

# ST. JOHN'S

## Regular Meeting - City Council Agenda

April 12, 2021

3:00 p.m.

4th Floor City Hall

### Pages

1. CALL TO ORDER
2. PROCLAMATIONS/PRESENTATIONS
  - 2.1. National Poetry Month - Don McKay
3. APPROVAL OF THE AGENDA
  - 3.1. Adoption of Agenda
4. ADOPTION OF THE MINUTES
  - 4.1. Adoption of Minutes - April 5, 2021 3
5. BUSINESS ARISING FROM THE MINUTES
  - 5.1. RPS By-Law Amendment - Parking of Vehicles on Residential Yards (Notice of Motion given at April 5 Regular Meeting of Council) 15
6. DEVELOPMENT APPLICATIONS
  - 6.1. Request for Building Line Setback - 22 Kerry Street - DEV2100041 21
7. COMMITTEE REPORTS
  - 7.1. Audit and Accountability Standing Committee - March 25, 2021 25
    1. 2021 Audit Plan 27
    2. Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report 31
8. DEVELOPMENT PERMITS LIST (FOR INFORMATION ONLY)

8.1.	Development Permits List April 1 - 7, 2021	83
9.	<b>BUILDING PERMITS LIST (FOR INFORMATION ONLY)</b>	
9.1.	Building Permits List for the week of April 7, 2021	84
10.	<b>REQUISITIONS, PAYROLLS AND ACCOUNTS</b>	
10.1.	Weekly Payment Vouchers for Week Ending April 7, 2021	86
11.	<b>TENDERS/RFPS</b>	
11.1.	2021024 - Supply & Delivery Swimming Pool Chemicals	87
11.2.	2021056 – Supply and Delivery of Rainwear	91
12.	<b>NOTICES OF MOTION, RESOLUTIONS QUESTIONS AND PETITIONS</b>	
13.	<b>OTHER BUSINESS</b>	
13.1.	Sale of City Land Adjacent to 78 McNiven Place	94
13.2.	Sale of City land on Robinson Place and Columbus Drive	97
14.	<b>ACTION ITEMS RAISED BY COUNCIL</b>	
15.	<b>ADJOURNMENT</b>	

# **ST. JOHN'S**

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## **Minutes of Regular Meeting - City Council**

**Council Chamber, 4th Floor, City Hall**

**April 5, 2021, 3:00 p.m.**

**Present:** Mayor Danny Breen  
Deputy Mayor Sheilagh O'Leary  
Councillor Sandy Hickman  
Councillor Debbie Hanlon  
Councillor Deanne Stapleton  
Councillor Jamie Korab  
Councillor Ian Froude  
Councillor Wally Collins  
Councillor Shawn Skinner

**Regrets:** Councillor Maggie Burton

**Staff:** Kevin Breen, City Manager  
Derek Coffey, Deputy City Manager of Finance & Administration  
Tanya Haywood, Deputy City Manager of Community Services  
Jason Sinyard, Deputy City Manager of Planning, Engineering & Regulatory Services  
Susan Bonnell, Manager - Communications & Office Services  
Elaine Henley, City Clerk  
Ken O'Brien, Chief Municipal Planner  
Maureen Harvey, Legislative Assistant

**Others:** Linda Bishop - Senior Legal Counsel  
Brian Head, Manager of Parks and Open Space

### **Land Acknowledgement**

**The following statement was read into the record:**

**“We respectfully acknowledge the Province of Newfoundland & Labrador, of which the City of St. John's is the capital City, as the ancestral homelands of the Beothuk. Today, these lands are home to a diverse population of indigenous and other peoples. We would also like to acknowledge with respect the diverse**

histories and cultures of the Mi'kmaq, Innu, Inuit, and Southern Inuit of this Province.”

1. **CALL TO ORDER**

2. **PROCLAMATIONS/PRESENTATIONS**

2.1 **National Poetry Month - Poet Laureate Mary Dalton**

Poet Laureate Mary Dalton entertained Council and the public with some poetry in recognition of National Poetry Month.

3. **APPROVAL OF THE AGENDA**

3.1 **Adoption of Agenda**

SJMC-R-2021-04-05/138

**Moved By** Councillor Collins

**Seconded By** Councillor Hanlon

That the Agenda be adopted as presented.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

4. **ADOPTION OF THE MINUTES**

4.1 **Adoption of Minutes - March 29, 2021**

SJMC-R-2021-04-05/139

**Moved By** Councillor Skinner

**Seconded By** Councillor Stapleton

That the minutes of March 29, 2021 be adopted as presented.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**5. BUSINESS ARISING FROM THE MINUTES**

**5.1 Notice of Motion re: Bike Master Plan**

SJMC-R-2021-04-05/140

**Moved By** Councillor Froude

**Seconded By** Councillor Korab

Whereas the Bike Master Plan was adopted by Council on June 10, 2019;

Whereas in this plan the Rennie's River and Virginia River Trails are proposed to be shared-use pathways as part of the backbone network in the Bike Master Plan;

Whereas there have been many diverse perspectives shared on the future of these trails;

Whereas it is important to ensure all stakeholders and the public are engaged so that any plan is made in consideration of the needs and wants of the community:

That Council direct staff to undertake a comprehensive public engagement process regarding the potential future use of the Rennie's River Trail and the Virginia River Trail as shared-use paths; and that consideration be given to potential alternative routes that achieve the north-south connectivity required for an effective network. Included within this process could be further consideration on the ranking of the priority projects identified in the Bike Master Plan.

And that this engagement process be initiated at a point in time when the proposed projects on the Rennie's River Trail and the Virginia River Trail are being seriously considered.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**6. DEVELOPMENT APPLICATIONS**

**6.1 Discretionary Use**  
**657 Topsail Road**  
**DEV2100018**

SJMC-R-2021-04-05/141

**Moved By** Councillor Korab

**Seconded By** Councillor Hanlon

That Council approve the Discretionary Use application submitted by Jungle Jim's for an Outdoor Eating Area at 657 Topsail Road, subject to all applicable requirements and approve parking relief for one (1) parking space.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**6.2 Establish Building Line Setback – 118 Ennis Avenue – DEV2100035**

SJMC-R-2021-04-05/142

**Moved By** Councillor Stapleton

**Seconded By** Councillor Skinner

That Council approve the 6.0 meter Building Line setback at 118 Ennis Avenue to accommodate the construction of a Single Detached Dwelling.

**MOTION CARRIED**

**6.3 Discretionary Use - 200 Pleasant Street - DEV2100197**

Discretionary Use 200 Pleasant Street DEV2100197

SJMC-R-2021-04-05/143

**Moved By** Councillor Skinner

**Seconded By** Councillor Collins

That Council approve the application for a Discretionary Use (Converted Building) to convert a Clinic into a 2-bedroom Dwelling Unit at 200 Pleasant Street, subject to all applicable requirements.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

## **7. COMMITTEE REPORTS**

### **7.1 Committee of the Whole Report of March 24, 2021**

#### **1. 142 Old Pennywell Road, REZ2000012**

SJMC-R-2021-04-05/144

**Moved By** Councillor Froude

**Seconded By** Deputy Mayor O'Leary

That Council consider rezoning the property at 142 Old Pennywell Road from the Residential Low Density (R1) to the Residential Medium Density (R2) Zone to allow three Townhouses; and advertise the application for public review and comment.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

#### **2. Driveways in Floodplains**

SJMC-R-2021-04-05/145

**Moved By** Councillor Collins

**Seconded By** Councillor Hickman

That Council consider the attached amendment to the St. John's Development Regulations which would allow driveways, wharves and stages in a floodplain at the discretion of Council and advertise the amendment for public review and comment.

Further, that Council refer the proposed amendment to the City's Environment and Sustainability Experts Panel for review.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**3. Draft Heritage By-Law for Public Consultation**

SJMC-R-2021-04-05/146

**Moved By** Councillor Korab

**Seconded By** Councillor Skinner

That Council advertise the draft Heritage By-Law for public review and comment, refer the draft Heritage By-Law to a virtual Public Meeting chaired by an independent facilitator, and refer the draft Heritage By-Law to the Built Heritage Experts Panel.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**4. Kelly's Brook Shared-Use Path - WWH**

SJMC-R-2021-04-05/147

**Moved By** Councillor Froude

**Seconded By** Councillor Korab

That Council approve the following key decisions as this project moves into detailed design:

- a) use of an asphalt surface treatment for the length of Kelly's Brook Shared-Use Path
- b) pursue the Graves Street alignment option (subject to feasibility and property impact)
- c) pursue the alignment option that passes behind the Community



Market (subject to feasibility and property impact)

d) use a one-way configuration for the Empire Avenue section

e) include illumination in the plan with a balanced approach that is sensitive to adjacent uses and minimizes dim areas immediately adjacent the trail during normal use hours

f) include and consider accessibility in the provision of amenities such as recycling and waste receptacles, benches, pet waste stations, shade and wind-break planting, way-finding signs, shared-use guideline signs, and bike racks

g) continue to consult with the Inclusion Advisory Committee and other stakeholders as needed during the detailed design process

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**5. Traffic Calming Policy - Update on Review**

SJMC-R-2021-04-05/148

**Moved By** Councillor Froude

**Seconded By** Councillor Hickman

That Council approve the 12 policy update areas noted above to proceed to public engagement prior to staff making final policy update recommendations.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**8. DEVELOPMENT PERMITS LIST (FOR INFORMATION ONLY)**

**8.1 Development Permits List March 25 - March 31, 2021**

Council considered the Development Permits List for information

**9. BUILDING PERMITS LIST (FOR INFORMATION ONLY)**

**9.1 Building Permits List for the week of March 31, 2021**

Council considered the Building Permits List for information.

**10. REQUISITIONS, PAYROLLS AND ACCOUNTS**

**10.1 Weekly Payment Vouchers for the Week Ending March 31, 2021**

SJMC-R-2021-04-05/149

**Moved By** Councillor Stapleton

**Seconded By** Councillor Skinner

That the weekly payment vouchers in the amount of \$ 4,142,822.46 be approved as presented.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**11. TENDERS/RFPS**

**11.1 2021019 - Kenmount Road Trunk Storm Sewer Phase 3**

SJMC-R-2021-04-05/150

**Moved By** Councillor Hickman

**Seconded By** Deputy Mayor O'Leary

That Council award this open call to the lowest bidder meeting specifications, Weirs Construction Limited, for \$4,323,698.36 (excluding HST) as per the Public Procurement Act.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**11.2 2021003 – Traffic Control Services**

SJMC-R-2021-04-05/151

**Moved By** Councillor Hickman

**Seconded By** Councillor Hanlon

That Council award open call 2021003 – Traffic Control Services to Eastern Safety Services, Safety First Contracting Limited, and Hi-Vis Traffic Control Inc. as per the Public Procurement Act. Right of first refusal is given to the supplier with the lowest price. Subsequent suppliers are contacted in order or ranking until the request can be filled.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**12. NOTICES OF MOTION, RESOLUTIONS QUESTIONS AND PETITIONS**

**12.1 Resolution to Support a Healthy Ecosystem for Local Journalism**

SJMC-R-2021-04-05/152

**Moved By** Deputy Mayor O'Leary

**Seconded By** Councillor Skinner

That Council endorse the resolution as attached.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**12.2 Parking of Vehicles on Residential Yards**

Councillor Froude gave notice of his intention to introduce a motion at the next Regular Meeting of Council to amend the Residential Property Standards By-Law to clarify that the parking of vehicles on the front yard of a residential property is prohibited.

**13. OTHER BUSINESS**

**13.1 St. John's Sports & Entertainment Ltd. – Board of Directors**

SJMC-R-2021-04-05/153

**Moved By** Councillor Korab

**Seconded By** Councillor Hickman

That Council appoint Stephen Dinn and Glenn Normore to the Board of Directors of the St. John's Sports & Entertainment Ltd.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**13.2 Closure Order for Dwelling at 434 Allandale Road**

SJMC-R-2021-04-05/154

**Moved By** Councillor Froude

**Seconded By** Councillor Skinner

That Council consider the dwelling to be a nuisance under section 375 of the City of St. John's Act and issue an order to vacate.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**13.3 68 Queen's Road (Townhouses), Adoption MPA1900002**

SJMC-R-2021-04-05/155

**Moved By** Councillor Skinner

**Seconded By** Councillor Hickman

1) That Council adopt the attached resolutions for St. John's Municipal Plan Amendment Number 154, 2021 and St. John's Development Regulations Amendment Number 706, 2021. The proposed date for the public hearing is Wednesday, May 5, 2021, at 7 p.m.

2) That the City, together with the owners of heritage buildings in the district, neighbourhood residents, Parks Canada, and other stakeholders,

develop a management plan for the Ecclesiastical District National Historic Site as future neighbourhood planning work of the Planning Division.

3) That the City ensure that demolition of the Cathedral Parish Hall will follow the recommendations of the Provincial Archeology Office, and the applicant salvage as much of the useable building fabric as possible, as indicated in the Land Use Assessment Report.

4) That Council request that the applicant add interpretive elements to the site design and document the structure before it is demolished.

For (9): Mayor Breen, Deputy Mayor O'Leary, Councillor Hickman, Councillor Hanlon, Councillor Stapleton, Councillor Korab, Councillor Froude, Councillor Collins, and Councillor Skinner

**MOTION CARRIED (9 to 0)**

**14. ACTION ITEMS RAISED BY COUNCIL**

**14.1 Elimination of Violence Against Women**

Deputy Mayor O'Leary requested that Council reinforce the position taken on November 30, 2020 as addressed in the resolution regarding the elimination of violence against women.

**14.2 Parking Availability - Middle Pond**

Councillor Hickman requested staff investigate parking availability near Middle Pond where the East Coast Trail leads to the Spout. Currently parking is taking place along the roadside and is deemed to be unsafe and is resulting in parking tickets for motorists.

**15. ADJOURNMENT**

There being no further business, the meeting adjourned at 4:15 pm.

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MAYOR

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CITY CLERK

## **NOTICE OF MOTION**

**TAKE NOTICE** that I will at a future Regular Meeting of Council, move a motion to have City Council amend the Residential Property Standards By-Law to clarify that the parking of vehicles on the front yard of a residential property is prohibited.

DATED at St. John's, NL, this 5th day of April, 2021.

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Councillor Ian Froude

# DECISION/DIRECTION NOTE

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**Title:** Parking of Vehicles on Residential Yards

**Date Prepared:** March 31, 2021 Click or tap to enter a date.

**Report To:** Regular Meeting of Council

**Councillor and Role:** Councillor Maggie Burton, Planning & Development

**Ward:** N/A

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## **Decision/Direction Required:**

To amend the Residential Property Standards By-Law to clarify the law around parking vehicles on residential yards.

## **Discussion – Background and Current Status:**

Section 5.2.3(2) of the Residential Property Standards By-Law states:

No person shall park, or cause to be parked, a vehicle on residential property beyond the building line unless such vehicle is parked in an approved driveway or parking space.

Historically, this section has been interpreted by Regulatory Services to mean that you cannot park a vehicle on your front yard. However, the phrasing “beyond the building line” is somewhat ambiguous. The By-Law needs to be clarified so that any potential for confusion is removed. Increased clarity will benefit the public, improve compliance, and ensure consistent enforcement.

The Legal Department has consulted with Regulatory Services and Planning/Development to review this section of the By-Law, discuss the proposed amendment, and ensure no conflict with the new Development Regulations.

Staff agree that the amendment should follow common past practice and clearly prohibit vehicles parking on the front yard. This reflects not only aesthetic concerns, but also landscaping requirements and snow removal/snow storage issues. Vehicles will be permitted to park on side/rear yards; however, this will not apply to commercial vehicles (as prohibited in the Commercial Vehicle Parking By-Law<sup>1</sup>) or inoperative/unused/abandoned vehicles (as prohibited under section 5.2.3(1) of the Residential Property Standards By-Law). Likewise, any

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<sup>1</sup> Section 3(c) permits the parking of one non-construction related commercial vehicle up to 10,000 lbs. on a residential property



paving or asphalt on side/rear yards will still have to go through the usual permit process and receive approval.

The amended section would read:

No person shall park, or cause to be parked, a vehicle on the front yard of a residential property unless such vehicle is parked in an approved driveway or parking space.

The Residential Property Standards By-Law is currently undergoing a complete review and revision. The amendment to this section of the By-Law however is of a pressing nature as Regulatory Services starts to see an increase in this issue in the spring/summer months. Therefore, this section of the By-Law needs to be immediately addressed.

**Key Considerations/Implications:**

1. Budget/Financial Implications: N/A
2. Partners or Other Stakeholders:
  - PERS – Regulatory Services and Planning/Development
  - General Public
3. Alignment with Strategic Directions/Adopted Plans:
  - Sustainable City – Plan for land use and preserve and enhance the natural and built environment where we live – amending the by-law to prohibit the parking of vehicles on front yards reflects landscaping requirements and enhances the natural environment
  - Effective City – Work with our employees to improve organizational performance through effective processes and policies – amending the by-law will remove any potential for confusion and ensure consistent, effective enforcement
4. Legal or Policy Implications:
  - Amending the By-Law will improve clarity around the law
5. Privacy Implications: N/A
6. Engagement and Communications Considerations:
  - The amendment will have to be advertised and published in the Gazette and newspaper in order to legally be in effect
7. Human Resource Implications: N/A
8. Procurement Implications: N/A
9. Information Technology Implications:
  - The amended By-Law will need to be updated on the City's website

10. Other Implications: N/A

**Recommendation:**

That Council amend the Residential Property Standards By-Law to clarify that the parking of vehicles on the front yard of a residential property is prohibited.

**Prepared by:**        **Katie Philpott**

**Approved by:**

**Report Approval Details**

Document Title:	Parking of Vehicles on Residential Front Yards.docx
Attachments:	
Final Approval Date:	Mar 31, 2021

This report and all of its attachments were approved and signed as outlined below:

**Cheryl Mullett - Mar 31, 2021 - 3:12 PM**

**BY-LAW NO.**

**ST. JOHN'S RESIDENTIAL PROPERTY STANDARDS (AMENDMENT NO. 1-2021) BY-LAW**

**PASSED BY COUNCIL ON APRIL \_\_\_\_\_, 2021**

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Under and by virtue of the powers vested in it pursuant to the City of St. John's Act, RSNL 1990 c C-17, as amended, and all other powers enabling it, the City of St. John's enacts the following by-law prescribing minimum standards and regulations for the occupancy and maintenance of residential property in the City of St. John's.

**BY-LAW**

1. This By-Law may be cited as the St. John's Residential Property Standards (Amendment No. 1-2021) By-Law.
2. Section 5.2.3(2) of the Residential Property Standards By-Law is hereby amended by deleting the words "residential property beyond the building line" and substituting "the front yard of a residential property".

**IN WITNESS WHEREOF** the Seal of the City of St. John's has been hereunto affixed and this By-Law has been signed by the Mayor and City Clerk this \_\_\_\_\_ day of April, 2021.

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CITY CLERK

# DECISION/DIRECTION NOTE

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**Title:** Request for Building Line Setback - 22 Kerry Street - DEV2100041

**Date Prepared:** April 7, 2021

**Report To:** Regular Meeting of Council

**Councillor and Role:** Councillor Maggie Burton, Planning & Development

**Ward:** Ward 4

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## **Decision/Direction Required:**

To seek approval for a 5.54 metre Building Line setback for a new Single Detached Dwelling at 22 Kerry Street.

## **Discussion – Background and Current Status:**

An application was submitted to demolish and reconstruct a Single Detached Dwelling at 22 Kerry Street. The property is situated in the Residential Low Density (R1) Zone where the minimum Building Line for existing streets or service streets is to be established by Council. The proposed set back of 5.54 metres is measured from the covered deck of the new Dwelling, and is consistent with the varied pattern of development on the street.

## **Key Considerations/Implications:**

1. Budget/Financial Implications: Not Applicable
2. Partners or Other Stakeholders: Not Applicable
3. Alignment with Strategic Directions/Adopted Plans: *St. John's Strategic Plan 2019-2029 - A Sustainable City* – Plan for land use and preserve and enhance the natural and built environment where we live.
4. Legal or Policy Implications: Section 10.3.3 (1)(c)(ii) and Section 8.3.1 of the St. John's Development Regulations.
5. Privacy Implications: Not Applicable
6. Engagement and Communications Considerations: Not Applicable
7. Human Resource Implications: Not Applicable
8. Procurement Implications: Not Applicable
9. Information Technology Implications: Not Applicable

# ST. JOHN'S

10. Other Implications: Not Applicable

**Recommendation:**

That Council approve a 5.54 metre Building Line setback at 22 Kerry Street to accommodate the construction of a Single Detached Dwelling.

**Prepared by:**

Andrea Roberts P.Tech – Senior Development Officer  
Planning, Engineering and Regulatory Services

**Approved by:**

Jason Sinyard, P. Eng., MBA, Deputy City Manager-  
Planning, Engineering and Regulatory Services

**Report Approval Details**

Document Title:	Development Committee - Establish Building Line at 22 Kerry Street - DEV2100041.docx
Attachments:	- Aerial Map 22 Kerry St.pdf
Final Approval Date:	Apr 8, 2021

This report and all of its attachments were approved and signed as outlined below:

**Lindsay Lyghtle Brushett - Apr 7, 2021 - 10:02 AM**

**Jason Sinyard - Apr 8, 2021 - 10:11 AM**





SUBJECT PROPERTY

KERRY ST

BRISTOL ST

R1

R1

R1



DISCLAIMER: This map is based on current information at the date of production.



# ST. JOHN'S

## Report - Audit and Accountability Standing Committee

**March 25, 2021**

**10:00 a.m.**

**Virtual**

Present: Boyd Chislett, Citizen Representative - Chair  
Mayor Danny Breen  
Councillor Deanne Stapleton  
Kevin Breen, City Manager  
Derek Coffey, Deputy City Manager of Finance and Administration  
Sean Janes, City Internal Auditor  
Sean McGrath, Senior Internal Auditor  
Karen Chafe, Supervisor-Office of the City Clerk

Others: Jamie Korab, Councillor - Ward 3  
Shelley Traverse, Manager of Financial Services  
Rick Squires, Manager of Supply Chain  
Kris Connors, Manager of Budget and Treasury

### **1. 2021 Audit Plan**

Mr. Sean Janes, City Internal Auditor presented the 2021 Audit Plan.

It was questioned how audit priorities are determined. Staff advised that discussions with management and Internal Audit's own observations inform the focus for priority with a lens on the City's strategic directions. In addition, research is regularly conducted by Internal Audit on the trends, issues, and risks that face other municipalities.

Chairperson Chislett suggested that a list or matrix be developed of the areas in need of audit and the criteria for determining their priority.

**Moved By** Danny Breen  
**Seconded By** Deanne Stapleton

That Council approve the 2021 audit plan.

**MOTION CARRIED**

**2. Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report**

Staff conducted a power point presentation on this matter, led by Sean McGrath, Senior Internal Auditor. Rick Squires, Manager of Supply Chain and Shelley Traverse, Manager of Financial Services were present for this portion of the meeting.

In response to the City's experience with fraudulent activity, the Deputy City Manager of Financial Management advised that the City has received its share of phish emails; and fraud training has been conducted to assist staff in the detection and handling of phish schemes. Protocols and mechanisms have been put in place and continue to be monitored to offset the potential for fraudulent activity.

Mr. Squires and Ms. Traverse retired from the meeting following discussion at 10:45 am.

**Moved By** Deanne Stapleton  
**Seconded By** Danny Breen

That Council approve the Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report and the associated action plans put forth by management.

**MOTION CARRIED**

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CHAIR, BOYD CHISLETT

# DECISION/DIRECTION NOTE

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**Title:** 2021 Audit Plan

**Date Prepared:** March 3, 2021

**Report To:** Audit Committee

**Councillor and Role:** N/A

**Ward:** N/A

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## **Decision/Direction Required:**

To approve the 2021 audit plan.

## **Discussion – Background and Current Status:**

### Audit Objectives

In accordance with audit standards prescribed by the Institute of Internal Auditors, each full program review conducted by the Office of the City Internal Auditor will have three main objectives:

1. To ensure services are managed with due regard to significant risks that could possibly have a negative impact on the ability of the division or department to meet its objectives.
2. To ensure services are delivered in accordance with prescribed policies, procedures and Council or Board directives.
3. To ensure that processes are implemented to inform, direct, manage and monitor activities that are intended to facilitate the achievement of the City's strategic goals.

In addition to program reviews, follow-up reviews and reporting will be conducted in accordance with generally accepted internal auditing standards on areas that were the subject of a prior program review to evaluate the effectiveness of changes made in response to the recommendations of the initial report.

### Selection of Areas for Review

The 2021 audit plan has been developed using a combination of the previous, council approved, audit plan, discussions with Senior Management, observation, and professional judgement. As the plan includes a comprehensive update to the audit risk assessment it was decided to present a one-year plan instead of the traditional three-year plan. In addition, as the update to the risk



assessment will be a multi-year effort and recognizing the speed in which risks change in today's dynamic environment, future plans will also be limited to a one-year time frame. It should also be noted that the proposed audit plan does not leave time for management or Council requests. Any request for audit services should be evaluated by the Audit Committee to determine if it should replace an item already included in the plan.

### Audit Plan

<b>2021 Audit Plan</b>	
<b>Program Reviews</b>	<b>Business Unit</b>
Fleet - Preventative Maintenance	Public Works - Fleet
Permitting Process	PERS, Regulatory Services
Go Bus	Metrobus
Aquatic Safety	Community Services - Recreation
<b>Follow-up Reviews</b>	<b>Business Unit</b>
Non-Profit Housing	Community Services, Non-Profit Housing
Mile One - Float Discrepancy	SJSE - Mile One Centre
e-Tendering	Finance & Admin. - Supply Chain
Metrobus - Cash Handling	Metrobus
Citizen Service Centre - Cash Handling	Community Services - CSC
RHB - Scale House Operations	Public Works - Environmental Services
Permit to Operate - Water Distribution	Public Works - Environmental Services
<b>Consultations/Investigations</b>	
Upon Request/As Required	
<b>Administration</b>	
Maintain Whistleblower Hotline	
Internal Audit Risk Assessment Update	
Office of the City Internal Auditor Policy and Procedure Manual Update	

### **Key Considerations/Implications:**

1. Budget/Financial Implications: N/A
2. Partners or Other Stakeholders: N/A

3. Alignment with Strategic Directions/Adopted Plans: N/A
4. Legal or Policy Implications: N/A
5. Privacy Implications: N/A
6. Engagement and Communications Considerations: N/A
7. Human Resource Implications: N/A
8. Procurement Implications: N/A
9. Information Technology Implications: N/A
10. Other Implications: N/A

**Recommendation:**

That Council approve the 2021 audit plan.

**Prepared by:** Sean Janes, City Internal Auditor

**Approved by:** Sean Janes, City Internal Auditor

**Report Approval Details**

Document Title:	2021 Audit Plan.docx
Attachments:	
Final Approval Date:	Mar 19, 2021

This report and all of its attachments were approved and signed as outlined below:

**Kevin Breen - Mar 19, 2021 - 12:01 PM**

# DECISION/DIRECTION NOTE

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**Title:** Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report

**Date Prepared:** March 16, 2021

**Report To:** Audit Committee

**Councillor and Role:** N/A

**Ward:** N/A

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## **Decision/Direction Required:**

To approve the Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report and the associated action plans put forth by management.

## **Discussion – Background and Current Status:**

The Office of the City Internal Auditor recently completed a review of the vendor master file, electronic funds transfer and wire transfer processes involving Financial Services Division and Supply Chain Division of the Department of Finance & Administration.

The review identified several areas for improvement. Details of these opportunities and related recommendations can be found in the attached audit report. Management have provided action plans and implementation dates for all recommendations.

The Office of the City Internal Auditor would like to thank the Manager, Supply Chain Division and the Manager, Financial Services Division for their invaluable help and time during this review.

## **Key Considerations/Implications:**

1. Budget/Financial Implications:
  - There may be budget implications depending on how management decides to mitigate the risks highlighted in the report.
2. Partners or Other Stakeholders:
  - City staff involved in the vendor master file, electronic funds transfer and wire transfer processes.
  - External city vendors who do business with the City.
  - City of St. John's employees who are setup as vendors in the vendor master file.

# ST. JOHN'S

- Residents of the City who are setup as vendors in the vendor master file.
- 3. Alignment with Strategic Directions/Adopted Plans:
  - The recommendations and corresponding management action plans outlined in this report align with the Effective City strategic direction.
- 4. Legal or Policy Implications:
  - Policies and/or procedures have been recommended throughout this report.
- 5. Privacy Implications:
  - There may be privacy implementations depending on how management decides to mitigate the risks highlighted in the report.
- 6. Engagement and Communications Considerations:
  - There may be engagement and communications considerations depending on how management decides to mitigate the risks highlighted in the report.
- 7. Human Resource Implications:
  - There may be human resource implications depending on how management decides to mitigate the risks highlighted in the report.
- 8. Procurement Implications:
  - There may be procurement implications depending on how management decides to mitigate the risks highlighted in the report.
- 9. Information Technology Implications:
  - There may be information technology implications depending on how management decides to mitigate the risks highlighted in the report.
- 10. Other Implications:
  - There may be other implications depending on how management decides to mitigate the risks highlighted in the report.

**Recommendation:**

That Council approve the Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit Report and the associated action plans put forth by management.

**Prepared by:** Sean McGrath, Senior Internal Auditor

**Approved by:** Sean Janes, City Internal Auditor



**Report Approval Details**

Document Title:	Vendor Master File, Electronic Funds Transfer, and Wire Transfer Audit Report.docx
Attachments:	- VMF Audit Report.pdf
Final Approval Date:	Mar 19, 2021

This report and all of its attachments were approved and signed as outlined below:

**Kevin Breen - Mar 19, 2021 - 12:08 PM**

# **INTERNAL AUDIT REPORT**

**Department of Finance & Administration - Financial  
Services and Supply Chain Divisions**

**Vendor Master File, Electronic Funds Transfer and Wire  
Transfer Audit**

**Assignment # 19-02**

# **INTERNAL AUDIT REPORT**

## **Department of Finance & Administration - Financial Services and Supply Chain Divisions**

### **Vendor Master File, Electronic Funds Transfer and Wire Transfer Audit**

#### **Assignment # 19-02**

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Sean McGrath, CPA, CA,  
CFE  
Senior Internal Auditor  
February 19, 2020

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Sean P. Janes, CPA, CMA,  
CIA, CFE  
City Internal Auditor  
February 19, 2020

ST. JOHN'S

## TABLE OF CONTENTS

INTRODUCTION.....	3
OBJECTIVES.....	3
METHODOLOGY AND SCOPE.....	3
BACKGROUND .....	4
Vendor Master File (VMF) .....	4
Electronic Funds Transfer (EFT) .....	5
Wire Transfer Payments .....	6
CONCLUSION .....	6
EXECUTIVE SUMMARY.....	8
DETAILED ANALYSIS .....	9
Section 1 – Vendor Master File (VMF).....	9
Issue 1.1 - Authorization and Review .....	9
Issue 1.2 - Vendor Validation.....	11
Issue 1.3 - Segregation of Duties .....	13
Issue 1.4 - Vendor Master File Policy .....	15
Issue 1.5 - Accuracy and Completeness of VMF Details .....	17
Issue 1.6 - Vendor Master File Procedures .....	19
Issue 1.7 - Monitoring and Compliance .....	22
Section 2 – Electronic Funds Transfer (EFT).....	24
Issue 2.1 - Authorization and Review .....	24
Issue 2.2 - Password.....	25
Issue 2.3 - Validation and Related Segregation of Duties.....	26
Issue 2.4 - Payment File Upload.....	29
Issue 2.5 - Reconciliation and Segregation of Duties Issues .....	30
Issue 2.6 - Monitoring .....	32
Issue 2.7 - Policy and Procedure .....	33
Section 3 – Wire Transfer Payments .....	35
Issue 3.1 - System Administration .....	35
Issue 3.2 - System Access and Segregation of Duties .....	36
Issue 3.3 - Wire Transfer Payment Documentation and Review .....	37
Issue 3.4 - Summary Reports .....	40

Issue 3.5 - Wire Transfer Policy and Procedure .....	41
Issue 3.6 - Wire Transfer Payments for Vendors .....	42
Section 4 – Other Issues.....	44
Issue 4.1 - Fraud Training.....	44
Issue 4.2 - Vendor Forms .....	45

To: Chair & Council Members, Audit Committee

Area Responsible: Deputy City Manager – Finance & Administration  
Manager – Financial Services  
Manager – Supply Chain

Copy to: City Manager

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## INTRODUCTION

### **OBJECTIVES**

The objectives of this review were to assess whether key controls over the vendor master file, electronic funds transfer, and wire transfer processes were adequately designed and operating as intended.

### **METHODOLOGY AND SCOPE**

The audit focused on controls surrounding the accuracy, completeness, authorization, and validity of vendor master file (“VMF”), electronic funds transfer (“EFT”) and wire transfer details and payments. The audit also assessed whether controls were in place that deter and detect fraud.

To meet the audit objective, research was conducted on best practices regarding internal controls for the VMF, EFT and wire transfer processes. In addition, audit procedures were performed including interviews with management and staff, system walk-throughs, analysis of supporting documentation and substantive testing of VMF, EFT and wire details. Additionally, numerous fraud analytical procedures were performed on VMF and EFT details.

All vendor types were included in the scope of the audit. This included external vendors setup for the purchasing of goods and services, external vendors setup for one-time payments such as tax refunds and legal settlements, and City of St. John’s employee

vendors who receive reimbursement for non-salary expenditures. All vendors and EFT transactions as of November 28, 2019 were included for purposes of performing analytical procedures (e.g., determining the number of inactive vendors, duplicate vendors, total vendors, etc.). However, in the case of substantive testing (e.g., examination of EFT setup forms), samples were chosen from the 2019 and 2018 years only.

The VMF interacts with other processes such as requisitioning, purchase order issuance, receiving, keying of invoices and batch payment. These processes were predominantly scoped out of the audit and were only considered from a segregation of duties perspective.

## **BACKGROUND**

### **Vendor Master File (VMF)**

The VMF is an essential component of both the accounts payable and procurement processes as it contains vital information about vendors the City does business with. The VMF includes information such as vendors' names, addresses, telephone numbers and banking information. The data in the VMF is used to process payments to City vendors and thus it is imperative that such data is accurate and complete. Furthermore, strong internal controls are required in an effort to mitigate the risks of fraud and erroneous payment.

The City's VMF contains purchasing vendors, employee vendors and one-time vendors. Purchasing vendors are traditional suppliers that provide goods and services to the City, while employee vendors are City employees who are entitled to reimbursement for costs such as training, membership fees, travel, etc. One-time vendors are vendors that are entitled to a payment from the City for things such as legal and insurance settlements, court fees and tax refunds. The City's Supply Chain Division is responsible for adding purchasing vendors to the VMF, while the Financial Services Division is tasked with

adding employee and one-time vendors. Both divisions are responsible for the maintenance and administration of their applicable vendors.

The City uses Microsoft Dynamics GP (“GP”) to capture and store vendor information. As of November 2019, the City’s VMF contained over 16,000 vendors. A breakdown of vendors by class and status can be found in Table 1.0.

<b>Table 1.0 – City of St. John’s Vendors</b>					
<b>Vendor Class</b>	<b>Number of Vendors</b>	<b>% of Total Vendors</b>	<b>Vendor Status by Class</b>		
			<i>Active</i>	<i>Inactive</i>	<i>Temporary</i>
Canadian	14600	90%	3753	131	10716
Employee	1276	8%	770	457	49
US	344	2%	260	1	83
Other	7	0%	3	0	4
<b>Totals</b>	<b>16227</b>	<b>100%</b>	<b>4786</b>	<b>589</b>	<b>10852</b>

### **Electronic Funds Transfer (EFT)**

City vendors have an option to be paid via EFT instead of receiving a cheque. Financial Services is responsible for collecting EFT information from vendors and ensuring the accuracy and completeness of EFT details and payments. EFT banking information is entered in the VMF along with other vendor information.

Financial Services uses two EFT forms to gather banking details from vendors – an employee EFT form and a vendor EFT form. Access to EFT details is restricted and can only be accessed by one of the Financial Accountant II’s (“Accountant”) and the Financial Services Manager. The Accountant is responsible for entering the EFT details into the VMF, while the Financial Services Manager is responsible for reviewing the details and supporting EFT form.



The City utilizes the Royal Bank of Canada's online banking system ("RBC Express") to facilitate EFT payments. To make an EFT payment, an Accountant in Financial Services generates an EFT payment file from GP. This payment file includes a batch of EFT payments that are to be paid on the next upcoming pay date. When the file is generated in GP, it is automatically saved on the City's finance drive as a text file. The text file format is necessary as this is the format accepted by RBC Express for upload. An Accountant in Financial Services performs the upload to RBC Express.

### **Wire Transfer Payments**

Wire transfers are completed online through RBC Express. The majority of wire transfers at the City are scheduled recurring payments in relation to bonds, sinking funds and grants. The Manager of Financial Services, Manager of Budget and Treasury and Deputy City Manager of Finance and Administration are all administrators on the Wire Payments Service within RBC Express. Most wire transfers are initiated by the Financial Accountant III in Financial Services and each transfer requires two approvers in order to release the payment. Each administrator is an approver for wire transfers.

While the volume of wire transfers is far less than the volume of EFT vendor payments, millions of dollars can be transferred in a single wire transaction. Therefore, it is essential that strong internal controls are implemented to protect against unauthorized and fraudulent usage.

### **CONCLUSION**

The audit determined that the City of St. John's had numerous key controls in place that supported strong VMF, EFT and wire transfer processes. However, the design of some of these controls can be further improved. As such, opportunities exist to strengthen controls and improve the accuracy, validity, and completeness of VMF, EFT and wire transfer data.

Furthermore, the audit identified areas where additional controls should be implemented. Many of these new controls are preventive controls that are designed to stop errors or fraud from occurring. Although many detective controls were in place for the VMF, EFT and wire transfer processes, the implementation of these new preventive controls would strengthen the overall control environment.

## EXECUTIVE SUMMARY

Internal Audit's review of the vendor master file, electronic funds transfer, and wire transfer processes was undertaken in accordance with the approved three-year audit plan. The audit focused on whether adequate controls were in place and operating effectively in relation to these processes.

Audit testing and procedures utilized during the review identified several positive outcomes. Foremost, Internal Audit performed numerous audit procedures designed to detect fraudulent changes to vendor master file and electronic funds transfer payment information. These audit procedures, which included both analytical and more rigorous substantive testing, did not detect any instances of fraudulent activity.

Additionally, the City had some controls already in place that supported strong vendor master file and electronic funds transfer processes. Such controls included the use of standardized forms, system access controls, management review, validation procedures, audit reports and documented procedure outlining certain tasks.

However, the audit identified areas for improvement regarding several existing controls, as well as opportunities for the development and implementation of new controls. Many of these improvements centered on strengthening segregation of duties, developing, and implementing vendor procedures to help ensure accurate, complete, and valid vendor details, developing and implementing a management monitoring process and developing policy to govern each process.

The observations and recommendations outlined in this report will assist the City in its continued effort to maintain and safeguard the vendor master file, electronic funds transfer and wire transfer processes effectively going forward.

## DETAILED ANALYSIS

### ***Section 1 – Vendor Master File (VMF)***

#### **Issue 1.1 - Authorization and Review**

Vendor authorization and review means that a request for vendor setup or changes to vendor details is reviewed and signed off by a responsible employee prior to taking effect in the VMF system. Inadequate vendor approval and review increases the risk of inaccurate and/or incomplete information being captured in the VMF. Additionally, a lack of review increases the likelihood of fraud as fraudulent or fictitious vendors may not be detected.

The Supply Chain Division utilizes a vendor change form to document requests for new vendors or changes to current vendor information. Vendors complete this form and provide it to the Supply Chain Admin Clerk for entry into the VMF. The Clerk is responsible for entering/amending vendor details in the VMF, signing off on the form, and providing it to the Supply Chain Manager for review.

However, the audit determined that any changes to vendor information take effect immediately in the VMF. Therefore, vendor details were being changed prior to management's authorization and review. Additionally, Supply Chain management indicated that the actual vendor information entered in the VMF is not reviewed in detail.

Financial Services does not utilize a vendor change form to add employee vendors and one-time vendors to the VMF. Instead, relevant details are taken from cheque requisition forms and entered into the VMF by the Accounting Clerk. Financial Services management indicated that the cheque requisition form is reviewed and signed off on, but the actual vendor details entered into the VMF are not reviewed. Consequently, Financial Services was also not adequately authorizing and reviewing vendor details in the VMF.

Microsoft Dynamics GP, the system used to capture and store vendor information, contains various “workflows” that allow system administrators to define an approval process when records are changed. Internal Audit confirmed with the City’s Corporate Information Services Division that this workflow is available for use but not currently being utilized. If implemented, approvers would be notified when vendor information is added/changed, and these changes would require approval before taking effect in the system. This feature would strengthen internal controls regarding vendor approval and authorization.

### **Recommendation 1.1**

Management should implement the vendor approval workflow feature in Microsoft Dynamics GP to ensure all vendor detail changes are adequately authorized and reviewed. If this is not possible, all requests for vendor set up or changes to a vendor’s information should still be authorized and reviewed by a responsible employee prior to taking effect in the VMF.

### **Management Response and Action Plan 1.1**

Management worked with Information Services to test the approval workflow feature in Microsoft GP. As the GP application is hosted in a Citrix environment and the required email client is hosted on local computers, there is no practical implementation method for this approach. Given this, a process will be developed to ensure vendor details are validated prior to taking effect in the VMF. This will be part of the procedures document which will be created.

### **Conclusion 1.1**

Management has determined that the specific recommendation is not feasible but has committed to developing an alternate process which would achieve the same result.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration**Issue 1.2 - Vendor Validation**

Vendor validation is the process of confirming the legitimate existence of vendors through an external source prior to adding them to or making changes to the VMF. This validation process adds reasonable assurance to the legitimacy of new vendors and vendor changes thereby reducing the risk of VMF fraud. Furthermore, vendor validation ensures high data quality and consistency as it also confirms the accuracy and completeness of information.

The audit determined that only banking information was being validated at the City, other details, such as mailing and contact information, were not being validated. This absence of validation is of particular significance to purchasing vendors as they can receive large, recurring payments that are attractive to fraudsters. Furthermore, many vendors still receive payment by cheque and hence a fraudulent vendor change form requesting a change in address could potentially redirect payment to a fraudster.

Most VMF fraud schemes involve inserting a fraudulent vendor in the VMF and thus it is essential that all vendor details are validated prior to being added to the VMF. Additionally, to ensure an appropriate segregation of duties, the person tasked with validating the information should not be able to edit vendor details in the Microsoft Dynamics GP system. This control will mitigate the risk of a person falsely validating a vendor and making fraudulent changes to the VMF.

**Recommendation 1.2**

- i) All vendor information should be validated for legitimacy prior to setting up or amending a vendor.
- ii) Vendor information should be validated by someone who cannot edit VMF information in Microsoft GP.

**Management Response and Action Plan 1.2**Response from Supply Chain Division

- i) Agree – A validation process will be implemented prior to adding or changing vendor information.
- ii) Agree – A validation process will be implemented prior to adding or changing vendor information.

Management will validate information by checking websites and/or contacting the company directly. Once approved the authorized vendor form will be forwarded to the Supply Chain Administration Clerk for data entry. The process will begin once the new vendor form is complete.

Response from Financial Services Division

- i) Financial Services add/edit vendor master file for non-procurement type vendors. The validation is done prior to sending the request for payment to Finance for processing including, but not limited to, tax refunds, program or security refunds, community grants, employee allowances/reimbursements, fees and expenses relating to legal claims.
- ii) Access to the vendor master file has been limited to the greatest extent possible recognizing operational limitations. As a detective control audit trails will be reviewed monthly to ensure only authorized staff are adding/editing records in the vendor master file.

**Conclusion 1.2**

Both recommendations 1.2(i) and 1.2(ii) will be implemented as stated above for vendors added by Supply Chain Division.

Financial Services management stated that vendors they add to the VMF have already been validated prior to coming to Financial Services for processing. However, Internal

Audit has not confirmed this assertion but will address it during follow-up work. Management also indicated an audit report will be reviewed monthly for unauthorized adding/editing of vendor records which may be indicative of fraudulent activity.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** January 2021

**Information Only:** DCM, Finance and Administration

### Issue 1.3 - Segregation of Duties

Segregation of duties separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to payment without the involvement of others, thereby reducing the risk of fraud or error to an acceptable level. As part of the audit Internal Audit reviewed the segregation of duties for the VMF. See Table 2.0 for results.

<b>Table 2.0</b> <b>Vendor Master File Segregation of Duties – Incompatible Duties</b>		
<b>Duty #1</b>	<b>Duty #2</b>	<b>Appropriately segregated?</b>
Create and maintain a vendor in the VMF	Key an invoice	Yes
Create and maintain a vendor in the VMF	Approve an invoice for payment	No
Create and maintain a vendor in the VMF	Release/approve a purchase order	No
Create and maintain a vendor in the VMF	Create a purchase requisition	No
Create and maintain a vendor in the VMF	Approve changes to the VMF	No



The audit identified several duties that are incompatible in relation to the VMF:

- Four individuals were found to have the ability to edit a vendor and enter a purchase order in the Microsoft Dynamics GP system.
- One individual could edit a vendor and also had a security admin role in the Workplace system used for purchasing, thereby having the ability to make themselves an approver on purchase orders.
- One person was identified as being able to edit a vendor and approve invoices for payment.
- Given that no one was reviewing changes in the VMF, the seven individuals who could edit the VMF were effectively approving changes themselves.

The above noted duties are incompatible from a segregation of duties perspective. However, it should be noted that management approval is generally required at the City to perform most of the above duties (i.e., approve an invoice, release a purchase order, create a purchase requisition). This is a mitigating control which reduces, but does not fully eliminate, the risk related to these segregation of duties issues.

### **Recommendation 1.3**

Management should ensure that the duty of editing VMF details is appropriately segregated from the duties of issuing purchase orders, approving invoices for payment, creating requisitions and approving VMF changes.

### **Management Response and Action Plan 1.3**

#### Response from Supply Chain Division

The ability to edit a vendor has been removed from 3 of the 4 individuals. Due to operational requirements, it will not be possible to remove the ability to create a PO and

edit a vendor from the Supply Chain Administration Clerk as these are key areas of responsibility for this position.

#### Response from Financial Services Division

Access to the vendor master file has been limited to the greatest extent possible recognizing operational limitations. Detective measures are in place to ensure staff are only making changes to vendor master file as authorized. Further changes will be considered to improve controls around segregation of duties.

### **Conclusion 1.3**

Management indicated the recommendation has been implemented to the greatest extent possible given operational requirements. As such, the duties have not been completely segregated. However, management indicated there are detective controls in place which would help detect fraudulent activity if it were to occur. Additionally, management will attempt to develop additional procedures as operating policies are developed.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** Complete

**Information Only:** DCM, Finance and Administration

### **Issue 1.4 - Vendor Master File Policy**

Best practice suggests that VMF policies should be robust enough to provide direction to employees on all aspects of the VMF, including how VMF information is captured and maintained. Additionally, strong VMF policies also address other topics including authorization and review, vendor workflow, vendor validation, key segregation of duties, vendor procedures and monitoring.

The audit indicated that there was no formal VMF policy at the City. The absence of such policy can lead to a lack of accountability as VMF roles and responsibilities may not be

formally defined. Additionally, an absence of policy increases the risk that critical activities may not be performed, thereby reducing the integrity of the VMF.

The involvement of both Financial Services and Supply Chain in the VMF heightens the need for adequate policy. Management from both Financial Services and Supply Chain indicated they were sometimes unsure of their responsibilities in relation to the VMF and were not always aware of the involvement of the other division. Developing a policy to establish governance and ownership of the VMF would help clarify roles, expectations, and responsibilities.

**Recommendation 1.4**

Management should develop and implement a formal VMF policy that outlines the roles and responsibilities of those involved in the VMF and addresses key controls such as vendor authorization and review, vendor workflow, vendor validation, segregation of duties and vendor procedures.

**Management Response and Action Plan 1.4**

Operating procedures will be developed during 2021.

**Conclusion 1.4**

Management intends to resolve this issue through the development of operating procedures. Management also indicated during subsequent discussions that they will develop a formal policy as time and resources permit.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration

**Issue 1.5 - Accuracy and Completeness of VMF Details**

It is essential that VMF details are accurate and complete to facilitate efficient and effective accounts payable and procurement processes. As part of testing Internal Audit reviewed the integrity of the VMF as of November 28, 2019. This included performing various analytical tests on the population of 16,227 vendors to test for accuracy and completeness. Substantive testing was also performed as vendor information was verified against corresponding vendor change forms and cheque requisitions. The following observations were made:

- There were issues in relation to the completeness of vendor data, especially regarding direct contact information. 11,780 (73%) of vendors did not have a contact person listed while 11,960 (74%) of vendors were missing a phone number. The omission of direct contact data impedes the validation process and can cause inefficiencies in the payment process.
- Approximately 435 vendors (3%) were identified as potentially being duplicates, which increases the risk of making a duplicate payment to a vendor and may also increase the risk of fraud.
- 2094 vendors (13%) had a PO Box listed as their primary address. While PO Box addresses may be justified for valid business reasons, every effort should be made to obtain a physical address to mitigate the risk of making payments to a fictitious vendor.
- There were issues in relation to the activity level of vendors and whether they should be archived. For example, 9,152 vendors (56%) had not received payment since at least 2016 and 1,286 (8%) had never been paid. Furthermore, of the 4,786 active vendors, there were 1,095 vendors that never received a payment but were still setup as active.

- Audit testing also identified 51 employees who terminated employment with the City between January 1, 2017 and November 21, 2019 but were still listed active in the VMF.
- Of the 1,450 “temporary” vendors paid in 2019, almost half of those were setup between 2010 and 2017. Per the Microsoft Dynamics GP System Guide, a temporary vendor is “a person or company you have a short-term relationship with and are keeping minimal information for.” Given this, it is likely many of the City’s temporary vendors were classified inaccurately.
- Other less frequent inaccuracies (between 0.5% and 1% of the population) included vendors with incorrect classes (e.g., an employee vendor setup as a Canadian purchasing vendor) and vendors with missing addresses.

Inaccurate and incomplete vendor master file data can have numerous ramifications on the accounts payable and procurement processes including missing payment discounts and contract incentives, providing management with inaccurate and/or incomplete information for decision making purposes, increasing fraud opportunities, and increasing the risk of duplicate payments. Therefore, it is imperative that vendor master file data is as complete and accurate as possible.

### **Recommendation 1.5**

Management should initiate a project to clean up the VMF. Clean up should include removing duplicate vendors, archiving inactive vendors and former employees, addressing incomplete/inaccurate fields, and applying a standard naming convention.

### **Management Response and Action Plan 1.5**

A listing of all vendors with a status of active which had no payment activity since 2018/12/31 and prior was created. 9910 vendors on this list have been assigned a status of inactive. Currently there are 2689 active vendors, and the list of active vendors is expected to decrease as further reviews are done.

The Manager of Supply Chain and Manager of Financial Services are reviewing the remaining active vendors to identify possible duplicates for action.

Efforts are ongoing to update the remaining active corporate vendors missing telephone numbers. Once the aforementioned process is complete additional work will take place to clean up the VMF as described in this recommendation.

### **Conclusion 1.5**

Management indicated that the process to implement the recommendation has begun and that the process will take some time to complete. Updates will be provided through follow-up work.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** On-going

**Information Only:** DCM, Finance and Administration

### **Issue 1.6 - Vendor Master File Procedures**

An underlying cause of the accuracy and completeness issues identified in Issue 1.5 was the lack of adequate VMF related procedures. While documentation did exist regarding how to add a vendor to the VMF, procedures such as naming conventions, vendor deactivation and scheduled maintenance had not been developed and implemented at the City.

The overall administration of the VMF could be improved if such procedures are developed and formally documented. Further details around these procedures are outlined below.

i) Naming Convention and Vendor Setup

Naming conventions are a set of rules that help ensure accuracy and completeness by mandating what vendor details need to be captured in the VMF and how they should be captured.

Audit testing identified consistency issues in vendor names regarding the use of abbreviations, designations (e.g., incorporated, limited, association), commas, periods, articles, and a lack of standardization regarding how surnames and addresses were captured. These issues were attributable to the absence of a standard naming convention for the VMF.

The audit also found that there was no documented guidance on whether vendors should be setup as temporary or active. Vendor parameters such as vendor status and vendor class could also be captured through a standard naming convention.

ii) Vendor Deactivation/Archiving Procedure

To prevent fraudulent or erroneous payments from being created, it is best practice that vendors are deactivated and archived after a predetermined length of inactivity. Generally, periods between 12 and 48 months of inactivity would trigger the vendor deactivation process. Best practice suggests that companies start as high as 48 months and then progressively reduce that number down until it aligns with the organization. Our review noted that the City had not developed criteria of when to make a temporary or active vendor inactive or when to archive an inactive vendor. Developing criteria for these processes would help guide employees in their duties and help ensure consistency.

Similarly, there was no formulized process setup where employee vendors are deactivated and archived when they terminate employment with the City. A formalized process, whereby Human Resources notifies Financial Services of terminated employees, would ensure employee vendors are deactivated on a timely basis and further improve the accuracy of the VMF.

iii) Cleaning of records and scheduled maintenance procedure

Scheduled maintenance procedures for the VMF include identifying vendors with missing information, removing duplicate vendors and former employees, and inactivating dormant vendors. Best practice suggests that these procedures should be carried out on a periodic basis and that the nature and timing of the procedures are formally documented. Our review noted that the City does not have formally documented procedures for scheduled maintenance of the VMF.

**Recommendation 1.6**

- i) Management should ensure that a consistent data entry format, including standardized naming conventions and required mandatory information, is developed, documented, and implemented for the VMF.
- ii) Management should develop a procedure outlining internal criteria regarding if vendors should be setup as temporary or active. Additionally, criteria should also be developed of when to make a temporary or active vendor inactive, and when to archive an inactive vendor.
- iii) Management should ensure that terminated employees are removed from the VMF in a timely manner. To achieve this, a procedure should be developed with Human Resources whereby Financial Services is notified of all employee terminations on a scheduled basis.
- iv) Scheduled maintenance procedures should be developed and implemented for the VMF. Periodic maintenance should include procedures that ensure the accuracy and completeness of the VMF by identifying vendors with missing information, removing duplicate vendors and former employees, and inactivating dormant vendors.

**Management Response and Action Plan 1.6**

Operating procedures will be developed during 2021.



**Conclusion 1.6**

The recommendation will be implemented as stated above.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration

**Issue 1.7 - Monitoring and Compliance**

Management monitoring programs enable management to continually review business processes for adherence to and deviations from their intended levels of performance and effectiveness. Such monitoring programs are frequently used by organizations to monitor the overall health of the VMF and whether it is trending in the right direction. VMF monitoring generally includes:

- an analysis of the growth/shrinkage of the VMF year over year, including underlying data such as the number of vendors activated and deactivated during the year.
- reviewing audit logs to identify unusual master data changes.
- reviewing user access lists to ensure accuracy.
- monitoring compliance with policy and ensuring that scheduled maintenance procedures are being carried out.

Management indicated that neither Financial Services or Supply Chain actively monitors the VMF or performs any analysis or compliance measures. This can result in inefficiencies in accounts payable and procurement as well as increase the risk of errors or fraud going unnoticed.

**Recommendation 1.7**

Management should develop and implement a management monitoring process to ensure the accuracy and validity of the VMF. The process should include the calculation of various VMF metrics to assess the health of the VMF, a review of audit logs to identify unusual master data changes, analyzing EFT uptake and trends, reviewing user access rights, and monitoring compliance with policy and procedure.

**Management Response and Action Plan 1.7**

Operating procedures will be developed during 2021.

**Conclusion 1.7**

The recommendation will be implemented as stated above.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration

## ***Section 2 – Electronic Funds Transfer (EFT)***

### **Issue 2.1 - Authorization and Review**

The Accountant uses information from EFT forms to update banking details for vendors in the Microsoft Dynamics GP system. After inputting the information, the Accountant signs the EFT form and submits it to the Financial Services Manager for review and signoff. Internal Audit reviewed a sample of EFT forms during the audit and noted that all forms were appropriately signed off by the Manager.

Additionally, the Manager also runs an EFT Audit Trails report in GP that produces the banking information and other EFT details that have been entered in the VMF. During this process, the Manager verifies that the information on the form matches the information entered into GP. Management indicated that this process is normally performed every few weeks but sometimes the time interval can be longer.

Best practice suggests that EFT information should be authorized and reviewed prior to being made active in the VMF. This was not occurring at the City as any changes to banking information made by the Accountant were effective immediately, prior to management review. Consequently, the risk of invalid, incomplete and/or inaccurate details being captured in the VMF is increased.

However, because banking details are captured in a vendor's card in the VMF, the previously discussed vendor approval workflow feature (see Issue 1.1) would apply to EFT changes as well. The implementation of this workflow would ensure that the Manager is made immediately aware of any changes to banking information, and such changes would have to be approved before taking effect.

### **Recommendation 2.1**

Management should implement the vendor approval workflow feature in the Microsoft Dynamics GP system to ensure all EFT detail changes are adequately authorized and reviewed prior to being made active. If this is not possible, all requests for EFT set up or

changes to EFT banking information should still be authorized and reviewed by a responsible employee prior to being changed in the VMF.

### **Management Response and Action Plan 2.1**

Management worked with Information Services to test the approval workflow feature in Microsoft GP. As the GP application is hosted in a Citrix environment and the required email client is hosted on local computers, there is no practical implementation method for this approach. Changes to EFT details are reviewed before payment is processed by RBC. There is also a report listing all EFT changes which is reviewed by management.

### **Conclusion 2.1**

Management indicated the recommendation could not be implemented due to technological limitations and therefore the risk of invalid, incomplete and/or inaccurate details being captured in the VMF remains. However, management highlighted detective controls that are in place such as management review of EFT changes. While not as strong as preventive controls, these detective controls help decrease this risk.

**Action By:** Manager, Financial Services

**Action Date:** Complete

**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain

### **Issue 2.2 - Password**

Since EFT bank details are captured within a vendor's card, Microsoft Dynamics GP generally allows those with access to the VMF to also access vendor banking information. The City identified this as an issue and implemented a password to restrict access to the EFT details. Internal Audit reviewed EFT audit logs and determined that only authorized individuals had accessed EFT information since the password was implemented in 2018. The City should be commended for being proactive and implementing this preventive control.

However, discussions with Management indicated that the EFT password had not been changed since it was implemented, thereby increasing the risk of inappropriate user access.

### **Recommendation 2.2**

The password to the “vendor EFT bank maintenance” window, which is needed to access and change vendor banking details, should be regularly changed to protect against unauthorized access.

### **Management Response and Action Plan 2.2**

Management will implement a process to change EFT password on a frequency which addresses operational needs and changes in staff responsibilities.

### **Conclusion 2.2**

The recommendation will be implemented as noted above.

**Action By:** Manager, Financial Services

**Action Date:** February 2021

**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain

### **Issue 2.3 - Validation and Related Segregation of Duties**

Management indicated that the Accountant validates EFT banking information for purchasing vendors prior to entering it into Microsoft Dynamics GP. The validation process generally involves calling the vendor directly from an independently obtained phone number (e.g., from the internet) and validating the EFT request. If the EFT request is for a change in banking details, the old banking details are also requested to ensure the request is legitimate. However, this validation process was not formally documented, which increases the risk of the process being completed erroneously or not at all.

Furthermore, the above validation process was not performed for employee vendors. Although all vendor EFT setups and changes require the submission of a void cheque, it is best practice that all vendors, regardless of type, are independently validated.

The audit also identified internal control weaknesses regarding the validation process. Foremost, the Accountant both validates EFT requests and enters EFT details in the VMF. Therefore, there is a risk this person could perpetrate a fraud by falsely validating a vendor's bank details and instead enter personal banking details in the VMF, thereby redirecting vendor payments. This scheme may go undetected until after payment is made and hence it is important that EFT validation is performed by a person who cannot edit the VMF.

Additionally, the Financial Services Manager could also edit EFT details. This is a concern given that the same Manager is responsible for reviewing EFT data changes. This creates a risk that the Manager could fraudulently change EFT details without anyone else knowing.

### **Recommendation 2.3**

- i) Management should ensure that all vendor EFT information is validated for legitimacy prior to setting up or amending a vendor.
- ii) Management should ensure that EFT validation is documented for each vendor and that the documentary evidence is reviewed and maintained.
- iii) Management should ensure that the person responsible for validating the EFT data cannot also edit EFT details. Likewise, management should ensure that the Financial Services Manager, who is responsible for reviewing EFT data changes, cannot edit EFT details. The Manager should have read-only access which would still allow them to approve VMF and EFT changes via the vendor approval workflow.

**Management Response and Action Plan 2.3**

- i) EFT information for “purchasing” vendors is currently validated for legitimacy prior to set up or amending. There are times when confirming by telephone proves to be nearly impossible and other means are used to determine legitimacy, i.e.: source of information, relationship with vendor, etc. This is a rare occurrence and is discussed with senior management prior to making the determination. EFT information for employee vendors is validated only when a change request is received.
- ii) EFT validation is noted on the enrollment form and/or EFT review summaries.
- iii) Segregation of duties have been established to the greatest extent possible recognizing operational limitations. Detective measures are in place to ensure staff are only making changes to vendor master file as authorized. Further changes will be considered to improve controls around segregation of duties.

**Conclusion 2.3**

Management indicated that recommendation 2.3(i) has been partially implemented. EFT information for employee vendors is not validated upon initial setup but rather only when a change request is received. However, there are other controls in place, such as the requirement of a void cheque to initiate an EFT setup, which reduces the likelihood of a fraudulent employee being setup for EFT.

Management indicated that recommendation 2.3(ii) has been implemented as noted above. The extent that management is documenting, reviewing, and maintaining evidence of EFT validation will be reviewed through follow-up work.

Management indicated that recommendation 2.3(iii) has been implemented to the greatest extent possible recognizing operational limitations. As such, duties have not been completely segregated. However, management indicated there are detective controls in place which would help detect fraudulent activity if it were to occur.

**Action By:** Manager, Financial Services**Action Date:** Complete**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain**Issue 2.4 - Payment File Upload**

Generally, an Accountant in Financial Services generates the EFT payment file from Microsoft Dynamics GP and also completes the upload to RBC Express. Prior to upload, the file from Microsoft Dynamics GP is automatically saved on the City's finance drive as a text file. The text file includes vendor payment amounts and bank account information. While the file contains lines of electronic text and special characters, a person familiar with the file format could potentially alter the file and input fraudulent banking information. Additionally, this payment file is not reviewed or signed off on prior to upload which further increases the risk of fraud.

Ideally, the EFT file would be secure and non-editable. It would also be reviewed and approved before upload to RBC Express. Discussions with those involved with the EFT upload process indicated that there is an approval function available in RBC Express that would require the EFT payment file to be approved before it can be successfully uploaded. This would more closely follow best practice and help to decrease the risk of error or fraud.

**Recommendation 2.4**

- i) Management should implement approval rules in RBC Express so that management must approve the release of EFT funds and related changes to the EFT file.
- ii) If the text file cannot be secured, management should review the uploaded text file in detail to ensure it matches the file saved on the network. Management should also confirm that the network file has not been modified since being generated from Microsoft Dynamics GP. This can be done by viewing the "properties" of the text file



and verifying that the created date is the same as the modified date. While this review process may be time intensive, it would be needed to fully mitigate the risk that the text file was fraudulently altered.

### **Management Response and Action Plan 2.4**

- i) As text files cannot be secured management does not see a practical way to implement this change without significant operational delays as there is no way to verify potentially hundreds of transactions in a text file.
- ii) As per above, text files cannot be secured. Employees responsible for uploading the file to RBC Express must have access to the file location and the file in order to perform the upload. Management will continue to explore options on how to validate the uploaded file is the file created in GP.

### **Conclusion 2.4**

The recommendations will not be implemented due to operational requirements and therefore the risk of inserting a fraudulent transaction into the text file remains. However, management has committed to exploring other options on how to validate the uploaded file and will attempt to develop additional procedures as operating policies are developed.

**Action By:** Manager, Financial Services

**Action Date:** On-going

**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain

### **Issue 2.5 - Reconciliation and Segregation of Duties Issues**

Each morning the overnight disbursements are reconciled via the “AP auditors bank reconciliation”. The reconciliation is done in part using an output file from RBC Express that is imported into Microsoft Dynamics GP. Any overnight EFT disbursements are reconciled during this process.

Management indicated that generally the Accountants in Financial Services take turns completing this reconciliation. Consequently, it is possible that the person performing the reconciliation could have also uploaded the EFT file for payment. Given the inherent risk of fraud regarding the text file and upload process as outlined in Issue 2.4, the person who is uploading the file should not be involved in the corresponding reconciliation process.

Additionally, Internal Audit confirmed that unlike the file upload process, there is no procedure outlining how to perform the reconciliation. Given its importance, a formally documented reconciliation process would be an asset.

### **Recommendation 2.5**

- i) Management should ensure that the person uploading the EFT text file to RBC Express does not perform the corresponding AP Disbursement Auditor bank account reconciliation if it includes the uploaded EFT transactions.
- ii) Management should develop procedures outlining how to perform the AP disbursement auditor bank account reconciliation to ensure the reconciliation is performed correctly.

### **Management Response and Action Plan 2.5**

- i) Responsibility for the AP Disbursement Auditor reconciliation will be reassigned to ensure those uploading the EFT file are not performing the reconciliation.
- ii) Management will develop procedures around EFT file upload and AP Disbursement Auditor reconciliation.

### **Conclusion 2.5**

The recommendations will be implemented as stated above.

**Action By:** Manager, Financial Services**Action Date:** December 2021**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain**Issue 2.6 - Monitoring**

Best practice states that EFT monitoring should be an ongoing process that involves procedures to ensure the accuracy and validity of EFT details. This process typically involves scheduled reviews to identify red-flag data changes such as changes and change backs to banking details, analyzing, and working to increase EFT usage for vendors and overall compliance with policy. Furthermore, to mitigate the risk of self-review and potential fraud, monitoring programs require an appropriate segregation of duties.

The audit indicated that there was no formalized EFT monitoring program implemented at the City. Although the Financial Services Manager does run Audit Trails reports to verify the accuracy of EFT data, the frequency and process of the review was not formally documented. In addition, the Manager could change EFT information which does not provide an adequate segregation of duties. As such, the risk of errors or fraud going undetected is increased.

**Recommendation 2.6**

Management should develop and implement a formal, documented management monitoring process to ensure the accuracy and validity of EFT details. The process should include scheduled reviews of EFT banking changes using the Audit Trails functionality in Microsoft Dynamics GP. Red-flag data changes, such as changes in banking details and change backs, should be identified, and followed up on. The person responsible for reviewing Audit Trails should not have the ability to change EFT information. Additionally, the monitoring process should include an analysis of EFT usage for vendors and overall compliance with policy.

**Management Response and Action Plan 2.6**

Monitoring of EFT banking changes and additions are currently performed weekly. EFT processes will be documented as part of vendor master file procedures to be completed in 2021.

**Conclusion 2.6**

The recommendation will be implemented as stated above.

**Action By:** Manager, Financial Services

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain

**Issue 2.7 - Policy and Procedure**

The audit determined that the processes of adding a vendor and generating the EFT payment file were outlined in work-flow documents. These documents generally included “how-to” screenshots of the related activity and corresponding explanatory notes. Management should be commended for having workflows outlining these important activities.

However, additional policy and procedure should be developed and implemented to govern EFT activities, as no formal EFT policy was in effect at the City. Therefore, important processes such as EFT authorization, review, validation, and monitoring were not documented, and roles and responsibilities were not formally defined. This lack of policy can cause accountability and efficiency issues.

**Recommendation 2.7**

Management should develop and implement formalized EFT policy and procedures to ensure consistency of EFT practices and establish accountability. Processes such as EFT

authorization, review, validation, and monitoring should be documented, and related roles and responsibilities should be formally defined in policy.

**Management Response and Action Plan 2.7**

Operating procedures will be developed during 2021.

**Conclusion 2.7**

Management intends to resolve this issue through the development of operating procedures. Management also indicated during subsequent discussions that they will develop a formal policy as time and resources permit.

**Action By:** Manager, Financial Services

**Action Date:** December 2021

**Information Only:** DCM, Finance and Administration  
Manager, Supply Chain

## ***Section 3 – Wire Transfer Payments***

### **Issue 3.1 - System Administration**

A listing of access rights for the RBC Express wire transfer payment service was obtained during the audit indicating that the Manager of Financial Services, Manager of Budget & Treasury, and the Deputy City Manager of Finance & Administration are administrators on the system. Administrators have permissions on all accounts and therefore it is possible for an administrator to both create a wire transfer payment and approve a wire transfer payment. However, due to the dual approval function for wire transfer payments, any wire transfer payment initiated and approved by an administrator would need approval from a second approver.

Nevertheless, this control could be overridden as audit testing showed that administrators could independently change the system from dual approval to single approval. Therefore, there is a risk that an administrator could change the approval rules to a single approver and then initiate and approve a fraudulent payment. Given that many of the wire transfer payments exceed a million dollars, this is a significant risk for the City.

Internal Audit determined that there may be a dual administration feature available in RBC Express. This control, when activated, would require a second administrator to approve another administrator's changes, thereby significantly strengthening internal controls.

### **Recommendation 3.1**

Management should contact RBC and if possible, setup dual administration in RBC Express. Dual administration requires a second administrator to approve another administrator's changes (i.e., changing from dual approval to single approval), thereby significantly strengthening internal controls.

### **Management Response and Action Plan 3.1**

Dual administration has been set up on RBC Express, all changes now require dual approval.

**Conclusion 3.1**

Management indicated that the recommendation has been implemented as stated above.

**Action By:** Manager, Financial Services

**Action Date:** Complete

**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury

**Issue 3.2 - System Access and Segregation of Duties**

Our review of access rights for the wire transfer payment service identified additional access and segregation of duties issues. The review determined that a Supervisor in Payroll had access to both initiate and approve wire transfer payments. This is not in line with best practices which state that employees should not have the ability to approve their own transactions. Subsequent follow-up also indicated that this person was no longer involved in the wire transfer payment process and did not utilize wire transfer payments in their current role. Consequently, the Supervisor does not require access rights to the wire payment service.

**Recommendation 3.2**

- i) Management should review employee access rights in RBC Express to ensure an appropriate segregation of duties is implemented. Employees should not have the ability to both create and approve a wire transfer payment.
- ii) Management should review employee access rights in RBC Express to ensure they are appropriate. Employees, such as the Payroll Supervisor, should not have access to wire payments in RBC Express if they do not require it to perform their job duties.

**Management Response and Action Plan 3.2**

Management is in the process of reviewing all employees set up in RBC Express and their access. Changes will be made to ensure compliance to this recommendation.

**Conclusion 3.2**

The recommendations will be implemented as stated above.

**Action By:** Manager, Financial Services

**Action Date:** June 2021

**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury

**Issue 3.3 - Wire Transfer Payment Documentation and Review**

Audit testing included recalculating sampled wire transfer payments and requesting supporting documentation for the payments. While management was able to provide documentation verifying the accuracy of payment amounts, it was difficult for management to provide supporting data for the accuracy of banking details related to individual wire transfer payments. In one instance management was unable to provide acceptable documentation regarding wire bank details of a recurring payee. While absolutely no fraudulent activity was suspected, it did highlight the need for better documentation regarding wire transfer payments.

Unlike the EFT process, wire transfer payees were not supported by any standardized form. Instead, wire transfer payments were generally made via a template in RBC Express. Templates capture payee information such as name, banking details, routing number, etc. and the information is saved within RBC Express for future recurring use. Templates, when initially setup, must be approved by an approver within the system.

Our review noted that many of the templates were setup a number of years ago and lack adequate documentation, thereby increasing the risk of inaccurate and/or fraudulent payment. The development of a standardized wire authorization form, similar to the EFT form, would help mitigate these risks as it could capture pertinent wire transfer payment details. Such details could then be used to create payee templates, with the form acting as a supporting document for the template. The forms would require independent



validation like the EFT process, and also require management review when approving templates.

Furthermore, system access reports showed that some wire transfer payment users could create non-recurring wire payments. These non-recurring payments do not use a historical template to facilitate payment. Instead, the user themselves enters the pertinent wire transfer payment details including bank account information. As such, there was a risk that a user may initiate a fraudulent payment into a personal bank account but disguise it as a legitimate recurring payment. Removing the ability to create non-recurring wire transfer payments, and also ensuring all wire payments are made via preapproved templates, would mitigate this risk.

In addition to the standardized forms, it is best practice that documentation showing the accuracy and validity of each wire transfer payment is provided to the approver for review. Management indicated that this was not always happening due to the nature of the recurring wire transfer payments. Consequently, the risk of making an inaccurate or invalid payment was heightened. Ensuring that adequate documentation is provided to approvers would help reduce these risks and also strengthen the audit trail.

### **Recommendation 3.3**

- i) Management should develop and implement a wire authorization form, similar to the EFT form, to formally document wire details (e.g., bank account number, routing #, etc.) for each payee. Information in the wire authorization form should be used to create payee templates in RBC Express. Prior to template approval, these forms should be reviewed by management and validated for legitimacy by an employee who cannot initiate a wire payment.
- ii) Management should ensure that all wire payments are made via template and template details are supported by the wire authorization form.

- iii) Management should review its template listing to ensure that all templates are actively being used. Any template that is no longer active should be deleted.
- iv) To ensure accuracy and protect against possible fraudulent payments, management should ensure approvers review appropriate supporting documentation before approving wire transfers and that the documentation is retained for audit purposes.

### **Management Response and Action Plan 3.3**

- i) Management will ensure validation of the source document prior to setting up a wire template in RBC Express.
- ii) As part of recommendation 3.2 employee access rights will eliminate the ability to create wires without using a template.
- iii) Review of templates has been completed and any no longer being used have been deleted.
- iv) Schedule of recurring wire payments is prepared annually and used by employee preparing the transfer as well as the approver as supporting documentation. Management will ensure supporting documentation will be provided to the approver for verification.

### **Conclusion 3.3**

The recommendations will be implemented as stated above.

**Action By:** Manager, Financial Services

**Action Date:** June 2021

**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury

**Issue 3.4 - Summary Reports**

Scheduled review of summary payment reports is a best practice detective internal control that is typically part of the wire payment process. These summary reports, which outline all of the wire payments transferred during a given period, are usually reviewed, and approved by a manager high enough in the division to act upon any noted issues. However, to ensure an adequate segregation of duties, the manager does not have the ability to approve wire transfer payments. Detective internal controls such as this are especially relevant if there is a breakdown in preventive controls.

Discussions with management during the audit determined that summary reports were not reviewed in relation to wire payments. This increases the risk that errors or fraud may go undetected.

**Recommendation 3.4**

Management should ensure that monthly summary reports are prepared with respect to wire transfers paid. These reports should be reviewed and signed off by a senior finance official who does not have the ability to approve wire payments and be retained for future reference. Any identified irregularities should be immediately investigated.

**Management Response and Action Plan 3.4**

A monthly summary report of wire payments will be prepared by Manager, Budget and Treasury, and submitted for review and sign off by the DCM, Finance and Administration. To ensure proper segregation of duties, the DCM, Finance & Administration will be removed from the approval queue for approval of wire payments, except for when required as back up in circumstances when one of the other three approvers is unavailable.

**Conclusion 3.4**

Management indicated that the recommendation has been implemented as stated above.

**Action By:** Manager, Financial Services**Action Date:** Complete**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury

### **Issue 3.5 - Wire Transfer Policy and Procedure**

Best practice suggests that wire transfer payment policies and/or procedures be robust enough to provide direction to employees on all aspects of the wire transfer payment process. This would normally include formally defining the roles, responsibilities, and processes of the wire transfer payment activity in a written document that is available to all employees involved in the process.

Discussions with management determined that there is no policy or procedure in place regarding wire transfer payments. Lack of formal policy and/or procedures can increase the likelihood of errors and fraudulent activity and are critically important due to the large dollar value of some of the wire transfer payments made at the City.

### **Recommendation 3.5**

Management should develop policies and procedures that guide employees and provide direction on all aspects of completing a wire transfer payment. Areas such as usage, initiation and review, authorization limits, approval rules and related controls should be documented.

### **Management Response and Action Plan 3.5**

Operating procedures will be developed during 2021.

### **Conclusion 3.5**

Management intends to resolve this issue through the development of operating procedures. Management also indicated during subsequent discussions that they will develop a formal policy as time and resources permit.

**Action By:** Manager, Financial Services**Action Date:** December 2021**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury**Issue 3.6 - Wire Transfer Payments for Vendors**

To help maintain efficiency in the accounts payable process, vendors should be paid by EFT wherever possible. Through discussions with management the audit determined that a small number of vendors were typically paid by wire transfer instead of cheque or EFT. Management indicated that this is sometimes required when payment must be made to a vendor in a foreign currency. However, management also noted that it may be possible to transition some vendors paid by wire transfer to EFT payment.

Additionally, the audit identified that wire transfer payments were not included in the weekly payment vouchers that are approved during regular City Council meetings and as a result these payments were not being formally approved by Council.

**Recommendation 3.6**

- i) Management should identify vendors that are paid by wire transfer, and if possible, transition payment to these vendors to electronic funds transfer.
- ii) Management should ensure that wire payments are included on the weekly payment vouchers listing that is approved during the regular City Council meeting.

**Management Response and Action Plan 3.6**

- i) Any vendors previously paid by wire have been transitioned to EFT. Only in extenuating circumstances do we send vendor payment using wire transfer.
- ii) When monthly summary report of wire payments is reviewed and signed off by DCM, Finance and Administration (recommendation 3.4), the total monthly wires will be

added to the next weekly payment voucher listing to be approved during regular City Council meeting.

**Conclusion 3.6**

Management indicated that the recommendations have been implemented as stated above.

**Action By:** Manager, Financial Services

**Action Date:** Complete

**Information Only:** DCM, Finance and Administration  
Manager, Budget and Treasury

## **Section 4 – Other Issues**

### **Issue 4.1 - Fraud Training**

During the audit, several tests were performed in an effort to identify any fraudulent vendors or activity. These procedures did not identify any VMF, EFT or wire transfer payment activity that would be indicative of fraud. However, through discussions with management, it was determined that employees involved with these processes had not received adequate fraud training.

Large frauds have recently happened in other Canadian municipalities<sup>1</sup> with losses of over \$1M being reported. These frauds involved phishing schemes that resulted in fraudulent wire transfers or EFT payments. Many of these phishing schemes share similar characteristics and therefore employee training on certain red flags that may be indicative of fraud would be beneficial. Providing such training to all employees involved with vendor management, EFT and wires would mitigate the risk of a similar fraud occurring at the City.

### **Recommendation 4.1**

Training related to how to identify and protect from potential phishing attacks and other fraud schemes related to VMF, EFT and wire transfer payment processes should be provided to all employees involved in these processes.

### **Management Response and Action Plan 4.1**

Appropriate training will be sought and provided where feasible.

### **Conclusion 4.1**

The recommendation will be implemented as stated above.

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<sup>1</sup> The cities of Ottawa, Burlington and Saskatoon fell victim to phishing schemes in 2019.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** September 2021

**Information Only:** DCM, Finance and Administration

### **Issue 4.2 - Vendor Forms**

A number of forms were utilized in relation to the VMF and EFT processes. These included the vendor add/change form used by Supply Chain, the cheque requisition form, the vendor EFT form, and the employee EFT form.

The audit identified possible areas of improvement for each form, however, management should consider combining all of the forms into one standardized vendor form. This would improve the vendor addition/change process by:

- Increasing the accuracy and completeness of the VMF by ensuring pertinent vendor details are obtained for all vendors.
- Making the process more streamlined and efficient for vendors as they only have to complete a single form.
- Improving the audit trail in that all vendors have supporting vendor forms.
- May increase EFT uptake for vendors, especially those vendors who receive one-time payments. The audit noted that only 1 percent of vendors setup in 2019 receiving one-off payments received payment by EFT.
- Reducing the overall number of paper forms used.



**Recommendation 4.2**

Management should consider developing a new standardized vendor form that can be used to capture information, including EFT information, from all types of vendors. Additionally, the following best practices should be considered when developing a new vendor form:

- The form should reference section 61(c) of the Access to Information and Protection of Privacy Act, 2015, which outlines a public body can collect personal information for the purpose of making a payment.
- The form should plainly state that vendor details will be validated, as this may dissuade fraudsters from submitting fraudulent EFT forms.
- The form should have an internal section noting that the vendor information has been validated and by whom.
- The form should clearly request direct contact information (e.g., a direct phone number instead of a general business phone number).
- The vendor completing the form should be required to sign and date the form.
- A “responsibility of the vendor” or similar disclaimer should be on the form that notes a supplier is required to notify the City promptly should vendor information change. The disclaimer should also note that the City will not be responsible for lost or delayed mail where address changes were not communicated in a timely manner.
- The form should require both the employee who enters the data in the VMF and the reviewer to sign and date the form.

- The form should be accompanied by detailed instructions explaining the different sections of the form and how to complete them.
- The form should request HST/GST registration numbers to ensure the validity of the City's input tax credit claims.

### **Management Response and Action Plan 4.2**

As part of a current CI project on procurement and requisitioning goods/services management has developed updated vendor forms for procurement vendors and EFT information.

A vendor form will not be required for non-purchasing type vendors i.e.: employees, refunds to individuals or businesses, legal claims, grants. The vendor detail for these type vendors comes from the expense claim or cheque request form.

### **Conclusion 4.2**

Management indicated that the recommendation has been implemented. Although all of the information has not been consolidated into a single form as suggested in the recommendation, management stated that the forms were reviewed, and that the purchasing vendor form and the EFT form have been updated.

**Action By:** Manager, Financial Services  
Manager, Supply Chain

**Action Date:** Complete

**Information Only:** DCM, Finance and Administration

**Development Permits List  
For the Period of April 1 to April 7, 2021**

Code	Applicant	Application	Location	Ward	Development Officer's Decision	Date
RES		Lot for Single Detached Dwelling	51 Spencer Street	2	Approved	21-04-07
COM	Pinnacle Engineering	Commercial Development	25 Sea Rose Avenue	1	Approved	21-04-07

<p><b>*</b></p> <p><b>Code Classification:</b></p> <p>RES - Residential      INST - Institutional</p> <p>COM - Commercial      IND - Industrial</p> <p>AG - Agriculture</p> <p>OT - Other</p>			
<p><b>**</b></p> <p>This list is issued for information purposes only. Applicants have been advised in writing of the Development Officer's decision and of their right to appeal any decision to the St. John's Local Board of Appeal.</p>			

**Lindsay Lyghtle Brushett**  
**Supervisor - Planning and Development**

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**Permits List**  
**Council's April 12, 2021 Regular Meeting**

Permits Issued: 2021/04/01 to 2021/04/07

**BUILDING PERMITS ISSUED**

**Residential**

<b>Location</b>	<b>Permit Type</b>	<b>Structure Type</b>
1 Carriage Lane	New Construction	Single Detached Dwelling
165 Frecker Dr	Renovations	Single Detached Dwelling
229 Airport Heights Dr	Renovations	Single Detached Dwelling
28 Meighen St	Accessory Building	Accessory Building
45 Ryan's Pl	New Construction	Single Detached Dwelling
56 Willenhall Pl	Accessory Building	Accessory Building
67 Bay Bulls Rd	New Construction	Single Detached Dwelling
7 Ballylee Cres	Accessory Building	Accessory Building
7 Derby Pl	Fence	Fence

This Week: \$604,800.00

**Commercial**

<b>Location</b>	<b>Permit Type</b>	<b>Structure Type</b>
10 Escasoni Pl	Renovations	Other
292 Water St	Change of Occupancy/Renovations	Eating Establishment
439 Kenmount Rd	Sign	Other
515 Kenmount Rd	Sign	Car Sales Lot
83 Duckworth St	Sign	Eating Establishment

This Week: \$196,000.00

**Government/Institutional**

<b>Location</b>	<b>Permit Type</b>	<b>Structure Type</b>
10 St. Clare Ave	Renovations	Church

This Week: \$6,000.00

**Industrial**

<b>Location</b>	<b>Permit Type</b>	<b>Structure Type</b>
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This Week: \$0.00

**Demolition**

<b>Location</b>	<b>Permit Type</b>	<b>Structure Type</b>
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This Week: \$0.00  
**This Week's Total: \$806,800.00**

**REPAIR PERMITS ISSUED:** **\$18,600.00**

**NO REJECTIONS**

YEAR TO DATE COMPARISONS			
April 12, 2021			
TYPE	2020	2021	% Variance (+/-)
Residential	\$4,715,261.94	\$8,126,397.39	72
Commercial	\$22,978,838.22	\$7,984,615.44	-65
Government/Institutional	\$131,000.00	\$779,941.00	495
Industrial	\$3,000.00	\$4,000,000.00	133233
Repairs	\$93,350.00	\$1,712,210.00	302
<b>TOTAL</b>	<b>\$27,921,450.16</b>	<b>\$22,603,163.83</b>	-19
Housing Units (1 & 2 Family Dwelling)	7	23	

Respectfully Submitted,

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Jason Sinyard, P.Eng., MBA  
 Deputy City Manager  
 Planning, Engineering and Regulatory Services

# MEMORANDUM

## **Weekly Payment Vouchers For The Week Ending April 7, 2021**

### **Payroll**

<b>Public Works</b>	<b>\$ 542,898.61</b>
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<b>Bi-Weekly Casual</b>	<b>\$ 18,348.05</b>
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<b>Accounts Payable</b>	<b>\$ 2,277,743.67</b>
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*(A detailed breakdown available [here](#))*

<b>Total:</b>	<b>\$ 2,838,990.33</b>
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# ST. JOHN'S

DEPARTMENT OF FINANCE

CITY OF ST. JOHN'S PO BOX 908 ST. JOHN'S NL CANADA A1C 5M2 WWW.STJOHNS.CA

# BID APPROVAL NOTE

**Bid # and Name:** 2021024 - Supply & Delivery Swimming Pool Chemicals  
**Date Prepared:** Wednesday, April 7, 2021  
**Report To:** Regular Meeting  
**Councillor and Role:** Councillor Sandy Hickman, Public Works  
**Ward:** N/A

**Department:** Public Works  
**Division:** City Buildings  
**Quotes Obtained By:** Sherri Higgins  
**Budget Code:** 7130-55405 7131-55405 7140-55405 7142-55405  
**Source of Funding:** Operating

**Purpose:**

The City owns/operates a number of pools and splash pads that need daily maintenance in order to function properly. Part of this daily maintenance is monitoring and adjusting water chemistry. The swimming pool chemical tender provides the materials needed to complete this essential work.

**Results:** ☒ As attached ☐ As noted below

Vendor Name	Bid Amount

**Expected Value:** ☐ As above  
☒ Value shown is an estimate only for a 1 year period. The City does not guarantee to buy specific quantities or dollar value.

**Contract Duration:** Three years with the option to renew for one year

**Bid Exception:** None

**Recommendation:**

That Council award this open call to the lowest bidders per section meeting specifications: Section 1 - White's Pools and Spas Limited for \$849.40 per year, Section 2 – Rockwater Professional Products for \$17,999.00 per year, and Section 3 - Rockwater Professional Products for \$30,940.50 per year (HST excluded from all values) as per the Public Procurement Act.

**Attachments:** 2021 – Bid Summary

# ST. JOHN'S





### Report Approval Details

Document Title:	2021024 Supply and Delivery Swimming Pool Chemicals.docx
Attachments:	- 2021024 - Bid Summary.pdf
Final Approval Date:	Apr 7, 2021

This report and all of its attachments were approved and signed as outlined below:

**Rick Squires - Apr 7, 2021 - 12:16 PM**

**Derek Coffey - Apr 7, 2021 - 1:06 PM**

## 2021024 - Supply & Delivery Swimming Pool Chemicals

	White's Pools and Spas Limited	Rockwater Professional Products
Section 1	<u>\$ 849.40</u>	\$ 1,243.00
Section 2	No Bid	<u>\$ 17,999.00</u>
Section 3	\$ 35,421.10	<u>\$ 30,940.50</u>

# BID APPROVAL NOTE

**Bid # and Name:** 2021056 – Supply and Delivery of Rainwear  
**Date Prepared:** Thursday, April 8, 2021  
**Report To:** Regular Meeting  
**Councillor and Role:** Councillor Shawn Skinner, Finance & Administration  
**Ward:** N/A

**Department:** Finance and Administration  
**Division:** Supply Chain  
**Quotes Obtained By:** Jessica Squires  
**Budget Code:** Charged to various user operating budgets as required  
**Source of Funding:** Operating

**Purpose:**

To provide Rainwear to City employees. These items will be stocked in the City's central stores to ensure accessibility on an as required basis.

**Results:** ☒ As attached ☐ As noted below

Vendor Name	Bid Amount

**Expected Value:** ☐ As above  
☒ Value shown is an estimate only for a 1 year period. The City does not guarantee to buy specific quantities or dollar value.

**Contract Duration:** 2 years, with an option for up to 2 additional 1-year extensions.

**Bid Exception:** None

**Recommendation:**

That Council award open call 2021056 – Supply and Delivery of Rainwear, to the lowest bidder meeting the specifications, D'Costa Marketing Limited for \$29,060.20 (including HST), as per the Public Procurement Act. There is a price escalation allowance which is up to a maximum of the appropriate CPI index for years 3 and beyond.

**Attachments:**

# ST. JOHN'S

### Report Approval Details

Document Title:	2021056 - Supply and Delivery of Rainwear.docx
Attachments:	- Spreadsheet for Council.pdf
Final Approval Date:	Apr 8, 2021

This report and all of its attachments were approved and signed as outlined below:

**Rick Squires - Apr 8, 2021 - 8:59 AM**

**Derek Coffey - Apr 8, 2021 - 9:01 AM**

<b>Appendix C - Pricing - Rainwear</b>		
D'Costa Marketing Limited	<u>Submission 1</u>	<b>\$29,060.20</b>
Source Atlantic Ltd	<u>Submission 1</u>	\$29,377.69
Rock Safety Industrial Ltd.	<u>Submission 1</u>	\$29,810.53
NORTH ATLANTIC SUPPLIES	<u>Submission 1</u>	\$30,116.43
Vallen Canada Inc	<u>Rainwear Bid 2</u>	\$30,457.59
Vallen Canada Inc	<u>Submission 1</u>	\$32,950.95
Spartan Industrial Marine Ltd.	<u>Submission 1</u>	\$31,144.69
Professional Uniforms and Mats	<u>Submission 1</u>	\$37,533.59
CharlesJones Industrial Ltd.	<u>Submission 1</u>	\$37,533.70
Bellman's Industrial Supply	<u>Submission 1</u>	\$45,684.10
Derks Formal LTD.	<u>Submission 1</u>	\$171,673.76
MWG Apparel Corp.	<u>Submission 1</u>	\$292,192.00

# DECISION/DIRECTION NOTE

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**Title:** Sale of City Land Adjacent to 78 McNiven Place

**Date Prepared:** April 7, 2021

**Report To:** Regular Meeting of Council

**Councillor and Role:** Councillor Deanne Stapleton

**Ward:** Ward 1

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## Decision/Direction Required:

Recommendation on the sale of City land adjacent to 78 McNiven Place, outlined in blue on the attached diagram.

## Discussion – Background and Current Status:

The owner of 78 McNiven Place has approached the City requesting to purchase a strip of land between his property and the McNiven Place ball field. This request was circulated amongst the required City departments with no objections noted.

The purchase price has been established at a rate of \$3.50 per square foot, plus HST and administrative fees. The exact area requested will be confirmed by a survey which will be provided by the property owner.

## Key Considerations/Implications:

1. Budget/Financial Implications: City to received \$3.50 per square foot for the sale of the land, plus administrative fees.
2. Partners or Other Stakeholders: N/A
3. Alignment with Strategic Directions/Adopted Plans: An Effective City
4. Legal or Policy Implications: A Deed of Conveyance will have to be prepared
5. Privacy Implications: N/A
6. Engagement and Communications Considerations: N/A
7. Human Resource Implications: N/A
8. Procurement Implications: N/A

# ST. JOHN'S

9. Information Technology Implications: N/A

10. Other Implications: N/A

**Recommendation:**

That Council approve the sale of City land adjacent to 78 McNiven Place, as outlined in blue on the diagram below.

**Prepared by:** Andrew Woodland, Legal Counsel

**Approved by:** Cheryl Mullett, City Solicitor



**Report Approval Details**

Document Title:	Sale of City Land Adjacent to 78 McNiven Place.docx
Attachments:	
Final Approval Date:	Apr 8, 2021

This report and all of its attachments were approved and signed as outlined below:

**Cheryl Mullett - Apr 8, 2021 - 10:57 AM**



# DECISION/DIRECTION NOTE

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**Title:** Sale of City land on Robinson Place and Columbus Drive

**Date Prepared:** April 7, 2021

**Report To:** Special Meeting of Council

**Councillor and Role:** Councillor Jamie Korab, Community Services

**Ward:** Ward 3

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## **Decision/Direction Required:**

Recommendation on the sale of City land at Robinson Place and at Columbus Drive, as shown in the attached surveys.

## **Discussion – Background and Current Status:**

The owner of the Village Mall has approached the City requesting to purchase the parcel of land at the rear of their parking lot, fronting on Robinson Place and land at the rear of their property adjacent to Columbus Drive, as shown in the attached surveys. This request was circulated amongst the required City departments with no objections to the sale as long as an easement is retained over the foot path and the underground infrastructure on Robinson Place

Staff have valued the land at \$7.00 per square foot. The areas in question have a combined area of 17,631.29 square feet, resulting in a purchase price of \$123,419.03, plus HST and an administrative fee. The purchaser has already completed the survey, which are attached.

## **Key Considerations/Implications:**

1. Budget/Financial Implications: City to received \$123,419.03 for the sale of the land, plus HST and an administrative fee.
2. Partners or Other Stakeholders: The Village Mall
3. Alignment with Strategic Directions/Adopted Plans: An Effective City
4. Legal or Policy Implications: A Deed of Conveyance will have to be prepared
5. Privacy Implications: N/A
6. Engagement and Communications Considerations: N/A
7. Human Resource Implications: N/A

# ST. JOHN'S

8. Procurement Implications: N/A

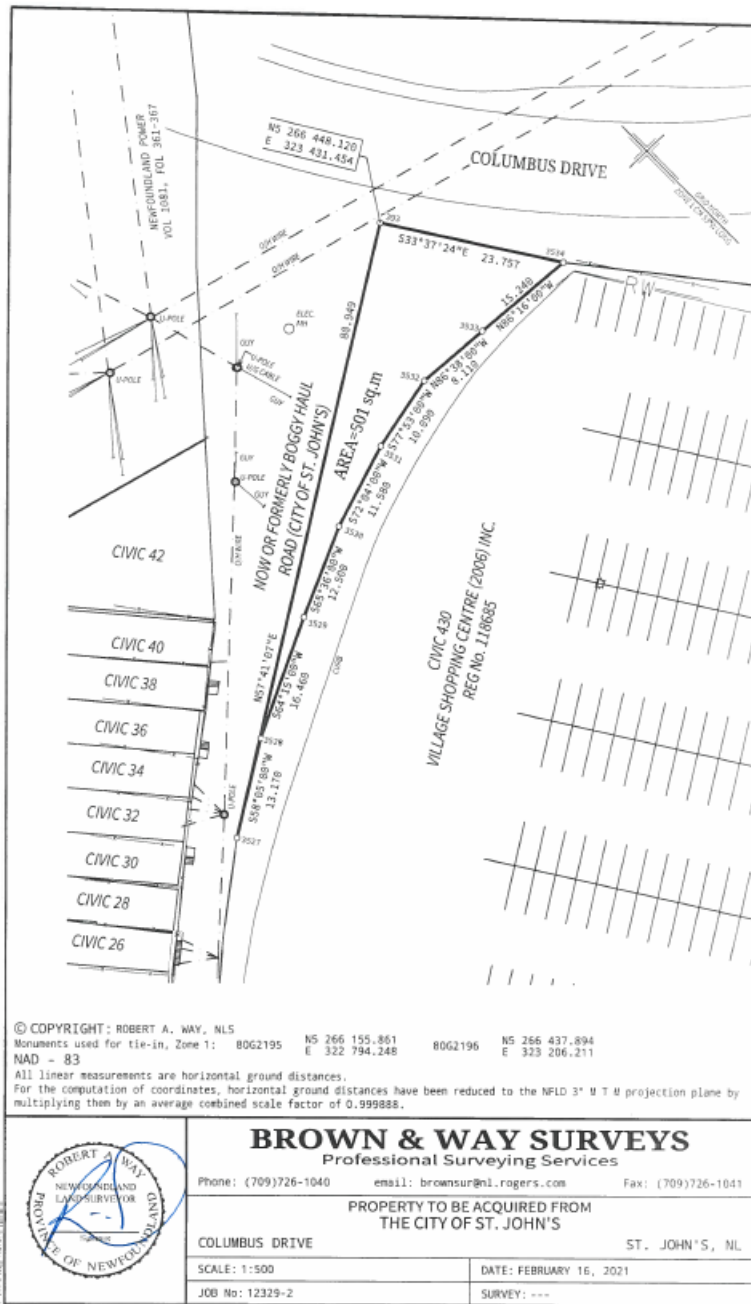
9. Information Technology Implications: N/A

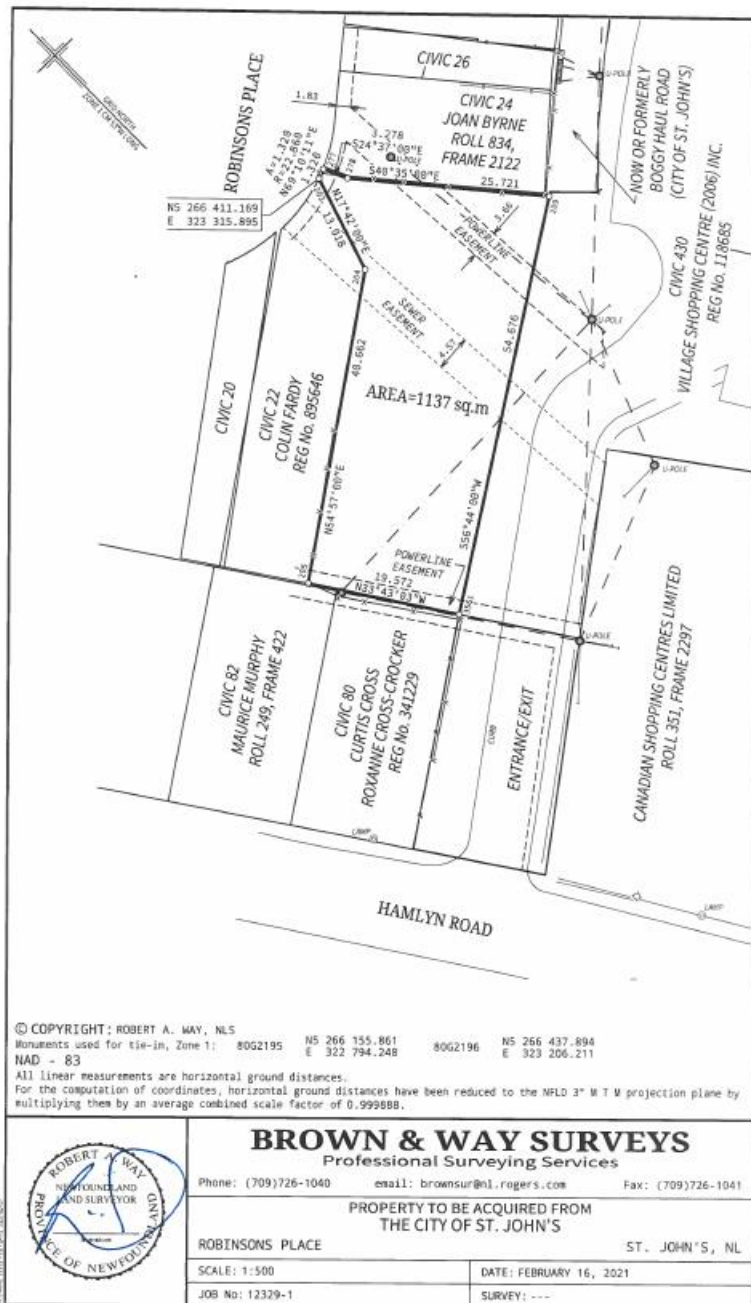
10. Other Implications: N/A

**Recommendation:**

That Council approve the sale of City land on Robinson Place and Columbus Drive, as shown in attached surveys

**Prepared by:** Andrew Woodland, Legal Counsel  
**Approved by:** Cheryl Mullett, City Solicitor





**Report Approval Details**

Document Title:	Sale of City Land on Robinson Place and Columbus Drive.docx
Attachments:	
Final Approval Date:	Apr 8, 2021

This report and all of its attachments were approved and signed as outlined below:

**Cheryl Mullett - Apr 8, 2021 - 11:03 AM**