

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

**INTERNAL AUDIT REPORT OF THE BUILDING STANDARDS DEPARTMENT**

**Recommendation**

The City Auditor recommends :

That the Internal Audit Report of the Building Standards 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 Building Standards 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 director 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 Building Standards 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 BUILDING STANDARDS DEPARTMENT**

I have completed the internal audit of BUILDING STANDARDS DEPARTMENT as of October 31, 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 John Zipay, Director Leo Grellette and their staff for accommodating and providing me with unrestricted access to all staff and information during the 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 service to the whole organization.

Sincerely,



Michael Tupchong CA, CIA, CPA, CFE  
City Auditor

cc: J. Zipay L. Grellette J. Studdy C. Harris

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**INTERNAL AUDIT REPORT**  
**BUILDING STANDARDS DEPARTMENT**

**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.

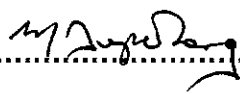
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**FOLLOW-UP ON CORRECTIVE ACTIONS**

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:** October 31, 2006

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

**Approved:** .....

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**Outstanding Permits**

**Observations**

1. As of June 30, 2006, there were approximately 12,000 outstanding permits which have been issued, for which the department has not received a request from the permit holder/homeowner for one or more required inspections.
2. The department's ability to address outstanding permits has also been reduced due to Bill 124's required training of staff and the elimination of summer students in past Budget years.
3. The 12,000 outstanding permits have been categorized as :

Addition/Alteration Housing(Residential)	23%
Addition/Alteration Non-Housing(Commercial, Industrial)	13%
Repeat Housing(similar models)	16%
New Housing ( Complex Agreement)(infil, existing neighbourhood)	10%
Miscellaneous combined(decks, sunrooms, towers, garages etc)	38%
	-----
	<b>100%</b>

4. Approximately 12% (1,450) of outstanding permits belong to years 1988-1991.

**Implications:**

1. Once a permit is issued, there is no inducement for the permit holder to request an inspection nor is there any penalty for not requesting an inspection, resulting in unclosed permits.
2. The work performed by the permit holder may be unsatisfactory. As a result potential liability issues for the City may arise.

**Recommendations:**

1. It is recommended that the department should continue with the student program that was initiated in the summer of 2006, to do more follow-up on outstanding permits to clear the backlog so that inspections can be done to close and reduce outstanding permits.
2. Future permits should be issued based on some incentive/penalty for the permit-holder to request an inspection once the work has been completed.

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

1. This matter of outstanding permits was identified as an area of concern during the Building Standards process review undertaken during the Bill 124 analysis and the recommendations of the Auditor are being pursued.  
The Building Standards will continue with it's summer student project that was established in 2006 to reduce the number of outstanding permits. The number of incomplete/outstanding inspections are been monitored and reported on monthly.
2. As provided for in the Building Standards Department 2007 Business Plan, this is the subject of a report that is presently being prepared for Councils consideration. The report will outline various options to deal with the subject matter and is scheduled to be brought forward during the 1<sup>st</sup> quarter of 2007.

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

The department is working to remedy the situation.



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**Stamping of Receipts**

**Observation**

The Building Standards department uses a long-form receipt and a short-form receipt. The long-form receipt ( used for building permit fees, plumbing permit fees, sale of documents, etc.), is taken to the central cashier by the applicant. These are stamped paid by the central cashier. However the short-form receipt which is used for title restriction fees and compliance letters, is not stamped paid by the central cashier. These receipts are taken to the central cashier with the money by the Building Standard Department's staff.

**Implication:**

Without the paid stamp on a receipt from the central cashier, there is no assurance that the central cashier received the money for deposit.

**Recommendation:**

It is recommended that the short-form receipts(all 4 copies) should also be stamped paid by the central cashier. This will provide assurance that the central cashier did receive the money.

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

1. The recommendations of the Auditor have been implemented.
2. The short-form receipt has been replaced with a revised departmental long form to capture the restriction and compliance letter fees and is being stamped by the central cashier.

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

The recommendations implemented will improve controls.

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**Reconciling Revenue Fees**

**Observation(s)**

1. For year-to-date August 31, 2006, the department received on average approximately \$875,000 per month in revenue for building permit fees. It also received approximately \$ 80,000 per month for plumbing permit fees, \$ 9000 per month for zoning fees ( compliance letters), \$ 8,560 per month for title restriction fees.
2. The department received approximately \$1,064,738 in building permit fees as per Amanda for May 2006. On comparing this revenue to the general ledger in Peoplesoft, the general ledger account showed \$1,093,888 resulting in a difference of \$29,150. The main reason was the different dates that receipts are entered into the General Ledger (Peoplesoft) as compared to Amanda. The General Ledger dates used are the deposit dates of the receipts, whereas the receipt date is used in Amanda and not the deposit date. As an example, on comparing July 2006 and August 2006 receipts to Amanda and Peoplesoft, most of the receipts were entered in the correct months. However, a number of July receipts (23) in Amanda were entered in August in Peoplesoft and a number of August receipts (11) in Amanda were entered in September in Peoplesoft.
3. It was observed that this exercise of comparing Amanda revenue or receipt numbers to the General Ledger (Peoplesoft) is not done for any of the fees.

**Implication(s)**

1. Reconciling revenue recorded in Amanda with the General Ledger (Peoplesoft) is not done.
2. All receipts in Amanda may not have been entered into the General Ledger. Only a regular check will verify this.

**Recommendation(s)**

It is recommended that:-

- 1) A monthly reconciliation should be done between **receipt numbers** recorded in Amanda to those recorded in the General Ledger (Peoplesoft) for all classifications of fees. This will provide some assurance that revenues recorded in Amanda are also recorded in the General Ledger.

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**Corrective Action(s) (Commissioner John Zipay Response)**

1. The Building Standards Department supports the above recommendations of the Auditor. It is concurred that the monies received by the department and recorded in the Amanda system should be reconciled against the monies received and recorded in the General Ledger.
2. As identified to the Auditor during his audit, there are issues and limitations when trying to reconcile the data between the Building Standards and Finance Department's systems. These items were identified using August /06 financial data from the two systems.
3. We are therefore recommending the following:
  - a. That the financial data from the two systems be reconciled by receipt number from reports that are to be generated from the two systems. The reconciliation would be by receipt numbers for payments received by the Building Standards Department for each month. There are problems with dates that are not easily overcome and it prevents the reconciliation by date. (eg. By month): (Amanda is indexed by date received whereas PeopleSoft uses deposited date.)
  - b. That the two systems be upgraded to provide for reports or other data outputs that are indexed and order by receipt number. The reports would be for each of the Building Standards Departments revenue accounts and an additional report for all revenue accounts combined.
4. Initial reports have been written for the Building Standards Amanda system that will be used for the reconciliation. These reports were used during the testing of the August /06 financial data.
5. There have been initial discussions with Finance Department Staff respecting obtaining financial reports/data from the PeopleSoft Financial System. The PeopleSoft system will have to be upgraded and will require the work of an outside consultant. It is recommended that the Finance Department in cooperation with The Building Standards Department undertake and develop a Business Plan for the up-grading of the PeopleSoft System that will be submitted by the Finance Department for approval.

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

The department has proposed appropriate corrective actions to address the auditor's concerns.

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**Control over Missing Receipts**

**Observations**

1. There is a "Plumbing Fee Report" which lists all the receipt numbers which have been entered into Amanda. The report shows that the numbers are in ascending order with a number of gaps (missing receipt numbers) in the sequence.
2. There is another report called "Building Permit Fee Account" which is similar to the above.
3. Every month, a staff member checks the physical pink copy of receipts on hand to these reports and agrees the dollar amounts. If she has a receipt which is not listed on the report, then that receipt is entered into Amanda. If a receipt is on the report and she does not have the receipt, then she will track it down. However if a receipt is not listed on the report and she does not have the physical copy of the receipt, there is no investigation of the missing receipt.

**Implications:**

There is no alert to missing receipts which are also not shown on the reports. The only way to control this is to check the numerical sequence of receipts. Missing receipts could mean missing revenue.

**Recommendations:**

It is recommended that there should be a monthly report from Amanda which shows in ascending order the numerical sequence of receipts entered into Amanda. By reviewing this report, out-of-sequence receipts can be observed and should be investigated. Only voided receipts should account for the missing numbers. Voided receipts should be on hand and clearly marked "void" on all 4 copies. This will ensure that all receipts are accounted for and are entered into Amanda. The checking of receipts (pink copies) to the "Plumbing Fees report" and "Building Permit Fee Account Report" should still be done to verify the dollar amounts.

**Corrective Actions: ( Commissioner John Zipay Response)**

1. The Building Standards Department supports the above recommendations of the Auditor and the recommendations have been implemented.
2. A revised financial report has been written for the Amanda System that will be used to check and identify any missing receipts. The recommendation respecting the voiding of department receipts has been implemented.

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

The implementation of the recommendations will address any missing receipts.

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**Application for a Permit to Construct or Demolish**

**Observations:**

It was observed that:

1. The applicant enters the "Area of Work" (sqmetres) section on the Application Form. Based on the area, the Building Permit Fee is calculated for the type of construction entered. E.G., a Building Permit Fee could be calculated for a particular new model home e.g., model 40-2A. This one-time calculated fee will be used for all current and future model 40-2A homes built. Therefore an initial incorrect fee calculation will multiply itself by the number of homes with the same model number.
2. The front desk clerks do not check the "Area of Work" section on the application form and uses the applicant's figure to calculate the Permit Fee. The Plan Examiners do not as a rule diligently check the "Area of Work" as well. Only if the "Area of Work", as per the drawings, appears materially different from the application figure and this is noticed by chance, then they would re-check the application figure to the actual drawings in more detail.

**Plumbing Data Form (Residential)**

1. The number of Fixtures and types of Fixtures are entered on the Plumbing Data Form by the applicant. The Fee Calculation uses the number of fixtures( as filled out by the applicant) multiplied by \$10 per fixture for residential. If the number of fixtures are understated, then the Plumbing Permit Fee would be understated. The error could be multiplied as the fee is used for all of the same home models.
2. The number of fixtures for residential units are not checked. However, the number and type of fixtures are checked for commercial and industrial buildings by the mechanical engineer.

**Implications**

The City could be receiving lower Building Permit fees and Plumbing Permit fees than what it should receive, if the "Area of Work" figure and the number of fixtures, are less than the correct number.

**Recommendations:**

1. It is recommended that the Plans Examiner should check the "Area of Work" number on the application form with the drawings. They may rely on some documentation from an architect or engineer verifying the "Area of Work", They should then initial alongside the "Area of Work" that it is correct. Any shortage

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should be directed back to the front desk clerk to contact the applicant to pay up the shortfall.

2. The number of fixtures on the Plumbing Data Form for residential, should also be checked and initialled by the mechanical engineer that it is correct. Any shortage should be directed back to the front desk clerk to contact the applicant to pay up the shortfall.

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

1. The recommendations of the Auditor have been implemented.
2. Department procedures will be enhanced to require the Architectural Plans examiners to check and ensure that the “Area of Work” and “Number of Plumbing Fixtures” on the application forms are in accordance with the drawings submitted for building permit and to initial alongside the “Area of Work” and “Number of Plumbing Fixtures that values are correct. Any shortage will be documented and directed back to the front counter for re-calculation and a revised fee entered into Amanda. Front counter staff will ensure that the applicant is advised of any shortfalls and that the additional fee amount is paid prior to the issuance of the building permit.

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

The corrective actions will verify the “Area of Work” figure and the number of fixtures for each application.

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**Fuel Charge**

**Observations**

1. The Fleet charges the Building Standards Department a monthly lump sum amount for fuel used by all of the department's vehicles. The charge is done via journal entry by the Finance department from information provided by the Fleet department.
2. The Building Standards department does not receive any supporting information regarding the charge to their general ledger account and therefore is unaware of the fuel usage by each of their vehicles. This has been the process for a number of years.
3. At the request of the auditor, Vehicle Activity Reports were requested for review. It was observed that the names of drivers for a few of the vehicles' fuel usage that were charged to the department, did not work for the Building Standards department. As a result, the department was erroneously charged approximately \$1,200 ( September 2006 year-to-date) for fuel.

**Implications**

The department was being charged for fuel usage of drivers who did not work for the department.

**Recommendations**

1. It is recommended that the department should request Vehicle Activity Reports from the Fleet department monthly. This report should be reviewed for accuracy and should support the monthly charge to the department's account.
2. Vehicle Activity Reports for 2006 should be reviewed for accuracy. The fuel charges for drivers who do not work for the department should be investigated and rectified.

**Corrective Actions**

1. The recommendations of the Auditor have been implemented.
2. The Building Standards Department has reviewed the Vehicle Activity Reports for 2006 and is pursuing the inconsistencies identified. Required monies will be transferred back into Building Standards accounts.
3. The Building Standards Dept. is receiving the Vehicle Activity Report from Public Works on a monthly basis.



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**Auditors Response to Corrective Actions**

The corrective actions will provide a check against invalid charges to the department.

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**Separating Fees in the General Ledger:**

**Observations:**

- 1) The long-form receipts currently in use do not allow for separating fees relating to Pool Permit, Sign Permit, and Pre-permit. The department also collects Grading Permit fees (\$93,000 year-to-date September 2006) on behalf of the Development Engineering Department. All these fees are included with Building Permit Fees in one account "Licences, Permits and Fines" in the General Ledger. These fees are tracked separately in Amanda. At year-end, a journal entry is created to transfer total funds collected for Grading Permit fees to the Development Engineering Department.
- 2) Title Restriction Fees are included with Written Zoning Response Fees in the General Ledger.
- 3) The auditor was informed that for 2007, new revised receipts would be used to separate these fees so that they can be posted to their own accounts in the General ledger.

**Implication:**

Fees received for Grading Permit, Pool Permit, Sign Permit, Pre-permit are not tracked separately in the general ledger but are lumped with Building Permit Fees in "Licences, Permits and Fees". Similarly Title Restriction Fees are lumped in with Written Zoning Response Fees. This makes it difficult to verify fees in Amanda with the General Ledger.

**Recommendation:**

A new receipt should be printed with a new format. The new receipt should include account numbers for fees received for Grading Permits, Title Restriction fees and other departmental fees ( Pool Permit, Sign Permit, Pre-permit, etc). This way, the General Ledger will account for revenues for these permits on an ongoing basis. This would also facilitate checking Amanda fees to the General Ledger.

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

1. The recommendations of the Auditor have been implemented.
2. The department payment receipt has been updated to reflect changes in the PeopleSoft G/L accounts. The changes to the General Ledger were required as a result of Bill 124 and the requirement to separate Building Code from Non Building Code Fees for reporting purposes. The new receipts will ensure that

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the payments received are posted to the correct PeopleSoft G/L revenue accounts

3. The revised receipts will also ensure that payments received by Building Standards Department for the Grading Permits that are now administered by the Development Engineering Department are posted directly into their revenue accounts on an on-going basis.
4. The Building Standards Amanda computer system has been upgraded to align the revenue accounts with the new PeopleSoft General Ledger account numbers.
5. The new revised receipt is now currently used by the department.

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

The new format of the receipt will ensure that there will be separate tracking of various forms of revenue in the general ledger and facilitate the checking of Amanda to the General Ledger.

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**Taxable Sales**

**Observations**

It was observed that for taxable sales of "Sale of Documents", the portion on the pre-printed Receipt shows:-

- 1) GST as 7% and not 6%
- 2) 8% PST as 8% GST
- 3) General Ledger account numbers are not listed for GST or PST
- 4) The total dollar amount which includes all taxes, to be posted to account # 110001.3576. This is incorrect as GST and PST should be posted to it's own account.
- 5) That details of the Sale of Documents are not always noted; just the dollar amount.

**Implications**

1. Amounts posted to the general ledger accounts may be incorrect.
2. There is insufficient detail regarding sale of documents.

**Recommendations**

It is recommended that the Receipt should be revised as follows:

- 1) GL account numbers for GST and PST should be shown.
- 2) The 7% GST should be changed to 6%.
- 3) GST is mentioned twice in error. PST should be shown.
- 4) GST and PST included in the total, should not be posted to account 110001.3576. GST and PST should be posted to their own General Ledger accounts.
- 5) Details of the Sale of Documents should be written on the receipt portion.

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

1. The recommendations of the Auditor have been implemented.
2. The department's receipt has been updated to reflect the Auditor's recommendations. The new receipts are being used and this will ensure that the payments received are posted to the correct tax accounts.
3. The new revised receipt is now currently used by the department

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

The new receipt will address all the issues raised.

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**Sign-Off Sheet on Envelopes**

**Observations:**

1. A brown envelope is used for each permit application. In the envelope are copies of forms relating to applications, permits, fees, drawings etc. A sign-off sheet is stapled to the envelope with all the necessary signatures verifying receipt of documents, and approvals for Zoning, Lot Grading, Architectural, Mechanical, Plumbing, receipt of Fees and Development Charges and so on, before a permit is issued. Once the file is closed, the envelopes are filed in the Filing Room in its own folder.
2. With much man-handling of the envelope, the sign off sheets often tear off from the envelope and occasionally get lost/misplaced.

**Implications:**

The sign-off sheets can easily be ripped off from the envelopes and can be misplaced/lost.

**Recommendation:**

It is recommended that:

The envelopes should be pre-printed with all the sign-off requirements. This way, the envelope itself will have the required signatures on the envelope and the sign-off sheets, which might otherwise be lost or ripped off as a result of constant handling by many staff members, will not be required.

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

1. The recommendations of the Auditor have been explored, and due the high costs of the printing, the following practice is being recommended:

That upon the issuance of the building permit, the sign off sheet be removed from the back of the permit envelope photocopied and a copy placed inside the permit envelope with the approved drawings. This will provide for circulation of permit envelopes but ensure that a protected copy is on file.

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

The corrective actions will address the issue of ripped or lost sign-off sheets.

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**Not entered into Amanda**

**Observations**

It was observed that Application fees for Written Zoning Search and Septic Tank Inspections (Minor Variance and Consents)) are not entered into Amanda; only into the General Ledger. For Written Zoning Searches, a fee of \$50 is received with each application. Approximately \$70,000 was received for the period January 1 – August 31, 2006. These monies include Title Restriction Fees.

**Implications**

Without entering the fees into Amanda, verifying fees received with the General Ledger cannot be done.

**Recommendations**

It is recommended that :

1. Written Zoning Search fees and Septic Tank Inspection fees, should be entered into Amanda so that these fees can be verified with those posted to the General Ledger.

**Corrective Action(s) ( Commissioner John Zipay Response)**

1. The recommendations of the Auditor have been implemented.
2. The Building Standards Amanda Computer System has been upgraded to allow for additional application types and work codes to facilitate the data entry for the financial payment records.
3. These include:
  - a. New Application Type created for Zoning Searches
  - b. New Work Codes for application for different type of requests for departmental information.
4. The Amanda enhancements went Live Oct.30/06.

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

Amanda will now capture Written Zoning Search fees and Septic Tank Inspection fees.

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**Mileage Re-imburement**

**Observations**

1. The 2006 new mileage re-imburement policy of the City is .50c per kilometre up to 5000 kilometres and thereafter .44c per kilometre.
2. From a review of mileage re-imburements, it was observed that the Accounts Payable department overrode the mileage claims of 5 employees and paid them 50c per kilometre, even though these employees exceeded 5000 kilometres of business travel. The Building Standards department tracked each employees' monthly kilometres on Excel and thereby correctly calculated each employee's monthly mileage claim. The overpayment was discovered during the audit.
3. The Expense Claim Forms for each employee do not give any information of destinations travelled... only the words "inspections" are used.

**Implications**

1. The Finance department overrode the amounts claimed in the Expense Claim form and overpaid the five employees.
2. There is no list of destinations travelled for each day on the Expense Claim form.
3. Kilometres claimed cannot be verified without any information of destinations travelled.

**Recommendations**

It is recommended that:

1. The Accounts Payable department should not override the expense claim forms and re-imbure more than the claim amount. If an error is suspected, the claim forms should be returned to the originating department to double check and re-submit the claim form.
2. The auditor is aware that building inspectors travel to many locations during each day, and therefore recommends that at a minimum, a list of the destinations travelled for each day should be recorded/attached to the claim form, rather than just the kilometres travelled for each day.



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**Corrective Action(s) ( Commissioner John Zipay Response)**

1. The recommendations from the Auditor have been implemented.
2. The subject matter has been discussed with Accounts Payable in the Finance Department. It was agreed that the expense forms will not be overwritten or altered. Any alterations/problems/inconsistencies will be reported back to the Building Standards Department. The overpayments made to the affected employees have been addressed and overpayments reconciled to the correct amounts.
3. The Building Standards Department supports the recommendation of the Auditor regarding the recording of the destinations travelled for each day by the building inspectors.
4. The copies of the Building Inspector's Daily Inspection Request Forms will be attached to the monthly Building Inspectors expense sheets.

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

The corrective actions will address the issues raised by the auditor.

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**Coding Errors**

**Observations**

1. The Fleet co-ordinator receives invoices for payment from automotive companies for all City departments which use City vehicles. She allocates the cost of the invoice based on a) preventative maintenance 2) emission repair 3) general repair. The invoice is then forwarded to the Accounts Payable department for recording into the general ledger and processing for payment. Because the invoice includes GST and PST, code ON01 should be used by the Accounts Payable clerk to separate the GST which is 100% recoverable.
2. It was observed that out of 7 invoices which were charged to the department and checked, 5 were coded correctly but two were incorrectly coded resulting in incorrect charges to the general ledger accounts. The dollar amounts of the errors were not material.

**Implications**

1. Coding errors result in incorrect charges to the general ledger accounts.
2. The errors might have been done to other departments as well and will continue until the source(s) of the error is corrected.

**Recommendations**

The Finance Manager should be informed of the errors made by his personnel so that future errors can be prevented to all other City departments as well.

**Corrective Action(s) ( Commissioner John Zipay Response)**

1. The recommendations of the Auditor have been implemented.
2. Finance Manager in the Public Works Department has been informed.

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

The Finance Manager has been informed and provided with copies of the errors so that his staff can be informed of their mistakes and not to repeat them.

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**Compliance Letter Outstanding Fees**

**Observations:**

It was observed that

“Amanda” produces a listing of outstanding compliance letter numbers and addresses for which payment have not been received in full. The list however, does not show 1) the dates from when the amounts were owing 2) the amount owing and 3) Name of the legal firm.

**Implications:**

The report can be improved to show more relevant information.

**Recommendations:**

It is recommended that the report should be tailored to show:-

- 1) Date when owed
- 2) Amount owed
- 3) Name of legal firm

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

1. The recommendations of the Auditor will be pursued and implemented.
2. Building Standards Staff have identified problems with the software vendor's source code and logic used in the report. The department will pursue having the report revised. The revised report will be run on a monthly basis.

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

The revised report will provide more relevant useful information.

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**Machine Time Cost**

**Observations**

The department is charged an annual cost of \$25,600 for machine time for the 8 vehicles. The number was calculated in the late 1990's and has remained unchanged since then.

**Implications**

The current machine charge amount has been used since the late 1990's and may be incorrect.

**Recommendations**

It is recommended that this annual charge number should be reviewed with the Manager of Fleet to derive a methodology in determining an appropriate machine time annual charge to the department.

**Corrective Action(s) ( Commissioner John Zipay Response)**

1. The recommendations of the Auditor have been implemented.
2. The subject matter has been forwarded to Budgeting and Long Term Planning in the Finance Department for their action.
3. The Budgeting and Long Term Planning Department forwarded the matter to the Fleet Department with whom the auditor has since met to review and consult on the process. The new re-calculated annual charge should be approximately \$ 34,500 per annum over the next 7 years and not \$25,600. The Fleet Department will also update the cost calculation for other departments. The Budget Department will be informed by the Fleet department of the new annual charges for those departments.

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

Annual charges will be updated for all relevant departments. The new annual charges will provide more accurate transfer dollars to reserves for replacement of the vehicles at the end of their lifespan.

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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.