City of Brampton Emergency Expenses Audit – Final Audit Report
Private & Confidential

Audit Name	City of Brampton, Emergency Expenses Audit		
Sponsor(s)	Maja Kuzmanov – Manager, Accounting Diane Oliveira – Manager, Purchasing Rick Bernard – Manager, Emergency Management		
Business Unit(s)	Procurement, Operations, Accounting, Accounts Payable	Date Issued:	November 15, 2021

1.0 Executive Summary

Audit rating: Processes and controls around emergency spending were rated as "effective" (See **Appendix 2** for the criteria for audit report rating).

Inherent risk was evaluated as medium, based on procurement and payables processes being streamlined, effective system controls (Spend Dynamics, PeopleSoft) in place, and the total dollar amount ($11.7M) of COVID-19 related expenses.

During our review, we observed the following strengths relating to controls and processes around emergency expenses:

- Management's meetings and discussions in response to COVID-19 were timely and aligned with the City's Municipal Emergency Plan.
- Effective communication and collaboration between operating departments and Purchasing to facilitate the sourcing and purchasing of Personal Protective Equipment (PPE) (i.e. masks, gloves, sanitizer; etc.).
- Newly created emergency department codes were communicated to divisions by Finance in a timely manner.
- The proper process was followed for all Emergency Purchase Orders (EMPOs) and contained proper approvals.
- All changes to Purchase Orders (change orders) were timely and properly approved.
- All PPE supplies distributed by the Brampton Emergency Management Office (BEMO) were tracked in a spreadsheet.

Internal Audit discussed the following improvement opportunities with Management from the respective departments:

- COVID-19 related invoices are not always approved by a Supervisor with proper signing authority.
- COVID-19 related purchases are not always coded to an emergency account.
- Required documentation for vendors providing COVID related products and services (insurance/WSIB) is not always tracked.

2.0 Background, Objectives, and Scope

Background

On March 24, 2020 the Mayor declared an emergency in the City of Brampton due to the COVID-19 (COVID) virus. The emergence of the virus brought with it the need for a number of safety measures to ensure the health and safety of City staff and the community. These measures resulted in significant additional costs being spent on COVID related supplies and services. The main costs associated with the pandemic are personal protective equipment (PPE), custodial services, security, and advertising/media.

The breakdown of COVID costs (non-payroll) by department is as follows:

Dept.	2020 ($M)	2021 -Q1 ($M)	TOTAL
Transit	2.91	0.16	3.07
Public Works and Engineering	3.67	0.52	4.20
Fire and Emergency Services	2.29	0.12	2.41
Corporate Support Services	1.17	0.13	1.30
Community Services	0.67	0.05	0.72
TOTAL	**$10.71**	**$0.99**	**$11.70**

The delivery of necessary supplies and services was coordinated by the Brampton Emergency Management Office (BEMO) as defined by Brampton's Municipal Emergency Plan. In the early stages of the pandemic, major purchases of PPE were made centrally through BEMO. BEMO staff worked with each department to determine the optimal quantity of safety supplies (i.e. masks, gloves, hand sanitizer etc.) to procure. Incoming supplies were delivered to either the Emergency Planning office or City Hall and allocated to departments as needed.

Emergency purchase orders (EMPOs) are Purchase Orders (POs) over $25K which do not require the traditional bidding process. This exception to the purchasing procedure is allowed in order for departments to source critical supplies as fast as possible. There were four emergency POs resulting from COVID, but all other supplies were purchased through existing POs or Purchasing Cards (P-Cards). Many of the existing POs required a change order (CO) to increase the amount and/or length of the original PO.

All supplies and services, including COVID related supplies, are purchased through the Bank of Montreal P-Card, purchase requisitions, or through an approved purchase order. In March of 2020, new department codes were set up to track COVID spending. It is the responsibiity of the respective department to ensure that COVID related expenses are coded correctly.

Objectives

The objective of this engagement was to assess whether Management has proper oversight controls around emergency spending and to determine if COVID related purchases and payments contained appropriate authorization and supporting documents.

1. Review Emergency Procurement Standard Operating Procedures (SOP) to ensure it is adequate and reflects current practices.
2. Review compliance to the Emergency Procurement process for emergency purchases.
3. Verify that the direction and guidance on tracking COVID spending was communicated across the organization.
4. Verify that COVID supplies (PPE) were properly received, distributed, and monitored.
5. Verify that COVID related expenses were necessary and reasonable.
6. Review controls around COVID related expense documentation and approval process.
7. Review COVID related expenses to ensure they were captured and coded under the appropriate emergency accounts.

Scope

Our audit focused on COVID related expenses from March 16, 2020 to March 31, 2021.

The following areas were **<u>not</u>** included in the scope of this audit:

- Additional payroll expenses related to COVID
- Employee sick days related to COVID
- Employee benefit costs related to COVID
- Provincial or Federal assistance related to COVID
- Petty cash

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
1	**Invoice Approval Process needs to be strengthened.** All invoices must be approved (signature or e-mail) before they are processed by Accounts Payable (AP). The invoice approval limit for each position is set out in the Administrative Directive for Financial Spending Approval Authority. Our review of COVID related invoices noted the following: 1) Invoices were not approved as per spending approval authority; • Facility Operations & Maintenance division (Security Services): 13 out of 24 invoices greater than $50K were approved by a Supervisor with approval authority up to $50K. The average value for these invoices was $66K with the highest value of $87K. • Facilities Operations & Maintenance division (Facility Services): 1 out of 5 invoices reviewed valuing $71K was approved by a Supervisor with approval authority up to $50K. 2) Not all invoices were signed to validate the services provided: Facilities Services & Operations division: 1 out of 8 invoices valuing $37K did not contain a signature for validation. Our further review indicated 4 additional invoices from the same vendor with no signature. Our discussion with management indicated that some of the noted findings were due to unprecedented and significant operational challenges during the pandemic. Process changes, increased workflow, changing priorities to manage operations and staff transitioning (work from home) resulted in reduced time and capacity available for the review and approval of certain invoices. **Potential Exposure** 1) The approval of invoices by an individual without the required level of signing authority increases the risk that invoices are not	P3	1) Management should look into the possibility of automating the invoice approval process. In an automated system, the invoice approval limit for each employee can be embedded in the workflow approval, eliminating the risk of employees approving invoices over their limit. Aside from increasing controls, accounts payable automation also reduces invoice approval time and increases transparency of the invoice approval process. 2) Review controls should be enhanced by Accounts Payable to ensure invoices are adequately signed and validated before processing.	Management agrees with the recommendations. Finance and DI&IT are currently in the final stages of implementing Accounts Payable Automation System (WebCenter). As planned, Phase 1 of this project is scheduled to go live on October 30, 2021. WebCenter will significantly improve efficiency and effectiveness of City's Accounts Payable function by streamlining and automating invoice processing with following key benefits: 1. Electronically manage approvals via departmental workflow 2. Increase visibility on where invoices are in the process 3. Keep supporting documents in one file 4. Reduce the risk of manual data entry errors 5. Reduce the risk of misplaced paperwork	Manager, Accounting

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	being approved by the individual best suited to validate the invoice and could potentially result in financial loss to the City. 2) An invoice that does not contain approval (signature or e-mail) does not validate that the amount charged for the product/service is accurate and increases the risk of financial loss to the City.			6. Improve vendor relations by paying invoices on time 7. Distribute invoices to approving departments more efficiently 8. Reducing duplicate invoice copies through city Key functionality of the WebCenter workflow review and approval process is integration with on-line Financial Spending Authority database. This will ensure that only staff with appropriate authority will be able to approve invoices. Target Completion Date: • Phase 1 – October 30,2021 • Phase 2 – Q3 2022	

2	**COVID related expenses not coded to an emergency department**.	P3			
	In March 2020, seven new department codes were created in PeopleSoft. As per Finance's direction, these new "emergency department" codes were to be used for any COVID related expense.		1) Purchasing, in coordination with Finance, should reiterate the process and communicate the "emergency department" codes to all P-Card users to emphasize the importance of proper coding.	1) When emergency codes are created an email will be sent out from BMO Spend Dynamics to all account holders. Emergency Account Coding Email was sent out on October 12, 2021.	1) Administrator, Purchasing Card
	1) Our analysis of P-Card data found a number of COVID related purchases that were not coded to an emergency account. There were 132 COVID related purchases totalling $46,523 (2.1% of the total COVID spend on P-Cards) that were coded to the department's regular code instead of the department's emergency code.		The e-mail should note that as part of the review process, the approving Manager should look for COVID related keywords (Ex. COVID, masks, disinfect, social distance etc.) in the transaction description field, and verify that all COVID related purchases are coded properly.	**Target Completion Date: Implemented**	
	2) One invoice was not properly coded to an emergency department. For some invoices, based on the nature of the items purchased, the total amount needs to be split between the regular department code and the emergency department code. Our review of 15 invoices indicated one invoice that should have been split but was not correctly keyed into PeopleSoft (the entire amount of $39,985 was coded to the regular department. However, $37,933 of this amount should have been coded to the emergency department).		2) Invoices that need to be coded to two different departments are more prone to coding errors and should be subject to a secondary review to ensure the accuracy of invoice coding.	2) Management agrees with recommendations. Finance staff will send reminder e-mail to Operating Departments regarding Emergency Account coding. Emergency Account Coding Emails were sent on:	2) Manager, Accounting
	Our discussion with management indicated that Federal-Provincial funding (Safe Restart Program) is based on a flat formula and the above coding errors did not impact City funding. **Potential Exposure** 1) Incorrect coding of COVID purchases results in total COVID costs being understated and impedes the accuracy of financial data. 2) Invoice keying errors can result in inaccurate reporting of costs and impedes the accuracy of financial data.			• Community Services – October 12, 2021 • Public Works & Engineering – October 12, 2021 • Fire – October 12, 2021 • CAO – October 12, 2021 • Corporate Support Services – October 13, 2021	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
				• Legislative Services – October 13, 2021 • Planning – October 13, 2021 Invoices that need to be coded to two different departments will be subject to a secondary (AP Supervisor or AP Group Leader) review to ensure the accuracy of invoice coding. **Target Completion Date: Implemented**	

| 3 | **Required documentation from vendors is not always tracked.**

Our review of insurance and WSIB documentation for vendors providing COVID related products & services noted the following:

• For 3 of the 10 vendors sampled, the Contract Administrator (CA) did not have a current Certificate of Insurance (COI) on file. One of the three vendors was also missing their WSIB Clearance Certificate.

• The three division/departments with missing vendor documentation were Fire & Emergency Services, Parks Maintenance & Forestry, and Transit. All documents were obtained from the vendor, once Internal Audit highlighted the issue.

Potential Exposure
The absence of a current Certificate of Insurance and/or WSIB Clearance Certificate does not provide assurance that a vendor has sufficient coverage, which increases the liability risk for the City. | **P3** | A process should be put in place by the respective departments to periodically review vendor documents and ensure COI and WSIB Clearance Certificates are current.

For vendors with active Purchase Orders – The Contract Administrator should encourage the vendor to upload Insurance and WSIB documents directly on to the Bids and Tenders site.

For vendors without active Purchase Orders (Under $25K) – The Contract Administrator should manually track expiration dates of Insurance and WSIB and follow up with the vendor as necessary. | Brampton Fire & Emergency Services (BFES)

Apparatus and Maintenance has implemented a quarterly inspection of all Purchase Orders regarding paper work (specifically WSIB and COI).

For those Venders without Purchase Orders, a manual tracking system in an excel spreadsheet is in place to capture all of the required documents.

A Standard Operating Guideline will be forthcoming to track and document the process.

Target Completion Date – Dec. 31, 2021

Parks Maintenance & Forestry

Parks, Maintenance & Forestry has implemented a process to ensure WSIB Certificates are submitted with all invoices.

Parks Maintenance & Forestry has implemented the same procedure for COI's. A staff member is assigned to ensure expiry dates are recognized and monitored to ensure the | Division Chief, Apparatus & Maintenance, BFES

Supervisor, Parks Administration & Contracts, Community Services. |

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
				Vendor has uploaded valid Certificates. **Target Completion Date – Implemented** <u>Transit</u> Transit will request issuance of all active POs until all necessary and current certificates are received. Expiry dates will be noted and reminders will be added to the calendars of Contract Administrator and Maintenance Manager 30 days ahead of the expiry date to request vendors for updated certificates. **Target Completion Date – Nov. 1, 2021**	Manager, Transit Maintenance

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