

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 30, 2012

Item 3, Report No. 10, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 30, 2012.

3 INTERNAL AUDIT REPORT – PARKS AND FORESTRY OPERATIONS

The Finance and Administration Committee recommends that the Internal Audit Report on Parks and Forestry Operations, contained in the following report of the Director of Internal Audit, dated October 15, 2012, be received:

Recommendation

The Director of Internal Audit recommends that the Internal Audit Report on Parks and Operations be received and approved.

Contribution to Sustainability

Internal Audit activities and subsequent reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the effective 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 and Administration Committee the Internal Audit Report on Parks and Forest Operations and to provide an evaluation of operational controls, as well as opportunities for improvement to help mitigate potential risks.

Background - Analysis and Options

This audit was done to evaluate the effectiveness of controls, processes and procedures in place to mitigate risks that could affect Parks and Forestry Operations in meeting departmental and the City's business objectives.

The audit was part of a three year plan previously approved by the Finance and Administration Committee.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 30, 2012

Item 3, Finance Report No. 10 – Page 2

Conclusion

The report concluded that controls in the Parks and Forestry Operation Department are operating satisfactorily. The report did identify some opportunities for improvement and these opportunities were discussed with departmental management.

Management has either addressed the opportunities for improvement or is in the process of doing so.

Attachment

Internal Audit Report – Parks and Forestry Operations

Report prepared by:

Michael Tupchong CA, CIA, CPA, CFE
Operational and Compliance Auditor

(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.)

INTERNAL AUDIT REPORT – PARKS AND FORESTRY OPERATIONS

Recommendation

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The report concluded that controls in the Parks and Forestry Operation Department are operating satisfactorily. The report did identify some opportunities for improvement and these opportunities were discussed with departmental management.

Management has either addressed the opportunities for improvement or is in the process of doing so.

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Internal Audit Report – Parks and Forestry Operations

Report prepared by:

Michael Tupchong CA, CIA, CPA, CFE
Operational and Compliance Auditor

Respectfully submitted,

Paul Wallis CMA, CIA, CISA
Director, Internal Audit



INTERNAL AUDIT REPORT

Parks and Forestry Operations

September 2012

CONCLUSION AND SUMMARY

Controls in the Parks and Forestry Operations Department are operating satisfactorily. There are some opportunities for improvement as indicated below.

- The number of work orders is increasing rapidly. Projected work orders are expected to increase to 10,200 by the end of 2012. As a result, the number of open work orders in the forestry section is also significantly increasing. The number has increased from 201 in 2009 to 1,840 as at August 2011. Given the number of open work orders, there is the risk that service standards may not be met leading to potential public dissatisfaction. In addition, longer work hours for employees could possibly lead to employee dissatisfaction and to health and safety issues as a result of overwork. Reviewing staff levels or service standards or a combination of the two would address the issue.
- There is a risk that the department could be paying for items without verifying the amount received is equal to the amount invoiced. Although the risk is small and the dollar impact not significant, revising procedures would help prevent the possibility of potential overpayments in the future.
- Playground equipment is inspected every two weeks and documentation is well maintained. Other assets, such as basketball courts, benches and soccer fields are inspected annually but record keeping is not as robust. Proper records would help protect the City if any legal or liability issues should arise from accidents or injuries.
- There is a partially completed shrub and tree inventory database; however, limited resources have prolonged its completion of the database. More detailed information available in a database would better assist the management and maintenance of these assets.

Parks and Forestry Operations management have either addressed the above issues or are currently in the process of doing so.

Further information on the above observations and others, along with management action plans, are highlighted in the detail section of the report.

INTERNAL AUDIT REPORT

PARKS AND FORESTRY OPERATIONS

BACKGROUND

The department's responsibilities include sports areas, park and boulevard cut and trim, boulevard maintenance, horticulture and shrub bed maintenance, cleaning cans/debris/vandalism, repairing playgrounds/fences/lighting, snow removal and tree pruning.

At the time of the audit in 2011, the Parks and Forestry Operation had an expenditure budget of approximately \$11.3 million. The estimated 2013 budget is approximately \$12.6 million.

OBJECTIVES AND SCOPE

The objective of the audit was to evaluate the effectiveness of controls, processes and procedures in place to mitigate risks that could affect Parks and Forestry Operations in meeting departmental or the City's business objectives.

The scope included:

- The activities and processes supporting Parks and Forestry Operations.
- The activities and processes supporting the review of capital projects and work that that is contracted.

The scope period was January 1, 2010 to December 31, 2010

Auditor and Author: Michael Tupchong CA, CIA, CPA, CFE

Director: Paul Wallis CMA, CIA, CISA

Signature: _____

Date: _____

INTERNAL AUDIT REPORT

PARKS AND FORESTRY OPERATIONS

DETAILED REPORT

1. Forestry Work Orders

The number of work orders is increasing rapidly. Projected work orders are expected to increase to 10,200 by the end of 2012. As a result, the number of open work orders in the forestry section is also significantly increasing. The number has increased from 201 in 2009 to 1,840 as at August 2011.

The Forestry department had the most work orders of all other park sections combined and they are expected to increase annually. Staff are working increased hours in an attempt to keep up.

The cause for the increase in work orders is twofold: the presence of the Emerald Ash Borer, which has infested the City's ash trees, and continued volume growth in forestry operations.

The risk in the increase of open work orders is that the City may not be able to maintain its current service standards. This could affect citizen satisfaction and, in addition, could lead to staff dissatisfaction and potential health and safety issues.

Recommendations

Two options are available to help alleviate this situation:

- Increase the number of staff either to meet the existing service standards. This could be done by increasing either the number of permanent or temporary staff or a combination thereof. Contract help could also be considered.
- Review service standards to see if existing staff can handle the increasing number of work orders. Although this is a less costly solution, there is the increased risk of citizen dissatisfaction.

Management Action Plan

The department requested two additional temporary staff and one permanent full time staff in the 2012 operating budget. The temporary staff was hired; however the request for a permanent full time staff person was deferred to 2014.

2. *Verifying Receipt of Goods Delivered*

Parks and Forestry Operations purchase a variety of goods and services to help maintain parks and trees.

As part of the audit, we verified a sample of purchases to determine if the right goods were delivered to the right place at the right time.

Some exceptions were identified where procedures were not in place to verify that the City was receiving and paying for the proper amount of goods delivered:

- The department purchased horticultural supplies for approximately \$98,000. The invoice was properly authorized but there was no available documentation indicating that the amount approved supported the amount received.
- Sand and gravel is purchased for City playgrounds. The City usually spends under \$10,000 annually on sand and gravel and it is delivered in different loads to different locations. Weight deliveries are not verified so it is not possible to determine if all goods were received.
- The City provides portable toilets for use by visitors in parks. Visual verifications are done by staff when they visit parks and users of parks call and inform staff when there are no toilets. There is, however, no formal process to verify that portable toilets are being delivered to their intended destinations. We did a visual inspection to test a few locations and did not discover any exceptions. The average invoice for portable toilets is approximately \$12,000 per month.

Verifying the quantity of goods received provides a level of assurance that payments are correct. Good procedures help provide that assurance.

Even though the material risk in these examples is small, the cumulative effect could be larger if reasonable procedures are not followed.

Staff awareness, the absence of procedures and the pressure on available resources probably has contributed to this issue.

INTERNAL AUDIT REPORT

PARKS AND FORESTRY OPERATIONS

Recommendations

- Invoices should be matched to the goods received documentation. Quantity of goods received should be verified and approved by the receiver.
- Goods that require verification by weight should be test checked. Although it is not practical to weigh all goods (especially low value items such as sand and gravel) test or spot verification provides a reasonable level of assurance and lets vendors know the City is checking for accuracy.
- Procedures should be developed to provide reasonable assurance that goods delivered to multiple sites can be accounted for to substantiate accurate payments.

Management Action Plan

1. Management has agreed to verify receiving information to invoices and to record goods and services physically inspected and verified.
2. The recommendation for tracking the weight of sand and other similar goods was implemented in 2012. Additionally, language has been added to all bulk material contracts that advise vendors that random sampling will be required, as well as, the requirement to provide receiving documentation to an on-site staff person.
3. Verification of goods delivered to multiple sites will be verified prior to invoices being paid.

INTERNAL AUDIT REPORT

PARKS AND FORESTRY OPERATIONS

3. *Park Inspections*

Playground equipment is inspected approximately every two weeks for health and safety reasons. Documented records show when playground equipment has been examined, by whom and what action was taken.

Other park assets such as gazebos and benches, soccer fields, basketball, tennis, and bocce courts are inspected at least annually. There are, however, limited records kept of the physical examination of these assets as the requirement to record inspections is currently not a departmental mandatory practice.

Without documented records, it would be difficult to prove an inspection was done. There is a risk that if a liability issue should arise, the City would not have a record that an inspection was done.

Recommendations

It is recommended records be kept for all park assets that are inspected. The frequency of inspection and the amount of required documentation should be commensurate with the potential liability risk should an accident occur.

Management Action Plan

Management has developed a checklist of inspections and documentation will be maintained.

4. *Tree and Shrub Inventory*

There is a partially completed shrub and tree inventory database; however, limited resources have prolonged the completion of it. Staff recognize the need for a complete database and have been working on an inventory for some time.

Prior to May 2011, shrub beds were primarily maintained by contactors but the quality of work did not meet the City's standards. As a result, Parks staff undertook the maintenance of the shrub beds using existing resources. The result of staff redeployment has prolonged the completion of the inventory database for trees and shrub beds.

The risk of not having complete records is that maintenance activities may not be done thus compromising service standards.

Recommendations

It is recommended that the shrub and tree inventory database be completed and regularly updated to keep it current. A Global Positioning System (GPS) could be considered to support easier and timelier record keeping.

Management Action Plan

The department has submitted a budget request to purchase handheld units and hire an inventory coordinator. In the meantime, information is being gathered by using work orders and site visits. Staff are also using information received from a study being conducted York Region and the Toronto Regional Conservation Authority to confirm the number of trees and species.

In addition, a joint GPS inventory project with York Region (PAMS) is presently underway to build a shared database. Parks and Forestry Operations is also partnering with the City of Vaughan's Information Technology Management to further develop the tree inventory database.

Shrub beds are recorded by their location and size so that work can be assigned accurately. The species/age/quantity of shrub beds will be collected throughout the season and added to the database to ensure accurate detailed information is available when planning maintenance schedules and assigning resources.

The initial inventory was completed in the winter of 2011 and staff are currently working with Information Technology Management to add shrub bed maintenance to the Project Management Schedule.

The department is submitting a budget request to expand the GPS program.

5. *Administration Fees*

A resident made a Private Tree Permit application to the department to remove five trees on his property. The trees warranted removal, however the resident could not replant the trees on his property as per the Private Tree Permit requirement to maintain the canopy. The department approved the permit, and the resident paid the city cash in lieu of re-planting the trees. The resident was charged \$ 321 per tree, however, no administration fee was charged.

A follow-up with staff and review of the records disclosed that an administration fee of 15% is usually charged to cover staff time when trees are replanted. However, when there is cash out, the 15% administration fee is not charged. The application of the 15% administration fee is applied inconsistently when residents are charged cash in lieu of replanting.

As there is no clear procedure on the application of administrative fees, it is difficult to determine the extent of the inconsistency applied to the application of fees in cash out situation.

The department did incur additional cost for at least three staff members' time to review the application, review the arborist's report, inspect the property, hire the contractor and do final inspection of the contractor's work.

Based solely on discretion, the City could be open to criticism for charging administration fees in some situations and not others.

Recommendations

The 15% administration fee should be consistently applied in all cases which involve additional staff time for work done for third parties.

Management Action Plan

Administrative fees will be administered consistently for all permits and residential charges. Subsequent to the audit, staff were reminded that a 15% administration charge is to be applied to all services provided by the department for third parties and are now charging the administration fee consistently.