



OFFICE OF THE  
**City Auditor**

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# Surplus Sales Cash Handling Review Follow Up

February 14, 2007

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The Office of the City Auditor conducted  
this project in accordance with the  
*International Standards for the  
Professional Practice of Internal Auditing*

# Surplus Sales Cash Handling Review Follow Up

## 1. Introduction

The OCA performed a follow-up review to determine the current status of three recommendations contained in the Cash Handling Review Surplus Sales – Westwood Facility report which was issued on December 20, 2005.

The purpose of the follow-up review is to determine the implementation status of the recommendations contained in the report. The review was limited to the action taken by the Surplus, Freight & Customs unit to address these recommendations. The original report contained three recommendations and action plans to implement the recommendations. The OCA concluded that all the recommendations contained in the original report were completed in a satisfactory manner.

## 2. Background

### 2.1. Summary of Original Report issued on December 20, 2005

The Surplus, Freight & Customs unit is responsible for the disposal of surplus assets. Surplus assets include heavy equipment, abandoned vehicles, City vehicles, scrap metal, office furniture and equipment, computer equipment and other miscellaneous items. Heavy equipment is disposed via tender bid sale on a semi-annual basis.

City vehicles are sold at auction, scrap metal is sold to a scrap metal company, and abandoned vehicles are either sold at auction or to a scrap vehicle dealer. Office furniture, computers and other assets are usually sold at auction.

Normally the objective of a cash handling review is to assess the level of compliance with established City policies & procedures over cash handling with the intent of minimizing loss of revenue resulting from theft or error. However during the review the OCA observed an opportunity to improve controls over the tender bid process. Specifically, the OCA noted that the Surplus, Freight, & Customs Specialist controlled the entire bidding process without adequate segregation of duties. As a result the OCA decided to expand the scope of the review by auditing the tender bid process as well as cash handling procedures. The OCA made two recommendations to strengthen the bid process, and the third recommendation to update the bid process procedures.

## 2.2. Current State

### **Recommendation # 1 - Complete**

*The OCA recommends that the Warehouse/Supply Management Co-ordinator ensure that prospective buyers are instructed to submit their sealed bids directly to an independent office that is also responsible for opening the bids and preparing a summarized list of bid winners for review and approval by MES.*

Since May 12, 2006 the sealed bids are submitted to an independent office. The sealed bids are opened at the independent office and the summarized bid list is sent to the Surplus, Freight & Customs unit for further processing. Using the independent office strengthens controls over the bidding process.

### **Recommendation # 2 - Complete**

*The OCA recommends that the Warehouse/Supply Management Co-ordinator ensure that the final approved listing of bid winners is sent to the Surplus, Freight, & Customs Specialist to contact the winning bidder and collect their cheque and to the Senior Accountant, Corporate Services to ensure that the deposit amounts received from the winning bidders match the summarized list of bid winners.*

The approved listing of bid winners is sent from the independent office to the Surplus, Freight & Customs unit for further processing. Also the surplus sales invoice is sent to the Accountant, Corporate Office to properly record and reconcile deposits to the bank.

### **Recommendation # 3 - Complete**

*The OCA recommends that the written procedures covering disposals of surplus equipment be amended in order to reflect the process changes as a result of implementing above-mentioned Recommendations #1 and #2; including modifying outdated procedures for other functions performed by the Surplus, Freight, & Customs Specialist.*

The written procedures were amended on January 30, 2006 to reflect the process changes above. The OCA verified that the procedures are followed through interviews of staff from Mobile Equipment Services, Materials Management and Finance. We also reviewed documentation for the October 2006 tender bid sale and are satisfied that the new procedures are in place and being followed.

### 3. Summary of Results

The OCA assessed the implementation status of each recommendation contained in the original report as summarized in the following table:

<b>Status</b>	<b>Number</b>
Complete	3
In progress	0
Not implemented	0
No longer applicable	0
<b>Total recommendations</b>	<b>3</b>

### 4. Conclusion

The three recommendations contained in our report have been completed in a satisfactory manner. These recommendations improve segregation of duties and documentation of the bidding process. As a result the control environment has improved since the original report was issued on December 20, 2005. The OCA would like to thank all City staff who participated in this follow up review for their support, cooperation and feedback.