

AUDIT AND OPERATIONAL REVIEW COMMITTEE – DECEMBER 10, 2009

INTERNAL AUDIT REPORT OF ENGINEERING SERVICES

Recommendation

The City Auditor recommends to the Audit and Operational Review Committee:

That the Internal Audit Report of Engineering Services be received.

Economic Impact

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

The report will be available to the public through the City of Vaughan's website.

Purpose

To present to the Audit and Operational Review Committee, the Internal Audit Report of Engineering Services.

Background - Analysis and Options

The audit was part of the 3 year risk-based Internal Audit Work Plan which was approved by the Audit and Operational Review Committee.

Other than what is included as observations in the Internal Audit Report, the department is operating effectively.

The Internal Audit Report is provided as an attachment. The report has an Executive Summary and includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) the director's response for corrective actions and (5) the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. The Internal Audit Report includes the audit findings, recommendations and corrective actions.
2. The Commissioner and Director of the department/operation audited have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of Engineering Services.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

November 10, 2009

Clayton Harris
City Manager
City Of Vaughan
2141 Major Mackenzie Drive
Vaughan, Ontario
Canada L6A 1T1

Dear Clayton Harris,

Re: Internal Audit of Engineering Services

I have completed the internal audit of Engineering Services. This audit was included in the three year audit work plan.

A follow-up letter will be sent to the auditee, 30 days from the issue date of this Internal Audit Report, requesting the status of Corrective Actions as noted in this report. Subsequent follow-up letters may be sent until all Corrective Actions have been satisfactorily implemented.

I would like to thank Commissioner Bill Robinson, and his staff for accommodating me and providing me with unrestricted access to all staff and information during the audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Internal Audit Department is committed to adding value, providing continuous improvement recommendations and professional service to the whole organization.

Sincerely,

Michael Tupchong CA, CIA, CPA, CFE
City Auditor

cc: W. Robinson J Graziosi T. Ungar M. Dokman J. Metras

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Executive Summary

- A spreadsheet which controls and records the calls made to the contractor to repair Traffic Control Signals were not kept up to date. Therefore some invoices from the contractor could not be verified, yet they were paid. *Controls have now been put in place.*
- Some requirements in the Tender document for the Maintenance of Traffic Control Signals and Related Electrical Devices were not adhered to (Time call received, Person reporting call, Time arrived at site). Therefore some of the charges on the contractor's invoices could not be verified. *This has since been rectified.*
- A consultant commenced work on May 2, 2007. The Purchase Order was requested on 14 January 2008 (8 ½ months later) after the invoice was received when the work was completed. The process of issuing the Purchase Order/Field Purchase Order *after* the service was done, was quite frequent. *Instructions have been given by management to rectify the process.*
- The Pavement Marking department are asking the Purchasing staff to "receive" invoices in PeopleSoft system on their behalf. Supporting information is not received to support the charges on the invoices. *The issues have been addressed with the department and the contractor.*
- Timesheets are signed by the supervisor and then handed back to the employee to submit to the Payroll department. Employees can alter hours worked before submitting the timesheets. *Controls have now been put in place.*
- The annual machine time charge of \$32,500 per annum is insufficient to replace 12 City vehicles at the end of their 7 year estimated useful lives. The amount should be approximately \$47,000 per annum. This would have resulted in approximately \$101,000 of underfunding for replacement of the assets. *The Fleet department has now adjusted the annual machine time charge.*
- Vendor invoices are often not signed (and dated) to provide evidence of their review for correctness, receipt of goods/services and approval for payment. *Staff have been informed to sign and date invoices.*
- A retired employee worked as a consultant for 6 months. He claimed daily travel mileage from home (Barrie) to work and back. He claimed approximately 10,000 kilometres over 6 months. His contract with the City was silent about being paid for travelling from home to work and back. *The department will address this for future consultants.*

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

SUMMARY OF HEADINGS

<u>Heading</u>	<u>Page No.</u>
▪ Definition, Objective and Scope	4
▪ Follow-up on Corrective Actions	5
▪ Intended Purpose of Report	5
▪ Ineffective Control over Maintenance of Traffic Control Signals (T07-029)	7
▪ Tender (T07-029) Requirements not followed	9
▪ Cell Phone Invoices need employee sign-offs	10
▪ Doing business with a distant company	11
▪ Purchase Orders and Field Purchase Orders dated after Invoice	13
▪ Meals	14
▪ Training Invoices not signed	15
▪ Control over Field Purchase Order Books	16
▪ Pavement Marking Invoice with Issues	17
▪ Pavement Marking Invoice without sufficient supporting documentation	19
▪ Membership/Dues/Fees	20
▪ Road Occupancy permits (ROPs)/Municipal Consents(MCs)	21
▪ Car Wash Tickets	23
▪ Travel Mileage-Consultant	24
▪ Machine Time	25

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

▪ Timesheets for Part-time employees	26
▪ Conclusion	27

INTERNAL AUDIT REPORT ENGINEERING SERVICES

DEFINITION, OBJECTIVE AND SCOPE

1. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The internal audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors have authority to review any phase of City activity. The scope of this audit may include one or more of the following:-
 - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
 - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
 - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
 - Appraising the economy and efficiency with which resources are employed.
 - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
 - Reviewing the identification of risk exposures and use of effective strategies to control them.
 - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

FOLLOW-UP ON CORRECTIVE ACTIONS

1. It is extremely important that all Corrective Actions as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups, the first being 30 days after the issue date of the Internal Audit Report, followed by subsequent 30 days until all Corrective Actions have been satisfactorily implemented. Follow-up audits may be done to verify the reported implementation.
3. The Corrective Actions will ensure that the deficiencies as raised by the Auditor will be addressed. After all Corrective Actions have been implemented, there will be improvement in the effectiveness of risk management, control, and governance processes. The department will operate more efficiently and effectively. Members of the organization will also have discharged their responsibilities.
4. At the discretion of the Commissioner/Director, this report may be distributed to the appropriate staff members under their jurisdiction. Deficient items which could be common across the organization should be globally addressed. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.

Intended Purpose of Report

This report is presented purely to add value and to improve the operation in terms of the scope of the audit for effectiveness, efficiency and continuous improvement. Areas reviewed were considered to be operating effectively, except where specifically noted as observations for which the auditor has made recommendations for improvement. The report is not intended to criticize/discredit any individual, or the management of the operation. The recommendations are suggestions of the auditor to achieve the objective of the audit.

Auditor(s): Michael Tupchong.....**Signature:**.....

Approved:

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Observations

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Ineffective Control over Maintenance of Traffic Control Signals (T07-029)

Observations

1. The Traffic Transportation Analyst (TTA) maintains an Excel spreadsheet of her calls to the contractor, listing (1) street intersection addresses where there are problems with signal lights and (2) the date she called. Many times, in the evenings, the Public Works department will call the contractor to repair a signal light without informing the Traffic Transportation Analyst . Therefore this information will not be recorded on her spreadsheet.
2. The invoice of the contractor lists the street intersection names and the charge per street intersection. The supporting sheets will show the location, date, material and labour charges for each intersection repair. The total charge agrees with the charge on the invoice. The auditor checked a number of street intersections to the Excel spreadsheet and did not find a number of them there. The Traffic Transportation Analyst assumed that these street intersections were as a result of calls made by the Public Works department. The invoices were nevertheless paid.
3. Each callout for a street intersection, has a minimum charge of \$171.50 up to a few thousand dollars depending on materials and labour.

Implications

The spreadsheet of the Traffic Transportation Analyst , is the effective control to verify the charges on the invoice. The spreadsheet is not updated to reflect the calls made by the Public Works department. Therefore some of the invoices from the contractor cannot be completely verified, yet they are paid.

Recommendations

It is recommended that:-

1. All calls made by the Public Works department to the contractor, should be e-mailed to the Traffic Transportation Analyst who should then enter the information into her spreadsheet. The invoice from the contractor should be checked to her spreadsheet to ensure they agree. For those which are not on her spreadsheet, the Traffic Transportation Analyst should contact the Public Works department and verify if the call(s) were made. If the calls were made, she should then enter the information into her spreadsheet. If the calls were not made, then the contractor should be informed of the incorrect charge and a credit note should be requested.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

2. The Traffic Transportation Analyst should include another column on her Excel spreadsheet called "Invoice Number". When the Traffic Transportation Analyst checks the invoice to her spreadsheet, she should enter the invoice number and date on her spreadsheet in the same row as the street intersection name. Her spreadsheet is the effective control over the invoice charges.

Corrective Action(s) (Commissioner Bill Robinson Response)

As noted previously, the responsibility for administration of the traffic signal maintenance contract has been transferred to the Public Works Department. All calls reporting traffic signal malfunctions/damage/outages, etc., are being routed to Public Works dispatch who then are the sole point of contact with the contractor. The Public Works dispatch office issues and records all work orders to the traffic maintenance contractor. The new contract document for traffic signal maintenance requires the contractor to provide detailed invoicing, including the City work order number, with a breakdown of the hours and charges where applicable for all work performed under the contract. Each invoice submitted will include dates, times and locations of all services provided and details of the work completed in addition to other specified information.

The single point of contact, the detailed work order tracking and detailed invoicing system that has been put in place will ensure effective control by Public Works staff over this maintenance contract.

Auditor's Response to Corrective Action(s)

Controls have been implemented. Invoices can now be verified before they are paid.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Tender (T07-029) Requirements not followed

Observations

It was observed that the requirements on page 8 of document V of tender T07-029 (Maintenance of Traffic Control Signals and Related Electrical Devices), are not adhered to by the contractor for the following items which should be shown on documentation to support the charges on the invoices:-

- a) Time Call received
- b) Person reporting the call
- c) Time arrived at the site

Implications:

Tender requirements are not adhered to. Without the required information, it becomes more difficult to verify the charges on the invoices.

Recommendations:

The contractor should be requested to show the following information (as required in the tender document V on page 8) on their documentation to support the charges on their invoices:-

- a) Time Call received
- b) Person reporting the call
- c) Time arrived at the site
- d) Time left site

Corrective Actions: (Commissioner Bill Robinson Response)

The detailed invoicing mentioned previously required under the new contract for traffic signal maintenance will ensure that all necessary information is clearly shown on all invoices submitted to the City for payment.

Auditor's Response to Corrective Action:

Controls have been implemented.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Cell Phone Invoices need employee sign-offs

Observations

It was observed that the supervisor approves (signs) for payment, all monthly cellular line invoices from a mobile company, of department employees who have cell phones. The employee does not review and sign his/her monthly invoice for accuracy.

Implications

1. Employees are not reviewing monthly invoice charges for accuracy.
2. The supervisor approves monthly invoices for payment without the employee first verifying the accuracy of the charges. Only the employee will be knowledgeable of the calls s(he) made.

Recommendations

It is recommended that :

Cell phone charges are an expense of the employee, similar to travel expenses. The invoice which shows the calls made and related charges, should first be signed by the employee to verify its accuracy, and should then be reviewed and signed by the employee's supervisor to approve payment.

Corrective Actions (Commissioner Bill Robinson Response)

All Engineering Services staff to which cell phones have been issued have been instructed to review the invoices for accuracy, to sign the invoices to verify accuracy and to submit them to their supervisor for final review and approval.

Auditor's Response to Corrective Actions:

Recommendations have been implemented.

INTERNAL AUDIT REPORT ENGINEERING SERVICES

Doing business with a distant company

Observations:

1. It was observed that the Pavement Marking department hired a consultant which is located in Fonthill, Ontario (approximately 150 kilometres away). Between May 2, 2007 to November 2, 2007, the consultant made 15 trips to Vaughan and charged over 300 kilometres per trip. The total kilometre charge was in excess of \$2217. There are also charges for travel time in the form of labour hours at the rate of \$55 per hour during each trip.
2. The total invoice over this period was for \$10,193.95 (before GST). The invoice was not signed and dated to verify the correctness of the charges.
3. The Purchase Order was requested on 14 January 2008 after the invoice was received, and after the consultant commenced work on May 2, 2007.
4. The auditor was advised that the contractor used is the only available service provider for the nature of this work within the Greater Toronto Area.

Implications:

1. As the contractor has a monopoly, it appears that the City has no choice, but to deal with a long distance contractor, and incur charges for long distance travel costs.
2. Without a signature on the invoice, there is no evidence that the invoice was checked for accuracy.
3. Ordering the Purchase Order after the work is done, is not following the proper process flow of the Purchase Order.

Recommendations:

1. If a Purchase Order is prepared from an invoice, then the invoice should be reviewed for accuracy, signed and dated.
2. Where possible, Purchase Orders should be requested before the consultant is hired and the job started.

Corrective Actions (Commissioner Bill Robinson Response)

This consultant was hired to provide quality services for the Pavement marking contract and to measure the reflectivity of the applied markings. I am advised that , to staff's knowledge, the subject consultant was the only firm at the time with the required

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

expertise to provide the required service. Staff will monitor the availability of alternate service providers and seek competitive quotes as the opportunity and need arises.

Staff have been reminded to ensure vendor invoices are signed and dated after they have been reviewed for accuracy and to ensure that Purchase Orders are issued prior to the work being commenced.

Auditor's Response to Corrective Actions:

Corrective actions are satisfactory.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Purchase Orders and Field Purchase Orders, dated after Invoice dates

Observations

1. It was observed that a number of jobs are assigned to contractors/vendors without the required Purchase Order/Field Purchase Order(PO/FPO). After the job has been done, only then is a Purchase Order/Field Purchase Order requested once the invoices have been received. The Purchase Order/Field Purchase Order is based on the invoice price of the job. The Purchase Order/Field Purchase Order is dated after the invoice date.
2. Invoices are often not signed and dated by the staff member who authorized the work, to indicate that the charges are correct. Seven such invoices reviewed, had dollar values of \$27,917, \$4,258, \$1,305, \$1,077.83, \$1,140.14, \$739.02, \$376.20.

Implications

Without a PO/FPO and a firm commitment as to the cost of the job or basis of calculation of the cost prior to its commencement, the department is giving the contractor/vendor some "freedom" to charge the City at the end of the job. This could result in the cost being higher than what it should be.

Recommendations

The Purchase Order/Field Purchase Order should be prepared and authorized before the work is awarded at the agreed price. This will eliminate any surprises of the cost of the job at the end. The department will have better control over the cost instead of the contractor being allowed to charge somewhat freely.

Corrective Actions (Commissioner Bill Robinson Response)

Staff have been instructed to issue purchase orders for routine work prior to the work being done. Where work is required on an emergency basis, the work can be initiated prior to issuance of a purchase order, however, until rates are to be established prior to the work being started and a purchase order is to be issued as soon as the cost of the emergency work can be established.

Auditor's Response to Corrective Actions:

Corrective Actions are satisfactory.

INTERNAL AUDIT REPORT ENGINEERING SERVICES

Meals

Observations

1. On a review of general department meal expenses, it was observed that an employee provided a credit card receipt for a meal expense totalling \$41.51. The number of people who attended, and the business purpose for the meeting was not disclosed.
2. A 4 day meeting was held at a banquet facility. The invoice for lunch for 12 people over 4 days at \$20 per head, totalled \$1,094.40. The invoice was not signed and dated by a staff member to verify its correctness.

Implications

Controls over meal expenses need to be improved.

Recommendations

1. Meals should be supported by detailed receipts (where possible for transparency) and as well as the credit card receipt. The guest names should be shown as well as the business purpose of the meeting. Canada Revenue Agency would require this information should they do an audit on meal expenses.
2. All invoices forwarded to the Accounting department for processing and payment, should be signed and dated to indicate that the invoices were reviewed, are correct and that the goods were received.

Corrective Actions (Commissioner Bill Robinson Response)

The recommended procedures have been implemented

Auditor's Response to Corrective Actions:

Recommendations have been implemented.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Training invoices not signed

Observations

1. It was observed that invoices for employee training and development, are approved by a supervisor but are not signed by the employee who attended the training.
2. An invoice for \$1272 was for the registration fee of a supervisor to attend a conference. The invoice was signed by him, but his supervisor did not sign and date the invoice to authorize payment.

Implications

1. Training and development invoices are not checked, signed and dated by employees who attended the training.
2. The supervisor is authorizing his own expense for payment as well as the Cheque Requisition.

Recommendations

1. Training and development is an employee expense similar to travel expense. Therefore, the employee should sign the invoice as evidence of its accuracy and the employee's supervisor should also sign the invoice, to authorize the expense for payment.
2. A supervisor's expense should be signed and approved for payment by his supervisor, after the former has signed and dated the invoice.

Corrective Actions (Commissioner Bill Robinson Response)

The recommended procedures have been implemented

Auditor's Response to Corrective Actions:

The Corrective Actions taken are satisfactory.

INTERNAL AUDIT REPORT ENGINEERING SERVICES

Control over Field Purchase Order Books

Observations

It was observed that each section (Design, Construction, Pavement marking and Traffic signals, Road Occupancy Permit and Municipal Consents) of the Engineering Services department has one or more Field Purchase Order(FPO) books which they are currently using. There are a total of approximately 9 books currently being used. The FPO books are issued by the Purchasing department to the Engineering Services department.

Implications

Distribution of FPO Books need better control.

Recommendations

The administrative co-ordinator should be the control centre for all FPO books. On the distribution of FPO books to each section, a log should be maintained to show:

- a) Issued FPO Book with number range
- b) Department issued to
- c) Date Issued
- d) Manager Name and Signature on receipt of FPO book

This way the log will show which FPO book (number range) is with which section.

Corrective Actions (Commissioner Bill Robinson Response)

The recommended procedures have been implemented

Auditor's Response to Corrective Actions:

Control over FPO books is now in place.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Pavement Marking Invoice with issues

Observations

1. An invoice totalling \$23,562.70 (before GST)(invoice number 54819) from a contractor, included paint which were used on work done on August 19, 20, 21, 22, 28. The invoice was "received" in PeopleSoft on December 29, 2007 by a Purchasing Clerk on behalf of the department at the request of a senior traffic analyst.
2. The auditor observed some notes by the Traffic Department Supervisor which said that (1) work done on August 28, 2007 on Hwy 12 and Hwy 7 should be excluded. (2) Edgeline work should be excluded as they are "not part of our inventory". Edgeline work was done on August 20, 21, 28. Therefore there were issues with the invoice. The invoice was nevertheless still "received" for payment in PeopleSoft. The invoice was not signed and dated to verify that the charges were "correct".
3. Another invoice number 54820 from the same contractor for \$1,258.64 (GST included \$71.24), showed total litres of paint used but did not provide further required details of (a) Roadway/intersection (b) Number of litres used per roadway/intersection (c) Type of Work (stop bar, crosswalk, school crosswalk, turn arrow, centre line, lane line, turn lane). This invoice has not been processed for payment yet.
4. The auditor was informed that Invoices from the contractor are generally not accompanied with supporting documentation of the names of streets and litres of paint used to support the charges on the invoices. Yet the invoices are still "received" for payment.

Implications

1. Pavement Marking department are asking Purchasing staff to receive invoices in PeopleSoft on their behalf.
2. An invoice which includes questionable charges was nevertheless received in PeopleSoft in preparation for payment.
3. Without the necessary required information (supporting documentation of the names of streets and litres of paint used to support the charges on the invoices), the invoice cannot be verified.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Recommendations

1. Purchasing staff should not "receive" in PeopleSoft any invoices on behalf of the Pavement Marking and Traffic Signal department. The department should do their own "receiving" or this should be done by the department secretary after the invoices have been reviewed, signed and dated as to its correctness
2. Invoice Number 54819 had a number of incorrect charges (as per the supervisor's notes) and therefore the Purchasing staff should not have been asked to "receive" this invoice at the 2007 year end. Rather an accrual should have been done. The department should request from the contractor that this invoice be reversed and a new correct invoice be submitted after taking into account the items which should not have been charged to the department as per the supervisor's notes. Supporting documentation to support the new charges should also be provided by the contractor.
3. The contractor should be asked to provide the required information as per the tender contract, and at a minimum, sufficient information to support the charges on the invoices such as (a) Roadway/intersection (b) Number of litres used per roadway/intersection (c) Type of Work (stop bar, crosswalk, school crosswalk, turn arrow, centre line, lane line, turn lane).

Corrective Actions (Commissioner Bill Robinson Response)

As recommended, staff in the Engineering Service Department are receiving invoices in PeopleSoft for this activity. The contractor is being required to provide the required details on all invoices for work done under the contract and staff will conduct the necessary review and verification of invoices prior to receiving them in PeopleSoft.

Auditor's Response to Corrective Actions:

Recommendations have been implemented. Controls are now in place.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Pavement Marking Invoice without sufficient supporting documentation

Observations

1. It was observed that the department entered into a contract with Almon for longitudinal pavement marking applications (Q07-213) for \$48,350.
2. The invoice produced by the contractor was for \$43,515 for 90% of completion of the contract. There was some supporting information to support the invoice but insufficient to also show (a) the quantity of yellow paint, white paint and beads used, (b) number of metres of roadway. This was a requirement of the written contract as per Document V page 7 of the tender. The supporting information provided was not signed and dated by the department to indicate it was reviewed and appears accurate. The invoice was processed for payment. The invoice was also not signed and dated to verify that the charges were correct.

Implications

The invoice was processed for payment without adequate supporting documentation as required in the contract, to verify the charges.

Recommendations

1. In future, the department should not process any invoice for payment without the vendor providing all the necessary supporting documentation as required by the contract.
2. All partial-billing invoices and supporting documentation should also be signed and dated to indicate that the charges have been verified and are correct.

Corrective Actions (Commissioner Bill Robinson Response)

The recommended procedures has been implemented for all invoices submitted under this contract.

Auditor's Response to Corrective Actions:

Corrective Actions are satisfactory.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Membership/Dues/Fees

Observations

1. It was observed that membership/dues/fees invoices are not signed by the employee to indicate its correctness.
2. A supervisor approved two memberships for payment namely, Ontario Traffic Conference for \$620 and Transportation Association of Canada \$1,617.56. The Ontario Traffic Conference membership covers staff members including the supervisor.

Implications

1. Membership expenses for employees are not signed by them to verify the charges.
2. A supervisor is approving his own membership expenses.

Recommendations

1. Membership/Dues and Fees are specific expenses of an employee and should be treated similar to travel expenses. The invoice should be signed (1) by the employee to indicate that the charges are correct and (2) by the supervisor to authorize payment.
2. Any employee/supervisor should not authorize his own expense. It should be approved by the supervisor of the employee/supervisor.

Corrective Actions (Commissioner Bill Robinson Response)

The Ontario Traffic Conference membership invoice covers the membership dues for the staff members of the Traffic Engineering Division, including the Supervisor. Staff have been instructed where membership invoices apply to themselves, they are to review and sign off to confirm that the invoice is correct and appropriate and to submit them to their supervisor for final review and approval as recommended. This is already being done for staff's individual membership dues.

The Transportation Association of Canada is the City's membership and not an individual staff membership. The Supervisor who signed the invoice for payment is the contact person for this membership and his review and sign off was appropriate and within his signing authority limit.

Both these memberships are appropriate to be paid by the City and are accounted for in the Department's approved Operating Budget.

Auditor's Response to Corrective Actions:

Controls have been implemented.

INTERNAL AUDIT REPORT ENGINEERING SERVICES

Road Occupancy Permits(ROPs)/Municipal Consents(MCs)

Observations

1. Telecommunications and Energy provider utility companies like Rogers Cable, Bell Canada etc apply for Road Occupancy Permits (ROPs) and Municipal Consents (MCs) from the City. A ROP means a permit issued by the road authority of the Municipality for the purpose of authorizing the commencement and undertaking of any work in a Right-of-Way. A MC means the written approval of the Commissioner, with or without conditions, for access to and use of the Municipality's Rights-of-Way. ROPs are required to do any service work on municipal property. The onus is on the utility companies to apply for the required permit or consent application. The types of work that fall under a permit and application are defined through a Municipal Access Agreement with each utility company.
2. For ROPs , the City charges the utility company a blanket fee per annum determined by the average of the last 3 years activity.
3. For MCs, the City charges \$405 for each permit consent application. As the undertaking is large (new installations or more than 30 metres long), and very transparent, the utility companies would not proceed with the job without written consent and subsequent permit from the Commissioner.

Implications

1. For ROPs, there is limited control through regular field inspections to ensure that utility companies are working with City permits.
2. If work is done without a City consent and/or permit, this is a contravention of the City by-law and also the Municipal Access Agreement between the City and the utility company.

Recommendations

1. There should be control in place to ensure that consents and/or permits are obtained from the City before any work is done by utility companies on the Municipality's Rights-of-Way. It is recommended that a penalty clause should be added to the agreement such that if the utility company contravenes the City by-law and/or Municipal Access Agreement, and does work without a City consent and/or permit, then the company will be charged a fine of up to \$5,000 as per the By-Law # 294-94.
2. It is also recommended that this should be discussed at the next available Vaughan Utility Coordinating Committee so that an agreeable solution can be reached.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Corrective Actions (Commissioner Bill Robinson Response)

Staff will investigate the process in place in other municipalities; specifically with respect to penalties should a utility company not obtain a ROP.

- This item will be raised and discussed at the Utility Co-ordination meeting with the various utility companies, to establish a mutually agreeable process.

- The process will likely be based on escalating penalties, from an initial warning, progressively increasing up to \$5,000, which is in accordance with the Road Occupancy By-Law 294-94.

Auditor's Response to Corrective Actions:

The corrective actions will address the recommendations of the Auditor.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Car Wash Tickets

Observations

1. The Engineering Services department purchases a block of 50 car wash tickets for \$300 from Sunoco as soon as the previous block has been used up. The tickets can be used at any Sunoco car wash station. The tickets are supposed to be used to wash City vehicles only. The administrative coordinator controls the car wash tickets on a "Car Wash Ticket Log" which shows (1) Employee Name (2) Date (3) Ticket Numbers Issued. The coordinator usually hands out 3 tickets at a time, sometimes up to 5, to an employee who is assigned a City vehicle in order to perform his/her duties. There is one additional spare vehicle which is available for use by any other employee.
2. It was observed that one employee who was not assigned a City vehicle requested car wash tickets during the year. He was given 3 on June 14, 2007 and 5 on November 13, 2007.

Implications

1. Control over car wash tickets can be improved.
2. Car wash tickets can be used for personal vehicles.

Recommendations

It is recommended that: The "Car Wash Ticket Log" should include two more columns which need to be filled out (a) City Vehicle Plate Number to be washed (b) Employee Signature. These columns should be filled out by the employee requesting a car wash ticket. Only one car wash ticket should be given at a time. The two additional columns require the employee to confirm under signature, which City vehicle will be washed. This will provide additional control.

Corrective Actions (Commissioner Bill Robinson Response)

Recommendations have been implemented.

Auditor's Response to Corrective Actions:

Controls are in place.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Travel Mileage-Consultant

Observations

1. An ex-employee worked as a consultant for the department for approximately 6 months until October 4, 2007 and was paid daily mileage from home (Barrie) to work (MNR) and return. The auditor obtained information from the Human Resources department regarding the consultant's contract. The following extract was provided:

The only clause referencing expense reads as follows:

"You will be reimbursed for all reasonable traveling and other expenses actually and properly incurred by you while performing your duties and functions. For all such expenses, you shall be required to keep proper accounts and to provide statements and vouchers to the Corporation for approval within thirty (30) days after the date the expenses are incurred. Approved expenses will be reimbursed within a reasonable time frame."

2. Based on this, there is no explicit agreement to reimburse the contractor daily for mileage from his home (Barrie) to the MNR (normal place of work) and return. Travel from home to work and return is a personal expense unless there was explicit agreement by the department to pay for this.
3. The contractor claimed a total of 10,134 kilometres over the 6 month period and was paid .50c per kilometre throughout. He was paid a total of \$5,067. All travel expenses were approved by the previous director.

Implications

The consultant was paid for travel from home to work and back. This was not stated in the contract.

Recommendations

It is recommended that in future, the contract with a consultant, who is not an employee, should state any specific agreements such as travel reimbursement.

Corrective Actions (Commissioner Bill Robinson Response)

This will be done in future contracts.

Auditor's Response to Corrective Actions:

Recommendation will be implemented in future contracts.

INTERNAL AUDIT REPORT ENGINEERING SERVICES

Machine Time

Observations

The Fleet department through the Budget department, charges the Engineering Services department \$32,500 per annum for annual machine time. The cumulative amount after 7 years is to provide for replacement of the 9 Engineering Services department City vehicles and 3 Development Engineering City department vehicles. The average cost of a vehicle is approximately \$27,500. For 12 vehicles, this amounts to \$330,000. Therefore the annual machine time should be approximately \$47,000 for 7 years and not \$32,500.

In 2007 (fall), the Development Engineering department was "moved" to the Development and Transportation Engineering department, leaving the Engineering Services department with 9 City vehicles. Therefore the Engineering Services department should be charged for replacement of 9 vehicles and the Development and Transportation Engineering department should be charged for replacement of 3 vehicles

Implications

The annual machine time charge of \$32,500 per annum is insufficient to replace the 12 City vehicles at the end of their 7 year estimated useful lives.

Recommendations

It is recommended that the Fleet department should re-calculate the annual machine time and charge the department accordingly, in order to replace the 9 Engineering Services department City vehicles at the end of their estimated 7 year useful lives. This amount has not been revised for a number of years.

Corrective Actions (Commissioner Bill Robinson Response)

A copy of this observation was sent to the Manager of Fleet and the Commissioner responsible for Fleet.

Auditor's Response to Corrective Actions:

The Fleet department has adjusted the annual machine time to accurately reflect the replacement of the vehicles at the end of their estimated 7 year useful lives. An appropriate amount will now be set aside for the replacement of the vehicles.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

Timesheets for Part-time employees

Observations

It was observed that employees make out their timesheets and present them to the supervisor for approval and signature. The timesheets are then handed back to the employee(s), after they have been signed, to fax them to the Payroll department.

Implications

The employees who receive the signed timesheets back to send to the payroll department can alter the number of hours to increase their pay before doing so.

Recommendations

Once the timesheets have been signed by the supervisor, the timesheets should not be returned back to the employees. The timesheets should be sent to the Payroll department by a staff member who is independent of the signed timesheets. This will provide control that the part-time employees cannot alter their timesheets once they have been signed by the supervisor.

Corrective Actions (Commissioner Bill Robinson Response)

The recommendation has been implemented.

Auditor's Response to Corrective Actions:

Controls over signed timesheets have been implemented.

INTERNAL AUDIT REPORT
ENGINEERING SERVICES

CONCLUSION

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. The commissioner and director of the department/operation audited have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.