

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

Immediate Action Required

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:

Process	Finding	Rating
1. Lack of policies and procedures for the management of small equipment and operating tools	<p>Specific policies and procedures for managing small equipment and operating tools have not been developed, either centrally or by operating units.</p> <p>The lack of established policies and procedures leads to inconsistent and ineffective life cycle management of small equipment and operating tools.</p>	
2. Lack of formally documented and effectively communicated capitalization threshold	<p>The capitalization threshold has been emailed to City staff. However, this threshold has not been formally documented in City policies.</p> <p>Publishing the capitalization threshold on the City's webpage under "Policies and Documents" will clarify City staff's understanding.</p>	
3. Lack of central planning in the acquisition of commonly used small equipment	<p>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.</p>	
4. Lack of proper controls in the purchases of small equipment and operating tools	<p>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.</p>	
5. Lack of small equipment and tools receipt verification	<p>Operating units do not have specific steps for verifying and confirming the receipt of small equipment and operating tools against purchase approvals.</p>	
6. Lack of asset inventorying, periodic counts and usage tracking	<p>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.</p> <p>Without an inventory, no periodic counts have been performed on small equipment and operating tools.</p>	

	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	<p>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.</p> <p>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.</p>	
8. Lack of formalized processes for small asset maintenance, repair, and disposal	<p>There is no system to log broken items and track their status until they are returned to service.</p> <p>Moreover, key information such as warranties is not recorded, resulting in uncertainty that warranties will be effectively utilized.</p> <p>Due to the lack of a standardized procedure for disposing of small equipment and tools, staff have different understanding of disposal options.</p>	
<p>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.</p>		

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:

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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