

CAO-2024-511

4TH QUARTER AUDIT STATUS REPORT

Summary



Completed:

- ✓ **Physical Inventory**
- ✓ **Contractor Management**
- ✓ **Bylaw Enforcement**
- ✓ **Hiring Transparency & Nepotism**
- ✓ **3 Confidential Investigations**
- ✓ **Petty Cash & Floats – status update**
- ✓ **Accounting & Payroll – status update**



STORES PHYSICAL INVENTORY

Objectives



Physical Inventory (done by Stores staff):

- Count all inventory to ensure financial records match physical inventory on hand

Count Verification (done by Internal Audit):

- To count a sample of inventory to verify that staff counts are accurate

NEW – GL Reconciliation (done by Finance):

- To reconcile the general ledger to the subledger

Audit Methodology



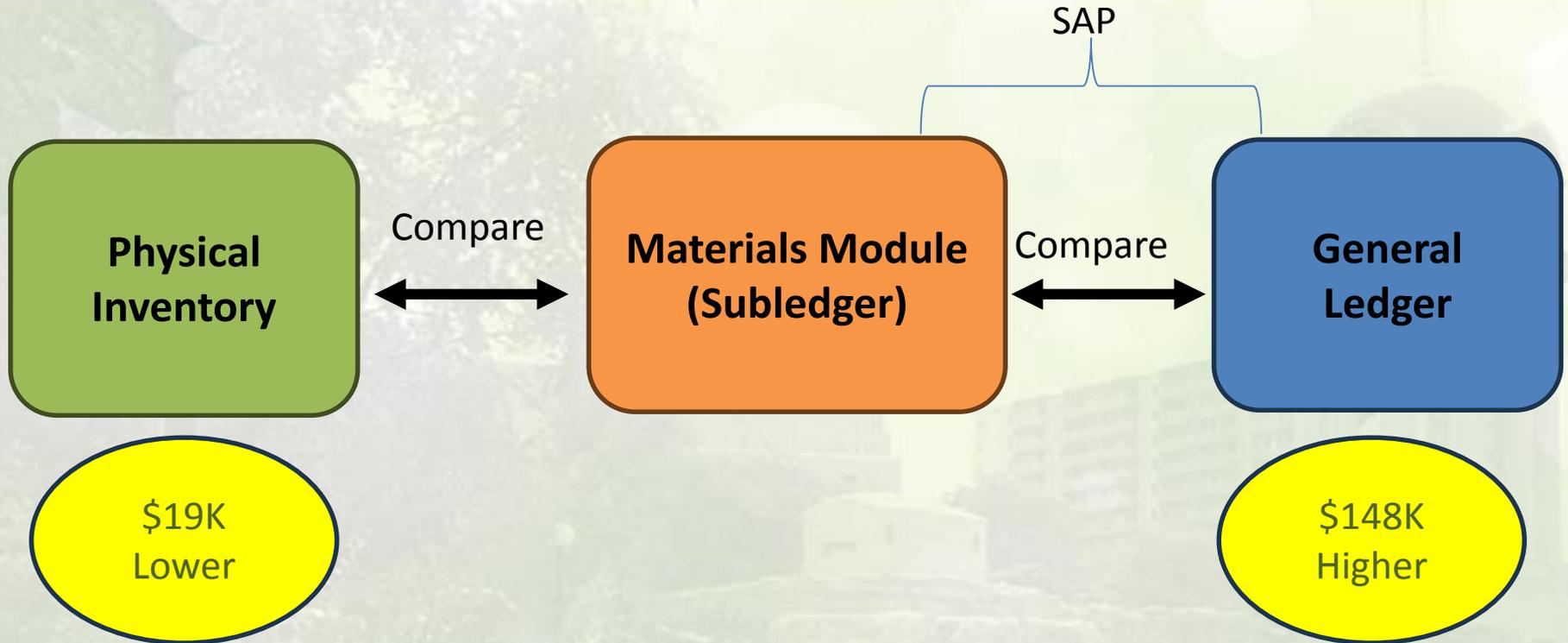
- Sheet-to-floor counts
 - Top 10 total values
 - Top 10 unit values
- Floor-to-sheet counts
 - 20 random parts
- Verified 21% of the total inventory value

Audit Findings



- 1 variance found
 - i.e. Internal audit counts did not match financial records
- Represent 3% of sample
- Resulted in a write-down of \$11
- Low number and value of variances found during count verification (0.0% of total inventory on hand)

Findings



	2023	2024
Error percentage	10.7%	10.5%
Net write-down (without aggregates)	(\$12,202)	(\$19,716)
Absolute variance (without aggregates)	\$134,894	\$81,933

Total Full Year Adjustments



\$202K Write-down ↓

Controllable Stock ↑
\$31K write-up

Uncontrollable Stock ↓
\$234K write-down

- Located outside, no direct control by Stores
- Typically see large write-downs in aggregates
 - \$252K write-down related to aggregates
 - Difficult to accurately measure piles of material

Conclusion



- Total write-downs are 1.9% of purchases, under the 2.5% industry benchmark
- Adjustments are small in value and expected
- Ongoing cycle counts implemented to proactively identify and fix variances
- Inventory process is in control



CAPITAL PROJECT CONTRACTOR MANAGEMENT REVIEW

Review Objectives



- To assess strengths and weaknesses related to contractor management for capital projects and implement transformational change to improve project outcomes
- **Scope:** processes, tools, and templates used for capital construction projects
- **Out of scope:**
 - Maintenance and / or emergency related projects
 - IT capital projects

Methodology



- Document review
- Internal stakeholder interviews / surveys
- Review of best practice
- Comparison of projects to best practice
- Research and analysis of organizational structure
- Discussion with Cambridge and Guelph
- Stakeholder workshop to brainstorm transformational solutions

Problems



Consistent approach



Stakeholder engagement



Contractor performance



Project manager training



Resources / Structure



Budget tracking

Transformational Solutions



- Project Management Office
 - 18-month secondment
 - Establish standard processes / templates / training
 - Provide advice, support, risk assessments
 - For capital construction & high-risk strategic projects
- Project structure – construction and engagement leads

Supporting Solutions



- Provide consistent training for construction project managers
- Establish standard tools and templates
- Enable project managers to share knowledge
- Clarify roles of project managers
- Explore different service delivery methods

Conclusion



- Project managers eager for change
- Looking for more supports to ensure project success
- Recommendations will help projects come in on time, on budget and within scope more often while meeting stakeholder expectations



BYLAW ENFORCEMENT REORGANIZATION

Objective



Consulting Objective:

To provide feedback on proposed reorganization & provide facilitation assistance to vet the solution with staff

Proposed Change:

Combine Parking and Noise Bylaw into one position to better meet corporate and community needs

Outcomes



- 2 workshops held with Bylaw staff
- Reviewed proposed changes
- Facilitated discussion to analyze pros and cons and address issues
- Consensus was full support for the change
- Important to involve staff in scheduling changes

HIRING TRANSPARENCY & NEPOTISM

Hiring Transparency



Audit Objective:

To ensure a fair, transparent and legally defensible hiring process.

Components:

- Hiring process
- Training of hiring managers
- Applicant tracking system
- Testing of hiring competitions

Findings



- Documented process follows best practice
- Mandatory training
 - 3 modules
 - 80% complete
 - Another 7% registered
- Limited review of tracking system showed lack of accuracy in status metrics
 - System being replaced

Testing



- 20% sample of hiring competitions
- January to August 2024
- Criteria:
 - Job posted
 - 2+ hiring managers conduct interviews
 - Interview notes kept
 - Scoring evident to support hiring decision
 - Fully executed offer letter
 - Reference checks (where applicable)

Results



Criteria	Human Resources led	Hiring Manager led
Job posted	100%	100%
2+ hiring managers	100%	100%
Interview notes	100%	60%
Scoring	93%	50%
Offer letter	100%	90%
Reference checks	93%	100%

- Overall improvement since previous audits
- Still some hiring managers not following process (storing required documentation to support the hiring decision)
- Recommendations to strengthen controls

Hiring of Relatives



Audit Objective:

To test compliance with existing Hiring of Relatives policy.

Current Policy:

- CAO, GMs, Directors, HR – no relatives
- Managers, Supervisors – no relatives within same department

Nepotism Testing



- All employee records matched on address and last name
- All matches evaluated against policy
- Findings:
 - 6 conflicts with policy (3 new)
 - No risk (employees do not report to their relative)
- Re-test in 2025 once new policy released

Status of Recommendations



Status	2011 Audit	2018 Audit
Total	12	5
Complete	6	4
In progress	4	1
Not started	0	0
Not required	2	0

- ***Remaining recommendations still in progress:***
 - Update of Hiring of Relatives policy (3 recommendations)
 - Ensure all management has taken Hiring @ Kitchener training (2 recommendations)

Conclusion



- Significant improvements since previous audits
- Most foundational pieces complete
- Still some improvement required on compliance
- Topic will remain on list of recurring assurance audits