completion date: Q4 2020.

9. **We recommend that Business Initiatives undertake a Kaizen or Kanban exercise to improve the organization of the stockroom and other secondary locations. Consideration should be given to designating specific areas to segregate and hold materials set aside for specific projects, obsolete goods awaiting disposal and items designated as "do not inventory".**

Management Response

Agreed. We will undertake a Kaizen event or a methodology that results in a stockroom that is clean, uncluttered, safe and well organized.

Anticipated completion date: Q2 2021.

10. **We recommend that Business Initiatives review current part numbers and improve how inventory items are classified. This should include creating individual identifiers for kit components and signage.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to ensure the correct identification and tracking of all existing part numbers before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 11. We recommend that Business Initiatives include a description, picture and location code in Hansen for each part number to assist Traffic Operations Clerks locate items quickly within the warehouse.**

Management Response

Agreed, in part. Business Initiatives will investigate alternative approaches to fulfill the need of an ideal classification and identification of the inventory. Management may not necessarily use the current system Hansen for implementation of this recommendation.

Anticipated completion date: Q2 2021.

- 12. We recommend that management revise the returned materials policy to include more oversight and a more formal process over the reuse and disposal of goods (e.g. storage location, disbursement, etc.). A record should be kept of more significant disposed items which should be reviewed by management to identify possible product issues or warranty opportunities. Training should be provided to staff to build awareness of how items may be reused and recycled. Inappropriate behavior should be reinforced through the performance management process.**

Management Response

Agreed. The development of a returned material policy will be incorporated in the standard operating procedures in recommendation #1.

Anticipated completion date: Q4 2020.

- 13. We recommend that Business Initiatives reach out to Finance and Tangible Capital Assets to determine the best way to value materials returned from the street and how these transactions are recorded in Hansen. The valuation choices in Hansen should be restricted to eliminate possible data entry errors.**

Management Response

Agreed. Business Initiatives will collaborate with Finance to define the best methodology to record system transactions and value materials returned from the street.

Anticipated completion date: Q4 2020.

- 14. We recommend that management explore the feasibility of going paperless or adopting a paper-lite approach in both inventory management and operations. Opportunities should be explored in advance of implementing a new Enterprise Asset Management system in early 2021. A change management plan should be developed to support staff at all levels.**

Management Response

Agreed, in part. Management will adopt a paper-lite approach in accordance with the implementation of the Enterprise Asset Management System.

Anticipated completion date: To be determined – timeframe is dependent on the implementation of the Enterprise Asset Management System.

- 15. We recommend that management develop an inventory count procedure describing the strategy and methodology to be followed for both year end and cycle counts. Management should oversee and monitor staff performance during inventory counts, including observation during the count, review of count documents and performing sample recounts.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate inventory count procedure is adopted before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 16. We recommend that management create a schedule indicating when cycle counts will occur and what will be counted. Staff should provide the cycle count forms to management at the end of the count for review and approval.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to create a schedule for cycle counts before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 17. We recommend that management implement safeguards for adjusting inventory within the system. One consideration may be for management to review and approve all inventory adjustments on a weekly basis. Management should compare the adjustment to the count form and explanations provided by staff to validate that the adjustment is appropriate. Management should sign and retain the transaction listing, along with supporting documentation, as evidence of their review for future audit purposes.**

Management Response

Agreed. The associated changes to the roles and responsibilities for inventory adjustments will be outlined in the operational plan and standard operating procedures.

Anticipated completion date: Q4 2020.

- 18. We recommend that management recommit to the nine management action plans outlined in the original audit. Management should review the audit observations to understand the issues which led to the audit recommendations and consider implementing alternative action plans (as required) considering the new recommendations brought forward.**

Management Response

Agreed. All outstanding recommendations will be addressed by the Transportation Operations & Business Initiatives sections with the development of an operational plan to include all components of Inventory Management.

The purpose of this operational plan is to document policies and procedures related to the operation and maintenance of the inventory system.

Anticipated completion date: Q3 2021.

Please note that there are four additional recommendations contained in the Private and Confidential Appendix "E" to Report AUD200008. A total of 22 recommendations were made for this audit.

Fraud & Waste Investigation – Case 2020-28312
Control Weaknesses Related to Specialized Copper Wire

November 5, 2020

Office of the City Auditor
Domenic Pellegrini, Senior Internal Auditor
Charles Brown, City Auditor

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Introduction

On May 12, 2020, the Director of Transportation Operations & Maintenance alerted the City Auditor of a possible fraud and waste at the Traffic Operations Centre (TOC). Specialized copper wire and some other potentially reusable materials, such as signs in new or nearly-new condition, had been scrapped in dumpsters at this location.

The Director stated in a recent internal review, Management reported that almost 17,000 meters of copper wire was missing (approximate value \$52K). The Director speculated that the scrapped copper wire could be the wire that was missing. The Director wanted to know why the wire had been discarded in dumpsters accessible to City staff; and how such a large quantity of copper wire could be missing. The Director also wanted a current count of the inventory at the Traffic Operations Centre to compare to the December 31st, 2019 year end inventory count, and a review of TOC's inventory control process.

This report only focuses on the missing wire. A report on the updated inventory count and the inventory control process can be found as Appendix "A" to Report AUD20008.

Preliminary Investigation and Initial Findings

The Office of the City Auditor (OCA) initiated a preliminary investigation. With the assistance of the Management, the OCA discovered that in January 2020, two Team Leads made the decision to scrap the wire found in the dumpster hopper as part of the outdoor compound clean up at the TOC. Four large spools of rubber sheathed copper wire cable had been stored outside in the TOC compound for a long period of time. As this type of copper wire cable had not been used by TOC for a long time, it was deemed obsolete. When questioned, the two Team Leads indicated that it was the practice at the Traffic Operations Centre to scrap obsolete parts by tossing them into the hoppers. Physical observation of the wooden reels shows that they were weathered, suggesting that they had been exposed to the elements for a long time. This lent to the credibility of the Team Lead's rationale. TOC inventory identifies this type of copper wire as part number TRSG1966. The December 31, 2019 Year End Inventory count describes this part as CABLE: COMM. WITH RUNNER 19 AWG FIGURE 8(6PR). It shows that 2,000 meters of this wire was in inventory at a cost to the City of \$5,049.

In early June 2020, the OCA interviewed the Management who had alerted the Director of missing copper wire. They explained that as of the end of April 2020, there was a discrepancy between Hansen and the physical inventory at the Traffic Operations Centre. This discrepancy was almost 16,800 meters of copper wire. The December 31, 2019 Year End Inventory identifies this wire as three different part numbers:

- TRSG1967 CABLE: 14-4 CONDUCTOR NO RUNNER
- TRSG1970 CABLE: 14-7 CONDUCTOR NO RUNNER; and,
- TRSG1990 CABLE: 14-14 CONDUCTOR NO RUNNER.

The OCA confirmed that the missing 16,800 meters of the three wires represents a dollar loss to the City of approximately \$52K.

On June 10, 2020, the OCA, with the assistance of the Management, performed an inventory count of all the copper wire at the TOC. The review noted that there was about 25,300 meters of various copper wires on site with a combined value of approximately \$61.5K. The most valuable copper wires in inventory were:

- TRSG1967 CABLE 14-4;
- TRSG1970 CABLE 14-7; and
- TRSG1994 CABLE 14-14.

Collectively, these three wire classes represented almost 60% of the dollar value of Traffic's copper wire inventory. TRSG1994 CABLE 14-14 is especially valuable, as its average cost to the City was approximately \$6.73 per meter in 2020.

The system currently used at the TOC accurately tracks the amount and the cost of all copper wire **purchases**. However, copper wire **usage** and the amount **scrapped** are poorly tracked. This makes it difficult to accurately determine the ending copper wire inventory and why copper wire may be missing.

Vulnerability #1: Careless Disposal of Copper Wire

The copper wire that was deemed obsolete, was disposed of in a way that could have been misappropriated as it was tossed into an open dumpster at the TOC. This dumpster is accessible to any City staff, at any given time, as some staff use the gas pump at the TOC to fuel their City vehicles. As noted above, this material was listed in the 2019 Year End Inventory report as part number TRSG1966, 2,000 m of copper wire valued at approximately \$5K. However, the value noted on the inventory report reflects the cost of the item to the City, rather than the scrap value of the item. The two Team Lead's who decided to scrap this wire because it was deemed obsolete did so without giving thought to the potential value of this asset.

Recommendations

It is recommended that the process of disposing of assets be consistent with that outlined in the Procurement Policy section 4.16 (1) the Disposal of Surplus and Obsolete Goods. That is, the Director of the client department shall:

- a) declare a good as surplus or obsolete to the needs of the City before it may be disposed; and,
- b) recommend the appropriate disposal methods, which are cost effective and in the best interest of the City, for the declared surplus or obsolete good.

It is recommended that when disposing of assets containing copper wire, the Traffic Operations Centre Management work together with the Manager of Procurement and the City's Director of Financial Services & Corporate Controller in a manner consistent with Procurement Policy section 4.16 (2) to obtain the best scrap value and/or wholesale value for the item(s) being disposed.

It is recommended that all scrap metals be kept under constant surveillance to guard against theft and to ensure that they are disposed properly.

Management Response for this Section

Agreed. A full review and training on the Procurement Policy is underway. The Transportation Operations and Business Initiatives sections will coordinate with Corporate Security to ensure appropriate disposal methods of copper wire. The definition of a returned material policy will be in alignment with the construction of standard operating procedures in recommendation #1 from Appendix B.

Anticipated completion date: Q4 2020.

Vulnerability #2: Inadequate Tracking of Copper Wire Usage

The amount of copper wire used is not tracked adequately. The copper wire spools known as part numbers TRSG1967, TRSG1970 and TRSG1994, are stored in the garage near the staff trucks. At the start of their work day, the staff pull the length of different copper wires needed from these spools and load it onto their work trucks. The amount of wire taken is neither recorded by these staff nor by the clerical staff as the copper wire spools are not located in the main stockroom.

When the staff finish their job, they complete the Daily Activity Sheet (DAS) and indicate the quantities of materials used. At the end of their shift, the staff return to the Traffic

Operations Centre and discard any scrap copper wire left over from the job into the dumpster, located at the back of the TOC. The staff submits their DAS to the Team Lead. On the DAS, the Team Lead can see the amount of wire reportedly used by the TSS. However, the amount of wire scrapped by the staff is not reported. Therefore, a reconciliation cannot be performed to ensure that the amount of wire loaded onto the truck, corresponds to the amount of wire used on a job and the amount that is scrapped upon return to the TOC location at the end of the shift. In addition, third party contractors working on City projects will sometimes come to the Traffic Operations Centre and pull out lengths of copper wire from the spools in the garage themselves, without TOC staff or management knowing the amount of wire that was taken.

Recommendations

It is recommended that the spools with the copper wire part numbers TRSG1967, RSG1970 and TRSG1994 are stored in a location where they will only be distributed by the clerical staff.

It is recommended that the staff, at the end of their work day, return any waste or unused copper wire to the clerical staff instead of disposing of the wire themselves.

It is recommended that clerical staff maintain a log showing the amount of copper wire pulled off the spools; to whom the wire was issued (including third party contractors); and the amount of wire returned to be scrapped at the end of the day.

It is recommended that Team Leads perform spot checks on a regular basis by comparing the amount of wire issued to the amount of wire used (as indicated on the DAS), and the amount of wire returned for scrap. Management should also investigate whenever the amount of wire issued exceeds the sum of that used and that returned for scrap.

Management Response for this Section

Agreed. Management will undertake the risk-based assessment of storage and complete a Kaizen event to optimize the inventory structure and breakdown. Copper wire stock will be moved into primary stock location as part of the reorganization of the facility.

Anticipated completion date: Q2 2021.

Vulnerability #3: Errors Recording Copper Wire Usage in Hansen

The data entry of copper wire usage into Hansen is prone to errors. Upon receiving the TSS Daily Activity Sheet, the Team Lead reviews and authorizes the DAS. The authorized DAS are forwarded to the clerical staff. The clerical staff enter the activity into Hansen including the amount of wire used. Since this is a manual process, there will sometimes be a difference between the amounts recorded in the DAS and the amounts keyed into Hansen.

The OCA compared the copper wire usage reported on the DAS to what was keyed into Hansen over the past four years (2017 to 2020). The OCA noted that the variance was greatest for copper wire TRSG1994 CABLE 14-14; the most expensive of the three copper wires in this review. In 2019, the usage reported by Daily Activity Sheets was 724 m less than that reported by Hansen. The value of this discrepancy totalled approximately \$4,900.

Recommendations

It is recommended that periodic reconciliations be performed to ensure that the quantities of materials used by staff, as reported on the Daily Activity Sheets, are accurately recorded in Hansen. A record of such reconciliations should be retained for at least three years.

It is recommended that management investigate and implement a method to automate the uploading of the actual quantity of materials used by staff in the field from the Daily Activity Sheets into Hansen.

Management Response for this Section

Agreed. The associated changes to the roles and responsibilities for inventory adjustments will be outlined in the operational plan and standard operating procedures related to inventory adjustment. Staff corporate policy training to be completed in Q4 – 2020, as per recommendation in Vulnerability #1.

Anticipated completion date: Q1 2021.

Vulnerability #4: Inadequate Safeguarding of Copper Wire Assets

The 2019 Year End Inventory report indicated that a total of 14,394 m of copper wire (part numbers TRSG1967, TRSG1970 and TRSG1994,) with a combined value of \$52.6K, was stored in the compound outside of the garage. That is, when the inventory

count was taken in late December 2019, these wires were stored in the outside yard. Here, they would have been accessible to different City staff that use the TOC gas pumps to fuel their City vehicles after regular business hours. When questioned, both management and the clerical staff stated that this type of copper wire has never been stored in the compound outside the garage. However, they could not produce any documentation showing who counted this inventory and where the copper wire was stored while being counted.

The three wire cables have indicators placed at regular intervals on the rubber sheathing covering the copper cable. These indicators show the amount of wire remaining on each spool. It was not possible to validate that these indicators were used to calculate the amount of wire remaining in inventory.

TOC Procedures indicate that periodic cycle counts are usually performed on inventory items with high value or those that cycle in and out of inventory quickly. Yet, despite their high value, part numbers TRSG1967, TRSG1970 and TRSG1994 were not included in the cycle counts in 2019 or 2020.

Recommendations

It is recommended that management re-organize the storage and inventory of all copper wire at the Traffic Operations Centre to ensure that all copper wire is stored in a secure location, safeguarded from potential theft.

It is recommended that periodic cycle counts performed throughout the year include all copper wire and that the indicators on the rubber sheathing be used as a quick way to gauge the amount of wire in inventory.

Management Response for this Section

Agreed. Copper wire stock will be moved into primary stock location as part of the reorganization of the facility. Management will create a schedule for inventory counts.

Anticipated completion dates: Q2 2021 for relocation of copper wire. Q4 2020 for cycle counts (to align with Rec. #19 and 20 in Appendix B).