

## **AUDIT COMMITTEE - (JUNE 19, 2007)**

### **INTERNAL AUDIT REPORT OF THE CLERKS DEPARTMENT**

#### **Recommendation**

The City Auditor recommends :

That the Internal Audit Report of the Clerks Department 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 implementation of corrective actions in the audit report will have a positive impact on the operation; some impact will be economic and measurable while others may not be measurable. Other benefits will be improvement in risk management, control and governance. Internal Audit adds value to all areas of City activity which are audited.

#### **Communications Plan**

Not Applicable

#### **Purpose**

To present to the Audit Committee, the Internal Audit Report of the Clerks Department.

#### **Background - Analysis and Options**

The audit was part of the Internal Audit Plan for 2006.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes the observations of the auditor, the implications, the auditor's recommendations, the commissioner's response 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.

#### **Regional Implications**

Not applicable

### **Conclusion**

1. The commissioner and city clerk of the department/operation audited, have responded favourably to all observations 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**

1. Internal Audit Report of the Clerks Department.

### **Report prepared by:**

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

Respectfully submitted,

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

Attachment 1

January 16, 2007

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

Dear Michael De Angelis,

**Re: Internal Audit of CLERKS DEPARTMENT**

I have completed the internal audit of CLERKS DEPARTMENT as of June 30, 2006. This audit was conducted in accordance with the 2006 Audit plan.

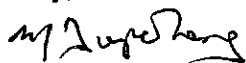
A follow-up letter will be sent to the auditee, 30 days from the date of this Internal Audit Report, requesting the status of corrective actions on deficiency items noted in this report. Subsequent follow-up letters may be sent until all corrective actions have been satisfactorily implemented.

I would like to thank Commissioner Janice Atwood-Petkovski, City Clerk John Leach 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 providing professional service to the whole organization.

Sincerely,



Michael Tupchong CA, CIA, CPA, CFE  
City Auditor

CC: J. Atwood-Petkovsski C. Harris J. Chiarelli J. Leach S. Fernandes

**INTERNAL AUDIT REPORT**  
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**INTERNAL AUDIT REPORT**  
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**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 use of effective strategies to control them.
  - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

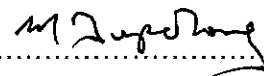
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**FOLLOW-UP ON CORRECTIVE ACTIONS**

1. It is extremely important that all corrective actions as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups , the first being 30 days after the date of the letter to the City Manager, followed by subsequent 30 days until all corrective actions have been satisfactorily implemented. Follow-up audits may be done to verify the reported implementation.
3. The corrective actions will ensure that the deficiencies as raised by the Auditor will be addressed. After all corrective actions have been implemented, there will be improvement in the effectiveness of risk management, control, and governance processes. The department will operate more efficiently and effectively. Members of the organization will also have discharged their responsibilities.
4. 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:** June 30, 2006

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

**Approved:** 

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**Committee of Adjustment-Conditions for Minor Variance only**

**Observations:**

1. The Committee of Adjustment(COA), may grant approval for a Minor Variance application subject to certain conditions.
2. The applicant has 1 year to fulfil the conditions. The COA department keeps track whether the conditions have been fulfilled. One month prior to the 1 year deadline, the COA department will as a courtesy, send a "1 Year Reminder" letter to the applicant. When the deadline has been reached, the COA department will then send a final letter ( "Application has Lapsed") to the applicant informing them that a new application will have to be made.
3. It is during these two stages that the COA department may learn after the fact that occasionally, a permit was already granted by the Building Standards department. The condition(s) may or may not have been fulfilled.
4. Clearance letters may not always be presented to the COA department to inform them that conditions have been met.

**Implications**

1. Without closing the loop and notifying the COA department with Clearance Letters that the conditions have been met and that a permit has been issued, creates unnecessary administration work and correspondence for the COA department.
2. There may be liability issues arising from the issuance of a building permit before all conditions have been cleared.

**Recommendations:**

It is recommended that:-

The Building Services department, should obtain written confirmation from the COA department if all conditions have been met through Clearance Letters prior to issuing a building permit. This would save much administration time within the COA department in sending letters to the applicant and other departments ( Building Standards, Development Planning) and eliminate the necessity of the applicant having to re-apply and pay another fee due to the fact that a building permit has been issued but the conditions have not been cleared. By-law enforcement may be informed that the conditions have not been met and that the variance is null and void resulting in an illegal construction.



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**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

The Commissioner of Legal and Administrative Services will follow up with the Commissioner of Planning to ensure that the recommendation is adhered to.

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

The implementation of the recommendation will eliminate unnecessary administration work and correspondence for the COA department.

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**Receipts used by COA Department:**

**Observations:**

1. Blank Receipts are obtained from Finance department and split between the three clerks. Receipts are not used in numerical order and neither are they filed in numerical order. A receipt is attached to each applicant's file folder.
2. If payments are by credit card, the COA clerk will make out a 4-part receipt and give the receipt to the applicant to take to the central cashier downstairs and make payment. The cashier will stamp the receipts "paid", keep two copies and give two copies to the applicant who will return to the COA department with the receipts. The department will keep the goldenrod copy and give the pink copy to the applicant.
3. If payment is by cheque (90% of payments), the COA clerk will not make out a receipt immediately. She will take custody of the cheque. The clerk will make out the receipt at a later date, when they are assured there are no problems that would delay or cause the application to be withdrawn, and drop off the cheque and receipt (white and yellow copies) at the central cashier. The clerk will sign and mail the pink receipt with the Notice of Application to the applicant approximately two weeks later. The goldenrod copy is filed in the applicant's file.
3. The Committee of Adjustment staff only holds onto the cheque in case there are any problems with the application. If there are problems and the City has previously cashed the cheque, then the applicant has to wait until the request for refund goes through Finance procedures and is approved by Council, which will take a lot longer than the one to two week process the cheque is currently held for before deposit.

**Implications:**

1. The receipts are not used in numerical order.
2. Receipts mailed by the clerk to the applicant are signed by them and do not have the cashier's "paid" stamp. There is no assurance that the cashier received all the money.

**Recommendations:**

1. All cheques held by the COA clerks, should be secured under lock and key.
2. Receipts should be used in numerical sequence.

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3. Whether payment is by cheque or by credit card, the process should be as follows:-
  - a. The 4-part receipt should be made out by the COA clerk. The clerk should pay at the cashier when they are assured there are no problems that would delay or cause the application to be withdrawn. The COA clerk should not drop off the cheque and receipt (white and yellow copies) at the central cashier. The 4-part receipts should be stamped "paid" by the cashier. The COA clerk should give the pink copy to the applicant and file the golden rod copy in the applicant's file.
4. Any receipts which are voided, should be marked "Void" across the face of all the copies and should be sent to the Finance Department.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

We are now taking the cheques down to the Cashier, once we are assured there are no hold-ups and they will be stamped by the Cashier. We will then send the receipt along with the notice of application. We are also marking any void copies and sending them to Finance. We stress on our literature and application forms that we want cheques only. I agree they should be in numerical order, however Finance gives us a limited number of receipts at a time and therefore there will be some gaps in the range sequence. Therefore they will not always be in order for our total number of files for the year.

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

The implementation of the corrective actions will improve the situation and provide assurance that the cashier has received the money for deposit.

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**Polling**

**Observations**

1. Polling is done for (1) selecting residences which fall within the 120 metre radius for sending notices of Zoning Bylaws and Official Plan Amendments or (2) selecting residences which fall within 60 metres radius for sending notices of Severance Application and Minor Variance Applications.
2. It was observed that two methods are used for polling in the department:- (1) ruler and a large scale map (2) DTA ( Detailed Tracking Application) system.
3. Under (1), a ruler is used to outline a boundary on the map. Using the house and street number from the map, VTAX is used to identify the roll numbers of the houses. Using another portion of VTAX, the roll numbers are entered into VTAX to generate mailing address labels.

Under (2), DTA is used to create an outline which is used to create an outline map in MPAC. This then generates roll numbers for the houses within the outline map. The roll numbers are then entered into VTAX to generate mailing address labels. The tax system (VTAX) may not generate accurate labels for certain roll numbers that were entered, based on the MPAC information, due to the tax system not being up to date. The labels are checked against MAP INFO (MPAC) for accuracy. DTA is currently not able to access accurate municipal mailing addresses.

4. It takes between half an hour to an hour to complete a poll for each application.

**Implications:**

There is no standard method used to do polling. The methods used can be improved and be made more efficient and accurate.

**Recommendations:**

The map and ruler method ( which is manual and more time consuming) should be replaced with a more technical/computerized method which should provide more accuracy and produce the addresses more quickly. DTA should be programmed to access accurate municipal mailing addresses. DTA could then be used to do the whole process. This would simplify and quicken the polling process.

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**Corrective Actions: ( Commissioner Janice Atwood-Petkovski's Response)**

1. Staff have been waiting for years to have a proper system and have met with various ITS people discussing what kind of system we can work with. We are still waiting for a proper system. The system in place right now is very time consuming and leaves room for error.
2. The Commissioner will seek a commitment from ITS to deal with this situation and include this project as an ITS priority.

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

The implementation of the corrective actions will address the issues.

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**Committee of Adjustment-Reference purposes**

**Observations:**

1. At the desk, the COA department clerks manually enter each application into a log called "Application to Committee of Adjustment for 200X Consents/Minor Variance" log. They then re-enter the data into the computer COA database.
2. For referencing purposes, especially during busy periods, the manual log may take longer to find an applicant than a computer.

**Implications:**

A computer at the front desk would assist in finding an applicant's information quicker than the manual log.

**Recommendation:**

It is recommended that:

There should be at least one terminal at the counter to make it more efficient at any time, to reference an applicant's information instead of flipping through pages of the manual log.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

It is agreed that one or two terminals would be very helpful in referencing applications. We will undertake this with the ITS department. However, manual logs would still be maintained to enter applications due to often busy periods.

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

A terminal at the front desk will simplify the process of referencing an application.

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**“Application Has Lapsed” Letter and “One Year Reminder” Letter**

**Observations**

1. The wording of the “Application has lapsed” letter includes:

“...we have discovered that you have not provided clearance letters from the required Department(s) and/or Agencies to the Secretary-Treasure within the prescribed time period.”

2. The “One Year Reminder” Letter includes:

“If you have complied with the requirements, please disregard this notice.”

**Implications**

1. The wording suggests that the applicant should provide clearance letters to the COA department instead of the departments sending clearance letters to the COA department.
2. If the applicant has complied with the requirements and disregarded the notice, the COA department still would not receive confirmation that the requirements have been met unless it received the required clearance letters.

**Recommendations**

1. It is recommended that the wording of the “Application has Lapsed” letter be changed to:

“...it has come to our attention that clearance letters from the required Department(s) and/or Agencies have not been received by the Secretary-Treasurer within the prescribed time period.”

2. The “One Year Reminder” letter should be changed to read:

“We have not received evidence that the conditions have been met. If you have complied with the requirements, please ensure that clearance letters from the required Department(s) and/or Agencies are received by this department as soon as possible before the deadline date of.....”.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski’s Response)**

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We have already revised our lapsed and reminder letters to reflect these changes.

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

The quick implementation of recommendations has improved the clarity of letters issued by the COA department.



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**Pending Files for Licences**

**Observations**

1. It was observed that there are approximately 300 "pending" files of businesses which have not been licensed. Some go back to 2002. This amounts to approximately \$90,000 of pending revenues to the City. The reason is that approvals are required from a few departments before a licence can be issued. As per the Licensing department, approximately 90% are waiting approvals from the Fire department. And approximately 10% are waiting for approvals from the Building Standards department. The 300 number was in excess of 600 two years ago. Aggressive pursuit by the licensing department has been the primary reason for the reduction in "pending" files. This is still continuing.
2. The Fire department has not allocated enough staff to do Fire Prevention Inspection. The Fire department still issues and receives documentation through inter-office mail. The Building Services department now sends documentation electronically; as a result communication is quicker.
3. Due to the delay, 10-15% of businesses leave before a licence is issued. As a result, revenues from these businesses are lost. This amounts to approximately \$9,000.
4. Since January 1, 2006, new licence applications are now monitored on a 45/120 day process. Before this time it was observed that it could take up to 4 years to get a new licence as a result of not receiving the required approvals from the Fire and/or Building departments or lack of co-operation from the applicant when zoning is an issue..
5. When the approvals are finally received and the business is still in existence, the licensing department then collects all arrear licences from the business.

**Implications**

1. New businesses may be operating without a licence for a number of years due to delays in approvals.
2. The City has not received revenues of approximately \$90,000( \$150/avg licence X 300 files X 2 years(avg arrears) as a result of the delays, but will receive all arrears when the licences are eventually issued and the businesses are still operating.

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**Recommendations:**

1. The departments (Fire and Building) should address the backlog issue of inspections so that approvals may be given to license the businesses. The Fire department should consider dedicating one inspector for the purposes of licensing.  
Alternatively, the Licencing By-law criteria requiring such inspection should be reviewed. Either it is necessary to have such inspection before a business is permitted to operate, or it is in fact not necessary to have the inspection.
2. The Fire department and the Licensing department should transmit documentation electronically. This will quicken the time delays in inter-office mail and reduce "lost" documentation during the process.

**Corrective Actions (Commissioner Janice Atwood-Petkovski's Response)**

1. As of May 15, 2006, the Licensing department now provides information to the Fire department electronically.
2. Staff agrees with the above recommendations. Having one fire inspector deal with all licensing issues will significantly reduce the turn around time and licensing staff will have one point of contact as opposed to the five they now have. This process should result with licenses being issued on a more timely basis.
3. Licencing By-laws will be reviewed to determine the necessity of inspections and will be amended as required.

The Commissioner will address this issue with the Fire Chief so that the recommendations can be implemented . This will then reduce the backlog of unlicensed businesses due to the required approval from the Fire Department.

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

Corrective actions are being taken to address the issues.

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**Animal Licences****Observations**

1. The department received approximately \$3,300 revenue for 2005 and approximately \$2,400 for the 3 months ended March 2006.
2. A staff member maintains an Excel spreadsheet of the numerical sequence of licence tag numbers. The spreadsheet shows the name, address and phone number of the owner, the tag licence number that was sold, the dog type and name, the \$ amount received and the date of registration. The spreadsheet incorporates all sales whether by the Clerks office or whether sold by the veterinary facility sites.
3. A review of the spreadsheet revealed a number of gaps in the numerical sequence of tag numbers. As there was little control over the sequence of numbers, there was limited investigation into possible "missing" tags.
4. Licence tags are issued in bundles to a number of veterinary facility sites to also sell tags for which they receive 50% of sales as a commission. The numbers are recorded onto the Dog Tag Control Ledger. When unsold tags are returned, they may not be recorded as such on the Dog Tag Control Ledger or the Excel spreadsheet. There is no reconciliation of licence tags issued, sold and returned.
5. Currently tag numbers for dogs and cats could be the same number. They are only distinguishable by the shape of the tag.
6. A reduction of \$5 is applied to the selling price if there is proof that a pet has been microchipped. It was observed that the discount was applied when only a "number" was given without documentation proof that the pet was actually microchipped.
7. The veterinary facility sites submit details of licences sold on a Monthly Vet Control Sheet to the Clerks office monthly together with Dog and Cat Licence Application Forms. They do not include documentational proof of vaccination, rabies, spraying, neutering and/or micro-chipping. This is a requirement as per the Dog and Cat Licence Application Form.
8. The clerk will make out a receipt for the money received and take the money with the receipts to the cashier for deposit.

**Implications**

1. Controls over animal licence tags could be improved.
2. The requirement of the Dog and Cat Licence Application Form is not being followed.

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**Recommendations**

It is recommended that:

1. The Excel spreadsheet which controls the licensing of tags, should also include the name of the Veterinary Facility Site which sold the tag.
2. Returned unsold tag numbers from the Veterinary Facility Sites should be entered into Excel as well as on the Dog Tag Control Ledger. Any out-of-sequence tags should be investigated.
3. The Total \$ on Excel spreadsheet should be agreed to the receipts which should be stamped "Paid" by the central cashier.
4. Receipts should be filed in numerical order. The receipt number should be written on the Dog and Cat Licence Application Form.
5. There should be two spreadsheets; one for dogs and one for cats. This way there will be no confusion over the numbers for dogs or cats.
6. The colours for the dog tags should also be different each year so that at a glance enforcement could tell whether the tag was current or not.
7. Actual documentation proof ( not just a "number") of microchipping should be produced.
8. All veterinary facility sites which sell licence tags should be informed to submit documentational proof of vaccination, rabies, spraying, neutering and/or micro-chipping as a requirement of the Dog and Cat Licence Application Form.
9. For each Veterinary Facility Site , there should be a reconciliation done at least semi-annually as follows:

**Example:**

Tags issued	100(nos: 300-400)
Tags sold	50
Tags returned	48
-----	
Tags discrepancy	2

Reason for discrepancy:

**Corrective Actions( Commissioner Janice Atwood-Petkovski's Response)**

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1. Separate lists will be set up for each veterinary clinic that sells tags and each will have distinct tag numbers assigned to them for sale.
2. All unused tags will be required to be returned.
3. A reconciliation will be prepared.
4. Receipts will be filed in numerical order
5. Separate spreadsheets will be developed for 2007 renewals.
6. Different colours (dogs/cats) will be instituted for 2007 renewals.
7. Staff will inquire if such documentation exists and will act accordingly.
8. A letter will be sent to the veterinary clinic along with the tags.
9. Staff will reconcile accounts for each veterinary clinic.

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

The corrective actions will improve controls for animal licences.

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**Agreeing revenue to licences issued**

**Observations**

1. The licensing department received approximately \$820,000 for licences issued for 2005.
2. Payments for licences received in the mail.

Clerk V receives cheques in the mail, prepares the receipts, enters the receipt onto a Summary Sheet. She forwards the cheques, Summary Sheet and receipts(white and yellow copies) to the central cashier who then stamps the Summary Sheet and returns this to her. V sends a pink copy of the receipt to the applicant with the licence in the mail and places the goldenrod copy in the applicant's file.

3. For payments in person

Receipts(4 part) are prepared and issued to customers to pay the central cashier downstairs and return with two stamped copies(pink and goldenrod) of the receipts. The goldenrod copy of the receipt is placed in the applicant's folder and the applicant is given the pink copy.

4. Receipts are not filed in numerical order.
5. Amanda does produce a report of licences issued for each of the 30 categories of licences. This report is not reconciled to (1) the Summary Sheet of cheque payments received in the mail

**Implications**

There is no reconciliation between licences issued and money deposited. This is an important control feature.

**Recommendations**

1. A monthly report should be printed from Amanda to show details of licences issued. From this report, frequent test checks should be made (by a staff member independent of the one who prepares the Summary Sheets) to the Summary Sheets (prepared daily for cheques received in the mail) which have been stamped by the Central Cashier ( on receipt of the cheques for deposit). This will provide some assurance that licences issued from Amanda, have been paid for and the money have been given to the cashier for deposit.
2. It is preferable that the Amanda Report is reconciled to the Summary Sheet.

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**Corrective Actions (Commissioner Janice Atwood – Petkovski’s Response)**

1. Staff will perform random checks to ensure licences issued have been paid for.
2. The Amanda Report will be reconciled to the Summary Sheet.

**Auditor’s Response to Corrective Action:**

The corrective action will provide some control that money received for licences issued by Amanda are forwarded to the Cashier for deposit.

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**Licence Renewal by mail**

**Observations**

1. Between February 22, 2004 and April 3, 2006, approximately 715 cheques totalling approximately \$97,554 were received in the mail for all licence renewals.
2. The renewal notice informs the operator of the business of the current licence's expiry date. The operator is informed to complete the back of the current licence and submit it with the payment for the new licence.
3. Currently, renewal of licences for operators of vehicles cannot be done by mail, only in person.
4. Clerk V, manually prepares a 4-part receipt for each cheque received in the mail. She logs the cheque onto a "Summary Receipt Form". She then takes the cheques, the Summary Receipt Form and receipts to the cashier for deposit. The receipts are stamped "paid" by the cashier. The clerk then mails the receipt (pink copy) to the applicant and puts one receipt(goldenrod copy) into the applicant's file.
5. Even though the deadline may be say, March 31, 2006, a number of cheques may be received after the renewal deadline.

**Implication:**

Businesses may be operating without a licence after the expiry date. If they did apply for a new licence, their current licence would not be on show on their premises as it would have been sent to the City to obtain a new licence. So one would not know whether it had a licence or not during this time.

**Recommendations:**

1. The Renewal Notice letter should be issued earlier than 30 days to reduce the potential large rush for a licence renewal at the expiry date. The letter should also give notice that the operator of the business could be charged by By-law Enforcement if a new licence is not displayed by the deadline date.
2. The operator should be informed to photocopy their licence and have the photocopy on display when their current licence is sent to the licensing department for renewal. Alternatively, the Renewal Notice Letter should have a



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mail-in portion for licence renewal, then the current licence would not have to be sent to the licensing department.

3. It should be possible for drivers of vehicles to renew licences through the mail provided they submit all the required documents. The Renewal Notice for drivers/owners of vehicles, should have a mail in portion which should be sent with a cheque. The mail-in portion should have the following minimum information:

- Licensee name and Address
- Licence Type
- Account Number
- \$ Amount
- Due Date.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

1. Renewal letter will be sent out 3-4 weeks earlier to get licencees to send in their renewal documents. This will assist staff in processing same and send out the licences prior to the actual expiry date.
2. Renewal letters will advise licencees to send in a copy of their licenses for renewal purposes.
3. Staff has held discussions with the Identicam software provider to have it serve as a standalone database for all licensed drivers and licenses that require photo identification. Discussions have included representatives from IT to assist in formulating a plan to achieve this. Staff will search out ways to have these types of licences renewed by mail.
4. Staff will review the option of a mail-in portion for licence renewal.

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

The implementation of corrective actions will improve the current process.

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**Identicam and Amanda****Observation(s)**

The licensing department uses two application system software:-

- 1) Identicam and 2) Amanda.

1. Identicam is used for licensing:-

(a) Vehicle Licensing (b) Adult Entertainers (c) Taxi Drivers and Owners (d) Refreshment Vehicle Owners and Drivers (e) Tow Truck drivers and owners (f) Driving School instructors (g) Massage Parlour owners and attendants.

2. Amanda is used for licensing:-

(a) Place of Amusements (b) Eating Establishments (c) Public Garages (d) Second Hand Goods and Pawn Shops (e) Auctioneer (f) Personal Services (g) Banquet Halls (h) Food Stuffs (i) Mobile Sign Vendors (j) Video Stores (k) Fireworks (l) Laundromats and Dry Cleaners

3. Amanda is used to issue receipts and renewal letters for licences issued from Identicam and Amanda. Identicam currently cannot be used to issue receipts and renewal letters. Therefore information entered into Identicam has to be re-entered into Amanda.

**Implication(s)**

Identicam information has to be entered into Amanda to generate receipts and renewal letters. This is duplication of work.

**Recommendation(s)**

To prevent duplication of data entry into Amanda, Identicam should be programmed to issue receipts and renewal letters.

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**Corrective Action(s) (Commissioner Janice Atwood-Petkovski's Response)**

Discussions are presently underway with the software provider, staff, and IT to have Identacam serve as a standalone database for all licensed drivers etc. and licenses that require photo ID. Talks are encouraging in this regard. Preliminary estimates to accomplish the above noted run in the area of \$15-\$20,000.

**Auditor's Response to Corrective Action(s)**

The process is in progress to address the duplication of work.

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**Tow Truck Owner and Operator Licence Application Form**

**Observations**

1. Behind the above form, there is a list of requirements which have to be met before a licence is issued.
2. In order to verify that all the required documents are in the file, one has to look at each document and check this to the list.
3. One applicant's file did not have 2 documents( drivers licence and a Rate Sheet). They were subsequently found in another file of the same applicant. The applicant had 6 files, one for each licence plate.
4. Another applicant's file did not have a copy of a driver's licence. The auditor was told that driver's licences are usually always asked for and physically checked. Failure to keep a copy on file may have been an oversight.

**Implications:**

1. The checklist of required documents is not marked off to show which documents are in the file and which are not.
2. Each document has to be checked to determine if all are present.

**Recommendations:**

1. It is recommended that the requirements are checked off with a tick mark/initial as and when documents are received and a photocopy is kept on file. If a document was not produced with the first submission and is subsequently produced, then it should be marked off/initialled and dated when received.
2. If a document is not present in a file, then there should be a note alongside the checklist stating where the document is to be found.

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**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

A "Document Required" list is being developed to track all documents received. In cases where owners have multiple licenses reference will be made as to where documents can be found.

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

The corrective actions will improve the current process and provide a checklist of documents on file.

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**Tow Truck/Taxi Insurance**

**Observations:**

1. For plate 213 for Co-up Towing Services Ltd, there is a Fleet Certificate of Liability for \$2 million. However, there is no description of the vehicle.
2. For plate 18 of a tow truck for 1482347 Ontario Inc., the wallet size insurance certificate was accepted as "proof of liability insurance". The certificate does not show description of the insurance nor the amount.
3. Wallet size insurance certificates are also accepted for Taxi licensing.

**Implications:**

1. The Certificate of Liability for plate 213, does not show the description of the vehicle.
2. For plate 18, there may be no liability insurance or the coverage may be less than \$2million.
3. Wallet size insurance certificates do not show specific information on insurance.

**Recommendations:**

1. The Certificate of Insurance should show liability coverage for \$2 million with a description and vin number of the truck(s) covered.
2. Wallet size insurance certificates which do not show liability coverage for \$2 million with a description and vin number of the truck(s) covered should not be accepted.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

Staff have been instructed that only Certificates of Insurance are to be accepted.

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

The corrective actions will address the auditor's concern of the liability issue.

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**Taxi Owner/Operator Licence Application**

**Observations:**

1. An applicant applied for a new Taxi Accessible licence and paid the required fee of \$4000 on June 1, 2005.
2. No criminal record check was done at the time of this application. The auditor was informed that a criminal check was done a number of years previously when the applicant first applied for a new Taxi Driver's Licence.

**Implications:**

The applicant could have acquired a criminal record between the first criminal record check and the new application for the Taxi Accessible licence.

**Recommendations:**

1. As this was a new application for a Taxi Accessible Licence, a criminal Record check should have been done.
2. For any application for a new or renewal licence for Taxi or Tow Truck licences, a Criminal Record check ( Police Clearance Letter) should be done.

**Corrective Actions ( Commissioner Janice Atwood-Petkovski's Response)**

1. A checklist will be developed to ensure all required documentation is provided.
2. The requirement for a Criminal Record check to be done for a new or renewal licence for Taxi or Tow Truck licences will be phased in.

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

The corrective actions will ensure all required documentation is provided

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**Liability insurance**

**Observation**

A Festival permit 81-2005 was granted with one condition being that the insurance certificate should include the City of Vaughan for a minimum liability of \$2 million. The insurance certificate presented to the Clerk and accepted was for \$1 million liability.

**Implication**

Insurance certificates under the required \$2 million liability, should not be accepted. The City could be at a greater liability risk.

**Recommendations**

The department should ensure that the required \$2 million liability insurance certificate is produced before any permit is given.

**Corrective Actions( Commissioner Janice Atwood-Petkovski's Response)**

A checklist is being prepared to ensure all documents as required are received as per by-law. A secondary check will be made by the officer signing the permit to ensure received documentation is correct.

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

The corrective actions will provide some control that the appropriate documentation are received.



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**Summary of Insurance Claims**

**Observations**

1. The City received the following claims for the past 7 years.

1999	196
2000	256
2001	297
2002	273
2003	361
2004	263
2005	282

2. On a review of the Excel spreadsheet of claims for 2005, it was observed that there were a 170 "open" and 112 "closed" claims as of June 28, 2006.
3. A number of "closed" claims did not always reveal (1) how the claim was settled (2) if payment was made, how much was the payout and (3) the date the claim was closed.
4. The summary also did not show (1) what was the dollar amount sought by the claimant or the estimated damage to property.

**Implications**

The Summary of Claims contains insufficient information to be able to assess trends.

**Recommendations**

It is recommended that the summary sheet should include (1) Dollar amount for each claim (2) Settlement amount( if applicable) (3) Notes on the settlement and (4) the Date the claimed was closed. This would provide more detailed information to the reader.

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**Corrective Actions( Commissioner Janice Atwood-Petkovski's Response)**

The claim listing for insurance files will be expanded to include the auditors recommended action. Please note that there will be files that are closed that do have settlement amount as no expenditures have been made. This most often occurs in two situations, the first being accident reports submitted by the Fleet department for minor damage for which repairs are not required and secondly, for claims that are referred to other jurisdictions, re-developers or York Region.

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

The additional information will be useful to the reader of the Summary Spreadsheet of claims.

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**Insurance Claim****Observations**

The City incurred deductible costs relating to payout of claims in 2005 of approximately \$169,149. The deductible amount was \$15,000 for each claim until 2005. For 2006 it is now \$50,000.

One big payout claim which re-surfaced in 2004 is outlined as follows:-

1. Mr H is a realtor whose house is positioned next to a parkette and has houses behind it.
2. In 1999, approximately \$94,000 was paid to H by the insurance company. It was stated that due to poor grading by the City of the adjacent parkette and surrounding houses at the rear, water was accumulating in H's backyard causing extensive damage to the swimming pool and land. The pool concrete surround and pool liner developed some cracks as a result of the water problem. The cost to the City was the deductible of \$15,000. Mr H signed a Final Release form on May 2001.
3. Since the payout, the City performed remedial work on the park land so that most surface water ran off to the new catch basins.
4. In 2004, H made another claim from the City for the "same" problem of water dampness in his rear yard causing the pool concrete surround to crack at certain places and the pool liner to also crack. The insurance adjuster requested proof that the \$94,000 which was paid to H in 1999, was used to repair the pool and the concrete pool surround. H replied that there were no receipts available as he paid "cash" for the repairs. There was no audit trail that the \$94,000 was spent to repair the crack in the pool liner and the pool surround concrete cracks. H offered to sign a sworn affidavit of this fact and did so.
5. Test holes were dug and as per RB of the City's Engineering Department, there was no sign of wet material or underground water detected. RB suggested "that some of the damages to the residence may have been caused by the fact that the down spouts do not have the elbows and splash pads situated at the bottom." " My feeling is that Mr H has created part of his own problem from roof run off, removal of the berm along the rear property line and sprinkler usage in the back yard."
6. The insurance adjuster called a consulting engineering company to do a survey of the water problem. The engineer reported that "the reported damages to the pool liner, and reported damage to the dwelling basement were consistent with high groundwater levels."
7. The insurance adjuster suggested that the City offer \$78,822 to settle the claim after taking into account a number of factors( GST, profit margin, depreciation). The insurance company finally paid H \$121,211 to settle the claim. Mr H signed

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another Release Form for this payout. The cost to the City was another \$15,000 deductible. Total paid to H by the insurance company was \$215,211 (1999: \$94,000; 2005:\$121,211). The total cost to the City was the \$30,000 deductible.

8. On discussion with the insurance adjuster, the second claim was considered a "new" separate claim even though it appears that this may appear to be a "repeat" of the first claim and there was a signed Final Release form on file from the first claim. The Final Release form did not prevent/hinder Mr H from claiming from the City a second time and being successful at it. Mr H sold the house soon after.
  
9. The insurance premium costs for the City with Frank Cowan Company Limited, were as follows :

2001	\$442,579	0% (Base Year)
2002	\$689,658	+56% over 2001
2003	\$965,199	+40% over 2002
2004	\$1,120,769	+16% over 2003
2005	\$1,298,979	+16% over 2004

Using 2001 as the base year, insurance premium costs for the City over the four years ending 2005 have increased by approximately \$856,400 (193.5%). This figure should take into account the fact of the September 11, 2001 catastrophe in New York City, which had an affect on the insurance industry throughout the world. Dramatic increases in rates were experienced throughout the industry as a result thereof. In the last two years Vaughan has seen an average increase of approximately 16% in premium costs.

Casualty insurance makes up approximately 67% of the City's insurance premiums. Since 2002, casualty insurance premiums have increased by approximately \$ 382,113 (88%). Casualty insurance premium for the past 4 years are as follows.

2002-	\$432,138
2003-	\$642,812 (+49% over 2002)
2004-	\$727,278 (+13% over 2003)
2005-	\$814,251 (+12% over 2004)

In discussions with the risk manager these premium increases are predominantly the result of the City's claims and the payouts being made by the insurance company.

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**Implications**

1. The City's total insurance premiums have increased by an average of approximately 48% per year over the last 4 years (2001-2005). A large proportion of these increases has been the result of increases in casualty insurance.
2. The Final Release form from the 1999 claim, did not prevent H from claiming again for a similar/"same" problem.

**Recommendations**

1. Even though the insurance adjuster is acting on our behalf in handling claims, it is recommended that claims like the above, should be challenged more affirmatively as the Final Release form was signed. The first Final Release Form which "release and forever discharge the City from any action or claim for damages specified above where the injury or, as the case may be, the damage, has been sustained as at the date hereof or may be sustained thereafter, as a result of Damage to pool and surrounding property as a result of flooding," should have been sufficient to disallow the second claim. The Final Release Form should be re-drafted and made airtight to prevent a repeat of the "same" type of claim.
2. The City should take a more aggressive approach to resisting claim payouts. It is the dollar payout and frequency of claims that also impact the City's insurance premiums.
3. The City should take a more pro-active approach to managing operational risks, assessing sources of frequent claims and taking corrective action.
4. The department should involve internal legal counsel on claims management as opposed to total reliance on the external adjuster.

**Corrective Actions (Commissioner Janice Atwood-Petkovski's Response)**

1. In the matter of "H" referred to above it was the adjusters opinion that the second claim was a new claim and not related to the first claim. In this particular matter an engineers report was requested and based on his report it was the adjusters opinion that the City did face liability with respect to the damages being claimed. It should be noted that prior to any payments being made the insurers claims department analyzes all of the information to assess whether a payment should be made or whether a claim should be defended. Release forms are for the most part standardized for such matters and are drafted for a single incident. In this particular case it barred the claimant from claiming damages for the first incident. Staff relies on the expertise of the adjusting firm to represent the interests of the

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City in all cases it handles. In this regard staff undertakes to take more of an active role with the adjusters in cases of large dollar claims and involve internal legal counsel.

2. With higher deductible limits now in place staff will be more involved in determining payouts where the City faces exposure. By becoming more involved in the process the City should realize savings in payouts and legal costs.
3. The City should consider additional staff in the area of insurance/ risk management. Clerical assistance is required to process and liaise with the various City departments in order to properly address the issues raised by claimants and to assist the manager in the preparation of files for the solicitors who represent the City.

In addition to the above, the City staff must take a more pro-active role in assessing its exposures and taking measures to reduce the liability it faces. This is paramount if the City is to reduce the number of claims it receives. The department will conduct regular assessment to identify recurring areas giving rise to frequent claims and making appropriate recommendations to operating departments where risk can be better managed and exposure reduced. Inter-departmental meetings will be conducted to insure that processes are in place to reduce liability and that documentation is correctly completed so that in the event the City faces a claim it can adequately defend itself. Accordingly, a new staff complement should be added to this section to deal with this pressing issue.

The City has taken a significant step in trying to limit its liability in the area of claims filed for sidewalk falls resulting from trip ledges. A company by the name of Sidewalk Plus has been contracted to conduct an inspection of all sidewalks in the municipality to identify areas where trip ledges are present and to take steps to rectify same.

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

The corrective actions should reduce claim payouts and thereby reduce the increases in insurance premiums.

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**Mailroom and Courier****Observations:**

1. The City Mailroom and Courier provide services for Powerstream on a daily basis. Currently, until the revised Joint Services Agreement is finalized, there has been no re-imbusement for these services. There is currently a chargeback only for actual postage used.
2. A revised analysis (dated April 2006) was done on the current cost of staff time and vehicle cost for both the Mailroom and Courier. The draft report shows a current annual cost relating to Powerstream services of approximately \$6,200. The revised services started from March 2005. Prior to March 2005 going back to 2003, the City provided more services ( processing hydro bills, record-keeping) for Powerstream.
3. Until the Joint Services Agreement is finalized between the City and Powerstream, the chargeback to Powerstream has been put on hold. It was learnt that the finalization of the new Joint Services Agreement has been in progress for over four years.

**Implications**

Currently, the City is not being re-imbursed for mailroom and courier services provided to Powerstream except for the actual cost of postage.

**Recommendations**

1. The department should request for the Joint Services Agreement to be finalized as soon as possible so that it can start recouping back the mailroom and courier costs it incurs relating to Powerstream activities going back to 2003.
2. The agreement should allow for the recovery of re-imbusement back to when the chargeback from the previous joint services agreement with Vaughan Hydro ceased and when Powerstream was incorporated. Services were still provided but no chargeback was done.

**Corrective Actions( Commissioner Janice Atwood-Petkovski's Response)**

The department will address the recommendations in order to recoup back costs associated with the mailroom and courier services.

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

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The corrective actions should be addressed as soon as possible in order to recover costs incurred for services rendered over a number of years.



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**Incorrect General Ledger Account Posting****Observations**

1. It was observed that a 2005 licence renewal for \$4,435 for Adult Entertainment was incorrectly charged to the Amusement account 060087.3568. It should have been charged to account 060900.3568.
2. The 2006 licence renewal was correctly posted to the general ledger account (060900.3568) even though the receipt from "Amanda" still showed the incorrect GL account 060087.3568.
3. A review of another file showed that a posting to the marriage account for \$430 should have been posted to Foodstuff \$140; Tobacco \$170 and Video Store \$120.
4. There were other mistakes observed although the amounts were not material.

**Implications**

1. By having the wrong account number on a receipt, could result in posting to the wrong GL account. This would provide incorrect general ledger information.
2. Clerical errors are being made.

**Recommendations**

1. The "Amanda" receipt should show the correct GL account number 060900.3568 for Adult Entertainment.
2. There should be greater attention to detail to ensure correct postings to the right accounts.

**Corrective Action(s) ( Commissioner Janice Atwood-Petkovski's Response)**

1. Staff have been requested to double check the account sheets to ensure the fees are allocated to the proper account.

**Auditor's Response to Corrective Action(s):**

The corrective actions will reduce errors.

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**Conclusion**

1. The commissioner and director have responded favourably to all findings and recommendations in the Internal Audit Report.
2. When all corrective actions/recommendations are implemented, 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.