

**AUDIT COMMITTEE - JUNE 20, 2006)**

**INTERNAL AUDIT REPORT OF DEVELOPMENT PLANNING AND POLICY PLANNING & URBAN DESIGN**

**Recommendation**

The City Auditor recommends:

That the Internal Audit Report of Development Planning and Policy Planning & Urban Design be received.

**Economic Impact**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The value added by Internal Audit has economic impact, some of which is measurable while others are not. Internal Audit has a positive impact on all areas of City activity which are audited.

**Purpose**

To present to the Audit Committee the Internal Audit Report of Development Planning and Policy Planning & Urban Design.

**Background - Analysis and Options**

The audit was part of the Internal Audit Plan for 2005.

The internal audit report is provided as Attachment 1 and Attachment 2 (Strictly Confidential). The report explains the definition and objective of auditing as well as the scope of audit work. The report includes the observations of the auditor, the implications, the auditor's recommendations, the commissioner's responses for corrective actions and the auditor's response to the corrective actions.

**Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

**Conclusion**

1. The commissioner and director of the department/operation audited, have responded favourably to all findings and recommendations in the Internal Audit Report.
2. When all corrective actions are implemented, internal controls will be improved, the quality of performance in carrying out assigned responsibilities will be enhanced, the department/operation will operate more effectively and efficiently and the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

**Attachments**

Attachment 1 – Internal Audit of Development Planning and Policy Planning & Urban Design.

Attachment 2 – Internal Audit of Development Planning and Policy Planning & Urban Design  
(Strictly Confidential).

**Report prepared by:**

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE  
City Auditor



*The City Above Toronto*

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**Attachment 1**

25 February, 2006

Michael DeAngelis  
City Manager  
City Of Vaughan  
2141 Major Mackenzie Drive  
Vaughan, Ontario  
Canada L6A 1T1

Dear Michael De Angelis,

**Re: Internal Audit of Development Planning and Policy Planning/Urban Design**

I have completed the audit of Development Planning and Policy Planning/Urban Design as of November 5, 2005. This audit was conducted in accordance with the 2005 Audit plan.

A follow-up letter will be sent to the auditee, 30 days from the date of this audit report, requesting the status of corrective actions on deficiency items noted in this Internal Audit report. Subsequent follow-up letters may be sent until all corrective actions have been satisfactorily implemented.

I would like to thank Commissioner John Zipay, Directors Marco Ramunno and Diana Birchall, and their staff for accommodating me and providing me with unrestricted access to all staff and information during my audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing.

The Internal Audit Department is committed to adding value, providing continuous improvement recommendations, and professional quality service to the whole organization.

Sincerely,

Michael Tupchong CA, CIA, CPA, CFE  
City Auditor

cc: J. Zipay C. Harris M. Ramunno D. Birchall G. Uyeyama  
W.McEachern

**INTERNAL AUDIT REPORT**  
**DEVELOPMENT PLANNING AND POLICY PLANNING/URBAN DESIGN**

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**DEVELOPMENT PLANNING AND POLICY PLANNING/URBAN DESIGN**

**DEFINITION, OBJECTIVE AND SCOPE**

1. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors are concerned with any phase of City activity. The scope of Internal Auditing includes:
  - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
  - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
  - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  - Appraising the economy and efficiency with which resources are employed.
  - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
  - Reviewing the identification of risk exposures and the use of effective strategies to control them.
  - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

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**DEFICIENCY RATING**

1. To assist readers in the interpretation of Internal Audit's opinion of the gravity of the reported deficiencies, we have categorized our findings into 5 groups:-

**High (5\*); Medium High (4\*); Medium(3\*); Medium Low(2\*); Low(1\*).**

2. In **summary**, there are 0 (5\*), 2 (4\*), 3 (3\*), 0 (2\*), 0 (1\*) reported in this Internal Audit Report.
3. At the discretion of the commissioner and director(s), this report may be distributed to the appropriate staff members under their jurisdiction. Deficient items which could be common across the organization should be globally addressed. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.

**End of Field Work:** 5 November, 2005

**Auditor(s):** Michael Tupchong.....

**Approved:** .....

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**DEVELOPMENT PLANNING SECTION**

**Application Money (4\*)**

**Observations:**

1. File number Z.04.072 and OP.04.020 was submitted on November 29, 2004. On May 16, 2005, this case was brought to Committee of the Whole(Public Hearing). On May 23, 2005, a cheque for \$134,885 was received, based on a rezoning fee of \$5,686 and \$129,200 for 680 residential units @\$190 per unit. There was a deficiency of \$19,570, as a more recent review of the survey showed a larger land area which produced a higher unit count of 782 leaving a shortfall of \$19,570. The shortfall was received from the applicant on June 8<sup>th</sup>, 2005 ( 16 days later).
2. The planners may receive cheques in the mail, and hand them over to Clerk L who prepares the 4-part receipt , enters the payment into the Detailed Application Tracking System (DTA) and brings the money to the central cashier.
3. When applicants submit their application with their payment, the planner checks the fees, the front reception logs the application , forwards the application form with the cheque to the Manager of Development Planning who reviews the application. The Manager then forwards the application with the cheque to a Planner who then gives the cheque to Clerk L. The latter prepares the 4-part receipt, enters the payment into the DTA, then brings the money with the receipts to the Central Cashier.
4. There is no Application Fee Calculation Sheet showing how the total fee is calculated. Lump sum payments could not easily be checked against what fees are being paid for.

**Implications:**

1. Applications are sometimes processed even though some fees may be owing.
2. With applicants owing money, it becomes burdensome for the planner to collect and administer who owed what, how much, and when the balance was paid.
3. Money is being handled by too many people. This results in a deficiency in control.
4. There is no check of total money deposited to total entered into the DTA.

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5. Clerk L receives money as well as has access to applicants' files in the DTA .  
This results in inadequate segregation of duties.
6. The planners also do receive application money.

**Recommendation:**

It is recommended that:

1. An Application Fee Calculation Sheet should be devised by the department. This should be filled out by each applicant and submitted with his/her payment. The payment cheque should be checked against this Application Fee Calculation Sheet by the Planner, who should then sign and date the sheet verifying that the fee is correct. The Application Fee Calculation Sheet should accompany all application forms and be filed in the applicant's file.
2. No application should be proceeded with until the full payment is received . The applicant should be requested to replace the "short" cheque with a new cheque for the full payment. A separate cheque for the difference should not be accepted. Once the new cheque has been received, then the "short" cheque should be returned to the applicant.
3. Money should be handled by front desk Clerk C only. The latter should prepare the 4-part receipt, log the application with the payment, bring the money with the 4-part receipt to the Central Cashier who should stamp all copies with the "Paid" stamp. The goldenrod copy should be brought back to the department, and filed in numerical sequence. One copy of the receipt should be given to Clerk L to enter the details into the DTA.
4. Clerk L should not handle any money. She should strictly enter information into the DTA as well as perform other duties.
5. All mail should be opened by the front desk Clerk C. All money received should be logged. Money should be handled by front desk Clerk C only. The latter should prepare the 4-part receipt, log the application with the payment, bring the money with the 4-part receipt to the Central Cashier who should stamp all copies with the "Paid" stamp. The goldenrod copy should be brought back to the department, and filed in numerical sequence. One copy of the receipt should be given to Clerk L to enter the details into the DTA.
6. Planners, the Manager and Clerk L should not receive any money from applicants. Only the front desk Clerk C should handle all money.

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**Corrective Actions ( Commissioner John Zipay's Response)**

**Recommendation:**

*It is recommended that:*

- *An Application Fee Calculation Sheet should be devised by the department. This should be filled out by each applicant and submitted with his/her payment. The payment cheque should be checked against this Application Fee Calculation Sheet by the Planner, who should then sign and date the sheet verifying that the fee is correct. The Application Fee Calculation Sheet should accompany all application forms and be filed in the applicant's file.*

The Development Planning Department is preparing a Fee Calculation Worksheet which will require the Planner to verify and sign that the fees are correct. Once the Fee Calculation Worksheet has been finalized, it will be included in all Application Forms as of January 1, 2006.

- *No application should be proceeded with until the full payment is received. The applicant should be requested to replace the "short" cheque with a new cheque for the full payment. A separate cheque for the difference should not be accepted. Once the new cheque has been received, then the "short" cheque should be returned to the applicant.*

This recommendation has been implemented. In addition, the Application Forms will provide wording requiring full payment (no partial payments) with each application as of January 1, 2006.

- *Money should be handled by front desk Clerk C only. The latter should prepare the 4-part receipt, log the application with the payment, bring the money with the 4-part receipt to the Central Cashier who should stamp all copies with the "Paid" stamp. The goldenrod copy should be brought back to the department, and filed in numerical sequence. One copy of the receipt should be given to Clerk L to enter the details into the DTA.*

This recommendation will be implemented on December 1, 2005.

- *Clerk L should not handle any money. She should strictly enter information into the DTA as well as perform other duties.*

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The recommendation will be implemented on December 1, 2005. However, Clerk L will continue to handle cheques for The Region of York and the TRCA until such time that the Development Planning Department has discussed this with the respective agencies to no longer collect third party cheques in accordance with the recommendation of the auditor.

- *All mail should be opened by the front desk Clerk C. All money received should be logged. Money should be handled by front desk Clerk C only. The latter should prepare the 4-part receipt, log the application with the payment, bring the money with the 4-part receipt to the Central Cashier who should stamp all copies with the "Paid" stamp. The goldenrod copy should be brought back to the department, and filed in numerical sequence. One copy of the receipt should be given to Clerk L to enter the details into the DTA.*

This recommendation will be implemented on December 1, 2005.

- *Planners, the Manager and Clerk L should not receive any money from applicants. Only the front desk Clerk C should handle all money.*

This recommendation will be implemented on December 1, 2005.

**Auditor's Response to Corrective Actions:**

The auditee department has responded that all recommendations will be implemented.

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**Detailed Tracking Application System(DTA) for Fees (4\*)**

**Observations**

1. On reviewing the Detailed Tracking Application System (DTA) for fees and receipts, there appears to be a programming issue.
2. For Application Number DA 00.014 the total Fees shown was \$5685. It should have read \$3790. The voided fee of \$1895 was included in the total Fee even though it was voided. The Receipts shown was \$3790. Therefore the Fees information ( \$5685) does not agree with the Receipts information (\$3790).
3. Receipt 093106 ( dated May18, 2005) shows fees received of \$1550. It did not show the refund of \$465. The net fee received was \$1085. Therefore Receipt 093106 (\$1550) does not agree with the Fees and Receipts Report which shows Fees and Receipts of \$1085.
4. The Receipt Number 114754 showed \$2046.60. Another Receipt number 114754 (same number) showed \$5685.00. Total Receipts actually received was \$7731.60 ( \$2046.60 and \$5685.00). The same receipt number was assigned to two separate receipts. Receipt 114754 did not pick up both receipts; only one or the other. Therefore Receipt number 114754 does not agree with the Fees and Receipts Report in the DTA which shows \$7,731.60.
5. The DTA presently cannot produce reports showing receipts received for various Development Planning applications. The information entered in the DTA has to be transferred to another data base before a report can be generated. Therefore reports useful for management purposes, are not readily printable directly from the DTA System.
6. The DTA receipts are not checked to Peoplesoft account balances as a control feature to ensure recorded receipts in the DTA, have been deposited and entered into the General Ledger.

**Implications:**

1. The fees amount and the receipts do not always agree in the Fees and Receipts Report.
2. The official receipt from the DTA does not always agree with Fees and Receipts Report in the DTA.

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3. The DTA does not currently provide adequate management information reports.
4. There is currently no check of receipts information between the DTA and the General Ledger maintained in Finance.

**Recommendations:**

It is recommended that the

1. The problem in the DTA program should be rectified so that the fees and receipts agree in the Fees and Receipts Report.
2. The actual Receipt from DTA should agree with the Fees as shown in the Fees and Receipts Report.
3. The DTA should be programmed to produce reports of fees received for various applications for management purposes so that staff can print out reports as required.
4. There should also be a monthly check of total receipts in the DTA for each application (official plan, zoning by-law, site development, condominium, sub-division etc), to the applicable general ledger account balance in Peoplesoft. This would verify that actual fees received and recorded in the DTA, agrees with fees recorded in the separate accounts in the general ledger.

**Corrective Actions ( Commissioner John Zipay's Response)**

**Recommendations:**

*It is recommended that the*

- *The problem in the DTA program should be rectified so that the fees and receipts agree in the Fees and Receipts Report.*

The Development Planning Department is working with the ITM Department to address the technicalities with the DTA Program. The Director of Development Planning has submitted a Memorandum regarding enhancements to the DTA, and is waiting for the Maintenance Agreement between the ITM Department and Munirom (DTA consultant) in order to proceed with the future enhancements.

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- *The actual Receipt from DTA should agree with the Fees as shown in the Fees and Receipts Report.*

The Development Planning Department is working with the ITM Department to address the technicalities with the DTA Program. The Director of Development Planning has submitted a Memorandum regarding enhancements to the DTA, and is waiting for the Maintenance Agreement between the ITM Department and Munirom (DTA consultant) in order to proceed with the future enhancements.

- *The DTA should be programmed to produce reports of fees received for various applications for management purposes so that staff can print out reports as required.*

The Development Planning Department is working with the ITM Department to address the technicalities with the DTA Program. The Director of Development Planning has submitted a Memorandum regarding enhancements to the DTA, and is waiting for the Maintenance Agreement between the ITM Department and Munirom (DTA consultant) in order to proceed with the future enhancements.

- *There should also be a monthly check of total receipts in the DTA for each application (official plan, zoning by-law, site development, condominium, sub-division etc), to the applicable general ledger account balance in Peoplesoft. This would verify that actual fees received and recorded in the DTA, agrees with fees recorded in the separate accounts in the general ledger.*

The Development Planning Department will be approaching the ITM Department and Finance Department in order to examine the possibility of integrating the two systems.

**Auditor's Response to Corrective Actions:**

The auditor will issue a follow-up letter 30 days from the date of this report.

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**Ledger Account Numbers: (3\*)**

**Observations:**

1. It was observed that Subdivision and Condominium applications were posted to one general ledger account (1804513511); Zoning By-law amendment and Part Lot Control applications were also posted to one general ledger account (1804533511).
2. The ledger account for Sale of Maps (180-452-3511) also includes other revenues from photocopy sales, retrieval of files, by-law 1-88 sales, official plan amendment sales etc.

**Implication:**

By having one general ledger account for two or more different applications, makes it a manual and time consuming task to isolate information relating to individual applications when required for management purposes. Information for management is not readily available.

**Recommendation:**

1. It is recommended that one general ledger account should be opened for each of (1) Subdivision Applications, (2) Condominium Applications, (3) Zoning By-Law Amendment Applications and (4) Part Lot Control Application. This will enable management to keep track of revenues for each of these and to make management decisions accordingly.
2. Sale of maps should only reflect that and should not include other miscellaneous revenues.
3. Separate accounts should be opened for other revenues (photocopy sales, retrieval of files, by-law 1-88 sales, official plan amendment sales etc) as required by management.

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**Corrective Actions ( Commissioner John Zipay's Response)**

**Recommendation:**

- *It is recommended that one general ledger account should be opened for each of (1) Subdivision Applications, (2) Condominium Applications, (3) Zoning By-Law Amendment Applications and (4) Part Lot Control Application. This will enable management to keep track of revenues for each of these and to make management decisions accordingly.*

This was implemented by the Director of Development Planning through the Office Coordinator sometime ago, to provide accurate figures on Application Revenues received by the Department.

- *Sale of maps should only reflect that and should not include other miscellaneous revenues.*

This was implemented by the Director of Development Planning through the Office Coordinator for the sale of maps to be reflected in the ledger account to provide figures on Revenues for the sale of maps, and other Revenues for other activities to be reflected in their appropriate ledger accounts.

- *Separate accounts should be opened for other revenues (photocopy sales, retrieval of files, by-law 1-88 sales, official plan amendment sales etc) as required by management.*

This was implemented by the Director of Development Planning through the Office Coordinator to provide accurate figures on Revenues set-up as separate ledger accounts to accept Revenue for the above-noted activities.

**Auditor's Response to Corrective Actions:**

The auditee department has responded that all recommendations have been implemented.

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**POLICY PLANNING AND URBAN DESIGN SECTION**

**Consultants Paid Invoices Log (3\*)**

**Observation**

1. It was observed that the invoice costs for each Study are maintained manually by an assistant in a "Consultants Paid Invoices Log". The information shows among other things, the invoice # and the invoice cost. There is however, (a) no cumulative total and (b) no cumulative balance from budget.
2. Presently, all operating studies are lumped together under "Professional Fees" account in the General Ledger.
3. There is no check between the "Consultants Paid Invoices Log" and a printout of recorded entries in the General Ledger to ensure that both agree.

**Implication:**

1. The manual log information "Consultants Paid Invoices Log", could be improved upon.
2. Currently, to separate costs for each Study from the "Professional Fees" account in the General Ledger, would have to be done manually and this would be time consuming.
3. The "Consultants Paid Invoices Log" may not agree with the General Ledger entries.

**Recommendation:**

1. The "Consultants Paid Invoices Log" would be improved if it showed additional information to include:
  - a) Cumulative Total Cost
  - b) Cumulative Balance from Budget
2. New Sub-Accounts should be set up in the General Ledger so that each Study has its own Sub-Account. The expenses recorded in each Sub-Account should be compared to the "Consultants Paid Invoices Log" maintained by the assistant at

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least monthly to ensure they are in agreement. This will ensure accuracy of recorded information in both the "Consultants Paid Invoices Log" and the General Ledger. The Urban Design department should initiate this with the Finance Department.

3. Professional fees which are budgeted but "unassigned", should have its own Sub-Account. As a new study is implemented, money should be transferred from the "unassigned" account to the new Sub-Account created for the new study. Expenses should then be charged to the new Sub-Account. The Urban Design department should initiate this with the Finance Department.

**Corrective Actions ( Commissioner John Zipay's Response)**

In terms of the "Consultant's Paid Invoices Log", Recommendation 1. has been implemented. Recommendations 2 and 3 will need to be implemented through Budget and Reserves in the Finance Department.

**Auditor's Response to Corrective Actions:**

Recommendation 1 has been implemented. The auditee department will have to initiate recommendation 2 and 3 with the Finance Department.

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**Holdbacks (3\*)****Observation:**

It was observed that for capital studies, three had no holdbacks, one had a 15% holdback and one had a 5% holdback. For operating studies, all 7 had no holdbacks.

**Implications**

1. For studies, there is inconsistency in the application of holdbacks.
2. There is also a somewhat grey area in what is operating and what is capital for various studies.

**Recommendations:**

1. It is understood that consultants' work which is based on service of information is not the same as contractors' work which is based on tangible work done and materials. Nevertheless, it is recommended that for all studies (capital or operating), there should be a consistent 10% retainer applied (as opposed to a holdback which is often referenced to the Construction Lien Act). The retainer should be applied to all studies exceeding \$35,000 which is the present threshold the City uses for construction holdbacks. The retainer should be released 45 days after the final report has been delivered to the City and declared satisfactory (substantially complete). This would give the City additional leverage against any incompleteness in any part of the contract or inaccuracies which have to be rectified by the consultant, in any part of the work submitted.
2. The retainer clause should be included in all future Request for Proposals and/or Tenders.

**Corrective Actions (Commissioner John Zipay's Response)**

In terms of "Holdbacks", working with the Purchasing Department, we will ensure that the next Request for Proposals and subsequent contract for any study exceeding \$35,000 will include a 10% holdback.

**Auditor's Response to Corrective Actions:**

The auditee department has responded that the recommendation will be implemented.

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**Conclusion**

1. The commissioner and director(s) have responded favourably to all findings and recommendations in the Internal Audit Report.
1. When all corrective actions/recommendations are implemented by the auditee department, internal controls will be improved, the quality of performance in carrying out assigned responsibilities will be enhanced, the department will operate more effectively and efficiently and the Internal Audit Department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.