Minute No. 572
Report "A" – Executive Policy Committee – July 11, 2012

Item No. 2 Review of the Hired Equipment Process

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Hired Equipment Process report dated June 2012 be received as information.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2012, the Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the City Auditor and submitted the matter to Council.

Audit Department Report
Hired Equipment Process June 2012

While not identified in our audit plan, the Audit Department received a citizen inquiry into the hired equipment process and decided to conduct a limited scope review. The audit focused on two main objectives:

(1) Review and analyze a sample of hired equipment transactions for compliance with the terms and conditions of Bid Opportunity 150-2009.
(2) Determine whether adequate systems, practices and controls are in place and supported to properly administer the Hired Equipment Bid Opportunity.

This audit covered the period relating to Bid Opportunity No. 150-2009 Provision of Hourly Rates for Hired Equipment and Dump Trucks 2009-2010 Construction Season. The scope of our audit included the transactions, processes, policies and practices in place for the provision of hired equipment during the period April 12, 2009 to April 10, 2010

What was working well:

1. The execution of the Bid Opportunity, evaluation of the bid submissions and resulting contracts all appear to be operating as intended.
2. The majority of transactions are processed accurately and foremen within the City are able to hire the equipment needed in a timely manner.
3. The users of the equipment from across departments were consistently satisfied with the level of service they received from the administrators of this contract.

Areas for Improvement:

1. Controls in certain areas of the hired equipment process were insufficient. Access controls are required to limit the ability to edit the database that contains the hired equipment information. Preventive controls in data entry, such as a maximum of 24 billable hours per unit per day, should be implemented to reduce the potential for errors. Procedures around the approval of work tickets and payments also need to be improved.
2. Documentation of procedures, such as substitutions and replacements of equipment by contractors, was lacking. There was no documentation to ensure compliance with the bid opportunity and that all appropriate reviews were taking place.
3. The bid opportunity contains items such as overtime premiums and an age slotting advantages that should be reviewed to ensure that they are still consistent with industry practice.
4. The staff person in critical position in the process is eligible to retire. Currently there is no succession plan in place and the ability to automate aspects of the position should be evaluated.

What is recommended:

1. The controls within the process should be created or improved as necessary. Databases should have appropriate access controls to ensure unauthorized editing. Appropriate preventive controls should be implemented for data entry to prevent errors. Approval of work tickets should be performed by the appropriate individuals.
2. Adequate documentation of the process should be created including the process for substitution or replacement of equipment to ensure they are in compliance with the bid opportunity.
3. A review of the overtime premium and age slotting advantage items within the bid opportunity should be conducted to ensure they are obtaining the best value of the City.
4. A succession plan for the equipment coordinator be created and a consideration of the potential to automate certain functions to reduce the reliance on critical staff.

Management's Position

- Management was in agreement with all recommendations identified.

Policy

The report is being submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) that the Audit Committee will "Receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee."

Recommendation:
That the Executive Policy Committee, in its capacity as the Audit Committee, receive as information the Hired Equipment Process report dated June 2012.