



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 21-015

**9:30 a.m.
September 23, 2021
Council Chambers
Hamilton City Hall**

Present: Councillors L. Ferguson (Chair), B. Johnson, M. Pearson, A. VanderBeek, and M. Wilson

Absent: Councillor C. Collins – Personal, Councillor B. Clark – City Business

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 21-015 AND RESPECTFULLY RECOMMENDS:

1. 2020 Annual Report on Commodity Price Hedging (FCS21069) (City Wide) (Item 7.1)

That Report FCS21069 respecting the 2020 Annual Report on Commodity Price Hedging, be received.

2. Tax and Rate Operating Budgets Variance Report as at June 30, 2021 - Budget Control Policy Transfers (FCS21070) (City Wide) (Item 8.1)

- (a) That the Tax and Rate Operating Budgets Variance Report as at June 30, 2021 attached as Appendices "A" and "B", respectively, to Report FCS21070, be received;
- (b) That, in accordance with the "Budgeted Complement Control Policy", the 2021 complement transfers from one department / division to another with no impact on the levy, as outlined in Appendix "A" to Audit, Finance & Administration Committee Report 21-015, be approved;
- (c) That, in accordance with the "Budgeted Complement Control Policy", the 2021 extensions of temporary positions with 24-month terms or greater, with no impact on the levy, as outlined in Appendix "B" to Audit, Finance & Administration Committee Report 21-015, be approved;
- (d) That, in accordance with the "Budget Control Policy", the 2021 budget transfers from one department / division to another or from one cost category to another with no impact on the property tax levy, as outlined in Appendix "C" to Audit, Finance & Administration Committee Report 21-015, be approved;

- (e) That Council approve funding the unfavourable variances of Development Charge Discretionary Exemptions from the 2021 corporate year-end tax and / or rate surplus or from the Unallocated Capital Reserve 108020, Waterworks Capital Reserve 108015, Sanitary Sewer Capital Reserve 108005 or Storm Sewer Capital Reserve 108010.

3. Employee Computer Purchase Plan (FCS21065) (City Wide) (Item 10.1)

That the new Employee Personal Computer Purchase Plan, attached as Appendix “D” to Audit, Finance & Administration Committee Report 21-015, be approved.

4. Road Maintenance Small Tools and Equipment Inventory Audit and Follow Up to Audit Report AUD11006 (AUD21010) (City Wide) (Item 10.2)

- (a) That Appendix “A” to Report AUD21010, respecting the Road Maintenance Small Tools and Equipment Inventory Audit, be received;
- (b) That the Management Responses as detailed in Appendix “E” to Audit, Finance & Administration Committee Report 21-015 and Private and Confidential Appendix “D” to Report AUD21010, be approved;
- (c) That the General Manager of Public Works be directed to implement the Management Responses (attached as Appendix “B” and Private and Confidential Appendix “D” to Report AUD21010) and report back to the Audit, Finance and Administration Committee by September 2022;
- (d) That Appendix “C” to Report AUD21010, respecting the follow up of Audit Report AUD11006 - Tools Audit, be received; and,
- (e) That Private and Confidential Appendix “D” to Report AUD21010, remain confidential.

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

The Committee Clerk advised that there were no changes to the agenda.

The agenda for the September 23, 2021 Audit, Finance and Administration Committee meeting was approved, as presented.

(b) DECLARATIONS OF INTEREST (Item 3)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

(i) September 9, 2021 (Item 4.1)

The Minutes of the September 9, 2021 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) CONSENT ITEMS (Item 7)

(i) Immigrant and Refugee Advisory Committee Minutes - May 13, 2021 (Item 7.2)

The Immigrant and Refugee Advisory Committee Minutes of May 13, 2021 were received.

(e) STAFF PRESENTATIONS (Item 8)

(i) Tax and Rate Operating Budgets Variance Report as at June 30, 2021 - Budget Control Policy Transfers (FCS21070) (City Wide) (Item 8.1)

Mike Zegarac, General Manager of Finance and Corporate Services addressed the Committee with a staff presentation respecting Report FCS21070, the Tax and Rate Operating Budgets Variance Report as at June 30, 2021 - Budget Control Policy Transfers.

The Staff Presentation respecting Report FCS21070 the Tax and Rate Operating Budgets Variance Report as at June 30, 2021 - Budget Control Policy Transfers, was received.

For further disposition of this matter, please refer to Item 2.

(f) PRIVATE AND CONFIDENTIAL (Item 14)

(i) Closed Minutes – September 9, 2021 (Item 14.1)

- (a) The Closed Session Minutes of the September 9, 2021 Audit, Finance and Administration Committee meeting, were approved as presented; and,
- (b) The Closed Session Minutes of the September 9, 2021 Audit, Finance and Administration Committee meeting, remain confidential.

(g) ADJOURNMENT (Item 15)

There being no further business, the Audit, Finance and Administration Committee adjourned at 10:28 a.m.

Respectfully submitted,

Councillor Ferguson, Chair
Audit, Finance and Administration
Committee

Angela McRae
Legislative Coordinator
Office of the City Clerk

**CITY OF HAMILTON
BUDGET AMENDMENT SCHEDULE**

STAFF COMPLEMENT CHANGE

Complement Transfer to another division or department ^(1,2)

ITEM #	TRANSFER FROM				TRANSFER TO			
	Department	Division	Position Title (2)	FTE	Department	Division	Position Title (2)	FTE
1.1	Corporate Services	Customer Service & POA	Cust Contact Centre Rep	1.0	Corporate Services	Customer Service & POA	CRM Solutions Analyst	1.0
	Explanation: Requesting approval to convert Customer Service Rep position grade F to a CRM Solution Analyst, grade level 5, to support the continued expansion of services at the CCC. Differential to be absorbed by operating budget. No levy impact.							
1.2	Healthy and Safe Communities	Children's Services and Neighbourhood Development	Sr Proj Mgr UrbanIndigen Strat	1.0	Healthy and Safe Communities	Children's Services and Neighbourhood Development	Mgr Indigenous Relations	1.0
	Explanation: Transfer vacant permanent Sr Project Manager Urban Indigenous Strategies position to support currently non-budgeted Manager of Indigenous Relations position.							
1.3	Public Works	Engineering Services	Road Programming Technician	1.0	Public Works	Engineering Service	SPM - Geomatics and Process Improvement Services	1.0
	Explanation: Convert Road Programming Technician (grade I) position title 1 FTE to a Senior Project Manager - GEOMATICS AND PROCESS IMPROVEMENT SERVICES (level 7) – 1 FTE in order to support a Quality Management System, and develop more stringent oversight over our digital information. The net budget impact will be zero as these positions are funded through corridor revenue.							
1.4	Public Works	Engineering Services	Geomatics EngineeringTech Coop	1.0	Public Works	Engineering Service	Senior Project Manager	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Senior Project Manager (level 7). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through corridor revenue.							
1.5	Public Works	Engineering Services	Design Techl	1.0	Public Works	Engineering Service	Proj Mgr - Design	1.0
	Explanation: To convert 1 FTE Design Techl (CUPE 5167, grade L) to a Project Mgr - Design (CUPE 1041, grade 6). In the current market it is challenging to find and retain qualified technologists. By increasing this role to a PM we can attract a wider pool. The PM will support the program delivery with alternate means including internal and external resources. The net budget impact will be zero as these positions are funded through capital funds.							
1.6	Public Works	Engineering Services	Analyst-Infra Prog & Ping Coop	1.0	Public Works	Engineering Service	Proj Mgr Infra Progrrng & Ping	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Project Manager (CUPE 1041, grade 6). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through capital funds.							
1.7	Public Works	Engineering Services	Infra Prog Techl Coop	1.0	Public Works	Engineering Service	Proj Mgr-Surface Infrastructure	1.0
	Explanation: To convert 1 FTE Co-op Student position to a Project Manager (CUPE 1041, grade 6). The Project Manager position is more applicable to the required functions and level of expertise required within the scope of responsibilities and project management. The net budget impact will be zero as these positions are funded through capital funds.							
1.8	Public Works	Energy Fleet & Facilities	Supervisor facilities Manangement	1.0	Public Works	Energy, Fleet & Facilities	Supt Fac Ops & Mtce LTC	1.0
	Explanation: To convert 1 FTE Supv Facilities Management (CUPE 1041, grade 5) to a Supt Fac Ops & Mtce LTD (CUPE 1041, grade 7). The position has increased significantly in responsibility at the two LTC facilities. The salary differential of \$38,010 will be absorbed through existing operating budget.							
1.9	Health & Safe Communities	Recreation	GolfCourse techn/Stadium Tech	0.26	Public Works	Energy, Fleet & Facilities	GolfCourse techn/Stadium Tech	0.26
	Explanation: To distribute the dual position FTE evenly between Recreation and Energy, Fleet and Facilities. Currently Recreation (Golf) has 0.63 FTE and EFFM (Stadium) has 0.37 FTE. This transfer will result in Recreation (Golf) having 0.5 FTE and EFFM (Stadium) having 0.5 FTE. The net budget impact will be zero as these positions are moving from one department to another.							
2.0	Public Works	Engineering Services	Vault Keeper/Print Room Opr	1.00	Public Works	Engineering Service	Geomatics Techn	1.00
	Explanation: To convert 1 FTE Vault Keeper/Print Room Opr (CUPE 5167, grade E) to a Geomatics Techn (CUPE 5167, grade I). The duties of the Vault Keeper/Print Room Opr position are no longer required to be performed. . With the Shift to digital drawings and no longer a reliance on hard copy drawings, Engineering Services, and particularly Geomatics do not require this service any longer. Staff are now using technology such as digital PDF files to collaborate and share maps and drawings. The net budget impact will be zero as these positions are funded through corridor revenue.							
2.1	Public Works	Environmental Services	Waste Collection Operator	1.0	Public Works	Waste Policy & Planning	Manager, Waste Policy & Planning	1.0
	Explanation: To approve the transfer of budgeted FTE from DeptID 512570 Waste Collection Operator CUPE 5167 P#3195 Grade F (vacant) to DeptID 512825 Manager of Waste Policy & Planning, Grade 8. Waste Reorg did not include a Manager of Waste Policy & Planning and this position is required so the waste policy & planning can be consolidated in one section.							
2.2	Corporate Services	Financial Planning, Administration & Policy	Financial Assistant I	2.0	Corporate Services	Financial Planning, Administration & Policy	Financial Coordinator	2.0
	Explanation: To convert a Financial Assistant I (Grade J) position to a Financial Coordinator (Grade 4) position to support the increasing demands of portfolio changes, the difference between the pay band will be absorbed within the current budget.							
2.3	Planning and Economic Development	Tourism & Culture	Museum Clerk PT	0.6	Planning and Economic Developmer Tourism & Culture		Museum Operations Clerk- Various Locations	0.6
	Explanation: Conversion of a vacant part time position to align duties with those required by section to improve customer service and efficiency. Change will move the pay band up three levels but can be accommodated within the current operating budget.							

Note - Complement transfers include the transfer of corresponding budget.

(1) - All other budgeted complement changes that require Council approval per Budgeted Complement Control Policy must be done through either separate report or the budget process (i.e. Increasing/decreasing budgeted complement).

(2) - If a position is changing, the impact of the change is within 1 pay band unless specified.

BUDGETED COMPLEMENT TEMPORARY EXTENSION SCHEDULE

TEMPORARY POSITION EXTENSIONS

Extensions to temporary positions with terms of 24 months or greater as per the Budgeted Complement Control Policy

ITEM #	TRANSFER FROM				TRANSFER TO			
	Department	Division	Position Title	FTE	Department	Division	Position Title	FTE
1.1	Public Works	Hamilton Water	SCADA Supervisor	1.0	Public Works	Hamilton Water	SCADA Supervisor	1.0
	Explanation: Temporary position with a 24 month term is expiring, requesting approval for additional 24 months extension. The additional costs will be funded by gapping. No net levy impact.							
1.2	Healthy and Safe Communities	Housing Services	Housing Support Worker	1.0	Healthy and Safe Communities	Housing Services	Housing Support Worker	1.0
	Explanation: The temporary position ends November 2021, we are requesting a temporary extension for 7 months to June 2022 to provide continued support for housing allowances and other pandemic-related housing concerns.							
1.3	Healthy and Safe Communities	Housing Services	Applications Analysts	1.0	Healthy and Safe Communities	Housing Services	Applications Analysts	1.0
	Explanation: The temporary position ends July 2021, we are requesting a temporary extension for 17 months to December 2022 to provide continued support on the HIFIS system upgrade. There is significant risk to our business processes and accountability to our funders and outcomes without the continuation of this position at this time.							

CITY OF HAMILTON BUDGET AMENDMENT SCHEDULE

BUDGET RESTATEMENT

Budget Transfer from one cost category to another cost category

ITEM #	TRANSFER FROM					TRANSFER TO				
	<u>Department</u>	<u>Dept ID</u>	<u>Division</u>	<u>Cost Category</u>	<u>Amount</u>	<u>Department</u>	<u>Dept ID</u>	<u>Division</u>	<u>Cost Category</u>	<u>Amount</u>
1.1	City Manager	320500	Human Resources	Financial	\$195,050	City Manager	320500	Human Resources	Contractual	\$195,050
	Explanation: To reallocate budget from Debt Recovery to Contractual Services (Rent) to support HR's rent recovery at new location in alignment with actual charges being incurred.									

Budget Transfer to another division or department

ITEM #	TRANSFER FROM			TRANSFER TO		
	<u>Department</u>	<u>Division</u>	<u>Amount</u>	<u>Department</u>	<u>Division</u>	<u>Amount</u>
1.2	Healthy and Safe Communities	Children's Services and Neighbourhood Dev.	\$7,969	Planning & Economic Development	Building	\$441,709
	Healthy and Safe Communities	Ontario Works	\$12,212	Healthy and Safe Communities	Public Health Services	\$3,797
	Public Works - Tax	Engineering Services	\$1,063	Corporate Financials - Expenditures	Corporate Initiatives	\$4,810
	Corporate Services	Legal Services and Risk Management	\$304,036	Library	Library Administration	\$2,063
	Corporate Services	Legal Services and Risk Management	\$127,099			
	Explanation: Redistribution of legal recoveries based on revised methodology.					

Note - Above budget transfers remain in the same cost category.

City of Hamilton
Employee Computer Purchase Plan
Process

Any eligible employee can only take advantage of this program once every 3 years regardless of when the loan is repaid.

As approved and amended by Council September 23, 2021, the Employee Computer Purchase Plan provides for an interest free loan (minimum of \$1,000 - maximum of \$2,000) for the acquisition of personal computer equipment, or the necessary components to upgrade an existing system.

The following procedure shall be followed by any eligible staff member wishing to take advantage of the Employee Computer Purchase Plan:

1. **The employee shall obtain quote** for the equipment from the retail vendor of their choice - ensuring the equipment meets the equipment eligibility requirements established by the Information Technology division. (Note: All forms required for this plan including the eligibility requirements are posted on eNet under Information Technology and selecting "Find/Review Personal Plan").
2. **The employee shall submit the quote from the vendor to the Information Technology Division**, via email to pcpurch@hamilton.ca, who will review the quote to ensure Plan eligibility.
3. **Information Technology Division shall return the quote to the employee, indicating "approved" or "not approved"**. Your quote will be returned to you via email.
4. **The employee shall purchase the equipment** as per the quote and submit the following to the Payroll Division, 9th floor, Standard Life Building:
 - the authorized quote approval form as marked "approved" by IT
 - the receipt from the vendor of the equipment
 - the signed and witnessed Promissory Note
 - a signed Schedule "A" to the Promissory Note

The employee must complete **all** information on the promissory note and Schedule "A".

5. **Payroll Division shall:**
 - deposit the eligible reimbursable amount directly into the employee's regular payroll bank account on their regularly scheduled pay date.
 - process the loan request, making the necessary changes to the payroll file to ensure the appropriate amount is deducted from each pay, and will maintain the paperwork.
 - deduct and process a \$25 administration fee, payable by the employee, for each loan made through the Employee Personal Computer Purchase Plan.

Note: Under no circumstances will a manual cheque be issued in advance.
 - Payroll Division must have the paperwork one week prior to your next payroll date to process the loan request for your next pay.

Plan Eligibility

All full-time permanent staff of the City of Hamilton, HECFI, HSR, Hamilton Public Library, HPS, and Members of Council

All full-time temporary employees under a written contract (repayment schedule cannot exceed contract term); and

All full-time permanent employees in a job share arrangement (maximum loan amount of \$1000)

IT Resources

IT staff will not be available as a resource to assist with the computer purchase process, nor for assistance after installation. Inquiries on the administrative process of the Employee Computer Purchase Plan may be directed to the email address of pcpurch@hamilton.ca

City of Hamilton Employee Computer Purchase Plan

EQUIPMENT ELIGIBILITY REQUIREMENTS

The Information Technology Division of the Corporate Services Department has legislative authority to change the list of eligible products (Hardware and Software) as needed.

The following are eligible under the Employee Computer Purchase Plan:

Hardware

Windows compatible personal computer

Windows compatible Notebooks/Laptops/Tablets etc.

Apple personal computer

Apple Notebooks/Laptops/Tablets etc.

Smart Watches – i.e. Apple watch, Samsung watch, etc

Routers – i.e. Mesh Wifi

Smart Phones

External peripherals

- **Mouse/keyboard**
- **Monitor**
- **Printer/plotter**
- **Scanner**
- **All in one (i.e. scanner copier fax)**
- **Speakers**
- **Backup Device**
- **Power Protection (i.e. UPS)**

Software

All Microsoft Windows operating systems

All Microsoft office suites and/or development software

Any bundled software that is provided with computer package

Virus protection software

PC utilities software

**City of Hamilton Employee
Computer Purchase Plan**

**AGREEMENT
PROMISSORY NOTE**

In consideration of my Employer, The City of Hamilton, agreeing to finance the computer equipment set out on the attached Schedule A,

I, _____ (name), Employee No. _____,
hereby agree to repay the sum of \$ _____ to The City of Hamilton according to the following terms and conditions:

1. I understand that my loan will be repaid to The City of Hamilton over a ____ month period.
2. My employer, the City of Hamilton, shall and is hereby authorized to deduct from my biweekly pay an amount equal to the total purchase price divided by the number of pays in the next _____ (12, 24, or 36) months.
3. I understand, and agree, that a \$25 administrative fee will be charged, payable by the employee, to cover the cost associated with processing the interest free loan.
4. I understand, and agree, that on any payroll date during the term of this agreement, I may, if I wish, pay the loan off in its entirety. I understand that partial payments are not allowed.
5. I understand, and agree, that in the event of termination of my employment with the City of Hamilton for any reason, including death, the balance of the amount payable at that time shall immediately become payable, and The City of Hamilton is hereby authorized to deduct this from my final pay, including vacation pay, and in the event my final pay is not sufficient to cover the balance I, or my estate, shall immediately pay directly to The City of Hamilton the amount outstanding to settle the debt.
6. In the event of the suspension of my employment with the City of Hamilton, for whatever reason, including but not limited to maternity leave, worker's compensation leave, long term disability leave, leave of absence, strike or lockout, I shall provide The City of Hamilton with a series of post-dated cheques to cover the payments I would otherwise have made to The City of Hamilton for the time period involved.
7. I understand, and agree, that upon delivery of my computer or upgrade, I shall be the owner of the computer equipment and the computer equipment purchased under this plan is my equipment to keep, to maintain, to insure and to repair at my expense, and that The City of Hamilton is in no way responsible for and cannot guarantee the quality of the equipment purchased or its suitability for my needs. I acknowledge and agree that neither I, or any subsequent owner of my computer or upgrade, shall have no recourse whatsoever against the City of Hamilton.

City of Hamilton
Employee Computer Purchase Plan
AGREEMENT/PROMISSORY NOTE

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8. I understand that any savings I realize from borrowing the money from The City of Hamilton is a taxable benefit under current tax legislation. The amount of taxable benefit is based on Canada Custom and Revenue Agency's prescribed rate and will appear on my annual statement of remuneration (T4 slip) as a taxable benefit. The taxes associated with this taxable benefit will be **included** on each bi-weekly pay

Employee Number

Employee Name

Witness

Employee's Signature

Dated at Hamilton, Ontario, this _____ day of _____, 20____

For Finance and Corporate Services Use Only upon approval

Authorized Corporate Signature

<p align="center">City of Hamilton Employee Computer Purchase Plan</p>

SCHEDULE "A" to AGREEMENT/PROMISSORY NOTE

*Total Purchase Price (including taxes)	\$ _____
**Repayment Term	_____ (months)
***Retail Vendor's Name	_____

For contact purposes only

Employee Name _____

Employee Number _____

Employee's Department and Division _____

Employees Contact Phone Number _____

Employee's Fax Number _____

*The minimum loan amount is \$1,000, and the maximum loan amount is \$2,000 **Repayment term must be either 12, 24 or 36 months.

***Purchase must be from a retail vendor

Please submit the following to the Payroll Division of Finance and Corporate Services for loan processing:

- **Quote Approval Form – quote must be marked "Approved" by the Information Technology Division**
- **Receipt(s) for the purchased equipment**
- **Completed and signed Promissory Note**
- **Completed Schedule A to Promissory Note**

FOR PAYROLL USE ONLY

Effective date: _____

Total amount of Loan: \$ _____

Divided by # of pays (26, 52, or 78): _____

Amount per Pay: \$ _____



Hamilton

Office of the City Auditor

Road Maintenance Small Tools and Equipment Inventory Audit

Recommendations and Management Responses

September 23, 2021

Office of the City Auditor

Aleksandra Stojanova, Senior Auditor

Charles Brown, City Auditor

Brigitte Minard, Deputy City Auditor

Introduction

The following 19 recommendations will strengthen controls and increase process efficiencies related to inventory to reduce the risk of loss and misappropriation.

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q2 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q1 2022

Recommendation 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).

Management Response

Agree.

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.

Expected Completion Date: Q3 2022

Recommendation 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).

Management Response

Agree.

An inventory cleanup exercise (for both small tools and small equipment) will be completed at all yards.

Expected Completion Date: Q1 2022

Recommendation 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).

Management Response

Partially Agree.

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.

Expected Completion Date: Q2 2022

Recommendation 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).

**Management
Response**

Agree.

Centralization and standardization of small tool inventory log will be included in the SOP developed in Recommendation #1.

Expected Completion Date: Q2 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q2 2022

Recommendation 8

That the current small tool inventory count practices be reviewed, strengthened, and formalized to ensure consistent practices 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q4 2021

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q4 2021

Recommendation 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.)

**Management
Response**

Agree.

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.

Expected Completion Date: Q3 2022

Recommendation 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).

**Management
Response**

Agree.

Implementation of a process to track the movement of equipment and valuable tools will be included in the SOP developed in Recommendation #1.

Expected Completion Date: Q2 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q3 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q3 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q3 2022

Recommendation 15

That management communicate the importance of due diligence when reviewing procurement card transactions, focusing on fully reviewing the receipts and the validity of the transactions and charging the expenses to the correct general ledger accounts (Appendix A, para. 35).

**Management
Response**

Agree.

Additional training will be provided to purchase approvers to review the importance of validating transactions and the coding of expenses.

Expected Completion Date: Q1 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q4 2022

Recommendation 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).

**Management
Response**

Agree.

Implementation of a process to track warranties of equipment and valuable tools will be included in the SOP developed in Recommendation #16.

Expected Completion Date: Q4 2022

Recommendation 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q4 2022

Recommendation 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 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).

**Management
Response**

Agree.

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.

Expected Completion Date: Q3 2022

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