



Office of the Auditor General / Bureau du vérificateur général

AUDIT OF DISPOSAL OF PAVEMENT LINE MARKER EQUIPMENT

2007

Chapter 20

VÉRIFICATION D'UNE TRACEUSE DE LIGNES DE CIRCULATION

2007

Chapitre 20

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EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of report to the Fraud and Waste Hotline. It was not originally identified in the 2007 Audit Plan that was presented to Council.

Background

In May 2007, the Office of the Auditor General received a report via the Fraud and Waste Hotline alleging that the City disposed of a pavement line marker vehicle with a residual value of \$500,000 and for which the City received only \$28,000. The report further alleged that the City spent \$40,000 on repairs to the unit some time prior to disposal.

Audit Objectives

The objectives of the audit were to determine:

1. Did the City dispose of a pavement line marker vehicle significantly below its residual value?
2. Did the City do an unreasonable amount of work on the vehicle prior to its disposal?

Audit Scope

We investigated these issues with Supply Management Division, Fleet Services Branch, Financial Support Unit, and Signs and Pavement Marking Unit of the Traffic Operations Division. This audit is limited to a pavement line marker vehicle and excludes the disposal of all other type of vehicles or equipment. The maintenance work investigated pertains only to a pavement line marker.

Summary of Key Findings

1. The City owned a pavement line marker vehicle, unit 34-2926, which had an original book value and residual value in the City's M4 capital asset system of \$327,228 and \$22,906, respectively. According to Supply Management records, the unit was advertised on MERX and two bids were received. The minimum acceptable price was \$20,000 and the unit was sold for \$32,100 to Western Signs & Line Painting, a company that at the time received and continues to receive contract pavement line marker work from the City.
2. The replacement unit, no. 34-2925, was delivered to the City in October 2000 at a total cost of \$454,528, which was erroneously recorded in the M5 system at a cost of \$322,994. The error was recorded in the former municipality's records, however, the current incorrect information is being carried in M5 and should be corrected. Data in the master file for units should be examined to ensure that it is correct, as the City will likely use this information when they implement the new Public Sector Accounting Board (PSAB) standard for accounting of assets.

3. The old unit was retained until August 2003 instead of being disposed of within a reasonable period after the new unit was purchased. Management has indicated that the unit was retained pending an operational review; however, this was not highlighted when the replacement was requested.
4. Commercial costs ranging between approximately \$40,000 and \$51,000 were charged to the operating department during 2000, and approximately \$11,000 in 2001 for outside work that could have been for the old pavement line marker.
5. The City now prepares a business case for retaining units that are slated for disposal and the investment of additional City resources into a unit, which the City is expecting to dispose of.

Recommendations and Management Response

Recommendation 1

That the City ensure that whenever charges are made to a closed work order, the work order should automatically be presented to the Supervisor, Fleet Services for review and approval. His approval should be indicated by a password provided for the approval.

Management Response

Management disagrees with this recommendation.

All access to M5 is password protected, once a work order is closed it is impossible to change any of the original information. Currently, additions can only be made for parts, labour, and external repairs. When additions take place, M5 provides an auditing function, which forces the user to provide the reason for the addition. This information is documented in the system along with the date and the user's name.

Fleet Services will run the audit report monthly and will submit the results to the appropriate manager for scrutiny and follow-up. The M5 system has been modified so that labour additions can only be made by a supervisor; thus removing the risk. With respect to external repairs, additions occur very rarely.

Staff also consulted with Maximus Asset Solutions, the City's M5 supplier. The supplier indicated that this is not a common practice in the industry and was the first time that this request had been made in North America. Therefore costs would be required to engage Maximus in providing a quotation on the required work for the system. Given the current built in protections in the M5 system, no further costing has been explored.

Recommendation 2

That the City assign a person with the responsibility to reconcile the capital projects to the charges in SAP to ensure that they are in balance.

Management Response

Management agrees with this recommendation.

The Financial Support Unit (FSU) is responsible for acquisitions currently reconciled in SAP. The FSU records planned acquisitions by creating SAP reservations based on the detailed replacement plan, creates funded requisitions once a vendor has been selected creating a commitment in SAP and processes a goods receipt that transfers the commitment to an actual expense. As SAP does not track annual expense plans as they are aggregated, annual reconciliation against each years' allocation is also performed by the FSU.

Recommendation 3

That the City assign a person the responsibility to scrutinize maintenance charges to operating departments to ensure that items have adequate explanations to provide clarity to the charges and that costs that should be charged to a work order are in fact charged to it.

Management Response

Management agrees with this recommendation.

The supervisor is responsible to ensure that charges to a work order are legitimate and applicable. In addition, a high-level trend analysis is performed to capture any major deviations. This is done on a monthly basis by the Operational Support and Policy unit at monthly billing, and by the Fleet Services management team in the three customer reports per year provided in April (3 months), August (7 months) and January (12 months).

Conclusion

The City sold a 1987 Peterbilt Linetech vehicle in August 2003 for \$32,100. Although the Fraud and Waste Hotline report which resulted in this audit alleged that the residual value of this vehicle was \$500,000, the amount received was in fact \$9,200 more than the residual value in the City's books, and \$10,000 higher than the minimum acceptable price. The old unit was replaced in October 2000 but was not disposed of until August 2003, and approximately \$40,000 to \$51,000 of maintenance work was done to the old unit during 2000. The old unit was still in active service during this time, however, the number of kilometres could not be verified, as work orders for this period were not available.

Other issues, which arose during the audit, were that the new pavement line marker machine was recorded in the City's capital assets at a value of \$322,994 instead of its actual cost of \$454,528; and that work orders are not adequately controlled in the M5 system.

Acknowledgement

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

RÉSUMÉ

Introduction

La présente vérification fait suite à la réception d'un rapport soumis à la Ligne directe de fraude et d'abus et ne figure pas dans le Plan de vérification 2007 soumis au Conseil municipal.

Contexte

En mai 2007, le Bureau du vérificateur général a reçu, par l'entremise de la Ligne directe fraude et abus, un rapport alléguant que la Ville se serait débarrassée d'une traceuse de lignes de circulation dont la valeur d'aliénation était de 500 000 \$ mais pour laquelle la Ville n'a touché que 28 000 \$. De plus, selon le rapport, la Ville aurait dépensé 40 000 \$ pour réparer le véhicule peu de temps avant qu'elle ne s'en défasse.

Objectifs de la vérification

La vérification avait pour objectifs de déterminer :

6. La Ville a-t-elle vendu une traceuse de lignes de circulation pour un montant nettement inférieur à sa valeur d'aliénation?
7. La Ville a-t-elle procédé à un nombre excessif de réparations sur le véhicule avant de s'en défaire?

Portée de la vérification

Nous avons fait enquête sur ces questions auprès de la Division de la gestion de l'approvisionnement, la Direction des services du parc automobile, de l'Unité du soutien financier et de l'Unité de la signalisation routière et des marques sur la chaussée de la Division de la circulation routière. La présente vérification porte uniquement sur le cas de la traceuse de lignes de circulation et ne concerne pas l'aliénation de tout autre type de véhicule ou d'équipement. Les travaux de réparation qui font l'objet de cette enquête ne visent que la traceuse de lignes de circulation en cause.

Sommaire des principales constatations

La Ville possédait une traceuse de lignes de circulation, n° du véhicule : 34-2926, dont la valeur comptable initiale et la valeur résiduelle inscrits dans le système M4 de gestion des immobilisations étaient respectivement de 327 228 \$ et de 22 906 \$. D'après les dossiers de Gestion de l'approvisionnement, la mise en vente du véhicule a été annoncée sur MERX et la Ville a reçu deux offres à cet égard. Le montant minimal que la Ville était prête à accepter pour le véhicule était de 20 000 \$ et celui-ci a été vendu pour 32 100 \$ à Western Signs & Line Painting, une entreprise qui recevait de la Ville des contrats de marquage de la chaussée et qui continue à en recevoir.

Le véhicule de remplacement, n° 34-2925, a été livré à la Ville en octobre 2000 au coût total de 454 528 \$, mais son prix a été inscrit par erreur dans le système M5 comme étant

322 994 \$. L'erreur a été faite dans les dossiers de l'ancienne municipalité, mais elle a été transférée au système M5 et doit donc être corrigée. Les données sur les véhicules et l'équipement contenues dans le dossier principal devraient être vérifiées pour s'assurer de leur exactitude, vu qu'elles seront vraisemblablement utilisées par la Ville au moment de la mise en œuvre des nouvelles lignes directrices du Conseil sur la comptabilité dans le secteur public (CCSP) en matière de reddition de comptes relative aux biens.

L'ancienne traceuse a été conservée jusqu'en août 2003 plutôt que d'être vendue dans un délai raisonnable suivant l'achat du nouveau véhicule. Selon la direction, la traceuse a été conservée jusqu'à ce que son état de fonctionnement soit évalué; toutefois, cette information ne figure pas dans la demande de remplacement émise à l'égard dudit véhicule.

En 2000, des frais commerciaux de 40 000 \$ à 51 000 \$ environ ont été imputés au service exploitant, et en 2001, près de 11 000 \$ en frais de travail externe, qui pourraient être associés à l'ancienne traceuse.

La Ville prépare actuellement une analyse de cas sur les véhicules et l'équipement destinés à l'aliénation ainsi que sur l'investissement par la Ville de ressources supplémentaires dans un véhicule ou de l'équipement dont elle entend se défaire.

Recommandations et réponses de la direction

Recommandation 1

Que la Ville assure que chaque fois que des frais sont imputés à un ordre de travail fermé, celui-ci soit automatiquement soumis à l'examen et à l'approbation du superviseur de Services du parc automobile, et qu'un mot de passe soit fourni chaque fois pour indiquer cette approbation.

Réponse de la direction

La direction n'est pas d'accord avec cette recommandation.

Le système M5 est accessible au moyen d'un mot de passe et une fois l'ordre de travail fermé, il est impossible de modifier les données qui y ont été inscrites à l'origine. À l'heure actuelle, seuls des ajouts concernant les pièces, la main-d'œuvre et les réparations externes peuvent être faits aux ordres de travail et dans ce cas, M5 fournit une fonction de vérification qui oblige l'utilisateur à justifier cet ajout. Ces renseignements, de même que la date et le nom de l'utilisateur, sont consignés dans le système.

Le personnel de Services du parc automobile exécutera tous les mois le rapport de vérification et en présentera les constatations au gestionnaire pertinent, qui les examinera et y donnera suite. Le système M5 a été modifié pour que les ajouts relatifs à la main-d'œuvre ne puissent être faits que par un superviseur, ce qui élimine les risques. Les ajouts concernant des réparations externes sont très rares.

Par ailleurs, le personnel municipal a consulté le fournisseur du système M5 de la Ville, Maximus Asset Solutions. Selon cette entreprise, la pratique mentionnée à la

recommandation 1 n'est pas courante dans l'industrie et c'est la première fois qu'une telle demande est faite en Amérique du Nord. Par conséquent, la fourniture par Maximus Asset Solutions d'une offre de prix pour la réalisation des travaux entraînerait des coûts pour la Ville. Vu les fonctions de protection actuelles du système M5, aucun autre coût n'a été évalué.

Recommandation 2

Que la Ville charge une personne de s'assurer que les projets d'immobilisations et les frais consignés dans le système SAP concordent.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Unité du soutien financier (USF) est responsable des acquisitions actuellement rapprochées dans le système SAP. L'USF consigne les projets d'acquisition en créant une demande de réservation selon le plan de remplacement détaillé, prépare des demandes assorties des fonds nécessaires une fois qu'un fournisseur a été choisi (création d'un engagement dans SAP) et exécute une entrée de marchandise faisant passer le statut de la demande d'« engagement » à « dépense réelle ». Comme SAP ne fait pas de suivi des dépenses annuelles totales, l'USF s'occupe également de faire chaque année le rapprochement des comptes d'acquisition.

Recommandation 3

Que la Ville charge une personne d'examiner en profondeur les frais d'entretien imputés aux services exploitants pour que toutes les transactions soient expliquées de manière satisfaisante, que les frais imposés soient clairs et que les coûts devant être imputés à un ordre de travail le soient réellement.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Il incombe au superviseur de s'assurer que les frais associés à un ordre de travail sont légitimes et applicables. De plus, la Division du soutien opérationnel et des politiques procède, au moment de la facturation mensuelle, à une analyse approfondie des tendances afin de cerner tout écart important. L'équipe de gestion de Services du parc automobile effectue aussi ce type d'analyse et en intègre les constatations à ses trois rapports sur la satisfaction de la clientèle présentés en avril (trois mois), en août (sept mois) et en janvier (douze mois).

Conclusion

La Ville a vendu en août 2003 une traceuse Petrebuild Linetech fabriquée en 1987 pour la somme de 32 100 \$. Selon le rapport adressé à la Ligne directe fraude et abus et qui a mené à la présente vérification, la valeur de récupération de la traceuse était de 500 000 \$. Or, le montant reçu pour le véhicule était en fait supérieur de 9 200 \$ à la valeur de récupération figurant dans les livres de la Ville et supérieur de plus de 10 000 \$ au prix minimum acceptable escompté. La Ville ne s'est débarrassée du

véhicule qu'en août 2003, après avoir fait sur celui-ci environ 40 000 \$ à 51 000 \$ de réparations au cours de l'année 2000. Le véhicule était encore en service pendant cette période; toutefois, le nombre de kilomètres enregistrés n'a pas pu être vérifié car les ordres de travail correspondant à cette période n'étaient pas disponibles.

D'autres enjeux ont été soulevés au cours de la présente vérification, notamment le fait que la valeur de la nouvelle traceuse de lignes de circulation était inscrite au titre des immobilisations municipales comme étant 322 994 \$ au lieu de son coût réel de 454 528 \$, et que les ordres de travail ne sont pas surveillés adéquatement dans le système M5.

Remerciements

Nous tenons à remercier la direction de sa bienveillante collaboration et de l'aide qu'elle a apportée à l'équipe de vérification.

1 INTRODUCTION

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2 BACKGROUND

In May 2007, the Office of the Auditor General received a report via the Fraud and Waste Hotline alleging that the City disposed of a pavement line marker vehicle with a residual value of \$500,000 and for which the City received only \$28,000. The report further alleged that the City spent \$40,000 on repairs to the unit some time prior to disposal.

3 AUDIT OBJECTIVES

The objectives of the audit were to determine:

1. Did the City dispose of a pavement line marker vehicle significantly below its residual value?
2. Did the City do an unreasonable amount of work on the vehicle prior to its disposal?

4 AUDIT SCOPE

We investigated these issues with Supply Management Division, Fleet Services Branch, Financial Support Unit, and Signs and Pavement Marking Unit of the Traffic Operations Division. This audit is limited to a pavement line marker vehicle and excludes the disposal of all other type of vehicles or equipment. The maintenance work investigated pertains only to a pavement line marker.

5 APPROACH

Our approach was as follows:

1. Interviews were conducted with:
 - a) Supply Management Division staff to determine the whether the appropriate disposal process was followed;
 - b) Fleet Services Branch staff to determine the capital asset replacement and disposal planning process, and the maintenance done on pavement line marker vehicles;
 - c) Signs and Pavement Marking Unit staff to determine the vehicle usage, replacement, maintenance and disposal process to determine if they met preventative internal control requirements of segregation of responsibility, checks and balances; and,
 - d) Vehicle operator and mechanics that worked on the units to determine if they could recall excess work done on the old unit prior to disposal.

2. Reviewed the M5 capital asset and disposals to determine if a pavement line marker vehicle was disposed of and, if so, when and for how much.
3. M5 work order files for both the disposed and new pavement line marker vehicles were reviewed to determine the amount of work done on the units over a period of several years.
4. Maintenance cost charged directly to the department was reviewed to determine whether repairs that should have been charged to the unit were charged instead to the department.

6 OBSERVATIONS AND RECOMMENDATIONS

Our detailed findings are grouped into the following areas:

1. Did the City dispose of a pavement line marker vehicle significantly below its residual value?
2. Did the City do an unreasonable amount of work on the vehicle prior to its disposal?

6.1 Did the City dispose of a pavement line marker vehicle significantly below its disposal value?

Observations

In approximately 1987, the City acquired a pavement line marker vehicle, made by Peterbilt Linetech, which was assigned vehicle #34-2926. The unit was carried in the City's asset system at an original capital cost of \$327,228 and was depreciated on a straight-line basis at \$25,360 annually based on a 144-month useful life with a 7% salvage value.

The City has a process for asset replacement in which Fleet Services Branch prepares a three-year vehicle and equipment replacement plan. The M5 (previously M4) system presents Fleet Services with a potential list of units for replacement, based on age, condition and usage. This list is assessed by Fleet Services when the units come in for normal service. The assessments are prepared with input from the operating branches of the vehicles or equipment. This then becomes a final ranked list, which is presented to City Council for approval in September of each year, together with an estimate of the replacement cost. At annual budget time, the list is finalized and Requests for Tender are prepared for replacements. In 2005, City Council passed a motion which required staff to clearly designate which vehicles and equipment being proposed were for fleet expansion, and which were for replacement. In the case of replacement units, the old ones were to be disposed of to avoid unapproved fleet expansion. Prior to 2005, according to staff, the requirement to dispose of old replaced units was not as clear. The City now prepares a business case for retaining units that are slated for disposal and the investment of additional City resources into a unit which the City is expecting to dispose of.

The Region of Ottawa-Carleton capital asset planning process resulted in the existing pavement line marker unit number 34-2926 being identified for replacement in 1999. The new unit, a Volvo Linetech machine arrived in October 2000, and was assigned unit # 34-2925. The old unit was kept in the operational area until some time in 2001 when, according to staff recollection, it was moved to the back lot at the Manotick garage where it essentially remained until disposal in August 2003.

According to current Fleet policy, the old unit would have been flagged in M4 in 1999 with a caution indicating that it was planned for replacement. This would mean that any work required on the unit would be assessed first to determine if it should be done, given that the unit was planned for disposal. This replacement, however, was prior to amalgamation and therefore the process used at that time may not have been the same as is in place now. The next level, according to Fleet Services, is that the unit would be flagged for disposal in M4. This process stops any work orders from being opened against a unit that is to be disposed of in order to avoid unnecessary work being done. However, work can still be done on a unit using a commercial charge (for an outside service or material) to the department's Fleet Services expense. The old unit received a flag for disposal in August 2002.

The following chronology summarizes the events:

1	Old pavement line marker (unit 34-2926) approved by City Council for replacement	Feb 1999
2	RFT issued and order placed	1999
3	New pavement line marker (unit 34-2925) arrives	Oct 2000
4	Amalgamation	January 2001
5	Old pavement line marker sent for storage in back yard at Manotick for storage	Mid 2001
6	M4 Implementation	May - Sept 2001
7	Old unit has only 162 kilometers clocked on odometer	Oct 29, 2001 - July 21, 2003
8	Old pavement line marker flagged for disposal in M4	Aug 2002
9	Old pavement line marker disposed of through MERX	Aug 2003

The City's policy is that when a unit is identified for disposal, it is disposed of under one of the following methods at the discretion of Supply Management Division:

- a) Return to the supplier for sale;
- b) Re-use within the City;
- c) Sale to an outside purchaser;
- d) Donation to charity;
- e) Sale for scrap; or,
- f) Disposal at a landfill site.

According to Supply Management records, the unit was authorized for disposal by both Fleet Services and Supply Management, advertised on MERX and two bids were

received. At the time of disposal in 2003, the salvage value on the City records was \$22,906 based on straight-line depreciation which stopped in 1999, and the minimum acceptable price was \$20,000.

The unit was sold for \$32,100 to Western Signs and Line Painting, a company that at the time received and continues to receive contract pavement line marker work from the City. Some history of City purchases from this company is provided below.

Table 1

Year	Amount (\$000) ¹
1999	50
2000	45
2001	380
2002	170
2003	230
2004	145
2005	170

1. Includes signs.

6.2 Did the City do an unreasonable amount of work on the vehicle prior to its disposal?

Observations

A report on vehicles and equipment proposed for replacement is submitted for City Council approval in September of each year. Once approved for replacement by Council, the existing unit is flagged in M4 (now M5). Maintenance work will still continue at this time, however, it is to be done with judgement and the knowledge that it may be disposed of. When the list receives final budget approval and an order is placed for a replacement, the old unit then receives a code in the maintenance system, which will not allow a work order to be opened on it. Although the new unit arrived in October 2000, the old unit was only flagged for final disposal in August 2002. Flagging, however, would not prevent outside contracted work charged to the department from being conducted.

The Supervisor, Municipal Fleet Maintenance Division, reviews each work order when it is completed and then closes the work order and throws the hard copy away. The design of the M5 system allows a work order to receive additional charges after it has been closed. These charges, for example, can be made through stores without the prior or subsequent approval of the Supervisor, Fleet Services. We noted that there were adjustments to work orders after they were closed.

We examined the work order records in M5 for repairs done on the old unit 34-2926 from the period January 2000 to August 2003, and found that an insignificant amount of work, recorded against work orders, had been charged to the unit. We also examined

the work order records for unit 34-2925, the new unit, and interviewed mechanics to determine if it was possible that work was done on the old unit and erroneously charged to the new unit. This process did not identify any internal work that may have been done on the old unit and charged to the new unit. On discussing this further with Fleet, we determined that prior to amalgamation, there were many different maintenance systems used by the various municipalities. To reduce the M4 system implementation cost, a decision was taken to not bring forward into M4 the maintenance costs for units prior to amalgamation. As a result, any maintenance charges to work orders for the old pavement line marker prior to amalgamation did not show up on the unit's M4 records. Transactions from M4 and M5 are charged to the equipment and vehicle "owners" Fleet Services account.

For unit 34-2925, the M5 system indicates a purchase price of \$454,528. However, the capitalized value in the M5 system indicated a capital cost of only \$322,994 for the new unit. Based on the City determining that the salvage value would be 7% of the cost and a useful life of 12 years, the actual annual straight-line depreciation charge for the unit was being made at \$24,957 instead of the correct amount of \$35,226. The contribution proposed for the capital replacement reserve would also be made based on the lower number. The difference between the actual capital cost and that carried in the capital asset file indicates to us that the capital projects and records in M4 (now M5) were either not reconciled to SAP on an annual or quarterly basis, or differences identified are not adequately researched. It should be noted that the acquisition transaction took place prior to amalgamation and this error could have resulted from an incorrect conversion process.

A review of charges to the department in 2000 indicated significant charges to unit 34-2926. The explanation for the expenditures is as follows:

Table 2

Item Description	Date	Amounts charged to unit 2926	Amounts which may also have been for unit 2926 ¹
Charged to unit 2926	2000.04.05	4,070.54	
Charged to unit 2926	2000.04.07	13,203.00	
Charged to unit 2926	2000.04.07	9,800.57	
Paint Gun no unit # recorded. Could not be for walk behind painter. Unlikely required paint gun for new machine.	2000.07.26		3,275.22
No descriptive information	2000.08.21		6,898.85
Charged to unit 2926	2000.08.24	12,588.00	
No descriptive information	2000.12.06		1,343.89
2000 TOTAL		39,662.11	11,517.96

1: Some items of expenditure did not have adequate explanation to specifically identify them to unit 34-2925, the new unit.

We were made aware during the interviews that operational management was thinking of retaining the old unit for overflow work and to back up the new unit. In addition, we were advised that the old unit's computer system had been upgraded. We could not verify the number of kilometres that were put on the old line painter between 1999 and 2001 as the older work orders which would have the kilometres on them were not accessible through M5.

Expenditures made to the department through commercial charges from Linetech have the following history. Some are known to be against unit 34-2926 or 34-2625 and the balance is indeterminable and could be for other equipment.

Table 3

Year	Amount (\$000)
2000	52 ¹
2001	15 ²
2002	14 ³
2003	18
2004	19 ⁴

Notes:

1. Excludes purchase of new Pavement Line Painter. Includes \$39,600 clearly identified for unit 34-2926.
2. Includes \$300 clearly identified for unit 34-2926 and \$3,600 clearly identified for unit 34-2925.
3. Includes \$4,000 clearly identified for unit 34-2925.
4. Includes \$19,000 clearly identified for unit 34-2925.

RECOMMENDATIONS AND MANAGEMENT RESPONSES

Recommendation 1

That the City ensure that whenever charges are made to a closed work order, the work order should automatically be presented to the Supervisor, Fleet Services for review and approval. His approval should be indicated by a password provided for the approval.

Management Response

Management disagrees with this recommendation.

All access to M5 is password protected, once a work order is closed it is impossible to change any of the original information. Currently, additions can only be made for parts, labour, and external repairs. When additions take place, M5 provides an auditing function, which forces the user to provide the reason for the addition. This information is documented in the system along with the date and the user's name.

Fleet Services will run the audit report monthly and will submit the results to the appropriate manager for scrutiny and follow-up. The M5 system has been modified so that labour additions can only be made by a supervisor; thus removing the risk. With respect to external repairs, additions occur very rarely.

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That the City assign a person with the responsibility to reconcile the capital projects to the charges in SAP to ensure that they are in balance.

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The Financial Support Unit (FSU) is responsible for acquisitions currently reconciled in SAP. The FSU records planned acquisitions by creating SAP reservations based on the detailed replacement plan, creates funded requisitions once a vendor has been selected creating a commitment in SAP and processes a goods receipt that transfers the commitment to an actual expense. As SAP does not track annual expense plans as they are aggregated, annual reconciliation against each years' allocation is also performed by the FSU.

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7 CONCLUSION

The City sold a 1987 Peterbilt Linetech vehicle in August 2003 for \$32,100. Although the Fraud and Waste Hotline report which resulted in this audit alleged that the residual value of this vehicle was \$500,000, the amount received was in fact \$9,200 more than the residual value in the City's books, and \$10,000 higher than the minimum acceptable price. The old unit was replaced in October 2000 but was not disposed of until August 2003, and approximately \$40,000 to \$51,000 of maintenance work was done to the old unit during 2000. The old unit was still in active service during this time, however, the

number of kilometres could not be verified, as work orders for this period were not available.

Other issues, which arose during the audit were that the new pavement line marker machine was recorded in the City's capital assets at a value of \$322,994 instead of its actual cost of \$454,528 and that work orders are not adequately controlled in the M5 system.

8 ACKNOWLEDGEMENT

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