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# Procurement Response under the State of Local Emergency Audit

Audit Committee

November 6, 2014

THE CITY OF CALGARY

## Audit Summary

- The purpose of this audit was to assess the effectiveness of processes implemented by CEMA that supported timely procurement and subsequent payments related to the State of Local Emergency (SOLE).
- Procurement processes during the SOLE were effective in supporting timely procurement and CEMA's response to the emergency.
- We identified control improvements that may reduce The City's financial risk exposure during future emergency events without compromising the response effort.

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## Estimate of Potential Risk Exposure

- \$5.3M spent on Direct Purchase Orders (no requisition)
- Direct POs were tracked on CEMA's spreadsheet
- Audit sample: \$1.3M
- Results:

	Invoiced Amount (\$ 000s)	% of the sample	Discrepancy Rate (%)
Invoice agrees with spreadsheet	115	9	0
Invoice does not agree with spreadsheet	489	38	26
Unable to match invoice vs. spreadsheet	694	53	0/26
Audit sample	\$1,300	100%	

- Audit Discrepancy: \$126K
- Discrepancy rate: \$126K/\$489K = 26%
- Calculation of risk exposure:
  - Lower limit: Total Direct POs (\$5.3M) \* Discrepancy Rate (26%) \* % of Noted Discrepancy (38%) = \$524K
  - Upper limit: Total Direct POs (\$5.3M) \* Discrepancy Rate (26%) \* % of Noted Discrepancy (38%) + Unable to Match (53%) = \$1.254M

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## Audit Recommendations

- We recommended the Manager of Supply and Director of Finance should work with CEMA to:
  - Establish procedures and accountability to ensure that sufficient information is captured on the tracking spreadsheet to validate invoices;
  - Provide tracking spreadsheet and guidance to BU to ensure they capture information on their purchases;
  - Establish criteria so that BU recipients confirm receipt of goods and services in an emergency;
  - Implement post emergency approval procedures that include consultation with requestors or receivers of goods and services;
  - Provide communication to BU detailing the emergency services provided by the EOC and the availability of Warehouse goods; and
  - Ensure that rental equipment transactions during an emergency are logged on an equipment tracking spreadsheet with sufficient information to track the equipment.
- In all cases we received agreement from Supply to work with CEMA. The commitment date for the Management Action Plans is 2015 June 30.

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