Asset Management (Small Equipment and Operating Tools) Audit

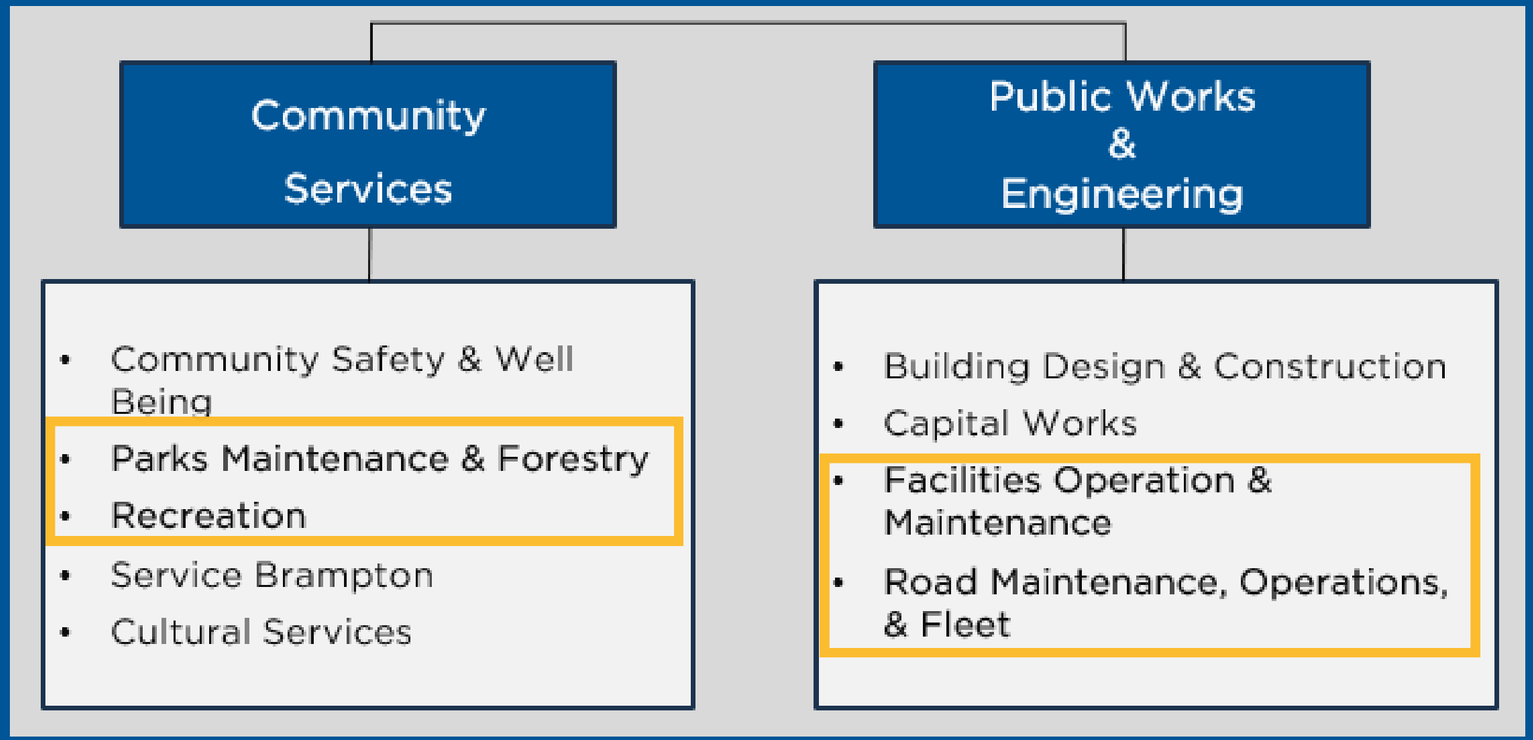
February 6, 2024

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.



Definition

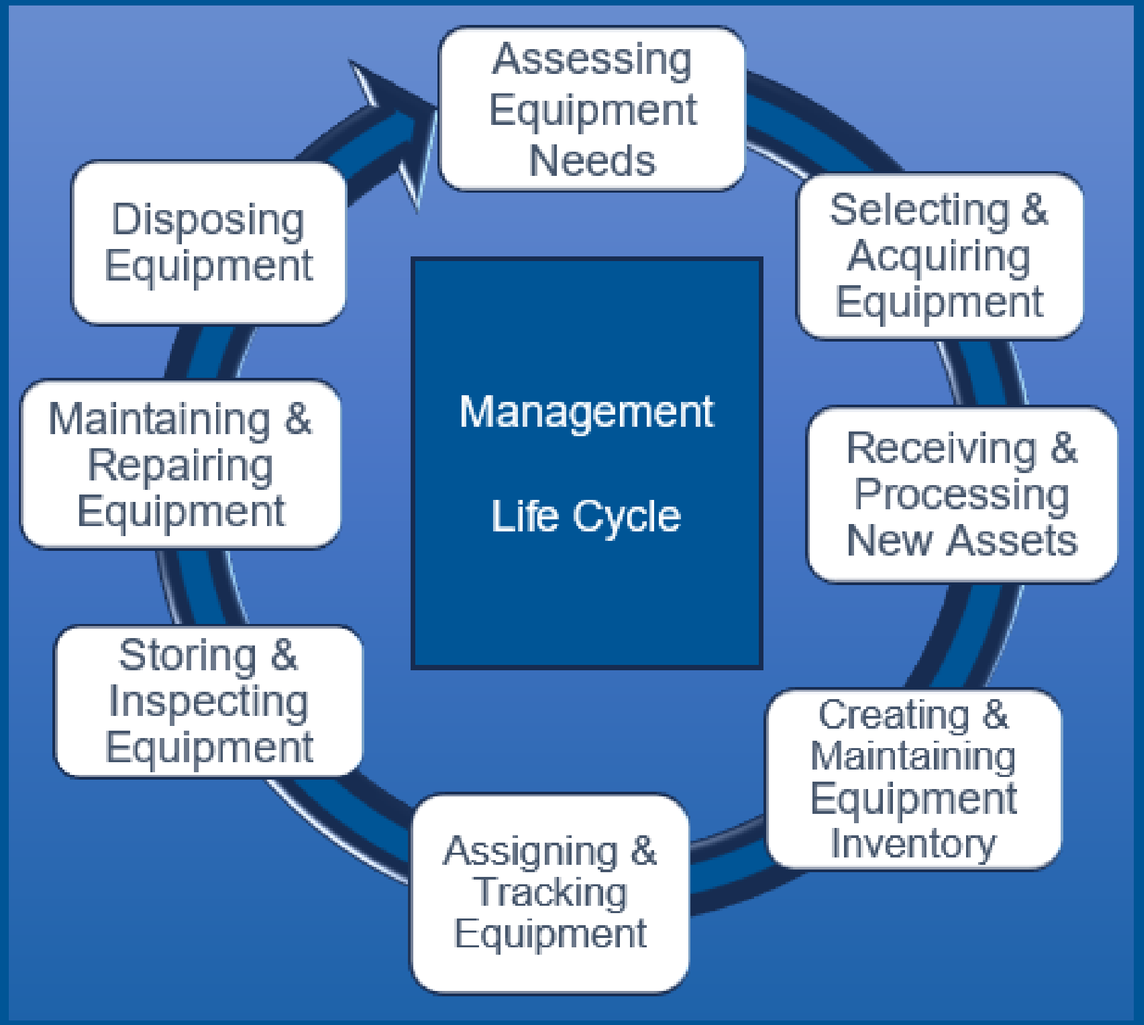
Although the City has no documented definition of small equipment and operating tools, experienced staff differentiated small equipment from operating tools as follows:

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.



$ = ?

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 This value is likely outdated as the City has grown significantly.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%

ASSET MANAGEMENT

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

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.

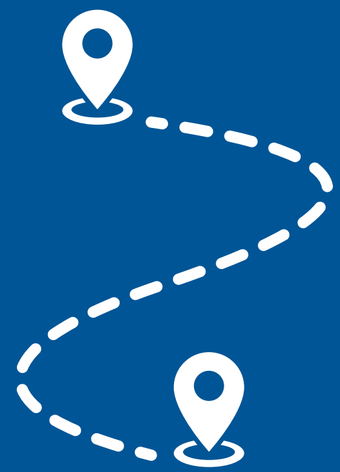
Impact

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

Thank You

BRAMPTON