

**Appliance Program: Audit Recommendation Action Plan**

Item 8D

May 18, 2021

Building Investment, Finance and Audit Committee

**Report: BIFAC:2021-37****To:** Building Investment, Finance and Audit Committee  
("BIFAC")**From:** Acting Chief Operating Officer**Date:** May 18, 2021**PURPOSE:**

The purpose of this report is to provide the BIFAC with an update on the action plan to implement the recommendations from Internal Audit's appliance program audit.

**RECOMMENDATIONS:**

It is recommended that the BIFAC receive this report for information.

**REASONS FOR RECOMMENDATIONS:**

At its March 11, 2021 meeting, the BIFAC requested that Management report back on the action plan to implement the recommendations from the appliance program audit.

**BACKGROUND:**

As part of its tenancy agreements, TCHC provides all tenants with a refrigerator and stove. In some instances, microwaves (for tenant-specific needs) and washers and dryers (for standalone homes and some townhouse communities) may also be provided. When appliances break down and are deemed to be beyond economical repair, a new appliance is ordered.

In 2020, Internal Audit ("IA") completed an audit of the appliance program at TCHC. IA identified gaps related to policies and procedures, segregation of

duties, and inventory management, and provided 12 recommendations to strengthen the appliance program (see Attachment 1).

#### **UPDATE:**

As a result of the appliance program audit, an action plan has been developed to implement the 12 recommendations. The action plan will focus on the following five areas (see Attachment 2):

**1. Policy and Procedures (Recommendations 1, 4, and 7)**

It will involve the development of a policy and procedures to standardize the administration of the appliance program at TCHC.

**2. Segregation of Duties (Recommendation 2)**

It will involve working with operational leadership to distinguish roles that order and receive of appliances and ensure the appropriate segregation of duties or oversight controls are in place.

**3. Asset Management (Recommendations 3, 8, and 9)**

It will involve the configuration and implementation of the integrated Yardi Inventory module to manage appliance tagging, deployment, movement, and inventory across TCHC.

**4. Vendor Compliance (Recommendation 11)**

It will involves the establishment of regular program reporting and vendor performance reviews to ensure compliance with the service level agreement.

**5. Program Administration (Recommendations 5 , 6, 10 and 12)**

It will involve the establishment of oversight mechanisms on staff system access, documentation retention, and order/cancellation verification.

#### **NEXT STEPS:**

Operations Compliance will continue to work with key stakeholders to develop and operationalize the 12 recommendations from the appliance program audit. Status updates will be provided to BIFAC, as required.

**SIGNATURE:**

*“John P. Angkaw”*

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John P. Angkaw  
Acting Chief Operating Officer

**ATTACHMENTS:**

1. Appliance Program Audit Recommendations
2. Action Plan

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## **Attachment 1: Appliance Program Audit Recommendations**

1. Management should develop and document comprehensive policies and procedures covering the following areas:
  - Ordering;
  - Receiving;
  - Tagging;
  - Tracking movement between locations;
  - Tracking warranty;
  - Storage and safeguarding;
  - Periodic physical verification;
  - Disposal; and
  - Periodic reporting from the vendor as per contract.
  
2. Management should ensure adequate segregation of duties where ordering and receiving is carried out by different individuals. If segregation of duties is not feasible due to unavailability of staff, management should ensure that adequate supervisory reviews are carried out.
  
3. Management should introduce an Asset Management System to track the movement of all appliances, including loaners and spares. This system should also be linked with the Appliance Ordering System to prevent ordering to replace appliances within warranty period.
  
4. Management should determine normal life cycle of all appliances and require approvals at the Supervisor and/or Manager level for any orders for appliances within the warranty period and/or within their normal life cycle.
  
5. Management should ensure that:
  - All the appliances are procured from the approved vendor through BIR system; and
  - If appliances are procured outside the BIR system, such purchases are duly approved and adequate supporting documentation is maintained.

6. Management should ensure that all the cancelled orders are appropriately transferred to Yardi to ensure that payments are not made for those cancelled orders.
7. Management should ensure that the Operations Division staff retains all the Packing Slips for future reference and audit trail purposes.
8. Management should ensure that all the appliances including loaners and spares are properly tagged and tracked for movement. To manage this effectively, management should use a suitable Asset Management System.
9. Management should ensure that Annual Unit Inspection process is leveraged to physically verify appliances in the unit with the asset records as per the Asset Management System.
10. Management should ensure that complete information is available for all the disposals. This must include serial number and asset tag number of the item, date of disposal and any documentary evidence of disposal provided by the vendor.
11. Management should ensure that the vendor(s) provide all the reports in compliance with their agreement(s).
12. Management should periodically review list of staff who can access BIR system to ensure that their access is based on business needs.

**Attachment 2: Action Plan**

<b>Focus Areas and Deliverables</b>	<b>Status</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Rec.</b>
<b>Program Administration</b>						
• Establish initial review cycle of staff BIR system access	Complete	x				12
• Establish quarterly review cycle of staff BIR system access	Complete	x				12
• Confirm that orders are primarily ordered in BIR system	Complete	x				5
• Establish oversight and process controls (e.g. supervisor approach, obtain quote) for orders outside of BIR system.	Complete	x				5
• Review all cancelled orders prior to transfer to Yardi	Not Started			x		6
• Ensure cancelled orders are transferred from BIR to Yardi	Not Started				x	6
<b>Segregation of Duties</b>						
• Confirm all roles that order and receive of appliances	In Progress		x			2
• Confirm all roles involved in each phase of appliance program	In Progress		x			2
• Confirm approach to segregation of duties or oversight controls	Not Started			x		2
<b>Vendor Compliance</b>						
• Ensure new vendor agreements include reporting requirements	In Progress		x			11
• Establish vendor performance report for appliance program	Not Started			x		11
• Establish quarterly vendor performance reviews	Not Started				x	11
<b>Policy and Procedure</b>						
• Develop initial draft of policy and procedures	Completed		x			1
• Confirm feasibility of including packing slip in inventory module	In Progress		x			7
• Confirm approach to appliance depreciation	Not Started		x			4
• Establish appliance disposal oversight and procedure	In Progress			x		10
• Conduct revision of draft policy and procedures	Not Started			x		1
• Conduct stakeholder engagement for policy and procedure	Not Started			x		1
• Finalize policy and procedures	Not Started				x	1

<b>Focus Areas and Deliverables</b>	<b>Status</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Rec.</b>
• Disseminate policy and procedures to all stakeholders	Not Started				x	1
<b>Asset Management</b>						
• Reconfirm business requirements for inventory module	In Progress		x			3
• Configure inventory module to meet business requirements	In Progress		x			3
• Exploring tracking of appliances within TCHC properties	In Progress		x			8
• Integrate appliance oversight with annual unit inspections	In Progress			x		9
• Implement inventory module across TCHC	Not Started				x	3