



Office of the Auditor General / Bureau du vérificateur général

**FOLLOW-UP TO THE 2010 AUDIT OF
VEHICLE USE AND MILEAGE CLAIMS**

2012

**SUIVI DE LA VÉRIFICATION DE L'UTILISATION DES VÉHICULES
MUNICIPAUX ET DES DEMANDES DE REMBOURSEMENT DES
FRAIS DE KILOMÉTRAGE DE 2010**

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2010 Audit of City Vehicles and Mileage Claims was included in the Auditor General's Audit Plan.

The key findings of the original 2010 audit included:

- \$106,000 in potential budget savings if the City implemented better controls over the use of City vehicles and mileage claims. The City needs comprehensive policies and procedures in place to govern the use of City vehicles, mileage allowances and parking passes to realize these savings;
- Other improvements recommended in the audit include:
 - Develop a complete management framework governing the use of City vehicles, mileage allowances and parking passes;
 - Implement review and monitoring practices to ensure the most appropriate and cost effective provision of compensation for vehicles used for business purposes;
 - Improve tracking and documentation; and,
- Areas of excess expenditures include payment of parking passes that are not used frequently enough to justify the cost, and vehicle allowances paid to employees who are not required to use a vehicle in their job description.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of May 31, 2013.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	36	1	2.5%
ACTION INITIATED	25 – 49	-	-	-
PARTIALLY COMPLETE	50 – 74	4, 14a, 18a, 28	4	10.0%
SUBSTANTIALLY COMPLETE	75 – 99	3, 7, 8, 9, 14b, 14d, 15, 16, 18b, 25, 27, 29, 31, 33, 34	15	37.5%
COMPLETE	100	1, 2, 5, 6, 10, 11, 12, 13, 14c, 17, 19, 20, 21, 22, 23, 24, 26, 30, 32, 35	20	50.0%
TOTAL			40	100.0%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of July 2013 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	36	1	2.5%
PARTIALLY COMPLETE	50 – 74	4, 14a, 18a	3	7.5%
SUBSTANTIALLY COMPLETE	75 – 99	7, 8, 9, 14b, 18b, 25, 28, 31, 33	9	22.5%
COMPLETE	100	1, 2, 3, 5, 6, 10, 11, 12, 13, 14c, 14d, 15, 16, 17, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 32, 34, 35	27	67.5%
TOTAL			40	100.0%

Conclusion

Management has been very proactive in addressing the audit recommendations by updating and establishing policies and procedures relating to vehicle use and mileage claims. Over 85% of the recommendations have been fully or substantially completed.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

RÉSUMÉ

Introduction

Le Suivi de la vérification de l'utilisation des véhicules municipaux et des demandes de remboursement des frais de kilométrage de 2010 était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2010 sont les suivantes :

- Il serait possible de réaliser des économies de 106 000 \$, si la Ville mettait en œuvre de meilleurs contrôles concernant l'utilisation des véhicules de la Ville et les réclamations des coûts du kilométrage. La Ville doit mettre en œuvre des politiques et procédures complètes pour régir l'utilisation des véhicules de la Ville, les indemnités de kilométrage et les laissez-passer de stationnement si elle veut réaliser ces économies.
- D'autres améliorations sont recommandées dans la vérification :
 - élaborer un cadre de gestion qui régit l'utilisation de véhicules de la Ville, les allocations de kilométrage et les laissez-passer de stationnement;
 - mettre en œuvre des procédures d'examen et de surveillance pour assurer que la méthode la plus appropriée et rentable en matière d'indemnisation découlant de l'utilisation de véhicules aux fins d'affaires;
 - améliorer le suivi et la documentation.
- Parmi les secteurs présentant des dépenses excessives se trouvent le paiement de laissez-passer de stationnement qui ne sont pas utilisés assez fréquemment pour justifier leur coût, et les allocations liées aux véhicules payées à des employés qui n'ont pas à utiliser un véhicule selon leur description de poste.

Sommaire du degré d'achèvement

1. Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation le 31 mai 2013 :

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	36	1	2,5 %
ACTION AMORCÉE	25 – 49			
COMPLÉTÉE EN PARTIE	50 – 74	4, 14a, 18a, 28	4	10,0 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	3, 7, 8, 9, 14b, 14d, 15, 16, 18b, 25, 27, 29, 31, 33, 34	15	37,5 %
COMPLÉTÉE	100	1, 2, 5, 6, 10, 11, 12, 13, 14c, 17, 19, 20, 21, 22, 23, 24, 26, 30, 32, 35	20	50,0 %
TOTAL			40	100,0 %

2. Le tableau ci-dessous présente l'évaluation de la direction concernant le degré de réalisation de chaque recommandation au mois de juillet 2013 en réponse à l'évaluation du Bureau du vérificateur général. Ces évaluations n'ont pas fait l'objet d'une vérification.

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	-	-	-
ACTION AMORCÉE	25 – 49	36	1	2,5 %
COMPLÉTÉE EN PARTIE	50 – 74	4, 14a, 18a	3	7,5 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	7, 8, 9, 14b, 18b, 25, 28, 31, 33	9	22,5 %
COMPLÉTÉE	100	1, 2, 3, 5, 6, 10, 11, 12, 13, 14c, 14d, 15, 16, 17, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 32, 34, 35	27	67,5 %
TOTAL			40	100,0 %

Conclusion

La direction a été très proactive dans le traitement des recommandations de la vérification en mettant à jour et en établissant les politiques et les procédures liées à l'utilisation des véhicules et aux demandes de remboursement des frais de kilométrage. Plus de 85 % des recommandations ont été entièrement ou en grande partie réalisées.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

The Follow-up to the 2010 Audit of City Vehicles and Mileage Claims was included in the Auditor General's Audit Plan.

The key findings of the original 2010 audit included:

- \$106,000 in potential budget savings if the City implemented better controls over the use of City vehicles and mileage claims. The City needs comprehensive policies and procedures in place to govern the use of City vehicles, mileage allowances and parking passes to realize these savings
- Other improvements recommended in the audit include:
 - Develop a complete management framework governing the use of City vehicles, mileage allowances and parking passes;
 - Implement review and monitoring practices to ensure the most appropriate and cost effective provision of compensation for vehicles used for business purposes;
 - Improve tracking and documentation.
- Areas of excess expenditures include payment of parking passes that are not used frequently enough to justify the cost, and vehicle allowances paid to employees who are not required to use a vehicle in their job description.

2 KEY FINDINGS OF THE ORIGINAL 2010 AUDIT

1. An overall management framework has not been established to ensure management receives the information required to make informed decisions, or to promote the comparison among options to ensure choices continue to be economical. As such, there is currently no consistency across the City with respect to managing these areas. Such a framework should include comprehensive policies and procedures, a system of internal controls including monitoring and oversight to ensure economy, efficiency and effectiveness, and clarity of roles and responsibilities for operational management as well as corporate functions such as Finance, Fleet, and Human Resources.
2. Comprehensive policies and procedures are not in place to govern the business use of City vehicles, provision of vehicle allowances, or parking passes.
3. The procedures for the use of the parking stamp are comprehensive and include internal controls.
4. The Mileage and Parking Policy and Procedures do exist but leave room for improvement in ensuring the most economical option is used, and in providing a framework for the provision of parking passes and vehicle allowances.

5. A review of mileage claim data covering the scope of this audit found several employees continually claimed a significantly large amount of mileage. Fleet services' breakeven report indicates that it is more economical to submit mileage claims for business use of a personal vehicle if the total mileage claimed is less than 15,000 km for a subcompact vehicle, or less than 17,000 km for a compact vehicle. In each of 2008 and 2009, 12 and 10 employees respectively were found to have incurred mileage in excess of 17,000 km. Considering the vehicle costs estimated by Fleet Services for the amount of mileage submitted by these employees, the costs of these reimbursements that were greater than the 2003 Fleet breakeven point totals \$88,802 for 2008-2009. A review of the number of days worked (considering vacation, sick days, and other leave) for the top three employees in terms of mileage claimed each year found that the employees are purported to travel 138, 87, and 82 kilometres each day respectively in 2008. The same employees are purported to travel 132, 129, and 84 kilometres each working day in 2009.
6. In the absence of a management framework, inconsistencies in management practices were found that have lead to uneconomical provisions of travel compensation. Specific instances found in the audit include the following:
 - a) One manager provided parking passes to employees as part of their compensation while another provided passes based on use. The manager who provided passes based on use explained that the employee uses the pass a minimum of two times each week. However, to reimburse a daily parking ticket twice a week would cost less than the provision of a monthly parking pass.
 - b) One manager provided parking passes based on the need to work offsite, but was unsure how frequently the employee was required to work offsite.
 - c) Five out of fifteen employees who received a monthly vehicle allowance did not require the use of a vehicle to carry out their duties, according to the manager who authorized payment of the allowance.
 - d) The relevant collective agreements specify that an employee is entitled to a vehicle allowance if the employee is required to have a vehicle available for business purposes. The CIPP collective agreement requires that the need to have a vehicle available for business purposes be outlined in the employee's job description. Thirteen out of fourteen job descriptions for CUPE and CIPP employees did not specify the requirement to have a vehicle available for business purposes.
 - e) Fleet services has calculated a breakeven point after which it is more cost effective to provide an employee with a City vehicle rather than reimburse the employee for business mileage incurred on their personal vehicle. Eight employees received mileage compensation greater than the 2003 Fleet breakeven point in both 2008 and 2009.

7. In many cases, information is not available or not reviewed to make informed management decisions on the provision of local travel compensation.
8. Some compliance issues were identified, including compliance to City policies and to Taxable Benefits Legislation.
9. The new automated mileage and parking system, designed and implemented by the Payroll Unit has improved efficiencies and some internal controls.
10. Cost savings opportunities of \$106,000 were found during the course of this audit, and are summarized in the following table. It should be noted that the savings listed are only those that were found from tests performed for the audit. Due to limitations in the accessibility and reliability of the data, the savings opportunities identified in the tests have not been extrapolated to the population. The qualitative findings of this audit suggest that additional cost savings would be found given systematic analysis and monitoring.

		Average Annual Expense (Rounded)	Errors Found	Cost Savings Found in Samples
Parking Passes	Parking Pass - other employees	\$402,000	16 out of 40 used infrequently	\$20,715
	Parking Pass - City Hall employees		4 out of 8 were not justified	\$8,256
	Taxable Benefit	N/A	0 passes are considered as a taxable benefit	Estimate only ¹
Parking Validation Stamp		\$140,000	No errors noted	\$0
Vehicle Allowances	Executive Allowance	\$284,000	No errors noted	\$0
	CIPP and CUPE Allowances	\$312,000	5 do not use their vehicle for work	\$9,495
			9 do not have the requirement in their job description	\$15,045 ²
City Vehicles		\$9,309,000	Information was not available/reliable to identify quantitative errors	\$0
Mileage and Parking Claims	Parking Claims	\$147,000	No errors noted	\$0
	Mileage Claims	\$2,225,000	8 > 2003 Fleet breakeven point over multiple years	\$44,401
			In addition to 8 (above), 4 in 2008 & 2 in 2009 > 2003 Fleet breakeven point.	\$8,286
Total		\$12,819,000		\$106,198

¹ The City could be faced with an annual liability between \$100,000 and \$224,000.

² Management has indicated that, although the job descriptions do not specify the need for a vehicle, these employees do require one and as such management contends that this is not a potential cost saving.

It should be noted that the *2006 Audit of Fleet Services* contained the following recommendation:

Recommendation 1(c)

That end users be held accountable to justify the identified low use vehicles directly to Council.

To date, end users are not held accountable to justify low usage vehicles directly to Council. A report of low usage vehicles is provided to management, but there is no follow up to ensure the report was reviewed and action taken as a result.

That audit also contained the following recommendation:

Recommendation 12(a)

That Fleet Services:

Ensure that vehicle log books are used especially for light passenger vehicles and perform random audits to determine how often the vehicle is required. Kilometres may not always represent a good indicator to validate whether a vehicle is justified or not. Unjustifiable vehicles should be reported to Council.

To date, log books are not consistently used and reviewed. Audits are not performed to determine how often vehicles are required. This responsibility has not been assigned or transferred to user departments. Information on how frequently vehicles are needed and a log of business and personal use is therefore not available in most cases. Utilization is reported to Management. Accountability to analyze the data and follow up where required has not been assigned.

3 STATUS OF IMPLEMENTATION OF 2010 AUDIT RECOMMENDATIONS

2010 Recommendation 1

That the City assign and document responsibility for overseeing the management of parking passes, parking validation stamps, vehicle allowances, mileage and parking claims. Responsibility should be assigned to ensure the following information is accurate, up to date, and readily available including:

- a) **Who has a City-paid parking pass;**
- b) **Justification of minimal usage of a parking pass; and,**
- c) **Which positions within the City, and which employees within the City are entitled to receive a monthly vehicle allowance.**

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012. The policy will broadly cover mileage, parking and manager accountability to ensure the most cost-effective means of travel and employee reimbursement is selected. The new policy will be communicated to management and staff via a Management Bulletin and the employee newsletter, "In the Loop".

The procedures will be separated to cover the areas of: Parking Passes and Stamps (Parking Operations, Maintenance and Development); Car Allowances and Car Insurance Rebates (Human Resources), Mileage and Parking Claims (Payroll); and Use of City Vehicles (Fleet Services).

A new Parking Pass Procedure will be drafted to address parts a) and the applicable portion of part d) of this recommendation, and will be in effect by the end of Q2 2012.

A new Vehicle Allowances Procedures will be drafted to address part e) of this recommendation, and will be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 1 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. The policy now includes a Local Transportation Selection Guide which guides managers in determining the most cost-effective use of City-paid parking passes and parking validation stamps.

Separate procedure documents have been completed for City-paid parking passes and parking validation stamps. The procedures address parts a) and b) of this recommendation and identify specific criteria for minimal usage of a parking pass, in addition to outlining the roles and responsibilities of City employees and managers in requesting and administering City-paid parking passes and parking validation stamps.

In addition, the Vehicle Allowances Procedures has been finalized, which addresses part c) of this recommendation.

The policy and procedures noted above are now proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete ***98%***

OAG's Follow-up Audit Findings regarding Recommendation 1

The Local Transportation Policy, revised December 11, 2012, lists employees and managers responsibilities. In addition, the Responsibilities section identifies that:

- "Human Resources department is responsible for the Local Transportation Policy and the Vehicle Allowances Procedures.

- The Finance department is responsible for the Mileage and Parking - Reimbursement and Taxable Benefit Procedures, the Mileage and Parking Reimbursement Form (electronic/automated) and the Personal Use of City Vehicles - Taxable Benefits Procedures.
- Public Works is responsible for the City Paid Parking Passes and Parking Validation Stamp Program.”

The specific procedure for City Paid Parking Passes, effective January 8, 2013, is to be adhered to by all employees and managers and administered and monitored by the Parking Operations Maintenance and Development (POMD). On an annual basis, POMD are to provide departments with a list of employees with a City-paid parking pass and their usage data. Departmental managers are required to confirm that a City-paid parking pass remains warranted based on Local Transportation Policy requirements.

The specific procedure for Vehicle Allowances, effective December 11, 2012, states that employees may only claim a vehicle allowance if their terms and conditions of employment or collective agreements stipulate the provision of a vehicle allowance. Managers are responsible to monitor mileage claims and approve vehicle allowances only for those positions established in SAP with a position attribute for a vehicle allowance. On an annual basis, each November, Human Resources is to advise managers which of their branch positions are established in SAP with a position attribute. Departmental managers are required to confirm that the requirements for the use of a vehicle are still valid and an operational necessity and where requirements have changed, they need to initiate an Organization and Position Management form.

The policies and procedures were approved and posted on Ozone by Q1, 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop April 22 and 24, 2013.

OAG: % complete

100%

2010 Recommendation 2

That the City determine the most cost-effective means of assigning responsibility for overseeing the management of City vehicles including the assignment of vehicles and ensuring their appropriate use.

2010 Management Response

Management agrees with this recommendation. A business case needs to be prepared before proceeding. Therefore the development of the new Personal Use of City Vehicles Policy will include analysis of the practicality, technology needs, costs and benefits of these reporting requirements. The new Policy will include appropriate provisions based on the business case and will be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 2 as of July 3, 2012

The Personal Use of City Vehicles Policy has been revised and is proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 2

The Personal Use of City Vehicles Policy which was revised December 11, 2012 and approved by the General Manager, Public Works defines employee and manager responsibilities. Specifically, it states that it is the manager's responsibilities to approve and document all personal use and to monitor existing practices to ensure compliance with this Policy. The Personal Use of Corporate Vehicles – Taxable Benefits Procedures which was revised November 5, 2012 and approved by the City Treasurer defines the Finance department's responsibilities and reiterates those of the employee, manager and department.

Although referenced in the management response, documentation was not available to support a business case prepared before proceeding.

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff via a Management Bulletin and an In the Loop article, April 22 and 24, 2013.

OAG: % complete *100%*

2010 Recommendation 3

That the City develop a management framework governing the use and control of parking passes including, at a minimum:

- a) Policies and procedures for the provision of parking passes;**
- b) The flow chart provided by POMD depicting the application process for a parking pass;**
- c) Specific criteria that warrant the provision of a City paid parking pass;**
- d) Assignment of responsibility and accountability for provision, use, monitoring use, and monitoring compliance to the Policy;**

- e) **Reference to the guidelines in the parking validation stamp procedures that describe specific cost based scenarios that warrant the provision of a parking pass over use of a parking stamp or reimbursement of a daily ticket; and,**
- f) **Assignment of responsibility to periodically review pass holder data to ensure the provision of a pass is and continues to be appropriate and economical.**

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Parking Operations Management and Development branch will draft a new procedure for parking passes that addresses parts b) through f) of this recommendation by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 3 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. In addition, a Local Transportation Selection Guide and Vehicle Allowances Procedures have also been finalized, which addresses part a) of this recommendation.

The Parking Operations, Maintenance & Development branch has developed flowcharts depicting the application and cancellation process for City-paid parking passes, which addresses part b) of this recommendation.

In addition, procedures for the provision of City-paid parking passes which accompany the Local Transportation Policy have also been developed to address parts c) through f) of this recommendation and have expanded on the required recommendation to address criteria for cases where City-paid parking passes are cancelled.

The policy and procedures noted above are now proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 3

3 a, c, d, f) The Local Transportation Policy and specific procedure for City-paid parking passes referenced address:

- the policy and procedures for the provision of parking passes;
- the application process for a parking pass;

- the specific criterion;
- the assignment of responsibility and accountability for provision, use and monitoring use and compliance; and,
- an annual review to confirm pass-holders and that their usage data continues to be warranted.

POMD administers and monitors these City-paid Parking Passes procedures. The procedures refer to “activated” cards being available to be picked up at the Client Service Centres; however, management has indicated that the term would be “initialized” cards which would not yet be activated until the Monthly Parking Agreement Terms and Conditions is completed.

Although not detailed in these procedures, the POMD procedures indicate that one position within POMD processes applications, cancellations, destroys pass cards and generates reports.

3b) During the audit, management revised the POMD procedures and flowcharts and updated position titles to reflect the Taxable Benefit form and practice. We found that the procedures and flowcharts developed by POMD describing the application and cancellation processes for City-paid parking passes were not always consistent with the City’s published policy and procedures. For example, they did not include the manager’s requirement to retrieve passes under certain conditions; and rather, included POMD retrieving the parking passes. The POMD procedures and flowcharts also include a change to the timing of the completion of the Monthly Parking Request form by the employee to occur at the beginning of the process.

There were also inconsistencies between the POMD procedures and flowcharts. For example, the flowcharts contain details relating to cancellations which are not reflected in the procedures e.g., the manager’s requirement to retrieve passes under certain conditions and that cancellations are to be provided to the FSU billing prime. Both of these could result in the City continuing to pay for passes which are not being used.

3e) The Local Transportation Policy and specific procedures for Parking Validation Stamp references the Parking Validation Stamp Request/Cancellation form which is to include justification that the parking validation stamp continues to be the most appropriate and economical method of providing parking.

In order to be considered complete, we would expect that the practices, processes and procedures be consistent.

OAG: % complete

98%

Management Representation of Status of Implementation of Recommendation 3 as of July 1, 2013

Parking Operations, Maintenance & Development branch has reviewed the Mileage and Parking Policy and the City-paid Parking Passes Procedures and Workflow document and has made the necessary revisions to ensure consistency.

Management: % complete **100%**

2010 Recommendation 4

That a complete listing of employees in receipt of a City paid monthly parking pass be compiled, and reconciled when appropriate. The listing should identify the corresponding pass ID number. (Such a listing did not exist at the time of this audit.)

2010 Management Response

Management agrees with this recommendation.

Parking Operations Maintenance and Development (POMD) branch will compile a complete listing of employees in receipt of a City paid monthly parking pass by the end of Q4 2012, and will reconcile it on a regular basis. The listing will identify the corresponding pass ID number.

Management Representation of the Status of Implementation of Recommendation 4 as of July 3, 2012

Parking Operations, Maintenance & Development branch is in the process of compiling, and reconciling where appropriate, a complete list of employees who are in receipt of a City-paid monthly parking pass. The list is to be complete by Q4 2012 and, once complete, will identify the employee, their corresponding pass ID number and the validity period of the City-paid parking pass.

Management: % complete **65%**

OAG's Follow-up Audit Findings regarding Recommendation 4

The specific procedure for City-paid parking passes requires a review on an annual basis. POMD is to provide departments with a list of employees with a City-paid parking pass and their usage data. Departmental managers are required to confirm that a City-paid parking pass remains warranted based on the Local Transportation Policy requirements.

As part of this follow-up, POMD provided a listing entitled, "All City Paid Parking Passes" for 110 Laurier for the period from January 1 to December 31, 2012. It provided the employee name, pass ID number and validity period including cancelled parking passes as well as the name of the branch, department and who paid for the parking passes.

There were four active passes on the 2012 listing without an employee number which POMD has indicated will be assigned to individuals as of July 1, 2013.

POMD also provided sample pages for one employee from a newly developed system in MS-Access to show City costs, card usage and City savings resulting from having a parking pass. POMD management indicated they will be going back and verifying all staff with parking passes once they make required minor modifications and go live with this package.

This recommendation will be complete once POMD provides departments with the list of employees with City-paid parking pass, reconciled to payments, including their usage data as required in the procedure.

OAG: % complete

65%

Management Representation of Status of Implementation of Recommendation 4 as of July 1, 2013

Since the meeting with staff from the OAG on April 19, 2013, three of the four active passes without an employee number have either been assigned to individual staff persons or cancelled. The remaining pass resides in and is assigned to a City Facility Vehicle (neither for personnel use or assigned to any individual employee). This pass is used for operational requirements only, such as transporting picnic tables, garbage cans, planters and portable electrical distribution panels for the Rink of Dreams, picking up supplies for City Hall, as well as setting up for events outside the building on Festival Plaza and the back lawn. The pass is not pooled for general use in an office.

With respect to providing departments with employee pass usage, the newly developed software to undertake these complex calculations has been completed and beta tests are presently underway to ensure 100% accuracy. Parking Operations, Maintenance & Development branch will complete this review and verification by Q1 2014. Once tested and completed, information will be circulated to departmental managers to confirm that a City-paid parking pass remains warranted based on the Local Transportation Policy requirements.

Management: % complete

65%

2010 Recommendation 5

That the justification for receipt of a parking pass be documented and kept on file for each employee, along with the expected frequency of use.

2010 Management Response

Management agrees with this recommendation.

Approved Parking Pass Request Forms are currently kept on file by the Parking Operations Maintenance and Development branch. The Parking Pass Request Form will be amended to reflect policy changes requiring the justification and frequency of use of City-paid parking passes by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 5 as of July 3, 2012

The Parking Operations, Maintenance & Development branch has amended the City-paid parking pass form to include justification and frequency of use of City-paid parking passes.

The form is now proceeding through the approval process along with the policy and procedures, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 5

The *City-Paid Parking Program - Parking Pass Request Form* includes justification and frequency of use of City-paid parking passes.

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop on April 22 and 24, 2013.

OAG: % complete *100%*

2010 Recommendation 6

That the chart of specific cost-based criteria for managers to use to determine when each option of parking compensation is appropriate be referenced or included in the policies or appendices for each of the parking compensation options. A similar chart should be drafted and communicated for business travel including mileage reimbursements and the use of City vehicles.

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy to include both of these charts by the end of Q2 2012.

Further, the parking option chart will be referenced by all parking-related procedures, and the transportation option chart will be referenced by all local transportation related procedures, to be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 6 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy, which now includes both charts.

In addition, the parking option chart has been referred to in all parking-related procedure documents to assist departmental managers with determining cost-effective parking compensation options for employees.

The charts are now proceeding through the approval process along with the policy and procedures, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 6

The Local Transportation Selection Guide is an Appendix to the Local Transportation Policy. The guide lists the different travel and parking options and when to use them and when to question them and includes a link to the calculation of the breakeven point for determining whether to claim mileage versus using a City vehicle.

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop on April 22 and 24, 2013.

OAG: % complete *100%*

2010 Recommendation 7

That the City develop a management framework governing vehicle allowances, including, at a minimum:

- a) Policies and procedures for the provision of vehicle allowances;**
- b) Clarification of when, according to the collective agreements, a vehicle allowance is justified;**
- c) Specification of what constitutes a job required need to have use of a vehicle, including a reference to cost or frequency of travel;**
- d) Criteria for revoking the allowance;**
- e) Responsibility for reviewing the provision of allowances for appropriateness and accuracy; and,**
- f) Responsibility for measuring compliance to the Policy.**

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Human Resources will also draft a new procedure for Vehicle Allowances that addresses parts b) through f) of this recommendation, to be in effect by the end of Q2 2012. See the management responses to Recommendations 7 and 8 for more detail.

Management Representation of the Status of Implementation of Recommendation 7 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. In addition, a Vehicle Allowances Procedures has been finalized which addresses parts a) to f) of this recommendation.

The policy and procedures are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 7

The Local Transportation Policy revised December 11, 2012 includes a section on vehicle allowances which indicates that monthly car allowances may be paid to employees who have an entitlement set out in their terms and conditions of employment and that operational changes may impact the requirement for the use of a vehicle. The policy also indicates that managers shall advise employees if their entitlement to a vehicle allowance changes and references the Vehicle Allowances Procedures for further details.

The Vehicle Allowances Procedures with an effective date of December 11, 2012 describes when vehicle allowances are authorized. Although there are annual reviews initiated by Human Resources and eligibility to a vehicle allowance is designated by HR by position in SAP, managers are responsible to confirm that the requirement for a vehicle is still valid and is an operational necessity. Also, on an ongoing basis managers are responsible to monitor and approve vehicle allowance claims on a monthly basis and contact their HR Consultant where job requirements change.

Changes to an employee's eligibility to a vehicle allowance would be provided to the employee in writing and would be documented and changed through SAP using an Organization and Position Management Form (OPM) initiated by HR and approved by the employee's manager.

The policy and procedural documents do not specify when a vehicle allowance is justified or what constitutes operational need of a vehicle including a reference to cost or frequency of travel. Human Resources has indicated that this would be based upon the department's operational need. If the department was uncertain, then Human Resources would walk them through the criterion to consider.

We consider this recommendation 98% complete as documentation was not available to clarify operational need.

OAG: % complete *98%*

Management Representation of Status of Implementation of Recommendation 7 as of July 1, 2013

In June 2013, HR revised the internal process to ensure that the manager's approval is maintained through the vehicle allowance validation process. Human Resources is working with clients to develop criteria for granting a vehicle allowance and the criteria will be included in the Vehicle Allowances Procedures. The revised process will be implemented in November 2013 when the annual validation process commences and the enhanced data will be available in Q1 2014 when the annual audit is complete.

Management: % complete *98%*

2010 Recommendation 8

That a listing of positions within the City, and/or employees within the City who are entitled to receive a monthly vehicle allowance be compiled. This listing should be independent of the SAP accounting records that show who has received a monthly allowance.

2010 Management Response

Management agrees with this recommendation.

Human Resources will establish a position attribute field in SAP HR to identify those CUPE positions identified by management as meeting the criteria for a minimum monthly allowance. CIPP positions entitled to a grandfathered minimum monthly allowance are tracked in SAP HR. This is only applicable to those employees who were entitled on December 20th, 2007, and only as long as they remain in the position and a vehicle continues to be a requirement of the job.

In Q3 2011 Human Resources will send all managers a listing of those employees and positions in their branch which are currently identified as eligible for a monthly allowance. Managers will be asked to confirm if they continue to meet eligibility criteria for receipt of a minimum monthly allowance according to collective agreement requirements (i.e., the requirement of a vehicle remains a condition of employment), and to identify any that have not yet been identified. In Q4 2011 management responses will be collated. Human Resources will update SAP to reflect the position attribute for each monthly allowance requirement with the objective of having updated records in SAP HR by Q1 2012.

To ensure SAP HR is current, Human Resources will validate the list of positions with managers on an annual basis. Human Resources will send managers a listing of the positions in their branch that are identified as being eligible for a monthly vehicle allowance. Managers will be accountable to confirm the entitlement and to advise Human Resources of any changes through an Organization and Position Management (OPM) form to update SAP HR. Human Resources will provide the annual report to Payroll/Finance to reconcile against actual SAP payments for monthly allowances.

The annual review supplements, but does not replace, the managers' ongoing accountability to ensure position attributes are up-to-date and that employees are properly compensated for mileage and parking payments.

This recommendation will be considered fully implemented after the first annual reconciliation is complete, at the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 8 as of July 3, 2012

A position attribute was established in SAP in Q4 2011. In November and December 2011 Human Resources worked with departments to review existing vehicle allowances and determine if they continued to be warranted. Those results were updated in SAP on January 10, 2012.

The Vehicle Allowances Procedures sets out a process for annual validation.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 8

Further to the policies and procedures referenced in Recommendation 7, we have confirmed that Human Resources uses SAP to setup position attributes for CIPP grandfathered and CUPE positions eligible to receive vehicle allowances.

We found that the spreadsheets provided with the results of the HR audit of vehicle allowances:

- Did not include the date the spreadsheet was prepared and the name of who reviewed it. This is important as there are approximately 15 HRCs which could be involved in the process. Management indicated this would be done on a go-forward basis; and,
- Only included yes or no for whether or not there was a vehicle allowance and did not include justification from the manager why the person/position would require a vehicle allowance or that the employee's manager confirmed their employees continued eligibility.

Management were only able to provide some example email exchanges between managers and HRCs as the remainder of the HRCs did not have emails dating back to that time. Management explained that in some cases HRCs reported meeting and documenting the list with managers, discussing the requirements on the phone, etc. Management indicated they will recommend on a go-forward basis that once the list is complete that the HRC send it to the manager confirming the final version in order to have a consistent email trail.

The Management Response indicates that Human Resources will provide the annual report of positions identified as being eligible for a monthly vehicle allowance that has been validated with departmental managers to Payroll/Finance to reconcile against actual SAP payments for monthly allowances. However, the policy and procedures do not reflect this step which would measure compliance. HR has indicated that they are trying to modify systems as opposed to manual verification as they have to manually check now. They have found a few differences between the two lists that they followed up and identified one employee that should not have been paid for a vehicle allowance.

We consider this recommendation 90% complete as documentation for the review process and results was not complete.

OAG: % complete *90%*

Management Representation of Status of Implementation of Recommendation 8 as of July 1, 2013

HR maintains a listing independent of SAP that identifies who is entitled to a vehicle allowance. This information is gathered through the annual vehicle allowance audit and retained on an electronic file. Documentation for the review process and results will be available for review by Q1 2014.

Management: % complete *90%*

2010 Recommendation 9

The justification for receipt of a vehicle allowance should be documented and kept on file, including the reason for the assessment that a vehicle is required in the performance of the employee's duties.

2010 Management Response

Management agrees with this recommendation.

The annual confirmation by managers, as discussed in the management response to Recommendation 7, will be retained in SAP as the official business record documenting the continued eligibility for a minimum monthly allowance. This recommendation will be implemented by the end of Q4 2011.

Management Representation of the Status of Implementation of Recommendation 9 as of July 3, 2012

As previously noted in the status update for Recommendation 8, SAP has been updated.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 9

Further to recommendations 7 and 8, vehicle allowances have been reflected in SAP. Although, the continued eligibility would be documented, the reasons or justification or assessment have not been reflected in SAP as indicated in the Management Response.

We were provided reports from the system where the vehicle allowances had been revoked January 10, 2012. We have also been provided an example OPM from SAP of a manager's justification and approval to revoke a vehicle allowance.

There were not OPMs done for the initial load (January 2012) of employees with vehicle allowances. Therefore, for these employees, SAP would not include justification.

We consider this recommendation 75% complete as SAP does not document the justification with reasons for a vehicle allowance.

OAG: % complete 75%

Management Representation of Status of Implementation of Recommendation 9 as of July 1, 2013

The annual confirmation by managers for the vehicle allowance is currently retained as a position attribute in SAP or as a grandfathered entitlement under the employee for CIPP.

The CUPE attribute identifies positions that managers have validated that continue to justify a vehicle allowance (for CUPE 503 positions) and changes to any entitlement are processed via an OPM form.

The CIPP grandfathering is maintained against an individual employee and removal of the grandfathering is the only option for change (no new entitlements can be created). SAP does not permit retention of text, however HR will retain the manager's rationale for granting the vehicle allowance in electronic files.

This revised process will be implemented in November 2013 when the annual validation process commences and the enhanced data will be available in Q1 2014 when the annual audit is complete.

Management: % complete 90%

2010 Recommendation 10

That the City's Mileage and Parking (Local Transportation) Policy be expanded to include specific and comprehensive internal controls to ensure consistent, complete, appropriate, and accurate reimbursements. The Policy should include responsibility to review claim data across branches for errors and anomalies, and should assign responsibility to review mileage incurred to ensure that mileage reimbursements are reasonable, and continue to be the most economic option.

2010 Management Response

Management agrees with this recommendation.

The revised Mileage and Parking (Local Transportation) Policy will provide a framework for managers to follow to determine the most cost-effective means of mileage. Under the current Human Resources Level of Authority managers at organizational level L5 and above are accountable for reviewing and approving mileage claims. These managers are responsible for ensuring that mileage reimbursements are reasonable, and continue to be the most economic option.

The revised Mileage and Parking (Local Transportation) Policy will be implemented by the Mileage and Parking Claims Procedure. Payroll will review claims across branches for errors and anomalies. Further, Payroll will also run audits that will help to identify instances where the most economic option appears not to be utilized (review of claims over the breakeven point, highest mileage claims).

The revised Mileage and Parking (Local Transportation) Policy will be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 10 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. The Policy incorporates responsibilities for managers to ensure that entitlements are accurate and that claims are valid. The Local Transportation Selection Guide will assist managers in determining the most economical travel option. Monitoring and audit responsibilities have been established.

The policy and guide are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 10

Further to the OAG assessment of recommendation 1, the Local Transportation Policy establishes Responsibilities and Monitoring of compliance with this policy and related procedures.

As noted the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop on April 22 and 24, 2013.

OAG: % complete

100%

2010 Recommendation 11

That the City develop a management framework to govern the use of City vehicles, covering both personal and business use, including as a minimum:

- a) Policies and procedures;
- b) The criteria that warrant use of a City vehicle;
- c) Expectations related to the business and personal use of the vehicle;
- d) A reporting requirement to track vehicle use and mileage;
- e) A monitoring and review requirement to assess appropriateness and effectiveness of the vehicles' usage;
- f) Specific instructions on safeguarding the vehicles, including where and how the vehicles should be parked;
- g) Assignment of accountability for vehicle usage, reporting, monitoring and safeguarding;
- h) Assignment of responsibility to monitor compliance to the Policy; and,
- i) Appropriate specification of consequences for non-compliance to the Policy.

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Fleet Services Branch will revise the policy currently titled Personal Use of City Vehicles to address both business and personal use, and will put in place supporting procedures that address parts b) through i) of this recommendation by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 11 as of July 3, 2012

The Mileage and Parking Policy has been revised and has been renamed the Local Transportation Policy.

In addition, the Personal Use of City Vehicles Policy has been revised and supporting procedures that address parts b) through i) of the recommendation have been developed.

These policies and procedures are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 11

The Local Transportation Policy revised December 11, 2012, specifies the employees and managers responsibilities relating to travel and parking options.

The Local Transportation Selection Guide, which is part of Local Transportation Policy, includes the option of a Fleet Vehicle to be used when the cost of the vehicle is more economical than reimbursing the employee for mileage based on the breakeven point calculation by Fleet Services. The Guide does not address any other criterion to warrant use of a City vehicle.

The Personal Use of City Vehicles Policy states that use not permitted other than for City business or personal use as expressly permitted in the policy. In the policy document, managers are responsible to approve personal use of City vehicles for on-call situations and general managers and directors are responsible to approve and document all personal use of City vehicles in situations where there are no on-call requirements.

The policy and related Personal Use of Corporate Vehicles - Taxable Benefits Procedures includes the responsibilities for employees to keep a logbook to record all personal and business use including dates, mileage and destinations and report all personal use to Payroll which is to be accomplished through completing the monthly vehicle Taxable Benefit Form.

The Personal Use of Corporate Vehicles - Taxable Benefits Procedures require that departments authorize; maintain a list of employee names, numbers and dates that a City vehicles was used for personal use; and, provide it to Payroll quarterly. Payroll would use the list to identify and follow-up employees who have not submitted the necessary taxable benefit forms. Cases where personal use of vehicles has not been authorized and/or not reported to Payroll could result in taxable benefit calculation delayed or missed.

Both the policy and procedures indicate that managers are also responsible to monitor compliance.

These comments only relate to the framework represented in the updated policies and procedures.

OAG: % complete **100%**

2010 Recommendation 12

That the City determine the most cost-effective means of compiling and monitoring information regarding which employees operate and/or are responsible for a City vehicle, the justification for providing a vehicle and any special provisions (such as on call access to a vehicle).

2010 Management Response

Management agrees with this recommendation.

Fleet Services and responsible operating departments will identify and consider potential solutions by the end of Q2 2012 and take action as appropriate based on this analysis.

Management Representation of the Status of Implementation of Recommendation 12 as of July 3, 2012

The Personal Use of City Vehicles Policy has been revised to address this recommendation. The policy is proceeding through the approval process, which will be completed by Q3 2012.

In addition, a process has been established whereby Corporate Payroll on an annual basis will advise all client operating departments of any instances where their staff mileage claims exceed the break-even point recently established by Fleet. This process was implemented for the first time in 2012 with the break-even point being posted on Ozone to assist client operating departments.

Management: % complete **98%**

OAG’s Follow-up Audit Findings regarding Recommendation 12

Further to the OAG assessment of Recommendation 11, the Personal Use of City Vehicles Policy and related procedures revised in Q4 2012 have established the tracking and monitoring responsibilities for employees, departmental managers and Payroll. Management has indicated that this was not a document of potential solutions but that it was part of the process to develop and implement policy and procedures.

In addition, the Local Transportation Policy includes a link to the Local Transportation Selection Guide which includes a link to a document entitled, “The Breakeven Point – Claiming Mileage vs. Using a City Vehicle”. We confirmed that for 2011 and 2012, Payroll generated a report which they provided to departments listings employees whose mileage claims exceeded the breakeven point established by Fleet.

Results and disposition of the reports for 2011 and 2012 appear in the OAG assessment of Recommendation 14d.

OAG: % complete **100%**

2010 Recommendation 13

That the chart outlining cost based criteria to determine which form of parking reimbursement to use be included, where relevant, as instruction rather than a guideline.

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy to include the parking charts by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 13 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy, which now includes both parking charts.

In addition, the parking option chart has been referred to in all parking-related procedure documents to assist departmental managers with determining cost-effective parking compensation options for employees.

The policy and charts are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 13

The Local Transportation Policy addresses City-paid parking passes and states that, "Monthly parking passes may be issued to employees required to use a vehicle for business travel three or more days per week and where the employee's actual parking costs are consistently above the cost of a monthly parking pass." The policy states that managers may revoke a City provided parking pass where the average monthly parking cost no longer justifies the parking pass or where the manager has determined that the provision of a parking pass is not warranted.

The policy also references: the City-paid Parking Pass Procedures, which provides instructions for employees and managers; and, the City-paid Parking Pass Request Form, which requires business usage information and the approval of the branch manager and general manager or director. The procedures detail the manager's responsibility to cancel and collect the City-paid parking pass for specific conditions including when the parking pass is no longer the most cost-effective method of parking reimbursement. As stated in recommendation 4, POMD is required to review these annually.

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop on April 22 and 24, 2013.

2010 Recommendation 14

That the City assign responsibility, and put in place processes to ensure compensation for vehicles used for business purposes are provided in the most appropriate and cost effective manner. The processes should ensure:

- a) That parking passes not be provided to individuals who are not expected to use them frequently enough to be cost effective.**
- b) That monthly vehicle allowances not be paid to employees who do not use a vehicle in the performance of their job responsibilities.**
- c) That expenses for City vehicles not be incurred when the vehicle's use is minimal; and,**
- d) That the Fleet breakeven point be updated and that annual mileage claims greater than this breakeven point be minimized.**

2010 Management Response

Management agrees with this recommendation.

With respect to part a), see the management response to Recommendation 18 a).

With respect to part b), see the management response to Recommendations 7 and 31.

With respect to part c), Fleet Services is committed to supporting users in dealing with low utilization units as part of the Fleet Efficiencies Program. Under that program, 2010 and 2011 are scheduled to improve the delivery of fleet services to enable a fleet reduction of 10% in 2012 by removing the need for a "Just in Case Fleet."

With respect to part d), management is already following this practice by considering the breakeven point and other factors and will ensure that the Fleet breakeven point is updated.

Pursuant to the further development of policies and tools and the existence of better, accurate and up-to-date data, management will continue to ensure that the best options for travel are being implemented. This will take into consideration operational variables and additional factors as noted below.

For the high mileage claims noted in this report, the nature of the work, unique operational requirements, the variance in claims year to year, and the pending changes to collective agreements are the factors that resulted in management reaching a different conclusion than the OAG. Factors that management considers in addition to the base mileage break-even point include:

- Adjustments for the down time and additional costs associated with operating/maintaining a City vehicle. This could include extra mileage daily to pick up/drop off City vehicles, drive to depots for gas, mileage and lost time for oil changes, maintenance, car washes, winter maintenance, etc. In one example this could amount to an additional 2,500 km and approximately 100 to 150 extra hours per year at about \$30/hour for an extra HR cost to the City of \$3,000 to \$4,500 per vehicle.
- The need for flexibility. For example, having a fleet of two vehicles for a total of 13 water meter positions would remove the flexibility of work assignment by management, and require forecasting a year in advance which individual may exceed a set limit.
- Construction technicians (ISD) are assigned projects based on the Annual Capital Program. Construction technicians (PGM) undertake inspections work on a project-by-project basis, spanning sites across the City. These programs vary from year to year both in magnitude as well as geographic locations. During years of heavy construction, higher mileage is incurred. Purchasing vehicles for those years where mileage use is high would result in vehicles being under-utilized during those years when the Capital Program or construction activity is reduced.
- Any extra City vehicle that would be underused below the anticipated threshold would automatically result in extra cost to the City thus negating some of the savings for such a small number of vehicles.
- Letter of Understanding #13. In accordance with the CUPE 503 collective agreement, construction technicians are entitled to receive payment for mileage when traveling between the job site and home at the beginning and end of the working day (To and From Mileage). As per Letter of Understanding #13 this entitlement will expire in December 2012, at which time mileage will be significantly reduced.
- Ergonomics. Priority placements and existing meter readers often deal with back-related issues. Sub-compacts are less than optimal and as a minimum, the use and the relevant costs associated with a compact car should be the basis of any analysis.

Management Representation of the Status of Implementation of Recommendation 14 as of July 3, 2012

a) The Parking Operations, Maintenance & Development branch has been working with the contracted supplier of the parking pass, Precise ParkLink, and departmental staff to develop reports that list all employees who are in receipt of a City-paid parking pass and their respective usage data. Once complete, these reports will be provided annually to each pass holder's manager, who will be

required to confirm that a City-paid parking pass remains warranted based on cost-effectiveness and other criterion identified within the Local Transportation Policy.

b) The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. In addition, a Vehicle Allowances Procedures has been finalized. The policy and procedure are proceeding through the approval process, which will be completed by Q3 2012.

c) Fleet Services has established a process whereby all low usage vehicles are communicated every three months to client operating departments. As part of the 2011 Fleet Year End Report, up-to-date low usage vehicle information was submitted to all client departments.

d) The breakeven point for 2012 has been calculated and has been posted on Ozone. Payroll has implemented a process whereby management will annually be provided with a list of any City employee exceeding the breakeven point and will be advised to consider moving to a City vehicle. The breakeven point will be revised by Fleet Services annually.

The Infrastructure Services Department (ISD) continues to monitor mileage usage of the Construction Technicians. ISD currently has a total of 25 Construction Technicians. In 2011 there were three Construction Technicians who exceeded the breakeven point for mileage claims (15,000 km), which warranted the review for justification of a City vehicle. The following action was taken:

One of the Construction Technicians received a City vehicle due to excessive mileage in the past several years, and the anticipation that the excessive mileage would continue. The provision of a City vehicle was determined to be a more cost-effective solution. The vehicle provided to the Construction Technician was transferred from another branch within ISD.

The second Construction Technician did not have continued excessive mileage. It is not anticipated that mileage usage for 2012 will exceed the breakeven point; therefore, a City vehicle is not required.

The third Construction Technician with excessive mileage retired in March 2012.

In terms of Letter of Understanding #13, management has been advised by Labour Relations that the entitlement of To and From Mileage for Construction Technicians will continue for 2013. Due to ambiguity with the language, it was the understanding of ISD management that this entitlement was to expire in December 2012. Labour Relations confirmed that as per the recently ratified CUPE 503 collective agreement, the Letter of Understanding has an effective expiration date of December 31, 2013. The new language reads:

“This Letter of Understanding and entitlement to “to-from” mileage shall expire on December 31, 2013 at which point all Construction Technicians’ mileage entitlements shall be determined in accordance with the mileage provisions of the main body of the collective agreement and any applicable City policies.”

With the expiration of the To and From Mileage entitlement on December 31, 2013, mileage will be reduced.

Management: % complete **a) 65% b) 98% c) 75% d) 100%**

OAG’s Follow-up Audit Findings regarding Recommendation 14

- a) Further to the OAG assessment of recommendations 4 and 13, the Local Transportation Policy and specific procedures for City-paid parking passes assign responsibility and put processes in place to ensure passes are not provided to individuals not expected to use them frequently enough to be the most cost-effective method.

For 2012, POMD was to provide departments a list of employees with a City-paid parking pass and their usage data. Departmental managers were to confirm that a City-paid parking pass remained warranted based on the Local Transportation Policy requirements.

As noted in the OAG assessment of Recommendation 4, this has been partially completed.

We consider this portion of the recommendation 65% complete.

- b) Further to the OAG assessment of recommendations 7, 8, and 9, the Local Transportation Policy and the specific Vehicle Allowances Procedures assign responsibility and put processes in place to ensure monthly vehicle allowance is not paid to employees who do not require the use of a vehicle to perform their job duties.

The procedure identifies that each November, Human Resources is to advise managers of which of their branch positions are established in SAP with a position attribute designating eligibility for a vehicle allowance which managers are to confirm are still valid and operationally necessary. Where requirements change, managers are to initiate an Organization and Position Management form.

As noted with the OAG assessment of Recommendation 9, documentation was not always available to support that those that continue to receive the vehicle allowance continue to be justified.

We consider this portion of the recommendation 98% complete.

- c) Fleet distributed reports to clients with low utilization units based on thresholds of 10,000 km for light units; 5,000 km for heavy units; and, 300 hours for off-road units. Based on the 2011 reports distributed in early 2012, by the end of 2012, Fleet in conjunction with departments had reduced a total of eight units resulting in an unanticipated savings of \$47,551 for 2013.

As Fleet has just recently distributed to departments the reports for 2012, we would anticipate that there would be potential for further reductions. We observed reports that showed that units at end of life and ready to be replaced are flagged in order that maintenance staff do not incur major repairs.

Management has indicated that based upon operational practices and seasonal requirements that they may wish to adjust their criterion for low utilization units.

We consider this portion of the recommendation 100% complete

- d) Further to the OAG assessment of recommendations 2, 6, and 10, the Local Transportation Policy states that when travel is necessary that employees shall select the most effective mode of travel using the Local Transportation Guide and requires managers to ensure that this selection is appropriate and cost effective.

For mileage claims and fleet vehicles, the Local Transportation Guide includes a column regarding when to use and when to question or change the travel mode. This includes discussing options when claiming mileage versus using a City vehicle either is in excess of or drops below the breakeven point. The breakeven point established by Fleet for 2011 and 2012 were 15,000 and 12,000 km.

We have confirmed that the breakeven point for 2012 was calculated by Fleet Services considering the capital cost, fixed costs such as license and insurance and variable costs such as maintenance and fuel costs. Management indicated the change in the breakeven point from 2011 to 2012 related mostly to the favourable pricing received for light vehicles.

We have confirmed that for 2011 there were 19 employees with over 14,000 km and that Payroll files include the emails provided for mileage claims in excess of the breakeven point to the managers for 14 of these. We noted there were a few of the emails sent to managers that were not retained on file in 2011.

We have confirmed that for 2012 there were 35 employees with over 11,000 km and that Payroll files show that they have provided information for mileage claims in excess of the breakeven point to the managers of these employees and emails were retained on file. It was also noted that the totals for the Construction Technicians did not include the to/from mileage. There was a total of 12 Construction Technicians.

From 2011 to 2012 there continued to be 12 of the same individuals with mileage ranging from approximately 13,000 to 20,000 km. Four of these were Construction Technicians. Examples were reviewed as part of Recommendation 21 where the most cost effective option was being considered.

We consider this portion of the recommendation 98% complete as some documentation was not available for 2011 as noted above.

OAG: % complete *a) 65% b) 98% c) 100% d) 98%*

Management Representation of Status of Implementation of Recommendation 14 as of July 1, 2013

14a) The newly developed software to undertake these complex calculations has been completed and beta tests are presently underway to ensure 100% accuracy. It is anticipated that Parking Operations, Maintenance & Development branch will complete this review and verification in Q4 2013. Once tested and completed information will be sent to departmental managers to confirm that a City-paid parking pass remains warranted based on the Local Transportation Policy requirements by Q1 2014.

Management: % complete *65%*

14b) In June 2013, HR revised the internal process to ensure that the manager's approval is maintained through the vehicle allowance validation process. Human Resources are also working with clients to develop criteria for granting a vehicle allowance. This revised process will be implemented in November 2013 when the annual validation process commences and the enhanced data will be available in Q1 2014 when the annual audit is complete.

Management: % complete *98%*

14d) The breakeven point for 2012 has been calculated and is posted on Ozone. Payroll has implemented a process whereby annually management will be provided with a list of any City employee exceeding the breakeven point and will be advised to consider moving to a City vehicle. The breakeven point will be reviewed / updated by Fleet Services annually.

Management: % complete *100%*

2010 Recommendation 15

That, in addition to the ad-hoc audits, the Payroll Unit take a risk based and systematic approach to determining which audits to perform. The Payroll Unit should perform the audits as planned, and follow up on the audit findings.

2010 Management Response

Management agrees with this recommendation.

The Payroll Unit currently uses a risk based and systematic approach to determining which audits to perform and these audits are run on a scheduled basis. Exceptions are followed up with managers as required and written justification is kept on file.

To further reduce the risk of overpayments, Payroll has eliminated the requirement to perform manual audits by enhancing the SAP system to disallow any minimum flat monthly claims for CIPP employees where there is no grandfathered entitlement.

This recommendation will be considered fully completed after the implementation of the procedures that will support the new Local Transportation Policy, and the new Use of City Vehicles Policy. Once in place, appropriate audit reports will be determined, performed, and Payroll will follow-up on the findings, by the end of Q4 2012. After this point, audits will continue with appropriate adjustments on an on-going basis.

Management Representation of the Status of Implementation of Recommendation 15 as of July 3, 2012

The new Mileage and Parking – Taxable Benefit Procedures are complete and are proceeding through the approval process, which will be completed by the end of Q4 2012. The required changes to SAP have been completed to account for the taxable benefit.

Audit reports will be developed by the end of Q4 2012 and performed for the 2012 calendar year by the end of Q1 2013.

Management: % complete *80%*

OAG's Follow-up Audit Findings regarding Recommendation 15

Further to the OAG assessment of Recommendation 1, the Monitoring and Contraventions section of the Local Transportation Policy, states that Payroll shall monitor compliance with CRA regulations and conduct audits.

The new Mileage and Parking – Taxable Benefit Procedure indicates that Payroll would assess the taxable benefit regularly throughout the year instead of once per year.

The Payroll audit reports developed and used included an ongoing quarterly reconciliation of personal use of City vehicle and a completeness test for employee declarations of City paid parking passes.

The ongoing quarterly reconciliations of personal use of City vehicle was based on surveys sent to departments regarding who can take vehicles home. Payroll management had lists of departmental contacts who identified which staff could take City vehicles home. Several departments confirmed that there was no personal

use as vehicles could not be taken home. Cases where personal use of City vehicles has not been authorized and not reported to Payroll could result in unauthorized use of vehicles and either a missed or delayed taxable benefit calculation.

We found that the quarterly reconciliation spreadsheet of Taxable Benefit of City vehicles did not include the names of the originator and reviewer; and, the dates prepared and reviewed. Payroll management explained that each department was assigned responsibility to coordinate the review and provided example emails from the coordinator which contained the dates.

The completeness check relating to City paid parking is in progress and is being recorded on an Excel spreadsheet for 2013 and related to notices sent to employees who have received employer provided parking for the parking lots at the Laurier City Hall, Clarence and Metcalfe. Staff were required to return a signed declaration which included their business use election in order to determine whether or not they would be assessed a taxable benefit. Payroll continues to follow-up outstanding declarations. Where employees did not have business use, e.g., directors receiving parking as part of their employment terms and conditions and do not have business use, then the taxable benefit would be entered into SAP.

We consider this recommendation 80% complete as the audits are in progress.

OAG: % complete *80%*

Management Representation of Status of Implementation of Recommendation 15 as of July 1, 2013

As noted by the OAG, the reconciliation to verify completeness of the parking pass assessment was underway at the time of the audit. This exercise has now been completed. The dates and names of the originator and reviewer are captured via email when the submissions are made, as well as when any clarifications upon review are provided. Payroll has added the date of preparation to the audit as of Q2 2013, however, the names of the originator and reviewer will continue to be captured via email when the request for review is made to the department. As this is now the standard operating procedure, no further action is required.

Management: % complete *100%*

2010 Recommendation 16

That among the audits performed by Payroll, an audit of mileage in excess of the breakeven point as calculated by Fleet Services be conducted.

2010 Management Response

Management agrees with this recommendation.

Payroll currently runs an audit to identify mileage distances for the non taxable mileage of over 1,000 km per month processed in SAP. In response to this recommendation, Payroll will perform an audit of mileage in excess of the breakeven point as calculated by Fleet Services.

It should be noted that Payroll cannot currently report on distances travelled for the taxable mileage forms, as the distances travelled are not entered into SAP. Payroll has added this requirement to the SAP enhancement work plan and it will be prioritized with other initiatives. In the meantime, Payroll will determine if there is an interim solution for determining the distances being travelled by employees using the taxable mileage form. This will be completed by Q2 2012.

Management Representation of the Status of Implementation of Recommendation 16 as of July 3, 2012

The kilometres travelled are now entered into SAP for manually submitted forms. An audit of excess mileage has been developed based on the breakeven point determined by Fleet and was implemented in Q1 2012.

Management: % complete **100%**

OAG's Follow-up Audit Findings regarding Recommendation 16

Further to the OAG assessment of Recommendation 1, the Monitoring and Contraventions section of the Local Transportation Policy states that Payroll shall monitor compliance with CRA regulations and conducts audits. Appendix A – Local Transportation Policy – Local Transportation Selection Guide – includes a link to the document entitled Breakeven Point – Claiming Mileage versus Using a City Vehicle.

The 2011 breakeven point was identified as 15,000 km and Payroll was to provide reports for employees that exceeded 14,000 km. The 2012 breakeven point was determined to be 12,000 km and Payroll was to provide information for employees that exceeded 11,000 km.

Management illustrated that effective Q4 2011, mileage (e.g., km) was entered in SAP. We found that audits of excess mileage were conducted by Payroll for 2011 and 2012 and that emails were provided to the managers of employees with mileage above the breakeven point, as noted in the OAG assessment of Recommendation 14d. We also found that the payroll files did not include signatures identifying who prepared and reviewed the audits.

We consider this recommendation 98% complete as the documentation was not complete as noted above.

OAG: % complete **98%**

Management Representation of Status of Implementation of Recommendation 16 as of July 1, 2013

Payroll sends the list of employees surpassing the reporting threshold to the associated manager. As noted by the OAG in regard to Recommendation 14d, a process has been implemented to keep these emails as evidence of the notification for review.

Management: % complete **100%**

2010 Recommendation 17

That options for travel compensation, along with criteria for determining the most appropriate choice be documented and communicated to managers.

2010 Management Response

Management agrees with this recommendation.

Human Resources will document the criteria for determining the most appropriate choice for local transportation and will communicate it to managers as part of the implementation of the revised Mileage and Parking (Local Transportation) Policy, by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 17 as of July 3, 2012

The Local Transportation Selection Guide has been developed and will be communicated to managers once the Local Transportation Policy has been approved.

The policy and guide are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 17

Further to OAG assessment of recommendations 1 and 6, the Local Transportation Selection Guide is an Appendix to the Local Transportation Policy. The guide lists the different travel and parking options and when to use them and when to question them. The guide includes a link to the breakeven point for determining whether to claim mileage versus using a City vehicle.

OAG: % complete **100%**

2010 Recommendation 18

That the City periodically review the provision of parking passes and vehicle allowance to ensure they are and continue to be the most economical option. The justification for continued use should be documented.

a) Parking pass usage should be reviewed for cost effectiveness; and,

- b) **Job requirements should be reviewed to ensure provision of a vehicle allowance continues to be justified.**

2010 Management Response

- a) Management agrees with this recommendation.

The periodic review of the provision of parking passes will be part of the Parking Pass Procedures. This recommendation will be considered fully implemented after the first review is complete, at the end of Q4 2012.

- b) Management agrees with this recommendation.

As more fully described in Recommendation 7, Human Resources will coordinate an annual review where managers will be accountable for confirming the entitlement and advising Human Resources of any changes, when they occur.

This recommendation will be considered fully implemented after the first annual reconciliation is complete, at the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 18 as of July 3, 2012

The Parking Operations, Maintenance & Development branch has been working with the contracted supplier of the parking pass, Precise ParkLink, and departmental staff to develop reports that list all employees who are in receipt of a City-paid parking pass and their respective usage data. The reports are to be complete by Q4 2012 and will be provided to each pass holder's manager on an annual basis. The manager will be required to confirm that a City-paid parking pass remains warranted based on cost-effectiveness and other criterion identified within the Local Transportation Policy.

Recommendation 18 b) is substantially complete (98%). The Vehicle Allowances Procedures is complete and is proceeding through the approval process which will be completed by Q3 2012. One validation was conducted in Q4 2011. A second validation will occur in Q4 2012.

Management: % complete

18a) 65% 18b) 98%

OAG's Follow-up Audit Findings regarding Recommendation 18

Further to the OAG comments in recommendations 1, 3, 4, 5, 7, 8, 9, 14a and 14b the Local Transportation Policy and specific procedures for the City-paid parking passes and vehicle allowances include the requirements for an annual review in addition to the manager's ongoing requirement to determine that these continue to be warranted.

As identified in 14a (City-paid parking passes) and 14b (vehicle allowances), these annual reviews have been partially completed.

We consider part 18a of this recommendation 65% complete and part 18b as 98% complete.

OAG: % complete

18a) 65% 18b) 98%

Management Representation of Status of Implementation of Recommendation 18 as of July 1, 2013

18a) The newly developed software to undertake these complex calculations has been completed and beta tests are presently underway to ensure 100% accuracy. It is anticipated that Parking Operations, Maintenance & Development branch will complete this review and verification in Q4 2013. Once tested and completed, information will be sent to departmental managers to confirm that a City-paid parking pass remains warranted based on the Local Transportation Policy requirements by Q1 2014.

Management: % complete

65%

18b) HR reviews vehicle allowance entitlements with managers each November. To date, HR has conducted reviews in Q4 2011 and 2012. The 2013 review will be supported by documented rationale that managers will consider for granting a vehicle allowance. Changes to entitlements will be available in Q1 2014 when the annual audit is complete.

Management: % complete

98%

2010 Recommendation 19

That the City determine the most appropriate means of assigning responsibility to review and follow-up on vehicle-related expenses to ensure cost-effectiveness.

2010 Management Response

Management agrees with this recommendation.

Parking pass data, City vehicle data, and mileage reimbursement data will be individually monitored to ensure the most appropriate and cost-effective manner of local transportation is being used. Parking pass data, City vehicle data, and mileage reimbursement data, are however, stored in different systems thereby making a review by individual and across branches impractical.

Managers are responsible for the approval of all claims, are responsible for any anomalies or excesses found in the data, and are ultimately responsible for their budgets that combine all of these expenses. There is no method, however, to provide detailed data by individual and across branches.

With the completion of updated policies and improved tools available for tracking and monitoring, managers will be in a better position to proactively assess that cost-effective transportation solutions are being applied.

Management Representation of the Status of Implementation of Recommendation 19 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. All procedures have either been revised or developed as noted throughout this status update, which assigns responsibility to review and follow-up on vehicle-related expenses to ensure cost-effectiveness.

The policy and procedures are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete **98%**

OAG's Follow-up Audit Findings regarding Recommendation 19

As management has indicated in their response, parking pass data, City vehicle data, and mileage reimbursement data will be individually monitored as they are stored in different systems thereby making a review by individual and across branches impractical.

Management has also indicated that managers are responsible for the approval of all claims, are responsible for any anomalies or excesses found in the data, and are ultimately responsible for their budgets that combine all of these expenses.

Further to Management's status update and the OAG comments for all prior recommendations, the policies and procedures assign responsibility to review and follow-up on vehicle related expenses.

OAG: % complete **100%**

2010 Recommendation 20

That the breakeven report be provided to departments that incur mileage claim expenses as well as those who use City vehicles.

2010 Management Response

Management agrees with this recommendation.

Human Resources will document the criteria for determining the most appropriate choice for local transportation, including the 'breakeven point' for use of a City vehicle, and will communicate it to managers as part of the implementation of the revised Mileage and Parking (Local Transportation) Policy, by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 20 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed the Local Transportation Policy. In addition, a Local Transportation Selection Guide has been finalized, which documents the criteria for determining the most appropriate choice

for local transportation. Documentation of the breakeven point in the Local Transportation Selection Guide was not recommended by Fleet or Payroll as this figure may vary on an annual basis.

The policy and guide are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete ***98%***

OAG's Follow-up Audit Findings regarding Recommendation 20

Further to the OAG comments on recommendations 16 and 14d, we have confirmed that Payroll has provided the excess mileage over the breakeven point for 2011 and 2012 to the specific managers.

The email provided by Payroll to the managers indicates that the determination as to whether providing a City vehicle is the best solution for their operations is up to the department, however, indicates it is important to document the decision for future audit follow-ups. The email provides the Fleet Services contact who is available to work with the department to decide whether it is cost-effective to consider moving staff to a City-owned vehicle.

OAG: % complete ***100%***

2010 Recommendation 21

That departments in receipt of the breakeven report use the information to ensure cost effectiveness, i.e., the breakeven point should be incorporated in periodic analysis to identify trends that may indicate excessive mileage claims.

2010 Management Response

Management agrees with this recommendation.

Payroll currently runs an audit to identify mileage travelled over 1,000 km per month for the non taxable mileage processed in SAP. Exceptions are followed up with managers as required and written justification is kept on file.

In response to Recommendation 16, Payroll will also perform an audit of mileage in excess of the breakeven point as calculated by Fleet Services by the end of Q4 2011, and will continue to do so on a regular basis. Exceptions are followed up with managers as required and written justification is kept on file.

It should be noted, however, that at this time Payroll cannot report on distances travelled for the taxable mileage forms, as the distances travelled are not entered into SAP. Payroll has added this requirement to the SAP enhancement work plan and it will be prioritized with other initiatives. In the meantime, Payroll will determine if there is an interim solution for determining the distances being travelled by employees using the taxable mileage form. This will be completed by Q2 2012.

Management Representation of the Status of Implementation of Recommendation 21 as of July 3, 2012

The kilometres travelled are now entered into SAP for manually submitted forms. An audit of excess mileage has been developed based on the breakeven point determined by Fleet and was implemented in Q1 2012 in order to include the full year's claim.

Management: % complete ***100%***

OAG's Follow-up Audit Findings regarding Recommendation 21

As noted in the OAG comments on Recommendation 20, Payroll provides the report of excess mileage to the departmental managers, and notifies them that they are responsible to document (or justify) their decision(s).

We have followed up with the three managers of the three employees with the highest mileage. We have found that two of the three managers had documentation where they had followed up with Fleet Services and the third had discussed this information internally and had followed up with Fleet during the course of the audit.

In one of the cases, the manager had preliminary plans to purchase vehicles as they had seven staff in excess of the breakeven point. However, the breakeven point was based on the capital costs for light vehicles whereas the planned purchase was for more expensive vehicles which would have a higher breakeven point. Although Management indicated there may be other reasons for increasing the number of vehicles such as a mobile workforce, anticipated cost savings would potentially not be realized.

We have also confirmed with Fleet Services and found that they have provided costing information to other operational managers where requested. We found that in one of these other cases the cost per km for operational and capital costs combined was requested to compare actual vehicle costs to personal vehicle mileage. However, the response provided to the department by Fleet Services contained costs which were erroneously understated. Fortunately, the departmental manager copied Fleet Services on their analysis and Fleet Services was able to identify the error and advise the department. This could have resulted in inadvertently using too low a cost comparator for vehicles and making the decision to purchase additional vehicles where it would not result in the expected savings.

Although we consider this recommendation complete, there is a risk that management erroneously justifies additional vehicles based on cost savings that will not be realized.

OAG: % complete ***100%***

2010 Recommendation 22

That the City assign appropriate responsibility to monitor compliance to policies, along with the responsibility to follow up to ensure timely remediation. Each policy should identify the consequences of non-compliance.

2010 Management Response

Management agrees with this recommendation.

Human Resources will revise the current Mileage and Parking (Local Transportation) Policy by the end of Q2 2012.

Each of its procedures will assign specific responsibility to monitor compliance, to follow-up, and to ensure timely remediation. Further, each procedure will identify the consequences of non-compliance. These new procedures will be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 22 as of July 3, 2012

The Mileage and Parking Policy has been revised and renamed it the Local Transportation Policy. In addition, supporting procedures have been revised and/or developed to address the requirements of this recommendation.

The policy and procedures are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete ***98%***

OAG's Follow-up Audit Findings regarding Recommendation 22

As indicated in the OAG comments on recommendation 1, the Local Transportation Policy was revised December 11, 2012. In addition to listing employees and managers responsibilities, the Responsibilities section identifies that:

- The Human Resources department is responsible for the Local Transportation Policy and the Vehicle Allowances Procedures;
- The Finance department is responsible for the Mileage and Parking – Reimbursement and Taxable Benefit Procedures, the Mileage and Parking Reimbursement Form and the Personal Use of City Vehicles – Taxable Benefits Procedures; and,
- Public Works is responsible for the City Paid Parking Passes and Parking Validation Stamp Program.

The Monitoring/Contraventions section reiterates that:

- All managers are responsible for monitoring claims and ensuring compliance with this Policy and related procedures;

- Employees are responsible to submit accurate claims for travel incurred during the course of their business travel;
- Parking Operations, Maintenance and Development shall monitor the City Paid Parking Pass and Parking Validation Stamp programs;
- Payroll shall monitor compliance with CRA regulations and conducts audits; and,
- Inappropriate submission of claims and/or failure to properly monitor and approve claims may be subject to disciplinary action.

As noted the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop April 22 and 24, 2013.

OAG: % complete

100%

2010 Recommendation 23

That the City assess when the provision of a parking pass should be considered a taxable benefit, and adjust its accounting and reporting accordingly.

2010 Management Response

Management agrees with this recommendation.

Management would like to clarify that the summary of key findings includes a table with a potential liability for taxable benefits that would not be incurred. Any taxable benefit liability arising from parking passes will be that of the employee not the City. The only portion for which the City may be liable is for any penalty that may be imposed.

The Payroll Unit is currently working to assess the taxability of parking passes. The completion of this assessment is dependent on the introduction of the new Parking Pass Request Form which will enable the gathering of the required information (see Recommendation 24). This recommendation will be completed by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 23 as of July 3, 2012

The new Mileage and Parking – Taxable Benefit Procedures are complete and are proceeding through the approval process, which will be complete by Q4 2012. The required changes to SAP have been completed to account for the taxable benefit.

The assessment of the taxability of parking passes is complete. Implementation has been delayed to allow for consultation with the various stakeholders. This consultation will be completed by the end of Q3 2012.

Implementation is also dependant on the introduction of the new Parking Pass Request Form, which is expected to be approved by the end of Q3 2012 (see Recommendation 24).

Management expects this implementation to be complete by the end of Q4 2012.

Management: % complete **80%**

OAG's Follow-up Audit Findings regarding Recommendation 23

The Local Transportation Policy includes a Tax Implications section that states that under CRA regulations, parking, mileage and vehicle allowances have tax implications. It refers to the Mileage and Parking - Reimbursement and Taxable Benefit Procedures for further details.

The latest version with a revision date of February 26, 2013, includes several further changes to the procedural text. Instead of an annual assessment of the taxable benefit this is to be done regularly throughout the year. The employee is responsible to properly represent business travel and retain records subject to audit and reassessment by CRA.

Appendix D of the procedures entitled City Provided Parking Taxable Benefit Form is required to be completed by employees. The form contains the following sections:

- a Disability/Related Medical Exemption which is required to be signed by a qualified medical practitioner;
- a Business Use Election where employees are to identify their frequency of business travel for business purposes. Regular business use is defined as an average of three days per week. Managers are to sign this section to confirm the employee is required to travel regularly for business. Changes that affect the form, require that a new form is submitted;
- a declaration and acknowledgement section to be signed by employees.

The form matches the Canada Revenue Agency Regulations from their website January 25, 2013. Therefore, we would consider the assessment portion complete.

As noted the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop April 22 and 24, 2013.

Changes have been made to the City's SAP Payroll system in order to account for and report the parking taxable benefit.

We consider this recommendation complete.

OAG: % complete **100%**

2010 Recommendation 24

That the parking pass request form, and other forms used to authorize the provision of a benefit or reimbursement contain information on when the provision is considered a taxable benefit, the minimum required frequency of use to be cost beneficial, and the reasons it is necessary for business use.

2010 Management Response

Management agrees with this recommendation.

The Parking Pass Request Form will be amended in consultation with the Payroll Unit to include information regarding when the provision of a City-paid parking pass is considered a taxable benefit, the minimum required frequency of use to be cost beneficial, and the reasons it is necessary for business use, by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 24 as of July 3, 2012

Parking Operations, Maintenance & Development branch has amended the Parking Pass Request Form, in consultation with the Finance department (Payroll), to include justification and frequency of use fields that must be completed by the applicant when requesting a City-paid parking pass.

A separate City Provided Parking Taxable Benefit Form has been developed by the Finance department (Payroll) that allows for employees to identify any disability or other exemptions, in addition to their respective business usage. This information is used to assess taxability of City provided parking, including the taxable benefits associated with a City-paid parking pass.

These forms are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete 98%

OAG’s Follow-up Audit Findings regarding Recommendation 24

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013 including the forms referenced in the Management Representation relating to parking passes and taxable benefits.

This information was communicated to all management and staff in a Management Bulletin and In the Loop April 22 and 24, 2013.

OAG: % complete 100%

2010 Recommendation 25

That, in addition to the vehicle number, City vehicles be marked with the name of the department to which they belong.

2010 Management Response

Management agrees with this recommendation.

Fleet Services and the Communications departments are currently revising the Markings on City Vehicles and Equipment Policy in order to include department and/or branch names as approved vehicle markings. Once the changes to the policy are made and approved by senior management, Fleet Services will proceed with marking the vehicles, in accordance with the policy.

City vehicles will be marked with the name of the department to which they belong by the end of Q3 2011.

Management Representation of the Status of Implementation of Recommendation 25 as of July 3, 2012

The Markings on City Vehicles and Equipment Policy has been revised to include the appropriate departmental name as approved vehicle markings. Fleet Services branch is in the process of marking City vehicles in accordance with the revised policy. The work began in 2011; however, due to capacity issues, the contractor performing the work for the City did not have the capability to make the change on the existing City fleet of 2,540+ vehicles at the same time as marking new vehicles purchased therefore, the initial timeline was not met. Fleet Services has many vehicles that require decaling as part of their regular maintenance process and anticipates having this work complete by the end of Q4 2012.

Management: % complete *50%*

OAG's Follow-up Audit Findings regarding Recommendation 25

The Visual Markings on City Vehicles and Equipment Policy indicates that some City departments or branches have specific visual identity schemes (Fire, Paramedic, By-Law, Transit). For other City vehicles, neither the policy nor the City's Visual Identity Standards Manual indicates that the appropriate branch or department's name is to be included. Management has provided a supplementary email with the established naming conventions for decaling other City vehicles with the branch or department which is intended to be referenced in the Visual Identity Standards.

Management has provided a report that there were 741 units to be decaled and 597 were completed. Management indicated this differs from the 2,540+ vehicles referenced in the management response, as the following units were excluded: Emergency Protective units since they already had descriptive decaling (i.e., Police, Fire, Ambulance, By-Law), and; off-road equipment because of low visibility (i.e., graders, backhoes, etc.), and; units who were close to being replaced (i.e., light fleet 2005 vintage and older, heavy vehicles 2000 vintage and older).

We consider this recommendation 80% complete as the standards documentation is to be updated and there are vehicles remaining to be decaled.

OAG: % complete

80%

Management Representation of Status of Implementation of Recommendation 25 as of July 1, 2013

With respect to decaling of City vehicles, Fleet Services has now completed 664 of the 741 units (or 90%). Estimated completion for decaling is October 2013, pending vehicle availability.

The updating of the Visual Identity Standards manual will be completed by the end of Q3 2013.

Management: % complete

80%

2010 Recommendation 26

That in addition to reviewing the taxable benefits related to personal use of City vehicles, the Payroll Unit request the consultant review taxable benefit issues related to City paid parking passes

2010 Management Response

Management agrees with this recommendation.

The Payroll Unit will ensure the review of taxable benefit issues related to City paid parking passes, however, it should be noted that this review will likely be conducted by City staff.

This recommendation will be completed by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 26 as of July 3, 2012

A consultant was retained to review the new Mileage and Parking – Taxable Benefit Procedures. Their advice has been included in the draft procedure being brought forward for approval.

Management: % complete

100%

OAG's Follow-up Audit Findings regarding Recommendation 26

Further to recommendations 23 and 24, the policies and procedures were approved and posted on Ozone by Q1 2013 including the Mileage and Parking – Reimbursement and Taxable Benefit Procedure.

There was a consultant's report on "Employer Provided Parking Taxable Benefit Controls Review". Management indicated this report was used as one of the inputs for the Mileage and Parking - Taxable Benefit Procedures and that only a portion of the advice was reflected in the procedures as there were concerns that there would be some administrative burden.

Currently, employees with parking access at the specific locations of City Hall, Clarence St., Catherine St., and Metcalfe (where they have either an access card or where a Fair Market Value (FMV) has been assessed) have been individually contacted to sign a declaration relating to their business use election in order to determine whether or not a taxable benefit is to be assessed on their pay advice and T4.

Management has indicated, the parking lots with a FMV extend beyond those managed by POMD and could include parking lots where the cost of parking is included as part of the lease.

OAG: % complete *100%*

Recommendation 27

That a City employee be tasked with keeping track of who has a City paid parking pass, including when a pass is exchanged between employees, or when it is revoked. Reliance should not be placed on the third party supplier to provide this information.

2010 Management Response

Management agrees with this recommendation.

A City employee (or internal designate) will be tasked with keeping track of who has a City-paid parking pass. The policy and procedure will assign responsibility for notifying that City employee whenever a pass is to be requested or revoked.

This recommendation will be considered fully implemented after the first annual review and reconciliation is complete, at the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 27 as of July 3, 2012

The City-Paid Parking Pass Procedures and City-Paid Parking Pass Request Form assigns responsibility for the tracking of City-paid parking pass holders to the Parking Operations, Maintenance & Development branch. The procedure also assigns the responsibility for notifying the Parking Operations, Maintenance & Development branch whenever a pass is to be requested or cancelled.

Copies of all approved application/cancellation forms will be accompanied by the City Provided Parking Taxable Benefit Form and sent to the Finance department (Payroll) for taxability assessment. The City's contracted supplier of the parking pass, Precise ParkLink, is sent a copy for their files and is responsible for updating the parking pass database. A copy is also placed on the employee's personnel file.

The policy and procedure are proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 27

Further to the OAG comments on recommendations 23, 24 and 26, POMD has been tasked with keeping track of employees with City paid parking cards.

The Management Comments indicated that copies of all approved application/cancellation forms will be accompanied by the City Provided Taxable Benefit Form and sent by POMD to Finance for taxability assessment. This differs from the text in the latest City-paid Parking Pass Procedures on Ozone January 16, 2013 and Mileage and Parking - Reimbursement and Taxable Benefit Procedures last updated on Ozone March 7, 2013 and the associated forms.

Section E of the City-paid parking program-parking pass request form states, "Please refer to the mileage and parking - reimbursement and taxable benefit procedures and the City provided taxable benefit form for tax implications associated with City-paid parking employee benefits." Neither the City-paid Parking Pass Procedures nor the City-paid parking program-parking pass request form indicate that copies of all approved application/cancellation forms will be accompanied by the City Provided Taxable Benefit Form and sent by POMD to Finance for taxability assessment. The Mileage and Parking - Reimbursement and Taxable Benefit Procedures require the employee to provide the completed and signed City Provided Parking Taxable Benefit form to Payroll.

POMD management have indicated that their processes include providing a pdf file of the applications and cancellations to Payroll. Payroll has indicated that they would then follow-up the taxable benefit implications with the employee.

In order to be considered complete, we would expect that the practices, processes and procedures be consistent.

OAG: % complete *98%*

Management Representation of Status of Implementation of Recommendation 27 as of July 1, 2013

Since the meeting with staff from the OAG on April 19, 2013, staff has amended the practices, processes and procedures to ensure consistency with the published policy and procedures.

Management: % complete *100%*

2010 Recommendation 28

That the City keep clear accounting records that indicate when an expense is incurred for a parking pass. The records should facilitate identification of the pass holder for whom the expense is incurred.

2010 Management Response

Management agrees with this recommendation.

The City's accounting records will be modified to clearly indicate when an expense is incurred for a parking pass and will facilitate identification of the pass holder for the respective expense. These improvements will be in place by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 28 as of July 3, 2012

As a result of the work required on amending the Parking procedures, limited action has been taken to address this recommendation. Parking Operations Maintenance and Development branch has commenced discussions with the Finance department to determine what improvements can be made to the City's accounting records to clearly indicate when a parking expense has been incurred. The identification of these improvements will be complete by Q4 2012 as originally stated.

Management: % complete 25%

OAG's Follow-up Audit Findings regarding Recommendation 28

We have confirmed that POMD in conjunction with Finance have worked to create a specific cost element within the SAP accounting system for City paid parking passes and have communicated the standardized text to be used to include the parking pass number. POMD have reviewed an extract of the data from SAP which highlighted that the process had not been followed. A reminder of the process has been sent.

OAG: % complete 50%

Management Representation of Status of Implementation of Recommendation 28 as of July 1, 2013

POMD staff has reviewed employer paid parking pass payment data from SAP and estimate that 91% of transactions include proper text entries. POMD staff will be providing further instruction to various FSU staff and will schedule meetings with the various parties, as required, to ensure that standardized wording requirements have been included in past payments made and updated in SAP.

Ongoing guidance to be provided to client staff will assist in ensuring that 100% compliance to the standardized text requirements will be achieved by Q4 2013 by all parties responsible for stamp and parking pass documentation.

Management: % complete 90%

2010 Recommendation 29

That one City employee be responsible to receive the newly activated City paid parking passes from the contract site manager, and distribute them to the pass holder rather than the pass holders receiving them directly from the contractor. Similarly, when an employee is terminated or changes duties and no longer requires the use of a pass, responsibility should be assigned to one individual/area within the City to retrieve the pass and update the tracking list.

2010 Management Response

Management agrees with this recommendation.

A process for distributing newly activated City-paid parking passes will be implemented to segregate the roles of the externally contracted supplier of the pass from the City staff responsible for validating that the application has been appropriately approved, and also from the City staff person who physically provides the pass to the approved employee. Management notes that although the recommendation says 'one City employee', the intent of this recommendation is to ensure an internal staff member is responsible for the role, and that it is reasonable that the task will need to be shared with other staff to ensure back-up.

The responsibility for retrieval of a parking pass from an employee is identified on the checklist for departing employees (Termination- Resignation/Retirement Procedures). Responsibility for retrieving passes, updating the tracking list and requesting regular justification reviews will be assigned in the revised policy and procedures.

This process will be documented in the Parking Pass Procedure, to be in effect by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 29 as of July 3, 2012

The City-Paid Parking Pass Procedures segregate the roles of the contracted supplier of the parking pass, Precise ParkLink, from the City employees responsible for the administration of the City-paid parking pass, including the City employee who physically provides the pass to the approved employee.

The City-paid parking pass process has been updated to include a formal method to retrieve parking passes that are no longer required in conjunction with the checklist for departing employees (Termination - Resignation/ Retirement Procedures). These improvements will result in timely updates to the City-paid parking pass holder list.

The procedures are proceeding through the approval process which will be completed by Q3 2012.

Management: % complete

98%

OAG's Follow-up Audit Findings regarding Recommendation 29

Further to the OAG comments on Recommendation 3, the City-Paid Parking Pass Procedures sequence of tasks has the POMD notifying the employee to pick up the activated parking pass at the City Hall - CSC and then taking a copy of the signed parking pass agreement to the Precise ParkLink representative located in the parking garage at City Hall to review the form, record the parking pass information and provide the employee with the Monthly Parking Agreement Terms and Conditions. As noted in the OAG comments on Recommendation 3, the POMD procedure and flowchart also included a change to the timing of the completion of the Monthly Parking Request Form by the employee to occur at the beginning of the process.

For cancellations, the manager or designate are required to retrieve the City-paid parking pass from the employee and provide it and a completed cancellation form to POMD for processing.

In order to be considered complete, we would expect that the practices, processes and procedures be consistent as further discussed in the OAG comments on Recommendation 3.

OAG: % complete **98%**

Management Representation of Status of Implementation of Recommendation 29 as of July 1, 2013

Since the meeting with staff from the OAG on April 19, 2013, Parking Operations, Maintenance & Development branch staff have amended the procedures and flowchart to ensure consistency with the published policy and procedures.

Management: % complete **100%**

2010 Recommendation 30

That the City ensure that the log of parking validation stamp usage is reviewed and approved by an individual of appropriate authority.

2010 Management Response

Management agrees with this recommendation.

This recommendation will be completed as part of the implementation of the revised Parking Stamp Procedure in Q2 2012.

Management Representation of the Status of Implementation of Recommendation 30 as of July 3, 2012

The Parking Validation Stamp Procedures has been updated to include embedded controls for accountability, approval, authorization and the segregation of duties and functions.

The procedure is proceeding through the approval process, which will be completed by Q3 2012.

Management: % complete *98%*

OAG's Follow-up Audit Findings regarding Recommendation 30

The Parking Validation Stamp Procedures with a revision date of January 8, 2013 was updated on the intranet January 16, 2013.

As noted, the policies and procedures were approved and posted on Ozone by Q1 2013. This information was communicated to all management and staff in a Management Bulletin and In the Loop April 22 and 24, 2013.

OAG: % complete *100%*

2010 Recommendation 31

That monthly vehicle allowance payments required by the collective agreements are paid systematically, consistently, and accurately.

2010 Management Response

Management agrees with this recommendation.

The current vehicle allowance payments process requires manager authorization monthly. This will be enhanced by the following initiatives: Human Resources will establish a position attribute in SAP, as noted in Recommendation 7, to define those positions which require either a grandfathered monthly allowance (CIPP) or a monthly allowance (CUPE). This information will be provided to managers for review on an annual basis and will also be provided to Payroll/Finance to reconcile against actual SAP payments of monthly allowances.

These improvements will be in place by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 31 as of July 3, 2012

A position attribute was established in SAP in Q4 2011. In November and December 2011 Human Resources worked with departments to review existing vehicle allowances and determine if they continued to be warranted. Those results were updated in SAP on January 10, 2012.

The Vehicle Allowances Procedures sets out a process for annual validation.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 31

Further to the OAG comments on recommendations 7, 8, 9, and 14b the Local Transportation Policy and the specific Vehicle Allowances Procedures assign responsibility and put processes in place to ensure monthly vehicle allowances are not paid to employees who do not use their vehicles in the performance of their job duties.

The procedure identifies that each November, Human Resources is to advise managers of which of their branch positions are established in SAP with an attribute designating eligibility for a vehicle allowance. Managers are then to confirm that the vehicle allowances are still valid and operationally necessary. Where requirements change, managers are to initiate an Organization and Position Management form.

As noted with the OAG comments on recommendation 8, documentation for the review process and results was not complete.

OAG: % complete *90%*

Management Representation of Status of Implementation of Recommendation 31 as of July 1, 2013

HR has developed an internal process to ensure relevant data is collected through the vehicle allowance validation process. In June 2013, HR revised the internal process to ensure that the manager's approval is maintained through the vehicle allowance validation process. Human Resources is working with clients to develop criteria for granting a vehicle allowance. This criteria will be implemented in November 2013 when the annual validation process commences and the enhanced data will be available in Q1 2014 when the annual audit is complete.

Management: % complete *90%*

2010 Recommendation 32

That changes made to job descriptions be made in consultation with the manager and other impacted individuals. Care should be taken to guard against inadvertently creating non-compliance issues with the collective agreements.

2010 Management Response

Management agrees with this recommendation.

Changes to job descriptions are, and will continue to be undertaken in consultation with managers and affected employees.

Management Representation of the Status of Implementation of Recommendation 32 as of July 3, 2012

As per the management response, changes to job descriptions are, and will continue to be undertaken in consultation with managers and affected employees.

Management: % complete

100%

OAG's Follow-up Audit Findings regarding Recommendation 32

Management has indicated that information relating to vehicle requirements is no longer retained on job descriptions and that managers select that criteria at the time that they post a job.

OAG: % complete

100%

2010 Recommendation 33

That when entering manual mileage claims into the system, the Payroll Unit enter the distances being claimed for all employees.

2010 Management Response

Management agrees with this recommendation.

This requirement has been added to the SAP enhancement work plan and will be prioritized with other activities. In the meantime, Payroll will determine if there is an interim solution for tracking the distances being claimed by employees who report taxable mileage. This will be completed by Q2 2012.

Management Representation of the Status of Implementation of Recommendation 33 as of July 3, 2012

The distances travelled as reported on the manual claims are being entered into SAP since June 2011.

Management: % complete

100%

OAG's Follow-up Audit Findings regarding Recommendation 33

Payroll has illustrated that they have been entering km into SAP since October 2011 for Mileage Taxable – To and From.

We found examples in 2012 for Mileage – Taxable Non-Pensionable (NP) where km did not appear on cost centre reports but did appear on reports generated by Payroll. Payroll Management confirmed that although the km are recorded in SAP that they did not display on some reports. Payroll Management indicated this will be added to their work plan so that the km are also displayed with the amount.

We consider this recommendation 95% complete as the km did not display properly on some reports.

OAG: % complete

95%

Management Representation of Status of Implementation of Recommendation 33 as of July 1, 2013

As confirmed by the OAG, the distances travelled are entered into SAP for manual claims. Payroll has added the item to show the number of kilometres on the additional reports as part of the work plan and is currently testing the solution. Planned implementation in production is the end of Q4 2013.

Management: % complete 95%

2010 Recommendation 34

That the City evaluate the cost/benefit of automating the regular monthly payments to CIPP and CUPE employees.

2010 Management Response

Management agrees with this recommendation.

The cost/benefit of automation will be completed by Q2 2012.

Management Representation of the Status of Implementation of Recommendation 34 as of July 3, 2012

A discussion regarding the benefit of this recommendation has been documented and placed on file. Some CIPP and CUPE employees have grandfathered entitlements for vehicle allowances that are submitted monthly for payment with the manager's approval. It is not recommended that these recurring payments be automated as it would introduce greater risk of overpayment and increase efforts for both detection and recovery.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 34

We have confirmed the file copy of this discussion document. The document referenced in the Management response is a memo entitled cost/benefit of automating the regular monthly allowances for CIPP and CUPE503.

The document did not recommend automating these allowances due to risk of overpayment as not everyone with eligibility to a vehicle allowance would be required to receive one each month. Although entitled a cost/benefit, the document did not quantify the costs and risks identified and did not identify any benefits.

Management subsequently provided additional information that they may have mistakenly presumed that since the automation would result in unwarranted payment to employees and additional costs to the City that the pursuit of automation was not advised. Payroll had included the payment of the vehicle allowance in the automation of taxable mileage that was planned for last summer. The intent was to leverage Employee Self Serve (ESS) workflow and add a system

control to restrict the payment to employees that had the entitlement setup in SAP. Unfortunately this was deemed a new request by Information Technology Services (ITS) and put on hold until the Corporate Information Technology Management Team (CITMT) could set priorities. Subsequently, management has been advised that this has been approved to proceed and they will again pursue.

In order to be considered complete, we believe that the document should estimate the cost, risk and benefit impacts including ongoing processing time.

OAG: % complete

90%

Management Representation of Status of Implementation of Recommendation 34 as of July 1, 2013

As noted by the OAG, the discussion document indicated that the automation of a recurring payment would increase the risk of overpayment as not everyone with a grandfathered entitlement to a vehicle allowance would necessarily receive one each month (for example, as in the case of extended absences). In addition, a review was undertaken that indicated that not everyone with eligibility to claim a vehicle allowance makes a claim for payment every month. In either of these instances, the introduction of automatic recurring payment would result in unwarranted payment to employees. This additional information had been added as a revision to the original memo.

Management would like to clarify that when the OAG states in their follow-up audit finding that “Payroll had included the payment of the vehicle allowance in the automation of taxable mileage that was planned for last summer”, they are referring to creating an online form to claim taxable mileage and the vehicle allowance and not to automatically pay all those who may be entitled. This is different than automating the payments. The form would be a more efficient way for the employee to request the payment versus automatically paying all those that may be entitled. Payroll is not proceeding with the automation of the payments.

Given the above findings, management does not believe there is any benefit in spending more time to undertake the estimation of cost, risk and benefit impacts.

Management: % complete

100%

2010 Recommendation 35

That the City investigate opportunities to build in analytical controls into the automated mileage and parking system. These could include:

- a) **A flag or report that identifies when an individual or group of individuals is projected to exceed a specified limit both for mileage and for parking; and,**

- b) Automated checks that help ensure exceptional mileage claimed by Construction Technicians is appropriate (i.e., lesser of the distance from home to work location, or from home to administrative office).

2010 Management Response

Management agrees with this recommendation.

Payroll will investigate if there are opportunities to build analytical controls into the automated mileage and parking system by the end of Q2 2012.

Management Representation of the Status of Implementation of Recommendation 35 as of July 3, 2012

A discussion regarding the benefit of this recommendation has been documented and placed on file. Management has decided not to build analytical controls into the automated mileage and parking system.

Management: % complete *100%*

OAG's Follow-up Audit Findings regarding Recommendation 35

We have confirmed the file copy of this discussion document. The document is a memo entitled opportunities to build analytical controls into the automated mileage and parking system and addresses the two specific examples provided in the recommendation as follows:

- a) Payroll has the ability to run reports to identify employees that reach a certain break-even point which has been implemented for the Audit of Excess Mileage as identified in prior recommendations.
- b) As the provision to claim home to work km by Construction Technicians will be ending in 2013 as per the CUPE 503 collective agreement letter of understanding, the amount of effort to capture, maintain and validate the level of detailed information required would not be implemented. Managers are responsible to review and approve claims including determining the appropriateness of mileage claims.

Payroll Management has indicated that in the absence of other defined thresholds for either mileage or parking that the cost and effort to develop this functionality is unwarranted.

OAG: % complete *100%*

2010 Recommendation 36

That the City include Meter Readers and Construction Technicians in the automated mileage system to take advantage of the current improved efficiency and controls, as well as potential improved analytical controls.

2010 Management Response

Management agrees with this recommendation with respect to construction technicians.

Payroll will add the requirement to develop an automated form for taxable mileage to the SAP enhancement work plan and it will be prioritized with other initiatives. This work effort will be completed by Q4 2012.

The tool will be in place for all employees reporting taxable mileage, and management has confirmed that construction technicians will use the tool when it is built. In accordance with the CUPE 503 collective agreement, construction technicians are currently entitled to receive payment for mileage when traveling between the job site and home at the beginning and end of the working day (To and From Mileage). This entitlement will expire in December 2012, as per Letter of Understanding #13, at which time, mileage will be reduced.

Management disagrees with this recommendation with regard to meter readers.

The primary reason for the exclusion of meter readers from the automated mileage system is the nature of the outside work that does not require them to have permanent access to the City network and dedicated PCs. At present, a single computer is provided for all 13 positions to enable them access to resources such as Ozone. It is estimated that meter readers queuing up for access at the same time every two weeks to a computer, waiting to login and replicating the mileage information that is already filled in from the mileage sheets after every assignment; would result in an estimated extra 15 minutes per employee, plus on average a 30 minute wait time, for 10 extra hours bi-weekly.

In addition, all meter readers would need to login to the available computer to enter their data and then check back to confirm approval. This would result in an estimated 260 hours a year, or \$7,800, in lost productivity.

An alternative would be to invest in additional computers that would sit idle except for 15 minutes every two weeks to improve data entry wait times. This is not viable and would result in lost productivity estimated at \$2,500. The loss in productivity would not offset any efficiency gained by providing access to the new automated system for meter readers that do not have, or currently require, permanent access to the City network.

At this point water meter readers do not have easy access to PCs, however if that should change, water meter readers will also be able to use the automated form. If not, they will continue to report in hard copy as they do today.

Management Representation of the Status of Implementation of Recommendation 36 as of July 3, 2012

In terms of Letter of Understanding #13, the Infrastructure Services department has been advised by Labour Relations that the entitlement of To and From Mileage for Construction Technicians will continue for 2013. Labour Relations confirmed that as per the recently ratified CUPE 503 collective agreement, the Letter of Understanding has an effective expiration date of December 31, 2013. The new language reads:

“This Letter of Understanding and entitlement to “to-from” mileage shall expire on December 31, 2013 at which point all Construction Technicians’ mileage entitlements shall be determined in accordance with the mileage provisions of the main body of the collective agreement and any applicable City policies.”

With the expiration of the To and From Mileage entitlement on December 31, 2013 mileage will be reduced. As indicated in the management response the work effort related to the automated form is scheduled to be complete by Q4 2012.

As outlined in the management response, management disagrees with this recommendation as it relates to meter readers.

Management: % complete ***0%***

OAG’s Follow-up Audit Findings regarding Recommendation 36

Management has indicated that the work related to the automated form is still in the design stage but that there are plans to roll-out the automated mileage form for Construction Technicians.

Management has indicated that there are no plans to include Meter Readers for reasons outlined in the original management response.

OAG: % complete ***0%***

Management Representation of Status of Implementation of Recommendation 36 as of July 1, 2013

As noted by the OAG in Recommendation 34, Payroll had scheduled the automation of taxable mileage for last summer. This item had been planned as part of the June 2012 release for SAP. During the design stage, ITS notified payroll that this item would have to reviewed and prioritized by the new CITMIT process and was therefore placed on hold. Effort has been undertaken to perform the analysis and the development of the initial specifications.

As for the inclusion of Meter Readers, management’s position has not changed since the original management response.

Management: % complete ***25%***

4 SUMMARY OF THE LEVEL OF COMPLETION

1. The table below outlines our assessment of the level of completion of each recommendation as of May 31, 2013.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	36	1	2.5%
ACTION INITIATED	25 – 49			
PARTIALLY COMPLETE	50 – 74	4, 14a, 18a, 28	4	10.0%
SUBSTANTIALLY COMPLETE	75 – 99	3, 7, 8, 9, 14b, 14d, 15, 16, 18b, 25, 27, 29, 31, 33, 34	15	37.5%
COMPLETE	100	1, 2, 5, 6, 10, 11, 12, 13, 14c, 17, 19, 20, 21, 22, 23, 24, 26, 30, 32, 35	20	50.0%
TOTAL			40	100.0%

2. The table below outlines management’s assessment of the level of completion of each recommendation as of July 2013 in response to the OAG’s assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	36	1	2.5%
PARTIALLY COMPLETE	50 – 74	4, 14a, 18a	3	7.5%
SUBSTANTIALLY COMPLETE	75 – 99	7, 8, 9, 14b, 18b, 25, 28, 31, 33	9	22.5%
COMPLETE	100	1, 2, 3, 5, 6, 10, 11, 12, 13, 14c, 14d, 15, 16, 17, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 32, 34, 35	27	67.5%
TOTAL			40	100.0%

5 CONCLUSION

Management has been very proactive in addressing the audit recommendations by updating and establishing policies and procedures relating to vehicle use and mileage claims. Over 85% of the recommendations have been fully or substantially completed.

6 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.