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Agenda

Audit Committee

The Corporation of the City of Brampton

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Date:	Tuesday, February 13, 2024
Time:	2:30 p.m.
Location:	Hybrid Meeting - Virtual Option & In-Person in Council Chambers – 4th Floor – City Hall

Members:	Regional Councillor D. Keenan, Chair
	Regional Councillor P. Vicente, Vice-Chair
	Regional Councillor N. Brar
	Regional Councillor M. Palleschi
	Regional Councillor G. Toor
	Nicole Russell, Citizen Member

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact:
Sonya Pacheco, Legislative Coordinator, Telephone 905.874.2178, TTY 905.874.2130
cityclerksoffice@brampton.ca

Note: Meeting information is also available in alternate formats upon request.

1.   Call to Order

2.   Approval of Agenda

3.   Declarations of Interest under the Municipal Conflict of Interest Act

4.   Consent

        The Meeting Chair will review the relevant agenda items during this section of the meeting to allow Members to identify agenda items for debate and consideration, with the balance to be approved as part of the Consent Motion given the items are generally deemed to be routine and non-controversial.

5.   Presentations\Delegations

6.   Reports - Internal Audit

6.1   Staff Report re: Fleet Maintenance Audit

        Recommendation

        Note: A presentation will be provided by Claire Mu, Director, Internal Audit

6.2   Staff Report re: Limited Tendering Audit Report 2023

        Recommendation

        Note: A presentation will be provided by Claire Mu, Director, Internal Audit

6.3   Staff Report re: Asset Management (Small Equipment and Operating Tools) Audit 2023

        Recommendation

        Note: A presentation will be provided by Claire Mu, Director, Internal Audit

6.4   Staff Report re: 2024 Internal Audit Work Plan and 2023 Status Update

        To be received

6.5   Staff Report re: Status of Management Action Plans – Q4 2023

To be received

6.6   Staff Report re: Annual Report - 2023

To be received

7.   Reports - Finance

8.   Other/New Business

9.   Question Period

10.   Public Question Period

15 Minute Limit (regarding any decision made at this meeting)

During the meeting, the public may submit questions regarding recommendations made at the meeting via email to the City Clerk at cityclerksoffice@brampton.ca, to be introduced during the Public Question Period section of the meeting.

11.   Closed Session

Note: A separate package regarding these agenda items are distributed to Members of Council and senior staff only.

11.1   Open Meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

(a) The security of the property of the municipality or local board.

12.   Adjournment

Next Meeting: Tuesday, May 14, 2024

Date:	2024-01-24
Subject:	**Fleet Maintenance Audit**
Contact:	Claire Fang Mu, Director, Internal Audit
Report Number:	CAO's Office-2024-093

<div style="border:1px solid #000; background:#f5b800; padding:4px;">

Significant Improvement Required

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Recommendations:
1. That the report titled: Fleet Maintenance Audit Report 2023, to the Audit Committee Meeting of February 6, 2024, be received and the recommendations contained in **Appendix 1: Fleet Maintenance Audit Report 2023** be approved.

Overview:

The report highlights findings that impact the effectiveness of the preventative maintenance program, compliance to Ministry of Transportation (MTO) regulations, approval and monitoring of vendor spending, and physical access to inventory.

The overall audit was rated as **"Significant Improvement Required."**

The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Fleet Maintenance Audit Report**.

See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Please also see **Appendix 4** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Fleet Maintenance:

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Process	Finding	Rating
Preventative Maintenance	Preventative maintenance program is not optimized. 1) Preventative Maintenance schedule is not based on the Manufacturers' recommendations. 2) Maintenance is not always completed according to the City's required intervals of 10,000km or 12 months.	P1
Preventative Maintenance	Vehicle mileage is not always updated in M5. 1) Mileage is not always updated at the time of service. For 6% of vehicles that were serviced, the mileage entered was the same or lower than previously recorded mileage. 2) Many vehicle data units are not working properly. 88 (21%) vehicle data units are not properly transferring mileage data into M5.	P1
Vehicle Inspection Reports	Required daily driver vehicle inspection reports (DVIR) are seldom completed by user departments. We tested 10 vehicles for two one-week periods, and found that only 2 out of the required 45 (4%) required DVIR forms were completed. This does not comply with Provincial legislation (Ontario Highway Traffic Act) and/or City policies.	P1
Preventative Maintenance	Preventative maintenance (PM) inspection forms are not always completed. 1) For PM work orders completed in house, out of a sample of 23, only 12 of them had a completed PM inspection form. 2) For outsourced PM work orders, out of a sample of 10, there were no PM inspection forms on file. PM forms were completed by vendors but staff did not obtain them.	P2

2

Warranty	Warranty information entered in M5 is incomplete.	P2
	1) For 2 out of 10 samples, the warranty terms on Corrosion (Body/Rust) of 3 years/unlimited kilometres were not entered in M5.	
	2) Two 2019 Ford F550's had no Warranty terms entered in M5.	
	Missing warranty information in M5 increases the risk that the City does not take advantage of eligible warranty repairs.	
Vendor Management	Significant spending with vendors did not go through competitive procurement.	P2
	1) Purchase orders are not in place for high volume vendors. From 2021 to 2023, one vendor with accumulated spending of $435K and another with accumulated spending of $250K do not have a purchase order (PO).	
	2) P-Card purchases are being made even though a purchase order is in place. A vendor with an active Purchase Order is being paid via P-Card for most payments.	
Vendor Management	City staff sometimes authorize payments to vendors at above contracted hourly rates.	P2
	One vendor is regularly charging $169 per hour for labour and another is regularly charging $165 per hour even though the current contract for both vendors states $130 per hour.	
Physical Access - Inventory	Physical access to parts storage rooms is not properly restricted.	P2
	Many individuals have security card access to the parts storage rooms when they do not need it. The list of staff who have access to the parts storage includes employees from other departments, former Fleet Maintenance	

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	employees, temporary card holders, and outside cleaners.	
These issues and associated management action plans are discussed in more detail in **Appendix 1.** These issues are rated as per the criteria described in **Appendix 2.**		

Conclusion:

Overall, the core activities of a complete fleet maintenance program are in place. Preventative maintenance (PM) is proactively scheduled and communicated, work orders are reviewed, inventory parts are procured and available to minimize downtime, and M5 is used to manage critical areas of fleet maintenance including preventive maintenance scheduling, work orders, operating expense tracking, purchasing and parts inventory, labour hours and warranty information.

There are, however, process deficiencies which impact the effectiveness, completeness and compliance of fleet maintenance activities. The following lists those deficiencies.

• The City's 12-month or 10,000km preventative maintenance interval does not integrate the manufacturers' recommended service intervals; and the 12-month or 10,000km preventative maintenance is not always completed which could render future maintenance and repairs more costly, reduce the life of the vehicle and void manufacturer warranties as discussed in finding number 1.

• Vehicle mileage is not always updated in M5 which impedes the effectiveness of preventative maintenance scheduling and can result in vehicles exceeding the mileage intervals as discussed in finding number 2.

• Driver vehicle inspection reports (DVIR) are seldom completed by user departments which does not ensure vehicle operators are aware of potential mechanical or safety issues and can result in fines or penalties from the Ministry of Transportation (MTO) as discussed in finding number 3.

• Preventative maintenance inspection forms are not always completed, increasing the risk that incomplete inspections will not be detected as discussed in finding number 4.

• Warranty information entered in M5 is incomplete, increasing the risk of repair work being performed or paid for by the City while the work is eligible for warranty claims as discussed in finding number 5.

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- The preventive maintenance guideline of 10,000km or 12-month interval is not documented in the divisional maintenance policy.

- Vendor spending of significant amount did not go through competitive procurement as discussed in finding number 6.

- City staff sometimes authorize payments to vendors at above contracted hourly rates as discussed in finding number 7.

- Physical access to parts storage rooms is not properly restricted as discussed in finding number 8.

Staff should work with other operating units as necessary to address the above findings.

Acting on the recommendations in the report will improve preventative maintenance processes, reinforce the importance of daily vehicle inspections and compliance with Provincial requirements, enhance oversight over purchasing activity, and strengthen fleet maintenance activities.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 3**.

Authored by: Reviewed by:

Brad Cecile, Manager   Claire Fang Mu, Director
Internal Audit   Internal Audit

Attachments:

- Appendix 1 – Fleet Maintenance Audit Report 2023
- Appendix 2 - Criteria for Evaluating Audit Findings
- Appendix 3 - Criteria for Audit Report Rating
- Appendix 4 - Presentation Slides

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BRAMPTON

City of Brampton Internal Audit – Fleet Maintenance
Private & Confidential

Audit Name	Fleet Maintenance		
Sponsor(s)	Marlon Kallideen, Chief Administrative Officer Robert Gasper, Director, Road Maintenance, Operations & Fleet Aaron Moss, Manager, Fleet		
Business Unit(s)	Road Maintenance, Operations & Fleet	Date Issued:	Jan 22, 2024

1.0 Executive Summary

<u>Audit rating</u>: Processes around Fleet Maintenance activities were rated as "Significant Improvement Required" (See **Appendix 3** for the criteria for audit report rating).

Internal Audit staff discussed the following improvement opportunities with Management:

- Preventative Maintenance schedule of 12 months or 10,000km is not based on the Manufacturers' recommendations and maintenance is not always completed within the required intervals
- Vehicle mileage is not always updated and accurate, which exacerbates the above vehicle maintenance scheduling and compliance issue
- Driver Vehicle Inspection Reports are seldom completed by user departments
- Preventative Maintenance Forms are not always completed
- Warranty terms in M5 are incomplete
- Purchasing activity does not always adhere to procurement policies and procedures
- Staff sometimes authorized payments to vendors at above contracted hourly rate for outsourced maintenance and repairs
- Access to parts storage rooms is not properly restricted

Conclusion:

Overall, the core activities of a complete fleet maintenance program are in place. Preventative maintenance (PM) is proactively scheduled and communicated, work orders are reviewed, inventory parts are procured and available to minimize downtime, and M5 is used to manage critical areas of fleet maintenance including preventive maintenance scheduling, work orders, operating expense tracking, purchasing and parts inventory, labour hours and warranty information.

There are, however, process deficiencies in preventative maintenance, vendor management and inventory control which impact the effectiveness, completeness and compliance of fleet maintenance:

- The City's 12-month or 10,000km preventative maintenance interval does not integrate the manufacturers recommended service intervals; and the 12-month or 10,000km preventative maintenance is not always completed which could render future maintenance and repairs more costly, reduce the life of the vehicle and void manufacture warranties as discussed in finding 1
- Vehicle mileage is not always updated in M5 which impedes the effectiveness of preventative maintenance scheduling and can result in vehicles exceeding the mileage intervals as discussed in finding number 2
- Driver vehicle inspection reports (DVIR) are seldom completed by user departments which does not ensure vehicle operators are aware of potential mechanical or safety issues and can result in fines or penalties from the Ministry of Transportation (MTO) as discussed in finding number 3
- Preventative maintenance inspection forms are not always completed increasing the risk that incomplete inspections will not be detected as discussed in finding number 4
- Warranty information entered in M5 is incomplete, increasing the risk of repair work being performed or paid for by the City while the work is eligible for warranty claims as discussed in finding number 5
- The preventive maintenance guideline of 10,000km or 12-month interval is not documented in the divisional maintenance policy
- Vendor spending of significant amount did not go through competitive procurement as discussed in finding number 6
- City staff sometimes authorize payments to vendors at above contracted hourly rates as discussed in finding number 7
- Access to parts storage rooms is not properly restricted as discussed in finding number 8

Acting on the recommendations below will improve processes and strengthen fleet maintenance activities.

2.0 Background, Objectives, and Scope

The Fleet Maintenance & Operations group performs maintenance and repairs to all vehicles and equipment, excluding vehicles managed by the Fire & Emergency Division and the Transit Division. The group provides a range of fleet services including preventative maintenance programs, inspections, scheduling and conducting repairs and managing parts and inventory. Fleet Maintenance & Operations is under the Road Maintenance, Operations & Fleet division which is part of the Public Works and Engineering department.

The preventative maintenance program includes maintaining an inventory of all vehicles and equipment, scheduling and performing preventive maintenance and maintaining current vehicle mileage in M5, the City's fleet asset management software. The required mileage and maintenance interval is not defined in the City's preventive maintenance policy, but the guideline for all city vehicles is the earlier of 10,000 km or 12 months. This interval is the same for all vehicles and does not consider the manufacturers recommended service intervals which may differ from the City's guideline.

The Commercial Vehicle Trip Inspection Regulation 199/07 of the Ontario Highway Traffic Act requires that each regulated vehicle and any vehicle with a gross vehicle weight rating (GVWR) of 4,500 kg or more must be inspected regularly. The vehicle operator completes a driver vehicle inspection report (DVIR) at the start of every shift, and any defects affecting the safe operation of the vehicle must be recorded and immediately reported to the Supervisor. Although not legally required, the City's preventative maintenance policy also requires licensed vehicles under 4,500 kg to be inspected daily as well. Completed DVIR's for all vehicles are submitted by operating departments to Fleet Maintenance and Operations and maintained on file for at least six months.

The Ontario Highway Traffic Act also requires that regulated and heavy vehicles (Over 4,500 kg) must undergo a vehicle safety inspection at least every 12 months. Fleet Maintenance & Operations has been certified by the Ministry of Transportation to perform these inspections. Upon completion of a satisfactory inspection, the mechanic will issue a safety certificate and affix the mandatory vehicle inspection (PMVI) decal to the vehicle.

The following table summarizes the City's vehicles by type and by year.

The City's Fleet By Type			
	2021	**2022**	**2023**
Light			
Compact Cars	2	2	2
Vans	17	17	17
SUV's	105	103	105
Compact Pick Up Trucks	43	46	46
1/2 Ton Pick Up Trucks	84	84	84
3/4 Ton Pick Up Trucks	2	2	2
Heavy			
1 Ton Pick Up Trucks	56	56	56
14' Cube Vans	4	4	4
Trucks - Dump/Flat Bed/Hook Lift/Chipper	60	60	60
Plow Trucks	24	24	24
Trucks - Garbage/Aerial/Flusher/Roll off	22	22	22
Total	**419**	**420**	**422**

The City has two garages, Williams Parkway Operations Centre and Sandalwood Operations yard. Maintenance and repair overflow work is sent to outside repair facilities.

The scheduling of outside work is coordinated by the Mechanic Foreperson and there are different vendors for different types of vehicles. Invoices for outside service are sent to the respective Mechanic Foreperson for review and to the Supervisor, Maintenance & Operations, for approval, prior to being forwarded to Accounts Payable for payment.

Mechanical staff consists of 18 mechanics, 2 general garage helpers and 1 welder that report to the three Mechanical Forepersons. Inventory staff consists of 3 Stockkeepers that report to the Stockroom Foreperson. The Mechanical Forepersons and Stockroom Foreperson report to the Supervisor, Maintenance and Operations who reports to the Manager, Fleet Maintenance & Operations.

The need for vehicle repairs is identified either by Fleet Maintenance and Operations during preventive maintenance or by vehicle operators through daily vehicle inspections or mechanical breakdowns. Arrangements to repair vehicles is made by the vehicle operators Supervisor. A work order is created in M5, for all maintenance and repairs and is reviewed by the Mechanical Supervisor prior to any work being performed. Warranty information is entered in M5 for

all new vehicles. If a replacement part is selected for a component that is under warranty, M5 will automatically flag the item to inform mechanics of the warranty coverage.

Mileage for fleet vehicles is updated in M5 three in different ways. First, mileage is updated any time a vehicle is serviced, including inspection, maintenance or repairs. Second, each vehicle contains a vehicle data unit (VDU) and for vehicles that refuel at one of the City's four diesel fuel pumps (Williams Parkway, Sandalwood, Teramoto, Glidden), a sensor automatically transfers the odometer reading from the VDU into M5. Thirdly, when operators refuel using their Esso fuel card, they are prompted to enter the current mileage in the key pad. Each month, staff review the Esso fuel report and manually enter into M5 the mileage for each vehicle.

An inventory of parts is maintained in order for Fleet Maintenance to conduct day-to-day maintenance and repairs of vehicles and equipment. Inventory is stored at the two City garages located at Williams Parkway and Sandalwood and parts are stocked in designated shelf locations within the stockroom. Fleet stores staff is responsible for inventory management including sourcing and purchasing, receiving, issuing stock to mechanics, inventory adjustments and physical inventory counts. The parts required for each repair are included on the work order. For work orders that require new parts exceeding $100 to be ordered, a parts request form must be completed by the Mechanic and approved by Mechanic Foreperson prior to the Stock keeper ordering the parts.

A physical inventory count is performed annually and count variances and adjustments are reviewed and approved by the Stockroom Foreperson, Supervisor, Maintenance and Operations, Manager, Fleet Maintenance and Operations and Supervisor of Finance. A review of inventory items to identify which on hand stock items are obsolete is also performed at the time of the physical inventory count. Access to the parts storeroom is physically restricted and only employees that have the necessary security badge privileges can enter these areas.

The asset management system used by the City, Fleet Focus M5, was first acquired in 2005 and there have been several version upgrades with additional modules and functions added. It is used by Fleet Maintenance and Operations, Fire and Emergency Division and the Transit Division to manage all vehicles and equipment owned, leased or rented by the City. The system has the capability to manage all areas of asset maintenance such as preventive maintenance (PM) and repair work orders, preventive maintenance scheduling, operating expense tracking including fuel, oil, and licensing, purchasing and parts inventory, license and permits, warranty and claims tracking and leases among others.

The fleet maintenance audit is part of the approved 2023 audit plan. The last full scope Fleet Maintenance audit was completed in 2012. In 2019, an audit of fuel and tire inventory was completed.

Objectives

This audit aims to review fleet maintenance processes and controls for their effectiveness and efficiency. Specifically, the objectives of this engagement include assessing whether:

- Fleet maintenance activities comply with City By-laws and the Ontario Highway Traffic Act
- Vehicle operators are properly inspecting vehicles and completing driver vehicle inspection reports (DVIR)
- Preventative maintenance is properly scheduled, performed, recorded, and overdue maintenance is followed up timely
- Vehicle repairs are properly assessed, performed, inspected, recorded and monitored to uphold vehicle maintenance quality and to minimize downtime
- Warranty information is maintained for all vehicles, repairs eligible for warranty are flagged in M5, and City staff is taking advantage of warranty repairs
- Performance of maintenance and repair work assigned to outside vendors is efficient, effective and economical
- Vehicle parts inventory is properly controlled including parts purchase, receipt, issuance, monitoring and disposal
- Vehicle parts are properly re-ordered, stocked and available to support fleet maintenance and repairs
- Vehicle Data Units (VDU) in each vehicle are properly maintained and effectively tracking vehicle mileage
- Staff uses the fleet maintenance system (M5) effectively for managing fleet activity
- Standard Operating Procedures (SOP's) are in place and current for all fleet maintenance activities

Please note that the above preliminary scope does not preclude us from looking into any other areas that may come to our attention and warrant a review during the audit. If the scope of the audit is expanded, staff will be informed.

Scope

Our audit scope will cover fleet maintenance activity for the period of January 1, 2021 to September 30, 2023.

The following areas will not be included in the scope of this audit:

- Vehicles for Transit and Fire (Separate audits to be proposed for 2024 and 2025)
- Fleet acquisitions, replacements, disposals, rentals (Separate audit to be completed in 2024)
- Fuel Management (Separate audit to be completed in 2024)
- Driver Certification Program (DCP review completed in 2022)
- Information technology general controls ("ITGCs") for any systems

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
1	Preventative Maintenance schedule is not based on the Manufacturers recommendations and maintenance is not always completed within the required intervals. Preventative maintenance is performed on all vehicles and equipment managed by Fleet maintenance. The required service intervals are not specifically stated in the fleet maintenance policy, however, Fleet Maintenance guideline is that every licensed vehicle should be maintained the earlier of 12 months, or 10,000km. A review of preventative maintenance service within the audit period noted: 1) The manufactures recommended service intervals are not integrated into the preventative maintenance schedule.	P1	City Council request that the Director, Road Maintenance, Operations and Fleet ensure that staff optimize the effectiveness of current intervals by taking into consideration the manufacturers' recommended service intervals and that the revised preventative maintenance program is followed.	1) We conduct current vehicle and equipment maintenance based on internal intervals established through user group operations. COB recommendations supersede as COB intervals reflect known issues of vehicles and equipment. Fleet will review the manufacturers recommendations to identify if it makes sense to adjust based on our business needs. Responsible Person: Manager, Fleet Due Date: Q4 2024 2) Fleet Maintenance will actively communicate to user groups to schedule and drop off vehicles, adhering to PM schedule. If the request for vehicles and equipment to be brought in goes unanswered fleet will escalate the request to the Supervisors and Managers of the area. Responsible Person: Manager, Fleet Due Date: Q1 2024/Ongoing

The finding table in the Findings column:

Year / Make	Vehicle Use	Manufacturers Recommended Maintenance		CoB Current Maintenance	
		KM	Months	KM	Months
2012 Dodge Caravan	All	13K	6	10K	12
2012 Toyota Tacoma	All	16K	12	10K	12
2013 Jeep Patriot	All	16K	12	10K	12
2015 Ford F-350	All	12K	6	10K	12
2016 Ford F550	All	12K	6	10K	12
2017 Dodge Ram 1500	All	16K	12	10K	12
2018 Chevy Equinox	All	12K	12	10K	12
2022 Mitsubishi RVR	All	16K	10	10K	12
2022 Ford F-150	All	16K	12	10K	12
2022 Ford F-550	Normal	12K-16K	12	10K	12
	Severe	8K-12K	12	10K	12
	Extreme	4K-8K	12	10K	12
2023 Ford Explorer	Normal	12K-16K	12	10K	12
	Severe	8K-12K	12	10K	12
	Extreme	5K-8K	12	10K	12

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Currently, the required service interval for each licensed vehicle at the City is the same, 12 months or 10,000km, **even though in most cases this does not align with manufacturers recommended maintenance.** The manufacturers recommended maintenance interval should be integrated into the preventative maintenance schedule (M5) to better meet the needs of each specific type of vehicle. The revised intervals should be included in the fleet maintenance policy. 2) Further, vehicles are not always maintained within the City's recommended time and mileage standards of 12 months or 10,000km.			

Preventative Maintenance Intervals (2021 - 2023)	#	%
365 days or less	1084	83.0%
365 days - 400 days	174	13.3%
400 days - 425 days	34	2.6%
Over 425 days	14	1.1%
	1306	100.0%
10,000KM or less	1066	81.6%
10,000KM to 13,000KM	147	11.3%
13,000KM to 16,000KM	43	3.3%
16,000KM to 20,000KM	18	1.4%
Over 20,000KM	32	2.5%
	1306	100.0%
Over 365 days or 10,000KM	436	33.4%
Over 365 days and 10,000KM	26	2.0%

As per fleet maintenance staff, it can be a challenge to get the operators to provide their vehicles in a timely manner for scheduled service.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Potential Impact 1) Not integrating the manufacturers recommended service intervals into the preventative maintenance schedule does not ensure that the maintenance program is optimized for all vehicles. It can also result in the voiding of the manufacturers' warranty. 2) Not maintaining vehicles within established time and mileage intervals increases the risk of breakdowns and repairs, render future maintenance and repairs more costly, and can reduce the life of the vehicle.			
2	Vehicle mileage is not always updated The preventative maintenance schedule in M5 is driven by time and mileage. When a vehicle is approaching either the time threshold of 12 months or the mileage threshold of 10,000km, the need for vehicle maintenance is communicated to the vehicle operator's Supervisor. Mileage can be updated in M5 three different ways. i) When vehicles are brought in for service or repairs, the mechanics enter the updated mileage in the M5 work order. ii) When vehicle operators use their fuel card (Non-diesel) to fill up at Esso, the mileage is manually entered in the keypad. At the end of the month, a fuel activity report is sent from Esso and the mileage for each vehicle is manually entered into M5. iii) When vehicles fuel up at City pumps (Diesel), the mileage on the vehicle data unit (VDU) is automatically picked up by sensors and updated in M5.	P1	City Council request that the Director, Road Maintenance, Operations and Fleet take steps to ensure that vehicle mileage maintained in M5 is current and accurate.	Forepersons as well as the Supervisor will actively review to ensure the correct KM's are recorded during the WO repair process. When the vehicles come in we will repair inoperative VDU's when parts are available. Responsible Person: Manager, Fleet Due Date: Q1 2024/Ongoing Fleet Services is proactively working with IT to capture kilometres more efficiently, currently working with IT on a fuel pilot to capture kilometres through our fuel island systems. Responsible Person: Manager, Fleet Due Date: Q2 2025

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Our review of the processes to update vehicle mileage noted: 1) Mileage is not always updated at the time of service. Out of 1306 preventative maintenance intervals, for 82 (6%), the mileage entered was either the same or lower than the previously recorded mileage. In M5, if mileage entered is lower than the previous mileage, a flag will appear notifying the user of the potential error, however, no such flag appears if the mileage is not updated. As part of the work order review the Mechanic Supervisor should ensure the kilometres has been properly updated. 2) Many vehicle data units are not working properly. Each new vehicle is outfitted with a VDU that tracks mileage. As of Sept. 1, 2023, out of 427 licensed vehicles, the VDU was not operating in 88 of them (21%), which means mileage is not being updated at the time of fuelling. For 7 of the vehicles, the VDU has not been working since at least 2021. As per staff, the most common reasons for the freezing of VDU's is electronic issues, worn out or defective wires and operators intentionally disconnecting the units. **Potential Impact** Not maintaining accurate vehicle mileage impedes the effectiveness of the preventative maintenance schedule. It also increases the risk of vehicles exceeding required maintenance intervals which can increase the risk of repairs and reduce the life of the vehicle.			

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	This finding compounds the impact of the first finding since the maintenance interval may be based on faulty and inaccurate mileage.			
3	Driver Vehicle Inspection Reports are seldom completed by user departments The Ontario Highway Traffic Act requires that each vehicle with a gross vehicle weight rating (GVWR) of 4,500 kg or more must be inspected regularly. To meet this requirement, vehicle operators are supposed to complete a driver vehicle inspection report (DVIR) at the start of every shift, and any defects affecting the safe operation of the vehicle are to be recorded and reported to the Supervisor. Although not legislated, the City's preventative maintenance policy also requires licensed vehicles under 4,500 kg to be inspected daily and for a DVIR to be completed. Completed DVIR's for all vehicles are submitted by operating departments to Fleet Maintenance and maintained on file for at least six months. Some business units drop off completed DVIR's directly to the fleet maintenance garages while other others have a DVIR collection box which is picked up by Fleet Maintenance weekly. We randomly selected 15 vehicles (9 Heavy Duty, 6 Light Duty) to verify whether operating units had completed a DVIR during the last week of September and October. We found that only 2 out of the required 45 (4%) DVIR forms were on file.	P1	City Council request that the Chief Administrative Officer, in consultation with the Director, Road Maintenance, Operations and Fleet, ensure Driver Vehicle Inspection Reports are completed as required to comply with the Ontario Highway Traffic Act and Fleet Maintenance policies.	Fleet Services to actively work with user groups to complete DVIRs Fleet Services to actively communicate to user groups' management to complete DVIRs, as required by the Ministry of Transportation. As this is a part of the user groups and each individual staff members responsibility to perform DVIR's, fleet will continue to communicate the expectation of their license to the operating groups. Responsible Person: Manager, Fleet Due Date: Q1 2024/Ongoing

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date

#	Unit #	Dept.	Unit Description	L/H	September 2023				
					25	26	27	28	29
1	FE20540	5202	2020 FORD F350 SUPERCAB	LD	A	A	I	I	I
2	FI15533	5203	2015 FORD F550 XL	HD	I	A	I	A	I
3	FI14065	1220	2014 FREIGHTLINER 114SD	HD	I	I	I	I	I
4	FI14054	1225	2014 FREIGHTLINER 114SD	HD	I	I	I	I	I
5	FE20642	5402	2020 CHEV SILVERADO 3500HD	LD	A	A	A	A	A
6	FE146012	1420	2014 FORD F250 CREWCAB	LD	I	A	A	I	A
7	FH20426	5450	2020 FORD F550 XL	HD	A	A	A	A	I
8	FC10287	5302	2010 JEEP PATRIOT	LD	A	A	A	A	A
9	FC20284	0202	2020 MITSUBISHI RVR SE	LD	A	A	A	A	A
10	FC224043	0241	2022 MITSUBISHI RVR SE	LD	I	I	I	I	I

#	Unit #	Dept.	Unit Description	L/H	October 2023				
					23	24	25	26	27
11	FH09067	1220	2009 DODGE RAM 5500	HD	A	A	A	A	I
12	FH20495	5202	2020 FORD F550 XL	HD	A	A	A	A	A
13	FI21555	5402	2021 INT. TRUCK CV515	HD	I	A	A	A	I
14	FI14032	1420	2014 PETERBILT 220	HD	I	I	A	A	I
15	FI23612	5450	2023 INT. TRUCK CV515	HD	A	A	A	A	A

Legend:			
A	Unit was active		DVIR was completed
I	Unit was inactive		DVIR was not completed
HD	Heavy Duty	LD	Light Duty

As per Fleet Maintenance staff, it is the responsibility of each vehicle operator to complete a daily DVIR and it has been an ongoing challenge to get operators to comply with this requirement.

Potential Impact
Not completing driver vehicle inspection reports does not ensure that the vehicles operator is aware of potential mechanical or safety issues with the vehicle.

Operating a vehicle without a completed DVIR can result in fines or penalties from the Ministry of Transportation (MTO).

If a vehicle is found to be operating with a major defect, it can result in up to a $20,000 fine and the vehicle being impounded.

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
4	**Preventative Maintenance Forms are not always completed** Preventative maintenance is performed on all vehicles and equipment. Whenever maintenance is performed, a manual preventative maintenance inspection form is filled out by the mechanic and a preventative maintenance line is added to the work order in M5. A review of preventative maintenance service and the related PM inspection forms noted: 1) Preventative maintenance inspection forms are not always being completed. Out of a sample of 23 preventative maintenance work orders it was found that for 11 of them (48%), there was no completed PM inspection form on file. 2) Preventative maintenance inspection forms are not sent by vendors. Each dealership uses their own PM inspection forms, while some repair facilities use the City's PM inspection form. Our sample of 10 PM services performed at outside repair facilities found that the PM inspection form was not sent for any of them. Fleet maintenance staff reached out to the vendors and was able to obtain all PM inspection forms. Without a completed and signed preventative maintenance inspection form, there is no formal assurance that each of the areas on the checklist have been properly inspected. **Potential Impact** Not having completed preventative maintenance forms for each preventative maintenance service results in improper maintenance records and increases the risk that incomplete inspections will not be detected.	**P2**	City Council request that the Director, Road Maintenance, Operations and Fleet ensure preventative maintenance inspection forms are completed and on file for all preventative maintenance service.	1) Fleet Maintenance to complete PM sheets more diligently. Will work with staff to ensure documents are completed in a timely manner. Responsible Person: Manager, Fleet Due Date: Q1 2024 2) Fleet will request the vendors completed PM inspections sheets at the completion of the work and upload into M5. Responsible Person: Manager, Fleet Due Date: Q3 2024

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
5	Warranty terms in M5 are incomplete Each new vehicle and piece of equipment comes with warranty coverage. When a vehicle is added to fleet, the warranty terms are entered in M5 by Fleet Administration staff. In M5, if a work order includes a repair that may be warranty eligible (Ex. Engine, transmission repair on a newer vehicle), a warranty violation flag appears to notify the user that the repair may be covered under warranty. We selected 10 new vehicles and reconciled the warranty terms from the vendors bid submission with the warranty terms information entered in M5. For each of the 10 samples, the engine and power train warranty terms entered in M5 were complete, however, the following was also noted: 1) For two of the samples, the vendors bid for pickup trucks included a warranty on Corrosion (Body/Rust) of 3 years/unlimited kilometres, however, this coverage was not entered in M5. The warranty terms for both vehicles have now been corrected and entered in M5. 2) Further review of vehicles purchased in the audit period found that two 2019 Ford F550's did not have any Warranty terms entered in M5. The warranty terms for both vehicles have now been entered in M5. If warranty information is not properly entered in M5, the warranty violation flag function will not be activated and	P2	City Council request that the Director, Road Maintenance, Operations and Fleet ensure all warranty information in M5 is accurate and complete.	All warranties associated to vehicle purchases to be entered into M5 system before vehicle is released to operating groups and reviewed by the Supervisor of Admin. Warranties acquired after vehicle release are to be entered into M5 by Parts or Maintenance and reviewed by the Supervisor of Maintenance. Mechanical forepersons to ensure warranty are flagged and followed. Responsible Person: Manager, Fleet Due Date: Q4 2024

14 | P a g e

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	users will not be notified of potential warranty violations. Staff should ensure that a secondary review is performed for all warranty information entered in M5. **Potential Impact** Not maintaining complete warranty information in M5 increases the risk that repair work is performed or paid for on warranty eligible vehicles.			
6	Significant spending with vendors did not go through competitive procurement The City has two garages, Williams Parkway Operations Centre and Sandalwood Operations yard. Due to capacity and resource constraints at the two garages, maintenance and repair overflow is often contracted out to outside repair shops. A review of aggregate vendor spending between 2021 and 2023 noted the following: 1) Purchase orders (PO) are not in place for high volume vendors. A vendor who has done over $435K of work in the audit period does not have a PO. Another vendor who has done over $250K of work also does not have a PO. Both vendors provide overflow maintenance and repair services for the City and all purchases were via P-Card. As per the City's Purchasing By-law, all procurements over $100K require a public procurement process, conducted by Purchasing.	**P2**	City Council request that the Director, Road Maintenance, Operations and Fleet ensure all purchasing activities comply with the City's purchasing By-laws, policies and procedures.	Maintenance department to conduct competitive tender process through Purchasing to ensure active PO is in place for external maintenance services. Maintenance staff to ensure PO is not in place before using PCard. Responsible Person: Manager, Fleet Due Date: Q4 2024

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	2) P-Card purchases are being made even though a purchase order is in place. A vendor with an active purchase order is being paid via P-Card for most payments. There has been $18K in purchases against the PO (Original PO amount of $21K) and $26K in P-Card Purchases. The vendor provides service and parts. As per purchasing policies and procedures, if a purchase order limit has been reached within the contract period, the Contract Administrator should follow the necessary steps to increase the amount of the purchase order. **Potential Impact** Not having a purchase order in place where required does not ensure the efficiency, effectiveness or economy of procurement activity. It also reduces the ability to control total vendor spend and does not allow for department and procurement approvals on the total contract amount.			
7	Review of vendor invoices needs improvement Invoices for outside service are sent to the respective Mechanic Foreperson for review and to the Supervisor, Maintenance & Operations, for approval, prior to being forwarded to Accounts Payable for payment. A review of 15 invoices for outside repairs during the audit period noted that in some cases, the hourly labour rate on the invoice does not agree to the contract. One vendor is regularly charging $169 per hour for labour even though the current agreement states $130 per hour.	P2	City Council request that the Director, Road Maintenance, Operations and Fleet ensure a comprehensive and complete invoice review process is in place.	Forepersons to ensure external billing rates are correct before processing invoices through Accounts Payable. Document to be created indicating all external vendor rates. Responsible Person: Manager, Fleet Due Date: Q1 2024 When the new fleet analyst starts, admin will review the invoices to get a

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Another vendor is regularly charging $165 per hour for labour even though the current agreement states $130 per hour. Staff should determine the amount the City has overpaid on labour charges and request a credit. Going forward, the invoice review process should include comparing hourly labour rates on the invoice with the contracted hourly labour rates. **Potential Impact** Not having a proper process to reconcile invoice charges with contracted rates results in overcharges going undetected.			better understanding of total dollar amount. Responsible Person: Manager, Fleet Due Date: Q4 2024
8	Access to parts storage rooms is not properly restricted Both City garages at Williams Parkway Operations Centre and Sandalwood Operations yard have a parts storage room that houses parts needed for ongoing maintenance and repairs of vehicles and equipment. Doors to these rooms are locked and are only accessible by employee security badges. Our review of physical access found that many individuals have security badge access to the parts storage rooms that do not need it. These individuals mostly include employees from other departments, as well as former Fleet Maintenance employees, temporary card holders and outside cleaners. The chart below does not include Security and Facilities, Operations & Maintenance staff since they have security access to all buildings.		City Council request that the Director, Road Maintenance, Operations and Fleet, in consultation with the Director, Facility Operations and Maintenance ensure access to parts storage rooms are properly restricted.	Will work with IT to restrict access to the Stores area. Responsible Person: Supervisor , Fleet Maintenance Due Date: Q1 2024

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date

Sandalwood - Approx. $150K of parts inventory	
Staff with access - Fleet Maint.	12
Staff with access - Other	8
Non-Staff with access	0
Total	20
Williams Parkway - Approx. - $1M of parts inventory	
Staff with access - Fleet Maint.	19
Staff with access - Other	101
*Non-Staff with access	94
Total	214
*Outside cleaners/janitorial	

Fleet maintenance staff should review the current security access report to identify individuals that do not require access to the parts rooms. The updated report should be communicated to Security so unnecessary user access can be removed as necessary.

Potential Impact
Not restricting access to vehicle parts rooms increases the risk of unauthorized entry and theft.

Report Distribution List	
Marlon Kallideen	Chief Administrative Officer
Robert Gasper	Director, Road Maintenance, Operations & Fleet
Aaron Moss	Manager, Fleet

Internal Audit Team	
Claire Mu	Director, Internal Audit
Brad Cecile	Manager, Internal Audit
Jayrani Bungsy	Audit Project Lead

Appendix 2 – Criteria for Evaluating Audit Findings	
Priority Rating	**Description**
Priority 1 (P1)	**One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior Management must be implemented.** • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by Management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by Management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	One or more of the following conditions exist that require attention by senior Management. Corrective actions by Management should be implemented. • Financial impact of both actual and potential losses is significant • Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks • Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
Priority 3 (P3)	One or more of the following conditions exist that require attention by Management. Corrective actions by Management should be implemented. • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

Appendix 3 – Criteria for Audit Report Rating	
Rating	**Description**
Effective	• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • One or more Priority 3 Findings • Insignificant cumulative financial impact when all audit findings have been considered • Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	• A few control weaknesses were noted that require enhancements to better support objectives and manage risks • One Priority 2 and Priority 3 findings • Priority 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by Management is needed • Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks • One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings • Priority 2 and 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by senior Management is required • Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	• Key controls ae either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks • More than one Priority 1 finding, combined with Priority 2 or 3 findings • Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. • Confirmed fraud by Management or staff • Corrective action and oversight by Senior Leadership Team is required immediately • Follow-up of such audit findings by Internal Audit would be of high priority

Fleet Maintenance Audit

February 6, 2024

BRAMPTON

Background

- Fleet Maintenance & Operations performs maintenance and repairs to all City vehicles and equipment, excluding vehicles managed by Fire & Transit.

- The Ontario Highway Traffic Act requires that regulated and heavy vehicles (Over 4,500 kg) must undergo a vehicle safety inspection at least every 12 months and any heavy vehicle must also be inspected regularly.

- The unit has 29 employees including 18 mechanics, 2 general garage helpers, 1 welder, 4 inventory stockkeepers, 1 clerk, 3 mechanical supervisors and a Supervisor of Maintenance and Operations.

Our Audit Focused on Licensed Vehicles

Fleet Maintenance

The City's Fleet By Type	2021	2022	2023
Light			
Compact Cars	2	2	2
Vans	17	17	17
SUV's	105	103	105
Compact Pick Up Trucks	43	46	46
1/2 Ton Pick Up Trucks	84	84	84
3/4 Ton Pick Up Trucks	2	2	2
Heavy			
1 Ton Pick Up Trucks	56	56	56
14' Cube Vans	4	4	4
Trucks - Dump/Flat Bed/Hook Lift/Chipper	60	60	60
Plow Trucks	24	24	24
Trucks - Garbage/Aerial/Flusher/Roll off	22	22	22
Total	**419**	**420**	**422**

- City staff uses M5 to manage preventive maintenance scheduling, work orders, operating expense tracking, purchasing and parts inventory, labour hours, and warranty information.

- Our focus was on the 422 licensed vehicles managed by Fleet Maintenance.

Overflow Work is Sent to Outside Facilities

In house vs Outsourced work by Number of Work Orders									
Yr.	Location	In House		Outsourced		In house and Outsourced		Total	
2021	Williams	1994	77%	422	16%	188	7%	2604	100%
2022	Williams	2604	80%	499	15%	163	5%	3266	100%
2023	Williams	2425	78%	455	15%	220	7%	3100	100%
2021	Sandalwood	842	62%	341	25%	180	13%	1363	100%
2022	Sandalwood	995	56%	605	34%	170	10%	1770	100%
2023	Sandalwood	784	53%	515	35%	169	12%	1468	100%

In house vs Outsourced work by Cost ($000)									
2021	Williams	$2,068	77%	$ 613	23%			$2,681	100%
2022	Williams	$2,910	80%	$ 709	20%			$3,619	100%
2023	Williams	$2,694	76%	$ 839	24%			$3,533	100%
2021	Sandalwood	$ 783	57%	$ 597	43%			$1,380	100%
2022	Sandalwood	$1,579	60%	$1,040	40%			$2,619	100%
2023	Sandalwood	$1,426	55%	$1,188	45%			$2,614	100%

- The City has two garages, Williams Parkway Operations Centre and Sandalwood Operations yard.

- Overflow work is sent to outside repair facilities.

- On average, approximately 20% of work orders at Williams Parkway and 30% at Sandalwood were outsourced.

Fleet Maintenance

Audit Objectives and Scope

January 1, 2021 to December 31, 2023

Fleet Maintenance

COMPLIANCE TO LAWS AND POLICIES

- Fleet maintenance activities comply with City policies and the Ontario Highway Traffic Act.

PREVENTIVE MAINTENANCE

- Preventative maintenance is properly scheduled, performed, recorded, and overdue maintenance is followed up timely.

REPAIR PROCESS

- Vehicle repairs are properly assessed, performed, inspected, recorded and monitored to uphold vehicle maintenance quality and to minimize downtime.

WARRANTY CLAIMS

- Warranty information is maintained for all vehicles, repairs eligible for warranty are flagged in M5, and City staff is taking advantage of warranty repairs.

OUTSOURCED WORK

- Performance of maintenance and repair work assigned to outside vendors is efficient, effective and economical.

PARTS INVENTORY

- Vehicle parts are properly re-ordered, stocked and available to support fleet maintenance and repairs.

Overall Message

Findings

The core activities of a complete fleet maintenance program are in place, however, there are opportunities for improvement in a number of areas that impact:

- the effectiveness of the preventative maintenance program
- compliance with Provincial legislation and fleet maintenance policies
- monitoring of procurement activity and vendor invoices
- authorized access to inventory.

Finding #1: Preventative Maintenance Schedule is not Based on the Manufacturers' Recommendations, and Maintenance is Not Always Completed Within the Required Intervals

Fleet Maintenance

Condition

The manufactures recommended service intervals are not integrated into the preventative maintenance schedule.

Vehicles are not always maintained within the City's recommended time and mileage standards of 12 months or 10,000KM.

Year / Make	Vehicle Use	Manufacturers Recommended Maintenance		CoB Current Maintenance	
		KM	Months	KM	Months
2012 Dodge Caravan	All	13K	6	10K	12
2012 Toyota Tacoma	All	16K	12	10K	12
2013 Jeep Patriot	All	16K	12	10K	12
2015 Ford F-350	All	12K	6	10K	12
2016 Ford F-550	All	12K	6	10K	12
2017 Dodge Ram 1500	All	16K	12	10K	12
2018 Chevy Equinox	All	12K	12	10K	12
2022 Mitsubishi RVR	All	16K	10	10K	12
2022 Ford F-150	All	16K	12	10K	12
2022 Ford F-550	Normal	12K-16K	12	10K	12
	Severe	8K-12K	12	10K	12
	Extreme	4K-8K	12	10K	12
2023 Ford Explorer	Normal	12K-16K	12	10K	12
	Severe	8K-12K	12	10K	12
	Extreme	5K-8K	12	10K	12

Finding #1: Preventative Maintenance schedule is not Based on the Manufacturers' Recommendations, and Maintenance is Not Always Completed within the Required Intervals (Cont'd)

Preventative Maintenance Intervals (2021 - 2023)	#	%
365 days or less	1084	83.0%
365 days - 400 days	174	13.3%
400 days - 425 days	34	2.6%
Over 425 days	14	1.1%
	1306	100.0%
10,000KM or less	1066	81.6%
10,000KM to 13,000KM	147	11.3%
13,000KM to 16,000KM	43	3.3%
16,000KM to 20,000KM	18	1.4%
Over 20,000KM	32	2.5%
	1306	100.0%
Over 365 days or 10,000KM	436	33.4%
Over 365 days and 10,000KM	26	2.0%

Impact

Not integrating the manufacturers recommended service intervals into the preventative maintenance schedule does not ensure that the maintenance program is optimized for all vehicles which can lead to more expensive repairs. It can also result in the voiding of the manufacturers warranty.

Not maintaining vehicles within established time and mileage intervals increases the risk of breakdowns and repairs and can reduce the life of the vehicle.

Finding #2: Vehicle Mileage is Not Always Updated

Condition

- The preventative maintenance schedule is directed by mileage in M5. Mileage can be updated in three ways:
  - At the time of service
  - At City fuel pumps through vehicle data units (VDU)
  - When fueling at Esso with fuel cards.

- Mileage is not always updated at the time of service. The mileage entered was either the same or lower than previously recorded for 82 (6%) vehicle services.

- As of Sept. 1, 88 (21%) vehicle data units were not operating properly and could not transfer mileage data into M5.

Impact

- Not maintaining accurate vehicle mileage impedes the effectiveness of the preventative maintenance schedule.

- It also increases the risk of vehicles exceeding required maintenance intervals which can increase the risk of repairs and reduce the life of the vehicle.

- This finding compounds the impact of the first finding since the maintenance interval may be based on faulty and inaccurate mileage.

Finding #3: Driver Vehicle Inspection Reports are Seldom Completed by User Departments

Condition

- Driver Vehicle Inspection Report (DVIR) should be completed every day in order to meet the requirements of the Province (Heavy Vehicles) as well as the requirement of the City's Preventative Maintenance Policy (Light Vehicles).

- We randomly selected 15 vehicles (9 Heavy Duty, 6 Light Duty) to verify whether operating units had completed a DVIR during the last week of September and October. We found that only two out of the required 45 (4%) DVIR forms were on file.

Impact

- Refer to next slide for impact.

Finding #3: Driver Vehicle Inspection Reports are Seldom Completed by User Departments (Cont'd)

Impact

- Not completing driver vehicle inspection reports does not ensure that the vehicles operator is aware of potential mechanical or safety issues with the vehicle.

- Operating a vehicle without a completed DVIR can result in fines or penalties from the Ministry of Transportation (MTO).

- If a vehicle is found to be operating with a major defect, it can result in up to a $20,000 fine and the vehicle being impounded.

#	Unit #	Dept.	Unit Description	L/H	25	26	27	28	29
					September 2023				
1	FE20540	5202	2020 FORD F350 SUPERCAB	LD	A	A	I	I	I
2	FI15533	5203	2015 FORD F550 XL	HD	I	A	I	A	I
3	FI14065	1220	2014 FREIGHTLINER 114SD	HD	I	I	I	I	I
4	FI14054	1225	2014 FREIGHTLINER 114SD	HD	I	I	I	I	I
5	FE20642	5402	2020 CHEV SILVERADO 3500HD	LD	A	A	A	A	A
6	FE146012	1420	2014 FORD F250 CREWCAB	LD	I	A	A	I	A
7	FH20426	5450	2020 FORD F550 XL	HD	A	A	A	A	I
8	FC10287	5302	2010 JEEP PATRIOT	LD	A	A	A	A	A
9	FC20284	0202	2020 MITSUBISHI RVR SE	LD	A	A	A	A	A
10	FC224043	0241	2022 MITSUBISHI RVR SE	LD	I	I	I	I	I

#	Unit #	Dept.	Unit Description	L/H	23	24	25	26	27
					October 2023				
11	FH09067	1220	2009 DODGE RAM 5500	HD	A	A	A	A	I
12	FH20495	5202	2020 FORD F550 XL	HD	A	A	A	A	A
13	FI21555	5402	2021 INT. TRUCK CV515	HD	I	A	A	A	I
14	FI14032	1420	2014 PETERBILT 220	HD	I	I	A	A	I
15	FI23612	5450	2023 INT. TRUCK CV515	HD	A	A	A	A	A

Legend:

A	Unit was active		DVIR was completed
I	Unit was inactive		DVIR was not completed
HD	Heavy Duty	LD	Light Duty

Fleet Maintenance

Finding #4: Preventative Maintenance Forms are Not Always Completed

Condition

- Each preventive maintenance service should h.ave an inspection form filled out by the mechanic.

- Out of a sample of 23 preventative maintenance (PM) work orders completed in-house, only 12 of them had a completed PM inspection form on file.

- We also sampled ten out-sourced PM work orders and found that the PM inspection form was not sent for any of them.

Impact

- Not having completed preventative maintenance forms for each preventative maintenance service results in improper incomplete maintenance records and increases the risk that incomplete inspections will not be detected.

Finding #5: Warranty Terms in M5 are Incomplete

Condition

- When a vehicle is added to fleet, the warranty terms are entered in M5 by Fleet Administration staff, however warranty information in M5 is not always complete.

- Out of ten samples, the engine and power train warranty terms were entered in M5. However, for two samples, the warranty terms on Corrosion (Body/Rust) of 3 years/unlimited kilometres were not entered.

- Two 2019 Ford F550s did not have any Warranty terms entered in M5.

Impact

- Not maintaining complete warranty information in M5 increases the risk that repair work is performed or paid for on warranty-eligible vehicles.

Finding #6: Significant Vendor Spending Did Not Go through Competitive Procurement

Fleet Maintenance

Condition

- We reviewed vendor activities for outsourced maintenance from January 2021 to October 2023 and noted:

  - One vendor with accumulated spending of $435K and another with accumulated spending of $250K do not have a purchase order (PO).

  - Another vendor had a PO of $21K with $18K spent however, staff spent an additional $26K outside of the PO through P-Card purchases.

Impact

- Not having a purchase order in place does not ensure the efficiency, effectiveness or economy of procurement activity. It also reduces the ability to control and monitor total vendor spend and does not allow for department and procurement approvals on the total contract amount.

Finding #7: Review of Vendor Invoices Needs to Be Improved

Condition

- One vendor is regularly charging $169 per hour for labour and another is regularly charging $165 per hour even though the current contract for both vendors states $130 per hour.

- There are approximately 500 invoices over $200 combined for these two vendors within the contract period (March 2021 to March 2024).

- Staff should self-audit all invoices, determine the total amount of overpayment, and recover these overpayments.

Impact

- Lack of due diligence in invoice review against contract terms results in overcharges going undetected.

Finding #8: Access to Parts Storage Rooms is Not Properly Restricted

Condition

- Many individuals have badge access to the parts storage rooms that do not need it.

- These individuals mostly include employees from other departments, as well as outside cleaners, temporary card holders and former Fleet Maintenance employees.

- Staff should identify individuals that do not require access to the parts rooms and work with Security to remove access.

Impact

- Not restricting access to vehicle parts rooms increases the risk of unauthorized entry and theft.

Fleet Maintenance

How Will our Recommendation Benefit the City?

- Implementing the recommendations in this report will

  - Improve preventative maintenance processes

  - Reinforce compliance with Provincial legislation and Fleet Maintenance policies

  - Strengthen the oversight of purchasing activity

  - Safeguard vehicle parts inventory from theft.

Fleet Maintenance

Thank You

BRAMPTON

Date: 2024-01-24

Subject: **Limited Tendering Audit Report 2023**

Contact: Claire Fang Mu, Director, Internal Audit

Report Number: CAO's Office-2024-097

<mark>**Improvement Required**</mark>

Recommendations:
1. That the report titled: Limited Tendering Audit Report 2023, to the Audit Committee Meeting of Feb 6, 2024, be received and the recommendations contained in **Appendix 1: Limited Tendering Audit 2023 Report** be approved.

Overview:

This report fulfills [Committee of Council Resolution 6.4/8.2.1 CW316-2023](#) "That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."

The report highlights the opportunities to improve the City's limited tendering procurement processes, particularly in implementing conflict of interest declaration by bidders and City staff involved in procurement and formalizing the procedures for conducting due diligence reviews of the justifications put forward by buying departments.

The overall audit was rated as **"Improvement Required."**

The audit noted the following strengths relating to controls and processes surrounding Limited Tendering:

- Adherence to Purchasing By-law 19-2018, specifically Schedule B regarding award authority in limited tendering procurements

- Implementation of a central depository for organizing and maintaining all contract-related documents

- Reporting regularly to the Council on limited tendering procurements to support governance and oversight and to comply with the Purchasing By-law requirement

1

- Management and oversight of purchasing activities led by experienced and knowledgeable staff.

The issues and associated management action plans are detailed in the audit report located in **Appendix 1: Limited Tendering Audit Report 2023**.

See **Appendix 4** and **Appendix 5** for the criteria for rating findings and audit report rating.

Please also see **Appendix 6** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Purchasing staff:

Process	Finding	Rating
1. Lack of conflict of interest consideration and disclosure	Under the current procurement practices, the requirement for disclosing actual, potential, and perceived conflict of interest does not apply to limited tendering. Specifically, the following risk control measures have not been enforced: • Submission of a conflict of interest declaration by the bidder(s) • Conflict of interest declaration by City staff participating in the purchasing decision	P2
2. Lack of a robust verification process for limited tendering justification	Purchasing does not have formalized procedures for conducting due diligence reviews of justifications for limited tendering procurement put forward by buying departments. 4 out of the 16 limited tendering activities we reviewed did not include appropriate key documents to substantiate the limited tendering procurements.	P2

These issues and associated management action plans are discussed in more detail in **Appendix 1.** These issues are rated as per the criteria described in **Appendix 4.**

Conclusion:

2

Our review of City's procurement activities in Q2 2023 identified opportunities for improvement in the areas of incorporating conflict of interest consideration and declaration, and in formalizing the due diligence review of the limited tendering justifications put forward by buying departments.

Implementing the recommendations in this report will enhance the City's limited tendering process and ensure compliance with the current Purchasing By-law.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 5**.

Authored by: Reviewed by:

_____   _____
Mia Cui, Manager   Claire Fang Mu, Director
Internal Audit   Internal Audit

Attachments:

- Appendix 1 – Limited Tendering Audit Report 2023
- Appendix 2 – Limited Tendering Standard Form
- Appendix 3 – Limited Tendering (LT) Checklist
- Appendix 4 - Criteria for Evaluating Audit Findings
- Appendix 5 - Criteria for Audit Report Rating
- Appendix 6 - Presentation Slides

3

City of Brampton Limited Tendering Audit – Audit Report
Private & Confidential

Audit Name	City of Brampton, Limited Tendering Audit		
Sponsor(s)	Diane Oliveira, Manager, Purchasing /Deputy Purchasing Agent (PA)		
Business Unit	Purchasing	Date Issued	January 25, 2024

1.0 Executive Summary

Audit Rating: Processes surrounding Limited Tendering activities were rated as "Improvement Required" (see **Appendix 4** for the criteria for audit report rating)

Our audit of the Q2 2023 Limited Tendering activities noted the following strengths:

- Adherence to Purchasing By-law 19-2018, specifically Schedule B regarding award authority in limited tendering procurements

- Implementation of a central depository for organizing and maintaining all contract-related documents

- Reporting regularly to the Council on limited tendering procurements to support governance and oversight and to comply with the Purchasing By-law requirement

- Management and oversight of purchasing activities led by experienced and knowledgeable staff

Internal Audit discussed the following improvement opportunities with Management:

- Conflict of interest disclosure is not mandated in limited tendering

- Lack of a robust verification process for limited tendering justifications

City of Brampton Limited Tendering Audit – Audit Report
Private & Confidential

Conclusion:

Our review of the City's Q2 2023 procurement activities noted that staff adhered to the requirements for limited tendering under the current Purchasing By-law. Specifically, each limited tendering contract is accompanied by:

- A written justification for the use of limited tendering or a written explanation for the extension of services through limited tendering
- Financial comments confirming the availability of sufficient funding for these contracts
- Documented approval from the buying department and Purchasing that is consistent with the current award authority outlined in the Purchasing By-law

We also identified the following improvement opportunities in the City's limited tendering procurement process, specifically:

- **Lack of a conflict of Interest risk consideration and disclosure** (detailed in Finding #1): The City's competitive procurement processes mandate a conflict of interest disclosure. However, this requirement has not been applied to limited tendering. As a result, limited tendering procurements were not subject to conflict of interest considerations, leading to potential oversight in managing the relevant risks.

- **Lack of a robust verification process for limited tendering justification** (detailed in Finding #2): Purchasing does not have formalized procedures for conducting due diligence reviews of limited tendering procurement, resulting in the lack of supporting documentation to substantiate a few limited tendering contracts.

Extending the conflict of interest declaration requirement to limited tendering and formalizing the procedures for conducting due diligence reviews of limited tendering procurement will enhance the City's limited tendering procurement process and ensure compliance with the current Purchasing By-law.

2.0 Background, Objectives, and Scope

Background

The City of Brampton's Purchasing By-law 19-2018 ("Purchasing By-Law") outlines the following key objectives:

1.1 Promote Procurement activities and decisions that are consistent with the strategic, financial, social, and environmental objectives of the City;

1.2 Provide professional and ethical leadership through the provision of fair and transparent Procurement Processes;

1.3 Promote the most cost-effective and efficient use of City funds by achieving the best value for money; and

1.4 Maintain trust and confidence in the stewardship of public funds.

The City deploys various procurement methods for goods and services, following the established guidelines of its Purchasing By-law. The graphic below provides detailed descriptions of these methods:

Direct Purchase (Non-Competitive)	Invitational Procurement (Competitive)	Public Procurement (Competitive)	Limited Tendering & Emergency Purchase (Non-Competitive)

• Purchase up to $25K
• Purchased through P-Card
	• Purchase between $25K to $100K
	  ◦ Request for Proposal (RFP)
	  ◦ Request for Quotation (RFQ)
	• Required to Invite at least three vendors
		• Purchase $100K and greater
		  ◦ Request for Proposal (RFP)
		  ◦ Tender
		• Conducted through a public process
			• Purchase greater than $25K
			• Conducted in good faith and with valid justification in accordance with the exceptional conditions outlined in the Purchasing By-law

While the City primarily relies on competitive tendering, the Purchasing By-law permits non-competitive procurement in exceptional circumstances, allowing the City to conduct limited tendering activities by directly soliciting select vendors for goods or services. According to the By-Law:

> *"Limited Tendering (previously known as Single/Sole Source)" means a Procurement Process where negotiations are entered into with one or more than one Vendor based on the conditions as set out in Schedule C to this By-law and includes Direct Negotiations as a Procurement Process where there is no competitive process.*

Per the Purchasing By-law, limited tendering is permissible solely in specific circumstances detailed in Schedule C, including but not limited to:

1. *If goods or services can be supplied only by a particular Vendor and no reasonable alternative or substitute goods or services exist for the following reason:*
   a) *The protection of patents, copyrights, or other exclusive rights: or*
   b) *Due to an absence of competition for technical reasons*
2. *For additional goods or services from the original Vendor that were not included in the initial procurement, if a change of Vendor for such additional goods or services:*
   a) *Cannot be made for economic or technical reasons; and*
   b) *Would cause significant inconvenience or substantial duplication or costs for the City;*
3. *The supply of goods and services is controlled by a Vendor that is a statutory monopoly;*
4. a) *No bids were submitted*
   b) *No bids conforming to the essential requirements of the procurement document were submitted;*
   c) *No bidders satisfied the conditions for participation; or*
   d) *The submitted bids were collusive.*

During its meeting held on September 20, 2023, the Committee of Council passed the following motion:
> *6.4/8.2.1*
> *CW316-2023*
> *"That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."*

Under the Council's directive, Internal Audit reviewed the Q2 2023 Purchasing Activity Report that included the following procurement activities:
  I.   New Contracts – 57 items totalling $95,120,396.60.
 II.   Contract Extensions – 40 items totalling $29,773,395.85.
III.   Contract Renewals – 35 items totalling $11,910,592.84.

I. New Contracts

In Q2 2023, the City established 57 new vendor service contracts. Among these, 15 were awarded through a limited tendering process, totalling $11.89 million. The following table details the breakdown of the quarter's $95.12 million in new procurement activities.

Total Q2 New Limited Tendering Contracts vs. Total Q2 New Procurement Contracts				
Contract Categories	**Quantity (in #s)**	**Quantity (in %)**	**New Contracts (in $s)**	**New Contracts (in %)**
New Limited Tendering	15	26%	$ 11,889,019.63	12.50%
New Emergency Purchases	4	7%	$ 324,370.57	0.34%
New Competitive Procurements	38	67%	$ 82,907,006.40	87.16%
Total Q2 New Procurements	**57**	**100%**	**$ 95,120,396.60**	**100%**

Of the 15 new contracts awarded through limited tendering in Q2 2023, City Council approved four contracts totalling $9.45 million and encompass the following:
1. Design and contract administration for the new Brampton transit facility ($7,095,818) – approved by Council on April 6, 2022
2. Design and contract administration and commissioning of Civic Centre security operation relocation ($198,900) – Approved by Council on March 1, 2023
3. Civic Centre security operations and command centre relocation ($1,715,000) - Approved by Council on March 1, 2023
4. CCTV security video wall and security equipment at Bramalea Civic Centre security operations centre ($438,574.79) - Approved by Council on March 1, 2023

We focused on assessing the compliance of the remaining 11 new limited tenders, totalling $2.44 million, with the Purchasing By-law requirements.

The table below provides a breakdown of the new limited tendering activities for Q2 2023:

Contract Categories	Approval Status	New Contracts (in #s)	New Contracts (in $s)	New Contracts (in %)
Q2 New Limited Tendering Activities	With Council Approval	4	$ 9,448,292.79	79%
	Without Council Approval	11	$ 2,440,726.84	21%
Total Q2 New Limited Tendering Activities		**15**	**$ 11,889,019.63**	**100%**

II. Contract Extensions

For Q2 2023, the City's procurement activities encompassed $29.77 million in contract extensions. This includes five contracts that were initially awarded through a limited tendering process. Our review will focus on these extensions valued at $8.20 million. Refer to the following table for a detailed breakdown:

Total Q2 Limited Tendering Contract Extensions vs. Total Q2 Contract Extensions					
Contract Categories	Original Contracts	Quantity (in #s)	Quantity (in %)	Extensions (in $s)	Extensions (in %)
Q2 Contract Extensions	Limited Tendering	5	13%	$ 8,203,448.00	28%
	Other Procurements (e.g., Competitive & Emergency Purchases)	35	87%	$ 21,569,947.85	72%
Total Q2 Procurement Extensions		**40**	**100%**	**$ 29,773,395.85**	**100%**

III. Contract Renewals

In Q2 2023, the City renewed 35 contracts. Unlike contract extensions, these renewals are planned expenditures in the original agreements, whether acquired through competitive procurement or limited tendering. As such, these renewals are not the focus of this review. The table below provides a summary of contract renewals for Q2 2023:

Total Q2 Limited Tendering Contract Renewals vs. Total Contract Renewals					
Contract Categories	Original Contracts	Quantity (in #s)	Quantity (in %)	Renewals (in $s)	Renewals (in %)
Q2 Contract Renewals	Limited Tendering	9	26%	$ 1,292,191.68	11%
	Competitive Procurements	26	74%	$ 10,618,401.16	89%
Total Q2 Procurement Renewals		35	100%	$ 11,910,592.84	100%

A Recap of Our Audit Focus

Overall, the new contracts established through limited tendering activities, extensions, and renewals, totalling $ 21.38 million, accounted for 16% of the City's total procurement values for Q2 2023. Our audit will focus on the 11 new limited tendering activities without the Council's approval and the five extensions that were procured via a limited tendering process in this period, which are valued at $10.64 million and represent 8% of the Q2 total procurement expenditure. Refer to the table below for an overview of Q2 2023 procurement activities.

Q2 2023 Procurement Overview				
Contract Categories		Procurement (in #s)	Procurement (in $s)	Procurement (in %)
Limited Tendering Activities	New Contracts - With Council Approval	4	$ 9,448,292.79	7%
	New Contracts - Without Council Approval	11	$ 2,440,726.84	2%
	Contract Extensions	5	$ 8,203,448.00	6%
	Contract Renewals	9	$ 1,292,191.68	1%
	Total Limited Tendering Activities	29	$ 21,384,659.31	16%
Competitive Procurement & Emergency Purchases	New Contracts	42	$ 83,231,376.97	61%
	Contract Extensions	35	$ 21,569,947.85	16%
	Contract Renewals	26	$ 10,618,401.16	7%
	Total Competitive Procurements & Emergency Purchases	103	$ 115,419,725.98	84%
Total Procurement - Q2 2023		132	$ 136,804,385.29	100%

The newly initiated limited tendering activities and limited tendering extensions, valued at $10.64 million, represent 8% of the total procurement expenditures for Q2 2023.

Objectives

The purpose of this engagement is for Internal Audit to evaluate the City's purchasing activities in Q2 2023, assessing whether the newly initiated limited tendering activities and limited tendering activities extension were justified and comply with the City's existing Purchasing By-law.

Scope

This audit reviewed the City's limited tendering activities conducted in Q2 2023, including both new limited tendering and their extensions. We also assessed if staff have met the requirements of the existing Purchasing By-law to ensure fair and transparent procurement processes, provide value for money, and uphold trust and confidence in the management of public funds. Internal Audit noted that the Purchasing By-law may be undergoing revisions following the recommendations from our Limited Tendering Audit completed in 2022; however, for this audit, City Council requested us to evaluate the Q2 2023 procurement activities against the existing Purchase By-Law requirements.

Out of Audit Scope

The scope of this audit does not include the following:
- Emergency Purchases
- P-Card
- Invitational and Public Procurements (Competitive Procurements)
- Purchasing By-Law (already covered in the 2022 Limited Tendering Audit)

Please note that the audit scope does not preclude us from looking at anything else that comes to our attention during the review.

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
1	**Lack of Conflict-of-Interest Risk Consideration and Disclosure** According to Section 10.0 of the City's Purchasing By-law 19-2018, it's mandatory for all bidders participating in a competitive procurement process to disclose any actual, potential, or perceived conflicts of interest in writing. However, in the City's current procurement process, the requirement for disclosing conflicts of interest is not extended to limited tendering activities and their extensions. This may heighten the inherent risk in limited tendering procurement, as it might allow certain suppliers to gain an unfair competitive advantage and exclusive access to City contracts due to a lack of transparency and impartial assessment in the procurement process. Specifically, the following risk control measures were not enforced when the limited tendering procurement method was used: • Submission of a conflict of interest declaration by the bidder(s) • Conflict of interest declaration by City staff participating in the purchasing decision	**P2**	1. City Council request that the Chief Administrative Officer ensure that the requirement for disclosing conflicts of interest by both bidders and City staff participating in the purchasing decision is extended to limited tendering procurement and their extensions by April 2024.	Purchasing Management agrees with the recommendation and will incorporate a conflict of interest declaration for all limited tendering procurements by April 2024. The requirement to declare any conflicts of interest applies to both bidders and City staff involved in the decision-making process for limited tendering.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Potential Impact For the City to adhere to procurement principles, such as integrity, fairness, and transparency, it's essential to identify and manage the actual, potential or perceived conflict of interest. Where an actual, potential or perceived conflict of interest is not identified, or is identified but not appropriately managed, it can: • Compromise decision-making • Undermine the integrity and reliability of the procurement process and result • Lead to challenges of the award decision and dispute which causes delays and additional costs • Disrupt the selection process and result in an unsuccessful procurement • Result in a mis-procurement being declared • Impact the City's reputation and erode public trust			
2	**Lack of a robust verification process for limited tendering justification** While Section 8.4 of the Purchasing By-law mandates that buying departments provide justifications following the criteria specified in Schedule C, Purchasing has the responsibility to conduct due diligence review and verify that the justifications provided by buying departments are substantiated.	**P2**	2. City Council request that the Chief Administrative Officer to take steps to ensure that limited tendering purchases are justified and that such steps to include but not be limited to the following: a) The City develops policies and procedures requiring buying departments to include justification for limited	Purchasing Management agrees with the recommendation. An SOP outlining the limited tendering process, appropriate supporting documentation and due diligence review will allow clarity and consistency for buying departments and Purchasing staff. The target date for completion of the SOP is Q2 2024. Appropriate training will be provided to staff upon completion of the SOP.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Our review showed that there is a need for Purchasing staff to implement a more robust due diligence review process to ensure staff who review the limited tendering justifications follow consistent process and request and retain key documents that substantiate the justifications. A critical part of this process is developing a Standard Operating Procedure (SOP) that outlines the steps Purchasing staff should take to verify whether buying departments' justifications comply with the By-laws, document their due diligence review, and retain key documents that substantiate the justifications. Purchasing utilizes the "Limited Tendering Standard Form" and a 'Limited Tendering (LT) Checklist – Client Driven Pricing (All Values over $25K)' to specify the essential information and administrative tasks necessary for awarding a limited tendering contract. For detailed examples, refer to Appendix 2 (Limited Tendering Standard Form) and Appendix 3 (Limited Tendering (LT) Checklist)). Internal Audit identified that some justifications provided by the buying departments did not include the necessary documents to demonstrate compliance with the By-law, and these cases were not followed up by Purchasing staff. In our review of the 16 files of limited tendering procurement, including 11 new contracts and 5 contract extensions, Internal Audit noted the files for the following 4 contracts missing key supporting		tendering purchases with detailed supporting documents b) Staff provide training and education on the newly formed policies and procedures c) Purchasing staff verify the justification and ensure that it is consistently followed by buying departments	The newly developed SOP will be updated to incorporate the automation of the limited tendering process, which is targeted for completion by Q1 2025.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	documents to substantiate the justifications provided by buying departments. • For LT2023-039 and LT2023-089, Purchasing did not confirm vendor exclusivity and relied solely on buying departments' written confirmation without reviewing supporting documents. • For LT2023-184, the buying department's justification for the sole-source procurement of structural leather boots was based on an outdated vendor confirmation letter that was dated 2021. • For LT2023-174, an incorrect exclusive letter from the vendor, confusing E-One fire vehicles and equipment with F-500 Encapsulating Foam, was reviewed and relied on to make the limited tendering decision. **Potential Impact** Lack of a robust due diligence process renders the verification process ineffective and can result in the City procuring through limited tendering when a competitive procurement is more appropriate. Lack of a robust due diligence process has certainly resulted in some limited tendering procurement files lack key documents to substantiate the justifications provided by the buying departments.			

Report Distribution List	
Marlon Kallideen	Chief Administrative Officer
Diane Oliveira	Manager/Deputy PA, Purchasing, Strategic Service and Initiative, Office of the CAO
Claudia Santeramo	Manager, Procurement Performance, Purchasing, Strategic Service and Initiative, Office of the CAO
William (Bill) Boyes	Commissioner, Community Services
Alex Milojevic	Commissioner, Corporate Support Services
Steve Ganesh	Commissioner, Planning, Building & Growth Management

Internal Audit Team	
Claire Mu	Director, Internal Audit
Mia Cui	Manager, Internal Audit
Sahil Sharma	Audit Project Lead, Internal Audit
Min Peng	Audit Project Lead, Internal Audit

LIMITED TENDERING
PURCHASING BY-LAW 19-2018 Section 8.4

A non-competitive Procurement is an exception to the competitive Procurement Process that may be undertaken where both the proposed non-competitive Procurement and the particular Vendor can be justified in good faith, based on one or more of the conditions set out in Schedule C of the Purchasing By-law.

ALL FIELDS ARE MANDATORY FOR COMPLETION

Date:	Requisition No.:	Ward:
Department: Choose an Item	Division: Choose an Item	
Blanket Contract: Choose an Item If Yes, Initial Term: Choose an item	Award Amount (pre-tax):	

Optional Renewals: Choose an Item If Yes, Number of Optional Renewals: Renewal Period: Renewal Term: Choose an item	Total Estimate of Optional Renewals: (# of optional renewals X value of each renewal term)

Total Procurement Value:

(Award Amount + Total Estimate of Optional Renewals)

$ 0.00

Approvals to be obtained based upon Total Procurement Value

Scope of Work Description:

Vendor:	Vendor Contact Name:
Vendor Address:	
Vendor Phone No.:	Vendor Contact Email:

This Limited Tendering request is justified based on the following exception of Schedule C: Choose an Item

Choose one from the drop down menu (Schedule C: 1 to 13)

Refer to the last page of this form for the corresponding dropdown menu for Schedule C

The selected Schedule C exception is justified as follows:

FINANCIAL COMMENTS: Financial Analyst Initials:

February 16, 2023

LIMITED TENDERING

PURCHASING BY-LAW 19-2018 Section 8.4

A non-competitive Procurement is an exception to the competitive Procurement Process that may be undertaken where both the proposed non-competitive Procurement and the particular Vendor can be justified in good faith, based on one or more of the conditions set out in Schedule C of the Purchasing By-law.

ALL FIELDS ARE MANDATORY FOR COMPLETION

APPROVALS

Based upon Total Procurement Value

Requestor Name	Signature	Date
Department Head or Delegate Name **All Values**	Signature	Date
Purchasing Agent or Delegate Name	Signature	Date
Chief Administrative Officer Name **for Total Procurement Value greater than $1,000,000**	Signature	Date

February 16, 2023

LIMITED TENDERING

PURCHASING BY-LAW 19-2018 Section 8.4

A non-competitive Procurement is an exception to the competitive Procurement Process that may be undertaken where both the proposed non-competitive Procurement and the particular Vendor can be justified in good faith, based on one or more of the conditions set out in Schedule C of the Purchasing By-law.

All Fields are Mandatory for Completion

Schedule C
Limited Tendering

1. a) No Bids were submitted;
   b) No Bids conforming to the essential requirements of the procurement document were submitted;
   c) No Bidders satisfied the conditions for participation; or
   d) The submitted Bids were collusive.

2. If goods or services can be supplied only by a particular Vendor and no reasonable alternative or substitute goods or services exist for the following reasons:
   a) The protection of patents, copyrights, or other exclusive rights; or
   b) Due to an absence of competition for technical reasons.

3. For additional goods or services from the original Vendor that were not included in the initial Procurement, if a change of Vendor for such additional goods or services;
   a) Cannot be made for economic or technical reasons; and
   b) Would cause significant inconvenience or substantial duplication of costs for the City;

4. If strictly necessary and for reasons of urgency brought about by events unforeseeable by the City, the goods or services could not be obtained in time using a competitive process;

5. For goods purchased on a commodity market;

6. If a procuring entity procures a prototype or a first good or service that is developed in the course of a contract for research, experiment, study, or original development;

7. The goods or services are purchased under circumstances which are exceptionally advantageous to the City, such as in the case of a bankruptcy or receivership;

8. If a contract is awarded to a winner of a design contest;

9. If goods or services regarding matters of a confidential or privileged nature are to be purchased and disclosure through a competitive process could reasonably be expected to compromise confidentiality, result in the waiver of privilege, cause economic disruption, or otherwise be contrary to the public interest;

10. The supply of goods and services is controlled by a Vendor that is a statutory monopoly;

11. To ensure compatibility with existing goods, or to maintain specialized goods that must be maintained by the manufacturer of those goods or its representative;

12. Work is to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work; or

13. Work is to be performed on a leased building or related property, or portions thereof that may be performed only by the lessor.

February 16, 2023

BRAMPTON

Limited Tendering (LT) Checklist – Client Driven Pricing (All Values over $25K)

Requisition: Choose an item.   Bid Call No.: Choose an item.   PO Number: Choose an item.
Total Procurement Estimate (including all renewal options): Choose an item.   Buyer: Choose an item.   PAA: Choose an item.
Agreement Required Choose an item.   If Yes, Agreement Type: Choose an item.

Review	eContracts

1. Buyer

- ☐ Generate Bid Call Number ⌃
- ☐ Create Electronic Case File
- ☐ Create Checklist in Case File
    - ☐ Transit 180 Notice ☐N/A
    - ☐ Create Procurement Status Log
- ☐ Supervisor to approve before PA/Delegate approval
- ☐ Obtain PA/Delegate's approval
- ☐ Verify Recommended Award Bidder has an Account in Bids & Tenders, if NO: ⌃
    - ☐ PAA to contact Bidder to create an Account in bids&tenders
- ☐ Complete the Build Phase ⌃
- ☐ Add Supplier in Contract Phase ⌃
- ☐ Check if Successful Bidder(s) is a Diverse Supplier ⌃
- ☐ Write Up Requisition
- ☐ Upload Begin Procurement Report (from Council Agenda) ☐N/A
- ☐ Upload Council Correspondence Email ☐N/A

2. Purchasing Administrative Assistant

- ☐ Verify Recommended Award Bidder has an Account in PeopleSoft ORACLE PeopleSoft
- ☐ If new Supplier, email the Direct Deposit Form and advise to forward form to accountspayable@brampton.ca ☐ N/A
- ☐ If Direct Deposit Form was sent to Supplier, cc accountspayable@brampton.ca on Vendor Maint. Email ☐ N/A
- ☐ Verify Insurance requirements with Risk
- ☐ Create COI Template ☐ N/A
- ☐ Obtain Risk Management Approval on COI ☐ N/A

6. Purchasing Administrative Assistant

- ☐ Manage Team Members ⌃
- ☐ Complete Dates and Amounts ⌃
- ☐ Complete Document section ⌃
    - ☐ Upload WSIB – WSIB category ☐N/A
    - ☐ Upload approved COI & template – Insurance category ☐N/A
    - ☐ Upload Approved LT form – Other category
    - ☐ Upload Executed Agreement – Supplier Doc category ☐N/A
    - ☐ Upload Corporate Status Certificate – Supplier Doc category ☐N/A
    - ☐ Upload Bonds and/or Security – Bonds and Security category ☐N/A
    - ☐ Upload Begin Procurement Report ☐N/A (from Council Agenda) – Other category ☐N/A
    - ☐ Upload Council Correspondence Email – Other category ☐N/A
- ☐ Register Vendor to WSIB Contractors List wsib ONTARIO ☐N/A

Execution (If Applicable) ☐ N/A	Purchase Order

3. Purchasing Administrative Assistant

- ☐ Draft Execution Memo 🖨
- ☐ Prepare Execution File Folder with all Requirements 🖨

4. Buyer

- ☐ Review File and Sign Memo

7. Purchasing Administrative Assistant

- ☐ Draft Purchase Order ORACLE PeopleSoft
- ☐ Create Purchasing General Information ORACLE PeopleSoft
- ☐ Close Requisition ORACLE PeopleSoft

8. Buyer

- ☐ Review and Approve Purchase Order ORACLE PeopleSoft
- ☐ Review and Approve Purchasing General Information Panel ORACLE PeopleSoft
- ☐ PO Dispatch ORACLE PeopleSoft
    - ☐ Buyer up to <$250K
    - ☐ Senior Buyer <$500K
    - ☐ Purchasing Supervisor <$1M
    - ☐ Deputy Purchasing Agent $1M

Performance Security (If Applicable)	Contract

5. Purchasing Administrative Assistant

- ☐ Deposit of Performance Security

    Cheques
    - ☐ Complete Performance Security deposit slip and send to Cashiers
    - ☐ Email Accounting a copy of Award Letter, Deposit Slip and Cashiers receipt

    Letter of Credit (LOC)
    - ☐ Provide Susie original LOC along with Bid Call No., Description & Supplier Name

9. Buyer

- ☐ Award Contract ⌃ ☐N/A
- ☐ Review the Contract Phase ⌃
    - ☐ Upload PO in Documents section – Supplier Document category
    - ☐ Upload PO in Purchase Order section
    - ☐ Review the Dates and Amounts section
    - ☐ Review the Documents section
    - ☐ Review the Purchase Order section
    - ☐ Start the Contract
- ☐ Send 'New Contract Documents' email using Email Wizard ⌃
- ☐ Update Procurement Status Log

10. Purchasing Administrative Assistant ☐N/A

- ☐ Courier Agreement to Vendor
- ☐ Official Record File Folder with all Requirements

11. Buyer

- ☐ Review Official Record File ☐N/A
- ☐ Delete Checklist from Case File

September 28, 2023

Purchasing General Information Panel				
PROCUREMENT PROCESS TYPE				
Process Type: Choose an item.	Negotiable: Y ☐	Contract Type: Choose an item.	Architectural or Engineering Services: Y ☐	Consultant: Y ☐
PROCESS				
Start Date: Click or tap to enter a date.		# of Document Takers:	# of Bids Received:	# of Disqualified Bids:
Target: Choose an item.	Construction: Y ☐	Council Date: Click or tap to enter a date.	Limited Tendering (Schd C): Choose an item.	
PCard: Y ☐	Department Estimate: $	Irregular Results: Choose an item.	Diverse Supplier: Y ☐	
CONTRACT				
Funds Approved on PAR or Council not found on PO (s): $	# of Optional Approval Approved Renewals:	Length of Renewal Period: Choose an item. Choose an item.	Destruction Date: Click or tap to enter a date.	
WARD				

1 ☐	2 ☐	3 ☐	4 ☐	5 ☐	6 ☐	7 ☐	8 ☐	9 ☐	10 ☐	All ☐

Appendix 4 – Criteria for Evaluating Audit Findings	
Priority Rating	**Description**
Priority 1 (P1)	**One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior Management must be implemented.** • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by Management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by Management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	One or more of the following conditions exist that require attention by senior Management. Corrective actions by Management should be implemented.
	• Financial impact of both actual and potential losses is significant
	• Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks
	• Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis
	• Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised
	• Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments
	• Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties
	• Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
Priority 3 (P3)	One or more of the following conditions exist that require attention by Management. Corrective actions by Management should be implemented.
	• Financial impact of both actual and potential losses is insignificant
	• A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks
	• Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively
	• Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc.
	• Low impact to the City's strategic or key initiative
	• Low impact to the City's operations

Appendix 5 – Criteria for Audit Report Rating	
Rating	**Description**
Effective	• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • One or more Priority 3 Findings • Insignificant cumulative financial impact when all audit findings have been considered • Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	• A few control weaknesses were noted that require enhancements to better support objectives and manage risks • One Priority 2 and Priority 3 findings • Priority 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by Management is needed • Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks • One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings • Priority 2 and 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by senior Management is required • Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	• Key controls ae either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks • More than one Priority 1 finding, combined with Priority 2 or 3 findings • Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. • Confirmed fraud by Management or staff • Corrective action and oversight by Senior Leadership Team is required immediately • Follow-up of such audit findings by Internal Audit would be of high priority

Limited Tendering Audit

February 6, 2024

BRAMPTON

Why are We Conducting this Audit?

Direction

During the meeting held on September 20, 2023, the Committee of Council passed the following motion:

6.4/8.2.1

CW316-2023

"That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."

Definition

Limited Tendering (previously known as Single/Sole Source) means a Procurement Process where negotiations are entered into with one, or more than one, Vendor based on the conditions as set out in Schedule C of the Purchasing By-law and includes Direct Negotiations as a Procurement Process where there is no competitive process.

Background

The City deploys various procurement methods for goods and services, following the established guidelines of its Purchasing By-law. The graphic below provides detailed descriptions of these methods.

Limited Tendering

Direct Purchase (Non-Competitive)	Invitational Procurement (Competitive)	Public Procurement (Competitive)	Limited Tendering & Emergency Purchase (Non-Competitive)

▪ Purchase up to $25K
▪ Purchased through P-Card
	▪ Purchase between $25K to $100K
	  • Request for Proposal (RFP)
	  • Request for Quotation (RFQ)
	▪ Required to Invite at least three vendors
		▪ Purchase $100K and greater
		  • Request for Proposal (RFP)
		  • Tender
		▪ Conducted through a public process
			▪ Purchase greater than $25K
			▪ Conducted in good faith and with valid justification in accordance with the exceptional conditions outlined in the Purchasing By-law

Justifications for Limited Tendering

Under the provisions of the Purchasing By-law, limited tendering is permissible solely in specific circumstances detailed in Schedule C, including but not limited to:

1. If Goods or services can be supplied only by a particular Vendor and no reasonable alternative or substitute goods or services exist, such as Patents or copyrights;

2. For additional goods or services from the original Vendor that were not included in the initial procurement, if a change of vendor for such additional goods or services cannot be made for economic or technical reasons;

3. The supply of goods and services is controlled by a Vendor that is a statutory monopoly;

4. No bids were submitted or conforming to the essential requirement of the procurement document were submitted.

City's Q2 2023 Procurement Activities

Limited Tendering

Total New Contracts

The City's Q2 2023 procurement activities consist of:

New Contracts	57 items	$95,120,397
Contract Extensions	40 items	$29,773,396
Contract Renewals	35 items	$11,910,593
Total	**132**	**$136,804,386**

Q2 2023 New Limited Tendering Contracts

Total New Contracts

Table 1 shows the Q2 2023 new procurement activities by procurement types.

Details

Of the 15 new contracts awarded through limited tendering in Q2 2023, the Council has approved four contracts totalling $9.45 million.

Our focus is on assessing the compliance of the remaining 11 new limited tenderings, totaling $2.44 million, with the Purchasing By-law requirements.

Table 2 separates limited tendering activities with specific Council approvals from those without.

Table 1

Total Q2 New Limited Tendering Contracts vs. Total Q2 New Procurement Contracts				
Contract Categories	Quantity (in #s)	Quantity (in %)	New Contracts (in $s)	New Contracts (in %)
New Limited Tendering	15	26%	$ 11,889,019.63	12.50%
New Emergency Purchases	4	7%	$ 324,370.57	0.34%
New Competitive Procurements	38	67%	$ 82,907,006.40	87.16%
Total Q2 New Procurements	57	100%	$ 95,120,396.60	100%

Table 2

Contract Categories	Approval Status	New Contracts (in #s)	New Contracts (in $s)	New Contracts (in %)
Q2 New Limited Tendering Activities	With Council Approval	4	$ 9,448,292.79	79%
	Without Council Approval	11	$ 2,440,726.84	21%
Total Q2 New Limited Tendering Activities		15	$ 11,889,019.63	100%

Q2 2023 Limited Tendering Contract Extensions

Contract Extensions

For Q2 2023, the City's procurement activities included 5 limited tendering contract extensions valued at $8.20 million. The following table provides a detailed breakdown:

Total Q2 Limited Tendering Contract Extensions vs. Total Q2 Contract Extensions					
Contract Categories	Original Contracts	Quantity (in #s)	Quantity (in %)	Extensions (in $s)	Extensions (in %)
Q2 Contract Extensions	Limited Tendering	5	13%	$ 8,203,448.00	28%
	Other Procurements (e.g., Competitive & Emergency Purchases)	35	87%	$ 21,569,947.85	72%
Total Q2 Procurement Extensions		40	100%	$ 29,773,395.85	100%

Q2 2023 Contract Renewals

Renewals

The City also renewed 35 contracts in Q2 2023, including 9 renewals to limited tendering. These renewals, unlike contract extensions, are planned expenditures included in the original contracts, whether they were acquired through competitive procurement or limited tendering. As such, these renewals to the Limited Tendering activities, undertaken in the prior periods, are not the focus of this review.

The table below provides a summary of contract renewals for Q2 2023:

Total Q2 Limited Tendering Contract Renewals vs. Total Contract Renewals					
Contract Categories	Original Contracts	Quantity (in #s)	Quantity (in %)	Renewals (in $s)	Renewals (in %)
Q2 Contract Renewals	Limited Tendering	9	26%	$ 1,292,191.68	11%
	Competitive Procurements	26	74%	$ 10,618,401.16	89%
Total Q2 Procurement Renewals		35	100%	$ 11,910,592.84	100%

Audit Focus Recap

Limited Tendering

Our audit focused on the **11 new contracts without the Council's approval** and **5 contract extensions** that were procured via a limited tendering process in Q2 2023.

Q2 2023 Procurement Overview		Procurement (in #s)	Procurement (in $s)	Procurement (in %)
Contract Categories				
Limited Tendering Activities	New Contracts - With Council Approval	4	$ 9,448,292.79	7%
	New Contracts - Without Council Approval	11	$ 2,440,726.84	2%
	Contract Extensions	5	$ 8,203,448.00	6%
	Contract Renewals	9	$ 1,292,191.68	1%
	Total Limited Tendering Activities	**29**	**$ 21,384,659.31**	**16%**
Competitive Procurement & Emergency Purchases	New Contracts	42	$ 83,231,376.97	61%
	Contract Extensions	35	$ 21,569,947.85	16%
	Contract Renewals	26	$ 10,618,401.16	8%
	Total Competitive Procurements & Emergency Purchases	**103**	**$ 115,419,725.98**	**84%**
	Total Procurement - Q2 2023	**132**	**$ 136,804,385.29**	**100%**

The newly initiated limited tendering activities and extensions, valued at $10.64 million, represent 8% of the total procurement expenditure for Q2 2023.

Audit Objectives and Scope

Audit Objectives

The purpose of this engagement is for Internal Audit to evaluate the City's purchasing activities in Q2 2023, assessing whether the newly initiated limited tendering activities and limited tendering extensions were justified and comply with the City's existing Purchasing By-law.

Scope

2022 Limited Tendering Audit	Internal Audit conducted a Limited Tendering audit in 2022. The audit identified areas of improvement in the Purchasing By-law itself, reporting limited tendering activities to the Council, and the approval process surrounding extensions to limited tendering activities.
2023 Limited Tendering Review - Council Request	Internal Audit noted that the Purchasing By-law may be undergoing revisions following the 2022 Limited Tendering Audit recommendations. However, for this audit, City Council requested us to evaluate the Q2 2023 procurement activities against the existing Purchase By-law requirements, with a focus on limited tendering activities.
2023 Limited Tendering Review Focus	Specifically, we reviewed the 11 new limited tendering procurements and the 5 extensions conducted in Q2 2023 to verify whether they met the requirements of the existing Purchasing By-law.

Executive Summary

Our review of the City's Q2 2023 limited tendering activities identified the following strengths:

1. Adherence to Purchasing By-law 19-2018, specifically Schedule B regarding award authority in limited tendering procurements
2. Implementation of a central depository for organizing and maintaining all contract-related documents
3. Reporting regularly to the Council on limited tendering procurements to support governance and oversight and to comply with the Purchasing By-law requirement
4. Management and oversight of purchasing activities led by experienced and knowledgeable staff.

Also, we have noted two areas of improvement:

1. Conflict of interest disclosure is not mandated in limited tendering
2. Lack of a robust verification process for limited tendering justifications

Finding #1: Lack of Conflict of Interest (COI) Risk Consideration

Condition

According to the Purchasing By-law 19-2018, all bidders participating in a competitive procurement process must disclose any actual, potential, or perceived COI in writing.

However, under the current practice, the requirement for disclosing COI does not apply to limited tendering. Specifically, the following risk control measures have not been enforced:

- Submission of a COI declaration by the bidder(s)
- COI declaration by City staff who participate in the purchasing decision.

Impact

Where an actual, potential or perceived conflict of interest is not identified, or is identified but not appropriately managed, it can:

- Compromise decision-making
- Undermine the integrity and reliability of the procurement process and result
- Lead to challenges to the award decision and dispute which causes delays and additional costs
- Disrupt the selection process and result in an unsuccessful procurement
- Result in a mis-procurement being declared
- Impact the City's reputation and erode public trust.

Finding #2: Lack of Robust Verification Process for Limited Tendering Justification

Condition

Purchasing By-law mandates that buying departments provide justification for limited tendering. Purchasing staff are responsibile for verifying the justifications before approving these limited tendering activities.

Internal Audit staff noted that 4 out of the 16 limited tendering procurements we reviewed did not include the necessary documents to substantiate the justifications of the limited tendering.

Ref #	LT Contract	Audit Finding
1	LT2023-039 ($135,729)	Purchasing did not confirm vendor exclusivity and relied solely on buyer departments' written confirmation without reviewing supporting documents.
2	LT2023-089 ($333,316)	Purchasing did not confirm vendor exclusivity and relied solely on buyer departments' written confirmation without reviewing supporting documents.
3	LT2023-184 ($250,000)	The buying department's justification for the sole-source procurement of structural leather boots was based on an outdated vendor confirmation letter that was dated 2021.
4	LT2023-174 ($180,000)	An incorrect exclusive letter from the vendor, confusing two different goods, was reviewed and relied on to make the limited tendering decision.

Finding #2: Lack of Robust Verification Process for Limited Tendering Justification (Cont'd)

Impact

Lack of a robust due diligence process renders the verification ineffective and can result in the City procuring through limited tendering when a competitive procurement is more appropriate.

Lack of a robust due diligence process has resulted in some limited tendering procurement files lacking key documents to substantiate the justifications provided by the buying departments.

How Will the Audit Benefit the City?

Extending the conflict of interest declaration requirement to limited tendering and formalizing the procedures for conducting due diligence reviews of limited tendering procurement will enhance the City's limited tendering procurement process and ensure compliance with the current Purchasing By-law.

Limited Tendering

LIMITED TENDERING

Thank You

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Date: 2024-01-24

Subject: **Asset Management (Small Equipment and Operating Tools) Audit 2023**

Contact: Claire Fang Mu, Director, Internal Audit

Report Number: CAO's Office-2024-106

<div style="background-color:red">**Immediate Action Required**</div>

Recommendations:
1. That the report titled: Asset Management (Small Equipment & Operating Tools) Audit 2023, to the Audit Committee Meeting of Feb 6, 2024, be received and the recommendations contained in **Appendix 1: Asset Management (Small Equipment and Operating Tools) Audit 2023 Report** be approved.

Overview:
The report highlights that the City lacks policies and procedures for managing various life cycle stages of small equipment and operating tools used by operating units to deliver services.

The overall audit was rated as **"Immediate Action Required."**

The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Asset Management (Small Equipment & Operating Tools) Audit 2023 Report**.

See **Appendix 7** and **Appendix 8** for the criteria for rating findings and audit report rating.

Please also see **Appendix 9** for the presentation slides for this audit report.

Internal Audit discussed improvement opportunities with the following operating units:
- Facilities Operations & Maintenance
- Parks Maintenance & Forestry
- Recreation
- Road Maintenance, Operations & Fleet:

1

Process	Finding	Rating
1. Lack of policies and procedures for the management of small equipment and operating tools	Specific policies and procedures for managing small equipment and operating tools have not been developed, either centrally or by operating units. The lack of established policies and procedures leads to inconsistent and ineffective life cycle management of small equipment and operating tools.	P1
2. Lack of formally documented and effectively communicated capitalization threshold	The capitalization threshold has been emailed to City staff. However, this threshold has not been formally documented in City policies. Publishing the capitalization threshold on the City's webpage under "Policies and Documents" will clarify City staff's understanding.	P1
3. Lack of central planning in the acquisition of commonly used small equipment	Currently, each operating unit independently purchases small equipment. This approach lacks coordinated planning that can lead to increased inventory and associated costs, especially for commonly used equipment.	P1
4. Lack of proper controls in the purchases of small equipment and operating tools	The acquisition of small equipment typically lacks formal documentation, such as a signed and dated acquisition request form to demonstrate management's review and approval.	P1
5. Lack of small equipment and tools receipt verification	Operating units do not have specific steps for verifying and confirming the receipt of small equipment and operating tools against purchase approvals.	P1
6. Lack of asset inventorying, periodic counts and usage tracking	Most operating units have not yet established an inventory list for small equipment and operating tools under their management, ranging from drill sets costing hundreds of dollars to ride-on scrubbers costing $45,000 each. Without an inventory, no periodic counts have been performed on small equipment and operating tools.	P1

	Currently, there is no formal system to track the movement of small equipment when they are transported between locations.	
7. Lack of safe storage for some small equipment and operating tools	The implementation of physical access controls and security measures surrounding the storage facilities vary across different units and some operating units could benefit from improved security measures. The current method for labelling small equipment lacks consistency, involving various techniques such as asset stickers, wire tags and numbering with permanent markers, and engraved markers. In the case of numbering with permanent markers, there is no unique identifier for each operating unit.	P1
8. Lack of formalized processes for small asset maintenance, repair, and disposal	There is no system to log broken items and track their status until they are returned to service. Moreover, key information such as warranties is not recorded, resulting in uncertainty that warranties will be effectively utilized. Due to the lack of a standardized procedure for disposing of small equipment and tools, staff have different understanding of disposal options.	P1
These issues and associated management action plans are discussed in more detail in **Appendix 1.** These issues are rated as per the criteria described in **Appendix 7.**		

3

Conclusion:

The City's management of small equipment and operating tools requires immediate attention. The recommendations outlined in **Appendix 1** provide a roadmap for the City to improve its management of small equipment and operating tools.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 8**.

Authored by: Reviewed by:

Mia Cui, Manager   Claire Fang Mu, Director
Internal Audit   Internal Audit

Attachments:

- Appendix 1 - Asset Management (Small Equipment & Operating Tools) Audit 2023 Report
- Appendix 2 - Commonly Used Equipment
- Appendix 3 - Tracking Through Sign-in and Sign-out
- Appendix 4 - Unused Water Pump with Unknown Borrowing Source
- Appendix 5 - Storage Break-in
- Appendix 6 - Similarity In Numbering
- Appendix 7 - Criteria for Evaluating Audit Findings
- Appendix 8 - Criteria for Audit Report Rating
- Appendix 9 - Presentation Slides

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City of Brampton Internal Audit – Asset Management (Small Equipment & Operating tools) Audit
Private & Confidential

Audit Name	Asset Management (Small Equipment & Operating Tools) Audit		
Sponsor(s)	• Marlon Kallideen, Chief Administrative Officer and Acting Commissioner, Public Works & Engineering • Bill Boyes, Commissioner, Community Services • Rajkaran Chhina, Director, Facilities Operations & Maintenance • Robert Gasper, Director, Road Maintenance, Operations & Fleet. • Edward Fagan, Director, Parks Maintenance & Forestry • Anand Patel, Director, Recreation		
Business Unit(s)	• Facilities Operation & Maintenance • Road Maintenance, Operations & Fleet • Parks Maintenance & Forestry • Recreation	Date Issued:	January 25, 2024

1.0 Executive Summary

Audit rating: Processes around Asset Management (Small Equipment & Operating Tools) activities were rated as "Immediate Action Required" (See **Appendix 8** for the criteria for audit report rating).

Four operating units with the Public Works and Engineering Department and Community Services Department are the primary users of small equipment and operating tools in the City. We observed that no formalized policies and operating procedures are in place for managing the life cycle of small equipment and operating tools. This has led to limited management controls in asset planning, purchasing, inventorying, tracking of purchases and usage, repairs, disposals, and the storage and safeguarding of assets.

The Small Engine Shop alone managed about $2.1M worth of small equipment in 2017 before its closure. The City had other small equipment that was managed outside of the Small Engine Shop. The current total value of the City's small equipment and operating tools remains unknown, due to the following reasons:
- Following the closure of the Small Engine Shop, small engine equipment has not been tracked by the various operating units, except for certain items that were procured through the Fleet unit for individual asset valued over $1,500. Staff advised us that the small assets under Fleet management totals $170,000.
- The value of operating tools is unknown, as operating units manage their own operating tools and have not consistently tracked the purchases or usage of these tools.

The City should formalize policies and procedures for managing small equipment and operating tools. Specifically,

- The City should establish a capitalization threshold in the City's Accounting policies.
- Management should implement a process to ensure that purchases are approved and, wherever applicable, central asset planning is conducted for commonly used small equipment and high dollar value operating tools.
- Management should implement segregation of duties in purchasing, recording, and receiving small assets where practical, and apply compensating controls where segregation of duties is impractical.
- Staff should develop a process for asset inventorying, periodic counts, and usage tracking.
- Staff should ensure small assets are safely stored.
- Staff should establish a formalized process for asset maintenance, repairs, and disposals.

Conclusion:

The City's management of small equipment and operating tools requires immediate attention. The recommendations outlined in this report provide a roadmap for the City to improve its management of small equipment and operating tools.

2.0 Background, Objectives, and Scope

Background

The City of Brampton offers diverse services to its residents and local businesses. These include community support, public works and engineering, legislative services such as by-law enforcement, public transit, and fire and emergency services. City departments utilize various specialized equipment and tools to conduct these functions effectively. This includes heavy machinery, small equipment, and operating tools. This audit focuses on evaluating the City's management of its small equipment and operating tools.

Although there is no formally documented definition for these items in the City, experienced City staff have made a distinction between small equipment and operating tools as follows:

Small Equipment	Operating Tools
Machines that are powered by small gas or diesel engines (less than 25hp) are perceived as high-value items.	Handheld tools that can be either electronically recharged or manually operated, and are typically perceived as low-value items.

The following operating units within the Public Works and Engineering Department and the Community Services Department are the main users of small equipment and operating tools:

1. Public Works and Engineering Department
   - Facilities Operations & Maintenance
   - Road Maintenance, Operations & Fleet

2. Community Services Department
   - Parks Maintenance & Forestry
   - Recreation

From our discussions with City staff, the City's small engine equipment was once centrally managed by the Small Engine Shop within the Parks Maintenance and Forestry Division until its closure in 2017, whereas operating tools had always been managed in a decentralized fashion.

A. The City used to centrally manage small equipment

Before its closure in 2017, the Small Engine Shop, consisting of two staff members and part of Parks Maintenance and Forestry, played a vital role in centrally managing small engine equipment for the Public Works & Engineering and Community Services Departments. The Shop was involved in managing the various life cycle stages of small engine equipment, including:

- **Assessing Equipment Needs:** assessed the purchasing requirements for small engine equipment across various units like parks maintenance, forestry, recreation, and road maintenance, and submitted acquisition requests to the Purchasing Department for approval.
- **Selecting and Acquiring Equipment:** selected and purchased the appropriate models, sizes, and features of small engine equipment needed for the different operating units.
- **Receiving and Processing New Assets**: inspected small engine equipment upon arrival and implemented a systematic process for numbering and labelling, aiding in asset recording and identification**.**
- **Creating and Maintaining Equipment Inventory**: maintained a detailed inventory using tools like Excel spreadsheets to record key details such as model, quantity, and purchasing date of each small engine equipment.
- **Assigning and Tracking Equipment**: distributed small engine equipment to the respective operating units based on their specific needs (e.g., seasonal works) and tracked these assets until they were returned.
- **Storing and Inspecting Equipment**: stored small engine equipment that was not assigned or used off-season at the shop and conducted periodic inspections and physical counts to identify any deficiencies, missing items, or equipment that reached its end-of-life.
- **Maintaining and Repairing Equipment**: established a preventive maintenance schedule and provided repair services as needed, including on-site repairs, seasonal changeovers, and regular updates to the equipment inventory.
- **Disposing Equipment**: conducted cost analyses to decide between repair or replacement for aging equipment and disposed and replaced the asset accordingly.

Forms and documents were created and maintained by the Small Engine Shop to demonstrate the risk control activities implemented across the life cycle of small engine equipment. These records included equipment inventory, acquisition forms, inventory logs, distribution records, sign-in/sign-out forms, maintenance schedules, service orders, and disposal forms.

Staff advised that before its closure, the Small Engine Shop managed an inventory of small engine equipment valued at $2.1M in 2017. This value is likely outdated as the City has grown significantly[1]. Additionally, the Small Engine Shop was responsible for only a portion of the City's small equipment.

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[1] From 2017 to 2024, the City's overall operating budget has increased by 45% from $632M to $913M. The combined operating budgets for the Public Works and Engineering Department and the Community Services Department have grown by 14% from $198M to $225M. If we were to combine operating and capital budgets, the growth rate from 2017 to 2024 for the overall City is 79%, from $815M to $1,456M. Coincidentally, the combined operating and capital budgets for the two departments also grew by 79%, from $294M to $528M.

Following the shop's closure, the control processes for managing small engine equipment became decentralized, with the responsibilities and the equipment distributed among various operating units.

Preventive maintenance for small engine equipment, typically in the form of seasonal checks, occurs twice a year, with no formal maintenance intervals established. With the decentralized approach, small equipment and operating tools are not inventoried across various units.

Although not formally documented in City's accounting policies, the Accounting Services Group has defined a capitalization threshold. This threshold increased from $500 to $1,000 in 2023 and was communicated to City staff via email. During our on-site visits and discussions, we observed that the understanding of the threshold varies among different units.

B.   The City has not tracked the purchases, usage, and current inventory levels of small equipment and operating tools

The value of operating tools remains unknown because each operating unit manages their own operating tools and has not tracked the purchases or usage of their tools.

Small equipment and operating tools are purchased either through P-cards or purchase orders. Although these purchases are recorded in the City's P-card Reporting tool (Pcard purchases) and PeopleSoft (purchase orders) at the transaction level, City staff have not tracked the purchases or usage of these items. Audit staff encountered difficulties in isolating these purchases from other City spending. As a result, we are not able to provide an estimate on the City's past purchases, usage, and current inventory levels of small equipment and operating tools.

In early December, we initiated an exercise of working with staff from each operating unit to estimate the cost of purchases and inventory levels of their small equipment and tools. We were unable to arrive at a satisfactory estimate due to the lack of historical data and the complexity of the exercise.

Objectives

The objective of this engagement is to assess the management practices of small equipment and operating tools and identify gaps to best practices.

Scope

In this engagement, Internal Audit will focus on the management practices of small equipment and operating tools throughout their life cycle, encompassing:
- Asset planning
- Asset acquisition
- Asset receipt
- Asset inventory and tracking
- Asset storage
- Asset maintenance, repair, and disposal

Based on our 2023 Audit Work Plan, the initial scope was to assess how the Public Works and Engineering Department manages its small equipment and operating tools. However, our audit planning revealed that the Community Services Department also heavily relies on small equipment and operating tools for their daily operations. Consequently, we have extended the scope of our audit to include the Parks Maintenance & Forestry and Recreation units within the Community Services Department.

Please note that the audit scope does not preclude us from looking at anything else that comes to our attention during the review.

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
1	**Lack of policies and procedures for the management of small equipment operating tools** The City of Brampton (the "City") has developed a Strategic Asset Management Policy (dated July 2019) and Corporate Asset Management Plan (dated June 2022) to manage major capital assets. However, specific policies and procedures for managing small equipment and operating tools have not been developed, either centrally or by operating units. The lack of established policies and procedures leads to inconsistent and ineffective life cycle management of small equipment and operating tools. As a result, our review has identified improvement areas in the planning, acquisition, receipt, inventory, storage, maintenance, and disposal of small equipment and operating tools. For effective management of small equipment and operating tools, staff should establish and communicate policies and procedures to City staff. <u>**Potential Impact**</u> Without established policies and procedures, ownership and accountability in managing small equipment and tools are unclear. This can lead to inconsistent understanding of risk management requirements, such as the need to have	P1	1. City Council request that the Chief Administrative Officer ensure that staff develop specific policies and procedures for managing the life cycle of small equipment and operating tools, including their planning, acquisition, receipt, tracking of purchases and usage, inventory, storage, maintenance, and disposal, by December 31, 2024, and that such policies and procedures are reviewed and updated regularly.	**Fleet** - Asset Ownership and Asset Lifecycle Program management currently being reviewed (for assets procure by user groups other than Fleet). Due: Q4 2024 - Fleet Services to work with IT to review the process of entering Fleet Special Tools into M5 Program. Due: Q4 2024 - Fleet Services to develop SOP regarding the monitoring and procuring of "Fleet Special Tools" used by our Maintenance staff. Due: Q4 2024. **Facility:** - Department to conduct a comprehensive review of existing practices and industry standards for managing small equipment and operating tools. - Collaborate with departmental heads and key stakeholders to identify specific requirements and expectations. - Develop clear and concise policies outlining the entire life cycle of small equipment, covering planning, acquisition, receipt, inventory, storage, maintenance, and disposal. - Work with departmental representatives to document detailed procedures for each stage of the small equipment life cycle. - Timeline: Q3-2024

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	segregation of duties in the purchasing, recording, and receipt of small assets. Additionally, the lack of established policies and procedures has led to inadequate and inconsistent management of small equipment and operating tools. These issues are discussed in detail in Audit Findings #2 through #8 in the sections below.			**Parks** - Parks is developing and renewing SOPs in relation to Parks' small engines and operating tools reporting and storage. - Timeline: Q4 2024 **Recreation:** - Recreation services to develop SOPs regarding the monitoring and procuring of small equipment and operating tools used by our Operations staff. - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to review and develop SOP regarding the monitoring and procuring of Roads Maintenance and Operating Tools. - Due: Q4 2024
2	**Lack of formally documented and effectively communicated capitalization threshold** The Accounting Services Group initially set a capitalization threshold at $250, gradually increasing to $1,000. This threshold has been emailed to City staff. However, this threshold has not been formally documented in City policies. It's essential for the Accounting Services Group to formally document the capitalization threshold in City policies and ensure its communication to City staff. This step will facilitate the proper recording and management oversight of small equipment and tool purchases. Additionally, publishing the capitalization threshold on the City's webpage under "Policies	P1	2. City Council request the Treasurer to ensure that the accounting treatment for asset capitalization for small equipment and tools is clearly defined, formally documented, and effectively communicated by April 2024.	**Accounting Services Group:** Management agrees with the recommendation. Tangible Capital Asset Accounting Policy and related Standard Operating Procedure (SOP) will be updated to reflect $1,000 capitalization threshold. This threshold will be communicated to relevant City Departments. Even though TCA capitalization thresholds were not originally intended to be used for the purpose of asset planning and inventory control we understand that they can be used as a starting point for these purposes. Actual thresholds for the purpose of asset planning and inventory control are at the discretion of individual City Departments and should be based on their operational needs and risk assessments. They

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	and Documents" will clarify City staff's understanding. **Potential Impact** The lack of a formally documented and communicated capitalization threshold may lead to incorrect and inconsistent financial reporting.			should be documented in their respective Policies and/or SOPs. Due date: Q1 2024
3	**Lack of central planning in the acquisition of commonly used small equipment** Currently, each operating unit independently purchases small equipment. While this approach offers flexibility, it lacks coordinated planning that can lead to increased inventory and associated costs, especially for commonly used equipment. Refer to Appendix 2 for a sample list of equipment commonly used across different operating units. After the Small Engine Shop was closed in 2017, the Forestry Unit was assigned ten extra pole saws, estimated to be worth around $6,000. These additional saws, which take up storage space and are prone to mechanical wear and loss in value, have the potential to be shared with other units (e.g., Parks) through centralized planning. Centrally managing the planning and acquisition of small equipment can help avoid unnecessary purchases.	P1	3. City Council request the Chief Administrative Officer to consider centrally planning, purchasing, and maintaining small engine equipment.	**Fleet** - Fleet Services to work with working group to determine central planning/group for the acquisition of commonly used small equipment procured citywide (assets not currently procured through Fleet Services). Due date: Q4 2024 **Facility** - Form a dedicated team responsible for centrally planning the acquisition of commonly used small equipment with the working group. - Develop a centralized procurement strategy to streamline the acquisition process. - Department to identify preferred suppliers and negotiate bulk purchase agreements for commonly used equipment. - Establish a program for sharing assets, such as the extra pole saws, among units to reduce redundancy with the working group. - Timeline: Q4-2024 **Parks** - Parks to work with working group to determine central planning/group for the acquisition of commonly used small equipment procured citywide

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Potential Impact The lack of central asset planning may lead to unnecessary purchases and missed opportunities to reduce small equipment spending.			- Timeline: Q4 2024. **Recreation** - Recreation services to develop and implement a central planning process for the acquisition of commonly used small equipment. - Recreation services (mmanagement) to work with IT for implementation of required asset management system. - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to collaborate with working group to determine central planning/group for the acquisition of commonly used small equipment procured citywide (assets currently procured through Road Maintenance and Operations Division). - Due date: Q4 2024
4	**Lack of proper controls in the purchases of small equipment and operating tools** The acquisition of small equipment and operating tools typically lacks formal documentation, such as a signed and dated acquisition request form to demonstrate management's review and approval. Staff have indicated that requests for purchasing small equipment and operating tools were discussed either verbally or through email communication. We recognize that some units have better purchasing controls, such as: • Parks Maintenance & Forestry and Fleet use standard forms for purchasing. • Fleet mechanics purchase their tools with personal funds. For specialized tools like	**P1**	4. City Council request the Chief Administrative Officer to ensure that controls are in place for the acquisition of small equipment and operating tools.	**Fleet** - Fleet Services to work with working group to determine asset ownership and proper controls in the purchases of small equipment and operating goods (assets not currently procured through Fleet Services). Due date: Q4 2024 - Fleet Services to develop SOP regarding the monitoring and procuring of "Fleet Special Tools" used by our Maintenance staff. Due: Q4 2024 - Fleet Services to work with IT to review the process of entering Fleet Special Tools into M5. Program. Fleet "Special Tools" entered into M5 will ensure asset life cycles and

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	diagnostic equipment, Fleet has $45,000 in its annual equipment budget, and the purchases are monitored by dedicated staff. P-card has been used as one of the two purchase methods for small equipment and tools. Staff mentioned that for P-card purchases, there is a subsequent review and approval. Nonetheless, these reviews are post-purchase and should not be relied on as the main control, especially when there is a lack of purchase and usage tracking as well as inventory and receipt verification. **Potential Impact** Without formal review and approval prior to asset acquisition, compounded by the lack of controls in the purchase and usage tracking, equipment receipt, and storage, expenditures on small equipment and operating tools may not be warranted.			current inventories are also monitored. Due: Q4 2024 **Facility** - Establish standardized procedures for requesting and approving the purchase of tools and repair items. - Require confirmation between the requestor and approver for tracking purposes. - Timeline: Q4-2024 **Parks** - Parks to work with working group to determine asset ownership and proper controls in the purchases of small equipment and operating goods - Parks is developing an SOP in relation to Parks' small engines and operating tools reporting. This will put in place a process for formal documentation for small engine purchase request and approval - Timeline: Q4 2024 **Recreation** - Recreation services to include purchasing controls within the scope of SOPs and launch of an asset management software to support controls - Recreation services will implement solutions as needed to facilitate this process, e.g. a form and workflow - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to work with IT to review the process of entering Roads Operating Tools into asset program. Operating Tools in program will

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
				ensure asset life cycles and current inventories are also monitored Purchases will follow the corporate credit card purchasing process. Due Q4, 2024
5	**Lack of small equipment and tools receipt verification** Operating units do not have specific steps for verifying and confirming the receipt of small equipment and operating tools against purchase approvals. This includes checking the quantity and condition of purchased assets received at the operating locations or after store purchases before their storage. Operating units should verify the quantity of received small equipment against the purchasing order and invoice and confirm that the equipment received is in good condition. **Potential Impact** Lack of asset receipt verification, compounded by inadequate asset inventory and tracking practices, does not ensure that the City has received the assets purchased and in good condition.	**P1**	5. City Council request that the Chief Administrative Officer ensure proper segregation of duties in purchasing, recording, and receiving small equipment and operating tools, where practical; ensure compensating controls are in place, where segregation of duties is impractical.	**Fleet** - Fleet Services to work with working group to determine asset ownership and procurement policies addressing equipment receipt verification and managing of small equipment and operating goods (assets not currently procured through Fleet Services). Due date: Q4 2024 - Fleet Services to work with IT to review the process of entering Fleet Special Tools into M5. Program. Fleet "Special Tools" entered into M5 will ensure receipt verifications are captured. Due: Q4 2024 **Facility** - Establish standardized procedures for verifying and confirming the receipt of small equipment against approved purchase or repair requests. - Clearly outline steps for checking quantity, condition, and functionality upon receipt. Due Q4 2024 **Parks** - Parks to work with working group to determine asset ownership and procurement policies addressing equipment receipt verification and managing of small equipment and operating goods - Generally, not applicable as Parks equipment and tool acquisitions are primarily performed immediately in person - Timeline: Q4 2024.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
				Recreation - Recreation services (management) to include receipt verification within the scope of SOP - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to work with IT to review the process of entering Roads Operating Tools and small equipment into asset program. Operating Tools in program will ensure receipt verifications are captured. Due: Q4 2024
6	**Lack of asset inventorying, periodic counts and usage tracking** Lack of asset inventorying and periodic counts Most operating units have not yet established an inventory for small equipment and operating tools under their management, ranging from drill sets costing hundreds of dollars to ride-on scrubbers costing $45,000 each. The Parks Maintenance and Forestry Unit has established an inventory of small engine equipment. In late 2022, the Parks Maintenance & Forestry Unit undertook an inventory count of its small engine equipment, totalling 993 items. Of these, 196 were classified as active but could not located. Staff explained that 80% of these items have been in use for over seven years, exceeding their typical lifespan. The entire inventory is currently valued at around $1.24 million, of which 382 items have no cost information. Depending on whether these 382 items have passed their	P1	6. City Council request the Chief Administrative Officer to ensure that operating units develop and comply with policies and procedures regarding establishing an inventory for small equipment and operating tools that include but are not limited to the following: a. a dollar value threshold for inventorying small equipment and operating tools b. regularly updating the inventory for purchases and disposals c. conducting periodic inventory counts d. criteria for inventory write-off. e. tracking small asset usage among locations.	**Fleet** - Fleet Services to work with working group to determine asset ownership and to assign assets to proper asset life cycle program, including inventory and periodic counts (assets not currently procured through Fleet Services). Due date: Q1 2025 - Fleet Services to work with IT to review the process of entering Fleet Special Tools into M5. Program. Fleet "Special Tools" entered into M5 will ensure dollar value and location of Fleet Special Tools is captured. Due: Q4 2024 - Fleet Services to conduct annual inventory count on Fleet Special Tools. Obsolete tools to be replaced and disposed of through disposal process (disposal results to be captured in M5). Due Q4 2024 **Facility** - Introduce a standardized method for logging small equipment usage, such as a sign-in and sign-out sheet.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	lifespan, the actual inventory could be higher or lower than the $1.24 million book value. Although various units agree on the necessity of inventorying high-value equipment, there is inconsistent understanding as to when to inventory small equipment. Some think that a particular type of equipment should be inventoried, such as those operating on small gas or diesel engines. Others suggested inventorying small equipment and tools based on a dollar value threshold. Without an inventory, no periodic counts have been performed on small equipment and operating tools. <u>Lack of usage tracking</u> Most operating units do not log the assignment for small equipment usage through a sign-in or sign-out sheet. For a few units that have put tracking in place (refer to Appendix 3 for an illustration), it was informally managed using a small chalkboard or a piece of paper. Currently, there is no formal system to track the movement of small equipment when they are transported between locations. Internal audit noted the following during our on-site visits: • A water pump, valued at approximately $700 or $800, was found unused in a recreation storage for over a year, with no records available to trace its origin or borrowing details. Refer to Appendix 4 for further information. • Staff indicated that four generators, each worth about $1,000 and owned by Park's			- Working group should collaborate with each operating unit to develop a comprehensive guideline for creating an asset inventory - Department to develop guidelines outlining the requirements for conducting periodic physical counts of small equipment and high-value operating tools. - Timeline: Q4-2024 **Parks** - Parks will maintain the small equipment inventory within the M5 system - Procedures are being put in place to have a pre-season and post-season inventory count Parks-wide - Parks to work with working group to determine the process to track and maintain the inventory of non-small engine Operating Tools - Timeline: Q4 2024 **Recreation** - Recreation services to develop and implement an annual inventory count, inventorying, and usage tracking and include in the scope of SOPs - Recreation services (management) to work with IT for implementation of required asset management system - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to conduct annual inventory count on motorized tools only. Obsolete motorized tools to be replaced and disposed of through disposal process.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	Central Operations, along with one generator from the Facility, were missing at our visit. **Potential Impact** The absence of a comprehensive inventory and periodic physical counts of small equipment and high-value tools, along with inadequate usage tracking practices, hinder the operating units' ability to: • manage risks of asset theft and misappropriation • assess inventory levels and make informed purchase decisions.			- For Inventorying and usage trackage, roads will follow the same process as fleet given that they are under the same umbrella. - Due Q4 2024.
7	**Lack of safe storage for some small equipment and operating tools** Storage and Physical Access Control Physical access controls to storage areas like warehouses, sheds, and steel containers are generally in place. Yet the security measures surrounding these storage facilities vary across different units and some operating units could benefit from improved security measures, where it is cost effective to do so. Key observations from our on-site visits to the selected locations include: i) Access to most storage areas is restricted to senior staff (e.g., forepersons, coordinators, crew leaders). However, some locations managed by Parks and Recreation allow contractors and summer students to enter. ii) Sheds and containers do not have surveillance cameras and alarm systems, primarily due to high installation costs. A notable incident occurred in December 2023	P1	7. City Council request the Chief Administrative Officer to take steps to improve the security measures surrounding equipment storage sites and ensure that small assets are properly labelled and safely stored between use.	**Fleet** - Fleet Services to work with working group to determine asset ownership. Asset Owners to determine proper storage (assets not currently procured through Fleet Services). Due date: Q1 2025 - Currently Fleet Special Tools are kept in a locked area, will ensure the process of signing equipment in/out is documented in SOP. Due Q4 2024 **Facility** - Review and update access permissions, restricting entry to authorized personnel only. - The working group should assess the feasibility of installing surveillance cameras and alarm systems, prioritizing high-value storage locations. - Evaluate the necessity of high-value items stored in infrequently accessed sheds and containers.

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	when a break-in at a Park's container led to the theft of string trimmers valued at approximately $35,000. Refer to Appendix 5 for a visual depiction. iii) A Recreation Centre has placed two floor-cleaning machines valued over $5,000 in a hallway due to insufficient storage space. iv) At a Park's storage site, an entrance door was found left open for an extended period. Staff indicated this is a common practice while temporary workers wait to receive their City security passes, which can take up to two weeks. Coincidentally, this location reported four missing generators. Asset Labelling The current method for labelling small equipment lacks consistency, involving various techniques such as asset stickers, numbering with permanent markers, and engraved markers. In the case of numbering by permanent markers, there is no unique identifier for each operating unit. This may cause duplicated numbering and confusion over equipment ownership, mainly when borrowed between different units. Refer to Appendix 6 for a visual depiction. **Potential Impact** Due to the inconsistent labelling of assets and varying levels of physical access control, small equipment and tools are prone to misplacement, theft, and misappropriation.			- Standardize the labeling method for small equipment across operating units. - The working group to establish a clear protocol for reporting security incidents, including break-ins or unauthorized access. - Timeline: Q3-2024 **Parks** - Parks will liaise with Facilities and Security to determine the feasibility of installing further security measures around equipment storage locations. - Timeline: Q4 2024 **Recreation** - Recreation services (management) to determine proper storage and access processes and update SOPs accordingly. - Timeline: Q4 2024 **Roads** - Currently Road Maintenance and Operations Division motorized tools are kept in a locked area, Road Operations will ensure the process of signing equipment in/out is documented. Due Q4 2024

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
8	**Lack of formalized processes for small asset maintenance, repair, and disposal** Asset Repair Currently, the repair of small equipment primarily relies on external vendors. There is no system to log broken items and track their status until they are returned to service. An exception is with Facilities Operations and Maintenance, where, in most cases, vendors are brought on-site for repairs. Moreover, key information such as warranties is not recorded. This could lead to uncertainty about whether applicable warranties are effectively utilized. Asset Disposal Due to the lack of a standardized procedure for disposing of small equipment and tools, staff have a different understanding of disposal options. For instance, a piece of equipment deemed beyond repair was left in storage at a recreation centre for an extended period, despite staff's repeated attempts to seek disposal guidance. **Potential Impact** The lack of a standardized process for managing the repair and disposal of small equipment poses several risks to the City: • Ineffectively managed maintenance may lead to more costly repairs and/or longer operational downtime.	**P1**	8. City Council request the Chief Administrative Officer to ensure that operating units establish, communicate, and comply with a formalized process for the maintenance, repairs, and disposals of small assets.	**Fleet** - Fleet Services to collaborate with working group to determine asset ownership and potential Small Engines Shop - where maintenance, repair and disposal of small engine equipment will be addressed. Asset Owners to maintain assets and to conduct proper asset disposal procedures (assets not currently procured through Fleet Services). Due date: Q1 2025 - Fleet Services to work with IT to review the process of entering Fleet Special Tools into M5. Program. Fleet "Special Tools" entered into M5 will capture maintenance and disposal details. Due: Q4 2024 - Fleet Services to include maintenance, repair and disposal process into SOP. Due: Q4 2024 **Facility** - Department should establish an internal system to log and track small equipment repair requests and their status. - Department should prioritize the creation of an asset inventory to facilitate tracking warranties and repair history (FAMIS) - Working group to develop and communicate a standardized procedure for the disposal of small equipment and tools. - Timeline: Q4-2024 **Parks** - Parks to collaborate with Working Group to determine asset ownership and potential Small Engines Shop - where maintenance, repair and disposal of small engine equipment will be addressed - Timeline: Q4 2024

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	• Inappropriate disposal of equipment, especially those with lithium-battery or residual oil, could pollute the environment and result in non-compliance with applicable laws and regulations. • Unsafe disposal of small equipment and tools, particularly those with batteries and sharp parts, can cause fire hazards, explosions, and bodily injuries.			**Recreation** - Recreation services (management) to include maintenance, repair, and disposal within the scope of SOPs - Recreation services (management) to work with IT for implementation of required asset management system - Timeline: Q4 2024 **Roads** - Road Maintenance and Operations Division to work with IT to review the process of entering motorized tools into asset program. Roads motorized tools entered into asset program will capture maintenance and disposal details. Due: Q4 2024 - SOP development for repairs, maintenance and disposal will follow the same process as Fleet mentioned above since they fall under the same umbrella.

Report Distribution List	
Marlon Kallideen	Chief Administrative Officer and Acting Commissioner, Public Works & Engineering
Bill Boyes	Commissioner, Community Services
Rajkaran Chhina	Director, Facilities Operations & Maintenance
Robert Gasper	Director, Road Maintenance, Operations & Fleet
Edward Fagan	Director, Parks Maintenance & Forestry
Anand Patel	Director, Recreation
Craig Booth	Manager, Recreation District East
Taran Chahal	Manager, Facilities Maintenance
David Cooper	Manager, Recreation District West
Aaron Moss	Manager, Fleet
Jim Pitman	Manager, Parks Operations
Franco Massacci	Manager, Road Operations
David Salt	Manager, Facilities Services and Operations
Meva Sellers	Manager, Community Services Executive Operations and Special Projects
Tonian Reid	Coordinator, Parks Business Planning

Internal Audit Team	
Claire Mu	Director, Internal Audit
Mia Cui	Manager, Internal Audit
Sahil Sharma	Audit Project Lead, Internal Audit
Min Peng	Audit Project Lead, Internal Audit

Appendix 2 – Commonly Used Equipment

The table below presents examples of commonly used equipment by different departments.

Type	Price Range (>$500)	User Departments
Power washer	$900 - $1,500	- Roads Operations - Recreation - Parks Maintenance & Forestry
Generator	$1,000 - $5,000	- Roads Operations - Parks Maintenance & Forestry - Facility
Snowblower	$600 - $3,000	- Roads Operations - Parks Maintenance & Forestry - Facility - Recreation
Tiller	$600 - $3,300	- Roads Operations - Parks Maintenance & Forestry
Lawn mowers	$500 - $1,230	- Roads Operations - Parks Maintenance & Forestry - Recreation
Water pump	$700 - $2,500	- Roads Operations - Parks Maintenance & Forestry
Hedge Trimmer	$500 to $800	- Roads Operations - Parks Maintenance & Forestry

Appendix 3 – Tracking Through Sign-in and Sign-out

A Park's Unit uses sign-in and sign-out as an example.
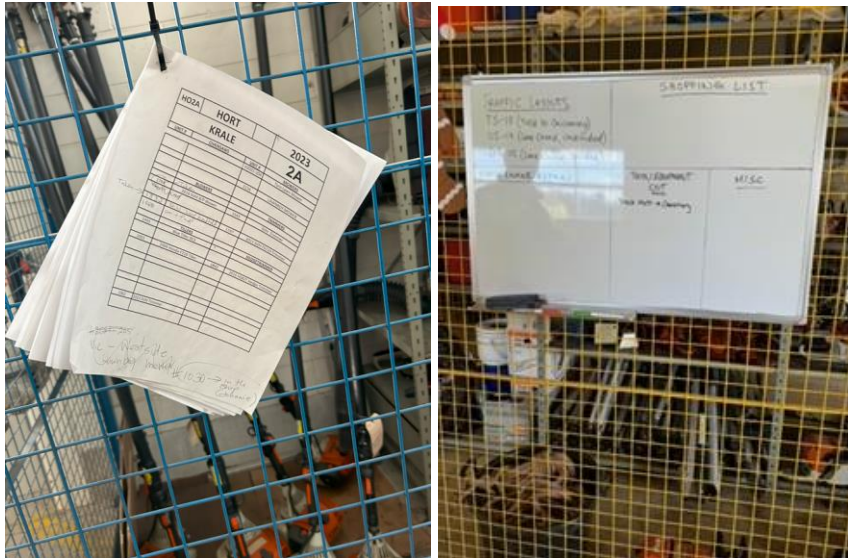
Appendix 4 - Unused Water Pump with Unknown Borrowing Source

The water pump was left unused in a recreation storage with an unknown borrowing source.

Appendix 5 – Storage Break-in

String trimmers with a total estimated value of $35,000 were stolen from the storage owned by Parks unit.

Appendix 6 – Similarity In Numbering

Similarity in numbering across different operating units.

Horticulture

Horticulture

West Park Maintenance

Recreation

Cemetery

Park's Central Operations

Park's Central Operations

Park's Central Operations

Recreation

Cemetery

Appendix 7 – Criteria for Evaluating Audit Findings	
Priority Rating	**Description**
Priority 1 (P1)	**One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior Management must be implemented.** • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by Management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by Management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	**One or more of the following conditions exist that require attention by senior Management. Corrective actions by Management should be implemented.**
	- Financial impact of both actual and potential losses is significant - Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks - Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis - Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised - Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments - Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties - Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
Priority 3 (P3)	**One or more of the following conditions exist that require attention by Management. Corrective actions by Management should be implemented.**
	- Financial impact of both actual and potential losses is insignificant - A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks - Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively - Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. - Low impact to the City's strategic or key initiative - Low impact to the City's operations

Appendix 8 – Criteria for Audit Report Rating	
Rating	**Description**
Effective	• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • One or more Priority 3 Findings • Insignificant cumulative financial impact when all audit findings have been considered • Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	• A few control weaknesses were noted that require enhancements to better support objectives and manage risks • One Priority 2 and Priority 3 findings • Priority 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by Management is needed • Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks • One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings • Priority 2 and 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by senior Management is required • Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	• Key controls ae either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks • More than one Priority 1 finding, combined with Priority 2 or 3 findings • Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. • Confirmed fraud by Management or staff • Corrective action and oversight by Senior Leadership Team is required immediately • Follow-up of such audit findings by Internal Audit would be of high priority

Asset Management (Small Equipment and Operating Tools) Audit

February 6, 2024

BRAMPTON

Background

The City uses specialized small equipment and operating tools to deliver public services.

The main users of small equipment and tools are operating within Community Services and Public Works & Engineering departments.

Community Services

- Community Safety & Well Being
- Parks Maintenance & Forestry
- Recreation
- Service Brampton
- Cultural Services

Public Works & Engineering

- Building Design & Construction
- Capital Works
- Facilities Operation & Maintenance
- Road Maintenance, Operations, & Fleet

ASSET MANAGEMENT

Definition

Although the City has no documented definition of small equipment and operating tools, experienced staff differentiated small equipment from operating tools as follows:

Small Equipment	Operating Tools
Machines that are powered by small or diesel engines (less than 25hp) are perceived as high-value items.	Handheld tools that can be either electronically recharged or manually operated, and are typically perceived as low-value items.

Background (Cont'd)

The Small Engine Shop of Parks Maintenance and Forestry, consisting of two staff members, centrally managed small engine equipment for the Public Works & Engineering and Community Services Departments until its closure in 2017.

The Shop was involved in various life cycle stages of small engine equipment.
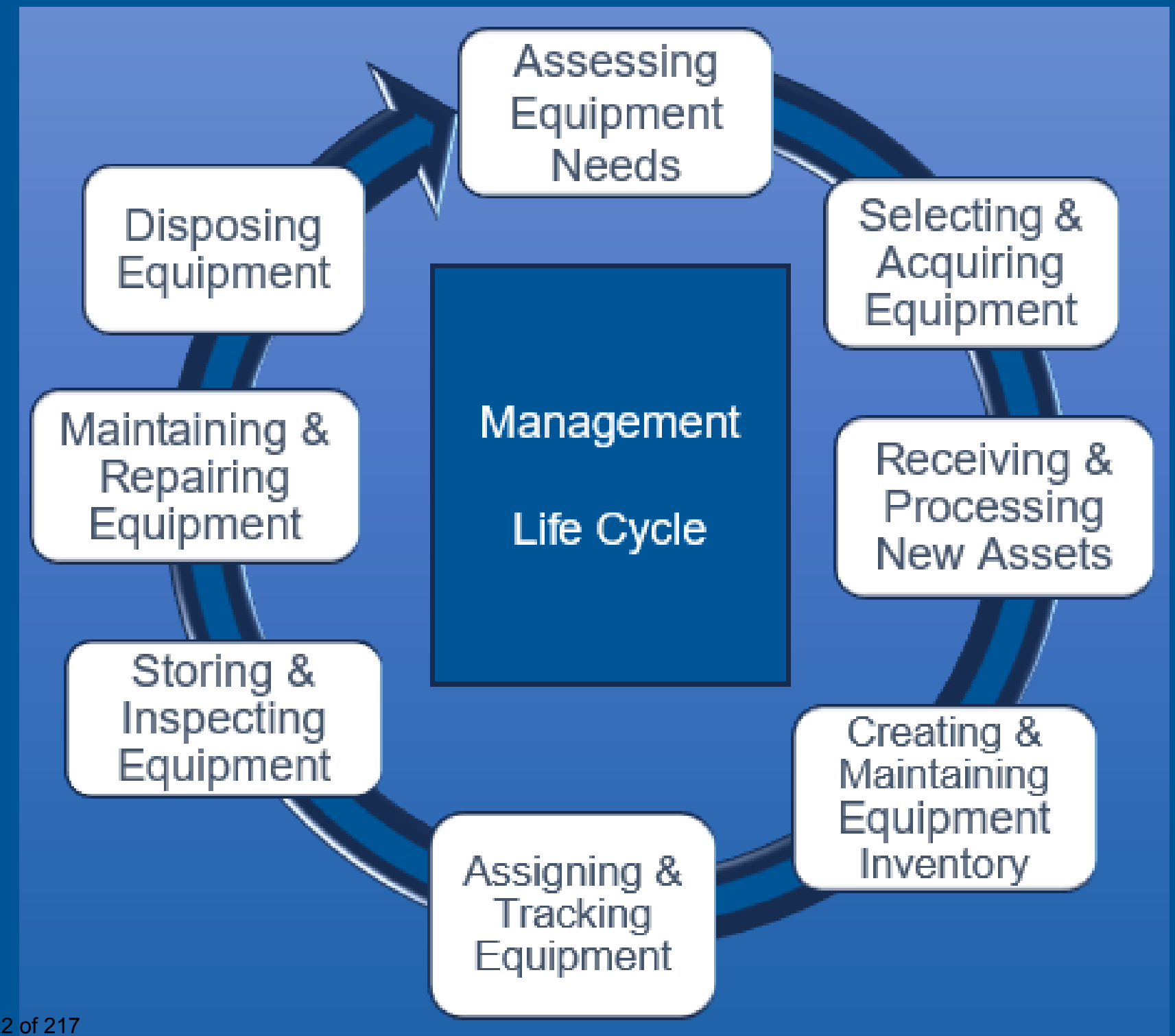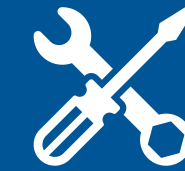
Management Life Cycle

- Assessing Equipment Needs
- Selecting & Acquiring Equipment
- Receiving & Processing New Assets
- Creating & Maintaining Equipment Inventory
- Assigning & Tracking Equipment
- Storing & Inspecting Equipment
- Maintaining & Repairing Equipment
- Disposing Equipment

$ = ?

We are not able to provide an estimate on the City's past purchases, usage, and current inventory levels of small equipment and operating tools.

The assets under the management of Small Engine Shop alone was $2.1M in 2017. This value is likely outdated as the City has grown significantly. The City had other small equipment managed outside of the Small Engine Shop.

Following the closure of the Small Engine Shop, the operating units have not tracked small engine equipment consistently.

The value of operating tools is unknown, as operating units manage their own operating tools and have not consistently tracked the purchases or usage of these tools.

Operating Budget Growth Rate (2017 - 2024)	
Public Works & Engineering and Community Services	14%
City Wide	45%

Objective and Scope

Objective

The objective of this engagement is to assess the management practices of small equipment and operating tools and identify gaps to best practices.

Scope

In this engagement, Internal Audit will focus on the management practices of small equipment and operating tools throughout their life cycle.

Executive Summary

Four operating units with the Community Services Department and Public Works and Engineering Department are the primary users of small equipment and operating tools in the City.

We observed that no formalized policies and operating procedures are in place for managing the life cycle of small equipment and operating tools. Data is not available for overall past purchases or current inventory levels.

This has led to limited management controls in asset planning, purchasing, inventorying, tracking of purchases and usage, repairs, disposals, and the storage and safeguarding of assets.

Finding #1: Lack of Policies and Procedures for the Management of Small Equipment and Operating Tools

Condition

Comprehensive policies and procedures for managing small equipment and operating tools have yet to be developed, either centrally or by operating units.

The lack of comprehensive policies and procedures leads to inconsistent and ineffective life cycle management of small equipment and operating tools.

Impact

Without policies and procedures, ownership and accountability in managing small equipment and tools are unclear.

The lack of comprehensive policies and procedures is partly responsible for the issues we have identified in this report.

Finding #2: Lack of Formally Documented and Effectively Communicated Capitalization Threshold

Condition

The capitalization threshold, initially set at $250 but gradually increased to $1,000, has been emailed to City staff. However, this threshold has yet to be formally documented in City policies.

City staff have varied understandings of what the capitalization threshold is.

Impact

The lack of a formally documented and communicated capitalization threshold does not facilitate correct and consistent financial reporting.

Finding #3: Lack of Central Planning in the Acquisition of Commonly Used Small Equipment

Condition

Currently, each operating unit independently purchases small equipment. This approach lacks coordinated planning that might lead to increased inventory and associated costs, especially for equipment commonly used across multiple units.

Example:
The Forestry Unit was assigned 10 extra pole saws ($6,000). Currently sitting idle, these saws can be shared with Parks through central planning.

Impact

The lack of central asset planning may lead to unnecessary purchases and missed opportunities to reduce small equipment spending.

Finding #4: Lack of Proper Controls in the Purchases of Small Equipment and Operating Tools

Condition

The acquisition of small equipment typically lacks formal documentation, such as a signed and dated acquisition request form, to demonstrate management's review and approval.

The following units have better controls:

- Parks Maintenance & Forestry and Fleet use standard forms

- Fleet's specialized tools are purchased and monitored by dedicated staff.

Impact

Without formal review and approval prior to asset acquisition, compounded by the lack of controls in the purchase and usage tracking, equipment receipt, and storage, expenditures on small equipment and operating tools may not be warranted.

Finding #5: Lack of Small Equipment and Tools Receipt Verification

Condition

The current practices within the operating units do not have specific steps for verifying and confirming the receipt of small equipment and operating tools against purchase approvals.

Impact

Lack of asset receipt verification, compounded by inadequate asset inventory and tracking practices, does not ensure that the City has received the assets purchased and that they are in good condition.

Finding #6: Lack of Asset Inventorying, Periodic Count and Usage Tracking

Condition

Most operating units have not yet established an inventory list for small equipment and operating tools under their management, ranging from drill sets costing hundreds of dollars to ride-on scrubbers costing $45,000 each.

Without an inventory, no periodic counts have been performed on small equipment and operating tools.

Most operating units do not adequately track usage.

Impact

The absence of a comprehensive inventory and periodic physical counts of small equipment and high-value tools, along with inadequate usage tracking practices, hinder the operating units' ability to:

- manage risks of asset theft and misappropriation
- assess inventory levels and make informed purchase decisions.

Finding #7: Lack of Safe Storage for Some Small Equipment and Operating Tools

Condition

Implementing physical access controls and security measures varies across different units, and some operating units can benefit from improved security measures.

Small equipment labelling is often informal and requires improvement. The current techniques include asset stickers, wire tags, and numbering with markers.

Labelling does not include an identifier for the operating unit for those commonly used equipment.

Impact

Inconsistent physical access controls and security measures, compounded by inadequate asset labelling practices increase the risks of asset misplacement, theft, and misappropriation.

Finding #8: Lack of Formalized Processes for Small Asset Maintenance, Repair and Disposal

ASSET MANAGEMENT

Condition

The City primarily relies on external vendors for asset repairs. There is no system to log broken items and track their status until they are returned to service.

Moreover, key information such as warranties is not recorded. This could lead to uncertainty about whether applicable warranties are effectively utilized.

Due to the lack of a standardized procedure for disposing of small equipment and tools, staff have different understandings of disposal options.

Impact

The lack of a standardized process for managing the repair and disposal of small equipment poses several risks to the City:

- Ineffectively managed maintenance may lead to more costly repairs and/or longer operational downtime.
- Inappropriate disposal of equipment, especially those with lithium batteries or residual oil, could pollute the environment and result in non-compliance with applicable laws and regulations.
- Unsafe disposal of small equipment and tools, particularly those with batteries and sharp parts, can cause fire hazards, explosions, and bodily injuries.

Conclusion

The City's management of small equipment and operating tools requires immediate attention. The recommendations outlined in this report provide a roadmap for the City to improve its management of small equipment and operating tools.
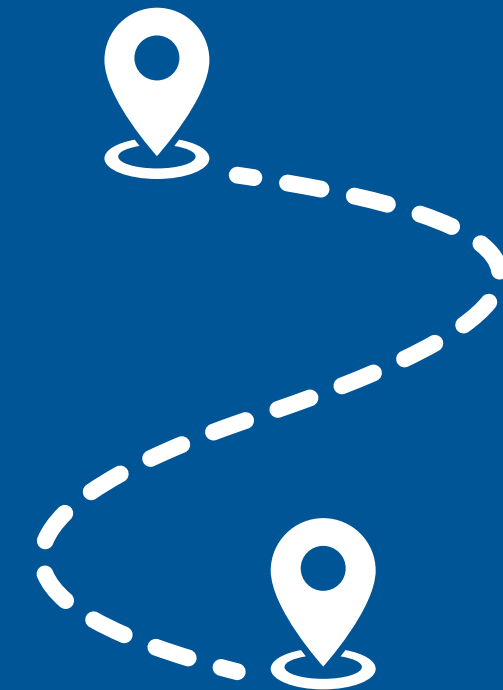
ASSET MANAGEMENT

ASSET MANAGEMENT

Thank You

BRAMPTON

Date: 2024-01-18

Subject: **2024 Internal Audit Work Plan and 2023 Status Update**

Contact: Claire Mu, Director, Internal Audit

Report Number: CAO's Office-2024-103

Recommendations:

1. That the report titled: **2024 Internal Audit Work Plan and 2023 Status Update** to the Audit Committee Meeting of February 6, 2024, be received.

Overview:

- This report provides the Audit Committee with the Internal Audit Work Plan for 2024, as well as a status update on the Internal Audit Work Plan for 2023.

- Seven new audits are planned for 2024, including two IT audits.

- "Audits on the Horizon" lists potential replacement projects in 2024 or projects to be taken on should additional resources become available. "Audits on the Horizon" allows Internal Audit the flexibility to adjust its engagements to help address auditee operational issues that potentially impact their ability to support audits and Internal Audit staffing level fluctuations.

- Internal Audit completed the amended 2023 Audit Work Plan, consisting of eight audits, the same number we had proposed at the beginning of the year. Seven audits were part of the initial Internal Audit Work Plan. At the request of the Council, we conducted a review of the Q2 2023 Procurement Activities. This additional audit necessitated the postponement of the By-law Enforcement Audit, originally scheduled for Q4 2023, to 2024.

- The 2024 Internal Audit Work Plan was developed using a risk-based approach that considered a corporate-wide risk assessment, input from senior management and the Audit Committee, evaluation of past audits, a survey of audits and issues from other Canadian municipalities, emerging risks, and allegations received by the Ethics Hotline.

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> - Internal Audit reviews the Work Plan regularly and makes updates based on current information, discussions with senior leadership, audit issues, and risk reviews.

Background:

The Director of Internal Audit has the responsibility to submit, at least annually, to the Audit Committee a risk-based Internal Audit Work-Plan ('Plan') for review and approval.

The 2024 Plan was developed using a risk-based approach that complies with Institute of Internal Auditors (IIA) standards. Several factors were taken into consideration in developing the Plan, such as:

- The 2021 KPMG Risk Assessment and the resulting Audit Universe and the associated risk ratings
- The 2022 Ernst & Young (EY) IT Risk Assessment
- A survey of past audit reports and audit results
- A survey of audit reports from other Canadian municipalities
- Input from Senior Management, CAO and Audit Committee Chairs
- Allegations from the Ethics Hotline
- Current and emerging risks
- Review of industry analysis and reports (for IT Audit Work Plan).

Additional Information on Documented Risk Assessment:

A corporate-wide risk assessment was completed in 2021 by KPMG. The assessment mapped out all auditable areas within the City and grouped them into four sections: core operations, business change, emerging areas and core external risk. Each auditable area was given a priority rating of "High," "Medium," or "Low." Ten areas rated "High" risk have since been audited, except for Transit Revenue.

An IT risk assessment was completed in 2022 by EY. The assessment was carried out to assist in planning audit work for 2023 through 2025. The assessment was based on industry knowledge and experience, risk management activities, strategic and operational plans, and input from senior management. Each IT risk area was given a ranking of "Critical," "High," or "Medium." The three areas rated as "Critical" were Cybersecurity, Data Privacy and Security, and IT Service Continuity. Both Cybersecurity and Data Privacy were audited in 2023, and IT Service Continuity will be audited in 2025 as IT staff are still working to implement past audit recommendations on the IT Service Continuity Plan.

To comply with IIA Standards, the audit plan must be based on a documented risk assessment undertaken at least annually and with consideration of input from senior management and the board.

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A risk assessment questionnaire was sent to senior management of 11 business units that were identified in the KPMG risk assessment as high or medium risk. The audit universe, originally compiled by KPMG, was refreshed with risk information obtained through the questionnaires. The questionnaire addressed the departments' strategic, financial, reputational, compliance, and operational risks. Based on the responses, risk factors were assessed, recalibrated in some cases, and ranked to determine which audits will be completed in 2024.

Transit Revenue Audit

The Transit Revenue audit was scheduled for 2024 based on the Corporate Risk Assessment. However, after discussing with Transit staff and the Chair of the Audit Committee, we were informed that Transit is currently facing several challenges. Conducting an audit now would strain Transit's ability to deliver services. Here are some of the considerations:

- Implementation of an unprecedented transit service increase in 2024, adding over 110,000 service hours and hiring more than 160 employees

- Negotiations for two collective bargaining agreements in 2024

- Appointment of a new Transit General Manager in May 2023.

Due to the reasons mentioned above, the Transit Revenue Audit is expected to be taken up in 2025 and will be listed under "Audits On the Horizon."

Other Consideration and Consultation with the Chairs of the Audit Committee

The 2024 Audit Work Plan, including the risk assessment results, was presented to the Audit Committee Chairs on January 22, 2024.

The Internal Audit team regularly reviews and modifies the annual Audit Work Plan in response to changes in the organization's business, risks, operations, programs, systems, and controls. This includes adjusting the Plan due to any staff fluctuations within our team. Any updates or changes made to the plan are communicated to the Audit Committee every quarter.

Current Situation:

2023 Status Update

Appendix 1 sets out the status of the 2023 Audit Work Plan. Internal Audit completed the amended 2023 Audit Work Plan, consisting of eight audits, the same number we had proposed at the beginning of the year. Seven audits were part of the initial Internal Audit Work Plan. At the request of the Council, we conducted a review of the Q2 2023 Procurement Activities. This additional audit necessitated the postponement of the By-law Enforcement Audit, which was originally scheduled for Q4 2023, to 2024.

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<u>2024 Audit Work Plan</u>

Appendix 2 sets out the 2024 Internal Audit Work Plan.

Appendix 2 also lists "Audits on the Horizon." These are potential replacement projects in 2024 or projects to be taken on if additional resources become available. "Audits on the Horizon" provides Internal Audit with the flexibility to address unforeseen operational issues that impact our work, both from the auditee side and within the Internal Audit Division.

Any changes to the Audit Work Plan may require the removal or deferral of a project identified within this report or hiring an outside auditor to perform the audit. Changes to the annual Audit Work Plan will be communicated to the Audit Committee quarterly.

Non-Audit Work Planned by Internal Audit

In addition to conducting audits, Internal Audit has planned non-audit work for 2024 to improve both internal audit and corporate-wide processes.

- Continue to focus on staff retention and development
- Develop a robust quality assurance and improvement program
- Automate the City's Management Action Plan follow-up process
- Build IT audit continuity and increase IT audit capacity
- Continue to manage the Ethics Hotline on a best-effort basis until we receive dedicated resources for the Ethics Hotline
- Redevelop SharePoint space for Internal Audit
- Create an electronic library of all past audits through website redevelopment.

Corporate Implications:

<u>Financial Implications</u>:

N/A

<u>Other Implications</u>:

N/A

Strategic Focus Area:

Government & Leadership: Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

Conclusion:
The Internal Audit Work Plan will be reviewed regularly and updated when needed. Internal Audit intends to keep the Work Plan agile and flexible, ensuring that identified and emerging risks are appropriately addressed. The Plan is designed to add value to the organization and provide the highest standard of professional, independent, and timely solutions in partnership with City departments.

Authored by: Reviewed and approved by:

_____   _____
Brad Cecile, Manager, Internal Audit   Claire Mu, Director, Internal Audit

Attachments:
Appendix 1: 2023 Audit Work Plan Status Update
Appendix 2: 2024 Internal Audit Work Plan

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Appendix 1: 2023 Audit Work Plan Status Update

Engagements	Scope of work	Plan Status
Data Privacy and Security	Assessed the effectiveness of IT management controls that ensure the privacy, confidentiality, and integrity of data in keeping with City policies and external requirements. This audit scope included data-at-rest and data-in-transit managed by the City and key vendors.	Complete Feb 6, 2024 Audit Committee
Cyber Risk Audit	Provided an independent assessment of whether the City of Brampton's Information Technology (IT) systems and assets are adequately protected from external and internal cyber threats. The engagement focused on testing cyber security controls to ensure their functionality and effectiveness.	Complete Nov 7, 2023 Audit Committee
Bovaird Barn	Audited matters related to the acquisition and relocation of a historic agricultural building, the Robinson barn, from Caledon to the Historic Bovaird House site in Brampton. This was added to the Internal Audit Work Plan through Committee of Council resolution CW420-2022.	Complete Nov 7, 2023 Audit Committee
Asset Management – Public Works	This audit reviewed processes in place to procure, store, monitor, dispose and safeguard small movable machinery, equipment, tools used in City operations.	Complete Feb 6, 2024 Audit Committee
By-Law Enforcement – Non-Parking	This audit will review the processes and practices related to by-law enforcement activities. Audit staff will focus on specific by-laws and related enforcement activities.	On Hold Deferred to 2024

Engagements	Scope of work	Plan Status
Development Fees and Charges	The audit reviewed the adequacy of controls around the development fee process and ensure fees collected are complete, accurate and timely. It also assessed compliance with relevant By-laws, policies and legislation including the Development Charges Act (1997).	Complete Jun 12, 2023 Audit Committee
Business and Property Tax	The audit reviewed property tax processes, compliance with applicable policies, procedures, and the internal control framework to verify the effectiveness and efficiency of the property tax billing, collection, and refund process.	Complete Nov 7, 2023 Audit Committee
Fleet Maintenance (Non-Transit)	The audit reviewed controls in place around fleet maintenance operations, including preventative maintenance, inspections and repairs. It aimed to determine the efficiency and effectiveness of current vehicle maintenance practices.	Complete Feb 6, 2024 Audit Committee
Limited Tendering	This audit was completed at the request of Council Resolution CW316-2023 "That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee." Limited tendering procurement activities from Q2, 2023 were reviewed for compliance to the Purchasing By-law.	Complete Feb 6, 2024 Audit Committee

Appendix 2: Internal Audit Work-Plan 2024

The following activities can be found in this appendix:

- The planned 2024 audit engagements; and,
- Other audit projects on the horizon that can be used as replacement projects for the 2024 audit engagements or projects to be taken on if resources are available.

Planned 2024 Audit Engagements

Engagements	Scope of work	Plan Status
By-Law Enforcement – Non-Parking	This audit will review the processes and practices related to by-law enforcement. Audit staff will focus on specific by-laws and related enforcement activities.	
Purchasing Card Management	This audit will assess the adequacy of controls over purchases made with P-Cards. It includes an assessment of the P-Card policies and procedures as well as determining the extent of compliance through transactional analytics and testing.	
Building Department - Building Permits	This audit will assess the internal controls supporting the building permit application and issuance processes. It will also include a review of compliance to relevant By-laws, policies and provincial legislation such as the Ontario Building Code Act.	
Road Operations	This audit will review the City's Road Maintenance operations to ensure processes and procedures are economical and meet required service levels. Areas reviewed will include road maintenance, repairs, condition monitoring and resurfacing.	

Engagements	Scope of work	Plan Status
Fleet Maintenance - Fire	This audit will review controls in place around fleet maintenance operations of fire vehicles and equipment, including preventative maintenance, inspections and repairs. It will aim to determine the efficiency and effectiveness of vehicle maintenance practices.	
Cyber Security Audit - Red Team Testing	Cybersecurity testing is expanding into "Red-Team" testing, which involves real-time network hacking to test the City's detection and response capabilities. This is a continuation of the cybersecurity testing program started in 2023.	
IT Asset Management Infrastructure - Hardware and Software	The purpose of the audit is to evaluate the IT asset management framework, processes, and tools used by the City to identify, document, track, and monitor software and hardware assets throughout their lifecycles.	

Audits on the Horizon

These are potential replacement projects in 2024 or projects to be taken on if additional resources are available.

Engagements	Scope of work
Transit - Revenue	This audit will review the process for charging, collecting and processing transit revenue on Presto cards, including fraudulent transactions and fare evasion.
Fuel Management	This audit will review the process for managing and monitoring fuel consumption by City vehicles, including distribution of gas cards, fueling procedures, monitoring and approving transactions, fraud detection and contracts.
Fleet Maintenance - Transit	The audit will review controls in place around fleet maintenance operations of transit vehicles, including preventative maintenance, inspections, and repairs. It will aim to determine the efficiency and effectiveness of current vehicle maintenance practices.

Engagements	Scope of work
Fleet Asset Management	This audit will review controls in place around vehicle acquisitions, disposals, utilization, and replacements. It will also include a review of rental vehicles and compliance to relevant By-laws, policies and procedures.
Capital Projects	This audit will review the processes and controls surrounding the award, change orders authorization, monitoring and progress payments of selected capital projects.
Verification of Past Cyber Security Related Management Action Plans	This audit will review the effectiveness of cybersecurity-related management action plans from past audits to mitigate identified risks. There have been eight past audits that either directly assessed cybersecurity or had elements related to cybersecurity
IT Vendor Management	This audit aims to assess the City's relationships with IT vendors and ensure they align with strategic objectives while managing risks effectively. The audit will assess the entire IT vendor management lifecycle.

Date: 2024-01-25

Subject: **Status of Management Action Plans – Q4 2023**

Contact: Claire Mu, Director, Internal Audit

Report Number: CAO's Office-2024-098

Recommendations:

That the report titled: **Status of Management Action Plans- Q4 2023**, to the Audit Committee Meeting of February 6, 2024, be received.

Overview:

- City departments are required to provide Internal Audit with an update on the current status and progress of all outstanding audit recommendations.

- The objective of this report is for Internal Audit to inform Audit Committee members on the progress of implementing audit recommendations, as reported by management.

- The information provided reflects the status of management action plans on or before December 31, 2023.

- As of December 31, 2023, there were 64 open recommendations, including 8 that were not yet due. Out of the 56 that were due according to the original management action plans, 8 actions were completed, and 48 were outstanding.

- **Appendix 1** contains summary counts of all action plans. The Management Action Plan status details are in **Appendix 2** and **Appendix 3.**

Background:

Per the requirements of Standard 2500.A1 of the International Standards for the Professional Practice of Internal Auditing, Internal Audit has established a follow-

1

up process to monitor and ensure that management has successfully implemented its management action plans.

Departments are required to provide a quarterly update to Internal Audit on the progress of implementing agreed-upon recommendations. Internal Audit reviews the comments submitted by the department and, where necessary, will meet with management to discuss the respective progress and comments.

Upon complete implementation of the recommendations by management, Internal Audit will assess whether a follow-up audit is necessary to validate the operating effectiveness of the implemented processes and procedures. Where necessary, such follow-up audits are included in Internal Audit's annual work plan and approved by the Audit Committee.

This report summarizes the status of all recommendations implemented by management on or before December 31, 2023.

Current Situation:

As of December 31, 2023, there were 64 open recommendations, including 8 that were not yet due. Out of the 56 that were due according to the original management action plans, 8 actions were completed, and 48 were outstanding.

Recommendations and Management Action Plan statistics at a glance:

Status of Recommendations	Q4
Total open recommendations	64
Due	56
Completed	8
Outstanding	48
Not yet due	8

Please refer to **Appendix 1,** which summarizes all management action plans**.** The details are contained in **Appendix 2** and **Appendix 3. Appendix 3** covers Management Action Plans for the User Fee Audit.

Please note that management's assessment was used to prepare the report as we have not verified the implementation status of these management action plans.

Corporate Implications:

Financial Implications:
N/A

2

<u>Other Implications:</u>
N/A

Strategic Focus Area:

Government & Leadership: Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

Conclusion

Internal Audit is committed to continued collaboration with management in regularly reviewing, improving, and updating policies and procedures, enhancing efficiency and process effectiveness.

Internal Audit encourages management and staff to continue striving to meet the target completion dates of the Management Action Plans.

Authored by: **Reviewed and approved by:**

Richard Gervais, Sr Advisor   Claire Mu, Director
Internal Audit   Internal Audit

Attachments:

Appendix 1: Management Action Plans Summary Table – December 31, 2023
Appendix 2: Management Action Plans Details - December 31, 2023
Appendix 3: Management Action Plan for the User Fee Audit - December 31, 2023

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Appendix 1 Management Action Plans as of December 31, 2023

			As of December 31, 2023				
Audit Report	**Rating**	**Year**	**Recs Open Q4 2023**	**Recs Due Q4 2023**	**Completed**	**Outstanding**	**Not Yet Due**
HR Recruitment Follow-Up	🟨	2019	1	1	1		
HR Benefits (Phase 1)	🟨	2019	2	2		2	
Transit Operations	🟧	2020	2	2		2	
Cyber Security Assessment	N/A	2020	2	2		2	
Executive Expenses	🟩	2021	1	1		1	
Corporate Governance	🟧	2021	9	9		9	
Emergency Expenses	🟩	2021	2	2		2	
Vendor Performance Management	🟧	2021	2	2		2	
Realty Services – Gap Analysis	N/A	2021	8	8	1	7	
Health and Safety	🟨	2022	4	1	1		3
IT Infrastructure and Cloud Management	🟧	2022	15	15	3	12	
Parks Maintenance	🟨	2022	3	3	2	1	
Limited Tendering	🟨	2022	6	6		6	
User Fee	N/A	2022	7	2		2	5
		TOTAL	**64**	**56**	**8**	**48**	**8**

BRAMPTON

Office of the CAO
Internal Audit

APPENDIX 2- Management Action Plan Status Details as of December 31, 2023

Please note that:

- Management Action Plans marked as completed in this report will be omitted from future reports.
- This table excludes Management Action Plans that are not yet due.
- Dates under the "Updated Target Completion Date" column were provided by the client.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
HR Recruitment- 2019 1.7 Policies & Procedures Require Review and Update	Q3 2020	COMPLETED	COMPLETED Completed with approval of Standard Operating Procedures (SOP), Candidate Disclosure Form (CDF) and Conflict of Interest (COI) Form in November 2023
HR Benefits (Phase 1)- 2019 3.1 Validation of Practitioners for Short-Term Disability (STD) Update the Short-Term Disability Policy and related Standard Operating Procedures (SOP)	Q4 2019	Q1 2024	OUTSTANDING The Disability Management Income Replacement Benefits Administrative Directive has been completed and presented to the Corporate Leadership Team (CLT) for feedback. There are two SOPs with the Admin Directive - one for Short-Term Disability (STD) and the other for Long-Term Disability (LTD) cases. The Admin Directive includes an adjudicative process for non-union

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			employees. Validation of medical supplied by treatment health professional will occur on these Attending Physician Forms (APF) submitted by non-union employees. For Unionized employees, validation of medical supplied has been requested as a bargaining item for consideration in 2024. CLT feedback is due January 26, 2024, with approval expected on February 1, 2024. The effective date of the Admin Directive and SOPs will be February 5, 2024.
HR Benefits (Phase 1)-2019 3.2 Validation of Practitioners for Short-Term Disability (STD) Implement a process to validate that the individual authorizing the Short-Term Disability is a licensed medical practitioner as determined by the Short-Term Disability policy.	Q4 2019	Q1 2024	OUTSTANDING The Disability Management Income Replacement Benefits Admin Directive has been completed and presented to CLT for feedback. There are 2 SOPs with the Admin Directive - one for STD and the other for LTD cases. The STD SOP has been updated to refer to the Regulated Health Professionals Act, 1991 (RHPA) along with the link to the website. CLT feedback is due January 26, 2024 with approval expected on February 1, 2024. The effective date of the Admin Directive and SOPs will be February 5,

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			2024. The Admin Directive and SOPs include as adjudicative process and the scope is regular full-time non-unionized employees and contract non-union employees as approved by Council. It was agreed that due to ongoing collective agreement discussions, this process was not being implemented with the unionized employees at this time. However, validation of medical supplied by treatment health professional will occur on these APF's submitted by non-union employees. For Unionized employees, validation of medical supplied has been requested as a bargaining item for consideration in 2024.
Transit Operations-2020 2. Scrap Sales & Potential Exposure	Q1 2022	Q1 2024	OUTSTANDING Updated requirements for the new procurement, after reviewing Transit's findings on practices by peer agencies, the limitations of available regional infrastructure, and the low return on original requirements, particularly after considering impact on staffing levels.
Transit Operations-2020	Q4 2022	Q2 2025	OUTSTANDING

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
15. Attendance cards Mechanics and Stock Keepers			The MyTime Project is focused on undertaking the Corporate priorities and the planned and scheduled implementation for the TRN Pay group at this point in time, which is Q2 2025. The TRN Pay Group refers specifically to Transit maintenance mechanics, parts clerks, and general service persons.
Cyber Security Assessment - 2020 6. Presented in camera Details available upon request	Q4 2021	Q1 2024	OUTSTANDING Details available upon request.
Cyber Security Assessment - 2020 11. Presented in camera Details available upon request	Q4 2021	Q2 2024	OUTSTANDING Details available upon request.
Executive Expenses- 2021 Support for converted amount of out-of-country expenses not always included	Q4 2021	Q2 2024	OUTSTANDING Administrative Directive (AD) for Employee Business Expenses (FIN-160) has been reviewed and updated by Finance as well as reviewed by Corporate Policy Team. Original recommendation from the Corporate Policy Team was that this amendment is included in the comprehensive Corporate report to Council

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			along with all the other City policy amendments and additions. Subsequently, Corporate Policy Team decided to take only Obsolete Policy report to Council (October). Their recommendation now is that this amendment should be approved by the CAO. Finance to forward AD for CAO approval.
Corporate Governance- 2021 1.2 Implement an Enterprise Risk Management (ERM) Program	Q2 2022	Q2 2024	OUTSTANDING The Enterprize Risk Management (ERM) Consultant is now procured and will start work in April 2024. Consultant educational presentation to CLT is scheduled to be completed before the end of April 2023. Corporate commitment to ERM should also be secured by this time
Corporate Governance- 2021 1.3 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q2 2024	OUTSTANDING ERM Consultant now procured and will start work in April 2024. Revised step two, Proof of Concept, establish one Departmental Risk Register, with consultant assistance; to be completed by May 31, 2024.
Corporate Governance- 2021	Q4 2022	Q4 2024	OUTSTANDING

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
1.4 Implement an Enterprise Risk Management (ERM) Program			ERM Consultant now procured and will start work in April 2024. Development of ERM Framework and establishing Key Risk Register to be completed with assistance from consultant by December 31, 2024.
Corporate Governance- 2021 1.5 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q1 2025	OUTSTANDING ERM Consultant now procured-will start work in April 2024. Establishment of a sustainable Risk Review and Reporting process with consultant assistance. To be completed by February 28, 2025.
Corporate Governance- 2021 1.6 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q4 2025	OUTSTANDING ERM Consultant now procured and will start work in April 2024. Establishment of Risk Registers for all City Departments to be completed by December 31, 2025
Corporate Governance- 2021 4. Exercise of Delegation of Powers and Authorities	Q3 2021	Q1 2024	OUTSTANDING Review had been initiated by former Clerk, and will be reinitiated once new Clerk is appointed. Departments will be contacted re review of By-law and any amendments to by made.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
Corporate Governance- 2021 5.2 Council Code of Conduct for Council acknowledgement and review	Q1 2022	Q2 2024	OUTSTANDING On Target. Benchmarking of Council Codes of Conduct underway and review with Integrity Commissioner to be scheduled.
Corporate Governance- 2021 6. Lack of Code of Conduct coverage for Citizen Appointees	Q1 2022	Q3 2024	OUTSTANDING On Target. Benchmarking of Council Codes of Conduct underway and review with Integrity Commissioner to be scheduled.
Corporate Governance- 2021 7. Lack of common Policy to address complaints	Q4 2021	Q4 2024	OUTSTANDING HR and Equity office working to finalize process and once finalized draft policy will need to be reviewed. Discussed with management the possibility of changing ownership as the Policy team does not own any of the policies. Will be having a discussion on this with the CAO in Feb 2024.
Emergency Expenses- 2021 1.1 Invoice Approval Process Needs to be Strengthened	Q4 2021	Q2 2024	OUTSTANDING * Phase 1 of Accounts Payable Automation Software (WebCenter) went live on November 1, 2022. Following departments were part of Phase 1:

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			- Digital Innovation and Information Technology
			- Fire and Emergency Management
			- Strategic Communications
			- Clerks
			- By-law and Enforcement
			* Phase 2 comprising of Parks Operations, Facility Services and Security Services went live on March 31, 2022.
			* Phase 3 comprising Building Design and Construction, Road Operations, Traffic, Parking and Capital Works went live on June 5, 2023.
			* Phase 4 comprising of Fleet went live on June 26, 2023.
			* Phase 5 comprising of Call Centre, Theatre and Community Safety and Well Being went live on July 24, 2023.
			* Phase 6 comprising of Transit went live on September 1, 2023. * Phase 7 comprising of Recreation went live on October 23, 2023.
			Due to technical issues with development/test environment remaining departments were not able

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			to go live by Q4 2023. City's IT department is working on stabilizing this environment and if that is achieved remaining department will go live by Q2 2024.
Emergency Expenses-2021 1.2 Invoice Approval Process Needs to be Strengthened	Q3 2022	Q2 2024	OUTSTANDING * Phase 1 of Accounts Payable Automation Software (WebCenter) went live on November 1, 2022. Following departments were part of Phase 1: Digital Innovation and Information Technology, Fire and Emergency Management, Strategic Communications, Clerks, and By-law and Enforcement. * Phase 2 comprising of Parks Operations, Facility Services and Security Services went live on March 31, 2022. * Phase 3 comprising Building Design and Construction, Road Operations, Traffic, Parking and Capital Works went live on June 5, 2023. * Phase 4 comprising of Fleet went live on June 26, 2023. * Phase 5 comprising of Call Centre, Theatre and Community Safety and

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			Well Being went live on July 24, 2023.
			* Phase 6 comprising of Transit went live on September 1, 2023.
			* Phase 7 comprising of Recreation went live on October 23, 2023.
			Due to technical issues with development/test environment remaining departments were not able to go live by Q4 2023.
			City's IT department is working on stabilizing this environment and if that is achieved remaining department will go live by Q2 2024.
Vendor Performance Management- 2021 1a Vendor Performance Evaluation Effectiveness	Q1 2022	Q3 2024	OUTSTANDING Due to priority of addressing backlog projects and Purchasing and IT resource capacity, the targeted completion date has been amended to Q3 2024.
Vendor Performance Management- 2021 2.2 Oversight and Utilization of Vendor Performance Data	Q4 2022	Q3 2024	OUTSTANDING Due to priority of addressing backlog projects and Purchasing and IT resource capacity, the targeted completion date has been amended to Q3 2024.
Realty Services - 2022	Q4 2022	Q1 2024	OUTSTANDING

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
4. Transitional building report to Council			Based on discussions with the Commissioner of Legislative Services and the CAO in November 2023, they agreed to replace the report with a Briefing Note to City Council. It is currently being circulated for review.
Realty Services - 2022 5. Maintaining up to date Inventory List	Q3 2023	Q4 2023	OUTSTANDING This activity will be continuing after the Transitional Building Report.
Realty Services - 2022 6.2 Maintaining proof of Insurance from Tenants	Q2 2022	COMPLETED	COMPLETED Tenant Insurances are up to date and uploaded into the system regularly. Given that it's the beginning of the year, there are currently eight tenant insurance that need to be updated. We have contacted the tenants and they will send the certificates within this month. We continue to monitor the proof of insurance from the tenants on a regular basis.
Realty Services - 2022 8.1 Integrated Workplace Management System (IWMS)	Q3 2023	Q3 2024	OUTSTANDING This will happen as we transition to a new platform that will replace IWMS next year.
Realty Services - 2022 8.2 Integrated Workplace	Q3 2023	Q4 2024	OUTSTANDING This will happen as we transition to a new platform

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
Management System (IWMS)			that will replace IWMS next year.
Realty Services - 2022 9. Agreements with third-party vendors	Q1 2023	Q4 2024	OUTSTANDING RFP will be posted in October 2023. RE Brokers will be on board by the end of January 2024. A similar process will be followed for Appraisers and Surveyors.
Realty Services - 2022 10. Physical and Electronic records/ files	Q3 2023	Q2 2024	OUTSTANDING On course. There was a summer student to support the team. Work in progress.
Realty Services - 2022 11. Access to Encroachment records	Q2 2023	Q1 2024	OUTSTANDING On course and should have access granted to Bylaw by the end of February 2024.
Health and Safety 1.4 Monthly Joint Health and Safety Committee inspections are not always complete	Q2 2023	COMPLETED	COMPLETED In Q4 2023, department reports were created to list outstanding items from JHSC workplace inspections. The reports were provided to the department leadership teams by January 11, 2024, with a request to include the reports on their agenda to review open items and take action.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
IT Cloud Infrastructure and Cloud Management - 2022 2.1 Presented in camera Details available upon request	2023/12/31	COMPLETED	COMPLETED Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 2.2 Presented in camera Details available upon request	2023/12/31	COMPLETED	COMPLETED Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 2.6 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 2.7 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
IT Cloud Infrastructure and Cloud Management - 2022 3.2 Presented in camera Details available upon request	2023/12/31	Q1 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 3.3 Presented in camera Details available upon request	2023/12/31	COMPLETED	COMPLETED Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 4.1 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 4.2 Presented in camera Details available upon request	2023/12/31	2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022	2023/12/31	Q3 2024	OUTSTANDING Presented in camera.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
4.3 Presented in camera Details available upon request			Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 4.4 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 4.5 Presented in camera Details available upon request	2022/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 6.1 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 6.2 Presented in camera	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
Details available upon request			
IT Cloud Infrastructure and Cloud Management - 2022 6.3 Presented in camera Details available upon request	2023/12/31	Q3 2024	OUTSTANDING Presented in camera. Details available upon request.
IT Cloud Infrastructure and Cloud Management - 2022 8.2 Presented in camera Details available upon request	2023/12/31	Q1 2024	OUTSTANDING Presented in camera. Details available upon request.
Parks Maintenance 1.0 Standard Operating Procedures	Q3 2023	COMPLETED	COMPLETED SOPs have been completed, and reviewed. Staff will now be completing reviews of SOPs after the required three years.
Parks Maintenance - 2022 4.0 Assets - Park Equipment	Q2 2023	COMPLETED	COMPLETED Completed December 2023 - flowerbed layers are up to date. Collaborated with horticulture staff.
Parks Maintenance - 2022 5.0 Assets - Fleet & Small Engine	Q2 2023	Q1 2024	OUTSTANDING Q4 2023 - Import template for M5 is completed (what is active and verified) Meeting with Fleet 2nd

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
			week of January to start the process.
Limited Tendering 1.2 2) A process should be put in place to ensure approvals are obtained for the cumulative value, including original contract value and any future extensions or renewals	Q1 2023	Q4 2024	OUTSTANDING This recommendation is being considered for all procurement processes, in addition to Limited Tendering. This recommendation, along with its impacts and other proposed options was presented and endorsed by CLT in Q3 2023. As a result, the Delegation of Department Head Purchasing Authority Administrative Directive was updated and will be presented to CLT in Q4 2023. The paper-based Contract Extension form is anticipated to be updated in Q2 2024. In addition, automation of the PO Amendment process is essential to ensure a streamlined and efficient process. The Updated Target Completion reflects the estimated time to develop and implement the automated process.
Limited Tendering 1.3 3) System workflow should be defined for all LT procurement approvals	Q1 2023	Q1 2025	OUTSTANDING Due to limited resources and competing priorities, the Limited Tendering form is forecasted to be automated in 2025.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
Limited Tendering 2.1 Council Report on Limited Tendering Transactions 4) As a best practice, the City should consider lowering the threshold for reporting LT procurements to Council.	Q2 2023	Q3 2024	OUTSTANDING The hiring of a Purchasing Director is underway. This recommendation requires a complete review with an update to the Purchasing By-law. The new Director will undertake this responsibility.
Limited Tendering 2.2 5) Given the significant financial values, LT contract extensions and renewals should be clearly identified, categorized, summarized, and included in the quarterly LT reports to City Council	Q1 2023	Q3 2024	OUTSTANDING Benchmarking has been conducted and options for consideration have been identified. It's appropriate and best practice for the new Purchasing Director to review and approve any changes. Effective March 2022, all Limited Tendering procurements have a procurement number identifier (i.e. LT2023-000) which is included in the quarterly activity report to Council.
Limited Tendering 2.3 6) Purchasing should define Key Performance Indicators (KPIs) including Non-Competitive to Total Procurement and report to City Council	Q2 2023	Q3 2024	OUTSTANDING Refer to the above response for 2.2.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q4 2023
Limited Tendering 3.1 7) Formal complaint procedures should be implemented as required by the Purchasing By-law and communicated to potential bidders for all future procurements	Q2 2023	Q1 2024	OUTSTANDING Staff met with the corporate projects, policy and liaison team. Benchmarking has been conducted and an SOP is being drafted for review by relevant stakeholders. Feedback has been received by stakeholders and is currently with purchasing management for review and approval.

APPENDIX 3 - User Fee Audit Report Management Action Plan Status Update as of December 31, 2023

Please note that:

- Management Action Plans marked as completed in this report will be omitted from future reports.

- This table lists the comprehensive Management Action Plans and their current status, including elements of management action plans that are not yet due. The management action plans include responses from multiple divisions, each of which is an integral part of the overall management action plan. Presenting a comprehensive update helps depict the true picture of progress made up to date and what actions are yet to come.

- Dates under the Updated Target Completion Date column were provided by the client.

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Recommendation 1:

City Council requests the Chief Administrative Officer to ensure that staff implement a comprehensive user fee framework that requires a consistent approach for establishing user fees across City Programs and Local Boards, and such policy shall:

a)　　be designed to improve consistency, transparency, efficiency, and accountability in establishing and managing user fees,

b)　　promote recovery of the full cost of services for which user fees are charged, to the extent that there is no conflict with the City's policy objectives and priorities, and

c)　　require ongoing review of user fees to ensure that they are adjusted to reflect changes in the cost of delivering services, changes in service levels, as well as the continued relevance of policy objectives and actual outcomes.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
The Chief Administrative Officer will develop a user fee framework, in consultation with Finance and user fee program areas. In addition, each program area will develop a program-specific user fee policy, as part of its comprehensive user fee study with the following proposed timeline: 1. Recreation – Q4 2024 2. Planning – June 2024 3. Fire & Emergency Services – June 2024 4. Parks – Q4 2024 The CAO will determine the feasibility and timeline of rolling out the user fee policy	June 2023	**CAO's Office:** The CAO's Office produced a draft strategy/framework which has yet to be approved by Council so that each business area can rely on this framework to develop its own specific user fee policies.
	Fire - June 2024	**Fire:** Had discussions with the Acting Deputy Fire Chief on developing a Standard Operating Guideline (SOG) for the program-specific User Fee framework. Research is currently being conducted. Still on track to deliver for June 2024.
	Recreation - Q4 2024	**Recreation:** RFP for Community Services User Fee Study is in progress, estimated Q4 2024 completion and will support 2025 user fee

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implementation to other City user fee areas such as Building, Finance, and City Clerk's.		recommendations with cost recovery analysis.
	Parks – Q4 2024	**Parks:** RFP for Community Services User Fee is in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis. Currently doing an analysis, on track for June 2024. Reviewing each line item, determining cost of items and service hours (special events/crowd control). Costs; administration booking, parks' events, vendors and o/c foreperson.
	Development Services – June 2024	**Development Services:** Staff have retained Watson & Associates to perform a Development Application Fee Review. An update was provided to Council in December 2023 and the final report will be presented to Council in spring of 2024. (See Recommendation #7 update for complete work plan).

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Recommendation 2:

City Council requests the Chief Administrative Officer to ensure that staff determine the full-service costs for user fee programs as the starting point for setting user fees, and that in doing so, staff consider using Activity Based Costing principles to calculate full-service costs.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Response required from CAO's Office The CAO agrees with the recommendation. User fee program areas will be determining the full costs, in consultation with Finance, as outlined below:		
Parks and Forestry Division Parks will review its user fees to determine a full cost including benchmarking from other municipalities.	Parks – Q4 2023	**Parks:** RFP for Community Services User Fee Study is in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis.
Recreation Division Recreation will review its user fees to determine a full cost Including benchmarking from other municipalities.	Recreation - Q4 2023	**Recreation:** RFP for Community Services User Fee Study is in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis.
Development Services Planning Building Growth Management will put together a roadmap to examine all user fees within the Department with an initial start on Development Services user fees beginning	**Development Services** - Q2 2023 (Comprehensive Fee Review)	**Development Services:** Staff have retained Watson & Associates to perform a Development Application Fee Review. An update was provided to Council in December 2023 and the final report will be presented to Council in

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in Q2 2023. Staff will report back to CAO/Council on other elements of the road map.		spring of 2024. (See recommendation #7 update for complete workplan).

Recommendation 3:

City Council requests the Chief Administrative Officer to ensure that staff document the rationale when user fees are not set based on the full-service costs.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Response required from CAO's Office The CAO will direct the program areas to initiate a full-service cost review to determine the rationale behind and the magnitude of subsidies.		
Fire and Emergency Services Division FMT will document through the budget process the rationale when user fees are not set based on full service cost.	Fire: Q4 2023 for the 2024 Budget submission	**Fire:** Comments on the rationale when user fees are not set based on full-service cost had been included in the 2024 User Fees Report.
Parks and Forestry Division Parks will complete a comprehensive fee review and full cost analysis. When user fees are not set to recover full costs, Parks will supply a document with justifications and rationale.	Parks: 2023-2024	**Parks:** RFP for Community Services User Fee Study in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis.
Recreation Division Recreation will complete a review of subsidies by fee category.	Recreation: 2023-2024	**Recreation:** RFP for Community Services User Fee Study in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis. Recreation on track for 2024. Expected to continue providing higher subsidies for youths, seniors, and affiliate youth sports groups. Planning to

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		launch free senior programs starting June 2024 as per Council direction; i) 2024: Ages 70 and above; ii) 2025: Ages 65 and above. This timing is to align to June is Senior month. Marketing and validation will take place leading up to June.
Development Services Division Each division that charges user fees will provide justification and rationale when user fees are not based on full-service cost.	Development Services: Q4-2025 Upon completion of each applicable Divisional User Fee Review as noted above.	**Development Services:** An update was provided to Council in December 2023 and the final report will be presented to Council in spring of 2024 and will include justification for the fee recommendations & financial implications. (See recommendation #7 update for complete workplan).
	All to be completed by Q4 2025	

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Recommendation 4:

City Council requests the Chief Administrative Officer to ensure that staff conduct and present to City Council a comprehensive user fee study once every four years, and such study should:

a)   identify all existing user fees,

b)   determine current basis of the fee price,

c)   determine those fees that should be fully cost-recovered, and the extent to which the full cost is recovered,

d)   determine those fees that should be exempt from full cost recovery,

e)   identify additional opportunities for collecting user fees, and

f)   assess whether user fee services are delivered economically and efficiently.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Response required from CAO's Office For comprehensive user fee study and its timelines for user fee program areas, please refer to CAO's response for Recommendation #1	Office of the CAO: Q2-Q4, 2024	**Office of CAO:** Staff have retained Watson & Associates to perform a Development Application Fee Review. An update will be provided to Council in Q4 2023 and the final report will be presented to Council in spring of 2024 and will include justification for the fee recommendations & financial implications. (See recommendation #7 update for complete work plan).
Fire and Emergency Services Division The last user fee review was conducted November 29, 2019 by Ernst & Young. Brampton Fire and Emergency Services will conduct a user fee review in 2024.	Fire: Q4 2024	**Fire:** Have engaged purchasing on doing an RFP to have a vendor conduct a review. Still on track for Q4 2024.

Parks and Forestry Division Parks will endeavor to complete the analysis for the 2024 user fee cycle, noting that recommendations and changes may need to be phased in over 2024-2026.	Parks: Q4 2024	**Parks:** RFP for Community Services User Fee Study in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis.
Recreation Division Recreation will endeavor to complete the analysis for the 2024 user fee cycle, noting that recommendations and changes may need to be phased in over 2024-2026.	Recreation: Q4 2024	**Recreation:** RFP for Community Services User Fee Study is in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis.
Development Services Division Staff support this recommendation. Scheduled comprehensive fee reviews will ensure PGBM's fee structure is transparent and justifiable to industry, and that operational costs to the tax base are minimized.	Development Services: Q4-2025 Upon completion of each applicable Divisional User Fee Review as noted above.	**Development Services:** Staff have retained Watson & Associates to perform a Development Application Fee Review. An update was provided to Council in December 2023 and the final report will be presented to Council in spring of 2024 and will include justification for the fee recommendations & financial implications. (See recommendation #7 update for complete workplan).
	All to be completed by Q4 2025	

Recommendation 5:

City Council requests the Chief Administrative Officer to ensure that staff conduct and present to City Council an annual update on user fee, and such updates should include the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates, and identify additional opportunities to collect new user fees.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Response required from CAO's Office The CAO will ensure that the periodic review timeline is included in the user fee framework. A comprehensive consolidated report from Finance incorporating all program areas will be presented to City Council, at the end of each year, prior to budget cycle, addressing the following user fee areas: • the impact of inflation • other cost increases • adequacy of cost recovery • use of services • the competitiveness of current rates • additional opportunities to collect new user fees.	Office of the CAO: Q2 2023 Annually as part of the budget cycle (Q4)	**CAO:** To be determined - following completion of the Development Fee Review project (Spring 2024).
Fire and Emergency Services Division FMT through the budget process will provide an annual update on user fees which would include the impact of inflation, adequacy of cost recovery, competitiveness of current rates and opportunities to collect new user fees.	Fire: Q4 2023 for the 2024 Budget submission	**Fire:** Provided annual update in the 2024 User Fees Report, which included the impact of inflation, competitiveness of current rates and introduced new user fee (response to unauthorized open-air burns).

Parks and Forestry Division In consultation with Finance, Recreation will present this information for the 2024 user fees.	Parks: Q4 2023	**Parks:** To be determined - following completion of the Development Fee Review project (Spring 2024). - RFP for User Fee Study by Consultants in progress, estimated Q4 2024 completion and will support 2025 user fee recommendations with cost recovery analysis. Parks on track. Discussions between Parks and Finance took place regarding support. Support to be determined.
Recreation Division In consultation with Finance, Recreation will present this information for the 2024 user fees.	Recreation: Q4 2023	**Recreation:** On track. Update will include current state of cost recovery analysis, senior discounts, and consultant study.
Development Services Division Staff support this recommendation. The Department could grow its current annual activity reporting to include additional analysis with respect to fees to provide a comprehensive overview on the state of the Department's operations.	Development Services: Q4-2025 Upon completion of each Applicable Divisional User Fee Review as noted above.	**Development Services:** To be determined - following completion of the Development Fee Review project (Spring 2024).
	All to be completed by Q4 2025	

Recommendation 6:

City Council requests the Chief Administrative Officer to ensure that staff record user fees in specific fee accounts and, where possible, identify the revenue sources and distribute the revenues from the general accounts to specific user fee accounts, to facilitate comprehensive and periodic fee analysis.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Response required from CAO's Office The CAO agrees with the recommendation. Please see Accounting Services' response below:		
Accounting Services Accounting Services agrees with the recommendation. Staff will conduct in depth analysis of the general recoveries General Ledger accounts and set up new accounts for user fees based on volume and $ value materiality. Based on preliminary analysis we would recommend setting up new accounts for following user fee transactions: • Tax Adjustments and Fees (system – TXM) • Roads Operations Permit Fees (system – A2G) • Building and Cemetery Letters of Compliance (system – A2G) • Fire Non-Emergency Charges (system – Corporate AR) These categories alone	COMPLETED Accounting: Q2 2023	COMPLETED **Accounting:** Staff have completed in-depth analysis of the general revenue accounts and have set up 5 new distinct accounts for specific revenues. Next step is to configure these new accounts into respective sub-systems (TXM, A2G, etc.). Effective January 1 following new accounts are being used for tracking distinct revenues: • HST Recovery • Sale of Equipment • Tax Admin Charges • Various Fire revenue accounts (False Alarm, HAZMAT Response, MVC Responses, Natural Gas Incidents)

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represent approximately 30% of the overall amount in the main General Recoveries account. These revenues come from various sub- systems and minor configuration changes will be required.		• Traffic Permit Fees • Works ROP Rental Income
Fire and Emergency Services Division FMT will work with Corporate Finance to set-up new General Ledger accounts whereby Brampton Fire and Emergency Services can begin to post user fees in specific accounts versus general accounts to facilitate identification and analysis of user fees simpler to do.	Fire: Q4 2023 for the 2024 Budget submission	**Fire:** Accounting has set up false alarm, hazmat resp, MVC response, MVC Response Half, Nat Gas Half, Nat Gas Incident and Non-Emerg Elevator GL accounts to be used in 2024.
Parks and Forestry Division Parks will work with finance and accounting services to set up new user fee General Ledger accounts based on dollar value and materiality of revenues recorded under General Recoveries account.	Parks: Q4 2023	**Parks:** Parks on track. Discussions between Parks and Finance took place regarding support. Support to be determined.
Recreation Division Recreation has improved its revenue reporting over the past 3 years but will continue to collaborate with Finance for further improvements.	Recreation: Q4 2023	**Recreation:** Recreation on track. During annual budget process will continue to identify areas for improvement. 2024 improvements planned include: improved Aquatic Leadership cost recovery analysis, clean up for Chinguacousy Park GL accounts, and budget creation for Sport Leagues.

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Recommendation 7:

City Council requests the Commissioner of the Planning, Building and Growth Management Department to evaluate the feasibility of raising the development services user fees so that the rates charged by the City are comparable with neighboring municipalities to improve the cost recovery ratio and reduce the burden on Brampton property taxpayers.

Management Response:		
Comments/ Action Plan	**Original Target Completion Date**	**Status as of Q4 2023**
Development Services Division The feasibility of raising fees to rates charged by comparable municipalities will need to be examined within the context of a comprehensive fee review. Fee structures and fee calculation methodologies vary significantly between each municipality as do development activity volumes, staffing size and organizational structure. Setting fees for Brampton's development application review needs to be attuned to the City's specific development context, city building vision, and direction of Council, in consultation with industry.	Development Services: To be aligned with Comprehensive Fee Review dates as noted above (Rec# 2) For Development Services, work to start in Q2, 2023	**Development Services:** Staff has retained Watson & Associates to perform a Development Application Fee Review. Work is currently underway and continues to be on track according to the following schedule: Deliverable 1: Preliminary Report (October 2023) - Part 1 – Background and Principles: Overview of the regulatory context and existing policies and practices for development application fees in the City. - Part 2 – Review of Current Fees: Comprehensive review of all fees collected for development applications in 2022, revenue generated, costs incurred by various divisions and impact on tax base. - Part 3 – Leading Practices and Benchmarking: Robust benchmarking exercise to provide context of the City's current and proposed development application fees

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		(including per unit fees, GFA fees and cap fees) compared to other GTA municipalities.
		Part 4 – Recommendation for Cap Fees: recommendation on Cap Fees for Official Plan Amendments and Zoning Bylaw Applications and present to the project team and Council.
		Deliverable 2: Final Report (February 2024)
		- Part 5 - Fee Recommendations & Financial Implications
		Deliverable 3 - Presentation to Council (March 2024)
		Deliverable 4 - Implementation of New Fee Structure (Spring 2024)
		Staff provided an update on the review and an information report to the Planning and Development Committee in December 2023 to communicate options for capping per unit fees.

Date: 2024-01-25

Subject: **Annual Report - 2023**

Contact: Claire Mu, Director, Internal Audit

Report Number: CAO's Office-2024-099

Recommendations:

1. That the report titled: **Annual Report - 2023** to the Audit Committee Meeting of February 6, 2024 be received.

Overview:

- The Annual Report provides an overview of the work conducted by Internal Audit in 2023; and

- The objective of this report is for Internal Audit to inform Audit Committee members on the division's achievements in 2023 and initiatives for 2024.

Background:

This report provides Audit Committee and members of the public with important and relevant information on the work conducted by the division. While audit reports, Management Actions Plans (MAPs), and Ethics Hotline updates are presented to Audit Committee quarterly, this report provides a summary of the audits and MAPs, as well as an overview of the initiatives, achievements, and other projects the division accomplished in 2023 and audit and non-audit projects planned for 2024.

Current Situation:

Please refer to the attached 2023 Annual Report (Appendix 1).

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Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Strategic Focus Area:

Government & Leadership: Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

Conclusion:

Internal Audit provides objective and independent assessments and valuable and practical recommendations to assist management in improving processes and procedures. The 2023 Annual Report contains an overview of the work conducted by Internal Audit, highlighting the division's achievements.

Internal Audit is committed to continue updating the Audit Committee regularly, providing members with information and oversight.

Authored by:

Cynthia Kenth, Audit Communications
Internal Audit

Approved by:

Claire Mu, Director
Internal Audit

Attachments:

Appendix 1: Annual Report- 2023

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INTERNAL AUDIT ANNUAL REPORT

BRAMPTON

January - December 2023

Agenda

- Greetings from the Director!

- What We Do

- Our Team

  Overview

  Profile and Focus

  Accomplishments

- 2023 Audits in Review

- Audit Reports At-A-Glance

- Staff Report Update

  Management Action Plans

  Ethics Hotline Report
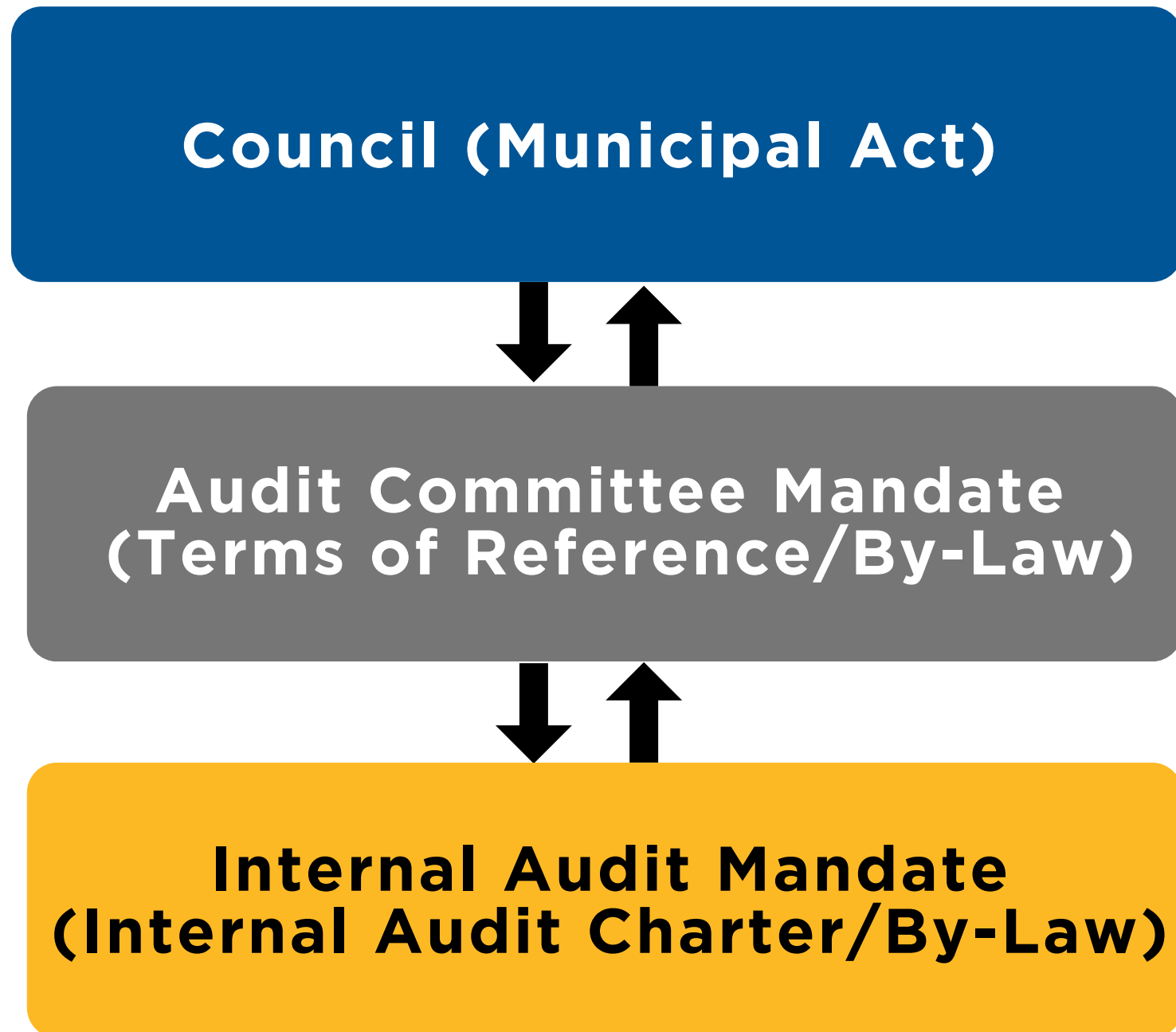
- Looking Ahead

Greetings from the Director of Internal Audit

WHAT WE DO

Internal Audit Function in Context

Council (Municipal Act)

City Council's primary role is that of stewardship and oversight ensuring policies, practices and procedures are in place to implement the decisions of Council while ensuring accountability, transparency, and maintaining financial integrity.

Audit Committee Mandate (Terms of Reference/By-Law)

The audit committee is a committee of City council and was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee Terms of Reference.

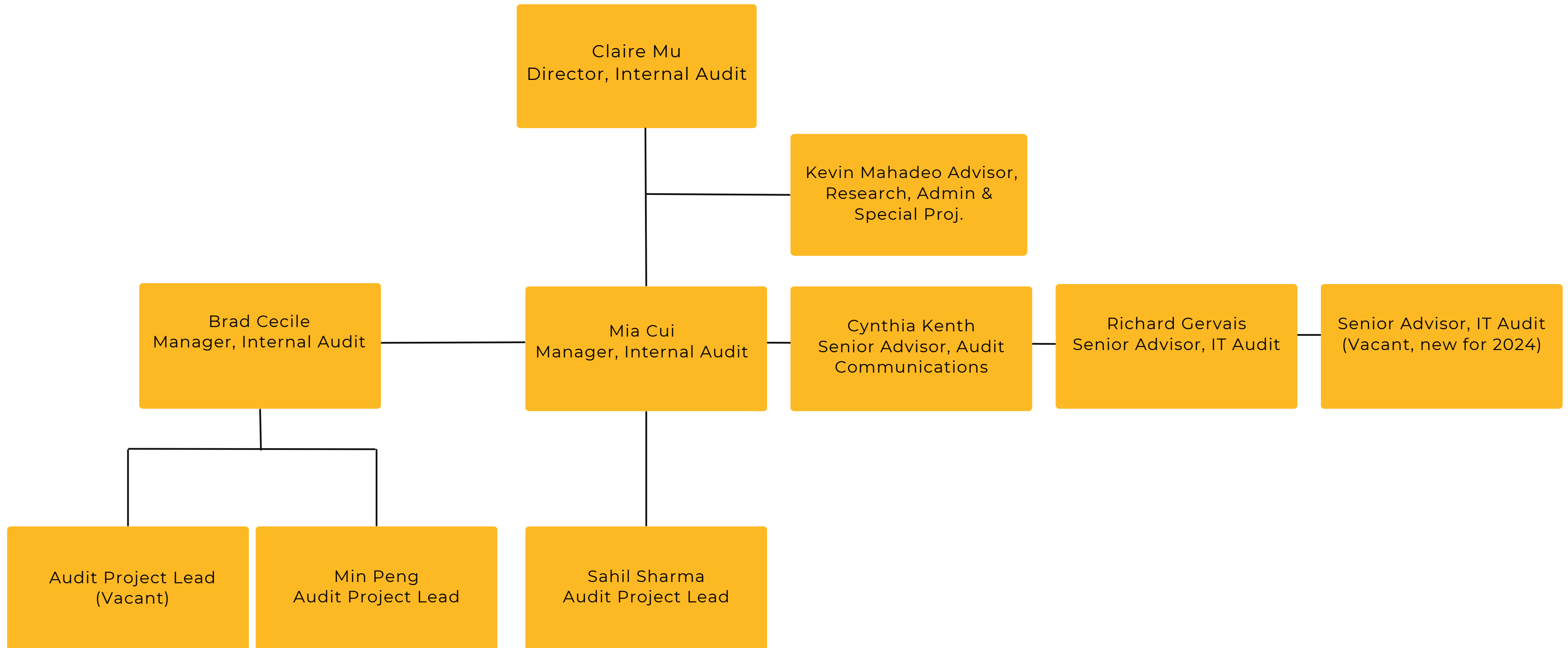**Internal Audit Mandate (Internal Audit Charter/By-Law)**

The purpose of the City of Brampton's Internal Audit Division is to provide independent and objective assurance services designed to add value and improve the operations of the City.

Internal Audit helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

TEAM OVERVIEW

Team Overview

Claire Mu
Director, Internal Audit

Kevin Mahadeo Advisor, Research, Admin & Special Proj.

Brad Cecile
Manager, Internal Audit

Mia Cui
Manager, Internal Audit

Cynthia Kenth
Senior Advisor, Audit Communications

Richard Gervais
Senior Advisor, IT Audit

Senior Advisor, IT Audit
(Vacant, new for 2024)

Audit Project Lead
(Vacant)

Min Peng
Audit Project Lead

Sahil Sharma
Audit Project Lead

Team Profile and Focus

POSITION	EXPERIENCE IN AUDIT (YRS.)	SPECIALTIES	CERTIFICATIONS
Director	20	Leadership, Budget, HR/Staff Development, Stakeholder Liaison, Annual Work Plan, Quality Assurance, Communications, fraud	MPPA (MBA Actg) MFin, CPA (US), CISA, CFA, CGAP
Advisor, Research, Admin & Special Projects	N/A	Project Management, Stakeholder Liaison, Audit Timekeeping	BA, MA
Manager 1	15	Audit Mentorship, Manage Audits, Audit Work Plan	CPA, CIA
Manager 2	19	Audit Mentorship, Manage Audits, QAIP	CPA, CIA
Senior Advisor, IT	20	IT Audits, Automation of Management Action Plans, IT Audit Work Plan	CISA, CISSP
Senior Advisor, Communications	N/A	Communications	BA Communication
Project Lead 1	8	Lead Audits and Data Analytics	CPA, CIA
Project Lead 2	8	Lead Audits and QAIP	CPA
Project Lead 3	7	Lead Audits and Risk Assessment	CPA

ACCOMPLISHMENTS
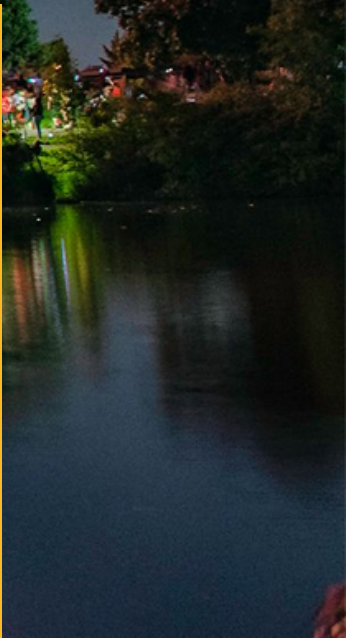
2023 Achievements and Highlights

🏆 Streamlined the report approval process to enhance audit independence

🏆 Enacted City of Brampton's Internal Audit Charter and Internal Audit Committee Terms of Reference into By-Law 108-2023

🏆 Updated the City's Fraud Governance Structure

🏆 Completed the Amended 2023 Audit Work Plan

🏆 Conducted audit staff role reviews to better align audit staff pay scale with market compensation

🏆 Established a Vendor Roster for audits, investigations, and IT audits

We are continuously aiming for excellence!

Thanks to the commitment and support of the CAO's Office and the Audit Committee

🏆 **Accomplishment #1**

Streamlined the report approval process to enhance audit independence

City Council, at its meeting of March 1, 2023, approved an Audit Committee motion that:

- Any Internal Audit report directed to the Audit Committee by the Director of Internal Audit shall not require prior approval by the Chief Administrative Officer or other management staff; and
- That any process, including any electronic workflow process, be modified accordingly.

Audit Committee motion (AU009-2023), approved by Council motion C037-2023.

https://pub-brampton.escribemeetings.com/Meeting.aspx?Id=5fe4894a-cf5f-46f1-9f7c-9cd2935bd83f&Agenda=PostMinutes&lang=English

Enacted City of Brampton's Internal Audit Charter and Terms of Reference into By-Law 108-2023

Internal Audit Charter and Terms of Reference were enacted into by-law on June 14, 2023.

These changes will provide greater stability to the reporting structure and the Internal Audit function of the City of Brampton.

https://www1.brampton.ca/EN/City-Hall/Bylaws/Archive/108-2023.pdf

Updated Fraud Governance Structure

A few of the key changes included:

- Internal Audit leads the assessment, investigation, and reporting processes of allegations received by the Ethics Reporting Hotline
- Transferring Corporate Fraud Prevention Policy ownership to the City Legal Services to separate management function from the audit function for greater independence.

Accomplishment #4

Completed the amended 2023 Audit Work Plan

Although the team was often working through staff turnovers, at times less than 50% staffing level, Internal Audit made a concerted effort to focus our reduced staffing capacity on completing priority audits and delivered the 2023 amended audit work plan, which consists of the same number of audit projects (8) as planned at the beginning of the year.

The audit work plan will remain dynamic and flexible to address emerging risks and issues throughout the year.

🏆 Accomplishment #5

Conducted Audit Staff Role Reviews to Better Align Audit Staff Pay Scale with Market Compensation

With the support of the Audit Committee, the CAO's Office, and HR, Internal Audit successfully conducted audit staff role reviews and adjusted audit staff pay scales through benchmarking with neighbouring municipalities. Internal Audit is now in a better position to:

- attract qualified staff and fulfill its mandate

- retain staff and develop staff to provide more effective audits.

Thank you Audit Committee, CAO, and HR!

Established a Vendor Roster for audits, investigations, and IT audits

Internal Audit established a Vendor Roster comprised of firms specializing in investigative and forensic services (financial, ethics, and employee relations), as well as auditing and IT auditing services.

The Vendor Roster will allow Internal Audit to onboard vendors within a shorter timeframe. This is important when an audit or investigation needs prompt attention.

2023 Audits At-a-Glance

2023 Audits

AC Date	Audit	Source
June 12, 2023	Development Charges	2023 Audit Work Plan
November 7, 2023	Bovaird Barn	This was added to the Internal Audit Work Plan through Committee of Council resolution CW420-2022.
November 7, 2023	Cyber Security	2023 Audit Work Plan
November 7, 2023	Property Tax	2023 Audit Work Plan
February 6, 2024	Data Security & Privacy	2023 Audit Work Plan
February 6, 2024	Fleet Management	2023 Audit Work Plan
February 6, 2024	Asset Management (Small Equipment & Operating Tools)	2023 Audit Work Plan
February 6, 2024	Review of the Q2 2023 Procurement Activities	Added by Committee of Council at meeting of September 20, 2023 and replaced the By-law Enforcement Audit planned for Q4 2023

Development Charges Audit

Why Does this Audit Matter?

Collecting development charges is a significant revenue source for funding growth-related capital investments.

2020   **2021**   **2022**

66M   86M   74M

Revenue Collected
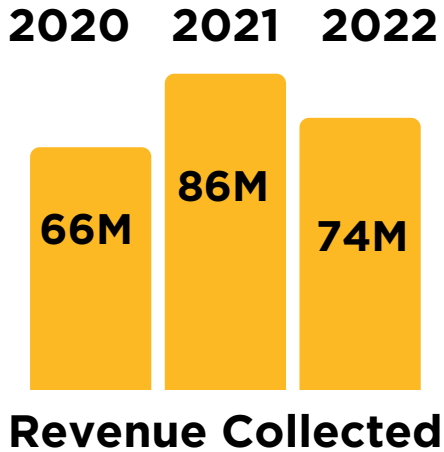
What are the Audit Objectives?

The objective of this audit was to evaluate the effectiveness of processes and controls around development charges and ensure compliance with legislation, policies, and procedures.

What Did we Find?

Our main findings concluded that there was a combination of inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy.

How Will our Recommendations Benefit the City?

- Strengthen the City's administrative process related to development charges by reducing manual errors, processing times, and enhancing overall efficiencies
- Decrease liability risk to the City when insurance certificates are up-to-date

Historic Bovaird House Audit

Why Does this Audit Matter?

Recommendation CW420-2022 of the Committee of Council Meeting of December 7, 2022, referred City Council Resolution C330-2022 to Internal Audit for review within its 2023 workplan, including the process whereby this resolution came about, the question of payment origins, and the nature of the Friends of Bovaird House organization. Recommendation CW420-2022 was approved by City Council on December 14, 2022,

What are the Audit Objectives?

- Assess the process whereby the funding for the Robinson Barn was approved
- Review the governance and mandate of the Friends of Bovaird House organization
- Review operating expenses of the Historic Bovaird House
- Assess compliance to the City's Conflict of Interest Policy
- Identify the Pendergast Log Cabin funding source

What Did we Find?

In regards to the Friends of Bovaird House organization

- Formalize the Relationship between FHBH and the City
- Periodically review the agreement

In regards to the Conflict of Interest Policy

- Consider a Policy that Addresses Conflicts of Interest as they relate to Volunteers
- Consider adding a Declaration of City Councilors' Conflicts of Interest including non-pecuniary interests.

How Will our Recommendations Benefit the City?

Provide better oversight over the operations of the Bovaird House enhance the City's Conflict of Interest Policies.

Cyber Security Audit

Why Does this Audit Matter?

Cyber security is a critical risk as most organizations, municipalities and other government entities are under constant threat of cyber attacks. It's imperative for organizations to have appropriate mitigation to manage the risk. Given the persistent and evolving nature of cyber threats, municipalities must prioritize cyber security as a critical component of their overall risk management strategy.

What are the Audit Objectives?

The Cyber Security Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

What Did we Find?

The Cyber Security Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

How Will our Recommendations Benefit the City?

Enhance the City's ability to protect itself from cyber attacks.

Property Tax Audit

Why Does this Audit Matter?

Property tax is the largest single source of revenue for the City and in 2022 the City collected $503M, accounting for 51% of total revenue. It is important that the assessment, billing and collection of property tax is administered properly and any potential opportunity to increase additional revenue is reviewed.

What are the Audit Objectives?

Our objective was to evaluate the effectiveness of processes and controls around property tax and ensure compliance with legislation, policies, and procedures.

What Did we Find?

We noted the following issues that limit options available to property owners and impact the timing and completeness of information transmitted to MPAC: Online services available to property owners is limited, Building permit data transmitted to MPAC is not always complete or timely, Limitations in technology resulting in process inefficiencies.

How Will our Recommendations Benefit the City?

- Acting on the recommendations in the report will strengthen the City's administration of property tax and improve online services available to property owners.
- Staff should work with IT to implement the capabilities needed to address the findings.

Data Privacy & Security Audit

Why Does this Audit Matter?

There is a heightened awareness of the damage that cyber security attacks and privacy breaches can cause due to increasing disruptive and destructive cyberattacks on public sector entities, including Canadian municipalities.

The purpose of this audit was to assess the effectiveness of controls in place to protect the privacy and security of the City of Brampton's electronic data.

What are the Audit Objectives?

The Data Security and Privacy Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

What Did we Find?

The Data Security and Privacy Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

How Will our Recommendations Benefit the City?

Enhance our ability to protect data and safeguard private employees, residents and business owners' information.

Fleet Maintenance Audit

Why Does this Audit Matter?

Fleet maintenance is responsible for maintaining safe and sustainable vehicles for operating departments across the City. Maintenance, repair and inspection activities performed by Fleet Maintenance ensure vehicles comply with provincial regulations and are properly maintained.

What are the Audit Objectives?

The audit objectives were to review fleet maintenance processes and controls for their effectiveness, efficiency and compliance to Provincial legislation and City policies.

What Did we Find?

Our main findings concluded that there is a number of required improvements in the areas of preventative maintenance, compliance, monitoring of procurement activity and access to inventory.

How Will our Recommendations Benefit the City?

- Improve preventative maintenance processes
- Reinforce the importance of daily vehicle inspections and compliance with Provincial requirements
- Enhance oversight over purchasing activity
- Restrict unauthorized access to inventory storage areas

Asset Management Audit
(Small Equipment and Operating Tools)

Why Does this Audit Matter?

The City uses specialized small equipment and operating tools to deliver public services.

The Small Engine Shop, alone, managed $2.1M in small assets, before its closure in 2017. This value is likely outdated as the City has grown significantly.

Currently, City staff have not tracked the purchases, and usage of small equipment and operating tools.

What are the Audit Objectives?

The objective of this engagement was to assess the management practices of small equipment and operating tools and identify gaps to best practices.

What Did we Find?

We observed that no formalized policies and operating procedures are in place for managing the lifecycle of small equipment and operating tools. Data is not available for overall past purchases or current inventory level.

This has led to a lack of management controls in asset planning, purchasing, inventorying, tracking of purchases and usage, repairs, disposals, and the storage and safeguarding of assets.

How Will our Recommendations Benefit the City?

The recommendations outlined in this report provide a roadmap for the City to improve its management of small equipment and operating tools.

Limited Tendering Audit

Why Does this Audit Matter?

The Committee of Council, at its meeting held on September 20, 2023 passed the following motion:

6.4/8.2.1CW316-2023 "That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."

What are the Audit Objectives?

The objective is to assess whether the City's Q2 2023 limited tendering procurement activities comply with the City's existing Purchasing By-law.

What Did we Find?

We found that the City has not extended the conflict of interest risk consideration and declaration to bidders and City staff participating in limited tendering activities.

In addition, the City has not formalized the procedures for due diligence reviews of limited tendering procurements.

## How Will our Recommendations Benefit the City?

Extending the conflict of interest declaration requirement to limited tendering and formalizing the procedures for conducting due diligence reviews of limited tendering procurement will enhance the City's limited tendering procurement process and ensure compliance with the current Purchasing By-law.

STAFF REPORT UPDATE

Management Action Plans

MAPs are City management's response to audit findings and recommendations to mitigate risk. Management owns the plans and Internal Audit reports on the progress of the plans every quarter. The MAP numbers are dynamic. The number of MAPs DUE decreased as MAPS are COMPLETED, indicating that management are taking action to address recommendations. Conversely, the total of MAPs DUE increases when new MAPS are added.
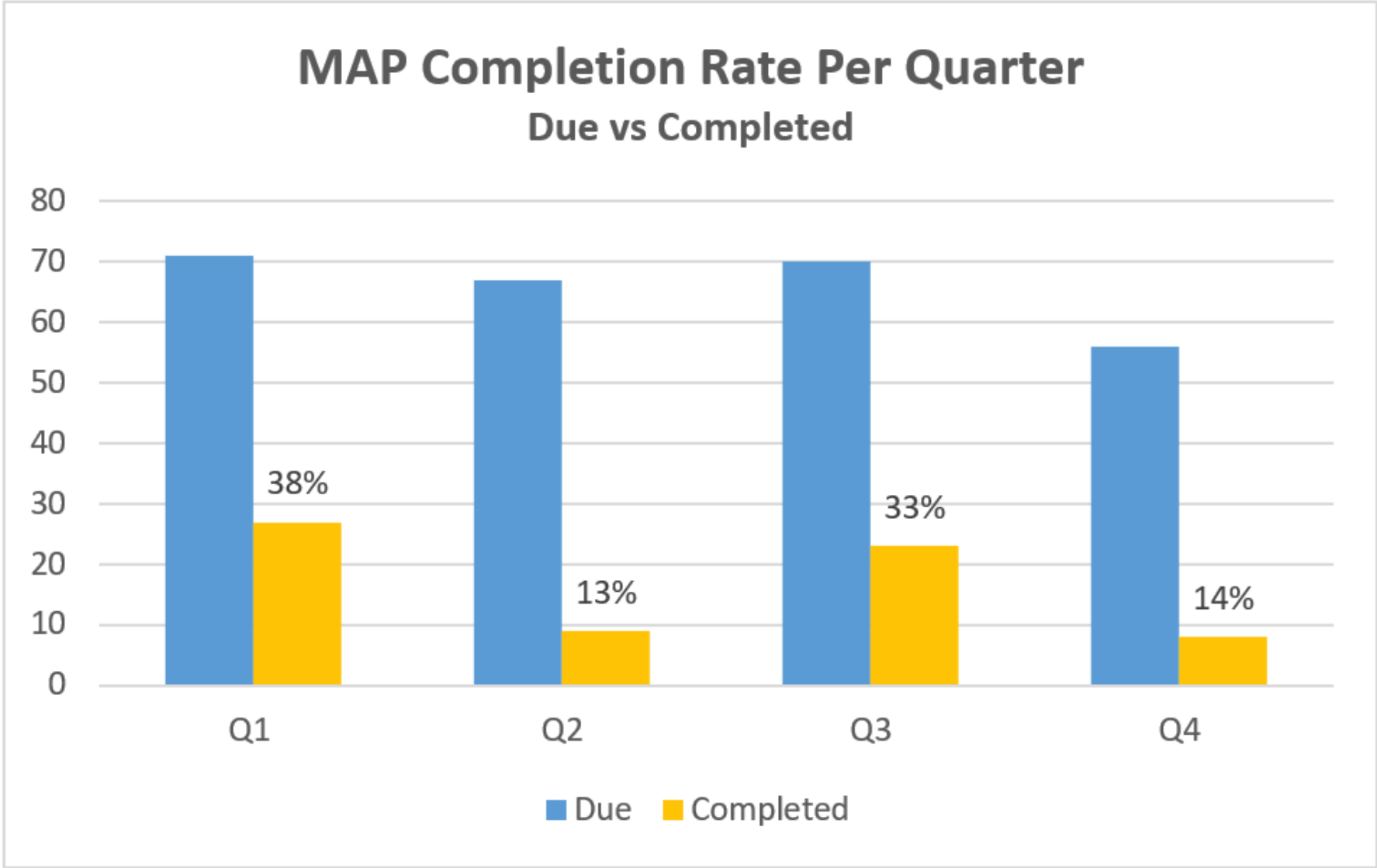
The current MAP admin process is manual and time-consuming. Internal Audit is transitioning to a new software to automate MAPs admin freeing the auditors time for audit activities.

MAP Completion Rate Per Quarter — Due vs Completed

Ethics Hotline Report

Ethics Complaints

69	8	3
2021	2022	2023

The Ethics Hotline enhances and strengthens the City's governance structure. It reinforces the Council's expectations regarding rules of behaviour and emphasizes the values of the City.

Internal Audit provides summary information to the Audit Committee on a quarterly basis on any complaints received through the Ethics Hotline.
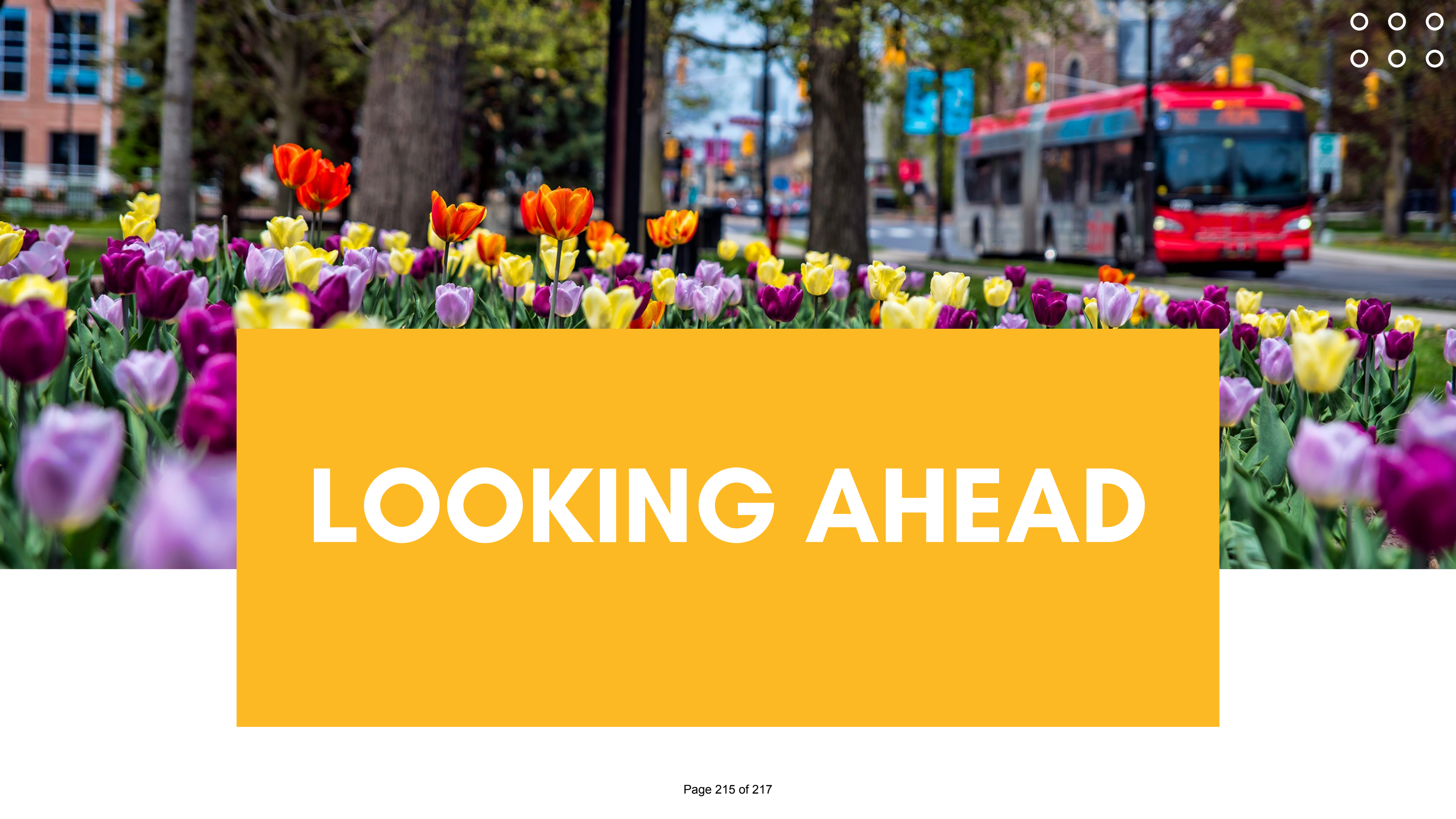
LOOKING AHEAD

2024 Deliverables and Projects

Risk-based audits

Develop and complete a risk-based 2024 Audit Work Plan

Staff Retention and Development

Continue to focus on staff retention and development to produce more effective audits

Quality Assurance

Develop a robust Quality Assurance & Improvement Program (QAIP) to align with the updated IIA Standards through enhancing internal audit processes

MAPs Automation

Automate the Quarterly Management Action Plans (MAPs) Follow-up Process

IT Audit Continuity

Increase IT audit capacity and build IT business continuity

SharePoint Redevelopment

Streamline and manage Internal Audit documentation and workflows

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