



Audit Follow Up Report

May 31, 2014

To: Pre Audit Sub Committee

From: Brian Bigger, Auditor General

Re: Transit Kiosk and Cafe Contract Management

Audit Report Released	October 2011
Original # Of Recommendations	21
# Of Action Plans Previously Completed	19
# Of Action Plans Now Closed	21
# Of Action Plans On Next Follow Up	0
Status As Of May 31, 2014	Completed

Recommendation and Summary Of Progress (Note: Self assessment conducted by Finance Services)	Self-assessed Status
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Recommendation 9

Management should consider developing a new policy for determining the amount of the letter of credit. For example, the value of the contract as well as other risks (financial, operational, etc.) should be considered in establishing an amount for the letter of credit. The policy should consider instances where exceptions are made, how these exceptions are documented and what approvals are necessary.

- Fully or Substantially Implemented

Original Management Response

The City's construction contracts for capital projects have specific guidelines for the amounts that the City is to collect for bid deposits, bid bonds and letters of credit. Building on the guidelines in place for construction contracts, Purchasing, in consultation with Legal, will develop a policy and procedure that will apply to other types of contracts by the end of the first quarter of 2012.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

The City has established guidelines, and the draft purchasing by-law has been amended to state that the Authorized Person must approve the securities. However Supplies and Services will develop a formal written policy for Contract Securities (Letters of Credit). It is anticipated that this will be completed in Q1 2014

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

As part of the Purchasing By-Law renewal project, management has rewritten the RFP and Tender Procedures. The new procedures will contain an Appendix, which will document the City's established guidelines for Bid Deposits and Performance Guarantees. This is substantially complete, and will be finalized in June 2014.

Recommendation 17

In order to simplify lease administration and reduce the risk of payment errors, the City should develop a system to flag when lease and contract renewals are coming due.
Auditor Comments: This solution was identified by management, and the Auditor General agrees that this would improve internal controls. It is a normal internal audit practice to recommend improvements working cooperatively and with the advice of management.

- **Fully or Substantially Implemented**

Original Management Response

The AG has adopted a recommendation in this updated report that was put forward by management in its response to the original recommendation. A system to flag when lease and contract renewals are coming due is required. If there is an effective system in place, then the renewal date should not be an issue. We do not agree that it would be more beneficial to have all leases renewing on January 1 and further it is not common business practice. Renewing leases and contracts can be significant work and having it all occur for January 1 is not practical. Action plan described in item 2 above.

Actions Taken, Results and /or Actions Planned - As Of June 30, 2013

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013. In addition staff is pursuing the notification features within Procurement Contract Functionality in PeopleSoft.

Actions Taken, Results and /or Actions Planned - As Of May 31, 2014

Management continues to monitor contract renewals and expiry dates, on a decentralized basis. In addition, Supplies and Services is tracking expiry dates in Excel for Contracts that were awarded through a competitive bid solicitation. Also, Accounts Receivable reviews and monitors contracts for any overdue accounts.

As noted in the September 2013 City Council report on Procurement Contract Administration Policy, the City is also working on the implementation of the PeopleSoft Procurement Contract functionality and related business processes. Spyre Consulting was engaged to assist the City and this work was completed in March 2014. Finance is in the process of hiring a temporary ERP project manager to oversee the full implementation of the procurement contract functionality.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury