

CITY OF HAMILTON

**CITY MANAGER'S OFFICE
Audit Services Division**

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 11, 2012	
SUBJECT/REPORT NO: Follow Up of Audit Report 2010-06 - Tools (AUD12009) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

RECOMMENDATION

That Report AUD12009, respecting the follow up of Audit Report 2010-6, Tools, be received.

EXECUTIVE SUMMARY

Audit Report 2010-06, Tools, was originally issued in January, 2011 and management action plans with implementation timelines were included in the Report. In March, 2012, Internal Audit conducted a follow up exercise to determine that appropriate and timely actions had been taken. The chart under the Analysis section summarizes the implementation status for each of the 14 original recommendations as they apply to the individual divisions/sections of Public Works and Community Services.

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Sound procedures and adequate controls related to the accounting for and the custody of small tools may assist in safeguarding these City assets.

Staffing: None.

Legal: None.

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HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2010-06, Tools, was originally issued in March, 2011. The Report and Addendum provided 14 recommendations for improvement of controls over the receipting, stocking and issuance of tools as well as their physical safeguarding across several divisions of the City.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS

None.

RELEVANT CONSULTATION

The results of the follow up were provided to management responsible for the receipting, stocking and issuance of tools in the following areas: Operations & Waste Management (including Cemeteries, Forestry & Horticulture, Parks and Roads), Water and Wastewater Plant Operations, Traffic, Central Fleet, Corporate Facilities and Transit (all of the Public Works Department) and Recreation (Community Services Department).

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

There were 14 individual recommendations which applied to several areas within Public Works and Community Services. The follow up status for a particular recommendation varied depending on the efforts of the applicable operational area.

The Table below states each recommendation, indicates the individual divisions/sections to which it applies and provides the implementation status for each of the sections.

	Recommendation	Applicable To	Status				
			NC	I	IP	C	AI
1.	That greater care be taken to ensure that expenditures on tools, supplies, etc. are posted to their proper accounts.	Transit Water Wastewater (WWW) Horticulture Forestry Roads Recreation			✓ ✓	✓	✓

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	Recommendation	Applicable To	Status				
			NC	I	IP	C	AI
2.	That written procedures be developed covering the purchase, receipting, stocking, issuance and safeguarding of tools.	Transit Central Fleet Facilities Traffic WWW Recreation Operations & Waste Management (OWM)	✓		✓ ✓ ✓ ✓		✓
3.a)	That the system be modified so that the individual that logs the number and types of new tools into the inventory ledger is not involved in their physical receipt.	Central Fleet	✓				
3.b)	That tool purchase practices be modified to allow for independent verification that the number and type of tools purchased are received and stocked.	Roads Operations, Parks & Cemeteries				✓	
	That the process be modified to ensure there is independent verification of all tools delivered before they are stocked.	Forestry & Horticulture				✓	
3.c)	That the process be modified to ensure there is independent verification of all tools delivered before they are stocked.	Traffic				✓	
4.	That all divisions or sections utilizing tools either modify existing tool ledgers or develop new ones that provide descriptions of the tools including brands and serial numbers (or other identifiers), locations, acquisition dates and costs.	Transit Central Fleet WWW Road Operations Parks & Cemeteries Forestry Horticulture Traffic Recreation Corporate Facilities		✓ ✓	✓ ✓	✓ ✓ ✓ ✓ ✓	✓

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	Recommendation	Applicable To	Status				
			NC	I	IP	C	AI
4.	That these ledgers be updated periodically (monthly or quarterly) depending on the turnover of tools in inventory.	Transit Central Fleet WWW Road Operations Parks & Cemeteries Forestry Horticulture Traffic Recreation Corporate Facilities				✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	
	That yearly inventory counts be taken to verify that the information in the ledgers is correct.	Transit Central Fleet WWW Road Operations Parks & Cemeteries Forestry Horticulture Traffic Recreation Corporate Facilities	✓ ✓ ✓ ✓ ✓ ✓ ✓		✓ ✓	✓ ✓	
5.	That all tools owned by the City of Hamilton be marked in a manner that permits their tracing to identified locations/vehicles.	Transit WWW Roads Operations, Parks & Cemeteries Forestry & Horticulture Traffic Recreation Corporate Facilities			✓ ✓ ✓ ✓	✓ ✓ ✓ ✓	
6.	That the practice of permitting the use of City property for personal use be discontinued.	WWW				✓	
7.a)	That greater vigilance be exercised in ensuring the accuracy and completeness of the sign-out sheet.	WWW				✓	

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	Recommendation	Applicable To	Status				
			NC	I	IP	C	AI
7.b)	That management develop a control to track the issuance and return of the tools whose value exceeds a predetermined limit.	Roads Operations Parks & Cemeteries			✓ ✓		
7.c)	That the method of tracking tools be modified so as to capture tools that are being moved from one vehicle to another.	Traffic		✓			

Legend

NC = Not Completed, I = Initiated, IP = In Progress, C = Completed, AI = Alternative Implemented

The report attached as Appendix “A” to Report AUD12009 contains the first three columns as originally reported in Report 2010-06 along with an added fourth column indicating more detailed Internal Audit comments as a result of the follow up work in each of the sections.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner.

APPENDICES / SCHEDULES

Appendix “A” to Report AUD12009

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**CITY OF HAMILTON
AUDIT REPORT 2010-06 – TOOLS
FOLLOW UP**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
1.	<p><u>Accounting for Expenditures for Small Tools</u></p> <p>Within PeopleSoft, there is a small tools account meant to record expenditures for hand powered (e.g. screwdrivers, hammers, shovels, brooms) and electronically powered (e.g. saws, grinders) tools. However, in reviewing purchases of such tools over several operational areas, numerous instances of incorrect accounting for the expenditures in the general ledger were noted.</p>	<p>That greater care be taken to ensure that expenditures on tools, supplies, etc. are posted to their proper accounts.</p>	<p><i>(Note - Operations & Waste Management (OWM) Division (includes Cemeteries, Forestry, Horticulture, Parks and Roads sections)</i></p>	

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
1.	<p><u>Accounting for Expenditures for Small Tools (Cont'd.)</u></p> <p>a) <u>Transit</u> A query of the PeopleSoft small tools account indicated items described as shop equipment charged to this account.</p> <p>b) <u>Water Wastewater (WWW) Plant Operations</u> The purchase of computerized equipment was charged to the small tools account.</p>		<p>Agreed. Transit's small tools accounts in all deptids will be removed and replaced with the operating equipment account (#53445). Small tools are personally owned by skilled tradespersons and compensation is paid yearly to each staff member due to the contractual agreement. Any tools or equipment purchased internally by the different sections do not fit under the umbrella of "small tools". Elimination of the small tool accounts should eliminate the confusion going forward.</p> <p>Agreed. Water Wastewater staff will receive refresher training regarding the importance of assigning the proper account numbers to invoices and expenses. To be completed by the 2nd quarter 2011.</p>	<p>Alternative Implemented. The only tools purchased by Transit for their shop are specialized tools. These are reflected in the operating equipment account (#53445).</p> <p>In Progress. WWW staff have been reminded to use the proper account and Department IDs when accounting for small tool purchases. However, errors are still noted.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
1.	<p><u>Accounting for Expenditures for Small Tools (Cont'd.)</u></p> <p>c) <u>Forestry & Horticulture</u> The purchase of supplies was charged to the small tools account.</p> <p>d) <u>Roads Operation</u> Several consumable items such as paint, nails, foam spray and dust masks were erroneously booked to the tools account.</p> <p>e) <u>Recreation</u> Small tool expenditures were charged to the Operating Supplies Account.</p>		<p>Agreed. The OWM (c & d) Managers will review the audit findings respecting accounting for expenditures with their Superintendents to confirm accounts to be used and expenditures for error free recording of small tool purchases. Implementation date of 4th quarter 2010.</p> <p>With the assistance of Finance & Administration staff, management will re-confirm checking and verification processes and update them as required to ensure proper accounts are used. Implementation date of 4th quarter 2011.</p> <p>Agreed. Recreation Division has reinstated the Small Tools account for the 2011 operating budget. Any tool purchase must be approved by the manager of the section. This will be effective for the coming 2011 budget year.</p>	<p><i>Horticulture</i> - In Progress. The purchase of supplies and other miscellaneous items are still being charged to the small tools account.</p> <p><i>Forestry</i> – Incomplete. Two of the three expenditures charged to the small tools account were not small tools.</p> <p>Completed. The account (#53074) is only used to record the purchase of small tools.</p> <p>Incomplete. Two of the three sampled expenditures charged to the account were not small tools.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
1.	<p><u>Accounting for Expenditures for Small Tools (Cont'd.)</u> The above errors distort the expenditure on small tools. It is very difficult to accurately determine the total amount spent by the City on tools.</p>			
2.	<p><u>Written Procedures</u> Tools utilized by City staff have to be purchased from a supplier, delivered to the division or section that requires them, stocked in accessible locations and issued to the staff, as needed. The tools should also be safeguarded against premature wear, breakage and loss.</p>			

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
2.	<p><u>Written Procedures (Cont'd.)</u> During the course of Internal Audit's review, it was noted that none of the nine divisions/sections sampled had formalized written procedures that would provide guidance for the receipting, stocking, issuance or safeguarding of tools used by their staff. Without written procedures, the employees currently carrying out related processes rely on personal understanding and experience which may result in incorrect, incomplete or inconsistent application. Also, it may be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p>	<p>That written procedures be developed covering the purchase, receipting, stocking, issuance and safeguarding of tools.</p>	<p><i>Transit</i> – Agreed. A procedure will be drafted for the purchase, receipting, stocking, issuance and safeguarding of small tools. Target completion date – March 2011.</p> <p><i>Central Fleet</i> – Agreed. A written procedure will be in place by the end of January 2011.</p> <p><i>Facilities</i> – Agreed. A written procedure will be in place by the end of January 2011.</p> <p><i>Traffic</i> – Agreed. A written procedure will be in place by the end of January 2011.</p> <p><i>WWW</i> – Agreed. The development of procedures to ensure tools are managed and assigned properly is being undertaken. To be completed by the 2nd quarter 2011.</p>	<p>In Progress. A draft procedure has been developed covering the purchase, receipting, stocking, issuance and safeguarding of tools. However, this procedure has not been finalized nor signed off by management. This is expected to be completed the end of Q2 2012.</p> <p>Incomplete. A written procedure is not expected until the end of Q2 2012.</p> <p>In Progress. A written procedure has been developed but not signed off by management for implementation.</p> <p>In Progress. A written procedure has been developed and implemented but not signed off by management. This is expected to be completed by Q2 2012.</p> <p>In Progress. A written procedure has been developed but not signed off by management. There is evidence the procedure has been implemented.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
2.	<u>Written Procedures (Cont'd.)</u>		<p><i>Recreation</i> – Agreed. In the 1st quarter of 2011, the Recreation Division will develop written procedures regarding the purchase, issuance, tracking and maintenance of all existing tools in our inventory and new tools purchased. The written procedures will be reviewed on an annual basis and necessary amendments will be made at that time.</p> <p><i>OWM (Roads, Forestry & Horticulture & Parks & Cemeteries)</i> – Agreed. Divisional small tools procedure(s) will be developed. Procedures will be developed by the 2nd quarter of 2011 and implementation of the procedures will be completed by the 4th quarter of 2011.</p>	<p>In Progress. A draft procedure has been developed but it has not been approved by management. This is expected to be completed by the end of Q2 2012.</p> <p>Completed. A procedure has been developed for all sections of the Operations and Waste Management Division. This includes: Roads, Forestry & Horticulture, and Parks & Cemeteries.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
3.	<p><u>Segregation of Duties - Purchase, Receipting & Stocking of Tools</u></p> <p>a) <u>Central Fleet</u> The tools ordered by the Superintendent are received by the Parts Room Clerks who, in turn, give the newly purchased tools to the Superintendent. He updates the tools inventory ledger prior to forwarding the tools to the Shop Helper for stock keeping. As there is adequate staff on site, the Superintendent does not need to take possession of the new tools themselves before they are placed in stock or he logs the number and type of tools received in the ledger.</p>	<p>That the system be modified so that the individual that logs the number and types of new tools into the inventory ledger is not involved in their physical receipt.</p>	<p>Agreed. Central Fleet Physical receipt of new tools are now handled by a separate employee from the individual who updates the ledger.</p>	<p>Incomplete. In the revised procedure, it is possible for the same individual to physically receive the order and log the number and type of new tools into the inventory ledger.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
3.	<p><u>Segregation of Duties - Purchase, Receipting & Stocking of Tools (Cont'd.)</u></p> <p>b) <u>Roads Operations, Parks & Cemeteries</u> The same individual (either a Supervisor or Lead Hand) that purchases new tools also takes delivery of the tools and stocks them for use by staff.</p> <p><u>Forestry & Horticulture</u> The same person that physically takes delivery of new tools is also responsible for stocking the tools.</p> <p>c) <u>Traffic Operations</u> The same person that physically takes delivery of new tools is also responsible for stocking the tools.</p>	<p>That tool purchase practices be modified to allow for independent verification that the number and type of tools purchased are received and stocked.</p> <p>That the process be modified to ensure there is independent verification of all tools delivered before they are stocked.</p> <p>That the process be modified to ensure there is independent verification of all tools delivered before they are stocked.</p>	<p>Agreed. OWM – The recommendations will be addressed as part of the divisional procedures identified in #2 above. The purchases will be captured in an inventory ledger system with the date and type of tool entered into stock. Procedures will ensure that the same person is not in charge of placing the order, receiving and stocking of tools.</p> <p>Agreed. Traffic Operations - The new Traffic Operations tool policy will ensure the segregation of duties: specific person to purchase; specific person to record/maintain the database and then issue to supervisory staff. Supervisory staff will advise the recording staff person regarding tool destination engraving or tagging.</p>	<p>Completed. The tool purchasing practice was modified. The same person does not place the order, approve their purchase and stock the tools.</p> <p>Completed. There is independent verification of the delivered tools before they are stocked.</p> <p>Completed. There is independent verification of the delivered tools before they are stocked.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
3.	<p><u>Segregation of Duties - Purchase, Receipting & Stocking of Tools (Cont'd.)</u></p> <p>Each of the above situations presents a poor segregation of duties with individuals involved in two or more of the conflicting duties of purchasing, receipting and stocking of tools.</p>			
4.	<p><u>Tool Ledgers</u></p> <p>A tools ledger should properly itemize and account for all of the tools in inventory. It should include the brand, serial number or other identifiers, if applicable, and monitor the tool's location or to whom it has been assigned. Ideally, by including the age and cost of each tool, the ledgers could be used to ascertain the value of the tools inventory in a particular section, division, department or the City as a whole.</p>	<p>That all divisions or sections utilizing tools either modify existing tool ledgers or develop new ones that provide descriptions of the tools including brands and serial numbers (or other identifiers), locations, acquisition dates and costs.</p> <p>That these ledgers be updated periodically (monthly or quarterly) depending on the turnover of tools in inventory.</p> <p>That yearly inventory counts be taken to verify that the information in the ledgers is correct.</p>		

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u></p> <p>a) <u>Transit</u> The tool ledger provided to Internal Audit has not been updated since the spring of 2009. It provides only brief descriptions of the tools and their quantities.</p> <p>b) <u>Central Fleet</u> The ledgers provided to Internal Audit were only updated once (in 2010) since they were originally developed in 2006.</p>		<p>Agreed. Transit - A procedure will be drafted for the creation and composition of a small tool ledger. The stockroom shall maintain a small tool ledger that contains a brief description of each tool, its unit number, location, acquisition date, cost, supplier and disposal date and method. The ledger shall be maintained and updated in a perpetual format, checked through a quarterly cycle count and verified during the annual inventory. Target completion date – March 2011.</p> <p>Agreed. Central Fleet - The ledger will be updated annually which is appropriate to the turnover of tools in inventory. This will be incorporated into our written procedures.</p>	<p>In Progress. A shop tools ledger has been developed but does not show the acquisition costs.</p> <p>Completed. The ledger is updated to include newly acquired specialized tools.</p> <p>Incomplete. An annual inventory has not been completed.</p> <p>Initiated. The tools ledger does not identify the tools by serial number or other reference number. This makes it difficult to track tools once they are moved from storage to work areas.</p> <p>Completed. The ledger is updated to reflect the purchase of new tools.</p> <p>Incomplete. An annual inventory has not been carried out.</p>

TOOLS**FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u> c) <u>Water Wastewater (WWW) Plant Operations</u> The ledgers do not include the acquisition costs or when tools were acquired. The ledgers are not updated as the inventory changes.</p>		<p>Agreed. WWW - Procedures will be amended to ensure that the costs and date of acquisition are recorded properly in the ledger. To be completed by the 2nd quarter 2011.</p>	<p>Completed. A tools ledger has been implemented. The ledger includes the acquisition costs and the date that the tools were acquired.</p> <p>Completed. The tools ledger is updated regularly.</p> <p>Incomplete. There is no record of a yearly inventory count being performed as noted in the recommendation.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u> d) <u>Roads Operations, Parks & Cemeteries</u> The ledgers often do not include serial numbers where one would expect them, the tools' costs or their date of acquisition. The ledgers are not updated regularly.</p>		<p>Agreed. OWM (d & e) – Some tracking systems are in place but not in all areas. The recommendations will be addressed as part of the divisional procedures identified in #2 above.</p>	<p><i>Roads</i> – Completed. A tools ledger has been developed. Incomplete. It is not updated regularly. In Progress. An initial inventory count was conducted in Q3 2011. Even though staff claim that another count was done in March 2012, they could not provide proof that it had been completed.</p> <p><i>Parks & Cemeteries</i> – In Progress. A tools ledger has been developed but it does not include the purchase dates and acquisition costs. Complete. The tools ledger is updated regularly. Complete. An annual inventory was taken.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u> e) <u>Forestry & Horticulture</u> The ledger does not provide serial numbers, where applicable, or the age of the tools.</p>		<p>As part of the small tools procedure(s), the inventory ledger system will be updated with all information recorded on tools being purchased and received. The inventory will be updated on a regular basis. In addition, a system by which tools will be identified (e.g. serial numbers) and entered into the tools inventory system will be developed. The frequency of the inventory counts will be determined once the inventory has been updated and as part of the development of the procedure(s).</p>	<p><i>Forestry</i> - Completed. A tools ledger has been developed and it includes the serial numbers and purchase dates.</p> <p>In Progress. Evidence was found that the ledger was not updated for recently purchased tools.</p> <p>In Progress. Original inventory count was carried out in June, 2011. The annual count was to be repeated in April 2012.</p> <p><i>Horticulture</i> – Completed. A tools ledger has been developed and it includes serial numbers and purchase dates.</p> <p>In Progress. A sample of newly purchased tools indicated that the ledger is not always updated in a timely manner.</p> <p>Incomplete. There is no record of an annual tools inventory count.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u></p> <p>f) <u>Traffic Operations</u> The ledgers do not include some tools (e.g. wrenches and sledge hammers). They do not include the acquisition cost of the tools and the records are not updated when tools are moved from one vehicle to another.</p> <p>g) <u>Recreation</u> This division does not have a tools ledger.</p>		<p>Agreed. Traffic Operations - A management team developed spreadsheet will capture all descriptive information of tools exceeding \$20 cost. This will be incorporated into our written procedure. An annual inventory audit will ensure the information is kept updated.</p> <p>Agreed. Within the Recreation Division's procedures noted above in #2, all tools will be documented including make, model, serial #'s and place identifying labels which will be tracked through the Archibus tool inventory module. Tools will be assigned to a building code and/or employee job classification which may be allocated to a service vehicle. This process is expected to be completed by the 2nd quarter 2011.</p>	<p>Completed. A tools ledger has been developed.</p> <p>Completed. It is updated regularly.</p> <p>Incomplete. There is no record of an annual tools inventory count.</p> <p>Initiated. Management has begun the development of a tools ledger.</p> <p>Incomplete. There is no evidence that the tools ledger is updated regularly.</p> <p>Incomplete. There is no evidence that an annual tools inventory has been conducted.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
4.	<p><u>Tool Ledgers (Cont'd.)</u> h) <u>Corporate Facilities</u> The ledgers do not include the tools' ages or costs.</p>		<p>Agreed. Corporate Facilities - Management will be incorporating and tracking all pertinent information through Archibus. Annually, an inventory controls exercise will take place. This will be incorporated into our written procedure.</p>	<p>Completed. A tools ledger has been created. In Progress. The tools ledger, which was incorporated into ARCHIBUS after the follow up work, provided a few examples of updating. Incomplete. The annual tools inventory count has not been completed.</p>
5.	<p><u>Identifying Ownership of City of Hamilton Tools</u> The marking of tools as belonging to the City of Hamilton and a particular division or section is not consistently applied, if at all. It would be much easier to trace specific tools if they were moved or borrowed from the location or from the individual to whom they were originally assigned. The results of Internal Audit's observations at various locations were:</p>	<p>That all tools owned by the City of Hamilton be marked in a manner that permits their tracing to identified locations/vehicles.</p>		

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
5.	<p><u>Identifying Ownership of City of Hamilton Tools (Cont'd.)</u></p> <p>a) <u>Transit</u> Tools are not consistently identified.</p> <p>b) <u>Water Wastewater (WWW) Plant Operations</u> Only some of the tools are marked.</p> <p>c) <u>Roads Operations, Parks & Cemeteries</u> Only the more valuable tools are identified.</p> <p>d) <u>Forestry & Horticulture</u> No tools are identified in such a manner.</p>		<p>Agreed. Transit - A procedure will be drafted for identifying ownership of small tools. Following receipt, small tools will be identified (scribed, stamped, painted or otherwise) as appropriate with the HSR logo and home section by the individual who ordered them. Target completion date – March 2011.</p> <p>Agreed. WWW - Procedures will be amended to ensure they describe how to properly identify and mark tools. To be completed by the 2nd quarter of 2011.</p> <p>Agreed. OWM (c & d) – The division will develop a system to ensure that small tools are branded (such as colour coding or engraving) to identify as City of Hamilton property. This will be reflected in the procedures to be developed as identified in #2 above.</p>	<p>Completed. All tools are marked with a Mountain Regional Transit Centre (MRTC) stores location sticker number. Therefore, they can be readily identified as belonging to Transit.</p> <p>Completed. All tools were identified appropriately.</p> <p>In Progress. Some small tools that were recently acquired were found not marked as City property.</p> <p>Completed. Small tools are etched or colour coded to reflect ownership.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
5.	<p><u>Identifying Ownership of City of Hamilton Tools (Cont'd.)</u></p> <p>e) <u>Traffic Operations</u> Tools are not consistently marked.</p> <p>f) <u>Recreation</u> Tools are not consistently marked.</p> <p>g) <u>Corporate Facilities</u> Tools are not identified in such a manner.</p>		<p>Agreed. Traffic Operations - The policy will ensure identification tagging with specific id numbers generated by a program for tracking purposes.</p> <p>Agreed. The Recreation Division will ensure all tools owned by the City are marked during the process of documenting all tools including make, model, serial #'s and placing identifying City of Hamilton labels with a work location or service vehicle. This is expected to be completed in the 2nd quarter of 2011.</p> <p>Agreed. Corporate Facilities - Tagging will take place immediately on new tool purchases.</p>	<p>Completed. Tools are marked with a unique Traffic Operations number.</p> <p>Incomplete. Management expects that all tools will be marked by the end of Q4 2012.</p> <p>Initiated. A machine to facilitate the tagging process has been acquired. Tagging of small tools is expected to be completed by the end of Q2 2012.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
6.	<p><u>Personal Use of City Property</u> The City of Hamilton's Corporate Human Resources Policy No: HR-01-09 states that "No employee shall use the City's property, funds, equipment, tools, supplies or services for any personal use whatsoever."</p> <p>During the course of this review, it was noted that, in one of the sections (Water & Wastewater Plant Operations), staff routinely borrowed City-owned tools and took them home. Even though a manual sign-out sheet was used to track such occurrences, this practice does not comply with the policy.</p>	<p>That the practice of permitting the use of City property for personal use be discontinued.</p>	<p>WWW - Agreed. Procedures will be amended and staff trained to ensure that they no longer take tools home for personal use. To be completed by the 2nd quarter 2011.</p>	<p>Completed. The updated Tool Handling procedure stipulates that personal use of City tools is not permitted. Also, there is no evidence that City owned tools are now being taken home.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
7.	<p><u>Small Tools Issuance</u> In many sections, some of the tools that are deemed more valuable are stocked in a specific location and accessed by staff when a tool is needed or returned.</p> <p>a) <u>Water Wastewater (WWW) Plant Operations</u> This section has implemented a sign-out sheet to track the issuance and return of the more expensive tools. However, the information on the sheet is often incomplete or inaccurate.</p>	<p>That greater vigilance be exercised in ensuring the accuracy and completeness of the sign-out sheet.</p>	<p>Agreed. WWW - Procedures will be amended and staff trained to ensure that the required information is provided when signing tools out. To be completed by the 2nd quarter 2011.</p>	<p>Completed. The sign-out sheet used to track the issuance and return of the more expensive tools is accurate and complete.</p>

**TOOLS
FOLLOW UP – MARCH 2012**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
7.	<p><u>Small Tools Issuance (Cont'd.)</u> <u>b) Roads Operations, Parks & Cemeteries</u> There is no tracking of the tools issued regardless of whether they are low value items or more expensive tools.</p>	<p>That management develop a control to track the issuance and return of the tools whose value exceeds a predetermined limit.</p>	<p>Agreed. OWM – The division will review its practices and develop and implement a consistent tracking system for higher value tools, including the sections identified in the audit. Appropriate tool value will be determined as part of this process. This will be reflected in the procedures to be developed as identified in #2 above.</p>	<p><i>Roads</i> – In Progress. A tracking system for the issuance of small tools is used in the larger yards but has not been extended to the smaller yards.</p> <p><i>Parks & Cemeteries</i> – In Progress. Issuance of the more expensive small power tools is controlled by the foremen. The larger yards are expecting to use a yardman to track the issuance of hand tools beginning Q2 2012.</p>
	<p><u>c) Traffic Operations</u> In this section, once tools have been acquired they are issued to specific vehicles and tracked via the tools ledger. However, due to various factors including the re-assignment of staff, tools are sometimes moved from one vehicle to another without adequate tracking.</p>	<p>That the method of tracking tools be modified so as to capture tools that are being moved from one vehicle to another.</p>	<p>Agreed. Traffic Operations will provide a written tool policy regarding the safeguarding of issued tools to limit the necessity of truck-to-truck borrowing of tools. A transfer sheet will be developed to use when it is necessary to have an extended tool transfer. This will be implemented by the end of January 2011.</p>	<p>Initiated. Although management has developed a truck-to-truck tool transfer form to track the movement of tools from one vehicle to another, no such transfers have occurred since the implementation of this form at the beginning of 2012.</p>