



Office of the Auditor General / Bureau du vérificateur général
AUDIT OF THE USE OF CITY VEHICLES AND MILEAGE CLAIMS
2010
VÉRIFICATION DE L'UTILISATION DES VÉHICULES
MUNICIPAUX ET DES DEMANDES DE REMBOURSEMENT DES
FRAIS DE KILOMÉTRAGE

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EXECUTIVE SUMMARY

Introduction

The Audit of the Use of City Vehicles and Mileage Claims was included in the 2010 Audit Plan of the Office of the Auditor General, first presented to Council in 2008.

Background

The City of Ottawa compensates employees for vehicles used for business purposes in several ways. Some employees have use of a City owned vehicle, some have parking provided, and some receive a vehicle allowance. The City also provides compensation to employees for mileage incurred for business purposes on their personal vehicle.

An automated system was introduced in June 2009 for most employees to use when submitting a claim for reimbursement for business mileage incurred on their personal vehicle. The new system is accessed through the City's intranet. The automated system is not available for use by some employees, including those without network access, water meter readers, construction technicians, and some building code employees.

The Canada Revenue Agency (CRA) requires certain benefits related to compensation for vehicles, mileage, and parking to be taxed as income. As such, the City is responsible to calculate the taxable benefit in compliance with CRA, and to adjust the reporting of the employees' taxable and pensionable income accordingly.

This audit assessed the economy, efficiency, and effectiveness of the methods used to compensate employees for vehicles used for business purposes. The audit will also examine the City's internal processes for assigning, approving, providing, and reporting the compensation, with a specific review of the new automated system.

Audit Objectives and Scope

This audit examined the policies and procedures in use, and the transactions that took place to compensate employees for vehicles used for business purposes. The audit considered compensation that was provided for business mileage incurred on personal vehicles, assignment and use of a City owned vehicle, assignment and use of City paid parking, and the provisions of a vehicle allowance. The scope of the audit extended to all City departments, and covered the fiscal years 2008 - June 2010. The audit was conducted from April 12, 2010 to December 17, 2010.

Objective 1: To assess whether a framework exists to promote a consistent and reasonable provision of parking and vehicle benefits, and compensation for mileage.

Objective 2: To assess whether the most economic and efficient method of vehicle or parking compensation is used (i.e., use of City vehicle vs. mileage reimbursement).

Objective 3: To assess whether parking and vehicle benefits, and compensation for mileage are provided in compliance with City policies and procedures, and whether the benefit is captured accurately as a taxable benefit when appropriate.

Objective 4: To assess the effectiveness of internal controls in ensuring that the areas under audit are well managed, and that quality information is available for management decision making.

Objective 5: To assess the economy and efficiency of the use of the new automated system.

Summary of Key Findings

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 led 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

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.

		Average Annual Expense (Rounded)	Errors Found	Cost Savings Found in Samples
	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

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.

Recommendations and Management Responses

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.**

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 Allowance Procedure will be drafted to address part e) of this recommendation, and will be in effect by the end of Q2 2012.

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.

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.

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.**

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.

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.)

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.

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.

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.

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.

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.

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.**

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.

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.

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.

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.

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.

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.

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.

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.**

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.

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).

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.

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.

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.

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.**

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.

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.

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.

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.

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.

Recommendation 17

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

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.

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.

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.

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.

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.

Recommendation 20

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

Recommendation 25

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

Recommendation 30

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

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.

Recommendation 31

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

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.

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.

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.

Recommendation 33

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

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.

Recommendation 34

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

Management Response

Management agrees with this recommendation.

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

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).**

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.

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.

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.

Conclusion

The audit found a need to develop a complete management framework governing all elements in the scope of this audit, including relevant policies and procedures and a system of internal controls, monitoring and oversight to assist the managers across the City in managing their operations to a consistent standard of care. Review and monitoring practices need to be implemented with a focus on economic choices. Tracking and oversight is needed, particularly in the use of parking passes, business use of City vehicles, and taxable benefits. The audit also found a need for improved documentation of who has, or is entitled to a benefit or reimbursement, along with a justification.

Some efforts have recently been made to improve the management of the processes in the scope of this audit. A new automated mileage and parking system was implemented by the Payroll Unit in 2009 that has built in efficiencies and enhanced some controls in the mileage and parking claim process. The Payroll Unit has also taken initiative in identifying weaknesses in the Personal Use of City Vehicles Policy and the understanding of taxable benefits therein, and is taking steps to clarify the Policy. Procedures for the parking validation stamp were recently drafted, and include comprehensive and specific instructions on the controls expected in managing the process.

Potential annual cost savings of \$106,000 were identified in the audit, with an additional \$240,000 in liabilities related to taxable benefit reporting that could be avoided. Due to the lack of accurate and reliable data, a more comprehensive analysis of potential savings could not be completed.

Acknowledgement

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

RÉSUMÉ

Introduction

La vérification de l'utilisation des véhicules municipaux et des demandes de remboursement des frais de kilométrie était incluse dans le plan de vérification de 2010 du Bureau du vérificateur général, d'abord présenté au Conseil en 2008.

Contexte

La Ville d'Ottawa indemnise de plusieurs manières les employés pour leur utilisation de véhicules aux fins d'affaires. Certains employés utilisent les véhicules municipaux, d'autres ont un espace de stationnement fourni, et d'autres reçoivent une allocation d'automobile. La Ville indemnise également les employés pour les frais de kilométrie engagés aux fins d'affaires avec leur véhicule personnel.

Un système automatisé a été mis en place en juin 2009 pour la plupart des employés pour leur permettre de présenter une demande de remboursement des frais de kilométrie engagés aux fins d'affaires avec leur véhicule personnel. L'accès au nouveau système se fait par l'intranet de la Ville. Le système automatisé n'est pas offert à certains employés, dont ceux qui n'ont pas accès au réseau, les releveurs de compteurs, les techniciens de la construction et certains employés attirés au code du bâtiment.

L'Agence du revenu du Canada (ARC) requiert que certains avantages liés à l'indemnisation découlant de l'utilisation de véhicules, de frais de kilométrie et de stationnement soient imposés comme un revenu. Par conséquent, la Ville est responsable de calculer l'avantage imposable conformément à l'ARC, et d'ajuster le revenu imposable et ouvrant droit à pension de l'employé en conséquence.

Cette vérification a évalué la rentabilité, l'efficacité et l'efficience des méthodes utilisées pour indemniser les employés qui utilisent des véhicules aux fins d'affaires. La vérification a également examiné les processus internes de la Ville pour assigner, approuver, fournir l'indemnisation et en rendre compte, et a examiné en détail le nouveau système automatisé.

Objectifs et portée de la vérification

Cette vérification a examiné les politiques et les procédures en vigueur, et les transactions utilisées pour indemniser les employés qui utilisent des véhicules aux fins d'affaires. La vérification a tenu compte de l'indemnisation versée dans les cas de frais de kilométrie aux fins d'affaires engagés lors de l'utilisation de véhicules personnels, de l'affectation et de l'utilisation d'un véhicule municipal, de l'affectation et de l'utilisation d'un espace de stationnement payé par la Ville, et des versements d'une allocation d'automobile. La portée de la vérification touchait tous les services de la Ville et visait les exercices financiers de 2008 jusqu'en juin 2010. La vérification a été menée du 12 avril 2010 au 17 décembre 2010.

Objectif 1 : Établir si un cadre de travail existe pour promouvoir l'octroi constant et raisonnable d'avantages liés à l'utilisation de véhicules et d'espaces de stationnement, et d'une indemnisation pour frais de kilométrage.

Objectif 2 : Établir si la méthode la plus rentable et efficace d'indemnisation pour utilisation de véhicules ou d'espaces de stationnement est utilisée (c.-à-d. utilisation des véhicules municipaux contre remboursement des frais de kilométrage).

Objectif 3 : Établir si les avantages liés à l'utilisation de véhicules et d'espaces de stationnement, et l'indemnisation pour frais de kilométrage sont fournis conformément aux politiques et procédures de la Ville, et si les avantages sont saisis exactement comme un avantage imposable, selon le cas.

Objectif 4 : Établir l'efficacité des contrôles internes pour s'assurer que les secteurs faisant l'objet de la vérification sont bien gérés, et que de l'information de qualité est disponible pour la prise de décision de la direction.

Objectif 5 : Établir la rentabilité et l'efficacité de l'utilisation du nouveau système automatisé.

Sommaire des constatations clés

1. Un cadre de gestion général n'a pas été établi pour s'assurer que la direction reçoit les renseignements requis afin de prendre des décisions informées, ou pour promouvoir une comparaison des options en vue de s'assurer que les choix continuent d'être économiques. En tant que tel, il n'existe pas d'uniformité à la Ville actuellement en ce qui concerne la gestion de ces secteurs. Un tel cadre devrait comprendre des politiques et des procédures exhaustives, un système de contrôles internes, incluant une surveillance, pour assurer l'économie, l'efficacité et une clarté des rôles et des responsabilités dans la gestion opérationnelle et les fonctions municipales, comme les Finances, le Parc automobile et les Ressources humaines.
2. Des politiques et des procédures exhaustives ne sont pas en place pour régir l'utilisation des véhicules municipaux aux fins d'affaires, l'octroi des allocations d'automobile ou des laissez-passer de stationnement.
3. Les procédures entourant l'utilisation du timbre de stationnement sont exhaustives et comprennent des contrôles internes.
4. La politique et les procédures en matière de frais de kilométrage et de stationnement existent, mais peuvent encore être améliorées pour s'assurer que l'option la plus économique est utilisée, et fournir un cadre de travail pour l'octroi de laissez-passer de stationnement et d'allocations d'automobile.
5. Un examen des données de demandes de remboursement des frais de kilométrage couvrant la portée de la présente vérification a révélé que plusieurs employés ont fait des demandes continues comportant d'importants montants de frais de kilométrage. Le rapport de seuil de rentabilité des Services du parc

automobile indique qu'il est plus économique de présenter des demandes de remboursement des frais de kilométrage pour l'utilisation d'un véhicule personnel aux fins d'affaires si le kilométrage total demandé est inférieur à 15 000 km pour un véhicule sous-compacte, et inférieur à 17 000 km pour un véhicule compact. En 2008, 12 employés, et en 2009, 10 employés ont dépassé les 17 000 km. Compte tenu des frais de véhicules estimés par les Services du parc automobile pour le montant des frais de kilométrage présenté par ces employés, les coûts de ces remboursements supérieurs au seuil de rentabilité du parc automobile de 2003 totalisaient 88 802 \$ en 2008-2009. Une révision du nombre de jours de travail (en tenant compte des vacances, des journées de maladie et d'autres congés) pour les trois employés qui ont présenté le plus de kilométrages à rembourser chaque année a révélé qu'ils étaient censés parcourir 138, 87 et 82 kilomètres chaque jour en 2008. Les mêmes employés étaient censés parcourir 132, 129 et 84 kilomètres chaque jour de travail en 2009.

6. En l'absence d'un cadre de gestion, des lacunes dans les pratiques de gestion ont été relevées, qui ont mené à des indemnités de frais de kilométrage non rentables. Des exemples précis ont été décelés dans la vérification, notamment :
 - a) Un gestionnaire a fourni des laissez-passer de stationnement à des employés dans le cadre de leur rémunération, tandis qu'un autre gestionnaire en a fourni en fonction de l'utilisation du stationnement. Ce dernier a expliqué que les employés utilisent le laissez-passer au moins deux fois par semaine. Cependant, le fait de rembourser un billet de stationnement quotidien deux fois par semaine coûterait moins cher que de fournir un laissez-passer de stationnement mensuel.
 - b) Un gestionnaire a fourni des laissez-passer de stationnement en fonction du travail effectué hors site, mais était incertain de la fréquence à laquelle l'employé devait travailler hors site.
 - c) Cinq employés sur 15 ayant reçu une allocation mensuelle d'automobile n'avaient pas besoin d'un véhicule pour effectuer leurs tâches de travail, selon le gestionnaire qui a autorisé le paiement de l'allocation.
 - d) Les conventions collectives applicables précisent qu'un employé a droit à une allocation d'automobile s'il doit avoir un véhicule à sa disposition aux fins d'affaires. La convention collective de l'IPPM requiert que la nécessité d'avoir un véhicule disponible aux fins d'affaires soit décrite dans la description d'emploi de l'employé. Treize descriptions d'emploi sur 14 visant les employés du SCFP et de l'IPPM ne précisaient pas l'exigence d'avoir un véhicule à sa disposition aux fins d'affaires.
 - e) Les Services du parc automobile ont calculé un seuil de rentabilité par lequel il est plus rentable de fournir un véhicule municipal à un employé plutôt que de rembourser à ce dernier les frais de kilométrage engagés lors de l'utilisation de son véhicule personnel. Huit employés ont reçu en 2008 et en

2009 une indemnisation pour frais de kilométrage supérieure au seuil de rentabilité du parc automobile de 2003.

7. Dans plusieurs cas, les renseignements ne sont pas disponibles ou révisés pour prendre des décisions de gestion informées sur l'octroi d'une indemnisation pour le transport local.
8. Certains problèmes de conformité ont été relevés, notamment la conformité aux politiques de la Ville et à la loi sur les avantages imposables.
9. Le nouveau système automatisé des frais de kilométrage et de stationnement, conçu et mis en œuvre par l'Unité de l'administration de la paie, a amélioré les efficacités et certains contrôles internes.
10. Des occasions d'économie de 106 000 \$ ont été trouvées au cours de cette vérification, et sont résumées dans le tableau ci-dessous. Il doit être noté que les économies énumérées ne sont que celles qui sont ressorties des tests effectués pour la vérification. En raison des limites à l'accessibilité et à la fiabilité des données, les occasions d'économie relevées dans les tests n'ont pas été extrapolées à la population. Les constatations qualitatives de cette vérification suggèrent que des économies supplémentaires seraient trouvées par une analyse et un contrôle systématiques.

		Dépense annuelle moyenne (arrondie)	Erreurs trouvées	Économies trouvées dans les échantillons
Laissez-passer de stationnement	Laissez-passer de stationnement — autres employés	402 000 \$	16 sur 40 utilisés rarement	20 715 \$
	Laissez-passer de stationnement – employés de l'hôtel de ville		4 sur 8 non justifiés	8 256 \$
	Avantage imposable	s.o.	0 laissez-passer considéré comme un avantage imposable	Estimation seulement ¹
Timbre de validation de stationnement		140 000 \$	Aucune erreur notée	0 \$
Allocations d'automobile	Allocation pour la direction	284 000 \$	Aucune erreur notée	0 \$

¹ La Ville pourrait faire face à une charge annuelle de 100 000 \$ à 224 000 \$.

		Dépense annuelle moyenne (arrondie)	Erreurs trouvées	Économies trouvées dans les échantillons
	Allocation SCFP et IPPM	312 000 \$	5 n'utilisent pas leur véhicule pour le travail	9 495 \$
			9 n'ont pas cette exigence dans leur description d'emploi	15 045 \$ ²
Véhicules municipaux		9 309 000 \$	L'information n'était pas disponible/fiable pour cerner les erreurs quantitatives	0 \$
Demandes de remboursement des frais de kilométrage et de stationnement	Demandes de remboursement de frais de stationnement	147 000 \$	Aucune erreur notée	0 \$
	Demandes de remboursement de frais de kilométrage	2 225 000 \$	8 > seuil de rentabilité du parc automobile 2003 pendant plusieurs années	44 401 \$
			En plus des 8 (ci-dessus), 4 en 2008 et 2 en 2009 > seuil de rentabilité du parc automobile en 2003.	8 286 \$
Total		12 819 000 \$		106 198 \$

Il doit être noté que la *Vérification des Services du parc automobile de 2006* contenait la recommandation suivante :

Recommandation 1(c)

Que l'utilisateur final soit tenu de justifier le faible taux d'utilisation des véhicules directement auprès du Conseil municipal.

À ce jour, l'utilisateur final n'est pas tenu de justifier le faible taux d'utilisation des véhicules directement auprès du Conseil municipal. Un rapport sur le faible taux d'utilisation est fourni à la direction, mais aucun suivi n'est fait pour s'assurer que le rapport a été révisé et que des mesures ont été prises à cet égard.

² La direction a indiqué que, même si les descriptions d'emploi ne précisent pas la nécessité d'avoir un véhicule, ces employés requièrent un véhicule et, par conséquent, la direction estime qu'il ne s'agit pas d'une économie possible.

Cette vérification contenait également la recommandation suivante :

Recommandation 12(a)

Que les Services du parc automobile :

s'assurent que les carnets de kilométrage des véhicules sont utilisés, en particulier pour les véhicules légers, et effectuent des vérifications aléatoires afin de déterminer la fréquence d'utilisation du véhicule. Le kilométrage ne représente pas toujours un bon indicateur pour valider si un véhicule est justifié ou non. Les véhicules pour lesquels aucune justification ne peut être donnée devraient être signalés au Conseil municipal.

À ce jour, les carnets de kilométrage ne sont pas utilisés ni examinés de manière constante. Les vérifications ne sont pas effectuées pour déterminer la fréquence à laquelle les véhicules sont requis. Cette responsabilité n'a pas été assignée ni transférée aux services-utilisateurs. L'information sur la fréquence à laquelle les véhicules sont requis et un carnet de kilométrage sur l'utilisation personnelle et aux fins d'affaires ne sont donc pas disponibles dans la plupart des cas. L'utilisation est signalée à la direction. La responsabilité d'analyser les données et de faire un suivi selon le cas n'a pas été assignée.

Recommandations et réponses de la direction

Recommandation 1

Que la Ville assigne et documente la responsabilité de voir à la gestion des laissez-passer de stationnement, des timbres de validation de stationnement, des allocations d'automobile, des demandes de remboursement des frais de kilométrage et de stationnement. La responsabilité doit être assignée pour s'assurer que l'information suivante est exacte, à jour et facilement accessible, notamment :

- a) Le nom des personnes qui ont un laissez-passer de stationnement payé par la Ville;
- b) Une justification de l'utilisation minimale d'un laissez-passer de stationnement;
- c) Les postes à la Ville, et les employés de la Ville qui ont droit de recevoir une allocation d'automobile mensuelle.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) d'ici à la fin du deuxième trimestre de 2012. La politique couvrira les frais de kilométrage et de stationnement et la responsabilité du gestionnaire de s'assurer que l'option la plus rentable de déplacement et de remboursement aux employés a été choisie. La nouvelle politique sera communiquée à la direction et au personnel par le biais du Bulletin des gestionnaires et du bulletin aux employés, « Au courant ».

Les procédures seront séparées pour couvrir les aspects des laissez-passer et des timbres de stationnement (Exploitation et Entretien des stationnements); des allocations d'automobile et des rabais sur l'assurance automobile (Ressources humaines); des demandes de remboursement de frais de kilométrage et de stationnement (Administration de la paie) et de l'utilisation des véhicules municipaux (Services du parc automobile).

Une nouvelle procédure sur les laissez-passer de stationnement sera élaborée pour aborder la partie a) et la section applicable de la partie d) de la présente recommandation, et entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Une nouvelle procédure d'allocation d'automobile sera élaborée pour aborder la partie e) de la présente recommandation et entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 2

Que la Ville détermine les moyens les plus rentables d'assigner des responsabilités pour voir à la gestion des véhicules municipaux, notamment l'affectation des véhicules et de s'assurer de leur utilisation appropriée.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Une analyse de rentabilité doit être préparée avant d'aller de l'avant. Par conséquent, l'élaboration de la nouvelle Politique sur l'utilisation personnelle de véhicules municipaux inclura une analyse de l'aspect pratique, des besoins technologiques, des coûts et des avantages de ces obligations de rendre compte. La nouvelle politique comprendra les dispositions appropriées en fonction de l'analyse de rentabilité et entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 3

Que la Ville élabore un cadre de gestion qui régit l'utilisation et le contrôle des laissez-passer de stationnement, y compris, à tout le moins :

- a) Des politiques et des procédures sur l'octroi des laissez-passer de stationnement;**

- b) Le schéma d'opérations fourni par Exploitation et Entretien des stationnements indiquant le processus de demande de laissez-passer de stationnement;
- c) Des critères précis qui justifient l'octroi d'un laissez-passer de stationnement payé par la Ville;
- d) L'affectation des responsabilités et de reddition de comptes pour fournir, utiliser, surveiller et veiller à la conformité de la politique;
- e) Une référence aux lignes directrices des procédures du timbre de validation du stationnement qui décrivent les scénarios axés sur des coûts précis justifiant l'octroi d'un laissez-passer de stationnement par opposition à l'utilisation d'un timbre de stationnement ou du remboursement d'un billet quotidien;
- f) L'affectation des responsabilités de revoir périodiquement les données sur les titulaires de laissez-passer pour s'assurer que l'octroi d'un laissez-passer est, et continue d'être, approprié et économique.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) d'ici à la fin du deuxième trimestre de 2012.

La Direction de l'exploitation et de l'entretien des stationnements fera l'ébauche d'une nouvelle procédure pour les laissez-passer de stationnement qui traitera des parties b) à f) de la présente recommandation d'ici à la fin du deuxième trimestre de 2012.

Recommandation 4

Qu'une liste complète des employés recevant un laissez-passer mensuel payé par la Ville soit dressée et conciliée au besoin. La liste doit établir le numéro ID du laissez-passer correspondant (ce genre de liste n'existait pas au moment de la vérification).

Réponse de la direction

La direction est d'accord avec cette recommandation.

La Direction de l'exploitation et de l'entretien des stationnements dressera une liste complète des employés qui reçoivent un laissez-passer de stationnement mensuel payé par la Ville d'ici à la fin du quatrième trimestre de 2012, et la conciliera régulièrement. La liste établira le numéro ID correspondant.

Recommandation 5

Que la justification de l'octroi d'un laissez-passer de stationnement soit documentée et gardée en dossier pour chaque employé, avec la fréquence d'utilisation prévue.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les formulaires de demande de laissez-passer de stationnement approuvés sont présentement gardés en fichier par la Direction de l'exploitation et de l'entretien des stationnements. Le formulaire de demande de laissez-passer de stationnement sera modifié afin de refléter les changements à la politique qui requièrent une justification et la fréquence d'utilisation des laissez-passer de stationnement payés par la Ville d'ici à la fin du deuxième trimestre de 2012.

Recommandation 6

Que le tableau des critères précis axés sur les coûts utilisé par les gestionnaires pour déterminer le moment où chaque option d'indemnisation de stationnement est appropriée soit utilisé comme référence ou inclus dans les politiques ou les annexes de chaque option d'indemnisation de stationnement. Un tableau similaire devrait être élaboré et communiqué en ce qui a trait à l'utilisation des véhicules aux fins d'affaires, y compris les remboursements des frais de kilométrage et l'utilisation des véhicules municipaux.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) pour inclure les deux tableaux d'ici à la fin du deuxième trimestre de 2012.

De plus, le tableau de l'option de stationnement sera utilisé dans toutes les procédures liées au stationnement, et le tableau de l'option des déplacements sera utilisé dans toutes les procédures liées au transport local, et entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 7

Que la Ville développe un cadre de gestion régissant l'allocation d'automobile, y compris, à tout le moins :

- a) Des politiques et des procédures pour l'octroi d'allocation d'automobile;**
- b) La clarification du moment, selon les conventions collectives, où une allocation d'automobile est justifiée;**
- c) Une spécification de ce qui constitue l'exigence d'avoir un véhicule, y compris une référence au coût ou à la fréquence des déplacements;**

- d) Des critères pour révoquer l'allocation;
- e) La responsabilité de réviser l'octroi des allocations pour en justifier la pertinence et l'exactitude;
- f) La responsabilité d'évaluer la conformité à la politique.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) d'ici à la fin du deuxième trimestre de 2012.

Les Ressources humaines rédigeront également une ébauche de la nouvelle procédure des allocations d'automobile qui traitera des parties b) à f) de la présente recommandation, et qui entrera en vigueur d'ici à la fin du deuxième trimestre de 2012. Consultez les réponses de la direction sous les recommandations 7 et 8 pour obtenir plus de détails.

Recommandation 8

Qu'une liste des postes et (ou) des employés à la Ville qui ont droit à une allocation d'automobile mensuelle soit dressée. Cette liste devrait être séparée des fichiers du système SAP qui indiquent le nom des personnes qui ont reçu une allocation d'automobile mensuelle.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines établiront un champ d'attribution de poste dans le système SAP des RH pour déterminer les postes du SCFP établis par la direction comme étant des postes qui respectent les critères en matière d'allocation mensuelle minimale. Les postes de l'IPPM qui ont droit à une allocation mensuelle régie par un principe des « droits acquis » font l'objet d'un suivi dans le SAP des RH. Cela n'est applicable que pour les employés qui y avaient droit, le 20 décembre 2007, et seulement aussi longtemps qu'ils occupent leur poste et que le véhicule continue d'être nécessaire dans le cadre de leur travail.

Dans le troisième trimestre de 2011, les Ressources humaines enverront à tous les gestionnaires une liste des employés et des postes de leur direction qui sont admissibles à une allocation mensuelle. Les gestionnaires devront confirmer s'ils continuent de respecter les critères d'admissibilité à recevoir l'allocation mensuelle minimale conformément aux exigences de la convention collective (c.-à-d. l'exigence voulant qu'un véhicule demeure une condition d'emploi), et déterminer tous les points qui n'ont pas été relevés encore. Les réponses de la direction seront recueillies au cours du quatrième trimestre de 2011. Les Ressources humaines mettront à jour le SAP afin qu'il reflète l'attribution des

postes pour chaque allocation mensuelle avec comme but d'avoir mis à jour les fichiers dans le système SAP des RH d'ici au premier trimestre de 2012.

Pour s'assurer que le SAP des RH est à jour, les Ressources humaines valideront une fois par année la liste des postes avec les gestionnaires. Les Ressources humaines enverront aux gestionnaires une liste des postes dans leur direction qui sont admissibles à l'allocation d'automobile mensuelle. Les gestionnaires seront responsables de confirmer ce droit et d'aviser les Ressources humaines de tout changement par le biais d'un Formulaire de gestion des changements d'unité organisationnelle et de poste pour mettre à jour le SAP des RH. Les Ressources humaines fourniront le rapport annuel à l'Administration de la paie au Service des finances afin de concilier les allocations mensuelles avec les paiements actuels du SAP.

La révision annuelle complémente, mais ne remplace pas, les responsabilités continues des gestionnaires de s'assurer que les attributs de poste sont à jour et que les employés sont indemnisés de manière appropriée pour leur frais de kilométrage et de stationnement.

La présente recommandation sera considérée comme étant entièrement mise en œuvre après la première conciliation annuelle, soit d'ici à la fin du quatrième trimestre de 2012.

Recommandation 9

Que la justification de l'octroi d'une allocation d'automobile soit documentée et gardée en dossier, notamment la raison motivant le fait qu'un véhicule soit requis dans l'accomplissement des tâches de l'employé.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La confirmation annuelle faite par les gestionnaires, telle que discutée dans la réponse de la direction sous la recommandation 7, sera retenue dans le SAP comme étant le dossier d'affaires officiel documentant l'admissibilité continue à l'allocation mensuelle minimale. Cette recommandation sera mise en œuvre d'ici à la fin du quatrième trimestre de 2011.

Recommandation 10

Que la Politique sur les frais de kilométrage et de stationnement de la Ville (transport local) soit étendue afin d'inclure des contrôles internes précis et exhaustifs pour assurer des remboursements constants, complets, appropriés et exacts. La politique devrait inclure la responsabilité de revoir les données de demandes de remboursement interdirections pour y déceler des erreurs et des anomalies, et devrait assigner une responsabilité de revoir les frais de kilométrage engagés pour faire en sorte que les remboursements de frais de kilométrage soient raisonnables, et continuent d'être l'option la plus économique.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La politique révisée sur les frais de kilométrage et de stationnement de la Ville (transport local) fournira un cadre de travail aux gestionnaires à suivre pour déterminer l'option la plus rentable en matière de frais de kilométrage. Sous le niveau actuel d'autorité des Ressources humaines, des gestionnaires de niveau L5 et plus sont responsables de réviser et d'approuver les demandes de remboursement des frais de kilométrage. Ces gestionnaires sont responsables de s'assurer que les demandes de remboursement des frais de kilométrage sont raisonnables, et continuent d'être l'option la plus économique.

La politique révisée sur les frais de kilométrage et de stationnement de la Ville (transport local) sera mise en œuvre par la Procédure des demandes de remboursement des frais de kilométrage et de stationnement. L'Administration de la paie examinera les demandes de remboursement des diverses directions pour y déceler des erreurs et des anomalies. De plus, l'Administration de la paie effectuera également des vérifications qui aideront à déterminer les cas où l'option la plus économique semble ne pas être utilisée (révision des demandes de remboursement contre le seuil de rentabilité, les demandes de remboursement des frais de kilométrage les plus élevés).

La politique révisée sur les frais de kilométrage et de stationnement de la Ville (transport local) entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 11

Que la Ville élabore un cadre de gestion pour régir l'utilisation des véhicules municipaux, visant l'utilisation personnelle et aux fins d'affaires, y compris, à tout le moins :

- a) Les politiques et les procédures;**
- b) Les critères qui justifient l'utilisation d'un véhicule municipal;**
- c) Les attentes liées à l'utilisation personnelle et aux fins d'affaires d'un véhicule;**

- d) Une exigence de rendre compte pour faire un suivi de l'utilisation de véhicules et des frais de kilométrage;
- e) Une exigence en matière de surveillance et de révision pour évaluer la pertinence et l'efficacité de l'usage d'un véhicule;
- f) Des instructions précises sur la protection des véhicules, y compris l'endroit où les véhicules devraient être stationnés et la manière de les stationner;
- g) L'affectation d'une responsabilité sur l'usage, le rapport, la surveillance et la protection d'un véhicule;
- h) L'affectation d'une responsabilité pour s'assurer que la politique est respectée;
- i) Une spécification appropriée des conséquences pour le non-respect de la politique.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) d'ici à la fin du deuxième trimestre de 2012.

La Direction des services du parc automobile révisera la politique actuellement intitulée Utilisation personnelle des véhicules municipaux pour aborder l'utilisation personnelle et aux fins d'affaires, et mettra en place des procédures d'appui qui traiteront des parties b) à i) de la présente recommandation d'ici à la fin du deuxième trimestre de 2012.

Recommandation 12

Que la Ville détermine le moyen le plus rentable de compiler et de surveiller l'information sur les employés qui conduisent et (ou) sont responsables d'un véhicule municipal, et la justification de fournir un véhicule et toute disposition spéciale (comme l'accès sur appel à un véhicule).

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Services du parc automobile et les services d'exploitation responsables détermineront et prendront en considération les solutions possibles d'ici à la fin du deuxième trimestre de 2012 et prendront les mesures appropriées en fonction de cette analyse.

Recommandation 13

Que le tableau décrivant les critères basés sur les coûts pour déterminer la forme de remboursement de stationnement à utiliser soit inclus lorsque c'est pertinent, à titre d'instruction plutôt que de ligne directrice.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique sur les frais de kilométrage et de stationnement (transport local) pour inclure les tableaux sur les stationnements d'ici à la fin du deuxième trimestre de 2012.

Recommandation 14

Que la Ville assigne la responsabilité, et mette en place des processus afin de s'assurer que l'indemnisation pour les véhicules utilisés aux fins d'affaires est fournie de la manière la plus appropriée et rentable possible. Les processus doivent assurer que :

- a) **Les laissez-passer de stationnement ne sont pas fournis aux personnes qui ne les utiliseront pas assez souvent pour qu'ils soient rentables;**
- b) **Les allocations d'automobile mensuelles ne sont pas versées aux employés qui n'utilisent pas un véhicule dans le cadre de leurs tâches de travail;**
- c) **Des dépenses pour les véhicules municipaux ne sont pas engagées si l'utilisation de ces véhicules est minime;**
- d) **Le seuil de rentabilité du parc automobile est mis à jour et que les demandes annuelles de remboursement des frais de kilométrage dont le montant est supérieur à ce seuil de rentabilité soit minimisé.**

Réponse de la direction

La direction est d'accord avec cette recommandation.

En ce qui concerne la partie a), consultez la réponse de la direction sous la recommandation 18 a).

En ce qui concerne la partie b), consultez la réponse de la direction sous les recommandations 7 et 31.

En ce qui concerne la partie c), les Services du parc automobile sont engagés à appuyer les utilisateurs à gérer les unités d'utilisation faible dans le cadre du Programme sur l'efficacité du parc automobile. Dans le cadre de ce programme, les années 2010 et 2011 devraient améliorer la prestation des services de parc automobile pour permettre une réduction du parc de 10 % en 2012 en retirant la nécessité d'avoir un parc « au cas de besoin ».

En ce qui concerne la partie d), la direction suit déjà cette pratique en tenant compte du seuil de rentabilité et d'autres facteurs et s'assure que le seuil de rentabilité du parc automobile est mis à jour.

En conformité avec la prochaine élaboration de politiques et d'outils et l'existence de meilleures données exactes et à jour, la direction continuera de s'assurer que les meilleures options en matière de déplacement sont mises en place. Ceci tiendra compte des variables opérationnelles et des facteurs supplémentaires tels que notés ci-dessous.

Pour les demandes de remboursement des frais de kilométrage élevés qui sont notées dans le présent rapport, la nature du travail, les exigences d'exploitation uniques, la variance dans les demandes de remboursement d'une année à l'autre, et les changements en attente aux conventions collectives sont tous des facteurs qui ont contribué à ce que la direction parvienne à une conclusion différente de celle du Bureau du vérificateur général. De plus, les données sur le seuil de rentabilité utilisées pour vérifier le kilométrage excessif reflètent les coûts de kilométrage aux niveaux de 2003 et ne reflètent pas précisément les coûts réels comme le carburant (0,62 \$ le litre comparativement au coût du carburant de 2008 et de 2009) ainsi que l'entretien des véhicules municipaux. (Voir le diagramme de la partie 6.2.5 - L'analyse des coûts est inexacte basée sur des coûts comparables.)

Les facteurs que la direction a pris en considération en plus du seuil de rentabilité des frais de kilométrage de base incluent :

- Des ajustements pour les temps d'inactivité et les coûts additionnels associés à l'exploitation et à l'entretien d'un véhicule municipal. Cela pourrait inclure le kilométrage supplémentaire quotidien pour aller chercher et déposer les véhicules municipaux, se rendre aux centres d'approvisionnement en essence, le kilométrage et le temps perdu pour les changements d'huile, l'entretien, les lavages, l'entretien hivernal, etc. Dans un des exemples, cela pourrait représenter 2 500 km de plus et environ 100 à 150 heures de plus par année à 30 \$/h pour des frais en RH additionnels à la Ville, soit de 3 000 \$ à 4 500 \$ par véhicule.
- Le besoin de flexibilité. Par exemple, le fait d'avoir un parc de deux véhicules, pour un total de 13 postes de releveurs de compteurs, enlèvera à la direction la flexibilité d'affectation du travail, et exigera qu'une prévision des personnes qui pourraient excéder la limite fixée soit faite un an à l'avance.
- Des projets sont assignés aux techniciens de la construction (DSI) en fonction du programme d'immobilisations annuel. Les techniciens de la construction (UGC) entreprennent des inspections annuelles au cas par cas, couvrant des chantiers partout dans la ville. Ces programmes varient d'une année à l'autre, autant de par leur ampleur que par leur emplacement géographique.

Durant les années de grande construction, un kilométrage plus élevé est effectué. L'achat de véhicules pour ces années où le kilométrage est plus élevé ferait en sorte que les véhicules soient sous-utilisés durant les années où le programme d'immobilisations ou les activités de constructions sont réduits.

- Tout véhicule municipal excédentaire qui serait sous-utilisé en deçà du seuil anticipé occasionnerait automatiquement des coûts supplémentaires à la Ville, annulant certaines économies pour un nombre de véhicules si petit.
- Lettre d'entente 13. Selon la convention collective du SCFP 503, les techniciens de la construction ont droit au paiement des frais de kilométrage entre leur endroit de travail et leur domicile au début et à la fin de leur journée de travail (kilométrage de départ et de fin). Selon la lettre d'entente 13, ce droit prendra fin en décembre 2012, moment où le kilométrage sera réduit de façon importante.
- L'ergonomie. Les postes de placement prioritaires et les releveurs de compteurs actuels ont souvent des problèmes de maux de dos. Les voitures sous-compactes sont moins qu'optimales et à tout le moins, l'utilisation et les coûts connexes associés à une voiture compacte devraient constituer la base de toute analyse.

Recommandation 15

Que, en plus des vérifications ad hoc, l'Administration de la paie prenne une approche systématique fondée sur le risque pour déterminer les vérifications à effectuer. L'Administration de la paie devrait effectuer les vérifications comme prévu, et faire un suivi sur les constatations issues de la vérification.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Administration de la paie utilise actuellement une approche systématique fondée sur le risque pour déterminer les vérifications à effectuer et ces vérifications sont exécutées selon un calendrier prévu. Les exceptions font l'objet d'un suivi auprès des gestionnaires tel que requis et une justification écrite est gardée en dossier.

Pour réduire davantage le risque de paiement en trop, l'Administration de la paie a éliminé l'exigence d'effectuer des vérifications manuelles en améliorant le système SAP qui interdit toute demande de remboursement mensuelle minimale fixe pour les employés de l'IPPM où il n'y a pas de droit régi par un principe des « droits acquis ».

La présente recommandation sera considérée comme étant complète après la mise en œuvre des procédures qui appuieront la nouvelle Politique sur le transport local, et la nouvelle Politique générale sur l'utilisation des véhicules municipaux. Une fois en place, les rapports de vérification appropriés seront déterminés et effectués, et l'Administration de la paie fera un suivi des constatations d'ici à la fin du quatrième trimestre de 2012. Par la suite, les vérifications se poursuivront avec les ajustements appropriés sur une base continue.

Recommandation 16

Que, parmi les vérifications effectuées par l'Administration de la paie, une vérification des frais de kilométrage excédant le seuil de rentabilité tel que calculé par les Services du parc automobile soit menée.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Administration de la paie effectue présentement une vérification pour déterminer les distances en kilométrage non imposable de plus de 1 000 km par mois traité dans le SAP. Pour répondre à la présente recommandation, l'Administration de la paie effectuera une vérification des frais de kilométrage excédant le seuil de rentabilité tel que calculé par les Services du parc automobile.

Il doit être noté que l'Administration de la paie ne peut pas faire rapport en ce moment des distances effectuées pour les formulaires de frais de kilométrage impossibles, car les distances effectuées ne sont pas entrées dans le SAP. L'Administration de la paie a ajouté cette exigence dans le plan de travail d'amélioration du SAP, qui sera priorisée avec d'autres initiatives. Entre-temps, l'Administration de la paie déterminera s'il y a une solution intérimaire pour établir les distances effectuées par les employés qui utilisent le formulaire des frais de kilométrage impossibles. Cela sera terminé d'ici au deuxième trimestre de 2012.

Recommandation 17

Que les options en matière d'indemnisation de déplacement, en plus des critères pour déterminer le choix le plus approprié, soient documentées et communiquées aux gestionnaires.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines documenteront les critères pour déterminer le choix le plus approprié en matière de transport local et les communiqueront aux gestionnaires dans le cadre de la mise en œuvre de la politique révisée sur les frais de kilométrage et de kilométrage (transport local), d'ici à la fin du deuxième trimestre de 2012.

Recommandation 18

Que la Ville révisé périodiquement l'octroi des laissez-passer de stationnement et de l'allocation d'automobile pour s'assurer qu'ils sont et continuent d'être l'option la plus économique. La justification pour une utilisation continue devrait être documentée.

- a) **La rentabilité de l'utilisation des laissez-passer de stationnement devrait être revue;**
- b) **Les exigences de poste devraient être revues pour faire en sorte que l'octroi d'une allocation d'automobile continue d'être justifié.**

Réponse de la direction

La direction est d'accord avec cette recommandation.

La révision périodique de l'octroi des laissez-passer de stationnement fera partie des procédures sur le sujet. La présente recommandation sera considérée comme étant entièrement mise en œuvre après la première révision, soit à la fin du quatrième trimestre de 2012.

- b) La direction est d'accord avec cette recommandation.

Tel que décrit plus en détail dans la recommandation 7, les Ressources humaines coordonneront une révision annuelle dans laquelle les gestionnaires devront confirmer le droit à l'allocation et aviser les Ressources humaines de tout changement, lorsqu'ils surviennent.

La présente recommandation sera considérée comme étant entièrement mise en œuvre après la première révision, soit à la fin du quatrième trimestre de 2012.

Recommandation 19

Que la Ville détermine le moyen le plus approprié d'assigner des responsabilités pour revoir les dépenses liées aux véhicules et de faire un suivi pour en assurer la rentabilité.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les données sur les laissez-passer de stationnement, sur les véhicules municipaux et sur le remboursement des frais de kilométrage seront surveillées individuellement pour s'assurer que la méthode la plus appropriée et rentable en matière de transport local est utilisée. Les données sur les laissez-passer de stationnement, sur les véhicules municipaux et sur le remboursement des frais de kilométrage sont toutefois enregistrées dans différents systèmes, rendant ainsi la révision par individu et interdirections difficilement faisable.

Les gestionnaires sont chargés d'approuver toutes les demandes de remboursement, de déceler toute anomalie et tout excès dans les données, et ultimement responsables de leurs budgets qui combinent toutes ces dépenses. Il n'existe pas de méthode cependant pour fournir des données détaillées par individu ou interdirections.

Grâce à l'achèvement des politiques mises à jour et des outils améliorés disponibles pour les suivis et la surveillance, les gestionnaires seront mieux placés pour dire de manière proactive si les solutions de déplacement rentables sont mises en vigueur.

Recommandation 20

Que le rapport sur le seuil de rentabilité soit fourni aux services qui engagent des dépenses de frais de kilométrage ainsi qu'à ceux qui utilisent les véhicules municipaux.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines documenteront les critères pour déterminer l'option la plus appropriée en matière de transport local, notamment le « seuil de rentabilité » pour l'utilisation d'un véhicule municipal, et les communiqueront aux gestionnaires dans le cadre de la politique révisée sur les frais de kilométrage et de stationnement de la Ville (transport local), d'ici à la fin du deuxième trimestre de 2012.

Recommandation 21

Que les services recevant le rapport sur le seuil de rentabilité utilisent l'information pour assurer une rentabilité, c.-à-d. que le seuil de rentabilité devrait être intégré dans une analyse périodique qui établirait les tendances pouvant indiquer des demandes excessives de remboursement de frais de kilométrage.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Administration de la paie effectue présentement une vérification pour déterminer le kilométrage supérieur à 1 000 km par mois pour les frais de kilométrage non imposables traités dans le SAP. Les exceptions font l'objet d'un suivi auprès des gestionnaires tel que requis et une justification écrite est gardée en dossier.

Pour répondre à la recommandation 16, l'Administration de la paie effectuera également une vérification des frais de kilométrage qui dépassent le seuil de rentabilité tel que calculé par les Services de parc automobile, d'ici à la fin du quatrième trimestre de 2011, et continuera de le faire sur une base régulière. Les exceptions font l'objet d'un suivi auprès des gestionnaires tel que requis et une justification écrite est gardée en dossier.

Il doit être noté cependant qu'en ce moment l'Administration de la paie ne peut pas faire rapport des distances parcourues sur les formulaires de frais de kilométrage imposables, car les distances parcourues ne sont pas entrées dans le SAP. L'Administration de la paie a ajouté cette exigence au plan de travail amélioré du SAP et elle sera priorisée avec les autres initiatives. Pendant ce temps, l'Administration de la paie déterminera s'il y a une solution intérimaire pour établir les distances parcourues par les employés à l'aide du formulaire de frais de kilométrage imposables. Cette étape sera terminée d'ici au deuxième trimestre de 2012.

Recommandation 22

Que la Ville assigne la responsabilité appropriée pour veiller à ce que les politiques soient respectées, en plus de la responsabilité de faire un suivi pour assurer des correctifs en temps opportun. Chaque politique devrait établir les conséquences d'une non-conformité.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Ressources humaines réviseront l'actuelle Politique actuelle sur les frais de kilométrage et de stationnement de la Ville (transport local) d'ici à la fin du deuxième trimestre de 2012.

Chacune de leur procédure affectera une responsabilité spécifique pour en surveiller la conformité, pour faire un suivi, et en assurer des correctifs en temps opportun. De plus, chaque procédure établira les conséquences d'une non-conformité. Ces nouvelles procédures entreront en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 23

Que la Ville évalue le moment où l'octroi de laissez-passer de stationnement devrait être un avantage imposable, et ajuste en conséquence sa comptabilité et son obligation de rendre compte.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La direction aimerait préciser que le sommaire des constatations clés comprend un tableau du passif potentiel pour les avantages imposables qui ne seraient pas engendrés. Tout passif au titre d'avantage imposable découlant de laissez-passer de stationnement sera celui de l'employé et non de la Ville. La seule partie pour laquelle la Ville pourrait être responsable est une pénalité qui pourrait être appliquée.

L'Administration de la paie est actuellement en train d'évaluer l'aspect imposable des laissez-passer de stationnement. L'achèvement de cette évaluation dépend de l'introduction du nouveau formulaire de laissez-passer de stationnement qui permettra de recueillir l'information requise (voir la recommandation 24). Cette recommandation sera terminée d'ici à la fin du deuxième trimestre de 2012.

Recommandation 24

Que le formulaire de laissez-passer de stationnement, et d'autres formulaires utilisés pour autoriser l'octroi d'un avantage ou d'un remboursement, contienne de l'information sur le moment où l'octroi est considéré comme un avantage imposable, la fréquence requise d'utilisation minimale afin d'être rentable, et les raisons pour lesquelles il est nécessaire aux fins d'affaires.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Le formulaire de laissez-passer de stationnement sera amendé en consultation avec l'Unité de la paie pour inclure l'information sur le moment où l'octroi d'un laissez-passer de stationnement payé par la Ville est considéré comme un avantage imposable, la fréquence minimale requise d'utilisation afin d'être rentable, et les raisons pour lesquelles il est nécessaire aux fins d'affaires, d'ici à la fin du deuxième trimestre de 2012.

Recommandation 25

Que, en plus du numéro du véhicule, les véhicules municipaux soient marqués du nom du service auquel ils appartiennent.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les Services du parc automobile et les Services des communications révisent présentement la Politique sur le marquage de l'équipement et des véhicules municipaux afin d'inclure le nom du service et (ou) de la direction comme étant des marquages de véhicules approuvés. Une fois les changements à la politique apportés et approuvés par la direction, les Services du parc automobile marqueront les véhicules conformément à la politique.

Les véhicules municipaux seront marqués avec le nom du service auquel ils appartiennent d'ici à la fin du troisième trimestre de 2011.

Recommandation 26

Qu'en plus de réviser les avantages imposables liés à l'utilisation personnelle des véhicules municipaux, l'Administration de la paie s'assure de la révision par un expert-conseils des questions en matière d'avantages imposables liés aux laissez-passer de stationnement payés par la Ville.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Administration de la paie s'assurera de la révision des questions en matière d'avantages imposables liés aux laissez-passer de stationnement payés par la Ville; cependant, il doit être noté que cette révision sera probablement menée par le personnel de la Ville.

La présente recommandation sera terminée d'ici à la fin du deuxième trimestre de 2012.

Recommandation 27

Qu'un employé de la Ville soit chargé de faire un suivi des personnes qui détiennent des laissez-passer de stationnement payés par la Ville, y compris le moment où un laissez-passer est échangé entre des employés, ou le moment où il est révoqué. On ne devrait pas se fier à un tiers fournisseur pour fournir l'information.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Un employé de la Ville (ou une personne désignée à l'interne) aura comme responsabilité d'assurer un suivi des personnes qui ont des laissez-passer de stationnement payés par la Ville. La politique et les procédures assigneront à une personne la responsabilité d'aviser les employés de la Ville lorsqu'un laissez-passer doit être demandé ou révoqué.

La présente recommandation sera considérée comme étant entièrement mise en œuvre après la première révision et conciliation annuelles, soit d'ici à la fin du quatrième trimestre de 2012.

Recommandation 28

Que la Ville garde des écritures comptables précises qui indiquent le moment où une dépense est engagée pour un laissez-passer de stationnement. Les dossiers devraient faciliter l'identification d'un titulaire de laissez-passer pour lequel la dépense a été engagée.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les écritures comptables de la Ville seront modifiées pour indiquer clairement le moment où une dépense est engagée pour un laissez-passer de stationnement et faciliteront l'identification d'un titulaire de laissez-passer pour la dépense en question. Ces améliorations entreront en vigueur d'ici à la fin du quatrième trimestre de 2012.

Recommandation 29

Qu'un employé de la Ville soit responsable de recevoir les nouveaux laissez-passer de stationnement payés par la Ville du gestionnaire d'emplacement contractuel et de les distribuer aux titulaires de laissez-passer plutôt que ce soit les titulaires qui les reçoivent directement du gestionnaire contractant. De façon similaire, lorsqu'un employé cesse de travailler ou que les tâches de travail d'un employé changent et que le laissez-passer n'est plus requis, la responsabilité devrait être assignée à une personne ou à un secteur de la Ville pour récupérer le laissez-passer et mettre à jour la liste de suivi.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Un processus pour distribuer les laissez-passer de stationnement payés par la Ville nouvellement activés sera mis en vigueur pour séparer les rôles du fournisseur contractuel externe des laissez-passer de ceux du personnel de la Ville responsable de valider le fait que l'application a été approuvée de manière appropriée, et aussi de ceux de l'employé de la Ville qui fournit le laissez-passer à l'employé qui a le droit de le recevoir. La direction note que même si la recommandation stipule « un employé de la Ville », le but de cette recommandation est de s'assurer que l'employé est responsable d'assumer ce rôle, et qu'il est raisonnable d'établir que la tâche soit partagée parmi les autres employés pour assurer un remplacement.

La responsabilité de récupérer un laissez-passer de stationnement d'un employé est établie sur la liste de vérification pour les employés dont l'emploi à la Ville prend fin (Procédures sur la cessation d'emploi, les démissions et la retraite). La responsabilité de récupérer les laissez-passer, de mettre à jour la liste de suivi et de demander des révisions de justification régulières sera assignée dans la politique et les procédures révisées.

Ce processus sera documenté dans la Procédure sur les laissez-passer de stationnement, et entrera en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 30

Que la Ville s'assure que le registre d'utilisation des timbres de validation de stationnement soit revu et approuvé par une personne d'autorité appropriée.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Cette recommandation sera terminée dans le cadre de la mise en vigueur de la Procédure révisée sur les timbres de stationnement au cours du deuxième trimestre de 2012.

Recommandation 31

Que les paiements mensuels d'allocation d'automobile requis par les conventions collectives soient payés systématiquement, comme prévu et de manière exacte.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Les paiements actuels d'allocation d'automobile requièrent l'autorisation mensuelle d'un gestionnaire. Cette mesure sera améliorée par les initiatives suivantes : les Ressources humaines établiront une attribution de poste dans le SAP, tel que noté dans la recommandation 7, pour définir les postes qui requièrent une allocation mensuelle régie par le principe des droits acquis (IPPM) ou une allocation mensuelle (SCFP). Cette information sera fournie aux gestionnaires aux fins de révision sur une base annuelle et sera également fournie à l'Administration de la paie et aux Finances afin qu'elle soit conciliée avec les paiements actuels du SAP d'allocations mensuelles.

Ces améliorations entreront en vigueur d'ici à la fin du deuxième trimestre de 2012.

Recommandation 32

Que les changements apportés aux descriptions de poste soient faits en consultation avec le gestionnaire et les personnes touchées. Une attention devrait être apportée pour contrer tout problème de non-conformité involontaire avec les conventions collectives.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Des changements aux descriptions de poste sont, et continueront d'être entrepris en consultation avec les gestionnaires et les employés touchés.

Recommandation 33

Qu'au moment d'entrer manuellement les demandes de remboursement de frais de kilométrage dans le système, l'Unité de la paie saisisse les distances demandées en remboursement pour tous les employés.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Cette exigence a été ajoutée dans le plan de travail amélioré du SAP et sera priorisée avec d'autres activités. Pendant ce temps, l'Administration de la paie déterminera s'il y a une solution intérimaire pour faire le suivi des distances demandées en remboursement par les employés qui font rapport de frais de kilométrage imposables. Cela sera terminé d'ici au deuxième trimestre de 2012.

Recommandation 34

Que la Ville évalue la rentabilité de l'automatisation des paiements réguliers mensuels versés aux employés de l'IPPM et du SCFP.

Réponse de la direction

La direction est d'accord avec cette recommandation et l'analyse de la rentabilité de l'automatisation sera terminée d'ici au deuxième trimestre de 2012.

Recommandation 35

Que la Ville enquête sur les occasions d'intégrer des contrôles analytiques dans le système automatisé de frais de kilométrage et de stationnement. Ils pourraient inclure :

- a) **Un avertissement ou un rapport qui établit le moment où on prévoit qu'une personne ou un groupe de personnes excède une limite précise en frais de kilométrage et de stationnement;**
- b) **Des vérifications automatisées qui aident à s'assurer que les demandes de remboursement de frais de kilométrage exceptionnelles par les techniciens de la construction sont appropriées (c.-à-d. à moindre distance entre le domicile et le lieu de travail, ou du domicile au bureau).**

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'Administration de la paie enquêtera pour savoir s'il existe des occasions de mener des contrôles analytiques dans un système automatisé de frais de kilométrage et de stationnement d'ici à la fin du deuxième trimestre de 2012.

Recommandation 36

Que la Ville inclue les releveurs de compteurs et les techniciens de la construction dans le système de frais de kilométrage automatisé pour profiter de l'efficacité améliorée et des contrôles actuels, ainsi que des contrôles analytiques améliorés.

Réponse de la direction

La direction est d'accord avec cette recommandation en ce qui concerne les techniciens de la construction.

L'Administration de la paie ajoutera une exigence pour élaborer un formulaire automatisé pour les frais de kilométrage imposables au plan de travail amélioré du SAP et elle sera priorisée avec les autres initiatives. Cet effort de travail sera terminé d'ici au quatrième trimestre de 2012.

L'outil sera mis en place pour tous les frais de kilométrage imposables demandés par les employés, et la direction a confirmé que les techniciens de la construction utiliseront l'outil lorsqu'il sera prêt. En conformité avec la convention collective du SCFP 503, les techniciens de la construction ont présentement droit au paiement des frais de kilométrage lorsqu'ils se déplacent entre le lieu de travail et le domicile au début et à la fin de la journée de travail (kilométrage de départ et de fin). Selon la lettre d'entente 13, ce droit prendra fin en décembre 2012, moment où le kilométrage sera réduit de façon importante.

La direction n'est pas d'accord avec cette recommandation touchant les releveurs de compteurs.

La raison principale d'exclure les releveurs de compteurs du système des frais de kilométrage automatisé s'explique par le fait que leur travail extérieur ne leur demande pas d'avoir toujours accès au réseau de la Ville et à des ordinateurs dédiés. Actuellement, un seul ordinateur est fourni aux 13 postes pour leur permettre d'accéder aux ressources, comme Ozone. Il est estimé que les releveurs de compteurs faisant la file pour accéder en même temps toutes les deux semaines à un ordinateur, qui attendent d'ouvrir une session, qui reproduisent l'information sur les frais de kilométrage qui est déjà alimentée par les feuilles de kilométrage remplies après chaque affectation exigerait que chaque employé y consacre 15 minutes de plus, et une moyenne de 30 minutes d'attente, ce qui donne 10 heures supplémentaires toutes les deux semaines.

De plus, tous les releveurs de compteurs auraient besoin d'ouvrir une session sur un ordinateur disponible afin d'y saisir leurs données et de vérifier ensuite pour en confirmer l'approbation. Cette façon de faire occasionnerait environ 260 heures par année, ou 7 800 \$ en perte de productivité.

Une autre solution consisterait à investir dans des ordinateurs supplémentaires qui resteraient en suspens, sauf pendant 15 minutes, chaque deux semaines, pour améliorer les temps d'attente de saisie de données. Cette solution n'est pas viable et occasionnerait une perte de productivité évaluée à 2 500 \$. Cette perte de productivité ne compenserait pas les efficacités gagnées pour avoir fourni l'accès au nouveau système automatisé aux releveurs de compteurs qui n'ont pas, ou ne requièrent pas actuellement, un accès permanent au réseau de la Ville.

À cette étape-ci, les releveurs de compteurs d'eau n'ont pas accès facilement aux ordinateurs, cependant, si cela change, ils seront également en mesure d'utiliser le formulaire automatisé. Dans le cas contraire, ils continueront de faire rapport sur papier comme ils le font maintenant.

Conclusion

Selon la vérification, un cadre de gestion doit être élaboré pour régir tous les éléments visés par la portée de la présente vérification, incluant les politiques et les procédures pertinentes et un système de contrôles internes et de surveillance pour aider les gestionnaires de la Ville à gérer leurs opérations selon une norme constante de diligence. Les pratiques de révision et de surveillance doivent être mises en œuvre et axées sur les choix économiques. Un suivi et une surveillance sont requis, particulièrement dans l'utilisation de laissez-passer de stationnement, l'utilisation aux fins d'affaires des véhicules municipaux et les avantages imposables. La vérification a également cerné la nécessité d'avoir de la documentation améliorée sur les personnes qui reçoivent, ou ont droit à un avantage ou à un remboursement, en plus d'une justification.

Certains efforts ont été déployés récemment pour améliorer la gestion des processus dans la portée de la présente vérification. Un nouveau système automatisé des frais de kilométrage et de stationnement a été mis en place par l'Unité de la paie en 2009 qui a contribué à donner une efficacité et a amélioré certains contrôles dans le processus de demande de remboursement des frais de kilométrage et de stationnement. L'Unité de la paie a également pris l'initiative de relever les lacunes dans la politique sur l'utilisation personnelle des véhicules municipaux et de comprendre les avantages imposables applicables, et prend des mesures pour clarifier la politique. Les procédures entourant les timbres de validation de stationnement ont été rédigées, et comprennent des instructions précises et exhaustives sur les contrôles attendus dans la gestion du processus.

Des économies de coûts annuelles possibles de 106 000 \$ ont été établies dans la vérification, et un autre 240 000 \$ en éléments de passif liés aux avantages imposables pourrait être évité. En raison du manque de données exactes et fiables, une analyse plus exhaustive des économies potentielles n'a pas pu être effectuée.

Remerciements

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

1 BACKGROUND

The Audit of the Use of City Vehicles and Mileage Claims was included in the 2010 Audit Plan of the Office of the Auditor General, first presented to Council in 2008.

The following table quantifies the processes in the scope of this audit:

		Quantity ¹	Average Number of Transactions per Year (Average from Jan 2008 - June 2010 ²)	Average Annual Expense (Rounded) ³
Parking Passes		204 Passes	2,439	\$402,000
Parking Validation Stamp		72 Stamps	11,667	\$140,000
Vehicle Allowances	Executive	36 Directors	864	\$284,000
	CIPP and CUPE Allowances	400 CIPP and CUPE	6,876	\$312,000
City Passenger Vehicles (Cars, Vans, Trucks)		1,254 Vehicles	N/A	\$9,309,000
Mileage and Parking Claims	Parking Claims	2,754 Claims	2,754	\$147,000
	Mileage Claims ⁴	4,715,363 km	20,250	\$2,225,000
Total			44,850	\$12,819,000

Except where noted, the information summarized above was obtained from reports provided by Management.

¹ The quantity of parking passes was calculated by dividing the annual expense as reported in SAP from 2008 to June 2010, by the pre-GST cost of one pass (\$164).

The quantity reported for City vehicles includes only those passenger vehicles with positive usage, measured in kilometres.

² The number of transactions for executive allowances was calculated by multiplying the number of executives who receive the bi-monthly allowance (as reported by the Payroll Unit) by 24.

³ The expense for parking passes and for parking validation stamps were obtained by mining the data in SAP based on a filter suggested by management.

The expense for mileage considers both taxable and non-taxable mileage, only for travel within the City (Account 2117 "mileage outside the City" was not included in this analysis).

⁴ The Payroll Unit did not input mileage from mileage claims until mid 2009. To date, mileage is not input for all employees. Thus, the only complete information available is the amount paid for mileage claims. The amount of kilometres was calculated by dividing the amount paid by the mileage rate in effect at the given date based on the applicable collective agreement.

1.1 Parking Passes

The City of Ottawa spends on average approximately \$400,000 per year providing parking passes to the City Hall parking lot to a selection of employees, some of whom do not have their base office at City Hall. These figures do not include any expenses incurred by the Police or the Library. During the scope of this audit, parking passes to the City Hall lot were managed in conjunction with the contractor hired by the City to manage the lot. In the coming year, the City will be replacing the contractor.

An alternative method offered by the City of Ottawa to pay for parking for business use at the City Hall lot, is to have the ticket stamped with a parking validation stamp so that rather than the individual paying for parking, the City will be billed for stamped tickets. The parking validation stamp is used at the City Hall lot for both employees and visitors or contractors. There are currently 59 stamps in circulation at City of Ottawa departments.

For employees who do not have a parking pass, and who do not use the parking validation stamp, a claim for reimbursement of the parking expense can be submitted.

Invoices for parking passes and parking validation tickets are received from the contractor, and are processed and paid through the City's Financial Support Unit. Daily parking tickets are submitted through an automated claim system and are processed and paid through the Payroll Unit.

1.2 Vehicles Allowances and Mileage Claims

The City incurs expenses for business travel in a few ways. Some employees receive a monthly allowance, and some receive a flat rate per kilometre for using their personal vehicle for business purposes. Others are provided with, or share the use of a City owned vehicle.

The City of Ottawa spends approximately \$596,000 each year on monthly vehicle allowances. \$284,000 per year is paid in bi-monthly, automated payments to 36 Directors and Councillors. \$312,000 per year is paid monthly to approximately 400 employees in the CUPE and CIPP agreements when a manual claim form is authorized by the employee's manager. Vehicle allowances are processed and paid through the City's Payroll Unit.

Prior to June 2009, claims for reimbursement of mileage were submitted to the Payroll Unit on a hard copy form that was then entered into the system. Since then, a new automated mileage claim system has been implemented for use by most City employees. Mileage continues to be paid by the Payroll Unit, but is entered into the system by the employee, and automatically routed for approvals prior to being received by the Payroll Unit. Employees are paid a flat rate per kilometre that is specified by, and varies by collective agreement. Per their

collective agreement, Construction Technicians, unlike other City employees, are entitled to be paid for mileage each day from their administrative office, or place of work to home and back. Construction Technicians were excluded from using the new automated mileage claims system.

The City of Ottawa spends approximately \$2.25 million each year on an average of 20,250 mileage claims across all departments.

1.3 Use of City Vehicles

The City of Ottawa has approximately 4,000 owned or leased vehicles, 1,200 of which are passenger vehicles used by employees for business travel. The other vehicles are non-travel vehicles such as trailers and thus do not incur mileage.

The cost of running a vehicle, according to the Breakeven Report prepared by Fleet Services ranges from \$5,000 for a subcompact vehicle used for only 8,000 km per year to \$11,000 for a mid-size van used for as much as 27,000 km per year. These costs are understated given that the analysis has not been updated for current cost increases such as the cost of fuel.

Of the vehicles with non-zero mileage, approximately 1,250 are a car, truck, or van. Fleet Services manages the vehicles, and provides them to departments on a charge back basis. The following table indicates the departments with the highest number of vehicles (car, truck or van) in use, along with the average usage per vehicle in 2009.

Department	Number of Vehicles in 2010	Number of Vehicles in 2009	Average Use per Vehicle in 2009 (km)
Public Works- Roads	198	239	17,715
Public Works- Parks	152	123	14,490
Public Works - Motor Pool (Fleet)	95	117	11,826
Environmental Services- Drinking Water	117	108	12,828
Emergency and Protective Services - By-Law	106	107	17,774
Emergency and Protective Services - Fire	96	95	13,450
Public Works- Traffic Operations	77	67	13,711
Environmental Services - Waste Water	66	59	12,925
Public Works - PBGOM	59	50	14,673
Emergency and Protective Services - Land Ambulance (Paramedics)	32	35	16,410
Public Works - Forestry	41	33	13,873

In many cases, City owned vehicles are used by employees not only to travel for business purposes, but also to carry specialized equipment.

2 AUDIT OBJECTIVES

Objective 1: To assess whether a framework exists to promote a consistent and reasonable provision of parking and vehicle benefits, and compensation for mileage.

Objective 2: To assess whether the most economic and efficient method of vehicle or parking compensation is used (i.e., Use of City vehicle vs. mileage reimbursement).

Objective 3: To assess whether parking and vehicle benefits, and compensation for mileage are provided in compliance with City policies and procedures, and whether the benefit is captured accurately as a taxable benefit when appropriate.

Objective 4: To assess the effectiveness of internal controls in ensuring that the areas under audit are well managed, and that quality information is available for management decision making.

Objective 5: To assess the economy and efficiency of the use of the new automated system.

3 AUDIT SCOPE

This audit examined the management framework, including all policies and procedures currently in use, and the transactions that took place to compensate employees for vehicles used for business purposes. The audit considered compensation that was provided for business mileage incurred on personal vehicles, assignment and use of a City owned vehicle, assignment and use of City paid parking, and the provisions of a vehicle allowance. The scope of the audit extended to all City departments, and covered the fiscal years 2008 to June 2010. The audit was conducted from April 12, 2010 to December 17, 2010.

4 APPROACH

The following methodology was employed to carry out the audit objectives:

1. A review of policies, procedures and other documentation such as:
 - a) Collective agreements;
 - b) Job descriptions;
 - c) Process maps and descriptions;
 - d) User manual and system documentation for the automated system;
 - e) Employment contracts and employee data for those to whom benefits have been provided; and,
 - f) Reports, analysis and other oversight tools used in management and monitoring.
2. Interviews with key stakeholders.
3. A walkthrough of selected processes.
4. Analytical procedures including gap analyses on effectiveness of controls, and data analysis on transactions.
5. Tests of a sample of transactions for compliance to City policies and procedures, and for compliance to CRA legislation regarding taxable benefits.

6. Tests and analysis of a sample of transactions for cost effectiveness.

5 STRENGTHS

1. Through automation, and the performance of ad-hoc audits, the Payroll Unit has taken the initiative to improve the efficiency and accuracy of the mileage and parking claims process.
2. The Fleet Services Unit has been proactive in compiling information on the use and cost of City vehicles.
3. The addition of appendix E: Prepaid Parking Program - Parking Validation Stamp Procedures has improved the Mileage and Parking Policy. The appendix is comprehensive in its instructions to Management on the expected processes and controls.
4. The Education and Prevention Services Unit of the Fire Services Branch has implemented controls over the use of a City vehicle. The Fire Services Branch has an internal policy governing the use of City vehicles. The procedures require a sign out form to be authorized prior to taking a vehicle over night or out of town. The form specifies signing authority, and conditions of use, and requests the start and end odometer reading. The operator must sign that they agree to comply with the City's policy on the use of City vehicles. However, the City does not have a policy on the business use of City vehicles.

6 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

6.1 Audit Objective #1: To assess whether a framework exists to promote a consistent and reasonable provision of parking and vehicle benefits, and compensation for mileage.

6.1.1 Management Framework – General Observations

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.

The City's policies are communicated on the City's intranet. The intranet includes a Policy covering the Personal Use of a City Vehicle, as well as policies and procedures covering mileage and parking claims that are processed through the Payroll Unit. The Mileage and Parking Procedures include an appendix that specifies procedures for the use of the parking validation stamp. While the instructions for using, managing and safeguarding the parking validation stamp are comprehensive, and include well defined internal controls, instructions for mileage and parking claims, and for personal use of a City vehicle are not as extensive.

The management of the provision of parking and vehicle benefits, and compensation for mileage falls into multiple areas of responsibility, with roles played by the Financial Support Unit, the Human Resources Department, the Payroll Unit, Fleet Services, Labour Relations, and each individual manager who's employees' jobs require business travel and parking. With 17 City departments, each made up of up to eight branches, the number of individuals involved in managing these processes is extensive. To allow the managers to manage these processes to a consistent minimum standard of care across the City, therefore requires that managers operate within a framework of processes, controls, information exchange, and accountability. Such a framework would be comprised in the City's policies, and in procedure documentation. The City of Ottawa does not have a framework in place to promote a consistent and reasonable provision of parking and vehicle benefits.

Vehicle allowances and parking passes are mentioned briefly in the Mileage and Parking Policy. The City does not otherwise have a comprehensive Policy or procedures covering the provision of vehicle allowances or City paid parking passes. Instructions covering the business use of a City vehicle could not be found. Several challenges in managing these provisions were identified as a result. Key issues include:

- The criteria used to determine entitlement to the benefit is inconsistent across the City;
- There is no readily available or accurate listing of who is in receipt of these City paid provisions;
- The business reason for the provision is not documented; and,
- Responsibility for oversight and monitoring is not clear.

Although a City-wide policy covering the business use of a City vehicle could not be found, both Public Works and Fire Services have an internal departmental policy covering City vehicles. The Public Works Departmental Vehicle Policy serves only to clarify the rules for using City vehicles while on-call while the Fire Services Directive on Small Fleet/Pool Vehicles is more comprehensive.

The parking validation stamp procedure is the only document that speaks to a comparison among options, and to choosing the most economical provision. However, information is not available to facilitate this comparison. Although the Mileage and Parking Policy encourages employees to choose the most effective mode of travel such as car pooling, conference calls, scheduling meetings at the beginning/end of day, it does not require managers to compare the economy between options such as use of a City vehicle compared to incurring mileage, or provision of a parking pass compared to reimbursing a daily ticket.

The following findings, expressed for each provision in the scope of this audit, outline where opportunities exist to create and enhance the City's framework to promote a consistent and reasonable provision of parking and vehicle benefits, and compensation for mileage.

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.

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 Allowance Procedure will be drafted to address part e) of this recommendation, and will be in effect by the end of Q2 2012.

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.

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.

6.1.2 Management Framework - Parking Passes

A framework has not been established to allow managers to manage the provision of City paid parking passes consistently and economically across the City. Criteria for entitlement to a parking pass are not adequately defined, leading to the potential for unnecessary expenses across the City. The Mileage and Parking Policy, and corporate practices are deficient in providing a framework for parking passes as follows:

1. The Policy says that passes may be issued based on “operational requirements of the job”, and the applicable collective agreement or terms and conditions of employment. There is no explanation of what is meant by “operational requirements of the job” be it the requirement to use the pass two or three times weekly, or several times monthly.
2. The Policy makes no mention of an analysis of the cost of the pass compared to the costs that would be incurred given another form of provision of City paid parking.
3. There is no documentation, or requirement to document the justification for providing a pass to an employee. As such, in some cases, managers were not able to explain why some employees were in receipt of a pass.
4. The reason for use or justification is not required to be expressed on the Request for a Monthly Parking Pass form. Nor does the form require an estimate of the frequency with which the pass will be used.
5. Not until the spring of 2010, and in the course of this audit were the request forms kept on file.

6. Criteria for revoking a pass are fairly clear as outlined in the Mileage and Parking Policy, which states “where requirement to travel no longer justifies the permit”. However, there is no mention of what justifies the permit (in terms of cost, frequency of use, or other vehicle requirements) or of who is to determine whether the permit is justified.
7. Roles, responsibilities and accountabilities have not been assigned to monitor the use of the pass, or to revoke the pass upon termination or change of duties. Although the Policy states “All managers are responsible for... ensuring compliance with this Policy”, it does not specify which level of authority is to approve or revoke the pass, who is responsible to monitor use, and who is accountable to follow up on the results of monitoring. Further, it does not specify the employee’s responsibility in terms of use, and communicating when the frequency of use is no longer in excess of a specified minimum.
8. There is no individual, or department at the City charged with the overall responsibility to keep track of who has been provided with a City paid pass.
9. The Mileage and Parking Policy mentions the provision of parking passes only to the extent mentioned above: the vague criteria for providing the pass, and for revoking the pass. There is no mention of an assessment against other options to determine if the pass is the most economical; there is no mention of responsibility or authority; for reviewing and monitoring, or oversight across City departments.
10. The Mileage and Parking Procedures do not include procedures for the provision, use, and monitoring of parking passes. Management has drafted a flow chart depicting the process, but the flow chart is not contained in the policies and procedures, and is therefore not communicated appropriately.

Without a documented approach to managing and monitoring the provision of City paid parking passes, the City cannot ensure that it is providing passes responsibly.

During the course of the audit, five managers (representing eight pass holders) were asked to explain the criteria they used to determine who should receive a City paid parking pass, and to indicate the extent to which the passes are used. The responses demonstrated that managers do not periodically review who has a pass and whether it is, or continues to be appropriate. They do not review the frequency of use of the parking passes, and they are not aware of the circumstances when a pass is cost effective.

1. The first manager was questioned regarding four employees.
 - a) The manager explained that one 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. The cost of reimbursing daily parking twice a week is approximately \$100 per month. The guidance provided in Appendix E: Pre-Paid Parking Program - Parking Validation Stamp Procedures indicates that a parking pass should be provided if the employee's monthly parking expense exceeds \$175. There is also a potential for issues concerning taxable benefit reporting with CRA since, as will be discussed in Objective #3, CRA requires employer paid parking to be considered a taxable benefit if the employee does not use their vehicle regularly to carry out the duties of their job. CRA defines "regularly" to mean three or more times per week.
- b) The manager indicated parking passes were assigned based on the requirement to work offsite. However, the manager was unsure of how frequently two employees in question were required to work offsite. This demonstrates a weakness in internal controls in that authorization was provided by the manager to pay the invoice for parking passes each month without an understanding of whether the pass is the most economical form of compensation for business parking.
 - c) According to the manager, one employee in question did not travel frequently in their day to day job activities. The manager indicated this individual was not representative of other pass holders.
2. The second manager provides passes to employees as part of their compensation because parking was free for the employees when they worked at another City facility.
 3. The third manager explained that a floater pass had recently stopped being used. The decision to cease usage was based on an ad hoc review of the sign out book that was used to track frequency of usage.
 4. The fourth manager explained that the parking pass is assigned to employees based on the need to travel, except for one employee who receives the pass through a grandfathering provision. The employee in the sample uses a City vehicle, and has been given a parking pass in order to park the vehicle at the City Hall lot.
 5. The fifth manager who provides employees with a pass based on the need to travel explained that the employee does not submit mileage claims even though he incurs mileage for business purposes. This may be of concern if evidence of business travel is requested for taxable benefit reporting purposes.

Responsibility has not been assigned within the City of Ottawa to administer City Paid Parking Passes. The purview of the Parking Operations and Maintenance Division (POMD) as explained by the Director, extends only to

public parking within the City of Ottawa, and does not include responsibility or accountability for parking for City employees during the course of business. The Municipal Parking Management Strategy dated April 2009 outlines the objectives of the Municipal Parking Management Program. The objectives do not include oversight of parking for City employees. The flowchart provided by management shows that all requests for a parking pass flow through POMD. However, during the course of this audit, POMD was not able to provide a complete and accurate listing of employees who currently hold a City paid parking pass to the City Hall lot. Rather, POMD could only provide a listing of all holders of passes to the City Hall lot that did not specify which passes were paid by the City. In order to arrive at a listing of passes that were paid by the City, the listing was manually adjusted by blacking out those who were deemed by management to be members of the public, and writing in the margin to indicate those employees who, according to management, paid for the pass personally. Management explained that the validity of the list was limited due to the requirement to cross check the names against the City's database of current employees. The list was found to contain errors. Two City employees were identified (by notes in the margin) as having a pass that they paid for personally. However, it was found that the City had been paying for the passes for these employees each month for several years. In addition, one pass holder was identified as having a City paid pass when in fact they were a member of the public. As several names were blacked out by management for privacy reasons, it is not evident whether further errors existed.

With no one keeping track of which employees have a City paid parking pass, and with no one providing information to managers such as usage data, or taxable benefit laws, managers are impaired in their ability to manage with an eye to value for money.

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.**

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.

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.)

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.

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.

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.

6.1.3 Management Framework - Parking Validation Stamp

A framework does exist to promote consistent and reasonable use of the parking validation stamp although opportunities for improvement were identified (see below).

In April, 2010 an appendix to the Mileage and Parking Policy and Procedures was drafted to cover the parking validation stamp. Appendix E: Pre-Paid Parking Program- Parking Validation Stamp Procedures is comprehensive in describing how to request a parking validation stamp, how to use and safeguard the stamp, and how to reconcile the invoice. According to the Appendix, the parking validation stamp is made available where deemed appropriate by the Director. The Appendix assigns roles and responsibilities, and provides a framework with specific cost-based criteria for managers to use to determine when each method of parking compensation is appropriate. The Procedures assign the responsibility of monitoring the mileage and parking procedures to the Finance Department, along with completing periodic compliance reviews.

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.

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.

6.1.4 Management Framework - Vehicle Allowances

Other than the specifications in the CIPP and CUPE collective agreements, the City does not have a policy that specifies the parameters for entitlement to receive a vehicle allowance. This audit found a need for improved understanding of the relevant clauses of the collective agreements, and for improved documentation of management decisions and approvals. Vehicle allowances are mentioned in the City's Mileage and Parking Policy, but not to an adequate extent. The following gaps were noted:

1. There is no instruction on the process to follow to assess the need to provide an allowance. This audit found that monthly vehicle allowances are paid to employees who do not require the use of a vehicle to perform their duties.
2. There is no mention of when an allowance should cease to be provided.
3. There is no indication of a review for appropriateness or errors.
4. Managers are not requested to document their assessment that the employee requires access to a vehicle for business use.
5. Vehicle allowances paid to executives are documented in the employment letter, which is included in the employee's payroll file. However, because there are no comprehensive policies or procedures for vehicle allowances, there is no documented requirement to ensure this evidence continues to be maintained.
6. There is currently no documentation of who within CUPE is entitled to receive a vehicle allowance, whereas CIPP employees who are entitled to the grandfathered vehicle allowance are identified in SAP. A complete listing of who is entitled to an allowance, compiled independently of the SAP listing of who received an allowance would serve as a reconciliation tool to help ensure the completeness and appropriateness of the allowances.

Because of these gaps, the Mileage and Parking Policy does not provide the direction needed by management to ensure that allowances are provided consistently and reasonably across the City and in compliance with the collective agreements.

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.**

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.

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.

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.

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.

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.

6.1.5 Management Framework - Mileage and Parking Claims

The City's Mileage and Parking Policy and accompanying procedures clearly outlines who is entitled to submit claims for reimbursement for business mileage incurred using a personal vehicle, and for parking incurred in the course of doing business. The Policy and Procedures provide a framework for submitting claims, and assign the responsibility to the manager to ensure completeness, accuracy and validity of the claims. However, the Policy contains gaps in ensuring a consistent and reasonable provision of compensation for mileage and parking in the following areas:

1. The timeline for submitting a mileage claim is vague and contains contradictions. The Procedures state that "all claims must be completed weekly or monthly; and must be made within one calendar year of travel."
2. Responsibility has not been assigned to review mileage incurred to ensure that mileage reimbursement is the most economical option.
3. Although the Payroll Unit has begun to perform audits for errors and anomalies, the requirement or responsibility to do so has not been assigned, and is not referenced in the Policy or procedures. Therefore Payroll is not accountable to complete the audits in a comprehensive and systematic manner, or to follow up on findings. Managers are tasked to ensure accuracy, validity, and compliance to the Policy. However, responsibility has not been assigned to review data across branches, or as a second check for errors submitted by management.

4. Responsibility to ensure compliance to the Policy has been assigned to managers. However, responsibility has also been assigned to managers to perform key activities contained in the Policy, such as review claims for completeness, accuracy, and validity; approve claims; and maintain receipts. The Policy therefore requires managers to ensure their own compliance. This deficiency in independence and objectivity bypasses a second review that would otherwise be a mechanism to detect and correct errors and non-compliance, and identify when clarification is required.
5. The Mileage and Parking Policy refers only briefly to parking passes and vehicle allowances. Unlike the appendix that describes the procedures for using and managing the parking validation stamp, the Mileage and Parking Policy does not contain comprehensive instructions for the use and management of the parking pass or for vehicle allowances. The Mileage and Parking Procedures do not make any mention parking passes or vehicle allowances.
6. The Policy is not clear in some respects. It refers to “employees claiming non-taxable mileage” but does not explain what non-taxable mileage means. It also refers to “eligible mileage and parking expenses” without being clear on what that means. The Policy is stated to outline payment provisions for “...employees who are required to travel within the City of Ottawa for work related purposes”. However, the Policy does not include use of a City vehicle. The “Eligible Claims” section of the Policy does not specify business use of a personal vehicle.
7. The Policy states it is for non-taxable mileage. It does not include direction on where to find information on claiming taxable mileage.

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.

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.

6.1.6 Management Framework - Use of City Vehicles

The City does not have a policy governing business use of a City vehicle. As such there is no framework for managers outlining:

1. When it is appropriate to use a City vehicle, as compared to other methods of transportation;
2. The standards expected of employees when using a City vehicle;
3. How vehicles are assigned;
4. How vehicles are expected to be safeguarded;
5. Who is responsible to keep track of which employees are operating which vehicles, and where the vehicles are parked;
6. Who is responsible to monitor vehicle usage;
7. Who is accountable for ensuring that when a City vehicle is purchased and assigned, it is the most economical option for transportation;
8. The expectations for vehicle use when the employee is on temporary leave.

Opportunities for controls and monitoring are minimized as a result of the lack of clarity of procedures and expectations. Fleet Services explained that each vehicle, regardless of the operators, is assigned to a supervisor who is responsible for the vehicle. Fleet provided a report that lists each City owned vehicle along with the supervisor responsible for it, however, the report was inaccurate and out of date. Fleet explained that there is no mechanism that requires management to inform Fleet of any changes, including changes to the person responsible for the vehicle, and the location of the vehicle.

Fleet provides vehicles to departments on a charge back basis. Fleet Services receives and reports usage data, including a report of low usage vehicles. However, because there is no framework for the business use of City vehicles, the responsibility to review the report and act to ensure efficient and effective use of the City vehicles has not been assigned. Interviews with management found that, although the low usage report is compiled and communicated by Fleet Services, no analysis or action takes place resulting from the report. Therefore the effectiveness of this report is also lost.

Although there is no City-wide policy, both Public Works, and Fire Services have internal departmental policies on the business use of City vehicles. The policy internal to Fire Services was created in 2003, and makes reference to a City policy on business use of a City vehicle. However, such a City policy could not be found. Fire Service's Directive on Small Fleet/Pool Vehicles is fairly comprehensive, justifying Fire Service's reason for use of a fleet vehicle, explaining where they should be parked, parameters for logging use, and levels of authority. However, it does not include any requirement to compare usage of vehicles to other transportation options to ensure economy.

The Public Works Departmental Vehicle Policy serves only to clarify the rules and authorities for using City vehicles while on-call, including instructions on where to park, and on reporting a taxable benefit. The Policy assigns responsibility to the manager to monitor practices to ensure compliance with the Policy and describes disciplinary action. The Policy does not prescribe the criteria to be used to determine when an employee should be given a vehicle, or any process to ensure efficient and effective use of the vehicle (such as a review of mileage incurred).

The Personal Use of City Vehicles - Corporate Policy outlines the exceptional circumstances that warrant the otherwise disallowed personal use of a City of Ottawa vehicle. The Policy states that for the exceptions noted, "a taxable benefit must be reported." The Procedures provide a more extensive explanation of the type of taxable benefit that is to be reported based on the type of vehicle. Interviews with management found that managers are not clear on what constitutes personal use of a City vehicle, and when a taxable benefit needs to be reported. As such there is limited and inconsistent taxable benefit reporting. One manager has two employees who incur the same type of usage of a City vehicle. One employee regularly reports his use as taxable, while the other does not. One manager noted a memo prepared by management within his department that describes how they are in compliance with the Corporate Policy. However, the memo contradicts the Policy, which demonstrates a misunderstanding by management.

1. The Policy specifies that personal use of City vehicles is not permitted unless one of three exceptions applies. The wording of the Policy conveys that use of a City vehicle that falls into one of the exceptions is permitted, but is considered personal use. The memo explains how the use of City vehicles for on call requirements meets the criteria for one of the exceptions referenced in the Policy. However, it further explains that since it meets the definition of an exception, it does not constitute personal use and thus conflicts with the Policy.
2. The Policy specifies that parking a vehicle at a facility other than the normal base of operations for the convenience of the driver is not permitted. The memo, which was drafted to demonstrate how the department is in compliance with the Policy, explains that certain employees park their vehicle at a location nearest their base of operation or home and therefore also conflicts with the Policy.

During the audit, the City's Policy on the personal use of City vehicles was the subject of a review being conducted by the City's Payroll Unit. Payroll has realized there are gaps in clarity of exactly what constitutes personal use of a City vehicle, and when vehicle use should be considered a taxable benefit. Payroll has hired a consultant to help to clarify the Policy and to provide specific direction on the taxable benefit reporting requirements of personal use of a City vehicle. (See the taxable benefits section of audit objective #3 for more details).

With no City-wide policy, with varying information found in departmental policies, and with misunderstandings of the Personal Use of City Vehicles Policy, managers are not provided with instructions to manage the use of City vehicles. With no one in charge of oversight and monitoring across branches, a framework is not in place to promote a consistent and reasonable provision and use of City vehicles.

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

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.

Management's response to the 2006 audit explained "Logbooks are a client responsibility. Fleet services reports usage whereas the client determines the justification."

To date, not all individuals responsible for a City vehicle ensure a log book is used. In some cases, the information that is logged is inconsistent and not 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.

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.

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.

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).

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.

6.2 Audit Objective #2: To assess whether the most economic and efficient method of vehicle or parking compensation is used (i.e., use of City vehicle vs. mileage reimbursement).

6.2.1 Economy and Efficiency – General Observations

As discussed, the Payroll Unit has begun to review mileage and parking data across branches by performing audits of the data. The audits can be an effective tool for detecting errors and anomalies. To date, the audits have not focused on economy and efficiency of the provision of compensation, and therefore do not address this objective. The procedures for the parking validation stamp specify the requirement for periodic reviews of compliance. Given that the procedures outline the criteria for choosing the most economic option of parking compensation, the compliance reviews should help accomplish this objective. However, because the procedures have only recently been drafted, a compliance review has not yet taken place.

In most cases, relevant information is not available, not tracked, or not reported to the individuals responsible for decision making. Where analysis and reporting are in place, the results are not used by management to make cost effective changes. There is therefore no effective management review and analysis to ensure the economy of the provision of vehicle and parking compensation.

This audit found specific instances where the method of vehicle or parking compensation used was not the most economic. Among these were:

1. Parking passes that were assigned to employees who did not use them frequently enough to justify the cost.
2. Reimbursements provided to employees who incurred mileage on their personal vehicle that far surpassed the breakeven point. The breakeven point, calculated by Fleet services, is the point after which it is more economical to provide the employee with a City vehicle than to reimburse the mileage claimed.
3. One manager expressed a need for the flexibility to allow employees to use their personal vehicle when it would be more beneficial and cost effective than using a City vehicle. This demonstrates the need to identify where responsibility lies to make decisions on which method of travel to provide to employees, and to determine when changes are warranted.

Following are the detailed findings for each area in the scope of this audit.

6.2.2 Economy and Efficiency - Parking Passes

Parking passes are not assigned or used with due care to economy or efficiency. As described in the following section, procedures for the parking validation stamp include specific and cost based criteria to determine when to use which option of compensation for parking. However, similar instructions are not documented in reference to parking passes or parking reimbursements. Periodic analysis is not performed to assess the reasonableness and cost effectiveness of the provision of parking passes.

A test was performed to determine whether individuals who were provided with a City paid pass between January 2008 and June 2010 used the pass often enough to justify the cost. The test considered a pass to be used infrequently if it was used less than 14 days in a month. The provision of the pass was considered not to be cost effective if, for the majority of the months during which the pass was used, it was used infrequently.

The following limitations hindered the completeness of the test:

1. Management explained that usage data was only available beginning April 2009.
2. Management cautioned that the data provided was the usage of the parking pass and not usage by a specific individual. Passes may be transferred among employees without the awareness of POMD and a fully accurate current listing of which pass is assigned to which employee cannot be generated.

3. The pass holders were selected from paid invoices. However, the invoices did not always identify the pass holder, or pass ID number. Therefore, not all individuals who held a pass between April 2009 and June 2010 were considered.
4. The invoices did not always list the complete name of the pass holder, and in some cases, the name was not spelled correctly. Therefore, the ability to use the name of the pass holder to retrieve usage data was impaired.
5. Usage data on 100 pass holders was requested. However, management was only able to provide usage data on 48 of the 100 requested.

The analysis of the usage of 48 passes found that in 2009 16 pass holders (33%) did not use their pass frequently enough to justify the cost. In 2010 this increased to 17 pass holders (35%).

The excess cost incurred by providing a pass to the above noted pass holders rather than reimbursing a daily ticket for those days when the pass was used, was found to be \$12,646 for the last eight months of 2009, and \$11,522 for the first six months of 2010.

Given that complete and reliable data on the number, and cost of parking passes owned by the City could not be obtained, the full impact of the results of the analysis of 48 passes could not be measured.

6.2.3 Economy and Efficiency - Parking Validation Stamp

The procedures for the parking validation stamp do promote the use of the most economic and reasonable method of parking or benefit reimbursement. Following is an excerpt from the chart contained in the appendix to the Mileage and Parking Policy that indicates which parking compensation option should be used and when:

Parking Costs	Options For	To Claim Parking at City Hall
Low- monthly average parking claims less than \$100	Employee	Mileage and parking claim form
	Business Unit	Mileage and parking claim form
Moderate - monthly average parking claims are between \$100 and \$175	Employee	Mileage and parking claim form
	Business Unit	Parking validation stamp Mileage and parking claim form
High- monthly average parking claims are greater than \$175	Employee	Monthly parking pass Mileage and parking claim form

Parking Costs	Options For	To Claim Parking at City Hall
	Business Unit	Parking validation stamp Mileage and parking claim form Monthly floater pass

The chart assists the manager in determining up front what the most economic method of parking reimbursement is for a given situation. However, once the choice is made, usage data for either option is not reported or analyzed to ensure the choice was, and continues to be appropriate.

6.2.4 Economy and Efficiency - Vehicle Allowances

Vehicle allowances are provided to some CUPE and CIPP employees based on provisions of the respective collective agreements. The collective agreements require that, to receive an allowance, the employee be required to use their vehicle to perform their duties. Although bound by the collective agreements, there is room for management to use the allowances more economically and efficiently. The City has not prescribed criteria to use to determine when a vehicle is deemed to be required. As a result, managers are not in a position to perform periodic analysis to ensure economic use of this benefit. For example, a requirement may be the need to travel a minimum of three days each week. Based on this definition, an employee who incurs daily travel would be entitled to a vehicle allowance, while an employee who travels occasionally, for example once a month to go to meetings, would not. As such, the provision of vehicle allowances to CUPE and CIPP employees was not always the most economic method of travel compensation.

SAP data indicated that allowances were paid to CIPP and CUPE employees in 185 positions within the City during the time of this audit. A sample of 14 positions was selected and, for each position, the job description was reviewed to determine whether it specified a vehicle requirement. (The job description was examined for both CIPP and CUPE employees as a source of documented information.) Thirteen out of 14 job descriptions did not specify the requirement to have a vehicle available for business purposes.

In the 13 positions, 15 employees received monthly vehicle allowances. For each of these employees, the employee's manager was contacted and asked to explain the rationale for providing the employee with the monthly allowance.

Following are the details of the results of the inquiries for the 15 employees:

1. Five employees from the sample did not require the use of a vehicle to carry out their duties, according to their manager. The managers explained that these employees were entitled to the payments under the grandfather clause of the collective agreement. However, the grandfather clause of the CIPP Agreement stipulates that the need for a vehicle must continue to be included in the job description. The CUPE agreement stipulates that the allowance is to be paid only while the requirement to have access to a vehicle remains a condition of employment. There is no grandfather clause in the CUPE Agreement. The total paid to these employees during the scope of this audit was \$8,000.
2. One employee received the allowance to cover the costs of occasional travel to meetings. The allowance was provided at the employee's request to receive the allowance instead of claiming mileage. The total paid to this employee during the scope of this audit was \$1,440. That this employee should receive a monthly vehicle allowance is not documented.
3. Nine employees are required to have a vehicle for business use according to their managers, however the requirement is not specified in the job description, or otherwise documented. Further inquiries revealed that a project has been underway at the City since 2008 to remove sections from job descriptions regarding transportation, but to include transportation requirements on postings. Postings will be updated with this information when a position becomes available.

Five of the 9 managers who explained that the employee has a transportation requirement referred to an out dated job description to demonstrate the requirement. The Job Evaluation Research Officer explained that Labour Relations is currently in discussion with CIPP on the transportation issue.

The mention of vehicle allowances in the City's Mileage and Parking Policy and Procedures does not promote an understanding of the parameters for providing CIPP and CUPE employees a vehicle allowance.

6.2.5 Economy and Efficiency - Mileage and Parking Claims

The Mileage and Parking Policy and Procedures encourage employees to use the most effective mode of travel, outlining such options as car pooling with colleagues, using conference calls, walking, cycling, etc. Other than the Parking Validation Stamp Procedures, the Policy and Procedures do not instruct managers to conduct their operations and make travel decisions that are the most economical. Analysis is not required, or regularly performed to assess the cost effectiveness of mileage and parking reimbursements. 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 greater than the 2003 Fleet breakeven point totals on average \$52,600 per year. Of the employees identified above, eight were found to have mileage greater than the Fleet breakeven point in both 2008 and 2009. The total annual mileage claims for these employees range from 17,530 km to 53,403 km annually.

The following tables present a breakdown of the mileage claims by employee for each 2008 and 2009. At the time of this audit, the breakeven report provided by Fleet Services had not been updated since 2003. Therefore it should be noted that the analysis presented here compares the cost of operating a Fleet vehicle using the existing breakeven data to the current costs (2008 and 2009) of paying mileage. However, the mileage incurred by these employees on their personal vehicles would in some cases still exceed the Fleet breakeven point if it were updated.

It should be further noted that management has indicated that other factors beyond the Fleet breakeven point are considered in determining whether a vehicle or mileage will be provided including the impact of logistical costs for specific jobs, collective agreement terms and year to year variations in the volume and location of work.

Employees with mileage (2008) > 2003 Breakeven

Employee	Position	Total km 2008 (includes "to/from" for CT's)	Total Mileage Payments 2008 (\$)	Cost for km per 2003 Fleet Report	Mileage > 2003 Breakeven
1	Construction Technician	45,692	\$20,004	\$7,616	\$12,388
2	Construction Technician	22,867	\$11,267	\$6,678	\$4,589
3	Construction Technician	17,582	\$7,712	\$6,265	\$1,447
4	Traffic Assessment Investigator	20,373	\$9,500	\$6,420	\$3,080
5	Construction Technician	17,530	\$7,498	\$6,265	\$1,233
6	Water Meter Reader	27,814	\$12,089	\$7,089	\$5,000
7	Security and Emergency Management Branch employee	22,482	\$10,267	\$6,525	\$3,742
8	Water Meter Reader	19,569	\$8,806	\$6,420	\$2,386
Total					\$33,865

Employees with mileage (2009) > 2003 Breakeven

Employee	Position	Total km 2009	Total Mileage Payments 2009 (\$)	Cost for km per 2003 Fleet Report	Mileage > 2003 Breakeven
1	Construction Technician	53,403	\$26,079	\$8,449	\$17,630
2	Construction Technician	38,831	\$18,589	\$7,624	\$10,965
3	Construction Technician	22,333	\$11,192	\$6,525	\$4,667
4	Traffic, Management & Operational Support Branch employee	23,038	\$10,679	\$6,678	\$4,001
5	Construction Technician	22,498	\$11,253	\$6,525	\$4,728
6	Water Meter Reader	25,841	\$12,314	\$6,936	\$5,378
7	Security and Emergency Management Branch employee	21,868	\$11,151	\$6,525	\$4,626
8	Water Meter Reader	20,333	\$9,362	\$6,420	\$2,942
Total					\$54,937

The total for 2008-2009 is \$88,802. 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.

Discussions with Management identified a need for a consistent management approach to ensure the most economic choices are made, and a need for consistent and documented instructions of the choices that are available along with criteria to assess the appropriate option.

The program manager of the employee who received approximately \$46,000 in total over 2008 and 2009 explained that the employee incurs a large amount of mileage due to job requirements, along with the requirement of the collective agreement to pay Construction Technicians mileage from their residence to their place of work and back each day. The mileage for this employee is accurate and appropriate, according to the program manager, and is expected to continue to be high. However, the program manager explained that the employee is not required "to provide odometer readings or other records to support their mileage claims other than to record their daily mileage on their mileage claims." This was corroborated by the fact that no log books could be provided for our review. This program manager further indicated that the current situation would only change if more staff or consultants were made available.

The manager of the employee who received approximately \$30,000 over the past two years indicated that he has only recently begun to informally review total mileage incurred by his employees. He expressed an interest in determining whether mileage claims are more economical over provision of a fleet vehicle,

and is planning to review operations to this regard as well, which includes considering making use of alternative resources.

From the above examples, it is evident that opportunities exist to reduce mileage related expenses at the City, but that the requirement to consider these opportunities is not enforced, and that Management of these opportunities is not consistent.

The Mileage and Parking Policy charges managers with the responsibility to review mileage claims for accuracy and reasonableness prior to authorizing them. There is no assignment of responsibility to review cumulative data either by individual or by branch to assess economy and efficiency of operations. There is no specification to managers of options that exist within the City to help them reduce expenses incurred when travel is a necessary part of the job.

As noted above, there is no policy that informs Management of when it is appropriate to use a City vehicle, or that describes scenarios where other methods of transportation would be more cost effective. As such, managers are not held accountable for appropriate provisions of travel compensation.

Fleet Services produces and communicates a report of vehicles that incurred low usage over the year. Because managers are not required to justify the continued use of the vehicles on the Low Usage Report, the potential to reassign these vehicles to improve cost effectiveness is lost. By the same token, managers approve individual mileage claims, but there is no accountability to justify excessive cumulative mileage claims by employee, by branch or by department. Hence the potential to more appropriately allocate City assets to accommodate the travel needs of the City is lost. The City is therefore not optimizing its resources or minimizing its costs related to the necessity of business travel.

The Payroll Unit receives all mileage claims, and has begun to conduct audits on the data.

One of the audits performed recently was an audit of what it considered excessive mileage. However, the breakeven point calculated by Fleet Services was not communicated to Payroll, and was therefore not considered in determining the threshold against which to measure excess. The Mileage and Parking Policy does not mention the responsibility of Payroll to conduct audits of the mileage data to assess accuracy and reasonableness. The approach taken by Payroll to determine what to audit, is to consider errors found through regular processing.

6.2.6 Economy and Efficiency - Use of City Vehicles

Although periodic analysis is performed by Fleet Services on the usage of City vehicles, it is not reviewed and subsequent action is not taken by an appropriate individual to ensure the use of City vehicle is reasonable and cost effective. Since

there is no policy governing the business use of a City vehicle, there is no instruction on when it is appropriate to use a City vehicle over other options for travel, nor is there a requirement to track, monitor, or review business mileage. It is unclear where responsibility lies to determine when a change should be made from the use of a City vehicle to payment of a mileage claim for business use of a personal vehicle. One manager explained that he would prefer to have some employees use their own vehicle and submit a mileage claim rather than continued use of a City vehicle. However, this manager was of the belief that he did not have the flexibility to do so.

Fleet Services has computed a breakeven point for mileage. The breakeven point is the amount of mileage under which it is more cost effective to reimburse an employee for business use of their personal vehicle than to use a City vehicle. The breakeven point is calculated for varying sizes of vehicles from sub-compact to full size. Fleet Services has indicated that the breakeven point is communicated to departments that use City vehicles, but not to departments that incur expenses for mileage claims. Therefore a significant portion of users are left out of this knowledge exchange. Furthermore, interviews with managers found that the breakeven point is not considered or used in analysis of vehicle usage. As such, the potential to make informed decisions on the provision of travel compensation is lost.

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.

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.

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.**

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.

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.

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.

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.

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.

Recommendation 17

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

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.

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.**

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.

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.

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.

Recommendation 20

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

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.

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.

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.

6.3 Audit Objective #3: To assess whether parking and vehicle benefits, and compensation for mileage are provided in compliance with City policies and procedures, and whether the benefit is captured accurately as a taxable benefit when appropriate.

6.3.1 Compliance – General Observations

Internal controls implemented by the Payroll Unit have served to help ensure compliance to the City's Mileage and Parking Policy. However, several areas of

non-compliance to this, and other policies and procedures were identified during the course of this audit. In the majority of the documents reviewed the assignment of responsibility to ensure compliance was inappropriate, which may be a key contributor to the compliance deficiencies.

The procedures for the parking validation stamp assign responsibility to the Finance Department to monitor the Mileage and Parking Procedures and to perform periodic compliance reviews. The Finance Department can thus oversee Management's compliance, detect areas of non-compliance, and resolve any confusion management has over the procedures. At the time of this audit, a compliance review had not yet been conducted.

The requirement for the Finance Department to monitor the Mileage and Parking Policy is specified only in the appendix that outlines the procedures for the parking validation stamp. The Mileage and Parking Policy itself, and the Personal Use of City Vehicle Policy assign responsibility to the manager to ensure compliance. As explained in objective 1, given that the majority of the key activities and controls in the policies are the responsibility of the manager, appropriate segregation of duties dictates that responsibility to monitor compliance to these activities and controls should fall outside of the manager's purview.

Interviews with Management, and a review of relevant documentation found that there are some components of policies that managers find confusing, that are misunderstood by managers, and that are not being followed. The following chart identifies management practices that are not in compliance with City policies.

Policy or Procedures	Policy Requirement	Finding
Appendix E: Pre-Paid Parking Program- Parking Validation Stamp Procedures	Entries in the log book should include the name of the employee/ guest, purpose and date of visit.	Of the two branches reviewed, only one had the purpose of the visit recorded in the log book. The majority of the reasons were “business”, which is too vague to ascertain the business reason for using the stamp.
	The log book should be provided each month to an individual who is not the custodian of the stamp. The individual is to reconcile the monthly invoice.	One branch reviewed did not use the log book for reconciliation of the monthly invoice. The manager explained that the log book is only consulted when a discrepancy is noted that cannot be explained. In the other branch, the custodian of the parking validation stamp receives the log book and invoice each month to perform the reconciliation.
	Responsibility is assigned to the manager to monitor usage to ensure the most economical means is used, and to reassess it annually.	Results of the audit of parking passes indicates that in general, a monitoring and reassessment does not take place.

Policy or Procedures	Policy Requirement	Finding
	<p>The procedures instruct segregation of duties in custody, use, authorization and reconciliation.</p>	<p>In one case, although a separate custodian keeps the stamp, the stamp will be used only if the ticket has been initialled by one of several individuals, including the Administrative Assistant. Once initialled, the custodian will provide the stamp without question. Therefore, the Administrative Assistant who prepares the log book and reconciles the invoice, also has de facto custody of the stamp. Although two individuals are involved, the control produced by the segregation of duties is lost (i.e., A peer review to catch errors as well as the need for collusion to use the stamp inappropriately).</p>
<p>Personal Use of City Vehicles Corporate Policy</p>	<p>Vehicle should be parked at City facility closest to the work place.</p> <p>Employees are to keep a log book of all personal and business use including all dates, mileage and destinations.</p>	<p>Two managers indicated that general practice is for employees to park at a City facility closest to home.</p> <p>Business use is not always logged. In some cases, mileage at the start and end of the day is recorded on a "Circle Check" form that also indicates the driver, and any damage noted. However, the business reason (or personal use if applicable) is not noted. Seven managers were asked whether they require a log book to be kept for vehicles in their charge. Three said they do not keep a log book or otherwise track mileage and reason for use. One only requires his employees to track personal use, and this requirement is only for those who have a vehicle assigned to them full time. Two managers who claimed to track mileage, did not require the business (or personal) reason for use to be logged, and one of these</p>

Policy or Procedures	Policy Requirement	Finding
		managers only required the mileage to be tracked at the start of the day. One manager indicated that business use is logged but the log book is not reviewed or reconciled.
	Managers are to report to directors all cases where personal use of City vehicles are being allowed for on call situations.	Managers indicated they have listings of employees on call. They do not have a corresponding list of vehicles being allowed for on call situations.
	The FAQs indicate personal use is any driving for purposes other than official City business.	Where a taxable benefit is being claimed for personal use, it is only being claimed from work to home. When an employee is on call and uses the vehicle for non-business travel, the corresponding mileage is not claimed as a taxable benefit.
Mileage and Parking Policy and Procedures	Managers are responsible to ensure position requirements are up to date and reflect the current transportation needs.	HR has informed us that, since transportation needs are determined by the position and not the job, they have been removing it from the job descriptions and placing it within the 'position attributes' in SAP. The CIPP collective agreement contains a letter of understanding providing a grandfathered entitlement to employees who were covered by a prior collective agreement as long as they remain in the position they were occupying at the time and that a vehicle is required and outlined in the employee's job description.
	A parking pass may be revoked when the requirement to travel no longer justifies the permit.	From interviews with management, and analysis of usage data, it is evident that passes are not revoked when appropriate.

Policy or Procedures	Policy Requirement	Finding
CIPP and CUPE Collective Agreements	A minimum vehicle allowance is to be paid...provided the vehicle is required in the performance of their duties.	Some managers of employees who have been receiving a monthly vehicle allowance indicated the employee does not use a vehicle in the performance of their duties. Some managers have indicated that the employee is entitled by the terms in the collective agreement, regardless of their need for use of a vehicle.
	The CIPP collective agreement requires the job description to specify the requirement to use a vehicle in order for the employee to receive the vehicle allowance.	HR has informed us that, since transportation needs are determined by the position and not the job, they have been removing it from the job descriptions and placing it within the 'position attributes' in SAP. The CIPP collective agreement contains a letter of understanding providing a grandfathered entitlement to employees who were covered by a prior collective agreement as long as they remain in the position they were occupying at the time and that a vehicle is required and outlined in the employee's job description.

6.3.2 Compliance – Taxable Benefits

Before continuing to discuss specific compliance issues in the areas covered by the scope of the audit, it is important to address compliance with regard to taxable benefits. This is a subject of confusion and misunderstanding among managers. When an employee receives a benefit that is deemed taxable by Canada Revenue Agency (CRA), the Income Tax Act requires it to be considered income, and taxed accordingly. As such, the value of the benefit impacts the amount withheld from the employees' pay for income tax, CPP and OMERS pension.

According to a report prepared for the City by a consultant, "Failure on the part of the City to report ... taxable benefits, and to withhold appropriate source deductions thereon, could result in the imposition of interest penalties as follows:

1. A penalty of \$25 / day, to a maximum of 100 days, + interest thereon, for each incorrectly filed T4 Information slip (ITA 162(7));
2. A penalty of 10% of source deductions, + interest thereon, for failing to withhold and remit such source deductions on unreported benefits (ITA 227(8));
3. Interest on deficient income taxes owing by employees on unreported benefits (ITA 161(1)); and
4. Potential criminal prosecution and conviction for intentionally failing to report all benefits appropriately (ITA 239(3))."

The consultant explained that the City is responsible for all such penalties, with the exception of interest owing by City employees on outstanding income taxes.

Failure to comply with the CRA legislation regarding taxable benefits can result in administrative expenses, financial hardships to employees, and a potential financial liability to the City should the City take on the burden of the employees' unpaid taxes as was the case recently in five Ontario municipalities (See "Parking Passes" section below for more details).

This audit found an opportunity to prevent such liabilities going forward, if the necessary adjustments are made to the City's policies and practices to appropriately account for all taxable benefits. From discussions with management during the course of this audit, the City of Ottawa does not have in place a consistent approach to ensure that taxable benefits within the scope of this audit are declared when required, or communicated to employees. Following is a discussion of the deficiencies noted in each area reviewed.

6.3.3 Compliance - Parking Passes

The audit found inconsistencies in the criteria used to determine when a pass should be provided. Such inconsistencies can cause issues related to taxable benefits. For example, some managers provided the pass as part of the employee's remuneration, while some managers explained that they provide a pass to

employees who are required to travel “frequently”. However, the definition of “frequently” varied among the managers interviewed. It should be noted that CRA requires employer paid parking to be considered a taxable benefit if the employee does not use their vehicle regularly to carry out the duties of their job. CRA defines “regularly” to mean three or more times per week.

The provision of City paid parking passes for other than business use are not treated as a taxable benefit by the City. CRA has recently assessed several municipalities to be non-compliant with taxable benefit legislation regarding the provision of employer paid parking. Because these cities failed to appropriately withhold income taxes from employees for the parking passes provided to them, and because the cities in turn failed to remit the taxes to CRA, employees were billed for income tax owing retroactively up to \$3,000 each per year assessed. In all but one case, the City in question paid the back taxes on behalf of the employees:

1. The Toronto Star reported that the City of Toronto will spend up to \$8 million to compensate more than 1,700 employees.
2. The Record reported that the City of Waterloo paid \$110,000 in back tax on behalf of its employees for the failure to deem parking a taxable benefit from 2007 to present. The City of Waterloo’s tax payers incurred an additional \$45,000 on behalf of employees because paying the back taxes on behalf of the employees is again a taxable benefit, the burden of which was assumed by the City.
3. The City of Kitchener spent \$407,000 to cover the \$302,000 in back taxes for the period from 2007 to 2009.
4. The Record reported that the Region of Waterloo spent \$800,000 to cover \$481,000 in back taxes for the period from 2006 to 2008.
5. The Guelph Tribune reported that the City of Guelph reimbursed its employees for \$454,000 in back taxes for 2006 to 2008 tax years.
6. The media reported that employees from the City of London paid \$400 in back taxes in 2003. In this case, the City did not cover the cost.

The potential liability to the City for failing to consider parking passes as a taxable benefit could be as much as \$480,000 for the departments in the scope of this audit. This figure is based on a 40% tax rate for the total expenses paid by the City on parking passes over three years. Since the City does not document the reason for, or frequency of parking pass usage, there is no evidence to support that a given percent of the total expenditures was for business use. This figure does not consider the additional costs, as were incurred by some municipalities, for the taxes to be paid on the benefit the employee receives by having the City pay taxes on their behalf.

A consultant has been hired by the Payroll Unit to ensure appropriate taxable benefit reporting, however, the scope of the work to be provided by the consultant is limited to personal use of a City vehicle. There is currently no consideration given to the taxability of City paid parking passes.

The Application for Employer-Paid Parking used by the City of Hamilton specifies that employer paid parking is provided only to employees who use their personal vehicles for City business three times per week or more. It requires the applicant to specify whether they expect to use the pass within the expected frequency. It requests the applicant to indicate the frequency of expected use along with how and why the vehicle will be used for City business. By so doing, the application serves as documented evidence that the employee uses their vehicle for business purposes, and that they are aware of the minimum usage requirement. The Request for Monthly Parking Pass Form used by the City of Ottawa includes a certification of indemnity that the pass will only be used for City business and in the course of assigned duties. It does not require information on how frequently the pass is to be used, or the reasons it is needed for business purposes.

6.3.4 Compliance - Parking Validation Stamp

Employer paid parking is to be considered a taxable benefit when it is not used primarily for business purposes. Since the parking validation stamp should only be used for business purposes, the assessment of a taxable benefit should not be of concern in this area. However, as explained previously, the City does not currently ensure the business reason for use of the stamp is logged.

6.3.5 Compliance - Vehicle Allowances

Through automation, the payroll system is set up to account for taxable benefits for vehicle allowances and mileage reimbursements where appropriate. When a transaction is coded to certain “wage types” or account codes, the amount is automatically picked up by the “F40 Other taxable allowances and benefits” footnote, and reported as a taxable benefit on the employee’s T4. Among the wage types mapped to the F40 footnote are:

- 2055-Executive Car Allowance;
- 2060-Base Monthly Car Allowance (this wage type is used for CIPP and CUPE employees);
- 2061-Mileage taxable NP (this wage type is used for mileage incurred by an employee who receives a monthly allowance); and,
- 2062- Mileage Tax - To and From (this wage type is used for the mileage incurred by Construction Technicians for travel between home and their place of work).

For two employees in receipt of taxable benefits⁵, SAP was examined to see if the wage type was accurately allocated as a taxable benefit. The benefit paid to each employee was found to be accurately allocated as a taxable benefit. Each employee selected was in receipt of one of the following benefits:

- An executive car allowance; and,
- A monthly car allowance in addition to mileage. As a Construction Technician, this employee also received taxable reimbursements for mileage between their home and place of work as per the collective agreement.

The Mileage and Parking Procedures outline the tax implications for mileage and car allowances. The Procedures are not explicit in how the benefit is calculated, or how the taxability of the mileage incurred in conjunction with a vehicle allowance is processed. Other than to say that “all managers are responsible for monitoring claims and ensuring compliance with these procedures,” the procedures do not identify roles, responsibilities or accountabilities for:

- Determining whether mileage is taxable;
- Ensuring proper related reporting; and,
- Ensuring the accuracy of the claim, or the tax calculation.

6.3.6 Compliance - Mileage and Parking Claims

The Payroll Unit is set up to account for taxable benefits for vehicle allowances and mileage reimbursements where appropriate. Automation serves to help ensure taxable benefits, when claimed, are recorded correctly on the T4, and corresponding adjustments are made to taxable and pensionable income. See the explanation under “Vehicle Allowances” above for more details.

6.3.7 Compliance - Use of City Vehicles

The Personal Use of City Vehicles Corporate Policy is not well understood, and is in many cases, not followed by appropriate individuals. Discussions with Management revealed the following concerns:

1. Only one employee in the City is in the practice of claiming a standby benefit, which is to be claimed for personal mileage incurred while a regular vehicle is available to the employee;

⁵ The test performed was of the appropriate mapping of the expense account to a taxable benefit. Since this is an automated feature, a test of one transaction was performed. Two employees were selected in order to test one transaction for each type of allowance. The first employee received an executive car allowance, so the mapping of account 2055 was tested. The second employee received a monthly car allowance, taxable mileage, as well as the taxable “to and from” mileage for Construction Technicians. Thus the mapping of accounts 2060, 2061, and 2062 was tested.

2. Some employees who claim a taxable benefit for personal use of the vehicle, do not claim personal mileage other than the mileage incurred between work and home. One manager explained that, while on call, the employee needs to have the vehicle ready at all times. As such, the employee drives to various personal activities with the City vehicle. However, the non-business mileage incurred is not claimed as a taxable benefit.
3. A vehicle taxable benefit is not claimed consistently between or within branches across the City.

The City's Payroll Unit is in the process of clarifying the requirements of the tax legislation, and intends to revise the City's policy accordingly. The Payroll Unit has hired a consultant to "Reword the City of Ottawa's Personal Use of City Vehicles Policy ("City's Policy") to clearly indicate when a taxable benefit will arise and its implications to the City of Ottawa's employees." The consultant will also provide the Payroll Unit with other information required to ensure taxable benefit reporting for the personal use of a City vehicle is complete and accurate.

The CUPE Local 5500 collective agreement specifies that the employee has the option of having a City vehicle while on on-call status, or using their own vehicles and being paid mileage. Such a stipulation is not made in other collective agreements, and is not expressed in any City policies or procedures.

One manager interviewed explained that little control is required over the use of City vehicles because they are easily identifiable as a City vehicle. The manager claimed that, should inappropriate use occur, the public would identify the vehicle as a City vehicle and call the Fraud and Waste hotline.

Marking all vehicles with the name of the department to which they belong would facilitate identification of the vehicle, and would increase visibility if the vehicle should be used inappropriately. [Management advised that as part of the identification program, vehicles with improved identification will be deployed shortly.](#)

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.

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.

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.

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.

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.

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.

Recommendation 25

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

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.

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.

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.

6.4 Audit Objective #4: To assess the effectiveness of internal controls in ensuring that the areas under audit are well managed, and that quality information is available for management decision making

6.4.1 Internal Controls – General Observations

The effectiveness of internal controls over the processes reviewed in the course of this audit hinge to a great extent on managers' discretion. A manager's approval is currently the only control in place in providing an employee with:

- A parking pass;
- Usage of a parking stamp;
- A monthly allowance for CIPP and CUPE employees; and,
- Reimbursement for mileage and parking claims.

A documented manager's approval is not required in most cases for use of a City vehicle. There are no specified or consistent controls over the assignment, use, or monitoring of business use of City vehicles.

The strength of the manager's approval in ensuring an appropriate and economic provision of travel and parking is reduced because the City does not have a

framework that promotes informed and consistent decisions. The instructions found in the relevant policies and procedures do not tell managers when it is appropriate and cost effective to approve the use of a parking pass, or to sign off on a request for a vehicle allowance. As explained in previous sections, this audit found instances where approval for such expenses was provided inappropriately.

In addition to the need to provide managers with the tools to make informed decisions prior to providing authorization, there is a need to implement a system of oversight and monitoring. A parking pass may be provided to an employee who is expected to use it several times each week. However, the demands of the job may change resulting in less need to travel and park at City Hall. Similarly, a City vehicle may be assigned to an area that no longer uses it to the extent that was originally intended. In some cases, the job functions of an employee in receipt of a vehicle allowance may change so that they are no longer required to travel frequently. There are currently no controls in place at the City to periodically review usage, or to review job functions and make changes to provisions when warranted. Management controls to capture unusual or unreasonable benefits or expenses can be found only in ad hoc reviews by some managers. The Payroll Unit performs audits on mileage data to verify the accuracy of the data. The audits do not focus on detecting unusual or unreasonable expenses. The information needed to conduct the reviews mentioned above is, in most cases, not available, not distributed, or not reviewed.

To make an appropriate decision at the time of issuance, the manager should understand the parameters of the employee's job. To make ongoing appropriate decisions on when an option should be provided, and whether that option continues to be appropriate, management would need to review sufficient and appropriate information. The knowledge required of managers to make informed decisions include:

1. Who in their department has a parking pass, and why;
2. How frequently the passes are used, and the associated costs;
3. The total, business, and personal mileage being incurred on their City vehicles along with reasons for travel;
4. The total mileage and parking claims submitted by their employees, including trends, comparatives, and thresholds that have been assessed;
5. Who receives a vehicle allowance and why; and,
6. What options exist for the provision of benefits or reimbursements, as well as who is charged with assessing the most appropriate option, and who has the authority to make changes when warranted.

This audit found that such information is, in many cases, not available for management decision making. Following are the explanations of findings for each area in the scope of this audit.

6.4.2 Internal Controls - Parking Passes:

Parking passes are not sufficiently covered by a City of Ottawa policy or a procedures document. Key internal controls are not in place or documented to ensure effective management of parking passes, and information and reporting is not available for management decision making.

At the time of this audit, the City did not maintain a list of employees to whom a City paid monthly parking pass to City Hall is provided. Complete reliance is placed on the third party contractor to keep track of who has a pass, and how many are paid by the City. As explained earlier in this report, when requested, the contractor was unable to produce a list of passes that are paid for by the City, and the contractor was unable to produce a list of employees who are in receipt of a City paid parking pass to City Hall. Therefore, when requested, management was not able to specify with confidence, the number of passes the City pays for monthly, or to identify which employees hold these passes.

The only report the contractor was able to provide was a report of all passes to the City Hall lot, including, but not identified by, those held by the public, those held by employee who pay for them personally, and those held by employees that are paid for by the City. This report necessitated manual manipulation by POMD in order to comply with privacy legislation (i.e., to black out names of the general public), and to indicate which passes held by City employees were not paid for by the City. Such manipulation renders the completeness and accuracy of the resulting list questionable, as it exposes itself to human error. Management explained that assumptions were relied upon in determining who is an employee, and who pays for the pass personally. The accuracy of the list was is therefore questionable. During the course of the audit, two errors were noted. Two employees at the director level were listed as personal accounts (i.e., the pass was listed as not paid for by the City). However, the City has been paying for these passes each month, at least for the duration of the scope of this audit (30 months).

Management also experienced difficulties in obtaining usage data for City paid parking passes. Of the 100 passes for which usage data was requested, management was only able to provide data for 48 passes (See Objective 2 for more details).

Although POMD does not consider employee parking to be in its purview, once a manager has approved a pass for an employee, the approved application form for all City lots within POMD's purview is sent to POMD. Upon receipt of the application form POMD did not keep track of who was in receipt of a City paid parking pass until April, 2010. During the course of this audit, when asked for a

copy of the application forms, POMD explained that, at the time, there were only two on file. POMD forwards the requests for passes to the City Hall lot to the contractor. Responsibility is left with the contractor to provide the parking pass to the employee, and to keep track of who at the City has a City paid pass. There is no requirement or general practice of informing anyone at the City, or updating a City run database when changes take place such as exchanging the pass between employees, or revoking a pass when it is no longer needed. As mentioned previously, the Manager of POMD cautioned that parking pass usage data should not be considered a reflection of employee usage of the pass because the City is not confident that the databases that link a pass to an employee are accurate or up to date.

Compensating controls to the weaknesses in the provision and tracking processes described above were also found to be weak. Management was unable to identify which transactions coded to the parking expense account were for parking passes, and the accounting records did not consistently indicate the pass holder for whom the expense was incurred. Management suggested that those SAP transactions assigned to the contractor that do not include the word “validate” are for parking passes, however this was found to not always be the case. Prior to payment, all invoices from the contractor for parking passes are routed through the appropriate manager for authorization.

A review of a selection of invoices found several errors that demonstrate that management’s authorization of the invoice is not effective in preventing payment of incorrect or inappropriate invoices.

During the course of this audit, 131⁶ invoices from the contractor were reviewed. The invoices contained the following errors:

1. 2% of the invoices reviewed contained multiple charges for passes assigned to the same person;
2. 9% of the invoices had the number of passes charged on the invoice not equal to the number of pass holders identified on the invoice;
3. The majority of the invoices did not identify the pass holder or the pass ID number; and,
4. 13% of the invoices had an individual authorizing payment for their own pass.

The reliance on the contractor to keep track of City paid passes extends to a reliance on the contractor to validate the number of passes to be charged to the City. This in turn translates into severe weaknesses in internal controls since the City pays the

⁶ The SAP parking account was reviewed for parking pass invoices from the contractor. A detailed review was performed for the months of March and July 2008, January and June 2009, and February 2010. Where the transaction detail did not identify the pass holder, the hard copy of the invoice was examined. 131 transactions required examination of the invoice.

contractor based on the number of current parking passes. The following risks are therefore not addressed, and corresponding errors would not be detected:

1. The contractor may charge the City incorrectly for additional passes;
2. The contractor may inappropriately charge passes from other organizations to the City;
3. The contractor may provide passes inappropriately to the public and charge them to the City;
4. The City may repeatedly pay for a monthly parking pass for employees who are terminated or retired, or whose duties have changed so that the pass expense is no longer cost effective; and,
5. There is also potential to repeatedly pay invoices for passes that are not used.

That management expected the information to be readily available by the contractor, but was ultimately unable to obtain the information makes it evident that such information has never before been requested. It is therefore further evident that a review of pass holders has never taken place.

In the coming year, the City will be replacing the contractor at the City Hall lot. Management has indicated that, along with the change, will come a new and improved database. Management expressed that, due to the challenges experienced in obtaining information for this audit, the contract with the new provider will ensure that the City will be able to obtain the information it needs for review and analysis of parking passes.

6.4.3 Internal Controls - Parking Validation Stamp

The documented procedures for use of the parking validation stamp stipulate controls to be performed to ensure completeness, existence, authorization, safeguarding and economy. In addition, the procedures include a requirement to monitor adherence to the procedures. However, given that these procedures are new, having taken effect in mid 2010, such monitoring has yet to take place. This audit found that the controls over the use of the Parking validation stamp are well designed, but are not always operating as intended. The procedures have adequately specified the need to track and reconcile use of the stamp, and for segregation of duties between custody of the stamp, reconciliation of the monthly parking invoice, and authorization of the invoice. Neither of the areas reviewed during this audit followed these procedures appropriately. (See objective 3 for more details on non-compliance)

In both branches reviewed, management has implemented controls to help ensure appropriate use of the stamp. In both branches, the custody of the stamp rests with Corporate Security. Corporate Security has been given authority to use the stamp, and has been given instructions on when it is appropriate to use the stamp. The instructions are different for each branch.

1. One branch requires the ticket to first be initialled by one of several pre-approved individuals, including the Administrative Assistant. Corporate Security will stamp the ticket only if it has already been initialled. Corporate Security then enters information in the log book, including name of individual using the stamp, name of individual authorizing the use of the stamp, date and reason for use. Each month, the Administrative Assistant reconciles the log book to the invoice prior to sending it to the manager for approval.
2. The other branch has a pre-approved list of individuals who can use the stamp. Corporate Security will only stamp the ticket of one of the pre-approved individuals. An entry is made into the log book that does not include a business reason. The log book is not referenced or reconciled to the monthly invoice, however along with each invoice, the manager reviews the tickets, which include the name of the individual who used the pass.

In both cases, management controls are in place, but in each case opportunities exist to improve their effectiveness.

1. The control weaknesses in the first branch reviewed lie in segregation of duties, and appropriateness of authorization.
 - a) Given that Corporate Security is instructed to, without question, stamp the ticket if it has the initials of the Administrative Assistant, custody of the stamp is, for the purpose of segregation of duties, with the Administrative Assistant. The Administrative Assistant therefore has control over who can use the stamp. The Administrative Assistant also receives the monthly invoice and reconciles it to the log.
 - b) The usage information logged in the log book is not specific. Most entries give the reason for use as "business".
 - c) In 2009, HR Management Levels of Authority were introduced to provide a framework for approval requirements. The related Management Bulletin indicates that to approve a mileage and parking form using the automated system, the individual providing authorization must be at a minimum HR level 6. However, Appendix E does not require this minimum level of authority for authorizing use of the parking validation stamp. Although the manager reviews the invoice prior to authorizing payment, because he doesn't review the log book or the tickets, authorization actually rests with those who initial the ticket to allow Corporate Security to use the stamp. Among these is the Administrative Assistant, who is not at the appropriate level of authority.
2. The control weakness in the second branch reviewed lie in a lack of documentation, and management review.
 - a) The log book does not contain information on the reason for using the stamp.

- b) Management does not review the log book, nor is the invoice reconciled to the log book.

The procedures provide a framework of control over the parking validation stamp. However, if not followed consistently by all managers, the framework cannot be effective.

6.4.4 Internal Controls - Vehicle Allowances

Vehicle allowances paid to executives are documented in the employment letter, which is included in the employee's payroll file. These payments are set up at the time the employee is hired into the position, and are paid automatically via a recurring payment that posts the allowance to an account that automatically includes it as a taxable benefit.

Vehicle allowances are also paid to certain CUPE employees and certain grandfathered CIPP employees. In these cases, the vehicle allowance is paid when a manual form is submitted to Payroll via approval by the manager. Entitlement to the allowances per the collective agreements hinges upon the requirement to use a vehicle in the performance of their duties. The only control in the process of paying an allowance to a CIPP or CUPE employee is that of a manager's approval. Interviews with management determined that the approval provided by management is not always appropriate. An example of the gaps follow:

1. One manager took several weeks to respond to the question of why her employee has been receiving an allowance. The manager explained that she needed to contact HR to determine the justification for the provision. When asked, the manager confirmed that each request for payment of the monthly allowance for the employee in question was routed through her (the manager) for approval. Given that the manager has been authorizing payment for this provision for three years, but required assistance in determining why the employee was entitled to the provision, this is an example of the extent to which the authorization control is not effective.
2. Management's assessment of which positions or which employees are required to use a vehicle is not documented. As explained in Objective 1, some managers justified the provision of the allowance by explaining that the decision was made by a previous manager. However, the rationale of the previous manager was not available. The City has not instructed managers on the criteria to use to determine whether a vehicle is required in a job.

3. In October 2009, a settlement took place regarding parking expenses for a specific employee. The minutes of the settlement between the City of Ottawa and the union acknowledged that a personal vehicle was not required to perform the duties of the job, and that the job description would be adjusted accordingly. Although the minutes specify that a vehicle is not required to perform the duties of the job, this audit found that the individual had been receiving a vehicle allowance, and continued to receive the allowance after the date of the settlement.
4. The assessment of a position or employee as needing to use a vehicle to perform their duties is not revisited regularly. The testing performed in Objective 1 found that vehicle allowances were provided to employees who do not use a vehicle in the performance of their duties.
5. A check is not conducted prior to payment to ensure that the claim was for the appropriate amount. The audit found intermittent payments for incorrect amounts that were not detected either by Management or by Payroll.
 - When asked to explain why the employee did not receive consecutive monthly payments, one manager explained that “the employee probably didn’t submit the paper work”. However, if the employee is entitled to a monthly payment via the collective agreement, the City could be liable to pay any missing amounts.
 - In one case a payment of \$480 was remitted to an employee who should have been receiving monthly payments of \$60. In another case \$221 was remitted.
 - Each year, the employee has the option to opt out of receiving the monthly allowance because of its taxable benefit implications. Upon receipt of the authorized hard copy claim form, Payroll does not verify that the employee is entitled to a monthly allowance, or that the amount claimed is appropriate. The responsibility rests with the authorizing manager to review and approve the claim. However, this audit found that the authorizing manager does not always understand the entitlement or appropriateness of the claim, and that the amount authorized is not always appropriate.

The City relies on its managers to provide approval for vehicle allowances only when warranted. This audit found that, although a control is in place to ensure the manager’s approval is sought, the approval is not always appropriate.

6.4.5 Internal Controls - Mileage And Parking Claims

The move to an automated mileage and parking claim system has resulted in enhanced automated controls to ensure the appropriate level of authorization is provided for the claim. The system has a built in requirement for appropriate level of authorization based on the HR levels of authority. Prior to payment for a claim, the claim is automatically routed to the required authority. If the claim is neither authorized nor rejected, it will automatically be routed to the next level of authority

for approval. The claim cannot be routed to Payroll for payment without having received authorization. In this way, the automation has improved the authorization control.

The control objectives of existence, accuracy, and economy remain heavily subject to the manager's discretion.

As will be discussed further in Objective 5 below, certain employees including Construction Technicians do not use the automated system to submit mileage claims. When the manual claim form from a Construction Technician is received by the Payroll Unit, the kilometres claimed are not entered into the system. The only information available for analysis is the amounts paid to Construction Technicians for mileage. This information gap limits the City's ability to verify the accuracy of the payment, to review the mileage claimed for reasonableness, and to reconcile the travel distances claimed with the work schedule.

Improved detective controls are beginning to take effect as Payroll begins to complete audits of the mileage data to detect errors and anomalies. Opportunities exist for this control to be more effective if a cyclical and risk based approach is taken to determine what to audit, and if responsibility and accountability to detect errors and to follow up to ensure they are corrected is clarified. As part of the fact validation process for the audit report, the Payroll Unit provided a list of audits that indicates the frequency with which each audit is to be conducted. This schedule was not provided during the course of this audit. The audits demonstrate monitoring controls over the accuracy of the date, but do not include a review of the data for reasonableness, for unusual transactions, or for economy. For example, one of the audits listed on the schedule is a verification of the accuracy of non-taxable Mileage claims greater than 100km per month. There is no indication that, if the excessive mileage is found to be accurate, the manager is informed to consider whether alternative methods of transportation should be considered. The schedule of audits provided by the Payroll Unit does not assign responsibility to perform the audit, or responsibility to follow up on audit findings. Payroll has indicated that any action taken is dependent on the type of audit. However, the required action is not specified for each audit.

This audit found that authorization controls are designed effectively for mileage and parking claims. Other controls such as monitoring and analysis need to be enhanced.

6.4.6 Internal Controls - Use of City Vehicles

Although some controls are in place to manage the use of City vehicles, a control framework is not documented, and controls are not in place to ensure a consistent minimum standard of care is practiced across all City departments.

Some departments document work performed by employees on an activity sheet, and require a "circle check" of the City vehicle to be signed off by the operator prior

to use. The circle check document includes the mileage of the vehicle at the start of the shift. If the activity sheet and the circle check documents were used to tie together information on mileage and the business reason for the mileage, they could provide the needed evidence that the vehicle was not taken home or otherwise used for personal reasons. However, the documents are not used to that end. Some managers indicated that an ad hoc review of the activity sheet is performed to see if the mileage on the vehicle makes sense related to the work that was performed. However, this is not systematic, or formalized, and there is no evidence maintained to indicate that the review took place.

Following are gaps in controls that were noted during the course of this audit:

1. The City does not have a policy or procedures documented on the business use of City vehicles;
2. Business use of City vehicles, including mileage and reason for use, is not logged, tracked, reported, or monitored;
3. Two departments have sign out procedures for the keys, but neither system is reviewed to ensure vehicles are returned and safeguarded when not in use;
4. Vehicles are supposed to be assigned to a supervisor who is responsible for it regardless of the number of operators. However, this was not found to be the case across all departments, and it is not required in any policy or procedure documentation;
5. Supervisor and operator information is not kept up to date, and is not reported to Fleet Services when changes are made. Therefore tracking and reporting in this regard is inaccurate. It is therefore difficult to determine who operates each vehicle without approaching each management area. A complete and accurate list of vehicle operators is not available for review and analysis; and,
6. Vehicle location information is not reported to Fleet Services when changes are made.

Some controls are documented in the Personal Use of Vehicles Corporate Policy, but, as indicated in objective 3, they are not always followed.

Information for management decision making is inaccurate, not up to date, and not communicated. As explained in objective 1, potential controls such as a review and monitoring of the Low Usage Report produced by Fleet Services, are lost as a result of lack of clarity of who is responsible, accountable, and authorized to track information, and to respond to issues identified in the reports. In addition, the following inaccuracies and ineffective controls were noted:

1. A breakeven point has been calculated for each type of vehicle. However, the data used in the analysis has not been updated for quite some time.
2. The breakeven point was not communicated to all affected parties.

- a) It has been communicated to managers who use City vehicles.
 - b) It has not been communicated to managers whose employees use their personal vehicle for business travel.
 - c) It has not been communicated to the Payroll Unit, which has the opportunity to keep track of cumulative mileage through the automated system.
3. The Report of Vehicle Usage by Supervisor was found to be out of date and inaccurate. A sample of 13 vehicles was selected, and the supervisor assigned to each vehicle was identified from a report provided by Fleet Services. Each supervisor was asked to justify the need for the vehicle. However, for 6 of the 13 vehicles selected in the sample, the supervisor identified on the report was inaccurate.
 4. There is no report that specifies each vehicle along with the operators of the vehicle.

Without the flow of sufficient and appropriate information to the appropriate individuals, the processes to assign, use, and monitor City vehicles is not controlled effectively.

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.

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.

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.

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.

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.

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.

Recommendation 30

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

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.

Recommendation 31

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

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.

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.

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.

Recommendation 33

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

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.

6.5 Audit Objective #5: To assess the economy and efficiency of the use of the new automated system.

Interviews with management, along with a review of the specifications of the new automated system found that the system is an enhancement to the efficiency of processing mileage claims. The system was built in consultation with staff at Payroll who leveraged their experience to ensure the system addressed common errors and inefficiencies. One such feature is the appropriate routing of approvals.

The automation is not generally used to help improve the economy of the mileage claims. Although mileage and parking claims are processed through the automated system, there is nothing built into the system to flag when claims for a given employee, or given group of employees are approaching a threshold determined to be excessive. Such reporting could be helpful to managers charged with assessing whether mileage and parking claims are the most economical choice of travel reimbursement.

Certain employees in the City were not included in the scope of the new automated system, and therefore continue to submit mileage and parking claims using a manual form. Among these are Meter Readers and Construction Technicians.

1. An analysis of mileage data found that, 7 of the top 10 employees in terms of number of claims submitted were submitted by Meter Readers, and two of the top 10 employees in terms of largest total mileage claimed were claimed by Meter Readers. By excluding Meter Readers from the scope of the automated system, the efficiency and control benefits are lost on one of the largest groups of claims.
2. Construction Technicians are subject to exceptional payments per their collective agreement. The Letter of Understanding #14 of the CUPE Local 503 collective agreement stipulates that, unlike other City employees, Construction Technicians are to be paid for mileage incurred each day between their home and either their job site or their administrative building. Of those employees found to have mileage that exceeded the Fleet breakeven point, as indicated in Objective 2, 50% were Construction Technicians. In addition, three of the top ten employees in terms of largest total mileage claimed during the scope of this audit were Construction Technicians, and four of the top ten employees in terms of largest amount of mileage submitted per claim were Construction Technicians. The benefits of the automated system are again excluded to some of the largest users, and opportunities to build in automated controls for areas of increased risk associated with exceptional payments were not pursued.

Recommendation 34

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

Management Response

Management agrees with this recommendation.

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

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).**

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.

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.

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.

7 CONCLUSION

The audit found a need to develop a complete management framework governing all elements in the scope of this audit, including relevant policies and procedures and a system of internal controls, monitoring and oversight to assist the managers across the City in managing their operations to a consistent standard of care. Review and monitoring practices need to be implemented with a focus on economic choices. Tracking and oversight is needed, particularly in the use of parking passes, business use of City vehicles, and taxable benefits. The audit also found a need for improved documentation of who has, or is entitled to a benefit or reimbursement, along with a justification.

Some efforts have recently been made to improve the management of the processes in the scope of this audit. A new automated mileage and parking system was implemented by the Payroll Unit in 2009 that has built in efficiencies and enhanced some controls in the mileage and parking claim process. The Payroll Unit has also taken initiative in identifying weaknesses in the Personal Use of City Vehicles Policy and the understanding of taxable benefits therein, and is taking steps to clarify the Policy. Procedures for the parking validation stamp were recently drafted, and include comprehensive and specific instructions on the controls expected in managing the process.

Potential annual cost savings of \$106,000 were identified in the audit, with an additional \$240,000 in liabilities related to taxable benefit reporting that could be avoided. Due to the lack of accurate and reliable data, a more comprehensive analysis of potential savings could not be completed.

8 ACKNOWLEDGEMENT

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