



**City of Brampton Transit Operations Audit – Audit Report**  
**Private & Confidential**

<b>Audit Name</b>	City of Brampton, Transit Operations		
<b>Sponsor(s)</b>	Alex Milojevic, General Manager, Transit		
<b>Business Unit</b>	Transit Operations	<b>Date Issued:</b>	<b>October 7, 2020</b>

**1.0 Executive Summary**

**Audit Rating and Conclusion**

**Overall Findings:**

**Significant Improvement Required**

“Significant Improvement Required” over internal controls for inventory management, fuel purchasing, cash fares and governance processes at Transit operations

Inherent risk was evaluated as high due to significant operational budget for 2020 and potential impact to city of Brampton residents due to the services provided by Transit. During the audit, we reviewed the processes for internal controls, efficiency and effectiveness.

During our review of Transit facilities we observed the following strengths in the various processes:

- Payments and credits for inventory and fuel purchases are processed on a timely basis with no duplicate payments
- Invoices are matched with packing slips/invoices prior to the processing
- System reports are available for management for analysis and reconciliations
- Majority of the SOPs are available and distributed to the staff on a timely basis
- Management was very supportive and organized during the review process
- Management has a process in place to deal with old inventory
- A well-organized inventory system is in place at both Transit locations to allow easy and efficient access to all inventory items.
- Daily and monthly reconciliations are performed with various systems for PRESTO fare payments

- Transit has been working with Presto to install the first generation devices in all the buses to connect remotely to discover any malfunctioning while a bus is operational. Almost 50% of the buses are converted to the new devices and entire project will be completed by end of 2020. Further management has been working on a new contract and comprehensive service level agreements are being worked on with Presto to mitigate the financial and operational risks highlighted in the previous audit.

Internal Audit discussed the following improvement opportunities with Transit management to support the organization's objectives:

**Inventory Management**

- Purchase requisitions/purchase orders are not approved by senior personnel (invoices are approved by senior personnel)
- Scrap sales process needs improvement
- Inventory management systems are not integrated
- Inventory part identification system needs improvement
- Controls over inventory distribution and accounting needs improvement at Sandalwood facility
- Incompatible functions are not properly segregated

**Fuel Management**

- Non-revenue generating vehicles operators are not trained to use onsite fuel pumps at the Sandalwood facility
- Off-site fuel usage monitoring process needs to be updated
- Oversight of fuel fulfilment and usage process needs enhancements

**Revenue Management**

- Fare collection and enforcement processes need enhancement
- Accident claims reporting and recording process needs improvements
- Controls need to be strengthened over budget preparation and monitoring process

**Repair and Maintenance**

- Inspection sheets used for Transit maintenance as per requirements from the MTO needs to be updated

**Governance**

- Some SOPs need to be revised and updated

**Attendance Recording Process**

- Time recording process for mechanics and stock keepers needs to be automated

**Disposal Process**

- Disposal process documentation and removal of disposed assets requires improvements.

The facility management (buildings) process at Transit is not in scope and will be reviewed with a future corporate facility management audit.

### **Background, Objectives, and Scope**

The annual operating budget for Brampton Transit is \$174Million, and is one of several major services provided to the residents of Brampton. The main objective of the audit was to ensure that policies and procedures are in place and adhered to, the operations are streamlined, and transparent, proper processes are in place to ensure all costs and revenue are accounted for, and the budgets were properly maintained and variances were properly analyzed and approved.

During the review, we have utilized data analytics to understand the types and amounts of categories of spend and potentially identify individual transactions for further review.

The period under review is January 1, 2019 to April 30th, 2020.

The scope of our review includes:

- Governance
- Analytics and KPIs
- Procurement-Purchases, Inventory and fleet
- Revenue-Marketing (Advertising) Revenue
  - Operating Revenue including Presto
- Fuel Management Process.
- Maintenance Process-Internal and External.
- Inventory Management (Fleet and spare parts )
- Depreciation.
- Disposals.

## 2.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
1	<p><b><u>Purchasing of repair and maintenance parts</u></b></p> <p>The review of purchasing process noted the following:</p> <p>Management, through COB (City of Brampton) Purchasing, set up a series of long term Blanket POs (purchase orders) to establish a roster of parts suppliers. On a weekly basis, Stock Keepers prepare a list of items (shopping list) from the information obtained from M5 system (min and max reports). They contact the full roster of Blanket PO suppliers and obtain competitive pricing and parts availability from each for any or all of the parts on the shopping list. They prepare the templates/POs and send to successful vendors. Once the packing lists and invoices are received, the packing lists and invoices are reconciled and approved prior to sending to Accounts Payable for payment.”</p> <ul style="list-style-type: none"> <li>• Stock Keepers can select the vendors for weekly purchases;</li> <li>• Purchase orders are not reviewed and approved before sending them to the vendors;</li> <li>• There are instances when the Stock-keeper sends the PO's to vendors before completing the PO in M5. They complete the POs after vendor already has the list of</li> </ul>	P2	<p>We recommend the following to improve the process and make it more transparent.</p> <ul style="list-style-type: none"> <li>• Management have set a purchasing limit of \$2,500 for storekeepers and supervisors/managers will be approve amount greater than \$2,500.</li> <li>• Copy of the signed PO will be obtained and saved to match with packing slip and invoice.</li> <li>• Once invoice is received, copy of signed PO and receiving/packing slip and invoice will be reconciled to confirm the prices and quantities.</li> </ul> <p>We understand that management may have resource constraints to observe proper segregation of duties.</p> <ul style="list-style-type: none"> <li>• However, if purchase orders are only sent to the vendors after appropriate personnel approve them, then Stock Keepers can complete receiving.</li> <li>• A weekly report from M5 will be reviewed and approved by the Supervisor for inventory adjustments. These adjustments and approvals will be saved electronically.</li> </ul>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

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	<p>items. There are instances when they complete the POs at the time of receiving.</p> <ul style="list-style-type: none"> <li>When a need arises to return the defective parts to the vendors, system is not updated at the time when parts are returned; rather system is updated once credit is confirmed from the vendor.</li> <li>Stock-keepers issue the PO's and receive the products in the system. No segregation of duties.</li> <li>Stock-keepers also have the authority to adjust inventory levels in M5. Managements' approval to process these adjustments are granted after the fact. This is also a non-compliance to SOP that requires the pre-approval prior to adjusting any inventory levels in the system.</li> </ul> <p><b><u>Potential Exposure:</u></b></p> <ul style="list-style-type: none"> <li>There is a potential of purchasing unauthorized material. Stock Keepers can be biased in the vendor selection process. Best prices may not be obtained all the time.</li> <li>When faulty parts are not removed on a timely basis, this can result in inaccurate inventory levels that can force stock out conditions.</li> <li>There is a possibility of paying for what is not received. It is evidenced by the fact that from our POs sample, we found one invoice was fully paid for items returned to the vendor in same day of receiving. We could not obtain</li> </ul>		<ul style="list-style-type: none"> <li>When faulty material is returned to the vendor, material will be removed from the system and physically quarantined to reflect the accurate inventory levels.</li> <li>If the material is returned with a credit, credit note will be created right away and matched with original invoice for accuracy. Credit note will be provided to AP for timely processing.</li> </ul>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

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	<p>any proof of credit and confirmation the product replacement.</p> <ul style="list-style-type: none"> <li>When POs are not completed prior to receiving, vendor errors of pricing and quantities can go undetected.</li> <li>Lack of segregation of duties give rise to the opportunity to cover errors and possibility of fraud.</li> </ul>				
2	<p><b><u>Scrap Sales</u></b></p> <p>When buses are repaired at the Transit facilities, old and unusable parts are collected as scrap. Some inventory parts also become obsolete and management sell them as scrap. Scrap is sold to a designated scrap dealer selected by Purchasing. The Stock Keeper contacts the dealer to provide the scrap bins. In 2019, the monthly sales of scrap varies from \$1000 to \$3300. In 2020, sales are lower on a monthly basis.</p> <p>Following findings are observed with the process:</p> <ul style="list-style-type: none"> <li>No independent supervision is provided to sell the scrap;</li> <li>Scrap is not segregated by metal i.e. steel and aluminium. The scrap prices are different for various types of scrap.</li> <li>Scrap is not weighed at public scale, scrap weight is provided by the scrap dealer;</li> <li>No confirmation is received to ensure that scrap dealer's scale is calibrated; and</li> </ul>	P2	<ul style="list-style-type: none"> <li>Current citywide contract on scrap is up for re-tendering. Transit will request the process for scrap to be collected and segregated by metal.</li> <li>Process will be put in place to monitor scrap movement. Stock Keeper will inform the Supervisor when the bins are full, supervisor will contact the scrap dealer. When scrap is picked up, Supervisor and Stock Keeper both will sign the pickup slip and evidence of pick up.</li> <li>Current citywide contract on scrap is up for re-tendering. Transit will request the process for scrap dealer to weigh the scrap at public scale.</li> <li>Further, as part of new contract, Transit will request the process to get the scale calibration on an annual basis, if scrap is weighed at the dealer's facility.</li> <li>As part of new contract, Transit will request the process to created sales order in the</li> </ul>	<p>Administrator, Transit Contracts</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Administrator, Transit Contracts</p> <p>Administrator, Transit Contracts</p> <p>Administrator, Transit Contracts</p>	<p>Q1 2021</p> <p>Implemented</p> <p>Q1 2021</p> <p>Q1 2021</p> <p>Q1 2021</p>

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	<ul style="list-style-type: none"> <li>No sales order is created in the system to record the sale. An invoice is created and paid by the scrap dealer.</li> <li>Scale calibration report is not obtained from the dealer.</li> </ul> <p><b>Potential Exposure:</b></p> <ul style="list-style-type: none"> <li>If scrap dealer does not pay, there is possibility to miss the payment.</li> <li>Best value of scrap may not obtained due to selling all metals together.</li> <li>Scrap might be undersold due to non-confirmation of weight and prices.</li> </ul>		<p>system once the weight is confirmed. If scrap is not paid on a timely basis, management will follow up.</p> <ul style="list-style-type: none"> <li>Management will keep a log of scrap sales picked up by the dealer and on an annual basis, will review the scrap weight sold to determine the trend to ensure that all scrap is accounted for.</li> </ul>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p>
3	<p><b><u>Inventory Parts Identification Process</u></b></p> <p>Inventory parts purchased from various vendors are stored under same part number.</p> <p>As per management, two types of purchases are made. Assigned parts are purchased from assigned vendors and stored under part numbers.</p> <p>Some Parts are also purchased as a part of shopping list where various vendors are given the opportunity of bidding and winning the bids. All these parts purchased by these vendors are recorded as by After Market Part Company. Same parts can be purchased from various vendors. Same parts are stored under one number regardless of the supplier.</p>	P3	<p>Management will perform detailed review and explore possibilities to look into the parts inventory to determine the parts that have the useful life, safety, and/or warranty issues. These parts should be given unique number/name as per vendor. Invoices should also be entered and paid in the system by vendor names in order to create a proper audit trail.</p>	<p>Project Leader, Transit Business Imp</p>	<p>Q1 2021</p>

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	<p><b>Potential Exposure:</b> This creates a risk of parts identification. Especially, if something goes wrong with the part, it might be hard to identify the vendor. This can also create a warranty and even safety issues.</p>				
4	<p><b>Physical Inventory Management:</b></p> <p>Physical inventory management needs improvements at Sandalwood facility</p> <p>We conducted physical counts at both locations, Sandalwood and Clarks. A sample of parts were taken from M5 inventory reports one day in advance of physical counts. Sheet to Floor and Floor to sheet counts were completed in order to validate the system adequacy and the existence and accuracy of inventory levels reported.</p> <ul style="list-style-type: none"> <li>• 30% of the items from the selected sample had differences in quantities at Sandalwood location while the variance at Clarks was only 9 %.</li> <li>• At Sandalwood location, the Stock-keepers were unable to verify the differences. At Clarks, we were able to reconcile the missing items that have not been processed in the system and the quantities were adjusted accordingly.</li> <li>• In addition, Clark location completes cycle counts on a monthly basis. No similar activity could be observed at Sandalwood location.</li> <li>• We also observed the events where mechanics obtain the parts for repair</li> </ul>	P1	<ul style="list-style-type: none"> <li>• In order to ensure the accurate accounting and reporting, full cycle inventory counts will be conducted periodically. All discrepancies will be noted and reviewed. Inventory adjustments will be approved by by Supervisor's.</li> <li>• In addition, a review of cycle count frequencies will be undertaken and results implemented.</li> <li>• A recruitment of vacant Stock Keepers positions is currently underway.</li> <li>• In addition, transit will undertake a review of shift coverage at both locations to assess the benefits/costs of full 24/7 Stock keeper coverage by the end of Q1.</li> <li>• In the meantime, forepersons and lead hands will continue to reinforce the requirement for mechanics to record inventory withdraws during after-hours and in the absence of Store Keepers. Inventory adjustments will be analysed to identify trends of non-recording incidents</li> </ul>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Project Leader, Transit Business Imp</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Project Leader, Transit Business Imp</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Q4, 2020</p> <p>Q1 2021</p> <p>Q4 020</p> <p>Q12021</p> <p>Implemented</p>

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	<p>without submitting a work order. No accounting is completed for these parts.</p> <p><b>Potential Exposure:</b></p> <ul style="list-style-type: none"> <li>Without accounting for all the parts (when not all the used parts are obtained by completing a work order) can lead to wrong cost of repairs.</li> <li>Management can face stock out conditions if all used parts are not accounted for</li> <li>Large physical variance can lead to overstating the inventory values.</li> <li>Missing inventory can raise a concern of misuse.</li> </ul>				
5	<p><b><u>Inventory management systems are not integrated</u></b></p> <p>Transit uses M5 and TCCS system to store and purchase inventory. As per Transit, management M5 is not capable for handling the electronic parts for Presto and cameras. TCCS system is used for these electronic parts. However, all parts are first entered in M5 to account and to make payments. Both systems are not integrated. Information is updated in both systems manually. Transit management has brought this to IT attention, however; the project has not been approved.</p> <p><b><u>Potential Exposure:</u></b> This creates extra manual work and creates inefficiency in the process of purchasing and receiving. It is also prone to errors.</p>	P3	Transit has raised this issue with IT and the M5 project team. Management must present this issue to IT. This change may require an upgrade or modifications to implement. Transit will recommend the review and reporting on this to be completed in time for the 2022 budget submission.	Manager, Maintenance Transit	Q2 2022

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6	<p><b><u>Standard operating procedures are not current</u></b></p> <p>Internal Audit selected 33 standard operating procedures (SOPs) documents for review. The majority of these SOPs related to processes already being audited. Our work included ensuring SOPs were reviewed and approved on a timely basis, completeness of content, and alignment to the practices observed during fieldwork. We also discussed the process to update and distribute SOPs to staff.</p> <p>Overall, we found staff were aware of the SOPs available to them, and that there is a process in place to distribute documents through the department's internal site.</p> <p>There were 9 SOPs required an update per the "approved" dates, and 1 SOP that included a process that did not occur. We understand that the current pandemic had also affected their ability to conduct a timely review. We have noted SOPs that require an update separately with management, as some requirements for updates stemmed from current audit recommendations.</p> <p><b><u>Potential exposure</u></b></p> <p>Outdated procedures can lead staff to use non-</p>	P3	<p>Management will review and update all SOPs that are out of date to ensure content is current, relevant and reflects current practices. In addition, if any of the processes are going to be changed due to Audit recommendations, management will update those SOPs as well.</p>	Director, Transit	Dec 2020

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	standardized procedures.				
7	<p><b><u>Fuel card usage for Sandalwood vehicles that have access to on-site pumps</u></b></p> <p>Sandalwood facility has on-site pumps for both diesel and unleaded regular gas. Supervisors used vehicles are not always using the on-site pumps; rather they will use the vehicle's fuel card to obtain fuel off-site.</p> <p>Manager, Maintenance discussed that in order for Supervisors to use the on-site gas stations, the Supervisors are required to complete a training module (expected to be one day) so they are enabled to deal with issues (i.e. safety) that may arise, and to discuss user responsibilities.</p> <p><b><u>Potential exposure</u></b></p> <p>There is a higher opportunity to misappropriate fuel at off-site gas stations. Use of off-site pumps does not fully utilize available volume discounts the City has negotiated.</p>	P3	<p>The use of the off-site fuel pumps will be for exceptional circumstances (such as when a supervisor is required to be away from the Sandalwood facility for a long period of time, and it would not be efficient to drive back to Sandalwood facility to obtain gasoline).</p> <p>Management has conducted fuel training for Supervisors that operate vehicles out of Sandalwood so they fuel using the on-site pumps whenever possible. For future, management will also explore the possibility of virtual training sessions to facilitate easier attendance.</p> <p>Management will review fuel card administration to ensure all users that require a card are set up with one.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
8	<p><b><u>Monitoring off-site fuel usage and approval of monthly invoices</u></b></p> <p>Currently the Coordinator, Maintenance tracks individual vehicle mileage upon receiving receipts for the fill ups. The workbook keeps a running total of vehicles along with odometer reading; however it does not include an</p>	P2	<p>Management will enhance controls over monitoring fuel card usage, such as utilizing the fuel vendor's system-generated exception reports on a monthly basis, to identify unusual transactions or trends including average mileage by vehicle. Further, Additional monthly reports have been requested from the vendor. Trends or</p>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p>

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	<p>analysis of odometer reading reasonability or consumption patterns (such as mileage). There is no additional exception reporting available to highlight the unusual parameters such as</p> <ul style="list-style-type: none"> <li>• Unusual fill quantities for the type of vehicle (sedan, SUV)</li> <li>• Transaction times</li> <li>• Type of fuel purchases</li> <li>• Multiple transactions conducted in a short period of time etc.</li> </ul> <p>The current process is time-consuming and inherently prone to errors because it relies on manual data entry and submission of receipts with handwritten notes in a timely manner.</p> <p>This process also only tracks fuel for vehicle based out of the Clark facility. We reviewed the workbook for January 2020, which totalled \$5,205, but the overall invoice for fuel purchases net of discounts was \$10,505 indicating a portion of fuel invoices are not covered under the monitoring process. As a result, the Manager, Maintenance is unable to verify fuel transactions are complete, accurate, and appropriate when signing off on the monthly invoices.</p> <p><b><u>Potential exposure</u></b></p> <p>Misuse or misappropriation of fuel could go undetected if usage is not monitored on a regular basis.</p>		<p>unusual transaction will be reported to Supervisors for appropriate action.</p>		

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9	<p><b><u>Monitoring fuel inventory volumes and fuel usage reconciliation</u></b></p> <p>Transit purchases fuel directly at two of its facilities. There are controls in place to ensure only employees can access the fuel pumps for buses or support vehicles.</p> <p>Fuel inventory is reconciled daily, using fuel consumption data that is measured from the two sources: on-site pumps, and by measuring the change in tank inventory. This inventory information is recorded on a daily basis for fuel reordering. This also assist management to identify any exceptions with the Maintenance Manager.</p> <p>Some fluctuations are common due to temperature variability. However, there is no established threshold available to trigger further review.</p> <p><b><u>Potential exposure</u></b></p> <p>Fuel loss can occur for various reasons such as theft (before or after delivery), or metering or equipment issues. A formal process to investigate anomalies can help detect fuel loss early on.</p>	P3	<p>Management will establish and documented appropriate variance thresholds for investigating for monitoring fuel inventory. Transit will confer with other local GTHA transit agencies as a benchmark exercise and establish an appropriate threshold</p> <p>Any investigations conducted and explanations will be formally documented and reviewed on a periodic basis.</p>	Manager, Maintenance Transit	Oct 2020

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10	<p><b><u>Receiving and paying for fuel inventory</u></b></p> <p>Fuel purchases for on-site tanks are delivered directly by vendors or their shippers. The shipper completes the delivery and leaves a copy of the Bill of Lading (BOL) that indicates the quantity of fuel purchased. The vendor sends an invoice for each individual delivery. The invoice is matched with corresponding BOL and sent to Accounts Payable for payment.</p> <p>In the background, on-site tank gauges automatically measure the delivery quantities and records it automatically into Site Manager. The BOL is not matched with a reading from the Site Manager.</p> <p>This process does not address the risk that the Bill of Lading can be inaccurate. During the audit, we noted there were two instances in November and December 2019 where vendor invoiced quantities were greater than quantities recorded as delivered in Site Manager. These discrepancies were subsequently recovered from the vendor through a credit.</p> <p><b><u>Potential exposure</u></b></p> <p>Unverified fuel delivery amounts could result in over payment and financial loss.</p>	P2	<p>Transit will perform a reconciliation between Site Manager delivery quantities vs. invoiced quantities prior to sending invoice to Accounts Payable to ensure Transit is only paying for fuel quantities delivered within an acceptable threshold level.</p>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p>
11	<p><b><u>Fare Collection and Enforcement</u></b></p> <p>Fare shortage is the situation where passengers either do not pay or partially pay. Fare shortages cause a loss of fare revenue.</p>	P2	<p>We understand that due to the safety of our operators, the fare evasions is a part of the Transit operations.</p>	<p>Director, Transit</p>	<p>End of 2021</p>

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	<p>Management has some controls in place to discover the fare shortages.</p> <p>Further, There are several reasons for the non-payment of transit fares, which includes but not limited to equipment issues, refusal of customers to pay, inability of customers to pay etc.</p> <p>Transit has a fare policy to remind customers of the fare and to report it if there is an observed re-occurrence by the customer for supervisory staff to address. The policy also strives to minimize or eliminate fare disputes between operators and customers (the largest cause of operator assaults), and to minimize service disruptions.</p> <p>Presently, operator is responsible for the selection of partial fare key option in the fare box system to track such cases.</p> <p>Our review of available data on revenue and ridership data for 2019 indicated that 1.30% (i.e. 410K riders out of a total riders of 32M) of riders have travelled by either paying no or less than the full fare. In revenue terms, these riders paid an average partial fare value of \$1.02 instead of full fare of \$4. This resulted into a possible fare evasion of \$1.23M.</p> <p>The above data is considered conservative given the following instances where we could not estimate related revenue</p>		<p>Transit will determine possible other measures to help to refine estimates of the non-payment of fares by the end of 2021. An annual report will be submitted to Council on this</p> <p>Transit will set acceptable targets for fare evasion and develop short and long-term strategies to reduce the fare evasion by leveraging on existing resources available while maintaining customer service and relationship. Further, transit will conduct a benchmarking exercise with other GTHA transit systems before establishing any targets.</p> <p>As part of the rollout of new PRESTO on-board equipment project, the “partial fare button” is being split into a “partial fare button” and “no payment fare button”. This will allow for greater analysis of no payment hotspots by route to allow for more targeted fare enforcement measures. All Operators have been trained as part of the project on the use of these buttons.</p> <p>Transit will periodically analyze no/partial fare at the route/location/driver level to use the data to deploy the strategic actions of fare enforcement resources.</p> <p>Transit conducts regular soft skills training for operators with higher fare evasion rates and find out ways to enforce fare by operators without getting into confrontation with the passengers or any safety related issues. Further, Transit will confer with other transit systems to determine if improvements are possible</p>	<p>Director, Transit</p> <p>Senior Manager, Ops</p> <p>Director, Transit</p> <p>Supervisor, Training/Safety</p> <p>Director, Transit</p>	<p>End of 2021</p> <p>Implemented</p> <p>March 2021</p> <p>March 2021</p> <p>End of 2021</p>

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	<ul style="list-style-type: none"> <li>• Operators may not be able to press partial fare button for passengers entering through the rear bus door or on busy routes/hours where both rear and front doors are used for boarding.</li> <li>• Some of the operators may not be diligent enough to press partial fare button for each instance.</li> <li>• Fare loss because of presto fare card reader not working were not tracked presently.</li> </ul> <p>Our discussion with process owners and review of data indicated following exceptions in the existing process:</p> <ul style="list-style-type: none"> <li>• Transit covers fare shortages through mystery shopper program. However, this is not an effective control in 2019; only 87 visits were conducted for the fleet of 450 buses on 70 different routes.</li> <li>• There is no process to review the partial fare numbers based on the existing report. This information can help management to analyze identify high-risk routes and develop the appropriate action plans.</li> <li>• Buses are equipped with video cameras. However, cameras are not used for live monitoring nor reviewed subsequently to identify actual fare evasion for routes with red flags</li> </ul> <p><b><u>Potential Exposure</u></b></p> <p>Fare shortages cause a loss of revenue.</p>		Transit will undertake a benchmarking study with other GTHA transit systems on ways to increase payment for fares		

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12	<p><b><u>Transit Accident Claims Process</u></b></p> <p>Inadequate tracking of accident claims results into non-compliance to our insurance policy.</p> <p>As per existing process, Transit team prepares Accident Tracker and submit claims to the internal Risk Management Team.</p> <p>As per insurance arrangement with risk team, claims can only be submitted for accidents happened at external locations and have to be submitted within the six months from the date of accident. If the damages amounts are not known at time of submission, claim can be submitted based on vendor estimate and/or appraisal report for large values.</p> <p>Based on our review of Accident Tracker maintained by Transit, we noted that only claimable accidents are tracked. Any claims denied due to missing the reporting deadline of six months or any other reasons are not added to the existing tracker.</p> <p>Our review of GL for claims noted that ten claims were claimed and Risk department provided amounts. However, none of these claims was recorded in accident tracker. This raises a concern over the completeness and accuracy of the tracker.</p>	P2	<p>Going forward, accident tracker will record all claims claimable and non-claimable. This will provide further insight to management on the causes of accidents within our facilities and may require further training and safety measures in our facilities.</p> <p>Accident Tracker will be reconciled with GL on monthly basis to review completeness and accuracy.</p> <p>All claims are now formally tabled at the Maintenance Update meetings with the Director, focusing especially on high dollar claims, claims that are or might be denied and those approaching the 6-month deadline.</p> <p>Transit and Risk Management will meet formally to review all transit claims.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Director, Transit</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>October 2020</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>During our audit period, \$1.13M accident claims were settled with the Risk Management. We also noted \$180K (i.e. 16% of claimed value) were denied due to the following reasons:</p> <ul style="list-style-type: none"> <li>• Nine claims worth \$158K were not/partially reported to the Risk Team due to missed deadlines and incomplete estimates. Further, out of these, single largest claim denied was for \$100K.</li> <li>• As per Risk and Insurance Team, the damage/accident locations were not known to the drivers/Transit, they denied four claims worth \$22K.</li> </ul> <p>Our review of documentation and discussion with the Transit indicated that while most of these claims were not submitted due to oversight issues and in some of the cases, delays were beyond transit control.</p> <p>Due to the SIR (Self-Insured Retention) condition of one million dollars, City of Brampton has not experienced any losses as lack of payments from the insured, however; the terms and conditions of our insurance policy requires the timely reporting of all claims regardless of claim amounts.</p> <p><b><u>Potential Exposure</u></b></p> <ul style="list-style-type: none"> <li>• Incomplete/inaccurate tracker and missing deadlines could potentially result in an incompliance to the insurance policy and subsequently may result in a loss.</li> </ul>				

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
13	<p><b><u>Annual budget and Monitoring Process</u></b></p> <p>Controls over budget preparation and monitoring process need to be strengthened.</p> <p>Yearly operating revenue budgets are prepared based on historic patterns, known information such as fixed contracts, and expected trends amongst other factors.</p> <p>For snack bar sales (GL 600860), Transit has entered into fixed monthly rental contract with vendor for annual value of \$48K before 2018. However, for both 2018 and 2019, only \$31K were budgeted instead of the contract value. Under budgeting has resulted into false positive variance at the year-end.</p> <p>In addition, for same contract, we noted that some of the monthly rentals (Value \$8K) were booked into the incorrect GL codes due to manual oversight.</p> <p>Our further discussion with process owners and review indicated that the approved 2020 budget was not entered in PeopleSoft at our review time mid-July 2020. In addition, Transit team enters the budget amounts manually for tracking purposes instead of system-generated report.</p> <p><b><u>Potential Exposure</u></b></p>	P3	<p>Basis for the budgeted figures will be thoroughly reviewed to ensure the accuracy for the complete budget.</p> <p>Actual expenses/revenues will be tracked and any unknown variances will be investigated at the month end.</p> <p>Transit will coordinate with Corporate Finance to ensure that budget is entered into the PeopleSoft on a timely basis.</p>	<p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p> <p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p> <p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>• Incorrect budgeting base and booking may result into incorrect data and inefficient spend analysis.</li> <li>• In absence of budgeted figures entered in PeopleSoft, budget-monitoring process cannot be efficient.</li> </ul>				
14	<p><b><u>Repair and Maintenance Process</u></b></p> <p>All maintenance checks required by the Ministry of Transportation of Ontario (MTO) guidelines are not appropriately marked in inspection sheets.</p> <p>As per MTO, Annual and semi-annual inspections are required to be performed for all active buses. The inspection guidelines are set by the MTO and national 11B safety code standards.</p> <p>During our review of ten annual inspection sheets, we noted that in four inspection sheets multiple checks under engine compartment, electrical, light and reflector, interior and equipment, axles and tires, air brake system were not marked as tested.</p> <p>We understand that some of the items not checked off were identified as defects and noted separately. However, due to incomplete checklist, we were not able to comment on the comprehensiveness of current documentation for inspection process.</p> <p><b><u>Potential Exposure</u></b></p>	P2	<p>Transit Management confirmed that a notice will be issued to mechanic staff at the next maintenance tool box meeting as a reminder that all inspection boxes and sign offs must be completed before a work order can be handed and accepted.</p> <p>Forepersons will be reminded of the expectations of not accepting any incomplete work orders or inspections sheets. They need to be fully completed and signed off by the inspecting mechanic.</p> <p>A stamp on the work order will be included that will provide a check list of items that must be completed before the work order and inspections sheets will be accepted by both the Forepersons and Mechanic.</p> <p>The Maintenance Supervisor will conduct monthly audits to ensure the work orders and inspection sheets are fully completed as required. The necessary steps will be taken to address any incomplete work orders.</p> <p>Once defects are found and corrected, evidence will be attached to the inspection sheets.</p>	Manager, Maintenance Transit/ Manager, Maintenance	Implemented

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	Incomplete inspection sheets could potentially become a major finding during MTO audit and lead to further non-compliance consequences.				
15	<p><b><u>Attendance cards Mechanics and Stock Keepers</u></b></p> <p>The daily attendance records for Mechanics and Stock Keepers need be automated.</p> <p>During our visit to Sandalwood facility, we noted that our drivers use Electronic system to enter their arrival and departure. However, our mechanics and stock keepers are still using manual card systems. We noted that cards are placed in front of the supervisors' office, however; it is manual process.</p> <p><b>Potential Exposure:</b> There is a potential of making errors and signing for other employees. Manual reporting can create errors and extra work.</p>	P2	Management will deploy the same electronic system as per drivers This functionality is part of future work on the new city-wide Time and Attendance system and is scheduled to be implemented in 2021	Director, Transit	End of 2021
16	<p><b><u>Disposal Process</u></b></p> <p>Overall, we observed that Transit generally follows the asset disposal process outlined by the Purchasing department, including initiating the disposal process with proper approval, and engaging with the Purchasing Agent to perform disposal activities by finding the method that would yield best return.</p> <p>During our review of seven used buses marked for disposal, we noted the following:</p>	P3	<p>Transit (Maintenance) will obtain the summary from Purchasing after disposal has occurred. They will have their own file copy of approvals.</p> <p>Such summary information should be available from Purchasing as per their disposals SOP. This will also allow Transit to know how buses were ultimately disposed of.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p>	<p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>• One disposal form with approval was not available from Transit;</li> <li>• One final disposal information was not available from Purchasing;</li> <li>• Follow up summaries were not provided by Purchasing to Transit for all samples. As per the Disposals SOP, Purchasing's role includes "To provide a follow-up summary to the user department if goods are sold or auctioned". Maintenance Manager had to obtain such information from Purchasing during the audit;</li> <li>• As per requirement, the asset should also be removed from M5 to ensure accurate accounting of assets, however; we noted a time lag between when cheques were received and when M5 was updated (6 months to over a year). However, the financial impact is low due to the value of the buses that are at end of life cycle.</li> <li>• As of Aug 19, 2020, IA was not able to obtain the Asset # from the disposal samples to trace to G/L to determine if the process to communicating disposals with Finance is effective. However, as noted above, financial impact of this is expected to be low since buses are sold for scrap value.</li> </ul>		<p>Disposed assets will be immediately removed from M5 to maintain the accuracy and up to date information.</p>		

**Other Observations:**

The following are minor observations identified during the review process as a service to management. Management is not required to provide action plans. Management may consider these as an improvement to the processes.

**#1 Approval for special rates for charter buses to be documented**

Transit rents out the charter buses at a pre-determined hourly rate. There are instances when the buses can be rented out at a special rate for customer incentive and/or to other government bodies. We recommend that when special rates are provided, they should be approved and documented.