



TO: FINANCE AND RESPONSIBLE GOVERNANCE COMMITTEE

SUBJECT: 2023 Q4 INTERNAL AUDIT STATUS REPORT, 2023 FRAUD AND WRONGDOING PROGRAM ACTIVITY, 2023 SUMMARY OF INTERNAL AUDIT ACTIVITY AND 2024 INTERNAL AUDIT WORK PLAN

WARD: ALL

PREPARED BY AND KEY CONTACT: S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT, X5452

SUBMITTED BY: S. MACGREGOR, DIRECTOR OF INTERNAL AUDIT

GENERAL MANAGER APPROVAL: N/A

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That the 2023 Q4 Internal Audit Status Report be received as information.
2. That the 2023 Fraud and Wrongdoing Program Activity be received as information.
3. That the 2023 Summary of Internal Audit Activity attached as Appendix “C” to the Report to the Finance and Responsible Governance Committee dated January 31, 2024 be received as information.
4. That the 2024 Internal Audit Work Plan attached as Appendix “D” to the Report to the Finance and Responsible Governance Committee dated January 31, 2024 be approved.

PURPOSE & BACKGROUND

5. The purpose of this staff report is to: provide the 2023 Q4 Internal Audit Status Report, provide a summary of the 2023 Fraud and Wrongdoing Program Activity, provide a summary of all 2023 Internal Audit Activity, and approve the 2024 Internal Audit Work Plan.
6. The following table summarizes the Internal Audit activities performed from September to December 2023:

#	Project	Focus	Status
1	IPD Billable Rates (ATMH additional)	Compliance	Complete
2	IPD Billable Rates (Waste Water Treatment Facility Upgrade)	Compliance	In Progress
3	Fuel Cards	Process Review	Complete



#	Project	Focus	Status
4	Fraud & Wrongdoing Program Oversight	Consulting	Ongoing

ANALYSIS

**IPD BILLABLE RATES
ALLANDALE TRANSIT MOBILITY HUB – ADDITIONAL VENDORS**

Background

7. In March 2021, a Multi-Party Agreement (the “Agreement”) was signed between the City of Barrie, Process Lead, Design Lead and General Contractor for the design and construction of the Allandale Transit Mobility Hub (the “Project”).
8. During the Validation Phase, Vendors submitted invoices to the Project and team members’ hours were charged at billable hourly rates (the “Billable Rates”). Billable Rates are calculated by adding the following components: Direct Salary Expense (“DSE”), Payroll Burden Rate (“PBR”) and Overhead Burden Rate (“OBR”) to determine an individual’s Total Billable Rate = DSE + PBR + OBR.
9. In May 2022, the Validation Phase was completed and City staff recommended the IPD project delivery be replaced with a sequential project delivery module therefore the Agreement was ended.

Objective

10. To audit the Billable Rates charged by the Vendors during the Validation Phase of the Project to assess whether they are supported and include only approved expenses.

Procedures Performed

11. The following procedures were performed:
 - a) Reviewed Exhibit A of the Agreement - Terms and Definitions for Billable Rates;
 - b) Reviewed documentation provided by the Vendors to support the Billable Rates;
 - c) Performed an assessment of the Billable Rate components (DSE, PBR, OBR) billed to the Project to determine whether the Total Billable Rate is supported by verifiable information;
 - d) Reviewed publicly available information for employer payroll remittance rates; and
 - e) Discussions with the Vendors.

Conclusion

12. Based on the procedures performed, Total Billable Rates were assessed to be fully supported for 34 of 42 team members and partially supported for 8 team members. Based on total billings to the Project in the Validation Phase, 99.3% of the billable rates charged to the Project were assessed to be fully supported.



Findings

Billable Rates Assessment

13. In the audit of supporting documentation for Billable Rates, assessments were made to categorize Billable Rate components for the Vendor as follows:
- Fully supported – documentation provided supports the dollar value of the Total Billable Rate or a greater amount.
 - Partially supported – documentation provided does not support the dollar value of the Total Billable Rate.
 - Unsupported – no support was provided or documentation provided does not support any portion of the value for the Total Billable Rate.

Summary of Assessed Total Billable Rates

14. The Total Billable Rates Assessed are summarized in the table below:

Number of Vendors in this Report (Note 1)	Number of Team Members	Fully Supported Team Member Total Billable Rate (Note 2)	Partially Supported Team Member Total Billable Rate (Note 3)	% Billable Rates Charged Fully Supported (Note 4)
2	42	34	8	99.3%

Note 1. A total of 10 vendors billed hours to the Project during the Validation Phase. 8 of the Vendor audits were previously reported on March 29, 2023 and the remaining 2 Vendors are contained in this report.

Note 2. Supporting documentation for the Total Billable Rates was equal to or greater than the rates charged by the Vendors in the Validation Phase for 34 of the 42 team members. Accordingly, the 34 team members' Total Billable Rates were categorized as fully supported.

Note 3. Supporting documentation for DSE, PBR or OBR was less than the rates charged by the Vendors in the Validation Phase for 8 of the 42 team members. As a result, Total Billable Rates for these 8 team members were categorized as partially supported.

Note 4. Based on the total hours billed in the Validation Phase, 99.3% of the billable rates charged to the Project were assessed to be fully supported.

FUEL CARD REVIEW

Background

15. A Fuel Card is a payment card that allows the cardholder to purchase gasoline, diesel, and other fuel products at fuel stations. When fuel is purchased using a staff Fuel Card, the cost of the purchase is charged to the City of Barrie (the "City").
16. The Operations Department ("Operations") primarily oversees the administration and tracking of Fuel Cards at the City. Most Fuel Cards are assigned to City staff. However, some Fuel Cards are assigned to City vehicles.

17. The Director of Operations requested a review of Fuel Cards in 2021, which was added to the approved 2022 Internal Audit Plan. However, due to resource limitations, this review was postponed to 2023.

18. Our audit was the first time a review of Fuel Cards has been conducted at the City.

Objective

19. To assess the adequacy and effectiveness of internal controls surrounding staff Fuel Cards.

Methodology

20. Our scope of review included Fuel Card purchases from January 1, 2021 – September 30, 2023 (the “Period of Review”).

21. The following activities were performed:

- a) Discussions with:
 - City departments that utilize Fuel Cards including Operations, Development Services, Infrastructure, Waste Management & Environmental Sustainability, Barrie Fire & Emergency Service, Corporate Facilities, Recreation & Culture Services, Legislative & Court Services, and Transit & Parking, and
 - The City’s third-party fuel providers;
- b) Review of applicable controls, policies, and procedures surrounding Fuel Cards (i.e. *Gas Card Cardholder Agreement*, security protocols, etc.);
- c) Review of City staff or vehicles assigned Fuel Cards for appropriateness;
- d) Comparison of the City’s Fuel Card Tracking List (the “City’s Records”) to the third-party providers’ Fuel Card Tracking List (the “Provider’s Records”) to assess accuracy and completeness;
- e) Analysis of Fuel Card spend and purchases during the Period of Review to identify potential irregularities;
- f) Sample testing of irregular Fuel Card purchases identified to verify the reasonableness and validity of the transaction.

22. Our review only included Fuel Cards administered by the City of Barrie.

Conclusion

23. Based on the work performed, additional processes and procedures surrounding the administration, tracking, and monitoring of staff Fuel Cards are required. Our review identified areas of improvement to implement or increase the effectiveness of internal controls.

Implementation of Internal Audit’s recommendations will assist with the administration, tracking, and monitoring of Fuel Cards at the City.

Findings

24. The City primarily uses Fuel Cards from one third-party provider (the “Primary Provider”), which must be used at a designated cardlock fuel station (a fuel station designed for business fleets that is not open to the public).

25. In addition to the Primary Provider, Barrie Fire & Emergency Service (BFES) also uses Fuel Cards from a secondary third-party provider (the “Secondary Provider”).

26. This findings in this report are divided into **2** sections:

- Section 1 – Primary Provider, and
- Section 2 – Secondary Provider.

Section 1 – Primary Provider

27. Fuel Cards issued by the Primary Provider are administered and tracked by the Operations department.

28. The following table summarizes the **Total Fuel Card Purchases with the Primary Provider** during the Period of Review:

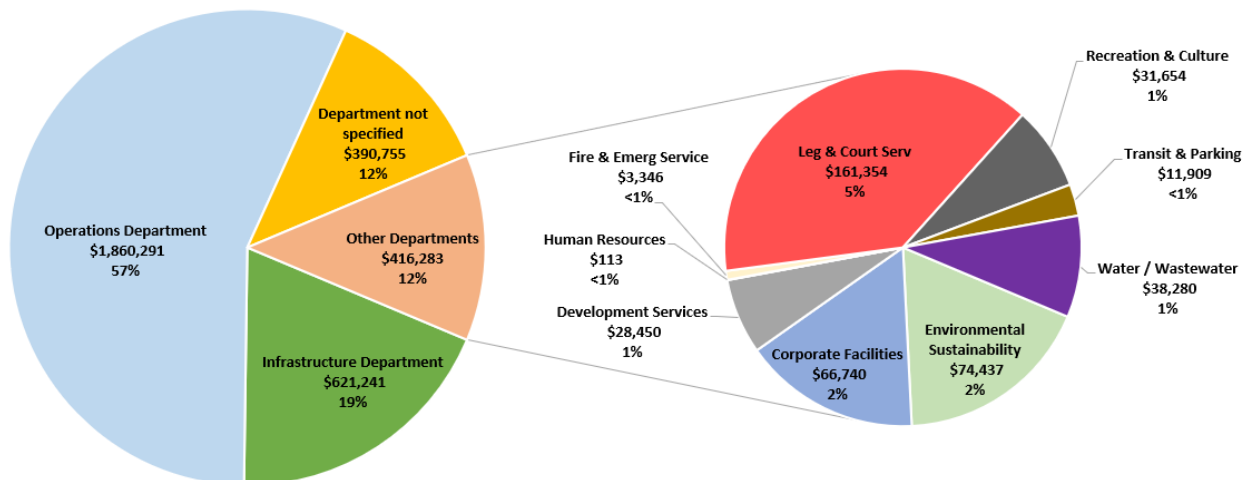
Year	Total Purchases (\$)
2021 (Note 1)	765,082
2022	1,531,642
2023 (Note 2)	991,846
Total	\$ 3,288,570

Note 1. Fuel Cards from the Primary Provider were issued to the City on April 1, 2021.

Note 2. The Total Purchases in 2023 is as of September 30, 2023.

29. Most Fuel Cards issued by the Primary Provider are assigned to City staff, with some assigned to City vehicles or designated as spare cards.

30. The following graph summarizes the **Total Fuel Card Purchases by Department**:



31. Operations employees accounted for the largest portion (57%) of Fuel Card purchases during the Period of Review.

Note: In the City's Records, there are Fuel Cards assigned to City vehicles, as well as Fuel Cards without an assigned cardholder. As a result, for these Fuel Cards, the City department was not specified at the time of the audit. Purchases made with these Fuel Cards are summarized in the "Department not specified" category.



Oversight

32. Our review identified that there are no Fuel Card policies and/or procedures formally outlining the roles and responsibilities of cardholders, cardholder management, and Operations.
33. Although Operations administers and tracks staff Fuel Cards issued by the Primary Provider, there is a lack of comprehensive oversight for Fuel Card administration, security protocols, tracking, purchase activity (transaction) monitoring, and disciplinary action for non-compliance.
34. As a result, although multiple City departments utilize Fuel Cards, only the Senior Manager of Operations Roads & Fleet reviews the invoices from the Primary Provider. Due to the significant volume of fuel purchased, it may be difficult for one reviewer to identify all irregular or suspicious transactions.
35. Additionally, as there are no formal Fuel Card security protocols, the physical security of assigned Fuel Cards is inconsistent among cardholders.

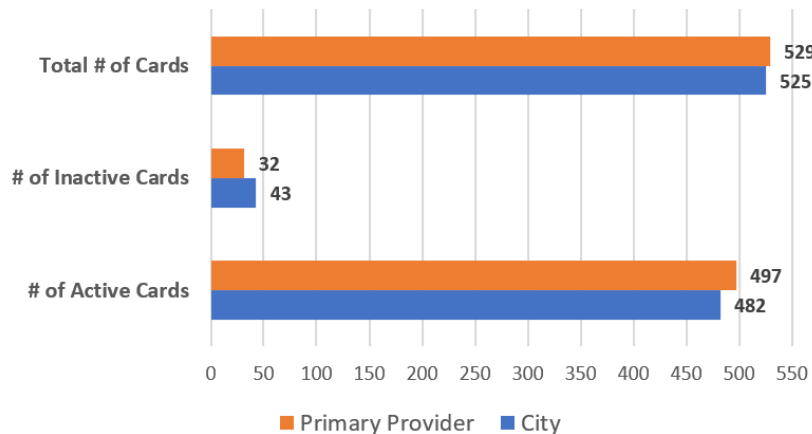
Fuel Card Administration

36. Our review identified that there is no formal approval process for administering Fuel Cards to employees, such as a request form and business justification.
37. As a result, there are 497 active Fuel Cards according to the Primary Provider's Records, which represents approximately 30% of active employees as of September 2023.
38. When an employee no longer requires a Fuel Card (such as when an employee is no longer with the City), the Fuel Card is returned to Operations. However, there is no formal procedure documenting how Operations should handle returned Fuel Cards.
39. As a result, returned Fuel Cards were reassigned to another employee (rather than deactivated) by Operations, making it difficult for the City to identify and trace potential Fuel Card misuse.
40. It is Operations' expectation that employees sign a *Gas Card Cardholder Agreement* ("Cardholder Agreement") prior to receiving a Fuel Card, which is a document that outlines high-level responsibilities of the cardholder. However, as completion of a Cardholder Agreement is not a formal requirement, this was not consistently performed.
41. A sample of 25 Fuel Cards was reviewed and for 11 of 25 (44%) cards, a signed Cardholder Agreement was not completed or could not be located for the original and/or reassigned (current) cardholder.
42. Employees who are not assigned a Fuel Card may still use one as part of their regular duties if they operate a City vehicle, as some Fuel Cards are assigned to vehicles rather than City staff. Our review identified that employees who are not assigned a Fuel Card, but use a Fuel Card when operating a City vehicle, did not sign a Cardholder Agreement.

Fuel Card Tracking

City's Records vs. Primary Provider's Records

43. Internal Audit obtained an external list of Fuel Cards from the Primary Provider and identified discrepancies between the City's Records and the Primary Provider's Records. Specifically, differences were identified between:
- Total Active & Inactive Fuel Cards (cards included in the Primary Provider's Records but not included in the City's Records, and vice versa);
 - Assigned Employees/Vehicles; and
 - Fuel Card Status (whether the card is active/inactive).
44. The below table summarizes the **Total Active & Inactive Fuel Cards** included in the City's Records and the Primary Provider's Records:



Note 1. The Primary Provider's Records showed a total of 529 Fuel Cards, whereas the City's Records showed 525.

Note 2. 5 Fuel Cards included in the Primary Provider's Records were not included in the City's Records, and 1 Fuel Card included in the City's Records was not included in the Primary Provider's Records.

45. The below table summarizes the **Differences in Assigned Employees/Vehicles**, as well as the **Differences in Fuel Card Status** between the City's Records and the Primary Provider's Records:

Discrepancy Type	Difference in Assigned Employee/Vehicle (Note 1)	Difference in Fuel Card Status (Active/Inactive) (Note 2)
# of Active Fuel Cards	74	22
# of Inactive Fuel Cards	4	11
Total	78	33

Note 1. 78 Fuel Cards included in the Primary Provider's Records were assigned to a different employee or vehicle than the City's Records.



Note 2. 33 Fuel Cards included in the Primary Provider's Records had a different Fuel Card Status than the City's Records. Of the 33 cards identified, 22 were active according to the Primary Provider's Records but inactive according to the City's Records, while 11 were inactive according to the Primary Provider's Records but active according to the City's Records.

46. Reasons for differences between the City's Records and the Primary Provider's Records include:
- An external list of Fuel Cards from the Primary Provider (including the assigned employee/vehicle and card status) not previously requested/reviewed by the City; and
 - No formal, comprehensive Fuel Card policy resulting in reassignment of returned Fuel Cards by Operations (rather than deactivation).

Accuracy of City's Records

47. Confirmation requests were sent to a sample of 25 employees to verify the Fuel Card number in their possession matched the City's and the Primary Provider's Records.
48. For 11 of 25 employees (44%), the Fuel Card number possessed by the employee did not match or only partially matched (i.e. employee was assigned multiple Fuel Cards but only had one in their possession) the City's and/or the Primary Provider's Records.
49. Inaccuracies in the City's Records were not previously identified by Operations, as there is no formal process in place to periodically confirm the Fuel Card numbers in each department's possession.
50. However, based on the work performed, the assigned employees and vehicles in the City's Records appear to be more accurate than the Primary Provider's Records.
51. Therefore, observations included in the report are based on the assigned employee or vehicle according to the City's Records. However, Fuel Card Status (whether the card is active or inactive) is based on the Primary Provider's Records.

Duplicate Fuel Card Assignments

52. Our review identified 11 instances where an employee or vehicle was assigned more than one Fuel Card according to the City's Records, as there is no formal process in place to identify duplicate card assignments.
53. However, only 3 of 11 (27%) instances identified were confirmed as duplicate card assignments. The remaining instances identified were due to incorrect or outdated Fuel Card assignments in the City's Records.

Fuel Cards Assigned to Inactive/Invalid Employees & Vehicles

54. Our review identified 77 Fuel Cards assigned to inactive employees, of which 68 cards were active as of the audit date.
55. Of the 77 Fuel Cards assigned to inactive employees, 16 cards were used after the employee's termination date (14 of which were active). Purchases totaling **\$52,743** were made after the assigned employee's termination date during the Period of Review.
56. However, it was identified that the Fuel Cards were either in another employee's possession, or returned to Operations and not documented in the City's Records. Therefore, no evidence of Fuel Card misuse was identified.



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57. In addition to the 77 Fuel Cards assigned to inactive employees, 1 active Fuel Card was assigned to an employee who was not in the City's Payroll system. Purchases totaling **\$4,370** were made during the Period of Review with this card.
58. However, it was identified that this Fuel Card was in an active employee's possession, which was not accurately reflected in the City's Records. Therefore, no evidence of misuse was identified.
59. Our review identified 22 Fuel Cards (all of which were active) assigned to vehicles identified as "inactive" in the City's Fleet Management Software. However, we did not identify instances where fuel was purchased after the disposal or out of service date.
60. Fuel Cards assigned to invalid/inactive employees or out of service vehicles were not identified by Operations due to the following:
- a) The City's *Offboarding Checklist* is a list that identifies specific assets to be returned by employees to the City upon their departure, which is maintained by HR. However, Fuel Cards are not specifically listed as an item to be returned; and
 - b) There is no formal process to identify Fuel Cards assigned to inactive employees and/or vehicles. However, we recognize that City departments are responsible for communicating with Operations when an employee assigned a Fuel Card leaves the City.
61. There were 23 active Fuel Cards in the City's Records that did not have an assigned employee or vehicle at the time of the audit, but were used to purchase fuel. Purchases totaling **\$98,380** were made with these cards during the Period of Review. We were unable to confirm whether these purchases were made by an active City employee.

Transaction Monitoring

Fuel Cards Usage

62. Our review identified that 143 of 497 (29%) active Fuel Cards have not been used since 2022 or prior. Specifically, the following was identified:
- a) 98 active Fuel Cards had not been used since 2021; and
 - b) 45 active Fuel Cards had not been used since 2022.
63. Fuel Cards may have been assigned to employees who did not require them, as there is no formal approval process (including a business justification) for administering Fuel Cards. This may have resulted in infrequent or zero purchase activity on these cards.
64. Infrequently used cards were not identified by Operations as there is no formal process in place to periodically identify Fuel Cards that have not been used in a prolonged period.

Tank Capacity

65. The City has a Fleet Management Software, which is used to track the City's fleet inventory and maintenance.
66. Fuel tank capacity, which is a key measure for identifying irregular fuel purchases (i.e. purchases exceeding the vehicle's tank capacity), is not stored in the City's Fleet Management Software.
67. As a result, the City's Fleet Management Software does not automatically flag purchases exceeding a vehicle's tank capacity, even though it is capable of doing so.



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68. As tank capacity is not stored in the City's Fleet Management Software, Internal Audit used the manufacturer's and/or resale websites to determine the tank capacity for a sample of 8 vehicles.
 69. Based on the sample of vehicles reviewed, no purchases exceeding the vehicle's tank capacity were identified.

Vehicle Information & Mileage

70. When purchasing fuel at the Primary Provider's fuel station, the cardholder must enter the Fuel Card PIN, their employee number, the vehicle number, and the odometer reading. Transaction information is subsequently uploaded to the City's Fleet Management Software to track vehicle use/mileage.
71. Although it is Operations' understanding that the vehicle number entered must be a valid City vehicle, our review identified 5 vehicle numbers entered by the cardholder that were not in the City's Fleet Management Software. Purchases totaling **\$536** were made for the 5 vehicle numbers identified. We were unable to confirm whether these purchases were made for an active City vehicle.
72. In addition, the odometer reading is not a validated field (i.e. any value can be entered). Based on a sample of 10 vehicles reviewed, 486 fuel purchases were identified where the odometer reading entered was less than the prior odometer reading, making it difficult for the City to verify that the volume of fuel purchased aligns with the distance travelled.

Fuel Types Purchased

73. Cardholders must enter the City vehicle number when purchasing fuel at the Primary Provider's fuel station.
74. Each City vehicle is assigned a specific fuel type in the Primary Provider's system. Unassigned fuel types should not be authorized for purchase for that vehicle.
75. The City provided a list of vehicles with their fuel specifications (a "Fleet Inventory List"), to the Primary Provider when the Fuel Cards were issued (April 2021), which was used to determine the fuel specifications for City vehicles.
76. An external Fleet Inventory List from the Primary Provider was requested to assess whether there were differences in fuel specifications between the City and the Primary Provider. However, as of the audit date, the Primary Provider advised that a list of all City vehicles, including their fuel specifications, was not an available report.
77. As a result, we were unable to perform a full comparison of the fuel specifications included in the Primary Provider's Records against the City's Records to confirm accuracy and completeness.
78. In addition to City vehicles, cardholders are required to enter a designated vehicle number for rental units and/or jerrycans. There is a designated rental vehicle number for each type and grade of fuel purchased (i.e. premium gasoline, regular gasoline, diesel, etc.) in the City's Fleet Management Software.
79. Based on the work performed, cardholders are not consistently entering the correct vehicle numbers when purchasing fuel. Additionally, 57 City vehicles (including two designated rental



vehicle numbers) in the Primary Provider’s system were authorized for multiple types of fuel purchases, which is inconsistent with the fuel specifications in the City’s Fleet Management Software and/or the specifications communicated to the Primary Provider.

- 80. As a result, purchases totaling **\$155,956** were made for fuel types that were not assigned to the City vehicle number entered. We were unable to confirm whether these purchases were made for the vehicle number entered by the cardholder.
- 81. Reasons for purchases of fuel types not assigned to the vehicle entered include the following:
 - a) Differences in assigned fuel types between the Primary Provider’s system and the City’s Records, which allowed cardholders to purchase multiple types of fuel for the same vehicle number; and
 - b) Cardholders not entering the correct rental vehicle number for the type of fuel being purchased (manual error).

Accuracy of Data in City’s Fleet Management Software

- 82. Instances of incomplete or incorrect data were identified in the City’s Fleet Management Software, such as incorrect fuel specifications entered for vehicles, missing fuel specifications for vehicles, and differences in vehicle status (i.e. vehicles sold but not updated in the City’s Fleet Management Software).
- 83. As a result, although we used certain data in the City’s Fleet Management Software to compare against the data in the Primary Provider’s system, we were unable to fully rely on the information in the City’s Fleet Management Software due to the limitations on completeness and accuracy.

Section 2 – Secondary Provider

- 84. In addition to Fuel Cards from the Primary Provider, BFES possesses 15 Fuel Cards from a Secondary Provider. Fuel Cards issued by the Secondary Provider are administered and tracked by BFES.
- 85. Fuel Cards issued by the Secondary Provider are all internally assigned to emergency vehicles. Fuel Card assignments are not tracked by the Secondary Provider.
- 86. The 15 Fuel Cards may be used by multiple BFES employees, depending on who is operating the vehicle.
- 87. Emergency vehicles are assigned Fuel Cards from both the Primary and Secondary Provider to enable the driver to fill up within their service response area or wherever they are within Barrie.
- 88. The following table summarizes the **Total Spend with the Secondary Provider** during the Period of Review:

Year	Total Spend (\$)
2021	42,373
2022	55,460
2023 (Note 1)	38,761
Total	\$136,594

Note 1. The Total Spend in 2023 is as of September 30, 2023.



Oversight

- 89. As identified for the Primary Provider, there are no comprehensive Fuel Card policies or procedures formally outlining the roles and responsibilities of card users, card user management, and BFES.
- 90. As a result, it is not clearly defined who is responsible for reviewing Fuel Card transactions and invoices from the Secondary Provider.

Fuel Card Administration

- 91. Although Operations utilizes a Cardholder Agreement for employees assigned a Fuel Card from the Primary Provider, employees who use the Secondary Provider's Fuel Cards are not required to sign a Cardholder Agreement.
- 92. The Secondary Provider's Fuel Cards are meant to supplement the Primary Provider's Fuel Cards so that employees can fill up emergency vehicles within their service response area.
- 93. However, there is no formal guidance documenting when BFES employees should utilize Fuel Cards issued by the Primary Provider vs. the Secondary Provider, such as a minimum distance from the Primary Provider's fuel station.
- 94. As a result, 11 BFES vehicles have active Fuel Cards from both the Primary Provider and the Secondary Provider, but 3 of 11 (27%) vehicles have only utilized one Fuel Card since 2022.

Transaction Monitoring

- 95. Our review identified that 4 of 15 (27%) Fuel Cards issued by the Secondary Provider have not been used since 2022.
- 96. Infrequently used cards were not previously identified, as there is no formal, recurring process in place to identify Fuel Cards that have not been used in a prolonged period.

Observations, Recommendations and Management Response

- 97. Observations identifying areas for improvement, recommendations and management's response are summarized in Appendix "A" and "B". The recommendations relate to the following areas:

Area	Primary Provider	Secondary Provider	Total
Oversight	1	1	2
Fuel Card Administration	3	2	5
Fuel Card Tracking	4	0	4
Transaction Monitoring	5	1	6
Total	13	4	17



2023 FRAUD & WRONGDOING PROGRAM SUMMARY

Background

98. The Fraud & Wrongdoing Program formalizes how City staff can report concerns of fraud or wrongdoing without fear of retaliation. In addition to the ability to report concerns directly to supervisors or other City employees, staff are also able to report with anonymity if desired by phone, through a website, or a P.O. Box, all of which are operated by an independent third party (Clearview Connects).

Findings

99. The Director of Internal Audit and Director of Legal Services are “Primary Reviewers” of reports received by Clearview Connects. If a reporter does not want the Primary Reviewers to see their report, they have the option of submitting a “Sensitive” report which is sent directly to the Chief Administrative Officer for review. The statistics presented do not include any Sensitive reports that may have been received by the City.

100. The number and method of submission for reports received by the City’s Fraud & Wrongdoing Program since its inception are set out below:

Method of Submission	# of Reports						
	2018	2019	2020	2021	2022	2023	Total
Website	15	6	3	5	1	6	36
Phone	4	0	3	0	1	1	9
P.O. Box	0	0	0	0	0	0	0
Direct to staff	3	6	8	5	9	1	32
Total	22	12	14	10	11	8	77

101. The types of reports received by the Fraud & Wrongdoing Program are set out below:

Report Type	# of Reports						
	2018	2019	2020	2021	2022	2023	Total
Unethical conduct	8	2	2	3	1	0	16
Violation of laws, regulations, policies, and procedures	4	3	3	1	4	3	18
Management/supervisor	3	0	0	1	0	0	4
Conflict of interest	3	2	3	2	2	2	14
Compensation and benefits	3	1	0	0	0	0	4
Workplace harassment	0	0	0	1	0	1	2
Fraud and theft	1	4	6	1	3	1	16
Harm to people/health & safety	0	0	0	0	1	1	2
Data and Privacy	0	0	0	1	0	0	1
Total	22	12	14	10	11	8	77



102. A summary of outcomes from reports received is set out below:

Outcomes	# of Reports						
	2018	2019	2020	2021	2022	2023	Total
Substantiated	7	4	6	4	8	4	33
Unsubstantiated	10	8	6	5	3	2	34
Insufficient information	2	0	0	0	0	0	2
Investigation in progress (Note 1)	N/A	N/A	N/A	N/A	N/A	2	2
Not applicable to Fraud & Wrongdoing	3	0	2	1	0	0	6
Total	22	12	14	10	11	8	77

Note 1: Reports previously identified as an “Investigation in progress” from prior years have been completed and the outcome has been reflected in the table above.

103. Outcome descriptions include:

- a) “Substantiated” refers to reports found through internal review to be accurate. Not all substantiated reports reflect unethical conduct but can identify the need for enhanced controls to reduce the risk of fraud or wrongdoing. In the 4 reports substantiated in 2023, actions were taken to improve processes and provide coaching to employees.
- b) “Unsubstantiated” refers to reports found through review not to be accurate. An unsubstantiated report can still highlight potential risks and control weaknesses that may need to be addressed.
- c) “Insufficient information” refers to reports that could not be fully reviewed due to limited information provided by the anonymous reporter.
- d) “Not applicable to Fraud & Wrongdoing” include questions related to Clearview Connects, logistic system access, or business questions for City departments rather than concerns related to ethics or violations of the Code of Conduct.

Conclusion

104. The Fraud & Wrongdoing Program continues to provide City staff with options for reporting concerns. Activity through the Program since its inception demonstrates that staff are utilizing these options which resulted in corrective action and improved internal controls at the City.

SUMMARY OF 2023 INTERNAL AUDIT ACTIVITY

105. The Internal Audit Charter states that Internal Audit will prepare an annual report to the Finance and Corporate Services Committee summarizing all activity for the previous year showing the status of work against the approved plan.

106. A summary of the 2023 Internal Audit activity is attached in Appendix “C”.

INTERNAL AUDIT WORKPLAN FOR 2024

107. The Internal Audit Work Plan for 2024 included in Appendix “D” was developed from an identification of risk areas by the Director of Internal Audit with input from the Executive Management Team (EMT) and the Chair of the Finance & Responsible Governance Committee.



108. There is flexibility in the Work Plan to allow Internal Audit to address projects that may arise during the year as requested by Council or EMT.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

109. There are no environmental and/or climate change matters related to the recommendation.

ALTERNATIVES

110. The following alternative is available for consideration by the Finance & Responsible Governance Committee:

Alternative #1 The Finance & Responsible Governance Committee could not approve the proposed 2024 Internal Audit Work Plan.

This alternative is not recommended as the proposed plan was prepared to prioritize projects which will meet the strategic objectives of Council and address identified risk areas. The Committee could decide to add/delete/replace projects from the proposed work plan understanding that the plan was prepared with input from EMT.

FINANCIAL

111. There are no immediate financial implications for The Corporation related to this Staff Report.

LINKAGE TO 2022-2026 STRATEGIC PLAN

112. The information and recommendation included in this Staff Report supports the following goal identified in the 2022-2026 Strategic Plan:
- Responsible Governance
113. Implementation of the recommendations identified in the Internal Audit projects will achieve enhanced processes and controls to protect the City's assets as well as find efficiencies in the delivery of services to improve financial stewardship.



**Appendix “A” – Fuel Card Review Observations, Recommendations and Management Response
for the Primary Provider**

Observation	Recommendation	Management Response
<p>OVERSIGHT</p> <p>1. There is a lack of comprehensive oversight for Fuel Card administration, tracking, purchase activity (transaction) monitoring, and/or disciplinary action for non-compliance.</p>	<p>A comprehensive Fuel Card policy should be implemented, which outlines the responsibilities of cardholders, cardholder management, and Operations.</p> <p>The policy should include:</p> <ul style="list-style-type: none"> • A formal approval process (including a business justification) for Fuel Card administration, • Fuel Card security protocols, • Transaction monitoring requirements from cardholder management, and • Disciplinary action for non-compliance. <p>Operations should work with the Primary Provider to determine whether purchase activity (transactions) can be reported by business unit, which would allow departments to identify and review fuel purchases made within their area for reasonableness.</p>	<p>Operations will collaborate with Corporate Asset Management (CAM) on a comprehensive Fuel Card policy, and work with the Primary Provider regarding reporting by business unit to verify purchases.</p> <p>Note: Due to Corporate fleet administration and management resource limitations (in general and including the Fuel Card program), CAM and Operations are collaborating to identify the highest priority items to allocate existing staff resources.</p>
<p>FUEL CARD ADMINISTRATION</p> <p>2. A significant number of Fuel Cards are issued to employees, including employees who may not require them.</p>	<p>Same as above.</p>	<p>Same as above.</p>
<p>3. Fuel Cards returned to Operations are reassigned to a different employee, making it difficult to trace irregular or suspicious transactions.</p>	<p>As best practice, Fuel Cards returned to Operations by employees should be deactivated to reduce the risk of misuse.</p> <p>A formal procedure should be implemented detailing how Fuel Cards returned to Operations should be handled.</p>	<p>Operations and CAM will collaborate to deactivate returned Fuel Cards, and establish a procedure for returned cards.</p>
<p>4. <i>Gas Card Cardholder Agreements</i> (“Cardholder Agreement”), which outline the cardholder’s responsibilities, are not consistently completed by City staff.</p>	<p>Employees should sign a Cardholder Agreement prior to receiving a Fuel Card.</p> <p>Any employees who operate City vehicles assigned a Fuel Card, and are expected to fill up that vehicle after use, should also sign a Cardholder Agreement.</p>	<p>Operations has implemented a procedure requiring employees to sign a Cardholder Agreement prior to issuing a Fuel Card to the employee.</p> <p>Obligations of staff, management, and fleet users will be captured in the Fuel Card policy, and all required staff will be educated of their responsibilities as part of the policy roll out.</p>



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<p>FUEL CARD TRACKING</p> <p>5. Multiple discrepancies noted between the City's Records and Primary Provider's records including:</p> <ul style="list-style-type: none"> • Total # of active & inactive Fuel Cards, • Assigned City staff/vehicles, and • Fuel Card status (whether the card is active or inactive) 	<p>Operations should work with the Primary Provider to investigate the Fuel Cards that are included in the Primary Provider's Records but are not in the City's Records. If these Fuel Cards are not being used by City staff, they should be deactivated.</p> <p>A formal process should be implemented whereby an external Fuel Card list from the Primary Provider is periodically obtained (i.e. semi-monthly, annually, etc.) and compared to the City's to verify accuracy and completeness.</p>	<p>Operations and CAM will collaborate to work with the Primary Provider to reconcile Fuel Card records with City information, and will perform this exercise semi-annually.</p>
<p>6. Duplicate Fuel Card assignments identified in the City's Records.</p>	<p>A formal process should be implemented to periodically identify duplicate card assignments, such as verifying whether a Cardholder Agreement already exists for the employee requesting a card.</p> <p>Any duplicate Fuel Cards identified should be deactivated.</p>	<p>Operations and CAM will collaborate to verify Cardholder Agreements to prevent issuing duplicate Fuel Cards.</p> <p>Any duplicate Fuel Cards identified will be deactivated.</p>
<p>7. Inaccurate Fuel Card assignments identified in the City's Records.</p>	<p>A formal process should be implemented whereby department leads periodically (i.e. semi-annually) communicate to Operations which employees within their team have a Fuel Card (including the Fuel Card number).</p> <p>If discrepancies are identified, Operations should follow-up with the department.</p>	<p>Operations and CAM will collaborate to provide a listing of signed Cardholder Agreements to departments semi-annually to confirm accuracy of Fuel Card assignments.</p> <p>Any errors identified will be corrected.</p>
<p>8. Multiple Fuel Cards assigned to employees who are inactive or not in the City's Payroll system, and vehicles identified as "inactive" in the City's Fleet Management Software.</p>	<p>For Fuel Cards where the cardholder is unknown to Operations (i.e. Fuel Cards assigned to employees not in the Payroll system or with no assigned employee/vehicle), Operations should work with the Primary Provider to determine who is using the Fuel Card.</p> <p>Any Fuel Cards identified that are assigned to inactive employees should be deactivated.</p> <p>HR should add returning staff Fuel Cards to the <i>Offboarding Checklist</i> to ensure supervisors/managers are aware that Fuel Cards must be returned to Operations.</p>	<p>Operations and CAM will collaborate to deactivate Fuel Cards that remain assigned to unknown or inactive employees, and will work with HR to develop a process to ensure Fuel Cards are deactivated when employees are no longer with the City.</p> <p>In the interim, Operations and HR have added Fuel Cards as an item to be returned on the <i>Offboarding Checklist</i>.</p>
<p>TRANSACTION MONITORING</p> <p>9. Multiple Fuel Cards not used since 2022 or prior.</p>	<p>As best practice, Fuel Cards not used in a prolonged period should be deactivated.</p> <p>A periodic (i.e. annual) process should be implemented whereby Fuel Cards not used for a prolonged period (i.e. a year) are identified and deactivated.</p>	<p>Operations and CAM will collaborate to deactivate Fuel Cards that have not been used within the past year.</p>
<p>10. Fuel tank capacity is not entered in the City's Fleet Management Software when new vehicles are added to the City's fleet.</p>	<p>Fuel tank capacity should be entered in the City's Fleet Management Software, as this will allow the City to identify fuel purchases that exceed a vehicle's tank capacity.</p>	<p>Operations and CAM will collaborate to enter the tank capacity for new vehicles in the Fleet Management Software.</p>



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<p>11. Instances of invalid or inaccurate vehicle information and odometer readings entered by cardholders.</p>	<p>Operations should work with the Primary Provider to determine whether validation controls can be implemented for odometer readings (i.e. must be greater than the previous odometer reading entered) and confirm that only valid City vehicle numbers are authorized for purchase.</p> <p>If this is not practical, Operations should communicate to cardholders that valid City vehicle numbers and the correct odometer reading must be entered to ensure vehicle usage/mileage tracking in the City's Fleet Management Software is accurate.</p>	<p>Operations and CAM will collaborate to work with the Primary Provider to implement odometer validation controls (as possible), and confirm that vehicle numbers are valid.</p> <p>The importance of entering accurate data at time of fueling will be communicated to users, and captured in any policies and Standard Operating Procedures (SOP) that are created, as described elsewhere in this document.</p>
<p>12. Multiple types of fuel authorized for purchase for the same vehicle number, which is inconsistent with the City's fuel specifications.</p>	<p>Operations should work with the Primary Provider to obtain a Fleet Inventory List showing the vehicles with their assigned fuel types in their system.</p> <p>This list should be compared with the City's Records to ensure accuracy and completeness.</p>	<p>Operations and CAM will collaborate to will work with the Primary Provider to verify fuel type permitted for each vehicle.</p>
<p>13. Instances of incomplete or inaccurate data identified in the City's Fleet Management Software, such as incorrect or no fuel specifications entered.</p>	<p>Operations should work with the City's Fleet Management Software provider to determine whether certain fields can be made mandatory (i.e. fuel specifications)</p> <p>A process should be implemented whereby the data in the City's Fleet Management Software is periodically reviewed for accuracy including the vehicle number, vehicle status, and fuel specification.</p>	<p>Operations will collaborate with CAM to ensure that the new Fleet Management Software has mandatory fields for fuel specifications, and that the data is verified periodically for accuracy.</p>



**Appendix “B” – Fuel Card Review Observations, Recommendations and Management Response
for the Secondary Provider**

Observation	Recommendation	Management Response
<p>OVERSIGHT</p> <p>1. There is a lack of comprehensive oversight for Fuel Card administration, tracking, purchase activity (transaction) monitoring, and/or disciplinary action for non-compliance.</p>	<p>BFES should work with Operations to implement a comprehensive Fuel Card policy outlining the responsibilities of cardholders, cardholder management, and Operations.</p> <p>The policy should include:</p> <ul style="list-style-type: none"> • A formal approval process (including a business justification) for Fuel Card administration, • Fuel Card security protocols, • Transaction monitoring requirements from cardholder management, and • Disciplinary action for non-compliance. <p>Purchase activity (transactions) and invoices from the Secondary Provider should be reviewed by a designated BFES employee for irregular or suspicious transactions.</p>	<p>BFES will work with Operations and CAM to implement a Fuel Card policy, which will include the recommended items.</p> <p>BFES will designate an employee to review transactions and invoices from the Secondary Provider.</p>
<p>FUEL CARD ADMINISTRATION</p> <p>2. Employees who use Fuel Cards issued by the Secondary Provider are not required to sign a Cardholder Agreement.</p>	<p>Any employees who operate City vehicles assigned a Fuel Card, and are expected to fill up that vehicle after use, should sign a Cardholder Agreement.</p>	<p>BFES will ensure employees who operate emergency vehicles sign a Cardholder Agreement and this requirement will be documented in the Fuel Card policy.</p>
<p>3. There is no formal guidance available outlining when BFES employees should utilize the Fuel Card from the Primary Provider vs. the Secondary Provider.</p>	<p>Formal guidance should be developed outlining when BFES employees should utilize the Fuel Card from the Primary Provider and the Secondary Provider, such as a minimum distance from the Primary Provider’s fuel station.</p>	<p>Formal guidance will be developed and documented in the Fuel Card policy outlining when employees should use the Fuel Card from the Primary vs. the Secondary Provider.</p>
<p>TRANSACTION MONITORING</p> <p>4. Multiple Fuel Cards not used since 2022.</p>	<p>As best practice, Fuel Cards not used in a prolonged period should be deactivated.</p> <p>A recurring (i.e. annual) process should be implemented whereby Fuel Cards that are infrequently used are identified and deactivated.</p>	<p>For emergency and/or contingency purposes, front line emergency vehicles require Fuel Cards from both the Primary and Secondary Provider to ensure employees can obtain fuel within their service response area.</p> <p>However, BFES will designate an employee to review transactions and invoices from the Secondary Provider so that potential irregularities can be identified.</p>



Appendix “C” – 2023 Internal Audit Activity

#	Project	Area	Audit Focus	Status
1	Sadlon Arena Third Party Agreements – monitor and assess third party compliance with concession and advertising agreements by exercising the City’s right to examine records.	Recreation Facilities	Compliance	Complete
2	PCard and Expense Reimbursement – assess compliance with City policies and procedures for PCards and expense reimbursement.	Various	Compliance	Deferred to 2024
3	Fuel Cards – assess the adequacy and effectiveness of internal controls for staff fuel cards.	Operations	Process Review	Complete
4	Integrated Project Delivery (IPD) Audits – perform audits as required to ensure project costs are accurate and compliant with agreements.	Infrastructure	Compliance	Complete
5	Non-Standard Procurement – assess compliance of non-standard procurements with the Procurement By-Law.	Finance/Various	Compliance	Deferred to 2024
6	Invitational Procurement – assess compliance of invitational procurements with the Procurement By-Law.	Finance/Various	Compliance	Complete
7	Building Inspections – review of the efficiency and effectiveness of inspection reporting performed by Building Services.	Building	Process Review	Deferred to 2024
8	APLI Payments – review the processes and controls to ensure the accuracy and completeness of customer payments received by the City through APLI	Various	Process Review	Deferred to 2024
9	MTO Driver Certification Program – conduct MTO audit required to comply with licensing requirements.	Fleet	Compliance	Complete
10	Fraud Prevention Month – provide education to City staff about fraud prevention.	Organization wide	Entity Level Controls	Complete
11	Follow up Audits – assess the status of past Internal Audit recommendations.	Various	Follow Up	Deferred to 2024



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#	Project	Area	Audit Focus	Status
12	Confidential investigations/ Fraud & Wrongdoing Program oversight	As needed	Consulting	Ongoing



Appendix “D” – 2024 Internal Audit Work Plan

#	Project	Area	Audit Focus
1	PCard and Expense Reimbursement – assess compliance with City policies and procedures for PCards and expense reimbursement.	Various	Compliance
2	Integrated Project Delivery (IPD) Audits – perform audits as required to ensure project costs are accurate and compliant with agreements.	Infrastructure	Compliance
3	Non-Standard Procurement – assess compliance of non-standard procurements with the Procurement By-Law.	Finance/Various	Compliance
4	Building Inspections – review of the efficiency and effectiveness of inspection reporting performed by Building Services.	Building	Process Review
5	APLI Payments – review the processes and controls to ensure the accuracy and completeness of customer payments received by the City through APLI.	Various	Process Review
6	MTO Driver Certification Program – conduct mandatory MTO audit for ongoing licensing requirements.	Fleet	Compliance
7	Staff Overtime – assess the adequacy and effectiveness of internal controls for the City’s use of staff overtime, including compliance with City policies and procedures.	Human Resources/Various	Process Review
8	Follow up Audits – assess the status of past Internal Audit recommendations.	Various	Follow Up
9	Confidential investigations/ Fraud & Wrongdoing Program oversight	As needed	Consulting