



# The Corporation of the Township of McKellar

## Targeted Fraud Risk Assessment and Forensic Review

KPMG Forensic

Report Date: September 29, 2023

This report contains 35 pages, 8 Schedules



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# 1 Introduction and background

## 1.1 Introduction

KPMG Forensic (“KPMG”) was engaged by the Corporation of the Township of McKellar (the “Township”), to undertake a forensic review of financial accounts and internal controls of the Township.

Specifically, our assistance was requested following the Township’s selection of KPMG’s response to *Request for Proposal number 2023-002 Request for proposals to conduct a forensic audit for fiscal year ending December 31, 2019, through fiscal year ending December 31, 2022*, issued by the Township (the “RFP”). The RFP asked respondents to review the financial accounts of the Township, including, but not limited to, contracting, requisition and purchase order processes, bank reconciliations, bid processes, purchasing, procurement, policies, procedures, and other financial activity. Additionally, the RFP requested a review of the Township’s existing controls and compliance with these controls, along with identification of areas of risk of fraud and misconduct and recommending improvements and best practices.

The RFP noted that there has not been any instance of known fraud at the Township during the years ended December 31, 2019, through December 31, 2022 (the “Period of Review”). However, the Township had experienced a relatively large turnover in personnel responsible for the finances of the Township during that time.

## 1.2 Mandate

Due to the broad nature of services outlined in the RFP, the KPMG Engagement Letter outlined the following approach:

- Conduct a Targeted Fraud Risk Assessment (the “Fraud Risk Assessment”), in order to examine where in the Township fraud could have occurred for specific circumstances, given the high turnover of personnel responsible for the Township’s finances:
  - Conduct an inherent risk assessment to identify priority areas for review, including:
    - Consider inherent fraud risks faced by similar organizations, as identified during certain previous KPMG Fraud Risk Assessment engagements,
    - Review information provided by the Township and available on the Township’s website, and
    - Meet with certain representatives of the Township in order to understand areas of concern and to identify areas of heightened fraud risk.



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- Identify controls, processes and other mitigating factors at the Township in relation to priority areas,
  - Conduct a residual risk analysis to identify indicators of residual fraud risk, and
  - Engage certain Township personnel to assist with ranking and prioritizing the Identified Fraud Risk Areas.
- Validate a list of the top five identified fraud risk areas, as proposed by KPMG and agreed by the Township (the “In-scope Fraud Risk Areas”)
- Conduct targeted analysis of the In-scope Fraud Risk Areas, including:
- Review of certain supporting documents (E.g., process descriptions, policies) in relation to the In-scope Fraud Risk Areas
  - Conduct discussions with certain Township personnel knowledgeable about the In-Scope Fraud Risk Areas, and
  - Use a risk-based sampling methodology to select items for detailed review from each of the five prioritized In-Scope Fraud Risk Areas.
- Document internal control and process weaknesses, as observed during our review, and
- Provide a report of our findings, as well as recommendations for further review and analysis, if any.

### **1.3 Background**

We understand the following:

- The Township is a municipality in the Province of Ontario
- The Township experienced turnover in personnel responsible for the finances at the Township during the Period of Review
- Section 224 of the Municipal Act defines the role of Council and includes but is not limited to the following:
  - (a) To represent the public and to consider the well-being and interests of the municipality



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- (d) To ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of Council
- (d.1) To ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality, and
- (e) To maintain the financial integrity of the municipality
- The Township Council motioned to instruct the Clerk/Administrator or designate to advertise the RFP for a forensic audit of the Township's financial records for the past four years, specifically from year ending December 31, 2019, to the year ending December 31, 2022, at the January 24, 2023, meeting of Township Council, moved by Councillor Zulak and seconded by Councillor Kekkonen, and
- Council approved the award of RFP No. 2023-002 to KPMG LLP at the March 21, 2023, meeting of Township Council, moved by Councillor Haskim and seconded by Councillor Ryeland.



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## 2 Restrictions

We understand that our report is intended to assist the Township and Council in examining and understanding the financial information and internal controls of the Township and we consent to such use. We further understand that our report may be presented to Council in a public meeting. Outside of that use, our report is not intended for general use, circulation or publication. For the avoidance of doubt, other than as specifically noted in this section, our report may not be disclosed, copied, quoted or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance.

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses suffered by the Township as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the provisions of this section. We will not assume any responsibility or liability for any costs, damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report. Comments in our report are not intended, nor should they be interpreted to be, legal advice or opinion.

We have relied upon the completeness, accuracy and fair presentation of all the information obtained (the "Information"). Our comments are conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, KPMG has not audited or otherwise independently verified the accuracy or fair presentation of any of the Information. Should additional information be provided to us after the date of this report, we reserve the right, but will be under no obligation, to review this information and adjust our report accordingly.



## **3 Scope of review and limitations**

### **3.1 Scope of review**

In preparing our comments, calculations and analysis as contained in this report, we have reviewed various documents and information provided to KPMG by Roshan Kantiya, Treasurer, along with publicly available information. A list of documents and information upon which we relied is set out in Appendix A – Scope of Review.

In addition, throughout the course of our review, KPMG held discussions with the following representatives of the Township:

- Roshan Kantiya, Treasurer
- Ina Watkinson, Clerk/Administrator
- Greg Gostick, Director of Operations
- Rob Morrison, Fire Chief

We also held discussions with the following members of Township Council:

- David Moore, Mayor
- Morley Haskim, Councillor
- Mike Kekkonen, Councillor
- Nick Ryeland, Councillor
- Debbie Zulak, Councillor
- KPMG also conducted a two-phase survey, which was sent to all full-time personnel of the Township, including Council and the Project Team (consisting of Mr. Kantiya and Ms. Watkinson).

### **3.2 Limitations**

Our report is limited for the following reasons:

- We understand the Township experienced turnover, including senior finance and administration personnel during the Period of Review. At the same time, certain



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processes and procedures at the Township have not been codified in formal policies and/or process documents. As a result, in some cases KPMG relied on assumptions of Township personnel who were not employed at the Township during the Period of Review, regarding processes followed by former Township personnel. As a result, we are unsure of the completeness and accuracy of certain process descriptions provided by Township personnel.

- KPMG did not interview former personnel of the Township that were employed during the period under review. We are unsure if the former employees might have had information relevant to our review.
- Due to the nature and evolution of fraud, it is not possible to establish a complete list of all fraud risks that could affect the Township. The fraud risks identified for our targeted analysis were based on the steps taken as part of the approach followed for the Targeted Fraud Risk Assessment.
- KPMG requested participation in two surveys by seven Township personnel and five members of Council. For the first phase of the survey, we received responses from nine out of twelve recipients, and for the second phase of the survey, we received responses from ten out of the twelve recipients. We are unsure if the individuals who did not respond to one or both phases of the survey had additional information that might have been relevant to our review.





## 4 Methodology

In providing our comments and analysis, in addition to activities and methods noted elsewhere in this report, we performed the procedures discussed below.

### 4.1 Targeted Fraud Risk Assessment

In order to understand and assess the fraud risks faced by the Township, we conducted a Targeted Fraud Risk Assessment utilizing the following four steps:

#### *Step 1: Fraud Risk Identification*

- KPMG identified potential fraud risks that the Township may be vulnerable to in their operations, utilizing the following procedures:
  - Interviews and discussions with certain personnel of the Township, including the Project Team, and Council
  - Review of organizational documents, including but not limited to, budgets, process documents/by-laws, Council meeting minutes, and audited financial statements
  - First phase of an organization-wide, two-phase survey of full-time personnel and Council of the Township, and
  - Leveraging our experience in conducting fraud risk assessments with other similar organizations.
- KPMG developed a table, which outlines additional details regarding all of the potential fraud risks that were identified, including a fraud risk description, sample fraud schemes corresponding to each fraud risk, and examples of the fraud that might be committed if the fraud risk were to materialize (the “Fraud Risk Register”).

#### *Step 2: Inherent Risk Assessment*

- KPMG launched the second phase of the organization-wide survey to the same recipients of the first phase, to record survey participants’ assessment of the impact and likelihood of each risk included in the Fraud Risk Register.
- KPMG facilitated a discussion with the Project Team to review the potential fraud risks included in the Fraud Risk Register and assess the reasonableness of the results from the second phase of the survey. Through that discussion, KPMG and the Project Team agreed on a ranking order of the fraud risks and determined which of the risks were most concerning for the Township and should be prioritized for further analysis (the “Key Fraud Risks”).



*Step 3: Identify How Each Key Fraud Risk is Mitigated*

- For each of the Key Fraud Risks, KPMG and the Township identified the process-level internal controls and other mitigating measures currently in place at the Township, while documenting potential gaps in how the Key Fraud Risks are being mitigated, if any.
- KPMG summarized these mitigations and gaps into a Fraud Risk and Control Matrix.

*Step 4: Residual Risk Assessment*

- KPMG provided the Project Team with a summary of the Key Fraud Risks and their mitigations, in order to solicit the Project Teams comments and validation.

## **4.2 Targeted Analysis**

KPMG conducted targeted analysis over six of the Key Fraud Risks: misuse of the Township's Tangible capital assets, inappropriate use of confidential information, payroll fraud, procurement fraud, waste and/or abuse spending and withholding of material financial information. The Key Fraud Risks in respect of waste and/or abuse spending and withholding of material financial information are included in a single subsection of the report, 'Budgeting'.

For each of these Key Fraud Risks, KPMG performed the following procedures:

- Obtained and reviewed a copy of relevant by-laws, policies and process documents in place at the Township, if any
- Conducted discussions with Township personnel knowledgeable of the areas under review, including but not limited to, the processes in place during the Period of Review
- Documented internal control and process weaknesses identified, if any, and
- Obtained and reviewed additional supporting documentation for samples selected, if applicable.

### **4.2.1 Misuse of the Township's Tangible Capital Assets**

*Selection of Sampled Items*

KPMG obtained a report summarizing capital asset additions and disposals, organized by asset class, for fiscal years ended December 31, 2020, to 2022. KPMG also obtained a detailed listing of additions and disposals for the Vehicle asset class for the same period



and selected a sample of two vehicle disposals. KPMG reviewed the process followed by the Township to dispose of the vehicles, in relation to the Township's By-Law No. 2008-15 Accounting treatment for tangible capital assets (the "Capital Asset Policy").

### **Capital Asset Analysis**

KPMG performed the following procedures:

- Obtained and reviewed a copy of the Capital Asset Policy.
- Obtained supporting documents related to the selected samples including but not limited to: Council meeting minutes, reports to Council, asset register and purchase agreements.
- Identified sections of the Capital Asset Policy that appeared relevant to the selected samples and assessed whether the process followed by the Township to dispose of the vehicles was consistent with the requirements per the Policy.

### **4.2.2 Inappropriate use of Confidential Information**

KPMG performed the following procedures:

- Obtained and reviewed a copy of By-Law No. 2019-06 Code of Conduct Policy for Members of Council (the "Code of Conduct").
- Reviewed Township employment contract terms with respect to use of confidential information.

### **4.2.3 Payroll Fraud**

KPMG performed the following procedures:

- Selected the month of [Date] and reviewed payroll deposits recorded that period.
- Obtained the payroll deposit details for all pay periods occurring in [Date] for all Township personnel.
- Reviewed the payroll deposit details for irregularities, including but not limited to: duplicate deposit account numbers, payments to individuals outside of the regular bi-weekly payroll deposits and instances where one deposit exceeded the other bi-weekly deposits by more than \$1,000 for individual Township employees.



#### **4.2.4 Procurement Fraud**

##### ***Selection of Sampled Items***

KPMG obtained the Vendor Year to Date (“YTD”) Purchases Report for all vendors fully paid during the fiscal years ended December 31, 2019, to 2022. KPMG then selected a sample of 6 purchases subject to the Procurement Policy across the five purchase categories described in the Policy as listed below:

- Low Value Purchases (< \$5,000) – 2 samples
- Request for Quotation - Informal (\$5,001 - \$15,000) – 1 sample
- Request for Quotation - Formal (\$15,001 - \$25,000) – 1 sample
- Request for Tender (> \$25,000) – 1 sample
- Request for Proposal (> \$25,000) – 1 sample

In addition, KPMG selected one capital project, the Inholmes Bridge Project, to test against the Procurement Policy.

##### ***Procurement Analysis***

KPMG performed the following procedures:

- Obtained and reviewed a copy of By-Law No. 2019-44 Procurement of goods and services policies and procedures (“the Procurement Policy”)
- Obtained and reviewed supporting documents related to the selected samples including but not limited to: Council meeting minutes, capital budgets, Requests for Quotation, Requests for Proposals, Request for Tenders, bid documents, tender documents, Reports to Council, journal entry vouchers, certain bank statements, certain invoices and quotations, and
- Identified sections of the Procurement Policy that appeared relevant to the selected samples and assessed whether the process followed by the Township was consistent with the process and requirements per the Procurement Policy.

#### **4.2.5 Budgeting**

KPMG performed the following procedures:



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- Obtained and reviewed the approved operating and capital budgets for fiscal years ended December 31, 2019, to 2022
- Obtained and reviewed copies of all iterations of the budget for the fiscal year ended December 31, 2022, as presented to Council, and
- Obtained and reviewed copies of the Q3 2022 budget variance report as presented to Council.



## 5 KPMG Findings

### 5.1 Targeted Fraud Risk Assessment

#### *Identified Fraud Risks*

Through our Targeted Fraud Risk Assessment, the following 19 potential fraud risks for the Township were identified. The potential fraud risks are listed in alphabetical order, without consideration for the likelihood of occurrence or potential impact for the Township:

| List of Potential Fraud Risks for the Township |   |
|--|---|
| <b>Risk 1</b>                                  | Bribery and/or corruption                                   |
| <b>Risk 2</b>                                  | Carrying on a personal business using Township resources    |
| <b>Risk 3</b>                                  | Cyber-attacks and IT system breaches                        |
| <b>Risk 4</b>                                  | Inappropriate use of confidential information               |
| <b>Risk 5</b>                                  | Intentional manipulation of financial results and reporting |
| <b>Risk 6</b>                                  | Invoice fraud   |
| <b>Risk 7</b>                                  | Manipulation of key performance indicators                  |
| <b>Risk 8</b>                                  | Misrepresentation of candidate qualifications/experience    |
| <b>Risk 9</b>                                  | Misuse of the Township's tangible assets                    |
| <b>Risk 10</b>                                 | Payroll fraud   |
| <b>Risk 11</b>                                 | Phishing and/or ransomware                                  |
| <b>Risk 12</b>                                 | Procurement fraud   |
| <b>Risk 13</b>                                 | Theft of cash and/or cash equivalents                       |
| <b>Risk 14</b>                                 | Theft of electronic data (e.g. confidential information)    |
| <b>Risk 15</b>                                 | Theft of physical/tangible assets                           |
| <b>Risk 16</b>                                 | Theft of time by Township personnel                         |
| <b>Risk 17</b>                                 | Undisclosed conflict of interest                            |
| <b>Risk 18</b>                                 | Waste and/or abusive spending                               |
| <b>Risk 19</b>                                 | Withholding of material financial information               |

For further details regarding these potential fraud risks, see Appendix B: Fraud Risk Register.



### **Key Fraud Risks**

Each of the 19 potential fraud risks represent inherent fraud risks to the Township. That is, the risks were identified without consideration of existing controls, processes or other mitigating factors already in place at the Township.

It is not practical or feasible for organizations to attempt to completely mitigate risk, including fraud risk. Rather, organizations, should undertake ongoing or regular assessments to determine their risk appetite, to identify the risks faced by the organization and to implement strategies and processes to mitigate those risks to an acceptable level in relation to their risk appetite.

Accordingly, it may not be practical for the Township to attempt to mitigate all 19 identified potential fraud risks, each with varying likelihoods of occurrence and potential impacts on the Township.

The Targeted Fraud Risk Assessment included a risk prioritization exercise, to identify those potential fraud risks that were most concerning to the Township (the Key Fraud Risks). The risk prioritization exercise consisted of scoring the likelihood of occurrence and the potential impact to the Township for each potential fraud risk via the second phase of the survey, discussions with the Project Team and review of Township documents.

The highest ranked Key Fraud Risks represent potential fraud risks which should be prioritized by the Township, when working to mitigate fraud risks. The remaining fraud risks still represent risks that the Township should be aware of, but that could be addressed in the future or via other measures, given their relative priority.

The Key Fraud Risks are listed below, in the order determined through the risk prioritization exercise:

| <b>Top Six Key Fraud Risks for the Township</b> |   |
|---|---|
| 1)  | Risk 9 - Misuse of the Township's tangible assets       |
| 2)  | Risk 4 - Inappropriate use of confidential information  |
| 3)  | Risk 10 - Payroll fraud                                 |
| 4)  | Risk 12 - Procurement fraud                             |
| 5)  | Risk 18 - Waste and/or abusive spending                 |
| 6)  | Risk 19 - Withholding of material financial information |

The Targeted Fraud Risk Assessment included an analysis of mitigating factors, including internal controls, which currently exist at the Township. Through this assessment, gaps that could potentially expose the Township to these risks were also uncovered. A Fraud Risk and Control Matrix was compiled to summarize the mitigating measures and resulting



potential gaps for each of the Key Fraud Risks. See Appendix C – Fraud Risk and Control Matrix.

## 5.2 Targeted Analysis

KPMG performed a targeted analysis on certain process areas at the Township relating to each of the Key Fraud Risks. There were five Township processes identified that mapped to the six Key Fraud Risks, as summarized in the table below:

| Mapping of Key Fraud Risks to Targeted Analysis         |   |
|---|---|
| Key Fraud Risk  | Township Process Area Reviewed Through Targeted Analysis  |
| Risk 9 - Misuse of the Township's tangible assets       | Tangible Capital Assets including the Township's Capital Asset Policy and disposal of capital assets. |
| Risk 4 - Inappropriate use of confidential information  | Use of Confidential information including the Township's Code of Conduct and employment agreements    |
| Risk 10 - Payroll fraud                                 | Payroll including the Township's informal payroll processes   |
| Risk 12 - Procurement fraud                             | Procurement including the Township's Procurement Policy and capital projects                          |
| Risk 18 - Waste and/or abusive spending                 | Budgeting including the Township's informal budgeting process   |
| Risk 19 - Withholding of material financial information | Budgeting including the Township's informal budgeting process   |

Based on the scope of review and subject to the restrictions, limitations and assumptions outlined in this report, we have outlined our findings from the Targeted Analysis below.

### 5.2.1 Misuse of the Township's Tangible Capital Assets

In the Targeted Fraud Risk Assessment, we have defined Misuse of the Township's Tangible Capital Assets as the *risk that employees/contractors use the Township's tools, equipment, and/or other tangible assets for personal advantage or use without authorization.*





Through discussions with Township personnel, we understand that there were concerns that the disposal of certain Township vehicles during the fiscal years ended December 31, 2020, to 2022 resulted in proceeds of the disposals being allocated to a 'slush fund'. Disposals of capital assets occur when the Township sells, donates, or decommissions their tangible capital assets, sometimes resulting in a gain or loss on disposal. On Schedule 1, we have assessed the actions taken by the Township regarding capital asset disposals, in relation to the requirements set out in the Capital Asset Policy.

We note the following:

- Disposals by the Township occurred in the years ended December 31, 2020, (3 assets) and December 31, 2022, (2 assets), totaling \$547,986 and \$67,406, respectively.
- All disposals were from the "Vehicles" asset class.
- No assets were both purchased and disposed of during the three-year period.
- Internal control and process recommendations relating to Tangible Capital Assets have been included in Appendix C.

### **5.2.2 Inappropriate use of Confidential Information**

In the Targeted Fraud Risk Assessment, we have defined Inappropriate use of Confidential Information as the *risk that information obtained through access of information systems, databases, email communications, personal information retained by the Township is exploited by Township personnel.*

Given the nature of this risk area, there is limited documentation available to review and substantively test it. KPMG reviewed the Code of Conduct in place at the Township for Council members and employment contract language surrounding the use of confidential information for Township personnel. Internal control and process recommendations relating to the use of confidential information have been included in Appendix C.

### **5.2.3 Payroll Fraud**

In the Targeted Fraud Risk Assessment, we have defined Payroll Fraud as the *risk that work hours, sick days, vacation, leave, or overtime hours are misreported by employees/contractors in order to receive additional remuneration and/or time off which may result in increased/ improper costs.*

We reviewed the Township's payroll deposit details for all pay periods occurring in [REDACTED] and note the following:

[Date]



- There were five dates on which payroll amounts were deposited to the bank accounts of Township personnel, Council and volunteer firefighters during [Redacted] [Date]. Three dates pertained to regular bi-weekly payroll deposit dates for Township personnel and two dates pertained to payments to Council members and volunteer firefighters.
- No instances of duplicate deposit account numbers for more than one unique individual were noted.
- Two individuals were noted to have received payment on four or more of the [Redacted] [Date] [Redacted] pay dates. We understand both of these individuals were in multiple roles at the Township, [Redacted] [Job Positions/Titles]
- One individual was noted to have received a payroll deposit 46% higher than the average of their other two deposits during the period. We understand that this individual was paid an hourly rate and recorded approximately 18 more hours during the pay period corresponding to the higher payroll deposit amount.
- We requested a payroll report showing all changes made within the payroll module of the Township's accounting software (E.g., additions and disposals of additional payees, changes to rates of pay, changes to direct deposit information of payees) during the Period of Review but were advised that such a report is not possible to obtain through the module.
- Internal control and process recommendations relating to payroll have been included in Appendix C.

#### **5.2.4 Procurement Fraud**

In the Targeted Fraud Risk Assessment, we have defined Procurement Fraud as the *risk that Township personnel and vendors will conspire in the award of contracts to inappropriate vendors and/or that these contracts are awarded for inappropriate/unapproved goods or services and/or values that are higher than the necessary price for the goods/services received. Includes schemes such as bid rigging and vendor collusion.*

KPMG selected six individual purchases and one capital project for detailed review.

Purchases and commitments by Township personnel in relation to capital projects are subject to the Town's various policies, including the Procurement Policy. The Procurement Policy outlines, among other things, the responsibilities and obligations of Township personnel involved in all areas of procurement.

Internal control and process recommendations relating to Procurement have been included in Appendix C.



We have summarized our findings for each reviewed purchase and the reviewed capital project below.

#### **5.2.4.1 Sample 1: GIN-COR Invoice #57431**

On Schedule 2 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:

- The purchase selected totaled \$1,507.49 and is therefore considered a Low Value Purchase in accordance with the Procurement Policy.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.

#### **5.2.4.2 Sample 2: Telequip Systems Limited Invoice #TELEQUIN108196**

On Schedule 3 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:

- The purchase selected totaled \$3,829.57 and is therefore considered a Low Value Purchase in accordance with the Procurement Policy.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.

#### **5.2.4.3 Sample 3: Morrows Plumbing & Heating Inc. Invoice #18918**

On Schedule 4 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:

- The purchase selected totaled \$13,411.97 and therefore required the Township to undertake an informal quotation process, in accordance with the Procurement Policy. An informal quotation process involves the solicitation, either by telephone or in writing, of two quotations for the purchase, but does not require formal advertising.



- Only one quotation was obtained relating to the purchase, whereas the Procurement Policy requires two. From our discussions with Mr. Kantiya, we understand the Township issued a Request for Proposal in an attempt to obtain further quotes, but no responses to the request for proposal were received. Therefore, the Fire Department Head, in consultation with the CAO, initiated a Sole Source Purchase as documented in the Staff Report No. 4 presented to Council in the meeting on October 1, 2022.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.

#### **5.2.4.4 Sample 4: Clark-Kavanagh Homes Inc. Invoice #7649**

On Schedule 5 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:

- The purchase selected totaled \$18,498.10, and therefore required the Township to undertake a formal quotation process, in accordance with the Procurement Policy.
- A formal quotation process did not take place for this purchase. Per our discussions with Mr. Kantiya, we understand this was a result of the vendor being the only provider of the steamer in the region.
- It does not appear that the Sole Source Purchase was brought to Council for approval, as required for Sole Source Purchases in excess of \$15,000.
- An amount of \$17,000 was included in the final 2020 Capital Budget, for a new steam generator.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.

#### **5.2.4.5 Sample 5: Duncor Enterprises Inc. Invoice #2022622**

On Schedule 6 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:



- The purchase selected totaled \$318,895.31. Given the definable nature of it as a construction purchase the Township was required to undertake a request for tender process, in accordance with the Procurement Policy.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.
- It appears that the bid evaluation committee assigned to evaluate the tender bids included only two Township personnel, and therefore was one person short of the required three people, as outlined in the Procurement Policy.

#### **5.2.4.6 Sample 6: Tatham Engineering Ltd. Road Needs Study**

On Schedule 7 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:

- The purchase was billed via seven invoices totaling \$25,091.43, which resulted in a Contract Value exceeding \$25,001. Therefore, a request for proposal process was required according to the Procurement Policy. KPMG selected all invoices relating to the Road Needs Study to address the risk of invoice splitting, which occurs when purchases are spread across multiple invoices in smaller amounts as opposed to a single larger invoice in an effort to evade the procurement process for a higher threshold purchase.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.
- It appears that the bid evaluation committee assigned to evaluate the tender bids included only two Township personnel, and therefore was one person short of the required three people, as outlined in the Procurement Policy.

#### **5.2.4.7 Sample 7: Inholmes Bridge Capital Project**

On Schedule 8 we have assessed the actions taken by the Township for this purchase, in relation to the requirements set out in the Procurement Policy.

We note the following:



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- This project began in the fiscal year ended December 31, 2022 after the bridge was damaged by an ambulance. The project was not completed as at the end of fiscal 2022 and was expected to finish by the end fiscal 2023.
- As the project was initiated in response to an unexpected emergency, the construction did not go out for requests for tender or requests for proposal and was instead sole sourced.
- The approved 2022 capital budget was amended at the December 6, 2022 Council meeting following the presentation of Staff Report No. T-2022-5, to budget for additional costs totaling \$332,839 relating to the Inholmes Bridge replacement.
- In 2022, \$164,188.33 was incurred between two vendors for the project, with four invoices from Algonquin Bridge totaling \$153,283.83 and one invoice from RHH Engineering totaling \$10,904.50. All amounts are including HST.
- The amounts relating to engineering fees of \$10,904.50, are exempt from the Procurement Policy as outlined in Schedule A of the policy.
- In accordance with the Procurement Policy, all purchases require the creation of a formal purchase agreement or purchase order. However, it does not appear that a formal agreement or purchase order was created for the purchase.

### **5.2.5 Budgeting**

In the Targeted Fraud Risk Assessment, we have defined Waste and/or abusive spending as the *risk that the current high-cost/economic environment will result in waste and/or abusive spending*, and Withholding of material financial information as the *withholding of information that may impact governing decisions of the Council for one's own benefit*.

KPMG reviewed the approved budgets for the fiscal years ended December 31, 2019, to 2022, all iterations of the fiscal 2022 budget presented to Council, and the Q3 2022 budget variance report to Council. We note the following:

- The Township does not have a formalized process for the preparation or review of the annual budget or quarterly variance analysis.
- It appears that the Township did not apply a threshold (\$ or %) for review of the Q3 2022 variances of budget to actual.
- The fiscal 2022 budget was not finalized and approved until June 14, 2022, nearly six months into the 2022 budgeted year.



- There are some expenses of the Township that are allocated to a single Department or Cost Centre but are actually incurred by multiple departments, such as insurance and fuel.
- Internal control and process recommendations relating to budgeting at the Township have been included in Appendix C.

### 5.3 Additional Internal Control and Process Recommendations to Consider

In addition to those identified for the Key Fraud Risks, KPMG has outlined recommendations for consideration in the table below which may strengthen other processes in place at the Township. These additional items were identified in the course of our review.

| Additional Internal Control and Process Recommendations to Consider |  |   |   |
|---|--|---|---|
| Category  | Issue  | Implication   | Recommendations to Consider   |
| Carrying on Personal Business                                       | Employment contracts of the Township do not include language with respect to Township personnel carrying on business outside of their full-time role at the Township.  | There is no requirement for Township personnel to report positions held outside of their role with the Township, therefore no ability for the Township to assess any potential conflicts with their role at the Township.   | The Township might consider implementing language in Township employment contracts requiring Township personnel to report business conducted outside of their role at the Township.   |
| Conflict of Interest  | The Township does not have a Conflict of Interest Policy. The Township references the Municipal Conflict of Interest Act in the Township's Transparency and Accountability Policy. However, this Act is only applicable to Council members and not Township personnel. | This situation may lead to actions that are not in the best interest of the Township. Township personnel may not be aware of what comprises conflicts of interest. Actions taken by Township personnel which represent a conflict of interest, in reality or in appearance may cause reputational damage to the Township. | The Township might consider implementing a Conflict of Interest policy applicable to all Township personnel and Council members detailing definition of conflict of interest and how to identify conflicts, assess, respond and report any actual or perceived conflicts of interest.             |
| Conflict of Interest  | There is little to no training in place for Township personnel or Council, with respect to conflicts of interest.  | As a result of this lack of training, Township personnel may not be aware of what comprises conflicts of interest. Actions taken by Township personnel which represent a conflict of interest, in reality or in appearance, may cause reputational damage to the Township.  | The Township might consider implementing some regular and refresher training for Township personnel commensurate with job responsibilities. The Township could ensure personnel are aware of all policies and procedures that are relevant to their role, including how and where to access them. |



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| Additional Internal Control and Process Recommendations to Consider |   |   |   |
|---|---|---|---|
| Category  | Issue   | Implication   | Recommendations to Consider   |
| Cyber/IT  | The Township uses a third-party IT service provider who maintains responsibility for all aspects of the Townships IT network. The Township does not have complete insight into the safeguards in place by the IT service provider, and therefore any potential gaps in the service provider's processes may subject them to risk. | With limited understanding of the services administered by the third-party IT service provider and no formal IT policy in place, the Township may be exposed to risks they are not aware of.  | The Township might consider an assessment of the suitability of services provided by the current service provider.<br><br>The Township might consider implementing an IT policy applicable to all Council and Township personnel, outlining acceptable use of technology, password requirements, remote access, third-party access, anti-virus procedures, mobile devices, data protection and any other applicable considerations.   |
| Cyber/IT  | No training is provided to employees covering cyber security, including emergency response, phishing and ransomware.  | Township personnel may not be aware of what to do in the event of a cyber-attack or network breach, or how to identify attempts by malicious parties to enter the Townships network.  | The Township might consider implementing some regular and refresher training for Township personnel, commensurate with job responsibilities. The Township could ensure personnel are aware of all policies and procedures that are relevant to their role, including how and where to access them.  |
| Cyber/IT  | The Township's property tax software is not integrated with their accounting software and does not restrict access to only certain employees.   | The use of two independent systems provides a risk of error when entering information from one system into the other if appropriate reconciliation processes are not in place. As all administrative staff have edit access to the property tax system, there is potential for users to make unauthorized changes to ratepayer's personal information recorded in the system. | The Township might consider exploring other property tax software options that provide integrations into their current accounting system to mitigate the risk of error and reduce time spent on reconciling the two systems. The Township might also consider restricting access to the property tax software to only those individuals who require access as part of their role, and implementing a monthly review process to ensure accuracy of changes to ratepayer information. |
| Financial Reporting Policy  | There is no formal policy in place for the financial reporting process.   | May lead to inadequate financial reporting (E.g., incomplete or inaccurate financial reports), or inconsistencies in the way reports are prepared over a period of time. Can lead to misleading information, lack of comparability from period to period and incorrect decision making.   | The Township might consider implementing a Financial Reporting policy that outlines responsibilities, reporting requirements, deliverables, relevant frameworks and standards to follow, and timing.  |
| General   | The Township has experienced significant turnover of senior personnel, including finance personnel.   | High turnover of Township personnel combined with a lack of codified processes has resulted in knowledge gaps and inconsistent processes at the Township.   | The Township might consider cross-training finance personnel and documenting key financial processes, to mitigate the risk of knowledge loss when personnel leave the Township.   |





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| Additional Internal Control and Process Recommendations to Consider |   |   |  |
|---|---|---|--|
| Category  | Issue   | Implication   | Recommendations to Consider  |
| General   | There is little to no training in place for Township personnel or Council, with respect to fraud awareness.   | As a result of this lack of training, Township personnel may not be aware of what constitutes fraud, how fraud may be perpetrated within the Township, red flags to look out for or what to do if they suspect fraud has occurred.  | The Township might consider implementing some regular and refresher training for Township personnel and Council members on the topic of fraud awareness.   |
| Human Resources   | No formal process is in place at the Township in relation to candidate recruitment, including interviewing and reference/background checks.   | Without defined steps and roles outlined in the hiring process, the Township may be subjected to risk of hiring individuals who do not meet the requirements of the posted job opportunity.   | The Township might consider implementing a Human Resources policy including processes, roles and responsibilities in relation to recruiting and hiring. For example, the Township could consider requiring candidates to provide three professional references and assigning a staff member to be responsible for contacting the references and documenting their conversation. At a minimum, the Township might consider verifying significant employment experience and education, as well as conducting criminal background checks. |
| Municipal Fuel  | No reconciliation is performed to compare fuel purchased to fuel used.  | Lack of control over fuel purchase and usage increases the risk of misuse and theft.  | The Township might consider maintaining and reconciling a log of fuel purchases and consumption. The Township might also perform 'inventory counts' of fuel on hand and reconcile to the log.  |
| Municipal Fuel  | Fuel used by departments other than the Fire department taken from the tanks located at the Fire station is tracked on a white board.   | Entries on whiteboard can be easily erased or removed. There is no history of fuel usage that can be reconciled with purchases. Anyone can add or remove entries, reduces the credibility of the records.   | The Township might consider maintaining a paper-based or electronic log of fuel usage, including date, trip details, name of driver, volume of fuel, etc.  |
| P-Card  | The Township has only one P-card, held by the Township Office. The card is not linked to a specific individual. Certain Township employees make purchases on behalf of the Township using their personal accounts and subsequently request reimbursement. | Having a shared card for Township employees reduces individual accountability for transactions and may cause difficulty in reconciling expenditures, if it is not known who used the card to make a purchase. With employees incurring business expenses on their personal credit cards, it creates a lack of control over spending limits, visibility into expenses incurred, access to corporate discounts. | The Township might consider ensuring employees that are expected to make purchases on behalf of the Township have their own P-card. The Township could consider then implementing a policy surrounding the use of Township P-cards, outlining the requirement of providing sufficient supporting purchase documentation (i.e. receipts), approvals and stipulation to be paid for using Township funds.  |



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| <b>Additional Internal Control and Process Recommendations to Consider</b> |   |   |   |
|--|---|---|---|
| <b>Category</b>  | <b>Issue</b>  | <b>Implication</b>  | <b>Recommendations to Consider</b>  |
| Tracking of Unfinished Business  | There is no clear process for tracking unfinished business at Council meetings.   | Risk of unfinished business not being completed or resolved. Unorganized record keeping may lead to inefficiencies and increase costs as unfinished business leads to delays.       | The Township might consider maintaining a log of unfinished business, which can be reviewed during Council meetings.  |
| Treasury   | A bank account was opened in the Township's name without proper approvals.  | Unauthorized accounts opened in the Township's name could expose the Township to risk of theft of cash or exposure to debt.   | The Township might consider consulting with their financial institution to ensure an up-to-date list of signing authorities and authorized users is in place. This list should be revisited on a regular basis and amended immediately should Township personnel change.  |
| Vendor Payment   | No review of changes made to vendor master lists are performed.   | Lack of review and lack of controls over vendor files increase the likelihood of errors or fraud by creation of fictitious vendors or manipulating information of existing vendors. | The Township might consider incorporating regular review of change logs related to the Vendor Master list to ensure all changes made are accurate and legitimate.   |
| Whistleblower Mechanism  | No whistleblower mechanism is in place to allow for anonymous reporting by Township personnel, Council members, constituents, or third parties. | Inappropriate activities may go undetected if Township personnel, Council members, constituents or third parties do not have a way to report incidences.                            | The Township might consider implementing an anonymous whistleblower program. This would involve providing Township personnel, Council members, constituents and third parties with information on how they can reach out anonymously, include steps that would be taken. The Township could also consider including the expectation of Township personnel and Council members to report any inappropriate activity as part of their Code of Conduct. Whistleblowers should be protected from retaliation for making a report. |



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## 6 Independence

This report was prepared by Karen Grogan, MBA, DIFA, CPA, CA, CBV, CFF and Tyler Reavell, CPA, CA.

We believe that we are independent of the Township and that we have prepared our report in an independent and objective manner. Moreover, our fees for this engagement are not contingent upon our findings or any other action or event resulting from the use of this report.

Karen Grogan, MBA, DIFA CPA, CA, CBV, CFF  
Senior Vice President  
*Direct Dial (519) 747-8223*

Tyler Reavell, CPA, CA  
Senior Manager  
*Direct Dial (519) 660-2138*



## **A Appendix A: Scope of Review**

Our comments, calculations and analysis as contained in this report are based on our review of the following information:

- Vendor YTD Purchases Report for the years 2019, 2020, 2021 and 2022
- By-Law No. 2008-15 Accounting treatment for tangible capital assets approved July 21, 2008
- By-Law No. 2019-44 Procurement of goods and services policies and procedures approved October 7, 2019
- By-Law No. 2019-06 Code of Conduct Policy for Members of Council approved January 21, 2019
- Capital Asset Additions and Disposals Summary for the years 2020, 2021 and 2022
- Vehicle Additions and Disposals Details for the years 2020, 2021 and 2022
- Capital Asset Register
- Offer to Adams Brothers dated November 12, 2020
- 2019, 2020, 2021 and 2022 Approved Operating and Capital Budgets
- Direct Deposit Reports for pay dates December 1, 2, 12, 29 and 31, 2020
- Certain meeting minutes from Regular, Special and In-Camera Council meetings as listed in Schedules 2-8
- Certain invoice copies issued by vendors selected as described in the Methodology section
- Certain Reports to Council prepared by Township personnel as listed in Schedules 1-8
- Certain quotation, RFQ, RFP and Tender documents, including bids and bid evaluations
- Certain bank statements of the Township as listed in Schedules 2-8
- All iterations of the 2022 draft budget presented to Council



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- Staff Report to Council No. T-2022-04 “2022 Third Quarter Operating and Capital Budget Variances



## B Appendix B: Fraud Risk Register

The following table outlines the potential fraud risks that were determined from discussions with the Project Team and Township Council, review of Township documentation, results obtained from an organization-wide survey delivered to Township personnel and Council and our experience in conducting fraud risk assessments with other organizations and governments. It is generally accepted that fraud occurs when there is a combination of the motivation, opportunity, rationalization, and capability to act inappropriately. The risks have been developed based on the operational context of each area to identify situations and scenarios that could occur given the right mix of motivation, opportunity and rationalization, and thus they are primarily hypothetical situations as currently worded.

As a reminder, the following definition of fraud has been used for the purpose of this assessment: *“Fraud is an intentional act or omission by one or more individuals under the employment of the Township, or third parties, involving the use of deception, falsehood or other fraudulent means to obtain an unjust or illegal advantage resulting in deprivation to the Township and/or a personal benefit to the individual.”*

| Township of McKellar Fraud Risk Register                       |   |  |                           |
|--|---|--|---------------------------|
| Fraud Risk Title   | Fraud Risk Description  | Fraud Scheme Description (i.e. how the fraud risk can materialize)   | Type of Fraud             |
| 1) Bribery and/or corruption                                   | A scheme in which an employee misuses their influence in a business transaction in a way that violates their duty to the employer in order to gain a direct or indirect benefit (e.g., schemes involving bribery) | 1) Payment of bribes by Township personnel.<br>2) Bribe/kickback/gifts received by Township personnel for preferential treatment of potential suppliers through receipt of cash or non-cash gift.<br>3) Township personnel colluding with outside parties to facilitate market access or trade.  | Corruption                |
| 2) Carrying on a personal business using Township resources    | An employee running a personal business while on Township time and using their resources such as Township email, printers, mailing materials etc.   | 1) Use of the Township's assets by personnel in the course of running a personal business.   | Asset misappropriation    |
| 3) Cyber-attacks and IT system breaches                        | Risk that there could be unauthorized access to the Township's systems and/or critical assets/information.  | 1) Unauthorized system access to alter, freeze, or falsify data, possibly involving Township personnel colluding with bad actors, to obtain a personal benefit or to deprive the Township of assets/access to its data.  | Asset misappropriation    |
| 4) Inappropriate use of confidential information               | Risk that information obtained through access of information systems, databases, email communications, personal information retained by the Township is exploited by Township personnel.                          | 1) Township personnel using confidential knowledge or information for personal gain on investments.<br>2) Inappropriate access by Township personnel and/or misuse of confidential and/or commercially sensitive information via information systems, databases, email communications, personal information, etc.<br>3) Inappropriate access to and/or use of third-party credit card information by Township personnel.<br>4) Inappropriate access by Township personnel to confidential information while working remotely.<br>5) Township personnel may be disclosing 'grey areas' or 'loopholes' to third parties. | Corruption                |
| 5) Intentional manipulation of financial results and reporting | Risk that the Township may intentionally and deceitfully disclose/report information that contain errors and/or omissions.  | 1) Manipulation of asset values by Township personnel resulting in inappropriately reflected balance sheet amounts.<br>2) Manipulation of bookkeeping/accounting records in order to reflect revenue and/or expenses that do not represent the actual performance of the Township.   | Financial statement fraud |
| 6) Invoice fraud   | Fictitious, falsified or inflated invoices received from external parties may result in increased improper costs.   | 1) Township personnel pocketing fees that are payable to the Township for legitimate invoices.<br>2) Township personnel or external parties issuing fictitious invoices and pocketing fees.  | Asset misappropriation    |
| 7) Manipulation of key performance indicators                  | Risk that Township personnel manipulate a quantifiable measure that is used to assess performance in order to receive a higher year-end bonus for example.  | 1) Township personnel may work to the specific measurements of KPIs for financial incentive at the expense of other business objectives by either manipulating results or ignoring elements not being measured or rewarded.  | Financial statement fraud |
| 8) Misrepresentation of candidate                              | Risk that an employee/contractor makes untruthful representations about their qualifications and/or experience.   | 1) Township personnel misrepresenting their qualifications and/or experience in order to gain employment/promotion.  | Corruption                |



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| Township of McKellar Fraud Risk Register                     |  |   |                        |
|--|--|---|------------------------|
| Fraud Risk Title   | Fraud Risk Description   | Fraud Scheme Description (i.e. how the fraud risk can materialize)  | Type of Fraud          |
| qualifications/experience                                    |  |   |                        |
| 9) Misuse of the Township's tangible assets                  | Risk that employees/contractors use the Township's tools, equipment, and/or other tangible assets for personal advantage or use without authorization.   | 1) Personal use of IT devices by Township personnel.<br>2) Personal use of specialized equipment, fleet vehicles, trailers, office space, etc. by Township personnel.   | Asset misappropriation |
| 10) Payroll fraud  | Risk that work hours, sick days, vacation, leave, or overtime hours are misreported by employees/contractors in order to receive additional remuneration and/or time off which may result in increased/ improper costs.  | 1) Creation of fictitious or 'ghost' personnel in the payroll system in order to receive unearned salary.<br>2) Township personnel may be planted or installed by a third-party for the benefit of the employee and the third-party.  | Asset misappropriation |
| 11) Phishing and/or ransomware                               | Risk that there could be unauthorized access to the Township's systems and/or critical assets/information.   | 1) Phishing/email schemes, possibly involving Township personnel colluding with bad actors, to obtain a personal benefit or to deprive the Township of assets/access to its data.<br>2) Pharming attempts involving Township personnel to entice other Township personnel to disclose sensitive data.   | Asset misappropriation |
| 12) Procurement fraud  | Risk that Township personnel and vendors will conspire in the award of contracts to inappropriate vendors and/or that these contracts are awarded for inappropriate/ unapproved goods or services and/or values that are higher than the necessary price for the goods/services received. Includes schemes such as bid rigging and vendor collusion. | 1) Bid Rigging - Collusion between vendors to maintain control over procurement process initiated by the Township.<br>2) Price Fixing - Collusion between vendors to inflate bids and/or maintain control over the market conditions such that to impact supply and demand and maintain a higher price for the Township's procurements.<br>3) Inappropriate subcontracting of contract by a vendor who involves a subcontractor knowing that it can profit from a mark-up of the subcontractor's product/service since the subcontractor would not be qualified to bid on the contract directly.<br>4) Contracts awarded without open, fair and transparent procurement process, including the process followed for smaller vendors.<br>5) Contracting requirements provided to a bidder in advance of the release of the bid to allow them more preparation time over their competitors.<br>6) Contracting requirements intentionally specific in a manner resulting in only one eligible bidder.<br>7) Township personnel intentionally splitting contracts in order to bypass Township requirements for additional approvals, authorizations, competitive quoting, change order reviews, and/or other purchasing requirements.<br>8) Contract amendment processed intentionally for a scenario that should have required a new contract.<br>9) Contracting renewals intentionally left to the last minute that necessitate a contract amendment as opposed to a tendering opportunity.<br>10) Unauthorized procurements (non-Township business, personal purchases).<br>11) Purchases from unauthorized vendors, for personal benefit.<br>12) Purchases of illegal materials or materials obtained via illegal means.<br>13) Township personnel colluding to purchase assets for personal benefit. | Corruption             |
| 13) Theft of cash and/or cash equivalents                    | Risk that Township personnel will steal cash or cash equivalents.  | 1) Township personnel skimming cash for personal benefit.<br>2) Township personnel purchasing personal items on the Township's accounts without providing reimbursement.  | Asset misappropriation |
| 14) Theft of electronic data (e.g. confidential information) | Risk that the Township's critical data assets are accessed and/or taken without authorization internally or externally.  | 1) Theft of confidential or commercially sensitive Township data or data entrusted to the Township, by Township personnel.<br>2) Intentional release of confidential information by Township personnel for personal benefit.  | Asset misappropriation |



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| Township of McKellar Fraud Risk Register          |   |  |                        |
|---|---|--|------------------------|
| Fraud Risk Title                                  | Fraud Risk Description  | Fraud Scheme Description (i.e. how the fraud risk can materialize)   | Type of Fraud          |
|   |   | 3) Information leaked to unauthorized parties during meetings on digital platforms.  |                        |
| 15) Theft of physical/tangible assets             | Risk that Township personnel and/or external parties steal tangible assets.   | 1) Current Township personnel stealing physical assets for personal benefit.<br>2) Departing Township personnel stealing physical assets for personal benefit.<br>3) External parties stealing physical assets for personal benefit.<br>4) Theft of tools and equipment by Township personnel or external parties.<br>5) Theft of general/office supplies by Township personnel.<br>6) Theft of fixtures and/or any other Township property by Township personnel or external parties. | Asset misappropriation |
| 16) Theft of time by Township personnel           | Risk that work hours, sick days, vacation, leave, or overtime hours are misreported by employees/contractors in order to receive additional remuneration and/or time off which may result in increased/ improper costs. | 1) Time spent on secondary employment during Township work hours.<br>2) Township personnel take leave for unapproved absences, including leaving work early, false appointments and nor working time as charged to the Township.   | Asset misappropriation |
| 17) Undisclosed conflict of interest              | Risk that Township personnel make an inappropriate decision or action that was influenced by the employee's or his relatives, associates and friends' personal, financial and/or business interests.                    | 1) Township personnel providing services or doing business with regulated parties, outside of their role at the Township.<br>2) Township personnel not removing themselves from discussions involving individuals or organizations they are related to in fact or appearance.  | Corruption             |
| 18) Waste and/or abusive spending                 | Risk that the current high-cost/economic environment will result in waste and/or abusive spending.  | 1) Excess spending and/or misuse of public funds by Township personnel.  | Asset misappropriation |
| 19) Withholding of material financial information | Withholding of information that may impact governing decisions of the Council for one's own benefit.  | 1) Township personnel intentionally omitting information in reports to Council, including budget reports, that may have impacted Council's decision on the matter.   | Corruption             |





## C Appendix C: Fraud Risk and Control Matrix

|   | Risk Title   | Fraud Risk Description   | Mitigating Measures   | Potential Gaps and Other Considerations  | Recommendations  |
|---|--|--|---|--|--|
| 1 | Risk 9 - Misuse of the Township's tangible assets      | Risk that employees/contractors use the Township's tools, equipment, and/or other tangible assets for personal advantage or use without authorization.   | <p>The Township has some physical access controls in place to prevent theft of vehicles and other tangible capital assets.</p> <p>The Township's Code of Conduct for Council members discusses the appropriate uses of tangible assets.</p>   | <ol style="list-style-type: none"> <li>1) The Township's Capital Asset Policy was approved July 21, 2008.               <ol style="list-style-type: none"> <li>a. The Capital Asset Policy may be out of date and insufficient relative to the Township's current operations.</li> </ol> </li> <li>2) There is limited guidance on the requirements surrounding the disposal of tangible capital assets in the Township's Capital Asset Policy.               <ol style="list-style-type: none"> <li>a. Without a clearly defined process in place surrounding the disposal of capital assets at the Township, personnel may not take the appropriate steps necessary to reduce potential risk to the Township.</li> </ol> </li> </ol>   | <ol style="list-style-type: none"> <li>1) The Township could consider undertaking a review and update of the Capital Asset Policy, if needed, to ensure information in the Policy is sufficient and relevant to current operations at the Township. The Township could also consider reviewing currency of other Township policies to determine if other policies might be similarly out of date.</li> <li>2) The Township could consider implementing a policy specifically covering disposal of real property, particularly those considered surplus, to ensure the appropriate steps are clearly defined and formalized.</li> </ol> |
| 2 | Risk 4 – Inappropriate use of confidential information | Risk that information obtained through access of information systems, databases, email communications, personal information retained by the Township is exploited.   | <p>The Township has language in their employment contracts outlining how employees are to handle confidential information.</p> <p>The Township's Code of Conduct for Council members provides requirements for the use of confidential information.</p>   | <ol style="list-style-type: none"> <li>1) No Code of Conduct is in place for Township Staff. The Code of Conduct listed on the Township website is only applicable to Council members.               <ol style="list-style-type: none"> <li>a. Township personnel may not be aware of accepted behaviors and rules of ethics. Increased risk of decisions made by Township staff that is not consistent with values.</li> </ol> </li> <li>2) There is little to no ethics or Code of Conduct training in place for Township personnel. The training that is available is optional.               <ol style="list-style-type: none"> <li>a. Township personnel may not know how to approach ethical issues which may lead to decisions that are not in the best interest of the Township. Personnel may not know accepted behaviors with 3rd parties and who they should contact if they face ethical or code of conduct issues.</li> </ol> </li> </ol>   | <ol style="list-style-type: none"> <li>1) The Township might consider enacting a Code of Conduct applicable to all Township personnel.</li> <li>2) The Township could consider implementing some regular and refresher training for Township personnel, commensurate with job responsibilities, covering the topics listed in the Code of Conduct, particularly surrounding ethics and the use of confidential information. The Township could ensure personnel are aware of all policies and procedures that are relevant to their role, including how and where to access them.</li> </ol>   |
| 3 | Risk 10 – Payroll fraud                                | Risk that work hours, sick days, vacation, leave, or overtime hours are misreported by employees/contractors in order to receive additional remuneration and/or time off which may result in increased/improper costs. | <p>There are some informal processes in place relating to payroll at the Township.</p> <ul style="list-style-type: none"> <li>• Timesheets are approved by department heads and sent to the Treasurer, who processes the payroll deposits.</li> <li>• Hiring and termination decisions are approved by Council.</li> <li>• Payroll is reconciled monthly as part of the bank reconciliation process.</li> <li>• Pay rate changes are approved by Council.</li> <li>• The payroll module is password protected with</li> </ul> | <ol style="list-style-type: none"> <li>1) No second level of review is performed over bi-weekly payroll procedures. The Treasurer is responsible for both the payroll processing and review of payroll reports.               <ol style="list-style-type: none"> <li>a. Lack of segregation of duties in the process increases the likelihood of errors and malicious entries.</li> </ol> </li> <li>2) No reconciliation of changes to pay rates in the accounting software to rates approved by Council.               <ol style="list-style-type: none"> <li>a. Differences between actual pay rates and approved pay rate may go unnoticed leading to errors in payroll.</li> </ol> </li> <li>3) No review of Treasurer payroll, the Treasurer is responsible for preparing and approving their own timesheets.               <ol style="list-style-type: none"> <li>a. Lack of segregation of duties in the process increases the likelihood of errors and malicious entries.</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>1) The Township could consider assigning the task of payroll processing to a different individual. Payroll reports can then be reviewed by the Treasurer.</li> <li>2) Township might consider periodically reconciling pay rates in the payroll module to pay rates approved by Council, to identify any inconsistencies and ensure pay rates are correct.</li> <li>3) At a minimum, the Township could immediately implement a process to review payroll of the individuals responsible for payroll information and entries (currently the Treasurer).</li> </ol>                              |



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|   | Risk Title  | Fraud Risk Description  | Mitigating Measures   | Potential Gaps and Other Considerations  | Recommendations   |
|---|---|---|---|--|---|
|   |   |   | access limited to the Treasurer and Clerk/Administrator. <ul style="list-style-type: none"> <li>Annual payroll and vacation reconciliation is completed as part of the T4 process.</li> </ul>   |  |   |
| 4 | Risk 12 – Procurement fraud                             | Risk that Township personnel and vendors will conspire in the award of contracts to inappropriate vendors and/or that these contracts are awarded for inappropriate/unapproved goods or services and/or values that are higher than the necessary price for the goods/services received. Includes schemes such as bid rigging and vendor collusion. | The Township's Procurement Policy stipulates escalating procurement processes based on values of purchases. Invoices are approved by department heads, processed by accounts payable and approved by the Treasurer. Accounts payable reports are presented to Council monthly. Formal Requests for Quotation, Requests for Proposal or Requests for Tender are issued for higher value purchases. | <ol style="list-style-type: none"> <li>No training is provided to employees in relation to the Procurement Policy.               <ol style="list-style-type: none"> <li>Township personnel may not be aware of requirements and/or expected behaviors in relation to procurement.</li> </ol> </li> <li>Formal agreements or purchase orders are often not created, despite the requirement outlined in the Procurement Policy.               <ol style="list-style-type: none"> <li>Without formal documentation in place, the Township may be subjected to risk of misunderstandings with vendors, order errors, duplicate payments and lack of clear terms.</li> </ol> </li> <li>There are instances of inconsistency throughout the Procurement Policy (E.g., numerical thresholds written as one amount in text and another numerically, such as fifteen thousand dollars (\$25,000)).               <ol style="list-style-type: none"> <li>Discrepancies in the policy may lead to loopholes being taken advantage of by Township personnel.</li> </ol> </li> <li>There is no requirement for use of change orders, resulting in budget overages to be reported to Council for approval.               <ol style="list-style-type: none"> <li>Without the requirement for change orders to be approved by Council, there is potential for the Township to incur higher expenditures than initially approved in the budget.</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>The Township could consider implementing some regular and refresher training for Township personnel, commensurate with job responsibilities, in relation to Procurement Processes. The Township could implement a process to ensure personnel are aware of all policies and procedures that are relevant to their role, including how and where to access them.</li> <li>The Township could consider enforcing the requirement to complete a purchase order or formal agreement with the vendor prior to an invoice being issued, including implementing a 3-way match as part of the accounts payable process, requiring reconciling of an invoice, purchase order and packing slip or proof of delivery.</li> <li>The Township could consider reviewing and updating the Procurement Policy, as needed, with a particular focus on inconsistencies and vagueness.</li> <li>The Township could consider adding a section to the Procurement Policy outlining the use of change orders, including reporting to Council for approval (E.g., when a change results in an overage of the greater of \$1,000 or 5% of the initial budgeted amount).</li> </ol> |
| 5 | Risk 18 – Waste and/or abusive spending                 | Risk that the current high-cost/economic environment will result in waste and/or abusive spending.  | There are some informal processes in place relating to budgeting at the Township. Budget discussions occur between department heads and the Treasurer when preparing the budget for Council. A quarterly variance analysis is performed to compare budget to actuals and presented to Council. Reporting to Council is done on a detailed level, with the final budget being approved by Council. | <ol style="list-style-type: none"> <li>The Township does not currently have a formalized process or policy regarding budgeting.               <ol style="list-style-type: none"> <li>A formal process document could outline roles and responsibilities in relation to the operating budget process. Without a formal process, personnel do not have an objective guide or standard to guide or evaluate performance of budget-related objectives.</li> </ol> </li> <li>There are no policies or processes outlining requirements of the Township to report financial results to Council.               <ol style="list-style-type: none"> <li>Council may not be receiving financial information required for decision making on a timely basis.</li> </ol> </li> <li>Some budgeted expenses incurred by multiple cost centers are included within a single cost center in the budget (E.g., Fuel costs, insurance).</li> </ol>   | <ol style="list-style-type: none"> <li>The Township could consider formalizing and documenting an operating budget process outlining, at a minimum:               <ul style="list-style-type: none"> <li>Method of preparing the Township's budget;</li> <li>Roles and responsibilities of Township personnel in relation to budgeting;</li> <li>Timing of budget milestones and deliverables;</li> <li>Review and approval of the budget; and</li> <li>Evaluation of Township performance against the budget.</li> </ul> </li> <li>The Township could consider formalizing a process to report financial results to Council outlining, at a minimum:               <ul style="list-style-type: none"> <li>Frequency of reporting to Council;</li> <li>Timing of reporting;</li> </ul> </li> </ol>  |
| 6 | Risk 19 – Withholding of material financial information | Withholding of information that may impact governing decisions of the Council for one's own benefit.  |   |  |   |



**The Corporation of the Township of McKellar**  
 Targeted Fraud Risk Assessment and Forensic Review  
 Report Date: September 29, 2023

|  | Risk Title | Fraud Risk Description | Mitigating Measures | Potential Gaps and Other Considerations   | Recommendations  |
|--|------------|------------------------|---------------------|---|--|
|  |            |                        |                     | <p>a. If revenues or expenses are not allocated to cost centers at an appropriate level of detail, the Township may have difficulty analyzing the source of variances.</p> <p>4) The Township does not appear to have formalized internal controls related to their annual operating budget process. Internal controls are processes effected by an entity's Board of Directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories:</p> <ul style="list-style-type: none"> <li>- Operational effectiveness and efficiency;</li> <li>- Financial reporting reliability;</li> <li>- Legal and regulatory compliance.</li> </ul> <p>a. Strong internal controls are important to increase operational efficiency, safeguard assets increase accuracy in financial reporting, and prevent and detect fraud.</p> <p>5) The Township did not present the Q2 2022 variances to Council. The Township does not have a formalized schedule for presenting quarterly variances to Council.</p> <p>a. Council may not have information required for decision making and governance.</p> <p>6) Budgets have not been approved until up to six months into the fiscal year.</p> <p>a. Without an approved budget in place prior to the start of a fiscal year, it is more difficult for the Township to track its execution against the budget and provides opportunity for information that would have normally been presented to Council to be missed.</p> <p>7) Commentary presented in the Township's budget variance reporting to Council is overly broad.</p> <p>a. Council may not have information required for decision making and governance. By not providing more detailed commentary upfront, Council may have more questions for Township Staff thereby increasing meeting lengths, back and forth between Council and Township Staff and potential for unfinished business to be lost.</p> <p>8) The detailed budget presented to Council may not be clear to the reader.</p> <p>a. An overly detailed or unorganized budget may lead to confusion for the reader and result in increased back and forth between Township Staff and Council members.</p> | <ul style="list-style-type: none"> <li>- Information to be reported; and</li> <li>- Roles and responsibilities of Township personnel in relation to reporting to Council.</li> </ul> <p>3) The Township could consider undertaking a review of budget allocations to ensure that costs are allocated to Cost Centers appropriately to facilitate the Township's ability to monitor and understand the performance of the Township relative to budget.</p> <p>4) The Township could consider undertaking a review of internal controls critical to operating budgets including variance analysis and formalizing and implementing those controls. The Township could consider leveraging the Committee of Sponsoring Organizations (COSO) or another framework to guide their internal controls journey.</p> <p>5) The Township could consider formalizing a schedule outlining timing and frequency of reporting to Council regarding quarterly budget variances.</p> <p>6) The Township could consider beginning their budgeting process prior to the start of the fiscal year in order to have an approved budget in place for the entire duration of the year.</p> <p>7) The Township could consider providing more detailed commentary on budget variances, particularly those over a defined threshold or of significant interest to allow for better communication and understanding by Council.</p> <p>8) The Township could consider implementing the following formatting changes in their detailed budget:</p> <ul style="list-style-type: none"> <li>- Excluding accounts with nil balances;</li> <li>- Aggregating lines relating to the same account;</li> <li>- More clearly segregating departments;</li> <li>- Including a surplus/(deficit) subtotal for each department and an overall total.</li> </ul> |

**Schedule 1**

**Targeted Analysis - Misuse of the Township's Tangible Capital Assets**

**Review of Selected Vehicle Disposals**

**Sample #1 - Sterling 2008**

|                 |                   |   |
|-----------------|-------------------|---|
| Purchase Date:  | 7/1/2008          |   |
| Purchase Price: | \$ 192,666.16     |   |
| Amortization:   | \$ 147,710.72     |   |
| NBV:            | \$ 44,955.44      | Not fully amortized, however, per Mr. Kantiya, the asset's condition at the time of disposal was such that it was no longer drivable. |
| Useful Life:    | 15 years          |   |
| New/Used:       | New               |   |
| Description:    | 2008 Sterling STE |   |

| <b>Requirements per Capital Asset Policy</b>   | <b>Action taken for Disposal</b>   | <b>Adherence to Policy</b>  | <b>Documents Reviewed</b>  |
|--|--|---|--|
| The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations.  | At the time of the disposal the asset's NBV was \$44,955.44. The Township received \$5,000 in trade from Adams Brothers in lieu of cash, resulting in a loss on disposal of \$39,955.44 for the asset. | MET - recording of loss appears appropriate.  | Township Asset Register<br>Adams Brothers Offer dated<br>November 12, 2020 |
| Disposal of tangible capital assets that are moveable personal property is the responsibility of Council and the Clerk Administrator. Department heads shall notify the Clerk Administrator when assets become surplus to their needs, so that the asset can be assessed by the Clerk Administrator for the method of disposal. The Clerk Administrator shall notify the Treasurer in order that the asset register can be adjusted. | Department Head notified the Clerk/Administrator that the equipment was surplus. Treasurer then notified by the Clerk/Administrator.   | MET - appropriate process appears to have been utilized to inform of the asset being surplus. |  |
| Disposal of real property will be the responsibility of Council and the Clerk Administrator or his/her designate.  | N/A - asset not real property  | N/A   |  |
| When other constructed tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the department head or designate must notify the Clerk Administrator of the asset description and effective date. The Clerk Administrator will notify the Treasurer, who is responsible for adjusting the asset registers and accounting records recording a loss/gain on disposal.    | N/A - asset not constructed  | N/A   |  |

**Schedule 1**

**Targeted Analysis - Misuse of the Township's Tangible Capital Assets**

**Review of Selected Vehicle Disposals**

**Sample #2 - 1978 Dodge D300 Mini Pumper**

|                 |                |                                     |
|-----------------|----------------|-------------------------------------|
| Purchase Date:  | 7/1/2000       |                                     |
| Purchase Price: | \$ 28,685.00   |                                     |
| Amortization:   | \$ 28,685.00   |                                     |
| NBV:            | \$ -           | Fully amortized at time of disposal |
| Useful Life:    | 20 years       |                                     |
| New/Used:       | Used           |                                     |
| Description:    | 1978 Dodge W40 |                                     |

| <b>Requirements per Capital Asset Policy</b>   | <b>Action taken for Disposal</b>   | <b>Adherence to Policy</b>  | <b>Documents Reviewed</b>   |
|--|--|---|---|
| The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations.  | At the time of disposal the asset was fully amortized and was donated to Firefighters without Borders. As such, there was no gain/loss on disposal to be recorded. | MET - no gain or loss to be recorded.   | FD-2022-01 Staff Report to Council dated July 12, 2022<br>Township Asset Register |
| Disposal of tangible capital assets that are moveable personal property is the responsibility of Council and the Clerk Administrator. Department heads shall notify the Clerk Administrator when assets become surplus to their needs, so that the asset can be assessed by the Clerk Administrator for the method of disposal. The Clerk Administrator shall notify the Treasurer in order that the asset register can be adjusted. | Department Head notified the Clerk/Administrator that the equipment was surplus. Treasurer then notified by the Clerk/Administrator.                               | MET - appropriate process appears to have been utilized to inform of the asset being surplus. |   |
| Disposal of real property will be the responsibility of Council and the Clerk Administrator or his/her designate.  | N/A - asset not real property  | N/A   | N/A   |
| When other constructed tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the department head or designate must notify the Clerk Administrator of the asset description and effective date. The Clerk Administrator will notify the Treasurer, who is responsible for adjusting the asset registers and accounting records recording a loss/gain on disposal.    | N/A - asset not constructed  | N/A   | N/A   |

**Schedule 2**

**Targeted Analysis - Procurement Fraud**

**Sample #1 - GIN-COR Invoice #57431**

**Sample Details**

|                |                         |
|----------------|-------------------------|
| Vendor         | GIN-COR Industries Inc. |
| Date           | 10/18/2019              |
| Invoice Number | 57431                   |
| Amount         | \$1,507.49              |
| Description    | Hex Nut, Quick Hitch    |

| Policy Section             | Policy Requirement  | Action taken for Purchase  | Requirement Met?   | Documents Reviewed   |
|----------------------------|---|--|--|--|
| <b>Low Value Purchases</b> |   |  |  |  |
| 8.03.2                     | Normal or maintenance purchases that are proposed prior to the adoption of the annual budget shall be authorized by the Clerk Administrator, Treasurer or Department Head having a value not exceeding ten thousand dollars (\$10,000). Purchases exceeding ten thousand dollars (\$10,000) shall be authorized by Council. | Products purchased appear to be normal or maintenance in nature and do not exceed \$10,000. Voucher approved by signing authority, Greg Gostick. | MET - nature of items purchased (nuts and bolts) appear to be maintenance related, total value is less than \$10,000 and purchase was part of 2019 operating budget. | Invoice #57431 from Gin-Cor Industries Inc.<br>Cheque Requisition #25247<br>November 2019 Bank Statement |
| <b>Form of Contract</b>    |   |  |  |  |
| 12.01                      | The Award of a contract may be made by way of an Agreement or as a Purchase Order.  | No agreement or purchase order was created.  | NOT MET.   |  |
| <b>Receipt of Goods</b>    |   |  |  |  |
| 18.01                      | The Department Head shall:<br>(a) arrange for the prompt inspection of goods on receipt to confirm conformance with the terms of the Contract, and<br>(b) inform the Treasurer of discrepancies immediately.  | Copy of voucher was approved by Signing Authority, Greg Gostick, confirming the product and price.   | MET - approval of payment indicated acceptance of items received.  | Cheque Requisition #25247  |

**Schedule 3**  
**Targeted Analysis - Procurement Fraud**  
**Sample #2 - Telequip Systems Limited Invoice #TELEQUIN108196**

| <b>Sample Details</b> |                         |
|-----------------------|-------------------------|
| Vendor                | Telequip System Limited |
| Date                  | 6/17/2021               |
| Invoice Number        | TELEQUIN108196          |
| Amount                | \$3,829.57              |
| Description           | Equip Systems Limited   |

| <b>Policy Section</b>     | <b>Policy Requirement</b>   | <b>Action taken for Purchase</b>  | <b>Requirement Met?</b>  | <b>Documents Reviewed</b>  |
|---------------------------|---|---|--|--|
| <b>Low Value Purchase</b> |   |   |  |  |
| 8.03.2                    | Normal or maintenance purchases that are proposed prior to the adoption of the annual budget shall be authorized by the Clerk Administrator, Treasurer or Department Head having a value not exceeding ten thousand dollars (\$10,000). Purchases exceeding ten thousand dollars (\$10,000) shall be authorized by Council. | Products purchased appear to be normal and maintenance in nature and do not exceed \$10,000. Voucher approved by signing authority, Ron Harrison. | MET - purchase was for portable radios and pagers, total value is less than \$10,000 and purchase was part of 2021 operating budget. | Invoice #TELEQUIN108196 from Telequip Systems Limited<br>Cheque Requisition #5471<br>September 2021 bank statement |
| <b>Form of Contract</b>   |   |   |  |  |
| 12.01                     | The Award of a contract may be made by way of an Agreement or as a Purchase Order.  | No agreement or purchase order was created.   | NOT MET.   |  |
| <b>Receipt of Goods</b>   |   |   |  |  |
| 18.01                     | The Department Head shall:<br>(a) arrange for the prompt inspection of goods on receipt to confirm conformance with the terms of the Contract, and<br>(b) inform the Treasurer of discrepancies immediately.  | Copy of voucher was approved by signing authority, Ron Harrison confirming the product and price.   | MET - approval of payment indicated acceptance of items received.  | Cheque Requisition #5741   |

| Schedule 4  |   |   |  |  |
|---|---|---|--|--|
| Targeted Analysis - Procurement Fraud                                     |   |   |  |  |
| Sample #3 - Morrows Plumbing & Heating Inc. Invoice #18918                |   |   |  |  |
| Sample Details  |   |   |  |  |
| Vendor  | Morrows Plumbing & Heating Inc.   |   |  |  |
| Date  | 10/21/2022  |   |  |  |
| Invoice Number  | 18918   |   |  |  |
| Amount  | \$13,411.97   |   |  |  |
| Description   | Firehall Furnace Install  |   |  |  |
| Policy Section  | Policy Requirement  | Action taken for Purchase   | Requirement Met?   | Documents Reviewed   |
| Request for Quotation - Informal (purchases between \$5,001 and \$15,000) |   |   |  |  |
| 8.04.1  | For the procurement of goods, services or construction having a Contract Value of five thousand and one dollars (\$5,001) or more but not exceeding fifteen thousand dollars (\$15,000), an informal Request for Quotation shall be utilized (which shall be deemed to be the "goal" of the Informal Request for Quotation form of procurement).  | Quotation from Morrows Plumbing & Heating obtained in March 2022.   | MET - quotation was sought and received from Morrows Plumbing & Heating.   | Township of McKellar Staff Report #4 dated October 1, 2022<br>Invoice #18918 from Morrows Plumbing & Heating Inc<br>Quote #1917 from Morrows Plumbing & Heating Inc  |
| 8.04.2  | Two Quotations, either by telephone or in writing shall be solicited, provided that the proposed purchase comes within the approved budget appropriations. These purchases do not require formal advertising or receipt of sealed Bids. The Quotations shall be reviewed, and the results tabulated to determine the Award of the Contract for same.  | Quote from Morrows Plumbing & Heating was the only quote obtained. An RFP was also issued on August 31, 2022 with the objective of procuring more proposals.  | NOT MET - only one quotation was obtained, however though an RFP was subsequently issued, no further quotes were obtained.   | Township of McKellar Staff Report #4 dated October 1, 2022<br>Township of McKellar Staff Report #T-2022-5 dated December 6, 2022<br>RFP - FD-2022-01-HEATING Cover Page<br>Quote #1917 from Morrows Plumbing & Heating Inc |
| 8.04.3  | Notwithstanding the requirement to solicit a minimum of two quotations, a Department Head, in consultation with the Clerk-Administrator, shall not be precluded from awarding the contract to a qualified Bidder in the event that two quotation are not received provided that the "goals" of the by-law are maintained.   | Morrows Plumbing & Heating was awarded the contract following consultation between the Fire Department Head and the CAO to allow for single sourcing.   | MET - appropriate actions and consultations were taken following the receipt of only one quotation.  | Township of McKellar Staff Report #T-2022-5 dated December 6, 2022   |
| Sole Source Purchase  |   |   |  |  |
| 8.12 (a)  | A Sole Source Purchase may be used for procurement of goods, services, or construction for Contracts of any Contract Value, in the following circumstances:<br>i. where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a sole source;<br>ii. where a good is purchased for testing or trial use;<br>iii. where the Corporation purchases supplies for resale;<br>iv. where the Corporation has a rental contract with a purchase option and such purchase option could be beneficial to the Corporation;<br>v. notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a non-profit corporation supported by the Corporation, the Corporation may make such purchase as a Sole Source Purchase;<br>vi. where goods are offered for sale by tender, auction or negotiation such purchase will be deemed to be a Sole Source Purchase and the Clerk-Administrator may authorize the submission of a Bid or the conduct of negotiations where the Clerk-Administrator determines the purchase to be clearly in the best interest of the Corporation;<br>vii. for matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or the Corporation. Such purchases may be made as a Sole Source Purchase; which for the purposes of this section shall also be deemed to be the "goals" of the Sole Source Purchase form of procurement. | Morrows Plumbing & Heating quote was obtained in March 2022 and was the only quote obtained. After posting an RFP with the objective of procuring more proposals on August 31, 2022, it closed on September 21, 2022 and yielded zero replies. Single Source was therefore used to purchase to ensure proper installation of new boiler prior to winter to avoid the risk of water tanks freezing. Single Source Purchase was brought to Council in a Staff Report from the Department Head following discussions with the CAO. | MET - the purchase met the requirement under point i. for requiring sole sourcing. Appropriate steps were completed to attempt to gather further quotations, presented to Council and approved by the appropriate levels of staff. | Township of McKellar Staff Report #4 dated October 1, 2022<br>Township of McKellar Staff Report #T-2022-5 dated December 6, 2022   |
| Form of Contract  |   |   |  |  |
| 12.01   | The Award of a contract may be made by way of an Agreement or as a Purchase Order.  | No agreement or purchase order was created.   | NOT MET.   |  |



| Schedule 4   |  |  |   |                          |
|--|--|--|---|--------------------------|
| Targeted Analysis - Procurement Fraud                      |  |  |   |                          |
| Sample #3 - Morrows Plumbing & Heating Inc. Invoice #18918 |  |  |   |                          |
| Sample Details   |  |  |   |                          |
| Vendor   | Morrows Plumbing & Heating Inc.  |  |   |                          |
| Date   | 10/21/2022   |  |   |                          |
| Invoice Number   | 18918  |  |   |                          |
| Amount   | \$13,411.97  |  |   |                          |
| Description  | Firehall Furnace Install   |  |   |                          |
| Policy Section   | Policy Requirement   | Action taken for Purchase  | Requirement Met?  | Documents Reviewed       |
| Receipt of Goods   |  |  |   |                          |
| 18.01  | The Department Head shall:<br>(a) arrange for the prompt inspection of goods on receipt to confirm conformance with the terms of the Contract, and<br>(b) inform the Treasurer of discrepancies immediately. | Copy of voucher was approved by signing authority, Robert Morrison confirming the product and price. | MET - approval of payment indicated acceptance of items received. | Cheque requisition #6555 |

| Schedule 5   |   |   |  |   |
|--|---|---|--|---|
| Targeted Analysis - Procurement Fraud                                    |   |   |  |   |
| Sample #4 - Clark-Kavanagh Homes Inc. Invoice #7649                      |   |   |  |   |
| Sample Details   |   |   |  |   |
| Vendor   | Clark-Kavanagh Homes  |   |  |   |
| Date   | 11/5/2020   |   |  |   |
| Invoice Number   | 7649  |   |  |   |
| Amount   | \$18,498.10   |   |  |   |
| Description  | Steamer/Sewer Snake   |   |  |   |
| Policy Section   | Policy Requirement  | Action taken for Purchase   | Requirement Met?   | Documents Reviewed                      |
| Prescribed Council Approval  |   |   |  |   |
| 7.01   | Despite any other provisions of this by-law, the following Contracts are subject to Council approval:<br>(f) any contract having a value in excess of fifteen thousand dollars (\$15,000).  | \$17,000 was approved in the 2020 Capital Budget for a new steam generator.   | MET - approval of purchase over \$15,000 was obtained through the approval of the 2020 Capital Budget. | 2020 Budget                             |
| Request for Quotation - Formal (purchases between \$15,001 and \$25,000) |   |   |  |   |
| 8.05.1   | For the procurement of goods, services or construction having a Contract Value of fifteen thousand and one dollars (\$15,001) or more but not exceeding twenty five thousand dollars (\$25,000), a formal Request for Quotation shall be utilized (which shall be deemed to be the "goal" of the Formal Request for Quotation form of procurement)  | A formal quotation process was not completed for this purchase as the vendor was the only provider of a steamer in the region.  | NOT MET - did not go through formal quotation process.   |   |
| 8.05.3   | Notwithstanding the requirement to solicit a minimum of three quotations, a Department Head, in consultation with the Clerk-Administrator shall not be precluded from awarding the contract to a qualified Bidder in the event that three quotation are not received provided that the "goals" of the by-law are maintained.  | Contract was awarded to Clark-Kavanagh Homes being the only provider of steamer in the area.  | NOT MET - though the contract was awarded, no formal RFQ was issued.                                   | Invoice #7649 from Clark-Kavanagh Homes |
| Sole Source Purchase   |   |   |  |   |
| 8.12 (a)   | A Sole Source Purchase may be used for procurement of goods, services, or construction for Contracts of any Contract Value, in the following circumstances:<br>i. where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a sole source;<br>ii. where a good is purchased for testing or trial use;<br>iii. where the Corporation purchases supplies for resale;<br>iv. where the Corporation has a rental contract with a purchase option and such purchase option could be beneficial to the Corporation;<br>v. notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a non-profit corporation supported by the Corporation, the Corporation may make such purchase as a Sole Source Purchase;<br>vi. where goods are offered for sale by tender, auction or negotiation such purchase will be deemed to be a Sole Source Purchase and the Clerk-Administrator may authorize the submission of a Bid or the conduct of negotiations where the Clerk-Administrator determines the purchase to be clearly in the best interest of the Corporation;<br>vii. for matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or the Corporation. Such purchases may be made as a Sole Source Purchase; which for the purposes of this section shall also be deemed to be the "goals" of the Sole Source Purchase form of procurement. | Single Source was used to purchase as the vendor was the only provider of the steamer in the area.  | MET - the purchase met the requirement under point i. for requiring sole sourcing.                     |   |
| 8.12 (b)   | The Award of any Sole Source Purchase Contract having a Contract Value in excess of fifteen thousand dollars (\$15,000) requires Council approval.  | \$17,000 was approved in the 2020 Capital Budget for a new steam generator, however the Sole Source Purchase does not appear to have been specifically approved by Council. | NOT MET - It does not appear that this sole source purchase was brought to Council for approval.       | 2020 Budget                             |

| <b>Schedule 5</b>  |  |   |   |   |
|--|--|---|---|---|
| <b>Targeted Analysis - Procurement Fraud</b>               |  |   |   |   |
| <b>Sample #4 - Clark-Kavanagh Homes Inc. Invoice #7649</b> |  |   |   |   |
| <b>Sample Details</b>                                      |  |   |   |   |
| Vendor   | Clark-Kavanagh Homes   |   |   |   |
| Date   | 11/5/2020  |   |   |   |
| Invoice Number   | 7649   |   |   |   |
| Amount   | \$18,498.10  |   |   |   |
| Description  | Steamer/Sewer Snake  |   |   |   |
| <b>Policy Section</b>                                      | <b>Policy Requirement</b>  | <b>Action taken for Purchase</b>  | <b>Requirement Met?</b>   | <b>Documents Reviewed</b>               |
| <b>Form of Contract</b>                                    |  |   |   |   |
| 12.01  | The Award of a contract may be made by way of an Agreement or as a Purchase Order.   | No agreement or purchase order was created.   | NOT MET.  |   |
| <b>Receipt of Goods</b>                                    |  |   |   |   |
| 18.01  | The Department Head shall:<br>(a) arrange for the prompt inspection of goods on receipt to confirm conformance with the terms of the Contract, and<br>(b) inform the Treasurer of discrepancies immediately. | Invoice denoted that cash was due on delivery, as such, the payment was provided following inspection by the Department Head, Greg Gostick. | MET - approval of payment indicated acceptance of items received. | Invoice #7649 from Clark-Kavanagh Homes |

**Schedule 6**

**Targeted Analysis - Procurement Fraud**

**Sample #5 - Duncor Enterprises Inc. Invoice #2022622**

**Sample Details**

|                |                         |
|----------------|-------------------------|
| Vendor         | Duncor Enterprises Inc. |
| Date           | 9/15/2022               |
| Invoice Number | 2022622                 |
| Amount         | \$318,895.31            |
| Description    | Duncor Job 2022-030     |

| Policy Section   | Policy Requirement  | Action taken for Purchase   | Requirement Met?  | Documents Reviewed  |
|--|---|---|---|---|
| <b>Request for Tender (Purchases exceeding \$25,001)</b> |   |   |   |   |
| 8.06 (a)   | For the procurement of goods, services or construction having a Contract Value of twenty five thousand and one dollars (\$25,001) or more, provided that the proposed purchase comes within the approved budget appropriations, a Request for Tender shall be used where all of the following criteria apply:<br>i. two or more sources are considered capable of supplying the good, service or construction;<br>ii. the good, service or construction is adequately defined to permit the evaluation of Tenders against clearly stated criteria; and<br>iii. the market condition are such that Tenders can be submitted on a common and competitive pricing basis; which for the purpose of this section, shall also be deemed to be the "goal" of the Request for Tender form of procurement. | Request for Tender was issued as all criteria applied to the purchase, relating to road construction. | MET - correct form of procurement used given the applicable criteria. | Tendor No. PW-2022-04-DLST  |
| 8.06 (b)   | The Department head, in consultation with the Clerk-Administrator and/or the Treasurer, shall prepare a purchase requisition containing the relevant specification, terms and conditions for the acquisition.   | No purchase requisition was prepared.   | NOT MET.  |   |
| 8.06 (c)   | The form of the request for tender shall, to the extent possible, use standardized documentation, provided that if such documentation is provided by professional advisors, the advisors shall confirm the adequacy and appropriateness of their standardized documentation.  | Tenders submitted using Standard Forms, provided by the Township's office.                            | MET - standardized forms used by the vendor.                          | Tender Bid prepared by Duncor Enterprises Inc.  |
| 8.06 (e)   | Notice of the Tender shall be given by formal advertising. Notice shall also be given to all Bidders who were required to be Pre-qualified and to all Bidders who were required to submit an Expression of Interest.  | Tender advertised on website, social media, and in the newspaper.                                     | MET - appropriate advertising u                                       | Township of McKellar website<br>McKellar Township Facebook page<br>Tendor No. PW-2022-04-DLST |
| 8.06 (f)   | Each advertisement for Tender shall typically contain the following information:<br>i. Location where Tender documents may be obtained.<br>ii. Amount of non-refundable fee for the documents, if applicable.<br>iii. Data and time of tender closing and opening.<br>iv. General specification of goods, services or construction to be performed.<br>v. Name and phone number of contact person.<br>vi. Each tender advertisement shall contain the following statements: "Tenders on the prescribed Tender Form and sealed in an envelope clearly marked as such will be received by the Clerk-Administrator at the Township of McKellar - 701 Hwy. 124, P.O. Box 69, McKellar, ON P0G 1C0." and " The lowest or any tender will not necessarily be accepted".                                 | All requirements are clearly included in the tender document.   | MET - all required information included.                              | Tendor No. PW-2022-04-DLST  |

**Schedule 6**

**Targeted Analysis - Procurement Fraud**

**Sample #5 - Duncor Enterprises Inc. Invoice #2022622**

**Sample Details**

|                |                         |
|----------------|-------------------------|
| Vendor         | Duncor Enterprises Inc. |
| Date           | 9/15/2022               |
| Invoice Number | 2022622                 |
| Amount         | \$318,895.31            |
| Description    | Duncor Job 2022-030     |

| <b>Policy Section</b> | <b>Policy Requirement</b>  | <b>Action taken for Purchase</b>  | <b>Requirement Met?</b>                                      | <b>Documents Reviewed</b>   |
|-----------------------|--|---|--|---|
| 8.06 (g)              | The Closing Date for the Tender shall be no sooner than two weeks following publication in the local media unless the urgency of the requirement dictates otherwise and approval by resolution of Council has been obtained.   | Tender was advertised March 30, 2022 and closed April 14, 2022.   | MET - 15 days occurred between publication and closing date. | Township of McKellar website<br>McKellar Township Facebook page<br>Tendor No. PW-2022-04-DLST |
| 8.06 (h)              | The Tender Form, supplied by the municipality, must be fully completed and in the possession of the Clerk-Administrator on or before the Tender Closing date and time. Tenders received after the closing time shall not be considered but shall be returned unopened to the Bidder.   | Two bid submissions received on April 14, 2022 prior to the 1pm closing time.   | MET - no late bids received.                                 | Summary of Tenders - PW-2022-04-DLST  |
| 8.06 (i)              | Sealed Tenders with a public opening shall be required.  | Public opening occurred on April 19, 2022.  | MET.   | Summary of Tenders - PW-2022-04-DLST  |
| 8.06 (l)              | The Tender shall be opened by the Clerk-Administrator or designate and Department Head. The envelope, Form of Tender, cheque, and Agreement to Bond, if required, for each individual tender shall be clipped together. The Clerk-Administrator or designate shall announce the name of the Bidder, the general specifications, the total amount of each bid, and the total number of bids received. All persons present at the Tender Opening shall be advised that the tenders will be referred to the designated person responsible for the Tender and that a recommendation will be made to Council. | Bids opened by Clerk-Administrator.   | MET - appropriate person opened the bids.                    | Summary of Tenders - PW-2022-04-DLST  |
| 8.06 (m)              | The Clerk-Administrator shall promptly file all certified cheques or other security with the Treasurer for safekeeping and prepare a Summary of Tenders containing the name of each bidder, the general specifications, and the total amount of each bid. The Summary of Tenders shall be made available to the public.  | Summary of Tenders prepared outlining the required information.   | MET - Summary of Tenders prepared appropriately.             | Summary of Tenders - PW-2022-04-DLST  |
| 8.06 (t)              | Award of any Tender having a Contract Value in excess of twenty five thousand dollars (\$25,000) requires Council approval.  | Council resolved that the tender of Duncor Enterprises Incorporated in the amount of \$264,541.12 plus applicable taxes be accepted at the May 10, 2022 meeting of Council. | MET - resolution of Council signed by Mayor Peter Hopkins.   | Resolution No. 22-168   |

**Form of Contract**

|       |  |   |          |
|-------|--|---|----------|
| 12.01 | The Award of a contract may be made by way of an Agreement or as a Purchase Order. | No agreement or purchase order was created. | NOT MET. |
|-------|--|---|----------|

**Contracts Documents**

**Schedule 6**

**Targeted Analysis - Procurement Fraud**

**Sample #5 - Duncor Enterprises Inc. Invoice #2022622**

**Sample Details**

|                |                         |
|----------------|-------------------------|
| Vendor         | Duncor Enterprises Inc. |
| Date           | 9/15/2022               |
| Invoice Number | 2022622                 |
| Amount         | \$318,895.31            |
| Description    | Duncor Job 2022-030     |

| <b>Policy Section</b> | <b>Policy Requirement</b>   | <b>Action taken for Purchase</b>                  | <b>Requirement Met?</b> | <b>Documents Reviewed</b> |
|-----------------------|---|---|-------------------------|---------------------------|
| 13.01                 | Where the purchase of goods, services or construction has been authorized, the contract shall be executed by the Mayor and Clerk-Administrator and shall be in a form approved by Clerk Administrator | No formal contract was executed for the purchase. | NOT MET.                |                           |

**Bid Evaluation Committee**

|       |   |   |   |  |
|-------|---|---|---|--|
| 17.01 | The Clerk Administrator shall establish a bid evaluation committee composed of, at a minimum, three members from the following: the Department Head who is responsible for the call for bids in question, an outside professional, a member of Council, the Clerk Administrator, and another staff member with special experience in the field of the particular call for bids. | The bid evaluation committee consisted of two individuals, the Department Head who is responsible for the call for bids in question, and the Clerk-Administrator. | NOT MET - bid evaluation committee was one person short of the requirement. | PW-2022-000 - 2022 Lowest Tender Results |
|-------|---|---|---|--|

**Schedule 7**  
**Targeted Analysis - Procurement Fraud**  
**Sample #6 - Tatham Engineering Ltd. Road Needs Study**

| Sample Details |   |
|----------------|---|
| Vendor         | Tatham Engineering Ltd.                         |
| Date           | 5/31/2021 - 11/30/2021                          |
| Invoice Number | 70088, 70868, 71335, 71724, 72443, 72902, 73764 |
| Amount         | \$25,091.43                                     |
| Description    | Road Needs Study                                |

| Policy Section   | Policy Requirement   | Action taken for Purchase   | Requirement Met?   | Documents Reviewed   |
|--|--|---|--|--|
| <b>Request for Proposal (purchases exceeding \$25,001)</b> |  |   |  |  |
| 8.07 (a)   | For the procurement of goods, services, or construction having a Contract Value of twenty five thousand and one dollars (\$25,001) or more, provided the proposed purchase comes within the approved budget appropriations, a Request for Proposal shall be used where after applying the following criteria, it is determined that the Request for Proposal is a more appropriate form of procurement than Tender:<br>i. the procurement is required as a result of a peculiar problem, requirement or objective;<br>ii. the selection of the Supplier depends more upon the effectiveness of the proposed solution, than the price alone;<br>iii. one or more of the criteria for issuing a Tender cannot be met;<br>iv. it is expected that negotiation with one or more Bidders may be required with respect to any aspect of the Contract; and<br>v. the precise good, service or construction, or the specifications thereof are not known or are not definable and it is expected that Bidders will further define them; which for the purposes of this section shall also be deemed to be the "goals" of the Request for Proposal form of procurement. | Request for Proposal was issued as the selection was more dependent on the proposed solution as opposed to a Request for Tender.  | MET - correct form of procurement used given the applicable criteria.            | Request for Proposal - Provision of Engineering Services for a Comprehensive 2021 Road Needs Study |
| 8.07 (b)   | The Department Head in consultation with the Clerk-Administrator and/or the Treasurer shall prepare a purchase requisition containing the relevant specifications, terms and conditions for the acquisition.   | No purchase requisition was prepared.   | NOT MET.   |  |
| 8.07 (c)   | Notice of the Request for Proposal shall be given by formal advertising. Notice shall also be given to all Bidders who were required to be Pre-qualified and to all Bidders who were required to submit an Expression of Interest.   | RFP advertised on website, social media, and in the newspaper.  | MET - appropriate advertising undertaken.  |  |
| 8.07 (d)   | The Award of any Request for Proposal having a Contract Value in excess of twenty five thousand and one dollar (\$25,001) requires Council approval.   | Council accepted the proposal of Tatham Engineering Limited in the Provisional of a Comprehensive Engineered Road Needs Study in the amount of \$24,475 plus applicable taxes be accepted at the April 13, 2021 meeting of Council. | MET - motion moved by Councillor Carmichael and seconded by Councillor Ancinelli | April 13, 2021 Council Meeting Minutes   |

| Schedule 7   |   |   |   |  |
|--|---|---|---|--|
| Targeted Analysis - Procurement Fraud                |   |   |   |  |
| Sample #6 - Tatham Engineering Ltd. Road Needs Study |   |   |   |  |
| Sample Details                                       |   |   |   |  |
| Vendor   | Tatham Engineering Ltd.   |   |   |  |
| Date   | 5/31/2021 - 11/30/2021  |   |   |  |
| Invoice Number                                       | 70088, 70868, 71335, 71724, 72443, 72902, 73764   |   |   |  |
| Amount   | \$25,091.43   |   |   |  |
| Description  | Road Needs Study  |   |   |  |
| Policy Section                                       | Policy Requirement  | Action taken for Purchase   | Requirement Met?  | Documents Reviewed   |
| 8.06 (c)   | The form of the request for tender shall, to the extent possible, use standardized documentation, provided that if such documentation is provided by professional advisors, the advisors shall confirm the adequacy and appropriateness of their standardized documentation.  | RFPs submitted using Standard Forms, provided by the Township's office.                                 | MET - standardized forms used by the vendor.                                | RFP Bid prepared by Tatham Engineering Limited.  |
| 8.06 (g)   | The Closing Date for the Tender shall be no sooner than two weeks following publication in the local media unless the urgency of the requirement dictates otherwise and approval by resolution of Council has been obtained.  | Tender was advertised March 1, 2021 and closed March 19, 2021.  | MET - 19 days occurred between publication and closing date.                | Request for Proposal - Provision of Engineering Services for a Comprehensive 2021 Road Needs Study |
| 8.06 (h)   | The Tender Form, supplied by the municipality, must be fully completed and in the possession of the Clerk-Administrator on or before the Tender Closing date and time. Tenders received after the closing time shall not be considered but shall be returned unopened to the Bidder.  | Three proposals were received within the time frame.  | MET - no late bids received.  | Township of McKellar Staff Report #PW-2021-6 dated April 13, 2021                                  |
| Form of Contract                                     |   |   |   |  |
| 12.01  | The Award of a contract may be made by way of an Agreement or as a Purchase Order.  | No agreement or purchase order was created.   | NOT MET.  |  |
| Contracts Documents                                  |   |   |   |  |
| 13.01  | Where the purchase of goods, services or construction has been authorized, the contract shall be executed by the Mayor and Clerk-Administrator and shall be in a form approved by Clerk Administrator   | No formal contract was executed for the purchase.   | NOT MET.  |  |
| Bid Evaluation Committee                             |   |   |   |  |
| 17.01  | The Clerk Administrator shall establish a bid evaluation committee composed of, at a minimum, three members from the following: the Department Head who is responsible for the call for bids in question, an outside professional, a member of Council, the Clerk Administrator, and another staff member with special experience in the field of the particular call for bids. | The bid evaluation committee consisted of two individuals, the Treasury Assistant and the Deputy Clerk. | NOT MET - bid evaluation committee was one person short of the requirement. |  |



| Schedule 8                                  |   |   |   |  |
|---|---|---|---|--|
| Targeted Analysis - Procurement Fraud       |   |   |   |  |
| Sample #7 - Inholmes Bridge Capital Project |   |   |   |  |
| Sample Details                              |   |   |   |  |
| Vendor                                      | Algonquin Bridge  |   | RHH Engineering   |  |
| Date  | 8/22/2022 - 11/30/2022  |   | 10/11/2022  |  |
| Invoice Numbers                             | INV-08556-961, INV-08684-961, INV-08703-961, INV-08711-961  |   | 22018   |  |
| Amount                                      | \$153,283.83  |   | \$10,904.50   |  |
| Description                                 | Inholmes emergency bridge - drawing, engineering, fabrications, delivery  |   | Damage inspection, engineering designs  |  |
| Policy Section                              | Policy Requirement  | Action taken for Purchase   | Requirement Met?  | Documents Reviewed   |
| Sole Source Purchase                        |   |   |   |  |
| 8.12 (a)                                    | A Sole Source Purchase may be used for procurement of goods, services, or construction for Contracts of any Contract Value, in the following circumstances:<br>i. where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a sole source;<br>ii. where a good is purchased for testing or trial use;<br>iii. where the Corporation purchases supplies for resale;<br>iv. where the Corporation has a rental contract with a purchase option and such purchase option could be beneficial to the Corporation;<br>v. notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a non-profit corporation supported by the Corporation, the Corporation may make such purchase as a Sole Source Purchase;<br>vi. where goods are offered for sale by tender, auction or negotiation such purchase will be deemed to be a Sole Source Purchase and the Clerk-Administrator may authorize the submission of a Bid or the conduct of negotiations where the Clerk-Administrator determines the purchase to be clearly in the best interest of the Corporation;<br>vii. for matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or the Corporation. Such purchases may be made as a Sole Source Purchase; which for the purposes of this section shall also be deemed to be the "goals" of the Sole Source Purchase form of procurement. | The purchase was made in an emergency, so it was sourced from a single company as they are the only ones who manufacture the bridge.    | MET - given the abrupt need for the purchase and the uniqueness of the asset to be purchased, sole sourcing appears to be reasonable. | Township of McKellar Staff Report #PW-2022-02 dated June 24, 2022<br>Algonquin Bridge Invoices: INV-08556-961, INV-08684-961, INV-08703-961, INV-08711-961<br>RHH Engineering Invoice #22018 |
| 8.12 (b)                                    | The Award of any Sole Source Purchase Contract having a Contract Value in excess of fifteen thousand dollars (\$15,000) requires Council approval.  | Initially approved by Council on June 24, 2022, with an amended amount of \$332,839 plus HST approved for the project on July 28, 2022. | MET - Council approval was appropriately obtained.  | Township of McKellar Staff Report #PW-2022-02 dated June 24, 2022<br>Township of McKellar Staff Report #PW-2022-03 dated July 28, 2022   |
| Form of Contract                            |   |   |   |  |
| 12.01                                       | The Award of a contract may be made by way of an Agreement or as a Purchase Order.  | No agreement or purchase order was created.   | NOT MET.  |  |
| Contracts Documents                         |   |   |   |  |
| 13.01                                       | Where the purchase of goods, services or construction has been authorized, the contract shall be executed by the Mayor and Clerk-Administrator and shall be in a form approved by Clerk Administrator   | No formal contract was executed for the purchase.   | NOT MET.  |  |
| Receipt of Goods                            |   |   |   |  |
| 18.01                                       | The Department Head shall:<br>(a) arrange for the prompt inspection of goods on receipt to confirm conformance with the terms of the Contract, and<br>(b) inform the Treasurer of discrepancies immediately.  | Copy of vouchers were approved by signing authority, Greg Gostick or Ina Watkinson confirming the product and price.                    | MET - approval of payment indicated acceptance of items received.   | Cheque Requisition #6528, 6517<br>Cheque Requisition #6669   |