

To: Chair & Committee Members, Audit Committee

Date: April 10, 2019

Areas Responsible: Derek Coffey, DCM – Finance & Administration
Richard Squires, Manager – Supply Chain

The Table below summarizes the pending issues from the Internal Audit of Receiving, Stores and Issuing # 13-02.

Recommendation	Status Update	Date
1.1 Management should prepare a policy and procedures manual for receiving, stores and issuing. The policy and procedures should be forwarded to the appropriate governance committee of Council for their review and approval.	Initial meetings have taken place and the Policy Note has been approved.	TBD <u>Previous Date(s):</u> TBD Mar 2017 Dec 2016
3.1 (ix) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should consider installing security cameras in the delivery/issuing area.	Estimates have been obtained and funding has been arranged. Installation expected before the end of the second quarter.	Jul 2019 <u>Previous Date(s):</u> TBD Jun 2017 Aug 2016

The following table summarizes the current status of all issues identified in the Internal Audit of Receiving, Stores and Issuing # 13-02.

Total Recommendations	Closed	Pending
28	26 (93%)	2 (7%)

Recommendation:

This is the fourth follow-up of the Receiving, Stores and Issuing report dated November 22, 2013. Due to the limited resources available to the Office of the City Internal Auditor and the fact that the report is now over five years old it is recommended to remove it from Internal Audit's follow-up list as per standard procedure.

The Table below summarizes the closed issues from the Internal Audit of Receiving, Stores and Issuing # 13-02.

Recommendation	Status Update	Date
2.1 (i) In order to improve the receiving process, management should ensure that the Stockroom Clerks date stamp all Packing Slips when goods are received.	Completed	Implemented Closed
2.1(ii) In order to improve the receiving process, management should have the requisitioner record the date the goods are obtained on the Packing Slip at the same time the signature is recorded.	Completed	Implemented Closed
2.1(iii) In order to improve the receiving process, management should ensure the "Central Stores Transfer Record" is properly completed.	Completed	Implemented Closed
2.2 Management should advise Stockroom Clerks to ensure that they sign their full name to all Receiving Reports.	Completed	Implemented Closed

Recommendation	Status Update	Date
2.3 (i) Internal Audit recommends that management of the Stockroom consult with management of the Regional Water Supply (RWS) and any other departments where similar issues are noted during the receipt of goods to determine if these departments can have any or all goods delivered directly to them and complete the receiving process.	Management indicated that the Buyer decides with input from the user department for each order as to where the goods should be delivered and who prepares the receiving report. July 2014	Implemented Closed
2.3 (ii) Internal Audit recommends that any exceptions to normal receiving procedures should be documented on the Purchase Order/Receiving Report and in the Dynamics GP system.	Completed	Implemented Closed
2.4 Internal Audit recommends that corresponding Packing Slips, Receiving Reports and Purchase Orders be attached and filed together.	Completed	Implemented Closed
3.1 (i) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should instruct supplier delivery personnel that they are to remain in the designated area.	Completed	Implemented Closed
3.1 (ii) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should ensure that purchasing staff do not have unrestricted access to the Stockroom. If purchasing staff require access to the Stockroom, they should be accompanied by a Stockroom employee.	Management advised it has been determined that 3 of the 4 buyers will not have access to the Stockroom. In order to ensure efficient operations and timely delivery of emergency repair parts for fleet vehicles it is necessary for the Garage buyer to continue to have access. February 2017	Partially Implemented Closed

Recommendation	Status Update	Date
<p>3.1 (iii) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should provide a washroom for purchasing employees that is separate from the Stockroom.</p>	<p>Completed</p>	<p>Implemented Closed</p>
<p>3.1 (iv) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should remind employees in the Fleet Division that they are to follow the procedures of requesting parts from the Stockroom employees and that they are not to enter the Stockroom unless accompanied by a Stockroom employee.</p>	<p>Management advised in the interim, a plexiglass barricade was installed which was later removed on 2015/03/06 once confirmation that tool box talks had taken place.</p>	<p>Implemented Closed</p>
<p>3.1 (v) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should advise Stockroom Clerks to request the assistance of another Stockroom Clerk to retrieve items that are heavy or difficult to lift. If another Stockroom Clerk is not available, then the Clerk should ask the employee requesting the item for assistance provided he/she wears the appropriate safety equipment and is accompanied by a Stockroom employee at all times.</p>	<p>Management indicated that the recommended process was the current practice, but they will send a reminder to staff.</p>	<p>Implemented Closed</p>

Recommendation	Status Update	Date
3.1 (vi) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should ensure that the Inventory Control Clerk does not have access to the Stockroom.	The Inventory Control Clerk position has been made redundant.	Implemented Closed
3.1 (vii) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should ensure Stockroom Clerks do not have access to the Inventory Control Clerk's office and receiving documents.	Completed	Implemented Closed
3.1 (viii) In order to increase controls over the Stockroom and potentially reduce the number of variances in the inventory count, management should consider having all employees with access to the Stockroom exit through one area that is monitored by management.	Originally, management advised they would review this by December 2014 to determine feasibility. In April 2015, they advised it was not feasible and the recommendation will not be implemented.	Not Implemented Closed
3.2 (i) Management should improve the layout and labeling system for the inventory when renovations are made to the building and meet with the Manager of Fleet Services to discuss any concerns and suggestions. Consideration should be given to hiring a consultant to review the inventory system.	Completed	Implemented Closed

Recommendation	Status Update	Date
<p>3.2 (ii) Management should explore the possibility of having:</p> <ul style="list-style-type: none"> a) the mechanic request the equipment part from the Parts Clerk and return to the garage. b) the Parts Clerk prepare the Pick List and print a copy inside the Stockroom counter or send it as an e-mail attachment to the Stockroom Clerk. c) the Stockroom Clerk advise the mechanic when the part is ready. <p>This would increase the productivity of the mechanics as they would not have to wait around for parts. This process should be monitored for a few weeks/months to see if any improvements can be made.</p>	<p>The new Manager of Fleet Services noted that Technicians currently order parts and return to work if it will take time to obtain the parts. He is currently assessing alternate means of contacting the Technicians when the parts are ready.</p>	<p>Implemented Closed</p>
<p>3.3 (i) To ensure (inventory) counts are performed completely and accurately and reviewed by the Supervisor, Stores and Manager, Materials, management should instruct the employees preparing count sheets and verifying count sheets to sign and date all Stock Count Forms.</p>	<p>Completed</p>	<p>Implemented Closed</p>
<p>3.3 (ii) To ensure (inventory) counts are performed completely and accurately and reviewed by the Supervisor, Stores and Manager, Materials, management should advise the Supervisor and Manager to review, sign and date the list of variances.</p>	<p>Completed</p>	<p>Implemented Closed</p>

Recommendation	Status Update	Date
3.4 In order to strengthen internal control, (inventory) adjustments such as the above (non-stock items changed to stock items) should be reviewed and approved by the Manager, Materials on a periodic basis.	Completed	Implemented Closed
3.5 To ensure that the appropriate inventory items are identified for deletion from inventory, the Operations Assistant – Fleet Services should review the list confirmed by the Senior Fleet Parts Clerk and return it to the Supervisor, Stores by e-mail or in paper form with the Clerk's and Operations Assistant's signature and date recorded on it.	Completed	Implemented Closed
3.6 In order to ensure that the appropriate inventory items are deleted from the inventory system and are properly approved, the Supervisor, Stores should key the list of items in the system and the Manager, Materials should review and approve them.	Completed	Implemented Closed
3.7 Management should instruct the Stockroom Clerk and the Inventory Control Clerk to record the measurements directly on the "Depot Tank Dip Reading" form and sign and date the form. Also, the Supervisor, Stores should sign and date the form after review and approval.	Completed	Implemented Closed

Recommendation	Status Update	Date
4.1 In order to strengthen internal control, management should ensure that the Pick List sections “Approved By” and “Issued To” are signed by different employees.	Completed	Implemented Closed
4.2 Management should ensure that all issuing documents (Pick Lists and Stock Issue forms) are signed properly and that proper procedures are included in the policy and procedures to cover the signing of these documents.	Completed	Implemented Closed
4.3 The Supervisor, Stores should investigate the reasons for the differences between the amounts indicated in the Smartlist and the “Sales Transactions Inquiry Zoom” screen and ensure the problem is resolved.	Management contacted Information Services which investigated the problem and found that the negative amounts are not posted anywhere; and, therefore, there is no effect to our information or reports.	Implemented Closed