

**PUBLIC WORKS**  
**ROAD MAINTENANCE SMALL TOOLS & EQUIPMENT INVENTORY AUDIT DELIVERABLES**

	<b>Audit Recommendation</b>	<b>Agreed/ Disagreed</b>	<b>Management Response</b>	<b>Expected Completion Date</b>	<b>Status Update</b>
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).	Agreed	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.	Q2 2022	Completed. - Classification of small tools and equipment clearly defined.
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).	Agreed	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.	<del>Q1 2022</del> Q1 2023	In Progress - New Inventory Management Supervisor was hired in January 2022. - 2 new Roadway Inventory Management Clerks to be hired in December 2022. - Roles and responsibilities to be outlined in Procurement SOP, which is in approval stage.
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).	Agreed	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.	<del>Q3 2022</del> Q1 2023	In Progress - Roadway Maintenance Small Tools and Equipment Procurement Procedure in approval stage, which establish segregation of procurement duties and implement mitigating controls. - PO initiated to join corporate contract (OECM # 2018-326-01) with Fastenal for Small Tools Purchasing - Centralization of tool storage and procurement has been developed and will be implemented after SOPs are published.

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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).	Agreed	An inventory cleanup exercise (for both small tools and small equipment) will be completed at all yards.	Q1-2022 Q2 2022	Completed - Small tools cleanup completed in Q1 2022 - Small equipment cleanup completed in Q2 2022.
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).	Partially Agreed	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.	Q2 2022	Completed - Classification of small tools and equipment to be the identifier between what requires a unique inventory identification number.
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).	Agreed	Centralization and standardization of small tool inventory log will be included in the SOP developed in Recommendation #1.	Q2-2022 Q1 2023	In Progress - Small tool log (master inventory file) created, to be distributed to yards during roll out of Inventory Management SOP. - Centralization of tool storage and records has been developed and will be implemented after SOPs are approved.
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).	Agreed	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.	Q2 2022	Completed. - Standardized numbering system added to SOPs.
8.	That the current small tool inventory count practices be reviewed, strengthened, and formalized to ensure consistent practices	Agreed	Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate	Q4-2024 Q1 2023	In Progress - Review of current process completed.

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	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).		inventory count procedure is published and adopted before the end of the calendar year.		<ul style="list-style-type: none"> <li>- Roadway Maintenance Small Tools and Equipment Inventory Management Procedure in approval stage.</li> <li>- Audit schedule and checklist created, pending roll out, utilizing new roles created.</li> <li>- SOP incorporates spot checks to be completed by Supervisor of Inventory Management.</li> <li>- Inventory count completed in Q2 2022.</li> <li>- Additional count scheduled for Q4 2022.</li> </ul>
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).	Agreed	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.	<p><del>Q4-2021</del></p> <p>Q1 2023</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>- Review of current process completed.</li> <li>- Roadway Maintenance Small Tools and Equipment Inventory Management Procedure in approval stage to establish roles and responsibilities.</li> <li>- Audit schedule and checklist created, pending roll out, utilizing new roles created.</li> <li>- SOP incorporates spot checks to be completed by Supervisor of Inventory Management.</li> <li>- Inventory count completed in Q2 2022.</li> <li>- Additional count scheduled for Q4 2022.</li> </ul>
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.)	Agreed	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.	<p><del>Q3-2022</del></p> <p>Q1 2023</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>- Best practices were reviewed with other Municipalities to determine if any solutions applicable.</li> <li>- Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.</li> </ul>
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).	Agreed	Implementation of a process to track the movement of equipment and valuable tools will be included in the SOP developed in Recommendation #1.	<p><del>Q2-2022</del></p> <p>Q1 2023</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>- Integrated into Inventory Management SOP, will be finalized by end of Q1 2023, currently in approval stage.</li> </ul>

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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).	Agreed	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.	<del>Q3-2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- New Inventory Management Supervisor was hired in January 2022. Part of role and responsibilities is to include oversight into Auction process, which is outlined in the Roadway Maintenance Small Tools and Equipment Disposition Procedure.</li> <li>- Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.</li> </ul>
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).	Agreed	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.	<del>Q3-2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- Roadway Maintenance Small Tools and Equipment Disposition Procedure in approval stage.</li> </ul>
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).	Agreed	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.	<del>Q3-2022</del> Q2 2023	In Progress <ul style="list-style-type: none"> <li>- Procurement card holder assessment will occur after the new small tools and equipment procurement procedure has been implemented in Q1 of 2023.</li> </ul>
15.	That management communicate the importance of due diligence when reviewing procurement card transactions, focusing on fully reviewing the receipts and	Agreed	Additional training will be provided to purchase approvers to review the importance of validating transactions and the coding of expenses.	<del>Q1-2022</del> Q2 2023	In Progress <ul style="list-style-type: none"> <li>- Additional training to validate purchased transactions and the coding of expenses has been completed.</li> </ul>

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	the validity of the transactions and charging the expenses to the correct general ledger accounts (Appendix A, para. 35)..				<ul style="list-style-type: none"> <li>- Further follow up required to ensure 2023 funding sources have the necessary amount available to cover tool expenses.</li> <li>- Additional training to be conducted following the publication of SOPs.</li> </ul>
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).	Agreed	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.	<del>Q4 2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which includes a preventative maintenance plan and schedule for valuable small tools and equipment.</li> </ul>
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).	Agreed	Implementation of a process to track warranties of equipment and valuable tools will be included in the SOP developed in Recommendation #16.	<del>Q4 2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which includes a process to track warranties of equipment and valuable tools and equipment.</li> </ul>
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).	Agreed	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.	<del>Q4 2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- Reviewing Infor Hansen capabilities for tracking maintenance/ repair costs.</li> <li>- Roadway Maintenance Small Tools and Equipment Maintenance Procedure in approval stage, which utilizes a cost value analysis tool to assess historical repairs and equipment value.</li> </ul>
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	Agreed	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.	<del>Q3 2022</del> Q1 2023	In Progress <ul style="list-style-type: none"> <li>- Original tool audit reviewed and incorporated into SOPs currently in approval stage.</li> </ul>

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	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).				
20.	Security enhancement, noted as 'private and confidential' in Audit Report AUD11006 (AUD21010)	Agreed	N/A	Q2-2022 Q1 2023	In Progress - Working group established to review security enhancements.
21.	Security enhancement, noted as 'private and confidential' in Audit Report AUD11006 (AUD21010)	Agree	N/A	Q4 2022	Complete - Enhancements completed on November 30 <sup>th</sup> , 2022.