

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 27, 2017**

Item 2, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 27, 2017.

**2** **INTERNAL AUDIT REPORT – EVENT MANAGEMENT**

**The Finance, Administration and Audit Committee recommends:**

- 1) **That the recommendation contained in the following report of the Director of Internal Audit, dated June 6, 2017, be approved; and**
- 2) **That Communication C5 presentation material entitled, “*Event Management Audit*”, be received.**

**Recommendation**

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Audit of Event Management be received.

**Contribution to Sustainability**

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

**Economic Impact**

There are no direct economic impacts associated with this report.

**Communications Plan**

Not applicable.

**Purpose**

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Event Management.

**Background - Analysis and Options**

City events are those owned and hosted by the City of Vaughan and involve City services or facilities. City Events are a primary means of showcasing the services and facilities that City residents receive for their tax dollars. They are a way of personalizing the City administration through the participation of the Mayor, Councilors and City Staff, and offer an opportunity for direct interaction with local citizens.

The Vaughan Celebrates program features the annual Winterfest, Concerts in the Park and Canada Day celebrations. Other featured events include the Volunteer Recognition Awards Ceremony, Official Facility and Park Openings and Festive Celebrations as well as the Mayor's Gala and Mayor's Golf Classic which are the City's premier annual fundraising events in support of not-for-profit and community organizations.

Community events are local events owned and hosted by a community or business organization, and may or may not involve City support or sponsorship. Co-sponsored events, jointly hosted by

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 27, 2017**

Item 2, Finance Report No. 6 – Page 2

the City and another organization/business, are included in the Community events category. Community Events are a means for resident and community groups to come together to organize special activities that celebrate a sense of community and enhance the quality of life for residents and visitors to the City.

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the management and execution of events.

The audit was part of the 2015 to 2018 Risk Based Internal Audit Plan previously approved by the Finance, Administration and Audit Committee.

**Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Money.

**Regional Implications**

Not applicable.

**Conclusion**

Improvements are required to ensure risks related to planning, administering and managing events are efficiently and effectively mitigated. The following opportunities were identified:

- Developing and implementing a formal event strategy that will guide the City's role for events and festivals and align resources with the identified priorities, mission, objectives and the desires of our community.
- Enhancing policy, procedures and guidelines for several processes, including Special Events Permits, Emergency Event Planning and Sponsorship Agreements.
- Improving the planning, monitoring and oversight over several event related processes including budgeting, performance management, insurance and procurement.
- Leveraging advances in technology to assist with fundraising activities.

We will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

**Attachment**

1. Internal Audit Report – Audit of Event Management

**Report prepared by:**

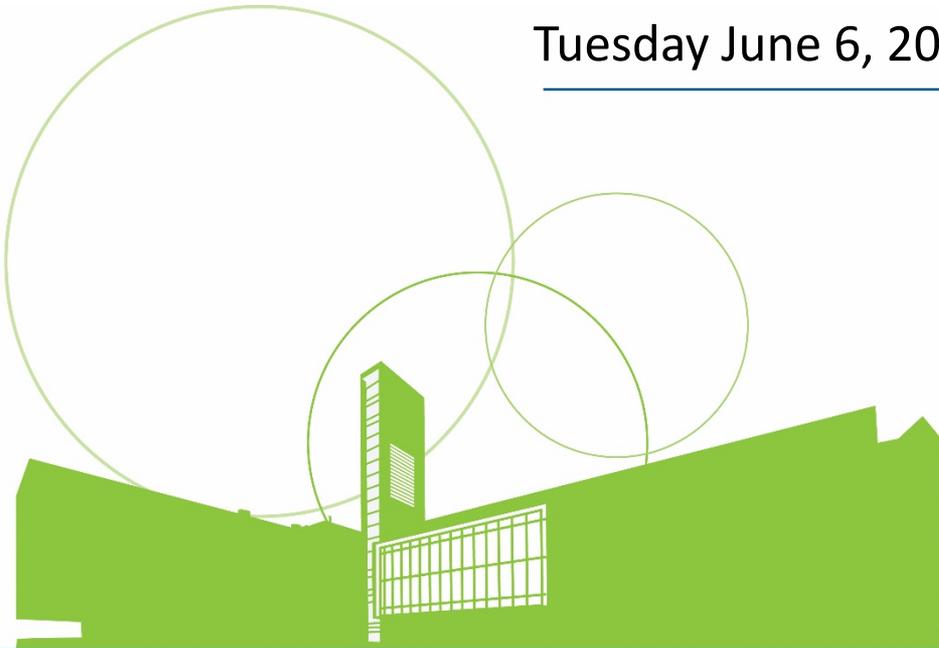
Mike Petrilli, CPA CGA CIA  
Audit Project Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

# Event Management Audit

Tuesday June 6, 2017

---



# Today's Presentation

- Audit Objective, Scope and Methodology
- Audit Conclusion
- Audit Observations
- Management Action Plans
- Next Steps
- Questions

# Audit Objective

- To evaluate the adequacy and effectiveness of the controls, processes and procedures in place to mitigate the business risks associated with the management and execution of events

# Audit Scope & Methodology

- Review of existing Policies, Procedures & Guidelines
- Staff interviews
- Data analyses of the various event revenue and expenditures
- Physical sampling of event related and special event permit files
- January 2015 – October 2016 activities

# Audit Conclusion

- Improvements are required to ensure risks related to planning, administering and managing events are efficiently and effectively mitigated

# Issues and Observations

1. Develop and implement a formal event strategy
2. Enhance policy, procedures and guidelines
3. Improve planning, monitoring and oversight for several event related processes
4. Leverage advance in technology to assist with fundraising activities

# Management Action Plans

1. Develop and implement a formal event strategy
  - Request for an Event Strategy will be resubmitted during the 2018 budget planning cycle
  - Upon approval, expected completion by Q2, 2019
  - In the interim, preliminary review / current state assessment will be completed as part of the Recreation Services Plan by Q2, 2018

# Management Action Plans

## 2. Enhance policy, procedures and guidelines

- By-law & Compliance, Licensing & permit Services will conduct a comprehensive review to be completed by Q2, 2018
- Emergency Planning will expand criteria for emergency plans for events by Q2, 2018
- Risk Management will establish compliance checklists and associated procedures by Q2, 2018 (draft Insurance and Risk Management Procedures Manual to be completed by Q4, 2017)

# Management Action Plans

3. Improve planning, monitoring and oversight for several event related processes
  - Segregation of duties regarding the collection and processing of sponsorship funds has been completed.
  - Amendments to the operating budget will be made during the 2018 budget planning cycle

# Management Action Plans

4. Leverage advance in technology to assist with fundraising activities
  - Feasibility assessment of expanding the use of the Raisin system to other City events by Q2, 2018

# Next Steps

- Action plans have been developed
- Implementation is underway
- Internal Audit will follow up and report on the status of these action plans

# Questions?

**INTERNAL AUDIT REPORT – EVENT MANAGEMENT**

**Recommendation**

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Audit of Event Management be received.

**Contribution to Sustainability**

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

**Economic Impact**

There are no direct economic impacts associated with this report.

**Communications Plan**

Not applicable.

**Purpose**

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Event Management.

**Background - Analysis and Options**

City events are those owned and hosted by the City of Vaughan and involve City services or facilities. City Events are a primary means of showcasing the services and facilities that City residents receive for their tax dollars. They are a way of personalizing the City administration through the participation of the Mayor, Councilors and City Staff, and offer an opportunity for direct interaction with local citizens.

The Vaughan Celebrates program features the annual Winterfest, Concerts in the Park and Canada Day celebrations. Other featured events include the Volunteer Recognition Awards Ceremony, Official Facility and Park Openings and Festive Celebrations as well as the Mayor's Gala and Mayor's Golf Classic which are the City's premier annual fundraising events in support of not-for-profit and community organizations.

Community events are local events owned and hosted by a community or business organization, and may or may not involve City support or sponsorship. Co-sponsored events, jointly hosted by the City and another organization/business, are included in the Community events category. Community Events are a means for resident and community groups to come together to organize special activities that celebrate a sense of community and enhance the quality of life for residents and visitors to the City.

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the management and execution of events.

The audit was part of the 2015 to 2018 Risk Based Internal Audit Plan previously approved by the Finance, Administration and Audit Committee.

## **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Money.

### **Regional Implications**

Not applicable.

### **Conclusion**

Improvements are recommended to ensure risks related to planning, administering and managing events are efficiently and effectively mitigated. The following opportunities were identified:

- Developing and implementing a formal event strategy that will guide the City's role for events and festivals and align resources with the identified priorities, mission, objectives and the desires of our community.
- Enhancing policy, procedures and guidelines for several processes, including Special Events Permits, Emergency Event Planning and Sponsorship Agreements.
- Improving the planning, monitoring and oversight over several event related processes including budgeting, performance management, insurance and procurement.
- Leveraging advances in technology to assist with fundraising activities.

Internal Audit will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

### **Attachment**

1. Internal Audit Report – Audit of Event Management

### **Report prepared by:**

Mike Petrilli, CPA CGA CIA  
Audit Project Manager

Respectfully submitted,

Kevin Shapiro CIA CFE CRMA  
Director, Internal Audit



# INTERNAL AUDIT REPORT

## Event Management Audit

May 2017

## **INTERNAL AUDIT REPORT**

### **EVENT MANAGEMENT AUDIT**

---

#### **CONCLUSION AND SUMMARY**

There are many events held within the City of Vaughan each year. These events help bring energy and vibrancy to the streets and public spaces, and enhance the quality of life for residents. City events are those owned and hosted by the City of Vaughan and involve City services or facilities. Community events are local events owned and hosted by a community or business organization, and may or may not involve City support or sponsorship.

Some improvements are recommended to ensure risks related to planning, administering and managing events are efficiently and effectively mitigated. The following opportunities were identified:

- Developing and implementing a formal event strategy that will guide the City's role for events and festivals and align resources with the identified priorities, mission, objectives and the desires of our community.
- Enhancing policy, procedures and guidelines for several processes, including Special Events Permits, Emergency Event Planning and Sponsorship Agreements.
- Improving the planning, monitoring and oversight over several event related processes including budgeting, performance management, insurance and procurement.
- Leveraging advances in technology to assist with fundraising activities.

Currently, the City does not have a comprehensive events strategy to guide the City's role for events and the criteria and justification as to why particular events are held or supported by the City is not always clear. Developing and implementing a formal events strategy that outlines roles, responsibilities and expectations of stakeholders as it relates to the selection, planning administration and oversight over events will help enhance civic pride and community engagement.

Clarity and guidance is required from a City wide perspective as it relates to several event related activities, including Special Events Permits, Emergency Event Plans and Sponsorship Agreements. The development of a comprehensive Special Event Permit process would provide much needed guidance to those seeking to host an event in the City. Establishing criteria to identify events that require a formal Event Emergency Plan is required to mitigate potential public safety risks.

Council approved the Corporate Partnership Policy on February 21, 2017. It provides guidelines to help facilitate and support opportunities for corporate advertising and partnerships, including soliciting, managing and reporting on Corporate Sponsorships. Incorporating the key guiding principles in the Corporate Partnership Policy into the sponsorship agreement will ensure that expectations are clear to all sponsorship stakeholders.

Planning, monitoring and oversight are an important element of the City's overall governance framework. There are increased strategic, operational, financial and reputational risks to the City when they are absent or focused on activities that are not crucial to meeting the City's

## **INTERNAL AUDIT REPORT**

### **EVENT MANAGEMENT AUDIT**

---

organizational objectives. Improving the planning, monitoring and oversight over event budgets and insurance documentation, setting event specific performance measures, and developing a more strategic approach to procuring event related goods and services will help mitigate these risks.

The AKA Raisin system (Raisin) has the capacity to become a more efficient and effective tool to help manage all of the City's event fundraising efforts. Further work will be required to determine how this system can be leveraged to other City events with a significant sponsorship drive. Management, with Council support, should continue to explore how integrating technology with business processes can improve the way we deliver service and enhance our ability to obtain usable data for analysis and management reporting, while giving equal consideration to the appropriate controls that may be required to mitigate both current and emerging risks.

We will follow-up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

## **INTERNAL AUDIT REPORT**

### **EVENT MANAGEMENT AUDIT**

---

#### **BACKGROUND**

City events are those owned and hosted by the City of Vaughan and involve City services or facilities. City Events are a primary means of showcasing the services and facilities that City residents receive for their tax dollars. They are a way of personalizing the City administration through the participation of the Mayor, Councilors and City Staff, and offer an opportunity for direct interaction with local citizens.

The Vaughan Celebrates program features the annual Winterfest, Concerts in the Park and Canada Day celebrations. Other featured events include the Volunteer Recognition Awards Ceremony, Official Facility and Park Openings and Festive Celebrations as well as the Mayor's Gala and Mayor's Golf Classic which are the City's premier annual fundraising events in support of not-for-profit and community organizations.

Community events are local events owned and hosted by a community or business organization, and may or may not involve City support or sponsorship. Co-sponsored events, jointly hosted by the City and another organization/business, are included in the Community events category. Community Events are a means for resident and community groups to come together to organize special activities that celebrate a sense of community and enhance the quality of life for residents and visitors to the City.

#### **OBJECTIVES AND SCOPE**

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the management and execution of events.

The audit approach included data analyses of the various event revenue and expenditures, physical sampling of event related and special event permit files, review of City policies and procedures and interviews with staff and management.

The scope of this audit covered the event management activities and transactions for the period of January 2015 to October 2016.

The audit scope did not include a review of the Mayor's Golf Classic and Mayor's Gala.

**Auditor and Author: Mike Petrilli, CPA, CGA, CIA**

**Director: Kevin Shapiro CIA, CFE, CRMA**

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### DETAILED REPORT

##### **1. *Develop a Formal Event Strategy for the City***

Events and festivals play an important role in connecting the community in celebration, promoting a sense of community pride and for delivering economic benefits. There are many events held within the City each year. They can be classified into two main categories: City events are those owned and hosted by the City of Vaughan and involve City services or facilities; and Community events that are local events owned and hosted by a community or business organization, and may or may not involve City support or sponsorship.

The results of the audit confirm that the City does not have a comprehensive events strategy to guide the City's role for events and festivals. This gap was previously identified by the Task Force on the City's Role in Festivals and Community Events.

The purpose of an events strategy would be to provide strategic direction to best align programs, services, infrastructure, processes and budgets with the identified priorities, mission, objectives and the desires of our community.

Currently, the criteria and justification as to why particular events are held or supported is not always clear. In addition, event specific performance metrics have not been established to gauge the success of events. Given limited resources, the City must choose among several options. The formal justification of events that are undertaken would help prioritize events and point out the risks and rewards of decisions or actions. It would also be useful in demonstrating that the City evaluates these events in a fair and transparent manner.

#### **Recommendation**

We recommend that management:

- Develop a formal event strategy for the City that will guide the City's role for events and festivals and align resources with the identified priorities, mission, objectives and the desires of our community.

#### **Management Action Plan**

Management agrees with this recommendation.

As part of the 2015 budget planning cycle, a capital request for an Events Strategy was submitted. Although the item was deferred during successive budget deliberations, the department will be resubmitting the request during the 2018 budget planning cycle. Upon approval, it is expected that the study will be completed by Q2, 2019.

In the interim, a preliminary review will be completed as part of the Recreation Services Plan by Q2, 2018 that includes an assessment of audit recommendations, review of existing

## **INTERNAL AUDIT REPORT**

### **EVENT MANAGEMENT AUDIT**

---

background documents, processes and best practices related to City-led, community-led and third party co-hosted events.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **2. *Develop a Clearly Defined Special Events Permit Process and Mechanism to Monitor Compliance with Permits Issued***

Individuals and organizations that wish to hold a public event in the City must first obtain a special event permit. Applicants must complete the Special Event/Outdoor Exhibition/Filming Permit Application Form that is available on the City's website. Applicants may also refer to the City's By-Law 370-2004 and related fee amendment By-Law 192-2016 for additional information.

The following was noted:

- The City does not have a comprehensive, documented special event permit process to provide guidance to applicants; to assign accountability and provide clear, concise criteria for approvals.
- The permit application form does not clearly communicate all requirements.
- The internal Standard Operating Procedure that describes the permit process to be followed by City staff has not been updated to reflect current practice and is not sufficiently detailed to provide comprehensive guidance.
- Our sampling of special event permit files found omissions and inconsistencies in the documents retained in each file.
- The City does not have a mechanism in place to monitor compliance with permits issued. Once a permit has been issued, the City does not consistently perform follow-up to ensure that conditions of the permit are met during the event.

The absence of a comprehensive, documented process for special event permits and a mechanism to monitor compliance may result in non-compliance with internal and external safeguards over public events, which may increase the risk of litigation and reputational harm.

#### **Recommendation**

We recommend that management:

- Develop a comprehensive permit application process, with clearly defined roles and responsibilities and objective, risk-based criteria for permit approval.
- Develop comprehensive, documented procedures for all stakeholders.
- Update the applicable City By-Laws to reflect the permit application process.
- Develop a risk-based strategy for monitoring compliance with permits issued.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **Management Action Plan**

By-law & Compliance, Licensing & Permit Services, in conjunction with Recreation Services, will engage in a comprehensive review and will undertake a review of the applicable by-laws to enhance requirements where possible and ensure alignment with applicable processes as developed. It is expected that this will be completed by the end of Q2 2018.

By-law & Compliance Licensing & Permit Services will continue to ensure the conditions imposed through the permit process are reflective on the nature of the event and intended to mitigate risk; equitably administering the processes as required and in accordance with the by-law requirements. Through the appropriate analysis and in consideration of resource capability, enforcement staff may be deployed to attend during an event to address any compliance related concerns. This deployment will include consideration of risks associated with the event and staff availability. Staff will also continue to respond to complaints as or if received.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **3. *Determine Which Events Require an Emergency Management Plan***

The City has developed Event Emergency Plan and Procedures as a guidance document to assist event personnel to ensure that programs and activities are hosted in a safe environment and provide procedures for responding to potential emergencies on site. It is meant to outline key responsibilities, risk assessment, mitigation and response measures.

We found that Emergency Management plans and risk assessments are not being consistently produced for all City events and formal criteria have not been established to identify those City events for which a formal Event Emergency Plan is required.

The lack of a formal Event Emergency Plan may increase the likelihood of not considering risks that can disrupt an event, which may result in health and safety being compromised and potentially expose the City to litigation or reputational risk.

#### **Recommendation**

We recommend that:

- Emergency Planning establish the criteria to identify those events for which a formal Event Emergency Plan is required.

#### **Management Action Plan**

Upon completion of the event strategy for the City, Emergency Planning will develop and expand criteria for emergency plans for events. This work is expected to be completed by Q2 2018.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **4. *Ensure Certificates of Insurance Comply With City Requirements***

Vendors participating in City events are required to provide valid certificates of insurance that meet all of the City's certificate criteria. The insurance certificate criteria are outlined in the Vaughan Certificate of Insurance Checklist. Further, the Insurance Requirement Matrix outlines the required insurance coverage based on the activity or services being provided.

Internal audit selected a sampled of vendors across the six key public events in 2016. The audit found cases where:

- The insurance certificates could not be located.
- The City was not named as an additional insured.
- Certificates did not consistently comply with the City's 30-day notification of change requirement.
- The City's Standard Certificate of Insurance form was not used.
- Some individuals who provided services at these events signed a waiver in lieu of providing a certificate of insurance. However, there is no formal policy or procedure governing exceptions to the requirement for a certificate of insurance.

Improperly prepared certificates of insurance that do not meet the City's criteria may increase the risk of insurance claims against the City, which may result in financial loss.

#### **Recommendation**

We recommend that:

- Event Management ensures that vendor certificates of insurance and waivers are compliant with all insurance criteria deemed essential by Insurance and Risk Management.
- Event Management works with Insurance and Risk Management to identify potential scenarios where exceptions may be warranted and formally incorporate these into the appropriate City policies, procedures and guidelines.

#### **Management Action Plan**

Management agrees with this recommendation.

Recreation Services will work with Insurance and Risk Management to establish compliance checklists and associated procedures by Q2, 2018.

## **INTERNAL AUDIT REPORT**

### **EVENT MANAGEMENT AUDIT**

---

At the present time, education sessions are being provided by Risk Management on the use of the Standard Certificate of Insurance form and Insurance Requirement Matrix. Sessions are intended to develop awareness of the mandatory form and insurance requirements as well as to provide support on the interpretation of the form. Semi-annual sessions will be made available through the 2018 Learning and Organizational Development catalogue. The draft Insurance and Risk Management Procedures Manual is slated to be completed in Q4 2017.

Circumstances concerning the use of waivers and the application of exceptions to the insurance requirements will be discussed by Risk Management with the originating department as requested.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **5. *Event Budgets Should be More Closely Aligned with Historical Performance***

Account codes and budgets are established for each of the City Events. Finance provides the Event Management Team with monthly general ledger (GL) reports summarizing the transactions booked to the event accounts. Budgets for other City Events, such as Public Works Week, are prepared and monitored by the department holding the event.

Internal Audit reviewed the budget information for 2015 and 2016 City Events and found that although the Events Management team develops budgets for each event, these budgets are not based on anticipated revenue or expenditures but on past budgeted values. Although the net costs for these events are closer to the net budgeted value, revenue and expense actuals vary significantly to the budgeted amount.

Additionally, our review found that reconciliations of Events revenue and expense budgets to financial records in JDE may not be performed prior to management reporting of budget to actual variances. Releasing budget to actual variance analysis reports before reconciling GL data to department records increases the risk of undetected errors in the GL and inaccurate variance analysis provided to senior management. Opportunities exist to increase the accuracy of budget to actual variance reporting by improving the timeliness of reconciliations between Events budget data and the GL.

Accurate budgets help guide current and future decision-making and to provide managers with relevant information so that they are more accountable for performance. Further, aligning budget values as closely as possible to anticipated revenue and expenditures allow the City to create a clear focus on objectives and provides a solid basis for the review of performance.

#### **Recommendation**

We recommend that management:

- Develop annual event budgets that are better aligned with historical actual revenue and expenses.
- Increase the accuracy of budget to actual variance reporting by improving the timeliness of reconciliations between Events budget data and the GL.

#### **Management Action Plan**

Management agrees with this recommendation.

Recreation Services will make the necessary changes to the operating budget during the 2018 budget planning cycle.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **6. *Leverage Technology to Assist with Event Fundraising***

AKA Raisin system (Raisin) combines technology with social networking and peer-to-peer fundraising to help maximize and manage fundraising efforts. Additionally, Raisin allows sponsor cheque payments to be monitored and gives sponsors the option of paying by either cheque or credit card. It also provides the sponsor with the documentation required at their own organizations to generate the payment.

Currently, Raisin is only being used for online fundraising and event management of the Mayor's Golf Classic and Mayor's Gala.

Opportunities may exist to expand the use of the Raisin system to other City events with a significant sponsorship drive. This will leverage the existing Raisin platform, standardize the process for sponsors and staff and help with the administration of fundraising efforts.

#### **Recommendation**

We recommend that management:

- Investigate the feasibility of expanding the use of the Raisin system to other City events with a significant sponsorship drive.

#### **Management Action Plan**

Management agrees with this recommendation.

The Raisin system was piloted for online fundraising and event management of the Mayor's Golf Classic and Mayor's Gala. Recreation Services will assess the feasibility of expanding the use of the Raisin system to other City events by Q2, 2018.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **7. Segregate Incompatible Duties**

The City solicits sponsorship for the Vaughan Celebrates events. In the walk-through of the payment process, we observed that the Events Coordinator is responsible for soliciting corporate sponsorship, coordinating sponsorship contracts, monitoring and maintaining allotted budgets and also collecting sponsorship payments.

There is a lack of segregation of duties in the process of collecting sponsorship funds as the Events Coordinator controls the entire process. For the Mayor's Gala and Mayor's Golf Classic, this risk is mitigated somewhat by the fact that transactions are being processed through the RAISIN system. However, this is not the case for the balance of City events.

Maintaining a system of effective internal control requires appropriate segregation of duties. In general, the flow of transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. Such arrangements reduce the risk of undetected error and limit opportunities to misappropriate assets or conceal intentional misstatements in the financial system.

#### **Recommendation**

We recommend that:

- The incompatible duties of receiving sponsorship dollars be segregated from the duties of soliciting sponsorship dollars or management implement appropriate compensating controls to address this risk.

#### **Management Action Plan**

Management agrees with this recommendation.

Recreation Services has made the necessary process changes to ensure that there is a segregation of duties with respect to the solicitation and receipt of sponsorship dollars. Workflows have been adjusted to allow for separation of transaction processing.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **8. *Develop a More Strategic Approach to Procuring Goods and Services for City Events***

The City's Purchasing Policy encourages a competitive bidding process that ensures the best value of an acquisition is obtained, while ensuring that sole and single source procurements are appropriately justified.

Internal Audit reviewed City event related purchases in 2015 and 2016 and found that the majority of the procured items were sole sourced. Over 50% of the amount spent was for specific entertainers that were selected to perform at the various Vaughan Celebrates events. An additional 28% was for equipment used by these entertainers to stage the show. 14% of the items procured pertain to midway rides for the Winterfest event.

Based on discussions with the Event Management team and due to their assertion of the unique nature of these services, opportunities may exist to introduce a more strategic approach to procuring these goods and services. This may include establishing longer term arrangements with vendors and/or establishing vendors of record.

The absence of strategic purchasing arrangements with City event related vendors increases the risk that the City may be overpaying for goods/services and/or receiving substandard quality. In addition, a perception of improper purchasing practices can harm the City's reputation.

#### **Recommendation**

We recommend that:

- Procurement Services work with Event Management to develop a more strategic approach to procuring goods and service related to City events.

#### **Management Action Plan**

Management agrees with this recommendation.

In consultation with Procurement Services, the department will review procurement options by Q4, 2017 in accordance with the City of Vaughan Procurement Policy.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### **9. *Incorporate the Key Guiding Principles in the Corporate Partnership Policy into the Sponsorship Agreement***

The City solicits sponsorship for a number of City events. Depending on the sponsorship level, sponsors can receive logo recognition in the City's marketing materials, event signage and stage recognition. The main policy document governing City events is CC-002 – Corporate Policies for Events. The purpose of this policy is to inform staff about procedures relating to City Events and Community Events and to assist staff in directing enquiries to the appropriate community or City contact.

Our review of the policy and sponsorship agreement found that they do not fully address sponsorship on a corporate-wide basis in a manner that aligns with current practice and provides consistent criteria, guiding principles and restrictions. The lack of a clear policy on soliciting, managing and reporting on corporate partnerships and sponsorships creates a potential financial and reputation risk for the City.

Currently, the City requires written agreements with vendors and sponsors participating in City events. The vendor agreement documents the terms and conditions agreed to with the vendors providing goods and services at City events. The sponsorship agreement sets the agreed amount of the sponsorship payment, outlines the specific sponsorship benefits for the sponsor and contains limitations of liability and other provisions to help manage any risk for the City.

The audit found that although vendor agreements were consistently retained, sponsorship agreements were not always available. While in some cases where the sponsorship agreement was on file, it was not always signed by the sponsor. Undocumented contractual arrangements can lead to disputes, legal action, and risk damaging relationships.

Management had already recognized these gaps prior to the commencement of this audit and developed the Corporate Partnership Policy that was approved by Council on February 21, 2017. It provides guidelines to help facilitate and support opportunities for corporate advertising and partnerships, including soliciting, managing and reporting on Corporate Sponsorships.

#### **Recommendation**

We recommend that management:

- Incorporate the key guiding principles in the Corporate Partnership Policy into the sponsorship agreement to ensure that expectations are clear to all sponsorship stakeholders.
- Ensure that signed Sponsorship Agreements are retained on file.

## INTERNAL AUDIT REPORT

### EVENT MANAGEMENT AUDIT

---

#### Management Action Plan

Management agrees with this recommendation.

The department will ensure that key guiding principles from the Corporate Partnership Policy are incorporated into the department's Sponsorship Agreements. The agreements will be retained on file and a checklist has been established to ensure compliance.