



# City of Edmonton Office of the City Auditor

## Investigation

March 25, 2020



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**Allegation of Fraud**

On September 18, 2019, the City Manager’s Office received an email alleging that a City employee had a side business in traffic sign rentals and had inappropriately directed work to this private company for personal gain. On October 11, 2019, the allegation was forwarded to the Office of the City Auditor for investigation.

**Conclusion**

Approximately \$1.6 million<sup>1</sup> was allegedly stolen from the City of Edmonton between 2015 and 2019. This was achieved through a false invoicing scheme that took advantage of control weakness in the City’s procurement and payment processes.

To reduce the risk of a similar false invoice scheme being successful, financial oversight and controls need to be strengthened in the Building Great Neighbourhoods and Open Spaces Branch in the Integrated Infrastructure Services Department (IIS).

Although this particular false invoice scheme impacted Neighbourhood Renewal projects, any area in the organization that uses the cheque requisition process without having strong controls and oversight is vulnerable.

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<sup>1</sup> All amounts in this report are excluding GST.



## Who was involved?

### Employee A

The original email alleged that Employee A in IIS had directed City business to a private sign rental company for personal gain.

Employee A is related to the owner of Sign Company A identified in this investigation, and may have some involvement in Sign Company A.

### Sign Company A

This company is owned by a relative of Employee A.

Sign Company A submitted invoices to the City of Edmonton for temporary traffic control devices – such as signs, barricades, and traffic cones for Neighbourhood Renewal projects. Between 2015 and 2019 this company received \$1.6 million from the City based on invoices for which there is no evidence that these devices were received. All invoices were approved for payment by Employee X.

### Employee X

Employee X, also in IIS, was not identified in the original email allegations. Their involvement was discovered during the investigation.

Employee X signed and approved all the false and unsupported invoices and cheque requisitions pertaining to the temporary traffic control devices for five Neighbourhood Renewal projects.

### Sign Company B

This company is owned by an individual with a personal and financial relationship with Employee X.

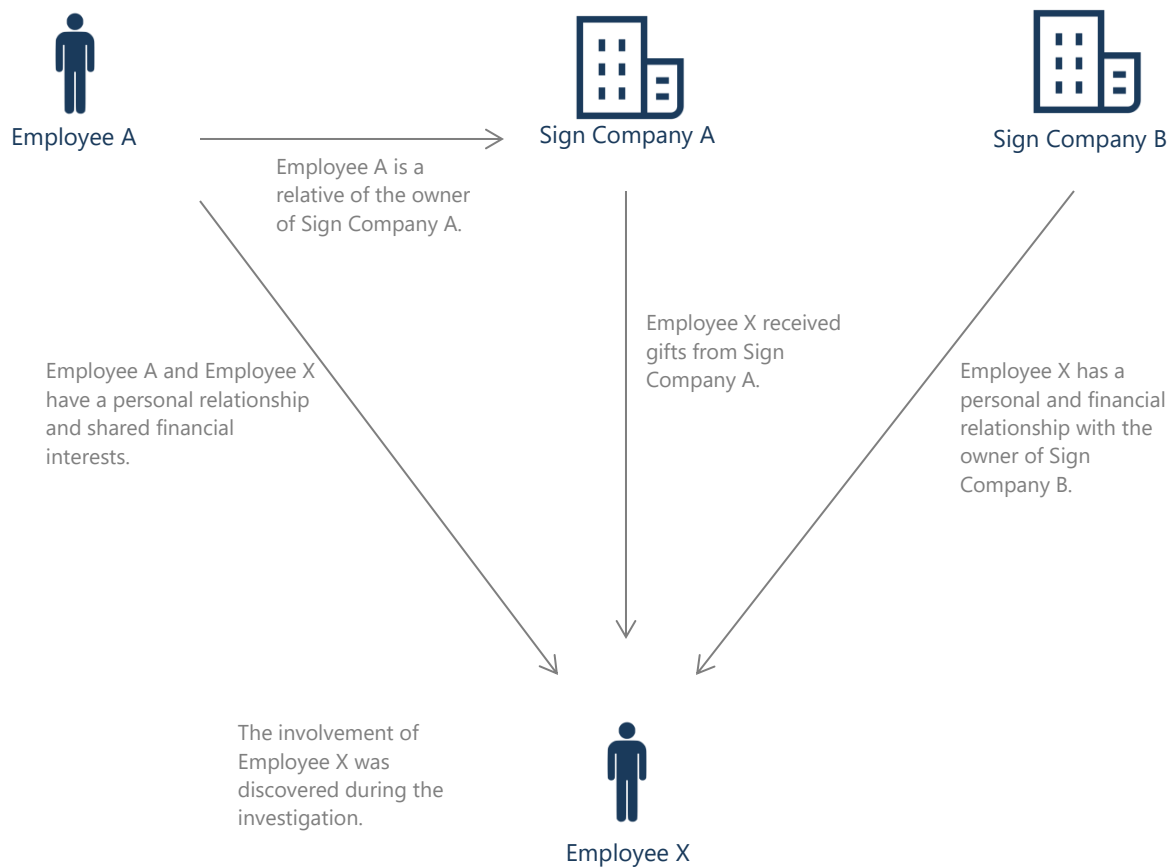
In 2019 this company submitted invoices to the City for \$151,188 for temporary traffic control devices for Neighbourhood Renewal projects. There was no evidence that the City received these devices. Employee X approved all these invoices for payment. The City issued payment for these invoices, but was able to recall the payments during this investigation, resulting in no additional financial loss for the City.

## Relationships

*Employee A was the subject of the initial email allegations.*

*Sign Company A received \$1.6 million in unsupported payments from the City between 2015 and 2019. Although they are incorporated and have a GST number, they have no internet presence and their corporate address is a residential address.*

*Sign Company B invoiced the City for \$151,188 in 2019 for unsupported services. Although they are incorporated and have a GST number, they have no internet presence and their corporate address is a residential address.*





## Loss Amounts

### Sign Company A

We conducted a detailed analysis of the amounts invoiced by Sign Company A and approved for payment by Employee X.

These invoices were related to Neighbourhood Renewal projects managed by Employee X serving in the role of a project manager.

Our investigation did not find support for invoices totaling \$1,653,899 from three Neighbourhood Renewal projects.

|   |                    |
|---|--------------------|
| Total amount of invoices investigated                             | \$1,909,641        |
| Charges that were supported or information not available          | \$255,742          |
| <b>Charges with evidence indicating devices were not provided</b> | <b>\$1,653,899</b> |
| Amounts invoiced but payment was recalled                         | \$44,066           |
| <b>Total Loss to the City</b>                                     | <b>\$1,609,833</b> |

### Sign Company B

Employee X also submitted 16 invoices from Sign Company B for payment when they were the program manager for two additional Neighbourhood Renewal projects. As program manager, Employee X supervised the work of the project managers for these projects.

The project managers on these two projects had no knowledge of the invoices and stated that the temporary traffic control devices identified on the invoices were not used on their projects.

The City has no relationship or business with this company other than through Employee X.

These invoices totaled \$151,188. The City issued payment for these invoices, but was able to recall the payments during this investigation, resulting in no additional financial loss for the City.

**Total loss**

Through our investigation, it appears that the total amount fraudulently charged to the City by Sign Companies A and B was \$1.8 million.

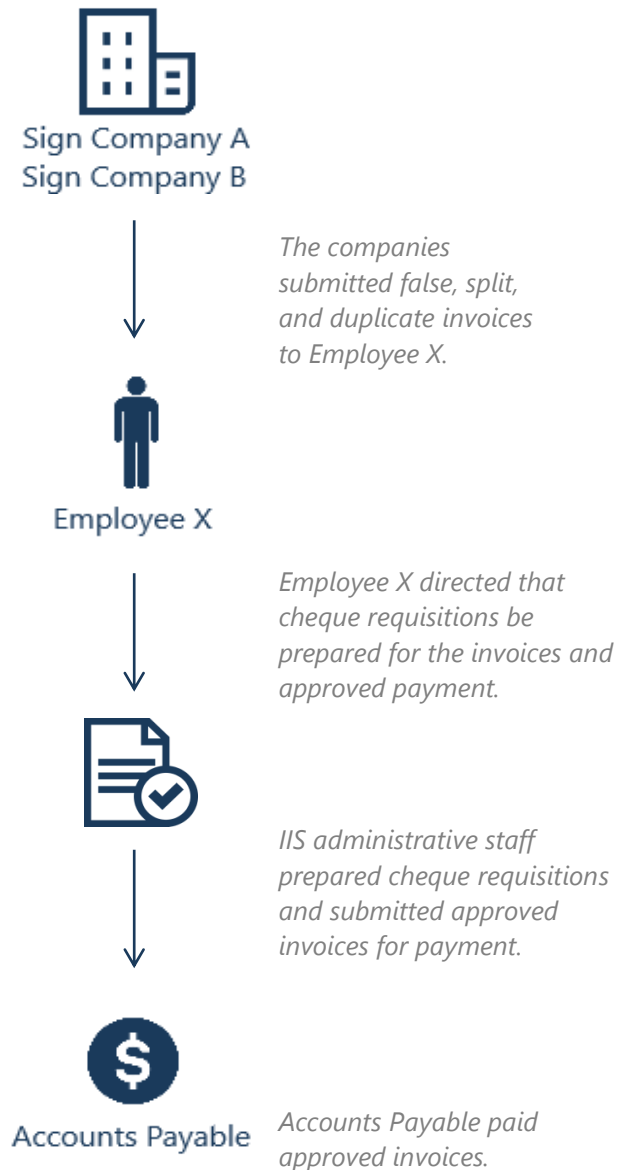
As a result of recalling payments made in December 2019, we estimate the total financial loss to the City is \$1.6 million.



## What was the scheme?

### False invoices

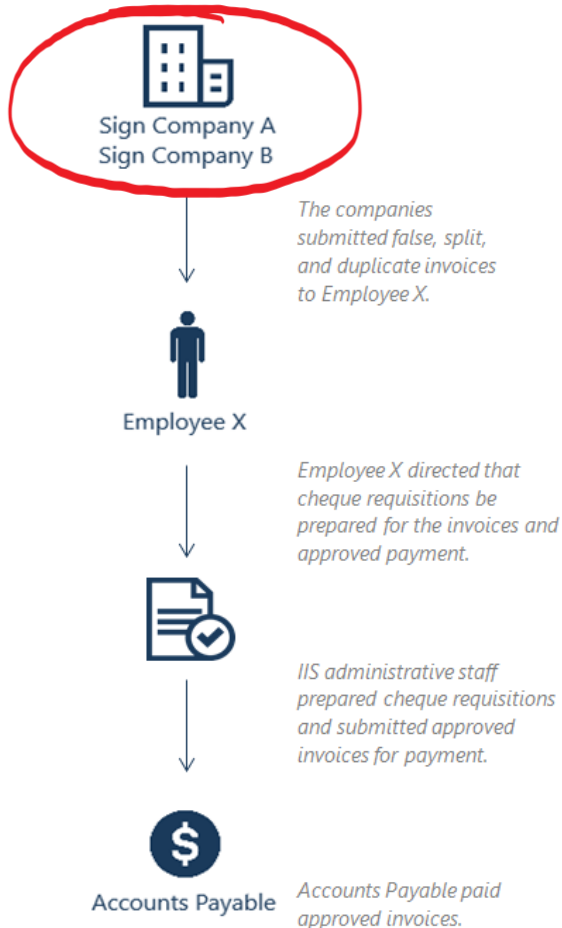
Sign Company A and Sign Company B submitted false, split, and duplicate invoices to the City of Edmonton for the rental of temporary traffic control devices for Neighbourhood Renewal projects. Employee X approved these invoices for payment.





## Why did it work?

### Control weaknesses



This scheme was successful because it took advantage of control weaknesses in the City's procurement and payment processes.

### **Weakness 1: Able to circumvent proper procurement method**

The City's Procurement Directive (A1465B) lays out the City rules indicating what type of procurement method is to be used for various procurement types and amounts. The Corporate Procurement and Supply Services Branch (CPSS) monitors and governs these rules. Employee X did not follow proper procurement processes to procure temporary traffic control devices.

Any of the following methods of procurement would have been acceptable:

- Source City-owned devices internally through Traffic Operations in the Parks and Roads Services Branch, City Operations Department;
- Source external devices using the City's existing outline agreement with an approved supplier managed by Traffic Operations;
- Source external devices using a low-value purchase order after requesting three written quotes (if value of contract was between \$5,000 and \$25,000); or
- Source external devices using a competitive procurement process.

Instead of using any of these acceptable methods, Employee X inappropriately used the cheque requisition process to directly pay for the temporary traffic control devices first to Sign Company A then later to Sign Company B.

By circumventing the City's procurement process, CPSS had no involvement with this procurement. As a result, Employee X was able to bypass all procurement controls, oversight and approval requirements imbedded in the various procurement processes.

Furthermore, there is no contract between the City and either company that provides a record of the business relationship or identifies the expected costs of any devices provided.





## Weakness 2: Able to use an inappropriate payment method

Cheque requisitions are supposed to be used as a means of invoice payment in those cases where a purchase order is not required or available. These include legal claims, land sales, petty cash, one-time suppliers, incidental and urgent payments, employee expenses, or grants. Contrary to what the term cheque requisition implies, actual payments can be made by cheque or electronic funds transfer.

Cheque requisition forms can be submitted for invoice payment after being signed by an employee with appropriate expenditure authority. However, according to the City's Financial Administration and Control Directive (A1206), expenditure officers must not, in any circumstance, approve payments where the expenditure officer is also responsible for receiving the goods or services.

If the temporary traffic devices had been sourced through an appropriate procurement method, invoices would have been paid after undergoing a three-way match process. When this happens, a purchase order (to confirm goods ordered, quantity and price) is matched to an order receipt or packing slip (to ensure goods are delivered) and the invoice (to ensure the amount charged matches the price quoted).

In this case, Employee X signed the invoices for goods receipt and signed the cheque requisition to facilitate payment. Employee X had an expenditure authority of up to \$500,000 per transaction.

The oversight role for approving cheque requisitions lies with the business area. Business areas are responsible for managing the controls over the initiation and approval of cheque requisitions, prior to sending their cheque requisitions to Accounts Payable for payment issuance.

Although IIS administrative staff prepared the cheque requisition forms, no one identified any issues using this method of payment for these regular purchases. In addition, there are currently no processes in place to monitor the segregation of duties between the expenditure authority and the person responsible for receiving the goods or services for payment made using cheque requisitions.

Both sign companies had vendor numbers in the City's accounting systems. This is an indicator that the City may do regular business with a company. The existence of this number should have been an indicator that the cheque requisition method may not have been appropriate.

Accounts Payable paid the approved invoices through electronic funds transfer payments.



### Weakness 3: False, duplicate, and split invoices were not detected

Submitting duplicate invoices<sup>2</sup> or invoices with amounts split onto multiple invoices is a common way to hide false charges.

The sign companies submitted invoices for payment that were:

- Virtual duplicates except for the invoice number.
- Split with charges appearing on multiple invoices.
- For products that were not used on the projects to which they were charged.

Employee X submitted the false, duplicate, and split invoices to IIS administration staff to prepare the cheque requisition forms.

During the period under review there was no expectation for IIS administrative staff to review invoices and cheque requisition forms for appropriate use, segregation of duties, duplicate invoices, split invoices, etc. As a result, none of the staff identified issues with the invoices and cheque requisition forms. Once signed by Employee X, invoices and cheque requisition forms were then sent to Accounts Payable.

At the time of our 2019 *Audit of Accounts Payable*, Accounts Payable staff only checked if a cheque requisition form had a signature and was properly coded. Since the audit, Accounts Payable has implemented a process to verify that the approver on a cheque requisition form for payment over \$5,000 has the proper expenditure authority.

Accounts Payable is not able to determine if services or goods are actually delivered; that responsibility rests in the business area. Accounts Payable relies on the approval of the expenditure authority to ensure that transactions are valid, accurate, properly coded, supported etc.

In this case, Employee X had the proper expenditure authority to approve payment. Therefore, Accounts Payable paid the properly authorized and coded cheque requisitions.

<sup>2</sup> Duplicate invoices refer to invoices with the same characteristics (for example, same amount, same product or service, same vendor, same billing period, same invoice number or any combination thereof). The key is whether or not the City is being invoiced and paying again for services or products the City has already paid for.

During the period under review there was also no expectation for Accounts Payable staff to review invoices and cheque requisitions for appropriate use, segregation of duties, duplicate invoices, split invoices, etc. Therefore, Accounts Payable staff processing the cheque requisitions also did not detect the duplicate or split invoices.

## False, Duplicated, and Split Invoices Examples

**Sign Company A**  
 [Redacted] Street  
 Edmonton, Alberta [Redacted]

**INVOICE**  
**No. 0629**

INVOICE DATE | September 3, 2019  
 OUR REFERENCE NO. | [Redacted]  
 YOUR REFERENCE NO. | [Redacted]

SOLD TO:  
 City of Edmonton  
 Building Great Neighbourhoods  
 14th Floor, 10111-104 Avenue NW  
 Edmonton, Alberta T5J 0J4

Attn: **Employee X**

DESCRIPTION  
 Invoice for material rentals for **Project M** (August 2019)

| QUANTITY | DESCRIPTION                               | DURATION (DAYS) | UNIT PRICE / DAY | AMOUNT     |
|----------|---|-----------------|------------------|------------|
| 75       | Road Closed, Keep Left / Right Barricades | 31              | 3.00             | \$6,975.00 |
| 150      | Grabber Cones (Large)                     | 31              | 0.50             | \$2,325.00 |

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**Sign Company A**  
 [Redacted] Street  
 Edmonton, Alberta [Redacted]

**INVOICE**  
**No. 0632**

INVOICE DATE | September 3, 2019  
 OUR REFERENCE NO. | [Redacted]  
 YOUR REFERENCE NO. | [Redacted]

SOLD TO:  
 City of Edmonton  
 Building Great Neighbourhoods  
 14th Floor, 10111-104 Avenue NW  
 Edmonton, Alberta T5J 0J4

Attn: **Employee X**

DESCRIPTION  
 Invoice for material rentals for **Project M** (August 2019)

| QUANTITY | DESCRIPTION                               | DURATION (DAYS) | UNIT PRICE / DAY | AMOUNT     |
|----------|---|-----------------|------------------|------------|
| 75       | Road Closed, Keep Left / Right Barricades | 31              | 3.00             | \$6,975.00 |
| 150      | Grabber Cones (Large)                     | 31              | 0.50             | \$2,325.00 |

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**Sign Company A**  
 [Redacted] Street  
 Edmonton, Alberta [Redacted]

**INVOICE**  
**No. 0631**

INVOICE DATE | September 3, 2019  
 OUR REFERENCE NO. | [Redacted]  
 YOUR REFERENCE NO. | [Redacted]

SOLD TO:  
 City of Edmonton  
 Building Great Neighbourhoods  
 14th Floor, 10111-104 Avenue NW  
 Edmonton, Alberta T5J 0J4

Attn: **Employee X**

DESCRIPTION  
 Invoice for material rentals for **Project M** (August 2019)

| QUANTITY | DESCRIPTION                                    | DURATION (DAYS) | UNIT PRICE / DAY | AMOUNT     |
|----------|--|-----------------|------------------|------------|
| 2        | Electronic Message Board Rentals (Size: Small) | 31              | 153.00           | \$9,486.00 |

*These invoices are duplicates. They are identical except for the invoice number.*

*These invoices are split. They are for the same project, issued the same day, same billing period but for different devices. One invoice could have listed all three line items.*

*All three of these invoices were submitted for payment together.*

*All three of these invoices are false. None of the temporary traffic control devices identified on these invoices were provided to the City.*



## Collusion

Based on the investigation evidence, there is a high likelihood there was collusion with the intent to deceive the City through the submission and payment of false invoices. Collusion is a secret agreement between entities or individuals working together in order to deceive others for their own advantage.

This is specifically based on:

- The personal relationships between the parties.
- The financial relationships between the parties.
- The volume and characteristics of the unsupported invoices which significantly reduce the likelihood that this situation was unintentional.
- The lack of any business dealings between the City and the Sign Companies other than through Employee X – including a lack of follow up from either company inquiring about invoice payments that were recalled by the City.

### Personal relationships

The owner of Sign Company A is a relative of Employee A. Employee A had business information related to Sign Company A on their City-issued mobile phone suggesting some level of involvement in this business.

Employee A and Employee X worked in the same branch of the City from 2014 to 2017.

Employee A and Employee X communicated frequently during the work day through email, phone, and text messaging. Their jobs are unrelated and would not merit this degree of contact.

Employee X assisted the owner of Sign Company B to find an apartment upon returning to Canada from abroad. They had frequent communications by text messaging.

The owner of Sign Company B had sent Employee X their resume looking for work. This resume had no mention of Sign Company B.

Employee X provided investigators with contradicting information on their relationship with the owner of Sign Company B.

## **Financial relationships and exchange of gifts**

Employee A and Employee X jointly owned property in downtown Edmonton.

Employee A transferred \$1,999 to Employee X in September 2019.

In two instances, Employee X received gifts from Sign Company A with a combined value of over \$2,000.

The owner of Sign Company B sent one money transfer to Employee X of \$1,000 in June 2019. Employee X sent two money transfers to the owner of Sign Company B totaling \$1,500 in August and October of 2019.

## **Invoice characteristics and business dealings**

Between 2016 and 2019, Sign Company A submitted over 50 duplicate invoices for payment. In just the six months between May and October 2019, Sign Company A submitted 35 invoices, of which 17 were exact duplicates of another invoice except for the invoice number. All invoices were approved for payment by Employee X. The volume of these duplicate invoices strongly suggests this was not an unintentional error by both parties.

Sign Company A submitted invoices for devices provided outside of neighbourhood renewal construction season.

With the exception of invoices, there are no emails or phone records that would indicate business dealings with Sign Company A or B. There are no records indicating how these companies were identified by Employee X as suppliers, neither was there any record of product orders or requests. No one else in the City had any business dealings with Sign Company A or B.

We found shipping documents on Employee X's email relating to shipment of devices from the manufacturer to Company A. The address and phone number listed for Company A on the documents, were actually Employee X's home address and work cell phone number. This is inconsistent with the address listed for Company A on the incorporation records, the invoices and in the City's Vendor Master File.

Payments for invoices to both companies were recalled by the City on December 5, 2019; however, neither company has contacted the City for payment owed.

Neither company has a storefront or website. The addresses for both companies are residential addresses. We were unable to contact either company by phone. The owner of Company A contacted the investigation team after a site visit to the residential address.

Upon request, the owner of Sign Company A was unable to show that they owned some of the signage products for which they invoiced the City.





## Improving Project Controls

### Project oversight

Project managers in the Building Great Neighborhoods and Open Spaces Branch manage Neighbourhood Renewal projects. They ensure these projects are delivered on-time, are on-budget, and result in high-quality work. Project managers are monitored by program managers and supervisors.

### Process weaknesses

There are a number of process weaknesses and opportunities for improvement related to oversight of Neighbourhood Renewal projects.

#### High-level budget variance analysis

The five Neighbourhood Renewal projects impacted by this invoicing scheme had budgets ranging from \$4.9 million to \$37 million. The total amounts invoiced to these projects by Sign Companies A and B ranged from \$75,000 to \$750,000. Although these are large amounts, they comprise a small percentage of the individual project budgets (0.36% to 6.33% of total project budget).

Additionally, invoices were coded to multiple account line items within a project. This makes detection more difficult.

Current budget variance analysis for Neighbourhood Renewal projects occur at too high of a level to have detected these relatively small, individual project charges.

#### High-level project monitoring

In addition to budget, project monitoring primarily focuses on timely project progression and quality of work. This false invoicing scheme had no impact on the project length or the quality of work.

Current project oversight by program managers or supervisors is not designed to be effective at detecting this type of scheme.

#### No independent verification

In 2016, the *Neighbourhood Renewal Program Audit* determined that there were good controls around contractor payments for construction work completed. The role of the City's on-site inspector included the task of monitoring and measuring the work completed by the contractor. The project manager reviews the documentation created by the inspector and then initiates payment to the contractor. This process means that there is little risk that the City will pay a contractor for work that was not completed.

However, this process only focuses on the work of the primary contractor. The inspector does not monitor and measure work completed by others (e.g., Traffic Operations, external street lighting contractors, etc.). As a result, an independent source did not verify delivery of temporary traffic control devices by either Sign Company A or B.



# Improving Payment Controls

## Cheque requisitions

Cheque requisitions are supposed to be used as a means of invoice payment in those cases where a purchase order is not required or available. These include legal claims, land sales, petty cash, one time suppliers, incidental and urgent payments, employee expenses, or grants. As there is no purchase order, invoices being paid by this method do not undergo a three-way match process to ensure that goods and services are delivered. When this payment method is used incorrectly, it exposes the City to financial risk, error, and fraud.

## Process weaknesses

There are a number of process weaknesses and opportunities for improvement related to the use of cheque requisitions.

Branch-specific approval processes

Individual business areas are responsible for ensuring they are using cheque requisitions appropriately. However, IIS administrative staff for the Neighbourhood Renewal projects prepared cheque requisitions and forwarded them for payment once approved by Employee X. None of the staff identified issues with the invoices.

Error detection

Accounts Payable staff processing the cheque requisitions also did not detect the duplicate or split invoices.

Accounts Payable currently has no processes in place that monitor cheque requisitions for proper use, duplicates beyond same invoice number, invoice splitting, etc.

Segregation of Duties between expenditure authority and goods receipt

Cheque requisitions are subject to the same expenditure authorizations as the payment methods that have better controls and oversight.

Currently, project managers have the authority to initiate and approve cheque requisitions for up to \$500,000 without additional controls.

This expenditure authority was put in place with the procurement processes in mind. Payments within the purchase order stream have additional controls within the system (e.g. three-way match whereby the invoice is matched to the purchase order and to the receiving report) that the cheque requisition process does not.

## **Enhanced monitoring, authorization, and training**

According to the City's Financial Administration and Control Directive (A1206), expenditure officers must not, in any circumstance, approve payments, where the expenditure officer is also responsible for receiving the goods or services.

There are currently no processes in place to monitor the segregation of duties between the expenditure authority and the person responsible for receiving the goods or services for payment made using cheque requisitions.

The management of the Building Great Neighbourhoods and Open Spaces Branch indicated that since the discovery of this invoicing scheme, they have been improving the controls over project oversight and the cheque requisition process.

Examples of some of the changes include:

- Ensuring all staff are using proper procurement processes and are aware of their accountabilities that fall under the City's Financial Administration & Control Directive.
- Mandating that all cheque requisitions are approved by section management to ensure segregation of duties and proper Expenditure Authority approvals.
- Additional oversight and approval of detailed project budget allocation and subsequent variance analysis of project expenditures to the allocated budget.

In addition, Accounts Payable management has also started implementing some changes including:

- Training expenditure officers throughout the organization on the proper use of cheque requisitions.
- Implementing better information systems for processes (such as the Procure-to-Pay process).
- Working to enhance data analytics to identify patterns in transactions.
- Establishing clear guidelines on appropriate use of cheque requisitions.



## Resolution

### Resignations

Employee A resigned from their employment at the City in January 2020.

Employee X resigned from their employment at the City in December 2019.

### Police investigation

The Office of the City Auditor reported this theft to the Edmonton Police Service (EPS). EPS advised the Office of the City Auditor to first complete the City of Edmonton process to address employee misconduct, and then forward the investigation findings to EPS. We have kept EPS informed of the investigation progress.

On March 12, 2020, EPS informed us that they have opened a file and are investigating. We have provided our file to support the EPS investigation. We continue to work with the Detectives assigned to this case to support the criminal legal process.

### Loss recovery

On December 5, 2019, the Office of the City Auditor requested an immediate stop payment on any outstanding invoices to Sign Company A. Accounts Payable was able to recall a payment of \$44,066.

On December 5, 2019, the Office of the City Auditor requested an immediate stop payment on all invoices from Sign Company B. In January 2020, we received confirmation that \$151,188 was returned to the City.

At this time, no other funds have been recovered.

Between 2015 and 2019, we estimate a total financial loss to the City of \$1.6 million.

The Office of the City Auditor also reported this theft to the Law Branch. The Law Branch has reported the theft to the City's Insurer under its Commercial Crime Insurance Policy. The City is currently working with its Insurer to explore options for fund recovery. The Office of the City Auditor continues to work with the Law Branch and the Insurer to support the civil legal process.



# Recommendations

## Recommendations

Approximately \$1.6 million was allegedly stolen from the City of Edmonton between 2015 and 2019. This was achieved through a false invoicing scheme that took advantage of control weakness in the City’s procurement and payment processes.

To reduce the risk of a similar false invoice scheme being successful, financial oversight and controls need to be strengthened in the Building Great Neighbourhoods and Open Spaces Branch in the Integrated Infrastructure Services Department (IIS).

Although this particular false invoice scheme impacted Neighbourhood Renewal projects, any area in the organization that uses the cheque requisition process without having strong controls and oversight is vulnerable.


The Office of the City Auditor is making two recommendations to address these issues.


**Recommendation 1**  
Strengthen project oversight

**Recommendation**

Strengthen project oversight processes by:

- a. Increasing the controls related to the authorization of cheque requisitions.
- b. Verifying the delivery of all goods and services from external parties.
- c. Improving variance analysis between budget and actual costs.

 **Responsible party:**  
Branch Manager, Building Great Neighbourhoods and Open Spaces

 **Accepted by Management**

**Management Response**

Administration accepts and agrees with all the suggested project oversight processes to strengthen as identified in Recommendation 1. Building Great Neighbourhoods and Open Spaces Branch has also moved forward with the following:

- Detailed review of all projects undertaken by the Building Great Neighbourhoods Delivery Business Unit over the past 5 years to scan for further discrepancies beyond those identified through the audit process and verified no more were found.
- The Business Unit Project Managers have been reminded to follow appropriate procurement standards and payment practices on projects.
- The Business Unit has implemented a requirement that all payments made via cheque requisition be approved by the Supervisor level (oversight for both Project Managers and Program Manager levels).
- The Integrated Infrastructure Services Department's Project Setup and Payment Support team (PS2) who process the cheque requisition forms to send to Accounts Payable has also ensured that their staff are also aware of these requirements. They will also be reviewing and flagging any cheque requisitions that appear to be an inappropriate method of payment (flags will include vendors that are currently in SAP or where multiple progress payments are made by the same vendor).

The Building Great Neighbourhoods and Open Spaces Branch is also actively progressing on integrating more project oversight as identified in the auditor findings.

In addition to the Neighbourhood Renewal area currently using independent verification to validate deliverables for the majority of the work completed through the prime contracts, this area is committed to ensuring the necessary due diligence is performed to validate third party external goods and services are received. Also, ongoing monitoring by Neighbourhood Renewal Business unit management (Supervisors and Program managers) to regularly review variances on projects at a more detailed level compared to the ongoing monthly overall project level reporting currently being monitored.

## Recommendation 2

Review cheque requisitions



### Implementation:

December 15, 2020

### Recommendation

Review the corporate cheque requisition process:

- a. Determine if additional controls are required related to expenditure authority. Implement necessary controls.
- b. Clearly define the responsibilities of Accounts Payable and business areas for cheque requisitions including, but not limited to, the controls around receipt of goods and services.
- c. Implement regular monitoring of cheque requisitions for proper use and to identify issues with repeat expenditures, invoice splitting, and duplicate invoices.



### Responsible party:

Deputy City Treasurer and Branch Manager Financial Services



### Accepted by Management

### Management Response

- a. The Branch Manager Financial Services will review the corporate cheque requisition process to determine if additional controls are required. The Branch will review the controls surrounding expenditure authority as well as any other required controls.

The Branch has implemented the following to address compliance with controls:

- Recently distributed a corporate wide communication reminding employees of the intended use of payment requisitions (non-purchase order).
- Payment requisitions that are not in accordance with the intended use of the payment stream will be returned to business areas.



- b. Branch will work to clearly define roles and responsibilities of Accounts Payable and the business areas for cheque requisitions and controls around receipt of goods and services.

The Branch has implemented and continues to monitor the following controls:

- All Senior Expenditure Officers, Expenditure Officers and Proxies including all Credit card statement approvers have been trained in accordance with the City's Expenditure Authority Framework guidance.
- To ensure segregation of duties, Expenditure Officers (EO) who are responsible for receiving the goods and/or services must not in any circumstances approve payments or in the commitment of funds.

The Branch is looking at enhancing detective and protective controls including the following:

- For non-purchase order transactions, proof of receipt of goods and/or services may be required.
- The number of individuals permitted to authorize non-purchase order transactions may be reduced.

- c. The Branch has identified the risks associated with non purchase order stream:

- Large volume of transactions
- Manual payment process by multiple staff
- Invoice splitting for transactions over a period of time
- Invoice is set up with purchase requisition reference number instead of invoice number

The Branch will implement the following to enhance identifying instances of non-compliance:

- Design reporting to monitor cheque requisitions for proper use and to identify issues with repeat expenditures, invoice

splitting, and duplicate invoices.

- Adopt a continuous-monitoring tool that reviews non purchase order transition trends, percentage of invoices paid to terms, nature and types of transactions being processed by payment requisition.
- Accounts Payable will review the analytics with the business areas on a regular basis.



**Implementation:**

September 30, 2020



## Methodology & Guidance

### Investigation objectives

Determine if a City employee had a financial interest in a sign rental company and therefore benefited personally from the rental of temporary traffic control devices to the City of Edmonton.

In relation to the reported allegation, assess if proper procurement and payment processes were followed when renting temporary traffic control devices.

Determine if the City of Edmonton received goods and services as per the invoices of two sign rental companies.

### Investigation actions

The Office of the City Auditor led this investigation and retained responsibility for the reporting and disclosure of process and findings.

We partnered with Labour Relations and Corporate Security to complete the investigation objectives.

The following actions were taken in this investigation:

- Obtained, reviewed, and analyzed financial documents dating back to 2014, including cheque requisitions and invoices.
- Obtained, reviewed, and analyzed documentation related to Neighbourhood Renewal Program obtained from City systems, City staff, contractors and utility companies.
- Obtained, reviewed, and analyzed communication records of two employees, including e-mail, phone, and text messages.
- Conducted information gathering interviews with Employee A, Employee X, Owner of Company A and other City staff.
- Conducted site visits of vendor locations and Neighbourhood Renewal projects.
- Consulted with the Law Branch regarding any legal implications and procedures.
- Consulted with Insurance and Claims Management regarding any insurance implications and procedures.
- Consulted with Edmonton Police Service.

**Procedural & professional  
guidance**

This investigation was conducted in accordance with Administrative Procedure, Fraud Reporting & Investigation (A1464).