



AUDIT, FINANCE & ADMINISTRATION COMMITTEE REPORT 13-010

9:30 a.m.

Tuesday, October 8, 2013
Council Chambers
Hamilton City Hall
71 Main Street West

Present: Councillors M. Pearson (Chair), R. Powers (Vice Chair),
B. Johnson and B. Morelli

**Absent with
Regrets:** Councillor B. Clark – Illness

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 13-010 AND RESPECTFULLY RECOMMENDS:

1. Capital Projects' Status as of June 30, 2013 (FCS13066) (City Wide) (Item 5.1)

That Report FCS13066, respecting the Capital Projects' Status as of June 30, 2013, be received.

2. Projected Costs for Retiree Benefits (FCS13059) (City Wide) (Item 5.2)

That Report FCS13059, respecting the Projected Costs for Retiree Benefits, be received.

3. Monthly Status Report of Tenders and Requests for Proposals for August 3, 2013 to August 30, 2013 (FCS13016(g)) (City Wide) (Item 5.3)

That Report FCS13016(g), respecting the Monthly Status Report of Tenders and Requests for Proposals for August 3, 2013 to August 30, 2013, be received.

**4. Reserve/Revenue Fund Investment Performance Report - June 30, 2013
(FCS13063) (City Wide) (Item 5.4)**

That Report FCS13063, respecting Reserve/Revenue Fund Investment Performance Report - June 30, 2013, be received.

**5. Hamilton Future Fund Investment Performance Report - June 30, 2013
(FCS13064) (City Wide) (Item 5.5)**

That Report FCS13064, respecting the Hamilton Future Fund Investment Performance Report - June 30, 2013, be received.

**6. Cemetery Accounts Investment Performance Report - June 30, 2013
(FCS13065) (City Wide) (Item 5.6)**

That Report FCS13065, respecting the Cemetery Accounts Investment Performance Report - June 30, 2013, be received.

7. 2012 Standard & Poor's Credit Rating (FCS13072) (City Wide) (Item 5.7)

That Report FCS13072, respecting the 2012 Standard & Poor's Credit Rating, be received.

8. Treasurer's Apportionment of Land Taxes (FCS13001(f)) (Ward 15) (Item 5.9)

That the 2012 land taxes in the amount of \$1,920 for 2 McCurdy Avenue, Flamborough, (Roll #2518 303 420 04835 0000) be apportioned and split amongst the three newly created parcels as set out in Appendix "A" attached to Report 13-010.

**9. Tax Appeals under Section 357 and 358 of the Municipal Act (2001)
(FCS13027(e)) (City Wide) (Item 5.10)**

(a) That Appendix "B" attached to Report 13-010, respecting the "Tax Appeals processed under Section 357 of the Municipal Act, 2001", in the amount of \$240,461, be approved;

- (b) That Appendix "C" attached to Report 13-010, respecting the "Tax Appeals due to a Gross or Manifest Clerical Error, pursuant to Section 358 of the Municipal Act, 2001", in the amount of \$21,342, be approved.

10. Community and Emergency Services - Corporate Trunked Radio Upgrade Project (AUD13027) (City Wide) (Item 8.1)

That Report AUD13027, respecting the Community and Emergency Services - Corporate Trunked Radio Upgrade Project, be received.

11. Request to Consider making Services Eligible under the *Development Charges Act* (FCS13044(a)) (City Wide) (Item 8.2)

- (a) That the resolution from the Township of Adjala-Tosorontio, attached as Appendix "D" to Report 13-010, regarding the inclusion of hospital growth related costs under the *Development Charges Act*, be supported;
- (b) That the Minister of Municipal Affairs and Housing be requested to consider making the following services eligible under the *Development Charges Act*:
 - (i) Acquisition of land for parks;
 - (ii) Waste management services;
- (c) That the Minister of Municipal Affairs and Housing be requested to consider amending the *Development Charges Act* to remove the limitation of the 10-year average level of service restriction for transit services;
- (d) That copies of Report FCS13044(a), respecting the Inclusion of Hospital Growth Infrastructure under the *Development Charges Act*, be forwarded to the Honourable Charles Sousa, Minister of Finance, the Honourable Linda Jeffrey Minister of Municipal Affairs and Housing, the Association of Municipalities of Ontario, and local Members of Provincial Parliament.

12. Robert Land Community Association Request to have Development Charges and Cash-in-Lieu of Parkland Dedication Fees Waived (FCS13071) (Ward 3) (Item 8.3)

- (a) That the request by the Robert Land Community Association to have the City Development Charges waived, in the amount of \$ 822,409.15, be approved;

- (b) That the request by the Robert Land Community Association to have the Cash-in-Lieu of Parkland Dedication fees waived, in the amount of \$40,000.00, be approved.

13. 2012 Reserve Report (FCS13061)(City Wide) (Item 8.4)

- (a) That the 2012 Reserves – Detail Report, with 2011 Comparative figures and 2013 Projections, attached as Appendix “A” to Report FCS13061, be approved;
- (b) That a Parkland Acquisition reserve be established to assist with the purchase of Parkland when opportunities arise; and that the Parkland Acquisition reserve be funded from the annual Capital Budget and other suitable sources at the discretion of City Council.

14. Audit Report 2013-05 – Community and Emergency Services – Food Services (Arenas and Recreation Facilities) (AUD13026) (City Wide) (Item 8.5)

- (a) That the Management Action Plans, as detailed in the attached Appendix “E” to Report 13-010, be approved; and,
- (b) That the General Manager of Community and Emergency Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “E” to Report 13-010) implemented.

15. Audit Report 2013-07 – Public Works and Finance and Corporate Services – Inactive Landfill Sites – Controls & Liabilities (AUD13032) (City Wide) (Item 8.6)

- (a) That the Management Action Plans, as detailed in the attached Appendix “F” to Report 13-010, be approved;
- (b) That the General Manager of Public Works and the Acting General Manager of Finance and Corporate Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “F” to Report 13-010) implemented.

16. Debt Management Policy and Lease Financing Policy (FCS13074) (City Wide) (Item 8.7)

That Report FCS13047, respecting the Debt Management Policy and Lease Financing Policy, be referred to the General Issues Committee for consideration.

17. Grants Sub-committee Report 13-004 (Item 8.3)

(a) Special Events Road Closure Charges 2010-2013 (GRA13005) (City Wide) (Item 4.1)

That Report GRA13005, respecting the Special Events Road Closure Charges 2010-2013, be received.

(b) Special Event Road Closure Process (PW13076) (City Wide) (Item 4.2)

That Report PW13076, respecting the Special Event Road Closure Process, be received.

(c) Appeal for Supercrawl Productions' Blues and Folk Fest (Westdale) (GRA13006) (Ward 1) (Item 5.2)

That the funding request in the amount of \$5,000 for Supercrawl Productions' Blues and Folk Fest – Westdale to be funded from the Community Partnership Program – Special Events budget, be denied.

(d) 2014 Community Partnership Program Budget Direction (Item 5.3)

That staff be directed to submit the 2014 Community Partnership Program Budget to the 2014 budget deliberations with a zero increase from 2013.

18. Resignations from the Status of Women Advisory Committee (Item 11.2)

That the following resignations from the Status of Women Advisory Committee, be received:

- (a) Uzma Qureshi
- (b) Heather Judson

FOR THE INFORMATION OF COMMITTEE:

(a) CHANGES TO THE AGENDA (Item 1)

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

- (i) Added as Item 4.1 – Delegation Request from John Polidoro, of Plumbway, respecting Bids for the Water Meter Maintenance Contract
- (ii) Added as Item 5.9 – Report FCS13001(f) – Treasurers Apportionment of Land Taxes
- (iii) Added as Item 5.10 – Report FCS13027(e) – Tax Appeals under Sections 357 and 358 of the Municipal Act (2001)
- (iv) Added as Item 8.8 – Grants Sub-committee Report 13-004, October 7, 2013

The agenda for the October 8, 2013 Audit, Finance & 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) September 9, 2013 (Item 3.1)

The Minutes of the September 9, 2013 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

4.1 John Polidoro, of Plumbway, respecting Bids for the Water Meter Maintenance Contract

The delegation request from John Polidoro, of Plumbway, respecting Bids for the Water Meter Maintenance Contract, was approved.

(e) Minutes of Various Advisory Committees (Items 5.8(a) and 5.8(b))

The following Advisory Committee Minutes were received:

(i) LGBTQ Advisory Committee Minutes

(1) May 16, 2013

(2) May 29, 2013

(f) GENERAL INFORMATION/OTHER BUSINESS (Item 11)

(i) Amendments to the Outstanding Business List (Item 11.1)

(1) The following proposed new due dates were approved:

(aa) Item "K" – Committee Against Racism – Resource Centre & Telephone Help Line

Current Due Date: October 8, 2013

Proposed New Due Date: December 9, 2013

(bb) Item "M" – Power of Sale and Proceeds - 1154 and 1162 Barton Street East and 50 and 52 Fraser Avenue, known as the Olympia Banquet Centre

Current Due Date: October 8, 2013

Proposed New Due Date: January 2014

(cc) Item "T" - CRTC – Fibre Optic Cable in Rural Areas

Current Due Date: October 8, 2013

Proposed New Due Date: December 9, 2013

(dd) Item "F" - Costs Associated with Condominium Corporation Maintenance

Current Due Date: November 25, 2013

Proposed New Due Date: March 2014

(2) The following Items were considered complete and removed from the Audit, Finance & Administration Committee's Outstanding Business List:

(aa) Item "J" – Benefit Payouts (Item 5.2)

- (bb) Item "O" – Correspondence from the Township of Adjala-Tosorontio respecting the *Development Charges Act*
- (cc) Item "U" – Internal Audit Expenditures for Corporate Trunked Radio Upgrade Project (Item 8.1)
- (dd) Item "Z" – Correspondence from the Robert Land Community Centre requesting the Waiving of Development Charges and Parkland Dedication Fees

(g) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance & Administration Committee adjourned at 10:16 a.m.

Respectfully submitted,

Councillor M. Pearson, Chair
Audit, Finance & Administration Committee

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

APPORTIONMENT OF TAXES

That the original land taxes recorded against:

Roll #2518 303 420 04835 0000 – (2 McCurdy Ave., Flamborough) in the amount of \$1,920 be split amongst the three newly created lots listed below:

YEAR	ADDRESS	ROLL NUMBER	APPORTIONED ASSESSMENT	TAX AMOUNT
2013	McCurdy Ave.	2518 303 420 04835 0000	53,142	\$ 642
2013	McCurdy Ave.	2518 303 420 04837 0000	52,285	631
2013	McCurdy Ave.	2518 303 420 04838 0000	53,573	647
		Total	164,000	\$ 1,920

City of Hamilton
 Corporate Services Department
 Taxation Division
 Section "357" Appeals of the Municipal Act, 2001

Appeal No.	Property Address	Roll Number	Explanation	YEAR	Amount
357-12-178	295 Dundas St E	303370082000000	Fire Oct 25th extensive damage the house was demolished	2012	-269.06
357-12-169	0 Stonehenge Dr	140280365700000	Gross or Manifest Error public laneway roll created in error	2012	-144.68
357-13-009	293 Wellington St N	0201820694100000	Exempt HHSC are occupying more space	2013	-9,570.59
357-13-029	295 Wellington St N	303370082000000	Fire Oct 25th extensive damage the house was demolished	2013	-1,495.86
357-13-046	90 Pritchard Rd	060581049700000	Exempt - City property	2013	-3,710.17
357-13-051	1365 BaseLine Rd	003010354000000	Demolition of old house reduced value but triggered a change in tax class	2013	1,870.13
357-13-051	1365 BaseLine Rd	003010354000000	reverse increase re- tax class legislations does not allow increase on Sec 357	2013	-1,870.13
357-13-054	193 Cannon St E	020182066800000	Tax Class Conversion owner withdrew his appeal	2013	0.00
357-13-076	0 Gowland Dr	901410854780000	Gross or Manifest Error two rolls create for one lot	2013	-595.60
357-13-082	135-137 King St E	003345192000000	Demolition of all structures now commercial vacant land	2013	-27,110.25
357-13-085	815 Main St E	0302310058500000	Tax Class Conversion now all residential tenants	2013	-1,340.67
357-13-088	999 Upper Wentworth St	070652060100000	Demolition of village court units at Limeridge Mall	2013	-179,618.99
357-13-089	147 South Bend Rd E	080893031000000	Tax Class Conversion new owners using it as residence	2013	-5,784.91
357-13-107	69 Houghton Ave S	040304050300000	Tax Class Conversion - no longer a home operated business on premises	2013	-378.42
357-12-156	Governors Rd	140110425500000	Exemption denied - still farm land - future well	2012	0.00
357-12-188	170-172 Markland Ave	020130187600000	Tax Class Conversion even though only 6 units rented still 7 units in building	2012	0.00
357-13-042	332-348 Arvin Ave	003140036000000	Demolition of 10,000 sq ft of industrial bldg	2013	-5,783.89
357-13-093	1632 Wilson St W	140410404000000	Tax Class Conversion now more commercial space	2013	-925.70
357-13-090	79 Kennedy Ave	081101065800000	Demolition of all structures	2013	-543.37
357-13-041	615 Hamilton St	303420230000000	Demolition of gas station	2013	-1,258.19
357-13-033	19 Innovation Dr	302270716500000	Gross or Manifest Error denied owner claimed incorrect sq footage it is correct	2013	0.00
357-13-023	880 Beach Blvd	050512058100000	Exempt City property	2013	-1,748.46
357-13-117	1155 Beach Blvd	050512068500000	Gross or Manifest Error to correct supplementary billing	2013	-181.74
			Total		-240,460.55

City of Hamilton
Corporate Services Department
Taxation Division
Section "358" Appeals of the Municipal Act, 2001
Realty Tax Applications for overcharges

B- overcharge (Assessment Roll)
B1 -overcharged-application denied
E - Exempt

Appeal No.	Property Address	Roll Number	Reason	Explanation	Year	Amount
358-13-024	1365 Base Line Rd	003010354000000	B1	owner stated building demolished years ago. The assessor inspected		0.00
358-13-025	1365 Base Line Rd	003010354000000	B1	the property- the building was still standing		0.00
358-13-051	735 Queenston Rd	050452001300000	B	demolition of the old Swiss Chalet		-12421.17
358-13-052	735 Queenston Rd	050452001300000	B			-5727.12
358-12-074	37 Malton Dr	081101046100000	B	incorrect square footage		-225.81
358-13-054	59 Lovers Lane	140240226000000	B	demoliton of old house		-1779.58
358-13-033	19 Innovation	302270716500000	B1	owner stated incorrect sqare footage. The assessor inspected the		0.00
358-13-034	19 Innovation	302270716500000	B1	property verified measurement is correct		0.00
358-13-023	0 Gowlands Ave	901410854780000	B	roll number created in error land part of 901.410.62015		-600.03
358-13-035	0 Gowland Rd	901410854780000	B			-588.36
					Total	-21,342.07



**THE CORPORATION OF THE
TOWNSHIP OF ADJALA – TOSORONTIO**

7855 Sideroad 30 * R.R.#1 * Alliston, Ontario * L9R 1V1
Telephone: (705) 434-5055 Fax: (705) 434-5051

Office of the Clerk

RESOLUTION

Moved by: Councillor Little
Seconded by: Councillor Pinto

WHEREAS the *Development Charges Act 1997* currently does not provide for the collection of development charges for the expansion and improvements to hospitals; and

WHEREAS smaller community hospitals must depend on the limited resources of existing residents for at least part of the costs for expansion and operational funding; and

WHEREAS these hospitals must expand their services to meet the needs of the increasing population; and

WHEREAS the costs for hospital expansions should be shared with this growth;

NOW THEREFORE BE IT RESOLVED THAT the Honourable Minister of Municipal Affairs be requested to establish a committee to work with the LHIN's and hospital boards to establish parameters and procedures to include hospitals under the *Development Charges Act*; and

THAT a copy of this resolution be forwarded to municipalities for support through AMO.

Motion Carried

DISCLAIMER

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**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-05
COMMUNITY AND EMERGENCY SERVICES – FOOD SERVICES (ARENAS AND RECREATION FACILITIES)**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Procedures</u></p> <p>The <i>Food Services Cash Handling Procedures</i> provide detailed instruction regarding how cash, revenue, inventory and vending commissions should be handled and reconciled at the City's recreation centres and arenas. These procedures were last updated in August 2009 and differences exist between actual and documented processes. For example, no updates have been made for the use of CLASS POS registers or changes to the forms being used.</p> <p>In addition, the Procedures do not provide adequate guidance on obtaining authorization for wastage inventory items or entering into agreements to provide catering services.</p> <p>When written procedures are lacking documentation on current practices, employees use personal understanding and experience to carry out processes which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for the successor to commence his/her duties within a short period of time.</p>	<p>That management update, approve and implement cash handling procedures. The procedure should be reviewed annually by management and bear evidence of such review (sign-off).</p>	<p>Agreed. Food Services Cash Handling procedures will be updated and approved by Recreation management by Q1, 2014. (Plan – New draft cash handling recommendations by October 25th; review by Cash Handling Committee November 8th; Plan revisions November 15th; Finance Review November 22nd; Plan revisions November 27th; Recreation Directors review December 11th; Plan revisions December 13th; final approval December 20th)</p> <p>A new Catering form will be developed, reviewed and approved by City Wide Services (CWS) management, ensuring consistency and clarity in catering agreements. This will be completed by Q3, 2013.</p> <p>A management review will be done on the wastage processes by Q1, 2014, followed by recommendations and an implementation plan by Q2, 2014.</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Timely Deposit of Funds</u> Per the <i>Food Services Cash Handling Procedures</i>, a bank deposit for funds collected is to be prepared at a minimum of once per week. A review of five arenas identified:</p> <ul style="list-style-type: none"> • Deposits at four arenas contain more than one week of sales and receipts; and • Deposits were made to the bank three to six days after they were prepared. <p>Cash stored for long periods before being deposited in the bank provides the opportunity for misappropriation, lapping or theft of funds.</p>	<p>That all deposits be prepared and deposited within the timelines stated in the written procedures.</p>	<p>Agreed. Deposits will now be done according to the <i>Food Services Cash Handling Procedures</i>. Compliance report to be completed for CWS management by Q1, 2014.</p>
3.	<p><u>CLASS POS transactions</u> Cash register transactions at arena concessions are processed by Junior Clerks. In a review of four different arenas that use CLASS Point of Sale (POS) cash register systems, Junior Clerks were found to be processing transactions under the Senior Clerk's username at three of the locations. It is difficult to establish accountability for transactions processed (i.e. sales, refunds, voids).</p>	<p>That all Junior Clerks use their own assigned usernames and passwords for processing transactions through the CLASS POS cash register system.</p>	<p>Agreed. The current system of logging into the network and then logging into CLASS has been problematic due to lockout and security features. We will investigate in POS locations how to address after hours support from IT and CLASS so that staff will eliminate the usage of other staff's passwords and usernames to speed up the opening process. In the event where after hours support is delayed, clerks will identify in the Daily Cash Envelope (DCE) what action and information was used to sign in and will inform the supervisor to remediate the problem. Implementation Date – October 30, 2013.</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
4.	<p><u>Void / Refund Documentation</u> The <i>Food Services Cash Handling Procedures</i> require Junior Clerks performing refunds, voids or error transactions in the POS system to complete a refund slip and include it in the Daily Cash Envelope (DCE). A review of refunds completed at five locations identified that refund slips were not being completed.</p> <p>When Junior Clerks do not complete refund slips, the risk of fictitious refunds or voids is increased as there is no documentation to support the transaction. An opportunity exists to process a void or refund for cash and misappropriate the funds.</p>	<p>That completed refund slips be attached to the DCE for all refunds, voids and error transactions.</p>	<p>Agreed. Refund, errors and voids (general refunds) slips will continue to be completed by staff (junior clerks) as per department cash handling policies and procedures and submitted with each DCE for each general refund completed. All general refunds completed will be reconciled by Arena Senior Clerks (ASC) via a new software refund report now available in all Food Services POS CLASS and through the Z reading for Non POS CLASS locations. Periodic Box Office Statement (BOX Office) has been revised to include daily tracking of any transactions that have a general refund component. Box Office general refund information will include staff's name and amount of refund as well as indicating if staff completed and submitted general refund slip with DCE, as required.</p> <p>Daily and Periodic refund reports are now reconciled by ASC and Co-ordinator to ensure compliance is achieved. In situations where junior clerks are not performing these functions, a verbal, written and possible disciplinary action will be addressed to ensure compliance.</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
5.	<p><u>Management Sign-Off:</u> Senior Clerks are not consistently initialing the DCE as evidence that the cash collected from daily sales has been counted and matches the total recorded by the Junior Clerk.</p> <p>In addition, there is no indication of sign-off for management review of the Bi-Monthly Cash Management Summary (cash and revenue reconciliation), Bi-Monthly Inventory Control Sheet (inventory reconciliation) or Bi-Monthly Inventory Variance Summary Report (summary of inventory differences for all locations).</p> <p>A review of nine Bi-Monthly Inventory Control Sheets identified two having errors with opening balances and seven with errors in wastage amounts recorded.</p> <p>Without proper sign-off there is no evidence of management review of key cash and inventory reconciliations for accuracy and completeness.</p>	<p>That Senior Clerks initial all DCEs as evidence of review.</p> <p>That management sign off on the Bi-Monthly Cash Management Summary, Bi-Monthly Inventory Control Sheet and Bi-Monthly Inventory Variance Summary Report as evidence of review.</p>	<p>Agreed. Senior Clerks will initial all DCEs from now on.</p> <p>Agreed. Recreation Food Services (RFS) Supervisor will sign-off on all Bi-Monthly Cash Management Summaries, Bi-Monthly Inventory Control Sheets and Bi-Monthly Inventory Variance Summary Reports effective immediately.</p>

**COMMUNITY AND EMERGENCY SERVICES –
 FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
 MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>Physical Security of Concession Inventory</u> Access to concession inventory is not restricted to Food Services staff. The Arena Supervisors and/or Senior Operators at each location have access to inventory areas to accept deliveries when Food Services staff are not present or for Health and Safety purposes.</p> <p>Two of five locations tested identified even more staff having access to inventory. All full time arena staff at the Dundas Arena and all arena staff at Morgan Firestone Arena have access to the key required to enter inventory storage areas.</p> <p>When access is not restricted, the potential for unauthorized entry and misappropriation of inventory is increased.</p>	<p>That the key to inventory storage areas be secured and restricted to only staff requiring such access.</p>	<p>The Recreation Food Services (RFS) Security Report will align Food Services physical security practices with the arenas' security processes and will be completed by Q3, 2013 and reviewed by Recreation management. Revisions, as recommended by the Report, will be implemented by Q4, 2013.</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
7.	<p><u>Concession Inventory Reconciliation</u> Arenas' concession inventories are received through transfers from the Food Services administration office, transfers from other concessions, deliveries directly to the arenas by vendors or purchases using petty cash.</p> <p>Original transfer sheets, approved invoices and receipts for petty cash inventory purchases are not reconciled to the Bi-Monthly Inventory Control Sheet, a document meant to update inventory quantities on hand. A review of nine Bi-Monthly Inventory Control Sheets identified several discrepancies - three amounts did not have supporting transfer sheets or invoices and one item on a transfer sheet was not included in the inventory quantities.</p> <p>Further, quantities for items purchased in bulk but sold in individual quantities are not reviewed or reconciled. For example the number of french fry cups sold is reconciled but is not compared as to the yield of the number of french fry bags used.</p> <p>Without matching transfer sheets, invoices and petty cash receipts or reconciling all bulk inventory items to the bi-monthly inventory quantities, the completeness and accuracy of the inventory cannot be confirmed. This increases the City's risk of misappropriation of inventory going undetected.</p>	<p>That original inventory transfer sheets, copies of approved invoices and petty cash receipts be matched to the Bi-Monthly Inventory Control Sheet. The Inventory Co-ordinator should sign off that all items have been matched/reconciled.</p> <p>That all bulk inventory items be accounted for on the Bi-Monthly Inventory Control Sheet and the yield reviewed and reconciled.</p>	<p>Agreed. The Inventory Co-ordinator will sign off on Bi-Monthly reconciliation reports effective immediately.</p> <p>Agreed. In addition to individual inventory counts, the top four bulk items will now be identified and included in the Bi-monthly Inventory Report under "Yieldage Inventory". The reconciliation between units sold, serving size and usage of bulk items will be analyzed and cross-referenced to ensure actual food costs and standard ideal costing is achieved. To be in place by September 20, 2013. (To identify more than the top four bulk items is cost prohibitive.)</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
8.	<p><u>Concession Inventory Variances</u></p> <p>Inventory sales calculated on the Bi-Monthly Inventory Control Sheets (sales per inventory count) and actual sales as recorded in the cash registers are compared to determine the accuracy of bi-monthly inventory counts and identify any potential issues. A review of nine Bi-Monthly Inventory Control Sheets identified three with total variances greater than the target of 2.5% as noted in the <i>Food Services Cash Handling Procedures</i> (83.52%, 70.23%, and 9.85%). There was no evidence of follow up, correction or explanations for the large variances.</p> <p>Individual inventory item variances are not reviewed unless the total target variance of 2.5% is exceeded. All nine Bi-Monthly Inventory Control Sheets tested had individual items with variances over 10%. There is a risk of errors or potential misappropriation going undetected when large individual variances are not reviewed and followed up.</p>	<p>That Bi-Monthly Inventory Control Sheets with variances greater than 2.5% be followed up with required corrections or explanations of differences documented.</p> <p>That a threshold be set for individual product variances and differences exceeding this percentage be followed up and explained. A calculation of individual product variances should be included on the Bi-Monthly Inventory Control Sheet.</p>	<p>Alternative to be implemented. The target of 2.5%, as noted in the <i>Food Services Cash Handling Procedures</i>, will be reviewed with regard to cost/benefit and adjusted accordingly.</p> <p>Agreed. The current inventory variance process will be reviewed by CWS management and process improvements will be implemented by Q1, 2014.</p>

**COMMUNITY AND EMERGENCY SERVICES –
FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
	<p>In addition, "combo" items from the cash register sales reports were excluded from the Bi-Monthly Inventory Control Sheets. When all items are not included in the reconciliation, variance percentage calculations will be incorrect and therefore cannot be relied upon.</p>	<p>That total sales from the cash register be matched to the Bi-Monthly Inventory Control Sheet to ensure all items have been recorded.</p>	<p>Not Practical/Alternative to implemented. Current CLASS POS does not allocate these "combo" sales into individual costing and sales categories. All "combo" items in CLASS POS and Non CLASS POS with more than one inventory element have been addressed in the Bi-Monthly Inventory Report where "combo" sales amounts are credited to sales and individual elements are included in their respective inventory categories. For example, in a hotdog "combo", the hot dog and pop are single serves (included in their inventory categories) and fries are a bulk item (addressed under "Yieldage Inventory" (see #7)).</p>
9.	<p><u>Vending Machine Contracts</u> Food Services receives commission revenue from operators of full service vending machines selling cold beverages, snacks, or video game play in arenas and recreation centres.</p> <p>There currently are no active contracts in place with these vendors which violates the Procurement Policy for the City of Hamilton By-law No. 12-255 concerning revenue generating contracts.</p>	<p>That Food Services award revenue generating contracts in accordance with the Procurement Policy.</p>	<p>Agreed. Recreation Food Services (RFS) is undertaking a full procurement plan in conjunction with the new Healthy Food & Beverage Policy. New contracts will be in place as per the Procurement Policy starting in Q4, 2013.</p>

**COMMUNITY AND EMERGENCY SERVICES –
 FOOD SERVICES (ARENAS AND RECREATION FACILITIES)
 MAY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
10.	<p><u>Vending Machine Commissions</u></p> <p>In sampling vending machine commissions received, two vendors were identified whose machines are considered "non-automated" (i.e. do not produce an internally generated sales report upon which the commissions are based).</p> <p>Contrary to the written procedure, Food Services staff do not count the funds with the vendors when the cash is emptied from the machines and do not retain any documentation indicating the total cash collected at the time of the pickup.</p> <p>When City staff do not witness the cash pickups from the non-automated vending machines and rely on the vendors to calculate and produce the commission cheques, there is an increased risk of not receiving the full share of revenues earned.</p>	<p>That all cash pickups from non-automated vending machines be witnessed by Food Services/arena/recreation centre staff with sign-off. Appropriate documentation should be forwarded to the Food Services office to be reconciled to commission cheques received.</p>	<p>Agreed. Cash pickups from non-automated vending machines will be witnessed by Food Services/arena/recreation centre staff with sign-off by September 6th, 2013. A cash pick-up form will be forwarded to the Food Services office to be reconciled to commission cheques received.</p> <p>Small (less than \$50/month) vending machine commissions where there is no cost/benefit will be discontinued.</p>

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-07
PUBLIC WORKS (PW) AND FINANCE AND CORPORATE SERVICES (FCS)
INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Procedures</u></p> <p>There are no formal written procedures to guide Financial Services and Environmental Services staff in updating financial and operational factors such as the discount rate used to estimate the total expenditures, the changes with inflation rates and the used capacity of the landfill when carrying out the calculations for the liability of landfill sites.</p> <p>When written procedures do not exist, employees currently carrying out the process rely on personal understanding and experience which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence such related duties within a short period of time.</p>	<p>That Financial Services and Environmental Services develop, approve and implement comprehensive procedures for calculating the liability for landfill sites. These documents should be reviewed on a regular basis (annually) and be revised, as required.</p>	<p><u>Financial Services (FCS)</u> Agreed. Staff will work with Environmental Services to develop a procedure for the annual calculations required. Expected completion – Q4, 2013.</p> <p><u>Environmental Services (PW)</u> Agreed. Staff will develop a procedure for the calculation of annual used landfill capacity. Expected completion – Q4, 2013.</p>

CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-07
PUBLIC WORKS (PW) AND FINANCE AND CORPORATE SERVICES (FCS)
INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES

ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them appropriately.

Glanbrook Landfill Liability

1. An assessment of the need for a comprehensive review of capacity at the Glanbrook landfill site has not been undertaken within the past three years. This is contrary to PSAB Section PS 3270.18. Such reviews are important as they are the basis for estimating total capacity and the capacity used. Capacity must be applied consistently so that the liability and results are comparable over time.

It is recommended:

Environmental Services (PW) – That an assessment of the need for a comprehensive review of capacity at the Glanbrook landfill site be performed and documented at least once every three years, beginning in 2013.

Management Response:

Environmental Services (PW) - Agreed. A review will be completed for total remaining capacity in 2013. Calculated capacity will be accurate to the end of 2012. Capacity will then be calculated at least every 3 years going forward.

2. The calculations for the liability of the Glanbrook landfill site used an expected closure date of 2036. The last independent study of when this landfill is expected to close was completed in 2009. The expected closure date has remained unchanged since then even though changes that could potentially impact the closure date have occurred (i.e. collection of extra garbage through the use of garbage bag tags).

It is recommended:

Environmental Services and Financial Services (PW and FCS) - That the closure date used in the calculations for the Glanbrook landfill liability be updated in 2013 and reviewed at least once every three years or whenever a significant change potentially impacting the closure date is implemented.

Management Response:

Environmental Services (PW) - Agreed. Landfill closure date will be assessed in 2013 and then at least every two years or when a significant change in the waste management system necessitates a review.

**PW AND FCS – INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES
JULY 2013**

Glanbrook Landfill Liability (Cont'd)

3. The Public Sector Accounting Board (PSAB) Section PS 3270.09 requires that all activities related to closing a landfill site be itemized for the liability. The one time closure costs for the Glanbrook landfill (costs calculated as \$2.37 million in 2012) have not been broken-down to indicate individual costs such as final cover and vegetation, drainage control features and monitoring of leachate, water quality and gas recovery.

It is recommended:

Environmental Services and Financial Services (PW and FCS) - That the liability for the one time closure costs for Glanbrook be supported with a list of activities and their related costs.

Management Response:

Environmental Services (PW) - Agreed. A detailed breakdown of landfill closure costs will be developed by Q1, 2014.

Financial Services (FCS) - Agreed. Closure cost estimates should be supported by a detailed breakdown.

4. Post closure care estimates for monitoring and maintaining the Glanbrook landfill when it closes includes a \$5.48 million amount for development of a new section of the Glanbrook landfill. These costs do not pertain to post closure care and should be removed from the liability calculations.

It is recommended:

Environmental Services and Financial Services (PW and FCS) - That the \$5.48 million for development of a new section of the Glanbrook landfill site be removed from the liability calculations.

Management Response:

Environmental Services (PW) - Agreed. Staff will work with Financial Services to make this correction.

Financial Services (FCS) - Agreed. Only costs relating to post-closure care activities should be included in the post-closure care cost estimate.

**PW AND FCS – INACTIVE LANDFILL SITES – CONTROLS & LIABILITIES
JULY 2013**

Landfill Operating Costs

5. The 2012 operating costs to maintain the open and closed landfill sites were \$3.63 million. The cost allocation was \$2.27 million and \$1.36 million for open and closed landfill sites, respectively. There was no documented support for the allocation of these costs.

It is recommended:

Environmental Services - That analysis to support the allocation of operating costs between open and closed sites be maintained.

Management Response:

Environmental Services - Agreed. Support documentation for the allocation of operating costs specific to open and closed landfills will be developed. Expected completion Q4, 2013.